

News Release

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FINRA Fines Aegis Capital Corp. \$550,000 for Anti-Money Laundering and Supervision Rule Violations

WASHINGTON — The Financial Industry Regulatory Authority (FINRA) announced today that it has fined Aegis Capital Corp. \$550,000 for failing to have adequate supervisory and anti-money laundering (AML) programs tailored to detect "red flags" or suspicious activity connected to its sale of low-priced securities.

FINRA found that Aegis' supervisory system for trading in delivery versus payment (DVP) accounts was not reasonably designed to satisfy its obligation to monitor and investigate trading in DVP accounts, particularly in low-priced securities transactions. In a DVP account, customers buy and sell securities that are not held at the brokerage firm executing the trades, and the purchases and sales of those shares are then effected through the brokerage firm. During its investigation, FINRA found that Aegis failed to adequately monitor or investigate the trading in seven DVP customer accounts that liquidated billions of shares of low-priced securities, generating millions of dollars in proceeds for its customers. Several of these customers were foreign financial institutions that effected transactions on behalf of their underlying customers, all of whom were unknown to Aegis. The firm did not identify these trades as suspicious even after its clearing firm alerted Aegis to AML red flags and specific suspicious low-priced securities transactions. These violations were accompanied by a failure to implement an adequate AML program tailored to detect red flags associated with these sales.

"It's critical that firms have effective AML systems in place so that they can comply with their obligations to review suspicious transactions, including those involving trading in low-priced securities," said Susan Schroeder, FINRA's Executive Vice President, Department of Enforcement. "The AML and supervision rules are important components of investor protection and market integrity, and member firms must have reasonably designed systems to ensure these rules are effectively implemented."

In settling this matter, Aegis neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

In its 2018 Regulatory and Examination Priorities [Letter](#), FINRA highlighted AML as an area of concern and noted it will assess the adequacy of firms' AML programs and their policies and procedures to detect and report suspicious transactions. Firms can also review FINRA's [Examination Findings Report](#) to understand FINRA's areas of concern and observations on effective practices related to AML.

The Securities and Exchange Commission (SEC) also [announced today](#) that Aegis agreed to pay a \$750,000 penalty in a separate action involving anti-money laundering violations by the firm. FINRA appreciates the assistance of the SEC and FinCEN.

Investors can obtain more information about, and the disciplinary record of, any FINRA-registered broker or brokerage firm by using FINRA's BrokerCheck. FINRA makes BrokerCheck available at no charge. Investors can access BrokerCheck at www.finra.org/brokercheck or by calling (800) 289-9999. Investors may find copies of this disciplinary action as well as other disciplinary documents in FINRA's Disciplinary Actions Online database. Investors can also call FINRA's Securities Helpline for Seniors at (844) 57-HELPS for assistance or to raise concerns about issues they have with their brokerage accounts and investments.

FINRA is dedicated to investor protection and market integrity. It regulates one critical part of the securities industry – brokerage firms doing business with the public in the United States. FINRA, overseen by the SEC, writes rules, examines

for and enforces compliance with FINRA rules and federal securities laws, registers broker-dealer personnel and offers them education and training, and informs the investing public. In addition, FINRA provides surveillance and other regulatory services for equities and options markets, as well as trade reporting and other industry utilities. FINRA also administers a dispute resolution forum for investors and brokerage firms and their registered employees. For more information, visit www.finra.org.

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