UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 82957/ March 28, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18413

In the Matter of **KEVIN MCKENNA and ROBERT EIDE** **Respondents.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTION 203(f) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"), Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act"), and Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") against Kevin McKenna and Robert Eide (collectively "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement ("Offers"), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided in Section IV.E. herein, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Exchange Act of 1934, Section 203(f) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offer, the Commission finds[1] that:

SUMMARY

This matter involves the conduct of two senior persons in connection with anti-money laundering ("AML") compliance failures at Aegis Capital Corporation ("Aegis" or "the firm"), a registered broker-dealer: Kevin McKenna ("McKenna") who served as the firm's AML Compliance Officer ("AML CO") from June 2012 to mid-2013 and Robert Eide ("Eide"), who serves as the firm's Chief Executive Officer ("CEO").

From at least late 2012 through early 2014, Aegis failed to file Suspicious Activity Reports ("SARs") on hundreds of transactions when it knew, suspected, or had reason to suspect that the transactions involved the use of the broker-dealer to facilitate fraudulent activity or had no business or apparent lawful purpose. Many of the transactions involved red flags of potential market manipulation, including high trading volume in companies with little or no business activity during a time of simultaneous promotional activity. Aegis did not file SARs on these transactions even when it specifically identified AML red flags implicated by these transactions in its written supervisory procedures.

Under Aegis' written supervisory procedures, the firm's AML COs (McKenna and then another former AML CO ("Former AML CO")) were responsible for filing SARs on the firm's behalf. Throughout the relevant period, McKenna and the Former AML CO became aware of transactions that exhibited numerous AML red flags through alerts from Aegis' clearing firms (hereinafter defined as "AML Alerts"). McKenna and the Former AML CO were the primary points of contact for the clearing firms as it related to suspicious activity. Although the AML Alerts raised many red flags – including many red flags listed in Aegis' written supervisory procedures as examples of suspicious activities – McKenna and the Former AML CO did not file SARs on Aegis' behalf regarding these transactions and they did not create written analyses or compile other records indicating that they considered filing SARs.

Throughout the relevant period, Eide was alerted to at least some of these suspicious low-priced securities transactions as well, but he failed to take adequate steps to ensure that Aegis was filing the requisite SARs. For example, in January 2013, Aegis' clearing firm began identifying red flags in Aegis' low-priced securities business and communicated them to Aegis personnel through the AML Alerts. Then, in a January 2014 letter directly addressed to Eide, the Commission's Office of Compliance Inspections and Examinations ("OCIE") identified serious deficiencies in Aegis' SAR-filing practices related to its low-priced securities business. Although subsequent suspicious transactions occurred at Aegis, the firm did not file SARs regarding those transactions.

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[1] The findings herein are made pursuant to Respondents' Offers and are not binding on any other person or entity in this or any other proceeding.

As a result of the foregoing, McKenna willfully[2] aided and abetted and caused Aegis' violations of Exchange Act Section 17(a) and Rule 17a-8 thereunder and Eide was a cause of Aegis' violations.

RESPONDENTS

Kevin McKenna, 61. McKenna served as Aegis' AML CO from June 2012 to June 2013.

Robert Eide, 65. Eide is the founder and CEO of Aegis Capital Corporation, and the 100% owner of Aegis Capital Holding Corporation, which is the 100% owner of Aegis Capital Corporation.

OTHER RELEVANT ENTITIES

Aegis is a dually-registered investment adviser and broker-dealer with multiple branches and is headquartered in New York, NY. For its fiscal year 2014, Aegis had revenues of approximately $123 million and, for its fiscal year 2015, revenues of approximately $98 million. During those fiscal years, Aegis had revenues of approximately $250,000 and $270,000 from its low-priced securities business. Aegis' business consists of investment banking, venture capital, and debt market services as well as full-service retail and institutional advisory and brokerage services.

FACTS

A. Aegis' Low Priced Securities Business

1. During the relevant period, Aegis had various brokerage customers who transacted in low-priced securities. Several of these customers did so through Delivery Versus Payment/Receive Versus Payment accounts ("DVP/RVP"). In DVP/RVP accounts held at Aegis, the customer deposited their shares at another firm in a custodial account, and the sale transactions were effected through Aegis. During the relevant period, Aegis had relationships with various clearing firms that assisted in effecting low-priced securities transactions.

2. Aegis had customers at their branch offices who transacted in low-priced securities. Several of these customers were foreign financial institutions that effected transactions on behalf of their underlying customers, all of whom were unknown to Aegis.

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[2] A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting Hughes v. SEC, 174 F.2d 969, 977 (D.C. Cir. 1949)).

B. Aegis' Anti-Money Laundering Compliance Program – Written Supervisory Procedures Concerning SARs and Specific Red Flags Related to Market Manipulations

3. During the relevant period, Aegis had specific written supervisory procedures concerning compliance with its AML responsibilities. Aegis' written supervisory procedures expressly identified Aegis' AML CO as the individual responsible for deciding whether Aegis needed to file a SAR. Moreover, Aegis' written supervisory procedures stated that all Aegis employees were obligated to "promptly report to the [AML CO] any known or suspected violations of anti-money laundering policies as well as other suspected violations or crimes."

4. Pursuant to 31 C.F.R. § 1023.320 (the "SAR Rule"), Aegis was required to file SARs for transactions by, at or through the firm that involved or aggregated at least $5,000 if Aegis knew, suspected, or had reason to suspect that, among other things, the transactions involved funds derived from illegal activity, had no business or apparent lawful purpose, or involved using Aegis to facilitate criminal activity. Aegis explicitly cited the SAR Rule in its written supervisory procedures.

5. Aegis, in its written supervisory procedures, expressly identified certain trading in low-priced securities as suspicious activity that could warrant a SAR filing:

> Aegis will file [SARs] for transactions that may be indicative of money laundering activity. Suspicious activities include a wide range of questionable activities; ***examples include trading that constitutes a substantial portion of all trading for the day in a particular security . . . [and] heavy trading in low-priced securities.***
>
> (emphasis added.)

6. Aegis, in its written supervisory procedures, also expressly identified specific AML red flags associated with low-priced securities transactions of which its employees should be aware. These specific AML red flags – many of which were also described as red flags in industry notices issued by FINRA (e.g., FINRA Notice to Members 09-05 and NASD Notice to Members 02-21) – included the following:

   i. There is a sudden spike in investor demand for, coupled with a rising price in, a thinly-traded or low-priced security;

   ii. The issuer has been through several recent name changes, business combinations or recapitalizations, or the company's officers are also officers of numerous similar companies;

   iii. The issuer's SEC filings are not current, are incomplete, or nonexistent;

   iv. The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity;

v. The customer's account has wire transfers that have no apparent business purpose to or from a country identified as a money laundering risk or a bank secrecy haven; and

vi. The customer, for no apparent reason or in conjunction with other "red flags," engages in transactions involving certain types of securities, such as penny stocks . . . which although legitimate, have been used in connection with fraudulent schemes and money laundering activity.

C. McKenna and the Former AML CO Failed to File SARs on Aegis' Behalf Concerning Low-Priced Securities Transactions

7. McKenna and the Former AML CO – throughout the relevant period – failed to file SARs on Aegis' behalf concerning low-priced securities transactions, and they did not create written analyses or compile other records indicating that they considered filing SARs.

8. McKenna and the Former AML CO failed to file SARs on Aegis' behalf despite the fact that numerous low-priced securities transactions effected through the firm exhibited several of the AML red flags that Aegis specifically identified in its written supervisory procedures.

9. In particular, McKenna and the Former AML CO failed to file SARs on transactions in which Aegis' customers were:

(i) selling large quantities of low-priced securities that comprised a significant percentage of the issuers' daily trading volume and outstanding float;

(ii) trading shares of issuers who had changed names and business lines;

(iii) selling substantial shares of low-priced securities during periods of spikes in price and volume of the issuers' securities and during paid promotional campaigns; and/or

(iv) trading in shares of issuers' that had little or no market activity until the promotions began.

10. McKenna and the Former AML CO failed to file SARs on Aegis' behalf on low-priced securities transactions even when they received AML Alerts from its clearing firm about such suspicious transactions.

11. These AML Alerts were sent from a clearing firm that Aegis hired in July 2012 and transitioned its clearing business to by December 2012 (the "New Clearing Firm").

12. Beginning in January 2013, the New Clearing Firm identified AML red flags in Aegis' low-priced securities business. However, despite receiving these AML Alerts, McKenna and the Former AML CO failed to file SARs on Aegis' behalf, and they did not create written analyses or compile other records indicating that they considered filing SARs.

Nor did they follow up with others to learn why firm employees or Aegis' trade surveillance system had not brought the suspicious transactions identified in the AML Alerts to their attention.

13. Had McKenna and the Former AML CO followed up to learn why suspicious transactions were not being brought to their attention through the firm's own internal systems, they would have learned that the firm's trade surveillance system did not analyze DVP/RVP transactions for suspicious activity. Rather, they would have learned that these transactions were simply batch approved by the applicable Aegis personnel.

D. Illustrative Examples of Transactions in which McKenna or the Former AML CO Failed to File SARs on Aegis' Behalf

i. Customer A

14. Between October 17 and December 27, 2012, an Aegis customer – Customer A – sold approximately 2.1 million shares of Issuer A, which traded on OTC Link (previously "Pink Sheets") operated by OTC Markets Group Inc. ("OTC Link"). Customer A held a DVP/RVP account at Aegis and is a private Swiss bank that traded significant volumes of low-priced securities through an omnibus arrangement with Aegis on behalf of the Swiss bank's underlying clients who were unknown to Aegis.

15. At the same time Customer A was selling shares of Issuer A, a stock promotion touting the company's prospects was underway. Coinciding with the promotional campaign, Issuer A's share price fluctuated from a low of $0.51 to a high of $0.93 on average daily volume of 558,792 shares. In the two months prior to October 17, 2012, no shares of Issuer A traded at all. Thus, Customer A's trading in Issuer A occurred during a period of a sudden spike in price and volume – which were specific AML red flags identified in Aegis' written supervisory procedures.

16. Prior to Customer A's trading in Issuer A, Issuer A had undergone several name changes – again a specific AML red flag identified in Aegis' written supervisory procedures. Moreover, contrary to the rosy picture of Issuer A painted by the above described promotional campaign, Issuer A's Form 10-Q for the period ending September 30, 2012 reported that Issuer A had no revenues, a net loss of $143,345, and a "going concern" statement from its management.

17. Despite these red flags associated with the trading by Customer A, McKenna did not file a SAR on Aegis' behalf.

18. From December 2012 to March 2013, Customer A again traded suspiciously in a low-priced security, this time in Issuer B – another security traded on OTC Link.

19. Indeed, during that period, Customer A sold 8.2 million shares of Issuer B for proceeds of approximately $2.4 million. The shares it sold accounted for more than 8.8% of Issuer B's outstanding shares. This trading coincided with a promotional campaign during which Issuer B's share price climbed from a low of approximately $0.40 to a high of

approximately $0.96, before falling again to approximately $0.07, on average daily trading volume of approximately 1.5 million shares. The only trading in the six months prior to the beginning of the promotional campaign occurred on just one day and involved only 10,000 shares.

20. In addition to the suspicious trading noted above, there were other indicia that Issuer B likely was the subject of market manipulation. For example, Issuer B reported in 2013 that it was a world-class graphite company, yet two years earlier it had been a Malaysian publishing company that operated under a different name. Recent changes in an issuer's name and business was one of the specific AML red flags identified in Aegis' written supervisory procedures.

21. On April 4, 2013, the New Clearing Firm sent an AML Alert to McKenna and other Aegis personnel concerning Customer A's trading in Issuer B, which was the first time McKenna became aware of these transactions. In the April 4, 2013 AML Alert, the New Clearing Firm noted that Customer A had received over 9 million shares of Issuer B into its account between December 12, 2012 and March 4, 2013, and asked how and when Customer A acquired the shares and whether there was a registration statement in effect for them.

22. Prior to this April 4, 2013 AML Alert, the New Clearing Firm had expressed concerns to McKenna, Eide, and other Aegis personnel about Aegis' low-priced securities practices. In fact, in March 2013, the New Clearing Firm implemented specific restrictions on Aegis' low-priced securities business. These restrictions included a requirement that, before Aegis customers could sell low-priced securities that had been physically deposited at the firm, either the AML CO, the CEO, or the firm's COO had to sign a red flag identifiers form indicating that the signatory had reviewed the proposed transactions for red flags commonly associated with market manipulation in low-priced securities.

23. The New Clearing Firm continued to communicate with McKenna and other Aegis personnel with additional questions concerning Customer A's trading in Issuer B.

24. For example, on April 17, 2013, the New Clearing Firm emailed McKenna and other Aegis personnel citing three websites on which it found evidence of Issuer B promotions and made three requests: (i) describe the due diligence completed before executing Customer A's transactions; (ii) describe how the relationship with Customer A was established; and (iii) identify Customer A's underlying clients.

25. Despite the AML Alert and questions from the New Clearing Firm, Customer A continued to trade low-priced securities at Aegis. Accordingly, on May 20, 2013, the New Clearing Firm wrote to McKenna about Customer A:

> As you know AML is really tweaked on this [Customer A] account. Because the account is continuing to trade in multiple securities which have been subject to regulatory inquiries, we need a concrete plan to address this situation as soon as possible. In absence of receiving a mutually agreeable plan, AML going [sic] to be blocking

transactions in the account beginning Tuesday prior to market opening.

26. Eide requested extensions from the New Clearing Firm so that Customer A could continue to trade while Aegis attempted to transition Customer A's accounts to another broker-dealer. Ultimately, Aegis closed Customer A's accounts on September 13, 2013, at least in part because of concerns regarding the low-priced securities that were traded in them.

27. Despite these red flags associated with the trading by Customer A and Aegis' closure of the account due to the presence of suspicious activity, McKenna did not file a SAR on Aegis' behalf and did not create written analyses or compile other records indicating that he even considered filing a SAR. The fact that Customer A's account was a DVP/RVP account did not relieve Aegis of its SAR filing obligations with respect to that account.

ii. Customer B

28. Customer B is a British Virgin Islands company based in China that offers consulting and advisory services.

29. In an approximately one month period beginning in April 2013, Customer B sold approximately 200,000 shares of Issuer C through Aegis for proceeds of $2.3 million, or over $10 per share. Issuer C was listed on NASDAQ.

30. Just six months prior to these sales, Issuer C's share price was $0.45 per share. And, a month prior to these sales, Issuer C's share price was approximately $5 per share.

31. On April 25, 2013, Customer B sent a request to wire approximately $600,000 of the $2.3 million in proceeds to its own bank account in Hong Kong.

32. Regarding this request, an Aegis compliance employee wrote to McKenna, Eide, and the firm's COO to explain that the funds included in the transfer request were proceeds from Customer B's trading and wrote "[Issuer C's] share price has risen quite a bit in the past 6 months. I'd prefer a member of senior management authorize and approve this wire."

33. After the COO asked whether Issuer C's shares were restricted when they arrived at Aegis, the compliance employee replied to McKenna, Eide, and the firm's COO "[c]lean shares but the sudden spike in price is a concern."

34. Notwithstanding the red flags the compliance employee raised, McKenna did not file a SAR on Aegis' behalf concerning either the suspicious trading or the substantial proceeds wired offshore and did not create written analyses or compile other records indicating that he considered filing SARs.

35. After the initial wire was sent to Customer B's Hong Kong account in late April 2013, Customer B made requests to send two more wires totaling the remainder of the proceeds from the trading. Again, McKenna did not file a SAR on Aegis' behalf concerning the

substantial proceeds wired offshore and did not create written analyses or compile other records indicating that he even considered filing a SAR.

iii. Customer C

36. In early November 2013, the New Clearing Firm sent another AML Alert, this time involving a different customer, Customer C. Customer C had a DVP/RVP account at Aegis. By this time, the Former AML CO had replaced McKenna as the firm's AML CO.

37. On November 1, 2013, the New Clearing Firm sent the Former AML CO an AML Alert outlining Customer C's suspicious trading in several low-priced securities, including Issuers D and E and noting that in approximately six months Customer C had sold approximately *1 billion* shares of low-priced securities through Aegis (emphasis added). Both Issuers D and E were traded on OTC Link.

38. In its AML Alert, the New Clearing Firm noted that Customer C, between September 17 and October 31, 2013, had sold 31% of Issuer D's outstanding shares and that the average daily trading volume had increased by approximately five fold during Customer C's trading while the share price had dropped by approximately 90%.

39. Other evidence also indicates Issuer D may have been the subject of market manipulation. In particular, Issuer D had experienced a rapid increase in the company's stock price and volume that coincided with a promotional campaign that was inconsistent with the company's financial performance as reflected in its SEC filings.

40. With respect to Issuer E, the New Clearing Firm noted in its AML Alert that Issuer E had reported no revenues and that Customer C had sold over 60% of the company's outstanding shares in two and a half months while the share price had dropped by approximately 50%.

41. In addition to suspicious trading in Issuers D and E, the New Clearing Firm identified in the AML Alert sent to the Former AML CO similarly suspicious trading by Customer C in other low-priced securities including that Customer C – in one particular low-priced security – had sold more shares in three months than the issuer had outstanding.

42. In the AML Alert, the New Clearing Firm requested a description of: (i) the due diligence performed on the customer; (ii) the due diligence performed on the securities Customer C liquidated in the account; and (iii) how Aegis was comfortable with the activity in the account.

43. On November 5, 2013, the Former AML CO informed the New Clearing Firm that Aegis had reviewed Customer C's account activity and its account opening paperwork and had decided to close the account, which it did, at least in part, because of the AML concerns outlined in the AML Alert.

44. Despite these red flags associated with the trading by Customer C and closing the account due to the presence of suspicious activity, the Former AML CO did not file a SAR on

Aegis' behalf. Moreover, the Former AML CO did not create written analyses or compile other records indicating that he even considered filing a SAR. The fact that Customer C's account was a DVP/RVP account did not relieve Aegis of its SAR filing obligations with respect to that account.

iv. Customer D

45. Another Aegis customer – Customer D – engaged in suspicious low-priced securities transactions for which Aegis did not file a SAR. Customer D was a foreign financial institution with a DVP/RVP account at the firm and traded on behalf of underlying customers who were unknown to Aegis.

46. Over an approximately six-month period beginning in late May 2013, Customer D sold approximately 457,000 shares of Issuer F for proceeds of approximately $2.8 million. Issuer F traded on OTC Link. Just prior to the trading – and coinciding with a promotional campaign – Issuer F's share price climbed from $3.90 to $9.39 on substantially increased volume.

47. Customer D was not the only Aegis customer who traded suspiciously in Issuer F. Starting approximately two months before Customer D's trading, Customers A and E sold a substantial amount of Issuer F shares for substantial proceeds. Customer E was yet another foreign financial institution with a DVP/RVP account at the firm and traded on behalf of underlying customers who were unknown to Aegis; it was incorporated in New Zealand and operated from Switzerland.

48. In particular, Customer A sold approximately 638,000 shares of Issuer F for proceeds of approximately $3.7 million while Customer E sold approximately 494,000 shares of Issuer F for proceeds of approximately $3.3 million. Thus, together Customers A and E sold over one million shares of Issuer F securities for proceeds of approximately $7 million.

49. Despite these red flags associated with the trading by Customer D and two other Aegis customers, McKenna did not file a SAR regarding the above trading on Aegis' behalf.

50. In early June 2013 – just a few weeks after Customer D began its trading in Issuer F – Customer D traded in another low-priced security transaction, this time Issuer G. Issuer G also traded on OTC Link.

51. Between June 11 and 17, 2013 and during a paid promotional campaign for Issuer G, Customer D sold approximately 340,000 shares of Issuer G for proceeds of approximately $248,000.

52. Moreover, another Aegis customer, Customer F, traded suspiciously in Issuer G at the same time as Customer D did. In particular, Customer F sold approximately 760,000 shares of Issuer G through Aegis during the promotion for proceeds of approximately $840,000. Customer F was yet another foreign financial institution with a DVP/RVP

account at the firm and traded on behalf of underlying customers who were unknown to Aegis.

53. On December 2, 2013, while the Former AML CO was serving as the AML CO, the New Clearing Firm sent an AML Alert to the Former AML CO regarding Customer D's trading in Issuer G, and wrote that the trading "exhibited characteristics commonly associated with a pump-and-dump scheme; including paid stock promotion, a significant increase in both price and trading volume, followed by a precipitous drop in price and volume."

54. In the AML Alert, the New Clearing Firm also noted that Issuer G had changed both its name and business line (to a medical device company from an auto parts manufacturer), had no revenue and minimal trading volume until the stock promotion began, and that Customer D's trading was similar to the suspicious trading by two other Aegis customers that had prompted the New Clearing Firm to request that those accounts be closed earlier in the year.

55. The Former AML CO ordered that Customer D's account be closed and acknowledged in an email that the compliance department did "not have the bandwidth to monitor the account." Customer D's accounts were ultimately closed, at least in part, because of the AML concerns associated with it.

56. Despite these red flags associated with the trading by Customer D and at least one other Aegis customer in Issuer G as well as the closing of Customer D's account due at least in part to concerns regarding low-priced securities transactions, the Former AML CO did not file a SAR on Aegis' behalf. Moreover, the Former AML CO did not create any written analyses or compile other documents indicating that he considered filing a SAR on Aegis' behalf. The fact that the above described accounts were DVP/RVP accounts did not relieve Aegis of its SAR filing obligations with respect to those accounts.

v. <u>November 18, 2013 DVP/RVP Update to Written Supervisory Procedures</u>

57. On November 18, 2013 – in response to the deficiencies identified by OCIE – the Former AML CO sent an email to all Aegis employees containing an update to Aegis's written supervisory procedures that required low-priced securities transactions in DVP/RVP accounts to be subjected to the same due diligence as cash accounts when customers deposited physical securities.

58. In particular, Aegis' updated written supervisory procedures required Aegis' DVP/RVP customers to submit Deposited Securities Request Questionnaires ("DSRQs") for any low-priced securities it wished to trade and required Aegis to complete due diligence to identify red flags associated with the issuers of low-priced securities.

59. DSRQs include, among other things, information about how the customer obtained a particular security, whether the customer is an affiliate of the issuer, and how many shares of the security the customer owns. DSRQs had to be filled out by the customer

and approved by the registered representative and a member of Aegis' management before any trading was to occur.

vi. Customer G

60. Notwithstanding this update to Aegis' written supervisory procedures, however, at least one of Aegis' DVP/RVP customers (Customer G) traded suspiciously in low-priced securities and did so before the required DSRQ process had been completed. Customer G, a New York corporation, is a microcap hedge fund that held a DVP/RVP account at Aegis.

61. Between February 10, 2014 and February 20, 2014, Customer G sold 705.9 million shares of Issuer H through Aegis for proceeds of approximately $1.24 million. Issuer H traded on OTC Link.

62. On February 19, 2014, the New Clearing Firm sent an AML Alert that the Former AML CO received explaining that it was going to block Customer G's account at market close because, among other reasons, Customer G had already sold 200 million shares of Issuer H that day and *2.7 billion* shares of low-priced securities since it opened its account.

63. In addition to the suspicious trading, there were other indicia that Issuer H may have been the subject of market manipulation. For example, Issuer H experienced a large increase in price and volume that coincided with a promotional campaign. Moreover, the company's name had changed several times before becoming Issuer H.

64. The AML Alert was not limited to the suspicious Issuer H trades; it also described suspicious trading by Customer G in over *1.6 billion* shares of the securities of ten additional microcap issuers.

65. The New Clearing Firm subsequently asked for an explanation of: (i) the due diligence Aegis performed on the customer; (ii) the due diligence Aegis performed on the securities liquidated in the account; and (iii) how Aegis was comfortable with the activity.

66. Even after Aegis received the AML Alert concerning Customer G's trading, Customer G continued to trade in Issuer H. Indeed, on February 19 and 20, 2014, Customer G sold an additional 120 million shares of Issuer H, trades that McKenna reviewed in his new role as branch manager.

67. At the time of Customer G's trading in February 2014, Aegis had already implemented its new DSRQ policy for trading in DVP/RVP accounts. The DSRQ packet for Customer G's trading in Issuer H, however, was not signed by any of the required Aegis personnel and, thus, Customer G should never have been allowed to liquidate any of its Issuer H shares through Aegis.

68. Despite the significant trading by Customer G in Issuer H and the other red flags associated with the transactions, the Former AML CO did not file a SAR on Aegis' behalf. Moreover, the Former AML CO did not create written analyses or compile other records indicating the consideration of filing a SAR. The fact that Customer G's account

was a DVP/RVP account did not relieve Aegis of its SAR filing obligations with respect to that account.

E. Eide Was A Cause of Aegis' Violations

69. Throughout the relevant period, Eide learned of some of the red flags associated with Aegis' low-priced securities business described above but failed to take adequate steps to ensure that Aegis filed the SARs required by the SAR Rule.

70. For example, Eide learned from the New Clearing Firm – in January 2013 – that it had identified red flags in Aegis' low-priced securities business.

71. After January 2013, Eide became aware of additional concerns regarding activity in Aegis' low-priced securities business. For example, in a January 31, 2014 letter addressed directly to Eide, OCIE identified significant deficiencies in Aegis' SAR-filing practices including the fact that Aegis filed no SARs relating to its low-priced securities business despite indicia that certain stock sales may have been part of fraudulent "pump and dump" schemes.

72. This letter was sent directly to Eide approximately twenty days prior to the AML Alert sent to Aegis' compliance department detailing Customer G's suspicious trading in Issuer H. Notwithstanding the receipt of OCIE's letter, however, Aegis filed no SAR concerning Customer G's suspicious trading.

73. Despite his awareness of AML red flags and deficiencies in Aegis' SAR-filing practices, Eide failed to take adequate steps to ensure that Aegis filed the SARs required by the SAR Rule. Eide did not, for example, follow up with McKenna or the Former AML CO to ensure that they were filing SARs on Aegis' behalf.

VIOLATIONS

74. The Bank Secrecy Act ("BSA"), and implementing regulations promulgated by FinCEN, require that broker-dealers file SARs with FinCEN to report a transaction (or a pattern of transactions of which the transaction is a part) conducted or attempted by, at, or through the broker-dealer involving or aggregating to at least $5,000 that the broker-dealer knows, suspects, or has reason to suspect: (1) involves funds derived from illegal activity or is conducted to disguise funds derived from illegal activities; (2) is designed to evade any requirement of the BSA; (3) has no business or apparent lawful purpose and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts; or (4) involves use of the broker-dealer to facilitate criminal activity. 31 C.F.R. § 1023.320(a)(2).

75. Exchange Act Rule 17a-8 requires broker-dealers to comply with the reporting, record-keeping, and record retention requirements of the BSA. The failure to file a SAR as required by the SAR Rule is a violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

76. By engaging in the conduct described above, Aegis violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

77. By engaging in the conduct described above, McKenna willfully aided and abetted and caused Aegis' violations of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

78. By engaging in the conduct described above, Eide was a cause of Aegis' violations of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Exchange Act Section 15(b)(6) and Advisers Act Section 203(f), Respondent McKenna shall be, and hereby is, subject to the following limitations on his activities:

(1) Respondent McKenna shall not serve or act as a chief compliance officer or otherwise serve in a compliance capacity that reports, directly or indirectly, to the chief compliance officer with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; or as a designated anti-money laundering compliance person or otherwise serve in an anti-money laundering compliance capacity that reports, directly or indirectly, to the designated anti-money laundering compliance person with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

(2) Respondent McKenna may apply to act in such a compliance or anti-money laundering compliance capacity after eighteen (18) months to the appropriate self-regulatory organization, or if there is none, to the Commission.

Any application to act in such a compliance or anti-money laundering compliance capacity will be subject to the applicable laws and regulations governing the reentry process, and permission to act in such a compliance or anti-money laundering compliance capacity may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

B. Pursuant to Exchange Act Section 21C, McKenna and Eide cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

C. Pursuant to Exchange Act Section 21B, Advisers Act Section 203(i), and Investment Company Act Section 9(d), Respondent McKenna shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of $20,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

D. Pursuant to Exchange Act Section 21B, Respondent Eide shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of $40,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

1. Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

2. Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

3. Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the particular Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Antonia Chion, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of

any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

E. It is further ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondents, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary