

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021072107601**

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

RE: Aaron Capital Incorporated (Respondent)
Member Firm
CRD No. 28583

Pursuant to FINRA Rule 9216, Respondent Aaron Capital Incorporated 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

Aaron Capital Incorporated became a FINRA member firm in 1991. The firm is in Columbus, Georgia, and has approximately 10 registered representatives. The firm provides services to retail customers, but its primary revenue comes from its participation in mergers and acquisitions.¹

OVERVIEW

Aaron Capital failed to timely file and deliver to retail investors a client relationship summary (Form CRS) on or before June 30, 2020. As a result, Aaron Capital willfully violated Exchange Act Section 17(a)(1) and Rule 17a-14 thereunder, and FINRA Rules 4511 and 2010. In addition, Aaron Capital failed to have a reasonably designed system, including written supervisory procedures (WSPs), to achieve compliance with the firm's obligation under Exchange Act Rule 17a-14 related to preparing, filing, and delivering its Form CRS in accordance with the rules, which violated FINRA Rules 3110(a) and 2010.

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

This matter originated from the firm's 2021 examination.

Aaron Capital Failed to Timely File and Deliver Form CRS

On June 5, 2019, the Securities and Exchange Commission (SEC) adopted Form CRS and rules creating new requirements—which include the Form CRS Filing Requirement, and the Form CRS Delivery Requirement—for SEC-registered broker-dealers offering services to a retail investor. Broker-dealers were required to comply with these requirements by June 30, 2020.²

Form CRS provides customers with information about the types of services the firm offers; the fees, costs, conflicts of interest, and required standard of conduct associated with those services; whether the firm and its investment professionals have reportable legal or disciplinary history; and how to get more information about the firm.

Form CRS also includes required “conversation starters” to help begin a discussion with a broker-dealer about the relationship, including their services, fees, costs, conflicts, and disciplinary information.

Section 17(a)(1) of the Securities Exchange Act of 1934 requires registered broker-dealers to make and keep for prescribed periods such records as the Commission deems “necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of” the Exchange Act. Exchange Act Rule 17a-14—titled “Form CRS, for preparation, filing and delivery of Form CRS”—requires broker-dealers offering services to a retail investor to electronically file on the Central Registration Depository (Web CRD) an initial Form CRS satisfying the Form CRS Filing Requirement no later than June 30, 2020.

Rule 17a-14 also requires broker-dealers to deliver their current Form CRS to each retail investor. Specifically, under Rule 17a-14(f)(3), within 30 days after the date by which it is first required to file the initial Form CRS with the Commission, the broker-dealer must deliver to each existing customer who is a retail investor the current Form CRS. In addition, Rule 17a-14(c)(2) requires broker-dealers to deliver:

(1) to each retail investor its current Form CRS before or at the earliest of:

- a recommendation of an account type, a securities transaction, or an investment strategy involving securities;
- placing an order for the retail investor; or
- the opening of a brokerage account for the retail investor.

² See Form CRS Relationship Summary; Amendments to Form ADV, Release Nos. 34-86032 & IA-5247 (June 5, 2019) (effective September 10, 2019).

(2) to each retail investor who is an existing customer the broker-dealer's current Form CRS before or at the time the firm:

- opens a new account that is different from the retail investor existing account(s);
- recommends that the retail investor roll over assets from a retirement account into a new or existing account or investment; or
- recommends or provides a new brokerage service or investment that does not necessarily involve the opening of a new account and would not be held in an existing account.

Rule 17a-14 also requires broker-dealers to post their current Form CRS prominently on their website, if they have one, in a location and format that is easily accessible to retail investors. The deadline for broker-dealers to begin complying with the Form CRS Delivery Requirement for prospective and new retail investors was June 30, 2020.

FINRA Rule 4511 requires each FINRA member to, among other things, make and preserve books and records as required under the Exchange Act and applicable Exchange Act rules, including Exchange Act § 17(a)(1) and Rule 17a-14.

A violation of Exchange Act § 17(a)(1), Rule 17a-14, and FINRA Rule 4511 also is a violation of FINRA Rule 2010, which requires member firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

By virtue of having retail investors to whom it offered services, Aaron Capital was required to file and deliver its Form CRS by June 30, 2020. Despite receiving three notices of noncompliance from FINRA, Aaron Capital did not file its Form CRS through Web CRD until October 13, 2021. Further, the firm failed to post the Form CRS on its website or to deliver the Form CRS to its existing customers until February 2022.

Therefore, Aaron Capital willfully violated Exchange Act Section 17(a)(1), Exchange Act Rule 17a-14, and FINRA Rules 4511 and 2010.

Aaron Capital Failed to Have a Reasonably Designed System, Including WSPs, to Comply with Its Form CRS Obligations

FINRA Rule 3110(a) requires that a member firm "establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules." A violation of FINRA Rule 3110 also violates FINRA Rule 2010.

From June 30, 2020, to the present, Aaron Capital failed to establish and maintain a reasonable supervisory system, including WSPs, designed to achieve compliance with

Form CRS filing requirements. From June 30, 2020, to November 5, 2021, the firm failed to make any reference to Form CRS in its WSPs. After November 5, 2021, the firm's discussion of Form CRS in its WSPs included no procedures regarding the preparation, filing, and distribution of the Form CRS. For example, the WSPs failed to: identify the designated person responsible for maintaining and filing Form CRS, address the required relationship summary delivery process, or address the process and requirements to update Form CRS, including how the firm re-delivers material changes to its retail investors.

Therefore, Aaron Capital violated FINA Rules 3110(a) and 2010.

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

- a censure
- a \$20,000 fine
- within 60 days of Notice of Acceptance of this AWC, Respondent shall certify to FINRA in a submission signed by an officer and registered principal of the firm that, as of the date of certification, Aaron Capital (1) brought all aspects of its current Form CRS into compliance; and (2) implemented policies, systems, procedures (including WSPs), and training reasonably designed to achieve compliance with the requirements of Form CRS. The certification shall be sent to Jennifer C. Wang, Counsel, at 12801 N. Central Expressway, Suite 1050, Dallas, Texas 75243, or electronically to jennifer.wang@finra.org. Upon written request showing good cause, FINRA staff may extend the procedural date set forth above.

Respondent agrees to pay the monetary sanction 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.

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 sanction imposed in this matter.

Respondent understands that this settlement includes a finding that it willfully violated Section 17(a)(1) and Rule 17a-14 of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes Respondent subject to a statutory disqualification with respect to membership.

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 National Adjudicatory Council (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:

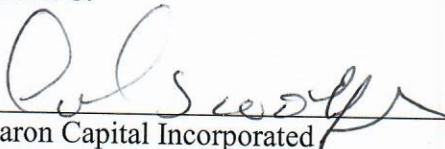
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may 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.

5/13/22
Date


Aaron Capital Incorporated
Respondent


Print Name: DAVID S WOLFE

Title: CHAIRMAN

Accepted by FINRA:

May 25, 2022
Date

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


Jennifer C. Wang
Counsel
FINRA
Department of Enforcement
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