

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019063566201**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: NewEdge Securities LLC, formerly known as NewEdge Securities, Inc. and Mid Atlantic
Capital Corporation (Respondent)
Member Firm
CRD No. 10674

Pursuant to FINRA Rule 9216, Respondent NewEdge Securities LLC submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

NewEdge Securities LLC, formerly known as NewEdge Securities, Inc. and Mid Atlantic Capital Corporation,¹ has been a FINRA member since 1982 and a Municipal Securities Rulemaking Board (MSRB) registrant since 1984. The firm has 322 registered representatives operating from 107 branch offices. The firm is headquartered in Pittsburgh, PA and conducts a general securities business.²

OVERVIEW

Between January 2018 and May 2022, NewEdge violated MSRB Rules G-11 and G-17 by submitting orders for new issue municipal bonds without disclosing that the bonds were for the firm's dealer account. NewEdge additionally violated MSRB Rule G-14 by failing to report dealer transactions to the MSRB's Real Time Transaction Reporting System (RTRS).

¹ On October 29, 2021, the firm changed its name from Mid Atlantic Capital Corporation to NewEdge Securities, Inc. On October 23, 2024, the firm changed its name from NewEdge Securities, Inc. to NewEdge Securities LLC.

² For more information about the firm, including prior regulatory events, visit BrokerCheck@ at www.finra.org/brokercheck.

Between at least January 2018 and May 2022, NewEdge violated MSRB Rule G-27 by failing to establish, maintain, and enforce a supervisory system, including written supervisory procedures (WSPs), reasonably designed to ensure compliance with MSRB Rules G-11 and G-14, and by failing to reasonably respond to red flags indicating it was obtaining improper allocations of new issue municipal bonds.

Between April 2015 and April 2023, NewEdge violated MSRB Rules G-9(b) and G-27(e) by failing to preserve and review approximately 30,000 Bloomberg instant messages.

For these violations, NewEdge is censured, fined \$275,000, and ordered to pay disgorgement of \$750,746 plus interest.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a review by FINRA's Department of Market Regulation and Transparency Services.

NewEdge submitted orders for new issue municipal bonds without disclosing the orders were for its dealer account.

Municipalities issue bonds to raise funds for public projects and use broker-dealers to underwrite and manage the offerings. The issuing municipality sets the priority of orders for the offering, which establishes the sequence in which bonds will be allocated. Issuers typically prioritize sales of bonds to retail and institutional customers, who are likely to hold the bonds rather than quickly trade them, over broker-dealers seeking bonds for their own inventories. In addition, issuers often set a retail order period at the start of an offering to give retail customers a chance to purchase bonds before institutions. Broker-dealers generally have the lowest priority in the order sequence, and they can be shut out when demand from retail and institutional customers exceeds available allocations.

MSRB Rule G-11(b) provides that every broker, dealer, or municipal securities dealer that submits an order to a sole underwriter or syndicate or to a member of a syndicate for the purchase of municipal securities held by the syndicate shall disclose at the time of the submission of such order if the securities are being purchased for its dealer account or for a related account of such broker, dealer, or municipal securities dealer.

MSRB Rule G-11(k) provides that every municipal dealer that submits an order during a retail order period must disclose in writing to the syndicate senior manager information relating to the eligibility criteria for orders designated as retail, including any identifying information required by the issuer.

MSRB Rule G-17 provides that, in connection with its municipal securities business, every municipal securities dealer shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice.

Between January 2018 and May 2022, NewEdge submitted at least 189 orders to six underwriters for new issue municipal bonds without disclosing that the orders were for

the firm's dealer account. These orders were placed by two firm branches founded and owned by two of the firm's registered principals, Principal A and Principal B (the "Branches"). The underwriters afforded NewEdge improper customer priority, and NewEdge obtained allocations for each of the 189 orders it placed for its dealer account.

In addition, NewEdge submitted at least five orders to three underwriters for new issue municipal bonds during the retail order period when the orders were not for a retail customer, but instead were for the firm's dealer account. These orders were placed by the Branches. The underwriters afforded NewEdge improper retail priority, and NewEdge obtained allocations for each of the five orders it placed for its dealer account.

At all relevant times, the Branches operated under the same "doing business as" (DBA) name, only traded municipal bonds, and used firm dealer accounts funded by Principal A to purchase the municipal bonds at issue here. Between 2011 and 2016, the Branches bought and sold municipal bonds on the secondary market. In 2016, Principal A tasked Representative 1, a registered representative of the firm employed by the Branches, with establishing relationships with underwriters to facilitate purchases of new issue municipal bonds for the firm's dealer account. Between 2018 and 2020, Representative 1 requested treatment of the Branches as an institutional customer when introducing the Branches to underwriters and also sent letters stating that the Branches constituted a "family office / RIA [registered investment adviser]" when they did not. After establishing relationships with underwriters on the premise that the Branches were a customer (and not a broker-dealer), the Branches then submitted the 194 at-issue orders without disclosing that the orders were for the firm's dealer account, which resulted in the firm receiving improper allocations of new issue municipal bonds. The Branches then quickly resold the bonds on the secondary market, earning a total of \$750,746 in ill-gotten gains.

Through this conduct, NewEdge violated MSRB Rules G-11(b), G-11(k), and G-17.

NewEdge failed to report dealer municipal bond transactions to RTRS.

MSRB Rule G-14(b) provides that each broker, dealer, or municipal securities dealer must report to the RTRS information concerning each purchase or sale transaction effected in municipal securities promptly, accurately, and completely.

When an underwriter sells new issue municipal bonds to a broker-dealer, the purchasing broker-dealer has an obligation to report the purchase to RTRS and identify the purchase as a dealer transaction.

Here, NewEdge had an obligation to report the purchases discussed above as dealer transactions. However, NewEdge failed to report 189 of the purchases in any way.

Through this conduct, NewEdge violated MSRB Rule G-14.

NewEdge failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to ensure compliance with MSRB Rules G-11 and G-14, and failed to reasonably respond to red flags indicating it was obtaining improper allocations of new issue municipal bonds.

MSRB Rule G-27(a) requires brokers, dealers, and municipal securities dealers to supervise the conduct of their municipal securities activities to ensure compliance with MSRB rules and applicable provisions of the Securities Exchange Act of 1934 and Exchange Act rules. MSRB Rule G-27(b) requires brokers, dealers, and municipal securities dealers to establish and maintain a system to supervise the municipal securities activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable MSRB rules. MSRB Rule G-27(c) requires brokers, dealers, and municipal securities dealers to adopt, maintain, and enforce written supervisory procedures reasonably designed to ensure compliance with MSRB Rule G-27(a).

Between at least January 2018 and May 2022, NewEdge failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to ensure compliance with MSRB Rules G-11 and G-14. With respect to Rule G-11, the firm's WSPs did not include G-11 among the rules applicable to its business, or delegate supervisory responsibility to anyone for ensuring compliance with the rule. In practice, the firm had no supervisory processes to ensure that orders placed for its dealer accounts were accurately disclosed as such and that orders placed during the retail order period were for bona fide retail customers. Although Principals A and B both reviewed the daily trades for the two branches, they did not review those trades for compliance with MSRB Rule G-11.

Additionally, NewEdge failed to reasonably respond to red flags indicating that Representative 1 was obtaining allocations of new issue municipal bonds for the firm's dealer account based on his mischaracterization of the Branches. Firm supervisors received numerous communications reflecting that Representative 1 was mischaracterizing the Branches to obtain treatment by underwriters as a customer, rather than a broker-dealer. For example, in March 2020, Principal A was copied on an email sent by Representative 1 to another broker-dealer stating that Representative 1's branch was a "buy-side account, not a broker-dealer" and a "family office/RIA." However, no firm supervisors took reasonable steps to investigate or address Representative 1's actions.

With respect to Rule G-14, the firm's WSPs stated that a designated compliance principal would conduct daily reviews of trades reported to RTRS and monthly reviews of the firm's required RTRS reporting activities. The WSPs failed, however, to explain how the designated principal should conduct and document these daily and monthly reviews. The firm also failed to train the principal regarding how to report dealer trades of new issue municipal bonds. As a result, the designated principal failed to reasonably identify and investigate the G-14 violations discussed above.

As a result of NewEdge's supervisory failures, the firm failed to detect the violations of MSRB Rules G-11(b), G-11(k), G-14, and G-17 outlined above.

The firm updated its policies and procedures regarding orders for new issue municipal bonds after May 2022.

By failing to establish, maintain, and enforce a supervisory system reasonably designed to ensure compliance with MSRB Rules G-11 and G-14, and by failing to reasonably respond to red flags indicating it was obtaining improper new issue allocations, NewEdge violated MSRB Rule G-27.

NewEdge failed to preserve and review Bloomberg instant messages.

MSRB Rule G-9(b) requires that every broker, dealer, or municipal securities dealer preserve for a period of not less than four years, all written and electronic communications received and sent, including inter-office memoranda, relating to the conduct of the activities of such municipal securities broker or municipal securities dealer with respect to municipal securities.

MSRB Rule G-27(e) requires a firm establish procedures for the review by a designated principal of incoming and outgoing written (i.e., non-electronic) and electronic correspondence of its municipal securities representatives with the public relating to the firm's municipal securities activities. Such procedures must be in writing and be designed to reasonably supervise each municipal securities representative.

Between April 2015 and April 2023, NewEdge failed to preserve and perform any supervisory review of approximately 30,000 Bloomberg instant messages sent and/or received by representatives at the Branches, including messages related to orders for new issue municipal bonds where the firm failed to disclose that the orders were for its dealer account. This occurred because the firm failed to ensure that the Bloomberg instant messages associated with the Branches were properly archived and reviewed. The firm did not independently identify this error for eight years and only discovered it when FINRA sent a request for the messages.

Therefore, NewEdge violated MSRB Rules G-9(b) and G-27(e).

B. Respondent also consents to the imposition of the following sanctions:

- a censure;
- a \$275,000 fine; and
- disgorgement of \$750,746 plus interest as described below.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an

Election of Payment form showing the method by which it proposes to pay the fine imposed.

Disgorgement of unlawful profits is ordered to be paid to FINRA in the amount of \$750,746, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621 from May 19, 2022 until the date this AWC is accepted by the National Adjudicatory Council (NAC).

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

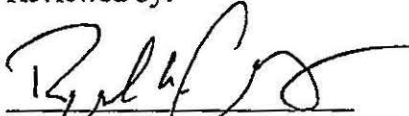
2/24/25
Date


NewEdge Securities LLC
Respondent

Print Name: David Schmier

Title: General Counsel


Reviewed by:


Raymond Henney
Counsel for Respondent
Honigman LLP
2290 First National Building
600 Woodward Avenue
Detroit, MI 48226

Accepted by FINRA:

3/21/2025
Date

Signed on behalf of the
Director of ODA, by delegated authority


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