

SEC Charges New Jersey-Based Investment Adviser and Its President with Defrauding Clients

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***Securities and Exchange Commission v. RRBB Asset Management, LLC, et al.*, Civil Action No. 2:20-cv-12523 (D. NJ filed September 10, 2020)**

The Securities and Exchange Commission today charged Maplewood, New Jersey-based RRBB Asset Management, LLC and its president, co-owner and managing member, Carl S. Schwartz, with operating a cherry-picking scheme that defrauded RRBB's clients.

According to the SEC's complaint, Schwartz traded securities in RRBB's omnibus account and delayed allocating the securities to specific client accounts until he had observed the securities' performance over the course of the day. He allegedly then allocated profitable trades to favored accounts and allocated less profitable trades and losing trades to RRBB's other clients. The complaint alleges that Schwartz disproportionately allocated unprofitable trades to six client accounts associated with two elderly widows, including a charitable foundation of which Schwartz is a trustee. The complaint further alleges that RRBB and Schwartz misrepresented to clients that all trades would be allocated in a fair and equitable manner.

The SEC's complaint, filed in the U.S. District Court for the District of New Jersey, charges RRBB and Schwartz with violating the antifraud provisions of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, Sections 17(a)(1) and 17(a)(2) of the Securities Act of 1933, and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940. It also alleges, in the alternative, that Schwartz aided and abetted RRBB's violations of Sections 206(1) and 206(2) of the Advisers Act. Additionally, the complaint alleges that RRBB and Schwartz violated Section 207 of the Advisers Act and that RRBB violated, and Schwartz aided and abetted RRBB's violation of, Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

The SEC's investigation was conducted by Matthew Montgomery and supervised by Robert Conrard, with assistance from Eugene Orlov and Raymond Wolff in the Division of Economic and Risk Analysis. The litigation will be led by Donald Searles and supervised by Amy Longo.