

STATE OF NEW HAMPSHIRE  
DEPARTMENT OF STATE  
BUREAU OF SECURITIES REGULATION  
25 CAPITOL STREET  
CONCORD, NH 03301

**CONSENT ORDER**  
**IN THE MATTER OF:**

Royal Alliance Associates, Inc. (CRD#23131)

COM2018-00011

- I. For purposes of settling the above-captioned matter, and in lieu of further administrative proceedings, Royal Alliance Associates, Inc. has submitted an offer of settlement, which the State of New Hampshire, Department of State, Bureau of Securities Regulation (the “Bureau”) has determined to accept. Accordingly, without admitting or denying the allegations or statements of law contained herein, Royal Alliance Associates, Inc. does hereby consent to entry of this Consent Order and the sanctions contained therein:

**STATEMENTS OF FACT**

1. Royal Alliance Associates, Inc. (hereinafter “RAA”) is a broker-dealer incorporated in the State of Delaware, and is a registered broker-dealer with the Securities and Exchange Commission number 8-40218, the Financial Industry Regulatory Authority with a CRD #23131, and licensed as a broker-dealer with the State of New Hampshire. Investor #1 from Claremont, New Hampshire was a customer of former RAA broker-dealer agent Gary Basralian (hereinafter “GB”), CRD#14385 who was based in Maplewood, New Jersey. GB was federally indicted for the conduct described in this Consent and is currently serving prison time. Investor #1 entrusted GB with her investment funds received following a car accident which left her permanently disabled and unable to work, and due to RAA supervisory failures, GB misappropriated approximately \$1.8 million from Investor #1’s RAA brokerage account.
2. As do most broker-dealers, RAA has very specific compliance policies and prohibitions with respect to transferring customer funds. FINRA Rule 3110 imposes upon a member the obligation to establish and maintain a system to supervise the activities of each associated person, to review the activities in customer accounts and to conduct periodic inspections of each of its offices. RAA was subject to these requirements, and in fact RAA had specific supervisory and compliance policies in place to; require customer written authorization for movement of funds, establish a signature log to track funds movement transactions and RAA prohibited third party transactions.

3. Despite these supervisory and compliance policies in place, RAA ignored or failed to address numerous red flags and GB was able over an extended period of time from 2009 through 2017 (the “relevant time period”), to execute multiple fraudulent funds withdrawal authorizations from Investor #1’s brokerage account that were not authorized and were in violation of RAA supervisory and compliance policies.
4. During GB’s tenure with RAA, he was under financial stress and several liens for nonpayment were logged against him and not entered on his U-4. Had RAA checked the accuracy of GB’s U-4 as is required, RAA would have been alerted to this problem and should have monitored GB closely. Instead, GB was able to carry out his deceit by setting up several fictitious outside businesses which he touted as investment opportunities, forged Investor #1’s signature on multiple federal funds wire authorizations and check withdrawals and deposited Investor #1’s funds in a bank account controlled by him. As a result of GB’s unlawful activity, Investor #1 suffered approximately \$1.8 million in out of pocket losses. The Bureau reviewed the compliance systems used by RAA during the relevant period and there was a failure and lapse in the supervision of GB.
5. RAA cooperated with the Bureau’s investigation.

#### **THE LAW**

- II. The Bureau hereby makes the following statements of law under the New Hampshire Revised Statutes Annotated, RSA 421-B, and regulations thereunder in effect during the relevant time period both before and after the RSA 421-B law change effective 1/1/2016:
  1. RAA is a broker-dealer within the meaning of RSA 421-B:2, III in effect before the law change and RSA 421-B:1-102(6) after the law change.
  2. Pursuant to FINRA Rule 0140, FINRA Rules apply to all members and persons associated with a member and persons associated with a member shall have the same duties and obligations as a member under the Rules. GB during the relevant time period was a broker-dealer agent of RAA, an office of supervisory jurisdiction and was subject to compliance with FINRA Rules and RAA funds transfer compliance policy.
  3. Pursuant to FINRA Rule 3110, each member shall establish and maintain a system to supervise the activities of each associated person that is reasonable designed to achieve compliance with applicable securities laws and regulations and with applicable FINRA rules. The supervisory procedures shall include procedures for the review by a registered principal all transactions relating to the securities business of each member and each member shall conduct a review, at least annually, of the business in which it engages. The review shall be reasonably designed to assist the member in detecting and preventing violations of, and achieving compliance with, securities laws and regulations and FINRA rules. RAA is subject to this provision.

4. Pursuant to RSA 421-B:8,X, in effect before the law change, persons licensed under RSA 421-B to conduct securities business shall abide by the rules of the Securities and Exchange Commission, National Association of Securities Dealers ("NASD"), national and regional stock exchanges, and other self-regulating organizations which have jurisdiction over the licensee, which set forth standards of conduct in the securities industry. RAA is subject to this provision.
5. Pursuant to RSA 421-B:4-406(k) in effect after the law change, persons registered under this article to conduct securities business shall comply with the applicable rules of the Securities and Exchange Commission and FINRA. RAA is subject to this provision.
6. RSA 421-B:10,I(a) and (b)(2), in effect before the law change, allows the secretary of state to deny, suspend, or revoke any license or application if he finds that it is in the public interest and that the applicant or licensee has failed to supervise its agents. RAA is subject to this provision.
7. Pursuant to RSA 421-B:4-412(d)(9), in effect after the law change, a person may be disciplined under subsections (a) and (b) if the person has failed to reasonably supervise an agent. RAA is in violation of this provision for failing to supervise the activities of GB.
8. Pursuant to RSA 421-B:10,VI, in effect prior to the law change, in lieu of, or in addition to, any such order to suspend or revoke any license or application, the secretary of state may, upon hearing, assess an administrative fine of not more than \$2,500 per violation.
9. Pursuant to RSA 421-B:23, whenever it appears to the secretary of state that any person has engaged or is about to engage in any act or practice constituting a violation of this chapter or any rule under this chapter, he shall have the power to issue and cause to be served upon such person an order requiring the person to cease and desist from violations of this chapter. RAA is subject to this provision.
10. Pursuant to RSA 421-B:6-604(d), in effect after the law change, in a final order, the secretary of state may impose a civil penalty up to a maximum of \$2,500 for a single violation. In addition, every such person, who is subject to such civil penalty, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation, or denial of any registration of license, or be barred from registration or licensure. RAA is subject to a fine for each violative customer transaction.
11. Pursuant to N.H. RSA 421-B:6-604(g), in effect after the law change, and RSA 421-B:22, before the law change, in any investigation to determine whether any person has violated any rule or order under this title, the secretary of state shall be entitled to recover the costs of the investigation. RAA is subject to this provision.

III. In view of the foregoing, RAA consents to the imposition of the following sanctions:

1. RAA agrees that this Order is entered into for purposes of resolving only the matter described herein. This Order shall have no collateral estoppel effect in any other lawsuit, proceeding, or action not described herein. Likewise, this Order shall not be construed to restrict the Bureau's right to initiate an administrative investigation or proceeding relative to conduct by RAA of which the Bureau has no knowledge at the time of the date of final entry of this Consent Order.
2. RAA agrees not to take any action or make any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this Consent Order or create the impression that the Consent Order is without factual basis. Nothing in this provision affects RAA testimonial obligations or the right to take legal or factual positions in litigation or other legal proceedings in which the Bureau is not a party.
3. RAA agrees to waive its right to an administrative hearing and any appeal therein under this chapter.
4. RAA agrees to deliver within five (5) business days of the execution of this Consent Order an administrative fine of One Hundred Sixty Thousand Dollars (\$160,000), payment to the investor protection fund of Twenty Thousand Dollars (\$20,000), and costs of Ten Thousand Dollars (\$10,000), for a total of One Hundred Ninety Thousand Dollars (\$190,000). Payment must be 1) made by business check, certified check, or postal money order; 2) made payable to the State of New Hampshire; and 3) if mailed, shall be mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire, 03301.
5. RAA shall cease and desist from any further violations of RSA 421-B.
6. RAA shall within thirty days of the execution of this Consent Order submit a written report to the Bureau detailing the supervisory and compliance enhancements it is presently undergoing and will undergo to address this supervisory failure including but not limited to: Giact contract, central bank account data access, customer signature enhancements and funds transfer approval enhancements. RAA shall complete the supervisory and compliance enhancements no later than six months from the date of execution of this Consent Order and submit to the Bureau a final written report detailing the supervisory and compliance enhancements. RAA may apply for an extension for good cause shown.

7. RAA agrees that if they fail to meet any of the undertakings set forth in this Consent Order, such a failure shall constitute a violation of this Consent Order pursuant to RSA 421-B:6-604 and may subject RAA to enforcement action and further sanctions.

IV. Based on the foregoing, the Bureau deems it appropriate and in the public interest to accept and enter into this Order. **THEREFORE, IT IS HEREBY ORDERED THAT:**

1. RAA pay an administrative fine, payment to the investor protection fund and costs as outlined above, totaling One Hundred Ninety Thousand Dollars (\$190,000).
2. RAA shall cease and desist from any further violations of RSA 421-B.
3. RAA shall undergo supervisory and compliance enhancements and report said enhancements to the Bureau as outlined herein.
4. RAA shall comply with all other undertakings outlined herein.

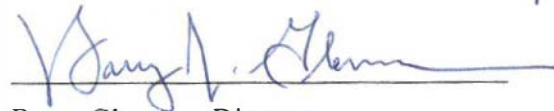
Executed this 9<sup>th</sup> day of May, 2019.

  
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on behalf of RAA

Print Name: Gregory M. Curley, Corporate Counsel/Assistant Secretary

Order entered this 13<sup>th</sup> day of May, 2019.

  
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Barry Glennon, Director  
N.H. Bureau of Securities Regulation