

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
Telephone: (973) 504-3600

IN THE MATTER OF:

Royal Alliance Associates, Inc.
(CRD # 23131)

Respondent.

CONSENT ORDER

BEFORE CHRISTOPHER W. GEROLD, BUREAU CHIEF

Pursuant to the authority granted to Christopher W. Gerold, Bureau Chief of the New Jersey Bureau of Securities (the "Bureau Chief"), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83 ("Securities Law"), and after investigation, careful review, and due consideration of the facts and statutory provisions set forth below, the Bureau Chief hereby finds that there is good cause, it is in the public interest to enter into a Consent Order (the "Consent Order") with Royal Alliance Associates, Inc. ("Royal Alliance"), and Royal Alliance hereby agrees to resolve any and all issues in controversy regarding the specific conduct described herein on the terms set forth in this Consent Order.

WHEREAS, the New Jersey Bureau of Securities (the "Bureau") is the State agency with the responsibility to administer and enforce the Securities Law;

WHEREAS, N.J.S.A. 49:3-67 authorizes the Bureau Chief from time to time to issue such Orders as are necessary to carry out the provisions of the Securities Law, upon a finding that the

action is necessary and appropriate in the public interest or for the protection of investors or consistent with the purposes fairly intended by the provisions of the Securities Law;

WHEREAS, the Bureau has conducted an investigation into certain activities of Royal Alliance as set forth in this Consent Order;

WHEREAS, Royal Alliance has paid approximately \$5 million in restitution to those harmed by Gary Basralian's misconduct;

WHEREAS, Royal Alliance and the Bureau Chief wish to resolve the Bureau's investigation regarding the specific conduct described herein without the expense and delay that formal proceedings would involve;

WHEREAS, Royal Alliance consents to the form, content, and entry of this Consent Order. Accordingly, Royal Alliance waives the following rights:

- a. To be afforded an opportunity for hearing on the Bureau Chief's findings of fact and conclusions of law in this Consent Order; and
- b. To seek judicial review of, or otherwise challenge or contest, the validity of this Consent Order;

WHEREAS, Royal Alliance agrees that solely for the purposes of settling this matter, or any future proceedings by the Bureau regarding the specific conduct described herein, this Consent Order is a final order and shall have the same effect as if entered after a full hearing held pursuant to N.J.S.A. 52:14B-1 to -31; and

WHEREAS, this Consent Order concludes the investigation and action by the Bureau Chief and any civil or administrative action that could be commenced, pursuant to the Securities Law, on behalf of the Bureau Chief, as it relates to seeking civil monetary penalties or other relief against Royal Alliance for the specific conduct described herein solely as it relates to Royal

Alliance.

The Bureau Chief makes the following Findings of Fact and Conclusions of Law which Royal Alliance neither admits nor denies:

FINDINGS OF FACT

Respondent

1. Royal Alliance (CRD #23131), headquartered in Jersey City, New Jersey, has been registered with the Bureau as a broker-dealer since May 1, 1989 and has notice filed with the Bureau as an investment adviser since July 2, 1991.

Non-Party Individuals and Entities

2. Gary Basralian (CRD #14385) (“Basralian”) was registered with the Bureau as an agent of several broker-dealers since June 1984, and an investment adviser representative since March 2010. Basralian was most recently registered with the Bureau as an agent of Royal Alliance from July 5, 1999 to December 20, 2017 and as an investment adviser representative of Royal Alliance from March 25, 2010 to December 20, 2017. Royal Alliance permitted Basralian to resign “after customer allegation of fraud and breach of contract related to investments away from the broker dealer.”
3. From November 18, 1989 through December 12, 2017, Basralian worked from and was the supervisor of a Royal Alliance branch located at 658 Ridgewood Road, Maplewood, New Jersey (“Basralian Branch Office”).
4. Masters Financial LLC (“Masters Financial”) was formed in New Jersey on May 4, 2005, with a main business address of 658 Ridgewood Road, Maplewood, New Jersey. At all relevant times, Basralian was the registered agent and the managing member of Masters Financial.
5. Vieques Investment Group LLC (“Vieques”) was formed in New Jersey on May 14, 2007 with

a main business address of 658 Ridgewood Road, Maplewood, New Jersey. At all relevant times, but unbeknownst to Royal Alliance, Basralian was the registered agent and the managing member of Vieques.

6. The Basralian Branch Office, Vieques, and Masters Financial all shared the same address at 658 Ridgewood Road, Maplewood, New Jersey.

Gary Basralian's Disciplinary and Criminal History

7. On March 20, 2018, FINRA entered into a Letter of Acceptance, Waiver and Consent, No. 2017056769401 ("AWC") with Basralian. In the AWC, Basralian consented, without admitting or denying, to the findings, which included that he received two FINRA requests for information and documentation, that he did not respond to the requests, and that he would not appear in any FINRA investigation, in violation of Rules 8210 and 2010. Basralian consented to the imposition of a sanction barring him from association with any FINRA member in any capacity.
8. On May 22, 2018, the Bureau issued a Summary Revocation Order against Basralian that revoked Basralian's agent and investment adviser representative registrations with the Bureau as well as certain exemptions.
9. On May 21, 2018 the United States Department of Justice filed a criminal complaint against Basralian in the United States District Court District of New Jersey, United States of America v. Gary Basralian (Mag. No. 18-6090). The criminal complaint alleged that Basralian misappropriated at least approximately \$2,138,000 from two victims.
10. On August 6, 2018, Basralian and the United States Attorney entered into a Plea Agreement. Pursuant to the Plea Agreement, Basralian agreed to plead guilty to engaging in a wire fraud scheme in violation of 18 U.S.C. § 1343, and engaging in investment adviser fraud in violation

of 15 U.S.C. §§ 80b-6 and 80b-17. On September 6, 2019, the Honorable Madeline Cox Arleo, U.S.D.J., sentenced Basralian to seventy months in prison.

Basralian Misappropriated Royal Alliance Customer Funds

11. From at least February 2009 through July 2017, Basralian misappropriated funds from at least three Royal Alliance customers. Basralian initiated numerous unauthorized wire transfers from the customers' accounts to the bank accounts of entities that he controlled. Basralian then used the funds in his entities' accounts for personal expenses. The majority of the misappropriated funds were from Royal Alliance customer "CC."
12. In total, Basralian misappropriated over \$1.4 million directly from Royal Alliance customers' accounts through sixty-eight unauthorized wire transfers and authorized third-party check transactions.

Royal Alliance Policies and Procedures for Certain Wire Transfers Were Not Adequate

13. Royal Alliance's policies and procedures prohibited third-party wire transfers, except in limited circumstances – e.g., transfers to outside product sponsors FBO the client and common ownership linkage – or with approval of the anti-money laundering ("AML") department. In practice, however, in connection with wire transfers from CC's account, the cashiering department treated third-party transfer requests to outside accounts identified as "FBO" the client as either a first party transfer or a permissible third-party wire transfer.
14. Additionally, at that time, if a customer had a standing wire instruction to a specific account, a customer merely needed to contact their financial representative and could request any amount of funds be transferred at any time within fifteen months of executing the wire request form that indicates it is a standing instruction. The financial representative would only need to enter the request into Royal Alliance's wire processing platform, with no additional review by Royal

Alliance, other than the review performed prior to execution by Royal Alliance's cashiering personnel.

15. Between at least October 2009 and July 2017, Royal Alliance executed over sixty wire transfers, totaling over \$1.2 million, from CC's Royal Alliance accounts to Vieques bank accounts at Wachovia Bank.

Basralian Used Third-Party Wire Transfer Authorizations

16. Royal Alliance processed the first wire transfer from CC's Royal Alliance account pursuant to a "Fed Funds Wiring Authorization Form" dated September 8, 2009 ("September 8th Authorization"). The September 8th Authorization requested \$50,000 to be wired to "Vieques Investment Group LLC" for bank account number ending in 5418. Based on the September 8th Authorization, Royal Alliance wired the \$50,000 on October 2, 2009 to the Vieques bank account ending in 5418.
17. Between at least October 2, 2009 and November 23, 2010, Royal Alliance processed at least eight third-party wire transfers from CC's Royal Alliance accounts to Vieques bank accounts. Including the September 8th Authorization, Royal Alliance could only produce four Fed Funds Wiring Authorization Forms. Royal Alliance was unable to produce to the Bureau the Fed Funds Wiring Authorization Forms for the remaining four third-party wire transfers.
18. Of the four Fed Funds Wiring Authorization Forms Royal Alliance produced, two of the forms indicated that the Vieques bank account number ending in 5418 was the receiving bank account. The other two Fed Funds Wiring Authorization Forms produced indicated that the Vieques bank account ending in 8255 was the receiving bank account.
19. Of the four Fed Funds Wiring Authorization Forms Royal Alliance produced, one of the forms indicated that "Vieques Investment Group, LLC FBO [CC]" was the receiving bank account.

The other Fed Funds Wiring Authorization Forms for the same bank account number indicated the name on the account was “[CC]-Vieques Investment Group.”

20. For these eight third-party wire transfers, Royal Alliance records indicate that three of the wire transfers were to a Vieques bank account ending in 5418, and five of the wire transfers were to a Vieques bank account ending in 8255. Three of the beneficiary names contained some iteration of CC’s name and Vieques Investment Group LLC.
21. At all relevant times Royal Alliance written supervisory procedures (“WSPs”) regarding Fed Fund Wire transfers stated, *inter alia*:

Third Party Federal fund wires are generally prohibited with the exception of funds being paid to escrow companies for home closings, funds to outside product sponsors FBO the client and common ownership linkage, i.e., single to joint, joint to single and trust to beneficiaries or trustees. Any exceptions to the Third Party Wire policy must be reviewed by the AML department.

22. Each of the eight wire transfers processed by Royal Alliance between at least October 2, 2009 and November 23, 2010 are identified as third-party wire transfers on Royal Alliance’s books and records. Royal Alliance processed the wire transfers without review and approval by its AML department.

Basralian Used First-Party Wire Transfer Authorizations

23. In February 2011, Royal Alliance started processing the wire transfers submitted by Basralian on CC’s Royal Alliance accounts as if they were first-party wire transfers.
24. On February 2, 2011, a form entitled “Outgoing Federal Fund Wire Request” (“Fed Funds Request”) was completed. The form stated in bold that “[t]hird party wire transfers are not permissible.”
25. In total, Royal Alliance processed a total of fifty-nine wire transfers from CC’s Royal Alliance accounts to the Vieques bank account number ending in 8255. Prior to the February 2, 2011

wire transfer, Royal Alliance identified on their books and records five wire transfers to Vieques bank account number ending in 8255 as third-party transfers. After February 2, 2011, Royal Alliance identified on their books and records fifty-four wire transfers to Vieques bank account number ending in 8255 as first-party wire transfers.

26. For all relevant times, Royal Alliance's Written Policies and Procedures and Sales Practice Manuals did not contain any direction as to standing instructions. However, the cashiering procedures stated that "[c]lients may choose to establish standing instructions using the Fed Fund Wire form. These instructions will remain in effect for 15 months following the client(s) signature date. If no wires are initiated using the standing instructions during this time, the instructions will be removed from the account."
27. Furthermore, because Royal Alliance deemed CC to have standing wire instructions, Basralian only needed to enter the request into Royal Alliance's wire processing platform, with no additional review by Royal Alliance, other than the review performed prior to execution by Royal Alliance's cashiering personnel.

CONCLUSIONS OF LAW

28. During the relevant period, Royal Alliance's written policies and procedures regarding Federal Fund Wires and standing instructions constituted a failure to reasonably supervise pursuant to N.J.S.A. 49:3-58(a)(2)(xi).
29. Pursuant to N.J.S.A. 49:3-70.1, each violation described above constitutes a basis for the assessment of a civil monetary penalty against Royal Alliance.
30. The Bureau Chief finds the following relief appropriate and in the public interest pursuant to N.J.S.A. 49:3-58(a)(1).

CONCLUSION

THEREFORE, it is on this 19th day of December 2019, **ORDERED** and **AGREED** that:

31. Royal Alliance shall cease and desist from further violations of the Securities Law and will comply with the Securities Law.
32. Royal Alliance shall pay Two Hundred and Fifty Thousand dollars (\$250,000) to the Bureau upon execution of this Consent Order as follows:
 - a. Royal Alliance is assessed a civil monetary penalty in the amount of One Hundred Ninety Thousand dollars (\$190,000);
 - b. Royal Alliance is assessed Thirty Thousand dollars (\$30,000) in costs; and
 - c. Royal Alliance shall pay Thirty Thousand dollars (\$30,000) which shall be placed in a fund to be used for the Bureau's investor education program.
33. Payment of the funds shall be made by attorney trust fund account check, certified check or other guaranteed funds, to "State of New Jersey, Bureau of Securities," 153 Halsey Street, 6th Floor, Newark, New Jersey 07102, or to be mailed to "New Jersey Bureau of Securities," P.O. Box 47029, Newark, New Jersey 07101. The civil monetary payment shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1. Upon payment Royal Alliance relinquishes all rights to the funds used to pay the civil monetary penalty notwithstanding any other provision in this Consent Order.
34. Royal Alliance shall review and revise as necessary (to the extent it has not done so already), its written policies and procedures regarding Federal Fund Wires and standing instructions, so that they are reasonably designed to prevent the type of conduct described in this Consent Order from occurring in the future.


ADDITIONAL PROVISIONS

35. This Consent Order shall not bind any person not a party hereto, except as provided herein.
36. Each of the undersigned has read this Consent Order, understands it, and agrees to be bound by its terms.
37. This Consent Order is not intended to subject any Covered Person (defined below) to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the United States Virgin Islands including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. "Covered Person" means Royal Alliance or any of its parent entities, affiliates, subsidiaries, and their current or former officers or former officers, directors, employees, or other persons that would otherwise be disqualified as a result of this Consent Order.
38. Royal Alliance has read this Consent Order, understands it, and agrees to be bound by its terms. Royal Alliance understands that it had the right and opportunity to consult with an attorney regarding this Consent Order.
39. No employee, official of or person representing the Bureau or the State of New Jersey has made any additional promise or representation to Royal Alliance regarding this Consent Order.
40. Royal Alliance consents to the form, content, and entry of this Consent Order. Accordingly, Royal Alliance waives the following rights:
- a. to be afforded an opportunity for hearing on the Bureau Chief's findings of fact and conclusions of law in this Consent Order; and
 - b. to seek judicial review of, or otherwise challenge or contend, the validity of this Consent Order.

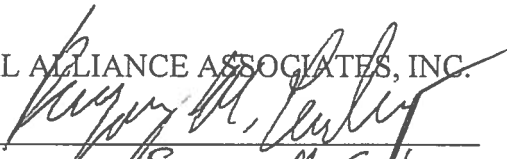
41. Royal Alliance agrees that solely for the purposes of settling this matter, or any future proceedings by the Bureau that this Consent Order shall be deemed a final order and have the same effect as if entered after a full hearing held pursuant to N.J.S.A. 52:14B-1 to -31.

42. In the event that Royal Alliance violates this Consent Order, the Bureau Chief may vacate this Consent Order and take further action against Royal Alliance under the Securities Law.

NEW JERSEY BUREAU OF SECURITIES

By: 
CHRISTOPHER W. GEROLD
BUREAU CHIEF

DATED: Dec 13, 2019

ROYAL ALLIANCE ASSOCIATES, INC.
By: 
Name: Gregory M. Cudde
Title: Asst. Secretary / Corporate Counsel