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NewEdge to Pay \$1 Million For Misleading Bond Purchases, Off-Channel Comms: Finra

NewEdge Securities, the brokerage arm of hybrid firm NewEdge Capital Group, has agreed to a censure and pay just over \$1 million in fines and disgorgement for misleading bond purchases and failing to preserve electronic communications, according to a settlement with the Financial Industry Regulatory Authority.

The sanctions include roughly \$750,000 in disgorgement and a \$275,000 fine, according to the settlement.

From 2018 to 2022, NewEdge submitted 194 orders for new issue municipal bonds without disclosing the orders were for its dealer account instead of retail clients, Finra said. The omission allowed NewEdge to jump the queue, since the 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,” Finra said.

Those disclosure failures began with Mid Atlantic Capital Corporation, NewEdge’s predecessor firm that it acquired in 2020 but continued after that deal had closed, Finra said. The violations were largely tied to a single unidentified representative who established the improper customer relationship with underwriters, according to the settlement.

The disgorgement amount reflects the “ill-gotten gains” NewEdge earned by quickly re-selling the bonds on the secondary market, according to Finra. The regulator charged the broker-dealer with failing to establish a proper supervisory system to detect the alleged violations.

A NewEdge spokesperson said that the firm was pleased to have resolved the matter and noted there was no customer harm or client assets misused. NewEdge Capital, the holding company for NewEdge Wealth and an independent contractor channel, NewEdge Advisors, has around 450 advisors managing around \$60 billion in assets, according to its website.

The issue “was isolated to a single representative’s management of personal assets within a legacy acquired division—an area no longer significant to our operations,” the NewEdge spokesperson added. “No NewEdge Capital Group client funds were at risk, no client assets were misused, and no clients were harmed.”

Finra also cited a recordkeeping violation noting that NewEdge failed “to preserve and review approximately 30,000 Bloomberg instant messages,” including those related to the bond purchases.

The Bloomberg instant message recordkeeping issue was “fully remediated over two years ago with enhanced compliance protocols implemented immediately at that time,” the spokesperson added.

The Finra disciplinary action against NewEdge comes just over one year after the firm agreed to a censure and to pay a \$90,000 fine and almost \$45,000 in restitution over alleged mispricing on bond trades.

Between June 2020 and March 2023, NewEdge allegedly charged “unfair prices” in 62 corporate bond transactions and six municipal bond transactions, Finra said in a [March 2024 letter](#). It also failed to establish a supervisory system to ensure it was complying with its fair pricing obligations per the MSRB, the Finra settlement letter said.

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