

COMMONWEALTH OF KENTUCKY  
PUBLIC PROTECTION CABINET  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
AGENCY CASE NO. 2015-AH-0021



DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

NEWBRIDGE SECURITIES CORPORATION

RESPONDENT

AGREED ORDER

STATEMENT OF FACTS

1. The Department of Financial Institutions (“DFI”) is the agency of Kentucky state government charged with enforcement of the provisions of KRS Chapter 292 (the Securities Act of Kentucky) and the rules and regulations enacted thereunder.

2. Newbridge Securities Corporation (“Newbridge”) (CRD #14065) is a broker-dealer registered with the DFI and organized and operating under the laws of the Commonwealth of Virginia. Newbridge maintains its principal offices at 1451 W. Cypress Creek Road, Suite 204, Fort Lauderdale, Florida 33309. Newbridge is doing business in the Commonwealth of Kentucky through its agents and representatives.

3. From January 2008 to January 2013, Newbridge charged a transactional “handling fee” in addition to standard commissions to Kentucky customers for each executed trade.

4. Newbridge’s Fee Schedule provided to Kentucky customers stated that it would charge a “handling fee” of “up to \$49.95.” The fee actually charged to Kentucky customers ranged from \$0 to \$49.95.

5. However, the actual fees (handling plus ticket) charged to Newbridge by its clearing agent, Legent Clearing (“Legent”) (CRD No. 117176), averaged \$11.03.

6. Newbridge failed to disclose to its customers that the charged “handling fee” (i) was not uniformly charged to all customers, (ii) was not based on the costs of handling a particular transaction, (iii) included profits to the firm, and (iv) included a rebate to registered representatives and/or branch offices.

7. The practice of charging a “handling fee” produced a substantial profit to Newbridge.

8. On or about January 29, 2013, FINRA entered into a letter of acceptance, waiver and consent (“AWC”) with Newbridge in which Newbridge, without admitting or denying, consented to certain findings relating to its practices regarding the handling fee that were similar to the violations detailed in this Agreed Order. In the FINRA AWC, Newbridge agreed to pay a fine in the amount of \$50,000 to FINRA for said violations. However, the FINRA AWC did not make any provision for the refund or return of any fees or commissions to Newbridge’s Kentucky customers.

9. On April 2, 2015, a Final Order and Judgment Approving Class Action Settlement (“Judgment”) was entered in the United States District Court for the Southern District of Florida. As a result of the Judgment, most of Newbridge’s Kentucky customers who were charged the handling fee are entitled to receive some form of compensation.

10. Newbridge’s Kentucky customers who were charged the handling fee from January 2008 to December 2009 did not fall within the class of people covered by the Judgment. In September 2015, the DFI, as part of its investigation, obtained a spreadsheet from Newbridge which identified the Kentucky customers that did not fall within the class of people covered by

the Judgment. The spreadsheet also revealed the handling fees charged to the customers per trade and the fees Newbridge paid its clearing agent per trade.

#### **DFI's CONCLUSIONS OF LAW**

11. 808 KAR 10:440 requires broker-dealers to observe high standards of commercial honor and just and equitable principles of trade in their dealings with customers and the conduct of their business. 808 KAR 10:440 Section 1(21) makes charging and receiving an unreasonable commission or profit a dishonest or unethical practice and 808 KAR 10:440 Section 1(25) makes conducting a sales practice in a deceptive or misleading manner a dishonest or unethical practice. Violations of 808 KAR 10:440 are grounds for a fine, suspension, or revocation of a broker-dealer registration.

12. Newbridge failed to observe high standards of commercial honor and just and equitable principles of trade and Newbridge violated 808 KAR 10:440 Sections 1(21) and (25) by charging Kentucky customers an undisclosed commission fee that was mischaracterized as a handling fee as detailed herein.

13. This Order is in the public interest.

#### **AGREEMENT AND ORDER**

14. In the settlement of this matter, but without admitting or denying the DFI's findings of fact and conclusions of law, Newbridge agrees:

a. to remit a total of Seven Thousand Four Hundred Seventy-Six Dollars (\$7,476.00), to thirty-one (31) previously identified Kentucky customers that were charged unreasonable handling fees in excess of Newbridge's actual clearing costs from January 2008 to December 2009;

b. to provide each previously identified customer a letter that fully explains the reason for the payment being provided;

c. to provide proof to the DFI, within thirty (30) days of the entry of this Agreed Order, that it has made the required payments and mailed the required letters; and

d. to provide the DFI, within one-hundred twenty (120) days of the entry of this Agreed Order, with a list of the names and addresses of the customers who do not cash the checks issued by Newbridge under subparagraph 14a or whose letter mailed under subparagraph 14b is returned by the post office as undeliverable.

15. Newbridge waives its right to demand a hearing at which it would be entitled to legal representation, to confront and cross examine witnesses, and to present evidence on its own behalf, or to otherwise appeal or set aside this Order.

16. Newbridge consents to and acknowledges the jurisdiction of the DFI over this matter and that this Order is a matter of public record and may be disseminated as such.

17. In consideration of execution of this Agreed Order, Newbridge for itself, and for its successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, the DFI, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Newbridge ever had, now has, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this Agreed Order or its administration.

18. DFI acknowledges and agrees that this Agreed Order concludes, and fully and finally resolves, any and all pending investigations of Newbridge and that this Agreed Order

shall serve as the Final Order. DFI further advises and agrees that disqualification under Rule 506(d)(1) of Regulation D (17 C.F.R. 230.506(d)) and a disqualification event under Rule 262(a) of Regulation A (17 C.F.R. 230.262(a)), should not arise as a consequence of this Agreed Order.

19. By signing below, the parties acknowledge they have read the foregoing Agreed Order, know and fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties.

IT IS SO ORDERED on this the 7 day of June, 2016.

  
CHARLES A. VICE  
COMMISSIONER

Consented to:

This 6 day of JUNE, 2016

  
Shonita Bossier, Director  
Division of Securities  
Department of Financial Institutions

This 27 day of May, 2016

  
Thomas Casolaro, CEO  
Newbridge Securities Corporation

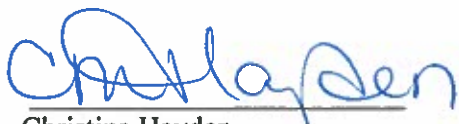
**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Agreed Order was sent by certified mail/return receipt requested on this the 7 day of June, 2016, to:

Thomas Casolaro, CEO  
Newbridge Securities Corporation  
5200 Town Center Circle  
Tower I, Suite 306  
Boca Raton, FL 33486

And by hand delivery to:

Simon Berry  
Department of Financial Institutions  
1025 Capital Center Drive, Suite 200  
Frankfort, KY 40601



Christina Hayden  
Department of Financial Institutions