
SEC Charges Investment Adviser and Orders It to Pay Over \$1.8 Million and Return Funds to Clients Harmed by Undisclosed Conflicts

ADMINISTRATIVE PROCEEDING

File No. 3-20865

May 19, 2022 - The Securities and Exchange Commission today announced settled charges against registered investment adviser First Republic Investment Management, Inc. (FRIM) for breaches of fiduciary duty in connection with its affiliated broker's receipt of third-party compensation from advisory client investments without fully and fairly disclosing its conflicts of interest.

The SEC's order finds that FRIM engaged in practices that violated its fiduciary duty to its advisory clients. According to the findings in the order, FRIM invested advisory clients in certain no-transaction-fee mutual funds and certain money market funds used as cash sweep vehicles for which FRIM's affiliated broker received revenue sharing without fully and fairly disclosing FRIM's conflict of interest concerning these payments. In addition, the SEC order find that FRIM also breached its duty to seek best execution by causing certain advisory clients to invest in mutual fund share classes that paid revenue sharing when share classes of the same funds were available to the clients that presented a more favorable value under the particular circumstances in place at the time of the transactions. Finally, the order finds that FRIM failed to adopt and implement written compliance policies and procedures reasonably designed to prevent these violations.

The SEC's order finds that FRIM violated Sections 206(2) and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. Without admitting or denying the findings, FRIM consented to a cease-and-desist order and a censure, and agreed to pay disgorgement of \$1,332,664, prejudgment interest of \$243,289, and a civil penalty of \$250,000. FRIM has also agreed to distribute funds to harmed clients and comply with certain undertakings.

The SEC's investigation was conducted by Heather E. Marlow in the San Francisco Regional Office and Kimberly L. Frederick in the Denver Regional Office, both from the Asset Management Unit. John Farinacci, an industry expert in the Asset Management Unit, assisted with the investigation.

Related Materials

- [Order - First Republic Investment Management, Inc.](#)

Modified: May 19, 2022