

**Disciplinary Panel
American Stock Exchange LLC**

IN THE MATTER
OF
AEGIS SPECIALIST, LLC

:
:
Case No. 03-93
:
Hearing Officer – JN
:
DISCIPLINARY PANEL DECISION
:
September 22, 2004
:
:

Digest

In accordance with a Stipulation of Facts and Consent to Penalty, the Disciplinary Panel determined that Respondent violated Exchange Rule 31, as stipulated, and as a penalty, imposed a censure and a \$2,500 fine.

DECISION

I. Introduction

The American Stock Exchange, LLC (the “Exchange”) instituted a formal disciplinary proceeding against Aegis Specialist, LLC (“Aegis”), a Regular Member organization of the Exchange. A Disciplinary Panel held a hearing on August 17, 2004, pursuant to Exchange Rule 345(k), to review a Stipulation of Facts and Consent to Penalty (“Stipulation”) (attached as Exhibit A). The Exchange and Aegis entered into that Stipulation for the purposes of settling this proceeding and concluding all disciplinary actions by the Exchange against Aegis based upon or arising out of the facts set forth in the Stipulation.

II. Facts

Aegis, without admitting or denying liability, stipulated to the facts set forth in the attached Stipulation. The Disciplinary Panel has determined to accept those facts for purposes of this Decision, and they are incorporated herein.

III. Violation

Based upon the stipulated facts, the Disciplinary Panel concludes that:

- 1.) Aegis violated Exchange Rule 31 in that it delayed and impeded an Exchange investigation by not providing the Firm's anti-money laundering procedures to the Exchange in a timely manner, as set forth in paragraphs 2.0 through 3.0 of the Stipulation.

IV. Penalties and Publicity

The Stipulation proposes that the Disciplinary Panel impose upon Aegis a censure and a \$2,500 fine for the above misconduct. At the hearing, the Parties urged the Disciplinary Panel to accept the proposed penalty as being appropriate to the facts and circumstances of this case. After consideration of the Stipulation and the agreed-upon penalty, the Disciplinary Panel finds the proposed penalty is at the appropriate level to be imposed in this proceeding and therefore accepts the penalty proposed in the Stipulation.¹

The Disciplinary Panel further finds that the results of this disciplinary proceeding should be publicly disclosed, as provided in Rule 12 of the Exchange Rules on Disciplinary Proceedings.²

V. Conclusion

Based on the foregoing, the Disciplinary Panel, by unanimous vote, accepts the Stipulation of Facts and Consent to Penalty and hereby imposes upon Aegis a censure and a \$2,500 fine.

FOR THE DISCIPLINARY PANEL

Jerome Nelson, Chair

¹ The sanctions agreed upon here are in line with those imposed in other Exchange proceedings involving similar misconduct. See e.g. STR Trading Partners, LLC., (No. 03-73), decided June 24, 2004. The Panel expects that any future failures by the firm to respond timely to staff requests under Rule 31 will incur more severe sanctions.

² Rule 12 exempts from publicity those cases where the Panel finds that the offense "related solely to minor administrative requirements of the Exchange and does not materially affect the public interest or the interest of investors." Those exemptions do not apply to the facts of this case.

Copies to: Allan S. Sexter, Esq. (*via facsimile and first class mail*)
Alison H. Mijares, Esq. (*via electronic and first class mail*)
Arlene Collins-Day (*via first class mail*)

Disciplinary Panel
American Stock Exchange LLC

.....	X	
	X	STIPULATION OF FACTS
IN THE MATTER	X	AND
OF	X	CONSENT TO PENALTY
AEGIS SPECIALIST, LLC	X	Case No. 03-93
.....	X	

This proceeding was instituted by the American Stock Exchange LLC (“AMEX” or the “Exchange”), against AEGIS SPECIALIST, LLC (“Aegis” or the “Firm”) (CRD# 46295), a Regular Member organization of the Exchange. This Stipulation of Facts and Consent to Penalty (“Stipulation”) is entered into with Aegis pursuant to Article V, Section 2 of the Exchange Constitution in order to settle and conclude all disciplinary actions by the Exchange against Aegis based upon or arising out of the facts hereinafter stipulated. Aegis, without admitting or denying the facts, allegations and conclusions contained in this Stipulation, hereby consents to the findings of a violation of Exchange Rules and to the imposition of the penalties hereinafter provided. Aegis understands that this Stipulation is subject to approval by an Exchange Disciplinary Panel and by the AMEX Adjudicatory Council and that, if so approved, shall constitute a final decision that may not be appealed by the parties. Aegis understands and acknowledges that the Disciplinary Panel’s decision in this matter will become part of its disciplinary record and may be considered in any future proceeding brought by the Exchange.

STIPULATED FACTS:

- 1.0 Since 1998, Aegis and its predecessors have been a Regular Member organization of the Exchange.
- 1.1 During all relevant periods herein, Exchange Rule 31 provided that a member organization shall comply with any request by an authorized representative or committee of the Exchange to produce its books, papers or records, or to appear and testify as to any matter pertaining to its business, within the time specified by the representative or committee of the Exchange making the request.

The Exchange's Requests for Information:

- 2.0 On or about May 1, 2003, the Sales Practice Regulation Department ("SPR") of the Exchange initiated an examination program to ensure that all registered brokers and dealers, including all AMEX member organizations, members not associated with a member organization, and all AMEX Limited Trading Permits Holders had reasonably and sufficiently met requirements to develop and implement anti-money laundering programs as prescribed by federal law and Exchange Rules.
- 2.1 On May 7, 2003, SPR sent a letter via First Class U.S. Mail to Aegis, indicating that an inquiry into its anti-money laundering procedures had commenced and requesting certain documents be provided to SPR no later than May 23, 2003.
- 2.2 No response, either verbal or written, was received from Aegis regarding SPR's May 7, 2003 letter and the U.S. Post Office did not return SPR's letter to Aegis.
- 2.3 On June 10, 2003, SPR sent a second letter via First Class U.S. Mail to Aegis, indicating that an inquiry into its anti-money laundering procedures had

- commenced and requesting certain documents be provided to SPR no later than June 25, 2003.
- 2.4 No response, either verbal or written, was received from Aegis regarding SPR's June 10, 2003 letter and the U.S. Post Office did not return SPR's letter to Aegis.
- 2.5 On October 16, 2003, SPR sent a third letter via Certified Mail/Return Receipt Requested to Aegis, indicating that an inquiry into the its anti-money laundering program had commenced and requesting certain documents be provided to SPR no later than November 3, 2003. SPR received the certified receipt to its October 16, 2003 letter, which receipt was signed on October 20, 2003.
- 2.6 No other response, either verbal or written, was received from Aegis regarding SPR's October 16, 2003 letter.

Enforcement's Investigation of Aegis:

- 3.0 On December 3, 2003, the Exchange's Enforcement Department ("Enforcement") sent a letter via First Class U.S. Mail and Certified Mail/Return Receipt Requested to Aegis regarding its failure to comply with document requests made by SPR for documents pertaining to the Firm's development and implementation of an anti-money laundering program. The certified letter was sent to Aegis's CRD-listed contact person, at the CRD-listed contact address. The certified mail return receipt was returned to Enforcement, indicating receipt by Aegis on or about December 4, 2003. The same letter was also sent to a second address contained within Exchange Membership Department records via First Class U.S. Mail and Certified Mail/Return Receipt Requested. The certified mail return receipt was returned to Enforcement, indicating receipt by Aegis on or about December 5, 2003. However, Enforcement received the requested materials from

Aegis pertaining to the Firm's development and implementation of an anti-money laundering program as a result of a request made by Enforcement concerning two affiliates of Aegis.

CONCLUSION:

By reason of the foregoing Stipulated Facts, a Disciplinary Panel may conclude that:

4.0 Aegis violated Exchange Rule 31 in that it delayed and impeded an Exchange investigation by not providing the Firm's anti-money laundering procedures to the Exchange in a timely manner, as described in paragraphs 2.0 through 3.0.

DISCIPLINARY ACTION:

A Disciplinary Panel may impose the following penalty upon Aegis:

- (a) a censure; and,
- (b) a \$2,500 fine.

In entering into this Stipulation with Aegis, the Exchange considered that Aegis did not have a relevant prior disciplinary history and that it provided the requested materials to Enforcement in the time frames required by Enforcement's December 3, 2003 letter.

AMERICAN STOCK EXCHANGE LLC

By: _____
David Rosenstein
Vice President and Chief Counsel

Agreed to this _____ day of April 2004.

on behalf of Aegis Specialist, LLC