

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013039024401**

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

RE: Mid Atlantic Capital Corporation, Respondent
BD No. 10674

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Mid Atlantic Capital Corporation ("Mid Atlantic" or the "Firm") 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 the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Mid Atlantic hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Mid Atlantic has been a member firm since 1982. The Firm, which conducts a general securities business, is headquartered in Pittsburgh, Pennsylvania. The Firm has approximately 70 branch offices and 210 registered representatives.

RELEVANT DISCIPLINARY HISTORY

Mid Atlantic has no relevant formal disciplinary history with the Securities and Exchange Commission, any state securities regulator or any self-regulatory organization.

OVERVIEW

From approximately September 2011 to January 2013, Mid Atlantic failed to adequately supervise the private securities transactions of two registered representatives, TD and WG. As a result, Mid Atlantic violated NASD Rules 3040 and 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3040(c) provides that if an associated person “has received or may receive selling compensation” in connection with a private securities transaction, and the member firm approves the transaction, then the member firm must supervise the transaction and include it on its own books and records “as if the transaction were executed on behalf of the member.” The Rule defines a private securities transaction as “any securities transaction outside the regular course or scope of an associated person’s employment with a member.”

NASD Rule 3010 provides that each member shall establish, maintain and enforce a supervisory system and written procedures to supervise the activities of its registered representatives that are reasonably designed to achieve compliance with applicable securities laws and regulations.

In September 2011, TD and WG became associated with the Firm as registered representatives. At the time of their association with Mid Atlantic, TD and WG informed the Firm about their involvement with a hedge fund (“the Fund”), which operated out of their office in Buffalo, New York.

From September 2011 to January 2013, TD and WG participated in securities transactions through the Fund, and received compensation from the Fund in connection with those transactions. Mid Atlantic was not compensated in connection with these securities transactions. Nevertheless, the Firm was required to supervise them and include them on its own books and records in accordance with NASD Rule 3040. It did not do so. Mid Atlantic did not recognize that the representatives’ involvement with the Fund constituted private securities transactions, rather than an outside business activity. Accordingly, the Firm did not record the securities transactions of the Fund on the Firm’s books and records. The Firm did not supervise the Fund’s transactions or portfolio activity other than by receiving monthly statements from the Fund’s custodian and administrator. As a result, the Firm failed to detect that, during the time they were registered through the Firm, TD and WG accepted new Fund subscriptions of approximately \$1.25 million.

By virtue of the foregoing, Mid Atlantic violated NASD Rules 3040 and 3010 and FINRA Rule 2010.

- B. Mid Atlantic also consents to the imposition of the following sanctions:
- a censure; and
 - a \$100,000 fine.

Mid Atlantic agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The Firm has submitted an Election of Payment form showing the method by which it proposes to pay the

fine imposed.

Mid Atlantic specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against the Firm;
- 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, Mid Atlantic 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 acceptance or rejection of this AWC.

Mid Atlantic 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

Mid Atlantic understands that:

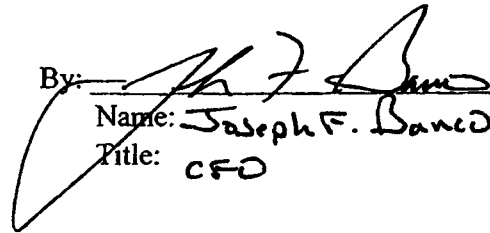
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (“ODA”), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm;
- C. If accepted:
 - 1. this AWC will become part of the Firm’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 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 the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Mid Atlantic 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. Mid Atlantic 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 the Firm’s: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and
- D. Mid Atlantic may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Mid Atlantic 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 or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its 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 the Firm has agreed to its provisions voluntarily; and that no offer,


threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

Mid Atlantic Capital Corporation

03/27/2017
Date (mm/dd/yyyy)

By: 
Name: Joseph F. Bando
Title: CFO

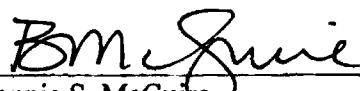
Reviewed by:


Nicole A. Baker, Esq.
Counsel for Respondent
K&L Gates
1601 K Street NW
Washington DC 20006
Tel: (202) 778-9018

Accepted by FINRA:

4/6/2017
Date

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


Bonnie S. McGuire
Deputy Regional Chief Counsel
FINRA Department of Enforcement
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