

**COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF THE SECRETARY OF THE COMMONWEALTH  
SECURITIES DIVISION  
ONE ASHBURTON PLACE, ROOM 1701  
BOSTON, MASSACHUSETTS 02108**

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IN THE MATTER OF: )

STEVEN F. DAVIS and )  
ROYAL ALLIANCE ASSOCIATES, INC., )

RESPONDENTS. )

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Docket No. E-2018-0093

**ADMINISTRATIVE COMPLAINT**

**I. PRELIMINARY STATEMENT**

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (the “Enforcement Section” and the “Division,” respectively) files this Administrative Complaint (the “Complaint”) to commence an adjudicatory proceeding against Respondents Steven F. Davis and Royal Alliance Associates, Inc. (together, “Respondents,” otherwise, “Davis” and “Royal Alliance”) for violations of MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (the “Act”), and the regulations promulgated thereunder at 950 MASS. CODE REGS. 10.00 – 14.413 (the “Regulations”). The Enforcement Section alleges that Respondents engaged in acts and practices in violation of Section 204 of the Act and Regulations.

The Enforcement Section seeks an order: 1) finding as fact the allegations set forth below; 2) finding that all the sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors; 3) requiring Respondents to permanently cease and desist from further conduct in violation of the Act and the Regulations in the Commonwealth; 4) censuring Respondents; 5) requiring Respondents

to provide an accounting for those losses attributable to the alleged wrongdoing; 6) requiring Respondents to provide restitution to fairly compensate investors for those losses attributable to the alleged wrongdoing; 7) requiring Respondents to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing; 8) imposing an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and 9) taking any such further action which may be necessary or appropriate in the public interest and for the protection of Massachusetts investors.

## II. SUMMARY

The Enforcement Section brings this action against Royal Alliance Associates, Inc. (“Royal Alliance”) and Steven F. Davis (“Davis”) for violations of Section 204 of the Massachusetts Uniform Securities Act in connection with Royal Alliance’s supervisory failures related to unsuitable recommendations made by Davis to Massachusetts investors.

In late 2014, Davis took over as agent-of-record on the Royal Alliance accounts of two residents of Berkley, Massachusetts (“Investor One” and “Investor Two,” respectively), after their previous representative retired. Investors One and Two are a couple, then in their 60s, who had been clients of Royal Alliance since 2007. Investors One and Two held multiple accounts at Royal Alliance, had a moderate risk tolerance, and an investment objective of long-term growth. Due to their inexperience with investing, Investors One and Two had always relied on a financial adviser to provide them with sound investment advice. When Investor One and Investor Two began working with Davis, this situation was no different. Given the trusting relationship

Investors One and Two had with their previous Royal Alliance representative, they were optimistic when their new relationship with Davis began, expecting the same level of sound investment advice.

In June 2015, Davis contacted Investors One and Two and told them that their annuity product with American General Life Insurance Company (“American General”) had an upcoming contract anniversary date that month and offered to assist them in a 1035 exchange<sup>1</sup> of their contract for a different annuity product offered by Delaware Life Insurance Company (“Delaware Life”). Davis proposed a five-year Delaware Life fixed annuity product with an interest rate of 2.40%. What Davis failed to disclose to Investors One and Two was that this new interest rate was 2.35% below what Investors One and Two were earning with their current American General annuity, which had a 4.75% interest rate. Investors One and Two tried to explain to Davis that they had a 10-year term with American General and that the anniversary date was not up until June 2018. However, Davis convinced Investors One and Two to follow his advice and assured Investors One and Two that this was in their best interest. At the time, Davis believed the current American General product only had a seven-year term and that the contract would be due by the middle of June 2015. Furthermore, Davis firmly but falsely believed that Delaware Life was offering a better rate because no other available products were currently offering such a high interest rate. By failing to review a provision in Investors One and Two’s annuity agreement with American General which guaranteed their

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<sup>1</sup>The Internal Revenue Service allows individuals to exchange an insurance policy for a new insurance policy insuring the same person without paying tax on any investment gains earned on the original contract. Section 1035 of the Internal Revenue Code governs these exchanges, which are commonly referred to as 1035 exchanges.

contract value for another three years while maintaining the interest rate of 4.75% until June 2018, Davis failed to act in the best interest of Investors One and Two.

A few days after signing documents for the annuity exchange, Davis contacted Investors One and Two again to have them come back into his office to sign additional documents. Delaware Life subsequently rejected the forms signed by Investors One and Two because the forms Davis supplied were outdated. Believing that Davis knew what he was doing, Investors One and Two continued to trust Davis and signed the updated forms, which were again submitted. After the completion of the exchange in August 2015, Investors One and Two received a letter from American General confirming the exchange of their contract for a Delaware Life contract. The letter also informed Investors One and Two that they were to be charged a surrender penalty in the amount of \$15,648.88 for not submitting the paperwork within the allotted penalty-free withdrawal period. Davis received a commission of approximately 3% on the sale of the Delaware Life product. Given the initial contract value in the amount of \$583,299.08, Davis received approximately \$17,498.97 for the sale of the Delaware Life product to Investors One and Two.

If Investors One and Two had remained in their American General annuity over the remaining contract period from June 2015 to June 2018, they would have earned interest in the amount of approximately \$86,361.10. Instead, Davis placed Investors One and Two in an annuity from Delaware Life, which earned interest in the amount of approximately \$43,013.54 meaning that Investors One and Two earned \$43,347.53 less than what they would have earned had they remained with American General for the additional guaranteed period of three years.

As an investment adviser representative in the Commonwealth, Davis owes a fiduciary duty to his customers, including Investors One and Two. Davis breached his fiduciary duty when he transferred Investors One and Two's annuity into an annuity which yielded a far lower interest rate than what they were receiving originally. The annuity exchange did not benefit Investors One and Two because they lost the opportunity to earn tens of thousands of dollars in additional interest; however, it did benefit Davis in that he generated substantial profits for himself. As an investment adviser representative for Investors One and Two, Davis was privy and able to review all of the documents sent by American General and Delaware Life to Investors One and Two throughout the course of the transaction. Despite multiple notices and letters from American General regarding the unsuitability of the Delaware Life product, Davis proceeded to place Investors One and Two in a product which generated substantially less interest. Davis' recommendation to exchange an American General annuity with a 4.75% interest rate to a Delaware Life annuity with a 2.40% interest rate was financially detrimental to Investors One and Two, who were in a far better position prior to this transaction. As a result, Davis failed to act in the best interest of his clients.

For its part, Royal Alliance failed to adequately supervise Davis during and after the annuity exchange that Davis recommended to Investors One and Two. Once understanding what Davis had done, Investors One and Two submitted a written complaint to Royal Alliance, which then determined that the product in question was not offered through the firm and thus denied any and all responsibility in a letter sent to Investors One and Two. Royal Alliance policies and procedures in effect at the time of the exchange state that "Financial Advisors must have thorough knowledge of the

features of all insurance and securities products they intend to solicit clients to purchase[.]” In order for representatives to recommend an annuity product to clients, they must “be able to demonstrate an economic justification for recommending that a client switch from one product to another.” Davis, however, had no economic justification for recommending this annuity exchange to Investors One and Two. Furthermore, Royal Alliance requires that representatives who recommend the “replacement of one insurance product with another must have a reasonable basis for believing that the replacement is suitable for the client.” Again, Davis had no reasonable basis to believe that the replacement was suitable for Investors One and Two. Royal Alliance is responsible for its representative’s conduct.

Davis’ recommendation that Investors One and Two exchange their annuity was in connection with his business activities as a Royal Alliance representative; thus Royal Alliance was under a duty to supervise and review the exchange to determine if there was an “economic justification for recommending” the Delaware Life annuity. By denying responsibility for the harm caused to Investors One and Two by Davis, Royal Alliance would be denying any responsibilities over the outside business activities of its representatives as a whole, in contravention of its own policies and procedures and rendering meaningless its supervisory duties under the securities laws and regulations. After failing to adequately resolve the complaint of Investors One and Two, Royal Alliance failed to disclose their representative’s conduct. Royal Alliance also failed to take any action with respect to Davis after learning of the annuity exchange. Royal Alliance’s establishment of policies and procedures are rendered meaningless without proper enforcement by the firm.

The Enforcement Section takes this action to prevent further violations of the Act by Davis and Royal Alliance.

### **III. JURISDICTION AND AUTHORITY**

1. The Massachusetts Securities Division is a Division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities as provided for by the Act. The Act authorizes the Division to regulate: (a) the offers and/or sales of securities; (b) those individuals offering and/or selling securities within the Commonwealth; and (c) those individuals transacting business as broker-dealer agents within the Commonwealth.

2. The Enforcement Section brings this action pursuant to the authority conferred upon the Division by Section 407A of the Act, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act.

3. This proceeding is brought in accordance with Section 204 of the Act.

4. The Enforcement Section reserves the right to amend this Complaint and/or bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

### **IV. RELEVANT TIME PERIOD**

5. Except as otherwise expressly stated, the conduct described herein occurred during the period of January 1, 2015 to March 23, 2018 (the "Relevant Time Period").

### **V. RESPONDENTS**

6. Steven F. Davis ("Davis") is a natural person with a last known address in Barrington, Rhode Island. Davis has a Financial Industry Regulatory Authority ("FINRA") Central Registration Depository ("CRD") number of 1618380. Davis has

been registered in the securities industry since 1987. Davis was registered as a broker dealer-agent of Royal Alliance Associates, Inc. in Massachusetts from January 8, 2010 to March 27, 2018 and as investment adviser representative of Royal Alliance Associates, Inc. from June 16, 2014 to March 27, 2018.

7. Royal Alliance Associates, Inc. (“Royal Alliance”) is a Delaware corporation with a principal place of business located at 10 Exchange Place Suite 1410, Jersey City, New Jersey 07302. Royal Alliance has a FINRA CRD number of 23131. Royal Alliance has been registered in Massachusetts as a broker-dealer since 1989 and has been notice filed as an investment adviser in Massachusetts since 2003.

## VI. STATEMENT OF FACTS

### A. Steven F. Davis

8. Davis has been registered in the securities industry since 1986. Beginning in January 2010, Davis was a registered representative of Royal Alliance, where he worked until March 2018.

9. Davis was also a licensed insurance agent in Massachusetts from 1995 to 2017.

10. As a licensed insurance agent, Davis was authorized to sell fixed annuity products in addition to several other types of insurance products.

11. Davis worked and conducted his securities business in multiple locations.

12. In his capacity as a Royal Alliance representative, Davis leased space in Warwick, Rhode Island and worked out of his home in Barrington, Rhode Island.

13. In addition, Davis worked as a Royal Alliance representative at Church Green Financial Services, LLC (“Church Green Financial Services”) located in Taunton, Massachusetts.



14. Church Green Financial Services was an affiliate of Taunton Federal Credit Union and provided financial planning services.

**B. Investors One and Two**

15. Investor One and Investor Two are a couple in their 60s who reside in Berkley, Massachusetts.

16. Investors One and Two have had an account with Taunton Federal Credit Union since approximately 2002.

17. During this time period, they worked with Royal Alliance representatives at Church Green Financial Services, which conducts business out of Taunton Federal Credit Union.

18. Investors One and Two have been customers of Royal Alliance since 2007, opening multiple accounts since that time, with a moderate to conservative risk tolerance and an investment objective of long-term growth, capital appreciation, and income.

19. Investors One and Two have always been dependent on their investment adviser for financial advice. When Investors One and Two began working with Davis, this situation was no different.

**C. Davis Failed to Act in the Best Interests of Investors One and Two, Causing Investors One and Two to Pay a Substantial Surrender Charge in Connection with an Unsuitable Annuity Exchange**

20. In September 2014, Davis took over as the agent-of-record on the accounts of Investors One and Two after their previous representative retired.

21. In or about June 2015, Davis contacted Investors One and Two to inform them that their fixed annuity from American General Life Insurance Company (“American General”) had an upcoming contract anniversary date on June 18, 2015.

22. At the time, this annuity had an interest rate of 4.75% which was guaranteed for an additional three years after June 18, 2015, with an expected anniversary date of June 18, 2018.

23. Investors One and Two had the opportunity to withdraw the entire value of the contract without incurring any surrender charges if American General received a written withdrawal request by June 3, 2015.

24. A letter from American General to Investor One dated May 4, 2015, read in part:

We are writing to you regarding your annuity contract HD [XXXXXXXXXX]. Your initial interest rate guarantee of 4.750% expires on your upcoming contract anniversary, 06/18/2015. For the next multi-year guarantee period of 3 years, you are guaranteed to earn interest at the rate of 4.750%. You are not required to take any action in order to receive this rate.

We want to remind you that your contract includes a provision that allows you to withdraw all or a portion of your contract's value at the end of your initial guarantee period, without incurring any withdrawal charges or Market Value Adjustment (MVA). To do so, we must receive your request in writing by 06/03/2015 date, which is 14 days before your upcoming contract anniversary. Your projected contract value on your upcoming anniversary date will be 578,146.10\*.<sup>2</sup>

Again, to earn your new guaranteed interest rate, you do not need to take any action.

25. During a meeting with Investors One and Two, Davis proposed a 1035 exchange from the American General annuity to an annuity from the Delaware Life Insurance Company ("Delaware Life").

26. The Delaware Life annuity has a five-year guaranteed period with an annual interest rate of 2.40% for the period of August 3, 2015 to August 3, 2020.

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<sup>2</sup> \* This figure assumes no withdrawals have occurred between the printing of this letter and your contract anniversary date.

27. On June 19, 2015, after discussions with Davis, Investors One and Two proceeded to fill out an application for the Delaware Life annuity.
28. On June 19, 2015, at the direction of Davis, Investors One and Two filled out and signed the Delaware Life suitability questionnaire form in order to transfer the contract value from American General to Delaware Life.
29. This suitability questionnaire form was subsequently rejected because the form was outdated.
30. On July 13, 2015, Investors One and Two completed and signed an updated Delaware Life suitability questionnaire form at the direction of Davis.
31. As they had in all prior transactions, Investors One and Two relied entirely on Davis' knowledge and expertise when choosing the Delaware Life annuity.
32. On August 4, 2015, the 1035 exchange was completed and the funds from the American General annuity transferred over to the Delaware Life annuity.
33. In addition to filling out an outdated form, Davis also missed the penalty-free deadline of June 3, 2015 whereby Investors One and Two were permitted to withdraw their full contract value from the American General annuity without incurring a surrender charge.
34. As a result of Davis' failure to supply Investors One and Two with the correct suitability form and submit the suitability form within the penalty-free period, Investors One and Two paid a surrender penalty in the amount of \$15,648.88.
35. Davis failed to act in the best interest of his clients when he recommended that Investors One and Two exchange their American General annuity for a Delaware Life annuity.

36. By failing to provide an up-to-date suitability form prior to the penalty-free withdrawal deadline, Davis failed to act in the best interest of his clients when he allowed Investors One and Two to incur a surrender penalty.

D. **Davis Made an Unsuitable Recommendation Related to Investor One and Investor Two’s Annuity Exchange**

37. As displayed in the following table,<sup>3</sup> Investors One and Two would have earned approximately \$43,347.53 in additional interest had they remained with American General from 2015 through 2018 instead of exchanging their annuity for the Delaware Life product:

| <b>American General Annuity</b> |              |               |                    |
|---------------------------------|--------------|---------------|--------------------|
| Date                            | Amount       | Interest Rate | Interest Earned    |
| 6/18/2015 - 6/18/2016           | \$578,146.10 | 4.75%         | \$27,461.94        |
| 6/18/2016 - 6/18/2017           | \$605,608.04 | 4.75%         | \$28,766.38        |
| 6/18/2017 - 6/18/2018           | \$634,374.42 | 4.75%         | \$30,132.78        |
| 6/18/2018 - 6/18/2019           | \$664,507.20 | N/A           | N/A                |
| <b>Total:</b>                   |              |               | <b>\$86,361.10</b> |

| <b>Delaware Life Annuity</b> |              |               |                    |
|------------------------------|--------------|---------------|--------------------|
| Date                         | Amount       | Interest Rate | Interest Earned    |
| 8/3/2015 - 8/3/2016          | \$583,299.08 | 2.40%         | \$13,999.18        |
| 8/3/2016 - 8/3/2017          | \$597,298.26 | 2.40%         | \$14,335.16        |
| 8/3/2017 - 8/3/2018          | \$611,633.42 | 2.40%         | \$14,679.20        |
| 8/3/2018 - 8/3/2019          | \$626,312.62 | 2.40%         | N/A                |
| <b>Total:</b>                |              |               | <b>\$43,013.54</b> |

| <b>Difference in Total Interest Earned</b> |
|--------------------------------------------|
| <b>\$43,347.53</b>                         |

38. If Investors One and Two had remained in their American General annuity, they would have earned interest in the amount of approximately \$86,361.10.

<sup>3</sup> The numbers in the table were derived by multiplying the yearly interest rate by the respective year-end contract values for both the American General annuity and Delaware Life annuity for Investors One and Two.

39. Instead, Investors One and Two earned interest in the amount of approximately \$43,013.54, which represents \$43,347.53 less than what they would have earned had they remained with American General for the additional guaranteed period of three years.

40. Davis received a commission of approximately 3% on the sale of the Delaware Life product.

41. Given the initial contract value of \$583,299.08, Davis received approximately \$17,498.97 for the sale of the Delaware Life product.

42. Between the surrender charge in the amount of \$15,648.88, the commission paid to Davis in the amount of approximately \$17,498.97, and the lost interest in the amount of approximately \$43,347.53 to Investors One and Two, the total cost of the exchange was approximately \$76,495.38.

43. When asked about why he thought it was suitable to replace the American General annuity with the Delaware Life annuity, Davis stated:

I believed one hundred percent that I was offering them a higher rate, completely suitable. I mean they already had a fixed annuity product, same product, same time frame. I simply in the interest rate environment that was prevalent believed I had a higher rate and that's what I presented to them and facts obviously have, you know, come to light post -- you know, post sale, way post sale, that that wasn't true.

44. Davis had opportunities to review the letter from American General to Investor One dated May 4, 2015, which stated a provision that allowed Investors One and Two to maintain their then current annuity at the interest rate of 4.75% prior to proceeding with a 1035 exchange.

45. During the 1035 exchange period, a letter regarding “Notice of Questionable Replacement” from American General to Delaware Life, dated July 23, 2015, notified Delaware Life of the unsuitability of its product by stating in part:

URGENT: Please contact us immediately at 1-800-242-4079 about a potentially unsuitable solicitation to AMERICAN GENERAL LIFE INSURANCE COMPANY annuity contract holder.

The contract has been in force since 06/18/2008 and is still in the contract’s withdrawal charge period. We believe this transaction disadvantages the contract holder and, therefore, may be unsuitable. Because of your position, we are asking for your assistance in helping us determine appropriateness.

46. Another letter from American General, dated July 23, 2015, notified Investors One and Two of the unsuitability of the Delaware Life product by stating in part:

URGENT: Before you surrender or exchange your annuity, please call us to review current contract values.

We received your request to exchange your annuity contract. Before you finalize this important decision, we urge you to review the following important considerations listed below. We believe American General Life Insurance Company is still the right choice for your annuity needs, and we want to be certain this transaction serves your best interest.

47. As an investment adviser representative for Investors One and Two, Davis was privy and able to review all of the documents sent by American General and Delaware Life to Investors One and Two during the Relevant Time Period.

48. Despite American General’s notices and letters regarding the unsuitability of the exchange, Davis proceeded to place Investors One and Two in a product with a substantially lower guaranteed interest rate.

49. Davis' recommendation to exchange an American General annuity with a 4.75% interest rate to a Delaware Life annuity with a 2.40% interest rate was financially detrimental to Investors One and Two.

E. **Royal Alliance's Failure to Supervise Davis Resulted in an Unsuitable Annuity Transaction that Caused Harm to Investors One and Two**

50. Royal Alliance had a duty to review Davis' transactions in connection with his customer accounts, including those of Investors One and Two.

51. In the fall of 2015, Investors One and Two submitted a written complaint to Royal Alliance alleging unsuitability and dishonest conduct by Davis. The complaint was in connection with Davis' recommended annuity exchange.

52. In response, Royal Alliance sent a letter to Investors One and Two, dated January 12, 2016, which states in part:

Our review of this matter, we found that the American General fixed annuity and the Delaware life policies were not purchased through Royal Alliance. These products are not considered securities and not supervised by Royal Alliance; unfortunately we cannot speak to the issues you may have encountered with the purchase or surrender of these products.

53. Royal Alliance's failure to maintain and enforce its policies and procedures allowed Davis to recommend and effect an annuity exchange for Investors One and Two.

54. Section 15.4 of Royal Alliance's written policies and supervisory procedures ("SPM"), titled Sales Guidelines and dated September 22, 2014, states in relevant part:

Financial Advisors must have thorough knowledge of the features of **all insurance and securities products they intend to solicit clients to purchase**, including death benefits, fees and expenses, sub-account choices, withdrawal privileges and limitations, tax implications, and any special features. As with any transaction, Financial Advisors should make an affirmative determination before making a recommendation to a client that the particular product being recommended (whether securities

or insurance) is suitable for a client considering the client's financial means, needs and objectives, and risk tolerances. Because some insurance and annuity products offer certain guaranteed and non-guaranteed benefits, Financial Advisors should ensure that clients fully understand exactly what they are and understand the difference between the two.

55. By placing this provision in its SPM, Royal Alliance took on a duty to supervise all annuity products that its representatives, also known as Financial Advisors, solicit or sell to clients.

56. Under SPM Section 15.4.1, titled Annuity Sales Guidelines and Considerations, Royal Alliance and its representatives had general guidelines to follow when recommending transactions in fixed, variable or equity indexed annuity products to clients. Section 15.4.1 states, in relevant part, that Financial Advisors “[m]ust be able to demonstrate an economic justification for recommending that a client switch from one product to another.”

57. Davis did not adhere to these guidelines and did not demonstrate an economic justification for recommending that Investors One and Two switch from their American General annuity product to the Delaware Life product.

58. No action was taken against Davis for recommending the annuity exchange to Investors One and Two by Royal Alliance.

59. SPM Section 15.4.5, titled Replacements, states in relevant part:

A "replacement" occurs when a client surrenders one insurance product and then purchases similar coverage through a different product. Financial Advisors who recommend the replacement of one insurance product with another **must have a reasonable basis for believing that the replacement is suitable for the client...**

Persuading a client to replace an existing insurance product or annuity with another through misrepresentation or a misleading recommendation (referred to as "twisting") is prohibited. Similarly, it is inappropriate for an FA to recommend that a client purchase



multiple insurance contracts, resulting in higher cost to the client, when one contract will meet the client's needs.

60. There was no reasonable basis for Davis to exchange Investors One and Two's then current American General annuity for the Delaware Life annuity because the American General annuity provided a higher interest rate.

## **VII. VIOLATIONS OF LAW**

### **Count I – Violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G)**

61. Section 204(a)(2)(G) of the Act provides:

The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

(G) has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business [.]

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

62. The Enforcement Section herein re-alleges and re-states the allegations of fact set forth in Section VI above.

63. The conduct of Respondent Davis, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

### **Count II – Violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G)**

64. Section 204(a)(2)(G) of the Act provides:

The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

(G) has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business [.]

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

65. The Enforcement Section herein re-alleges and re-states the allegations of fact set forth in Section VI above.

66. The conduct of Respondent Royal Alliance, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

**Count III – Violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J)**

67. Section 204(a)(2)(J) of the Act provides:

The secretary may by order deny, suspend, or revoke any registration if he finds (1) that the order is in the public interest and (2) that the applicant or registrant

(J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter [.]

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J).

68. The Enforcement Section herein re-alleges and re-states the allegations of fact set forth in Section VI above.

69. The conduct of Respondent Royal Alliance, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J).

**VIII. STATUTORY BASIS FOR RELIEF**

Section 407A of the Act provides, in pertinent part:

- (a) If the secretary determines, after notice and opportunity for hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take such affirmative action, including the imposition of an administrative fine,

the issuance of an order for an accounting, disgorgement or rescission or any other such relief as in his judgment may be necessary to carry out the purposes of [the Act].

MASS. GEN. LAWS ch. 110A, § 407A.

#### **IX. PUBLIC INTEREST**

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors for the Director to enter an order finding that such “action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of this chapter [MASS. GEN. LAWS ch. 110A].”

#### **X. RELIEF REQUESTED**

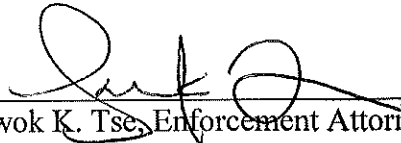
The Enforcement Section of the Division requests that an order be entered:

- A. Finding as fact all allegations set forth in Section VI of the Complaint;
- B. Finding that all the sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors;
- C. Requiring Respondents to permanently cease and desist from further conduct in violation of the Act and the Regulations in the Commonwealth;
- D. Censuring Respondents;
- E. Requiring Respondents to provide an accounting for those losses attributable to the alleged wrongdoing;
- F. Requiring Respondents to provide restitution to fairly compensate investors for those losses attributable to the alleged wrongdoing;
- G. Requiring Respondents to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing;

- H. Imposing an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and
- I. Taking any such further action which may be necessary or appropriate in the public interest and for the protection of Massachusetts investors.

**MASSACHUSETTS SECURITIES DIVISION  
ENFORCEMENT SECTION**

By and through its attorneys,



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Dated: January 22, 2019