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SEC Bars Ex-UBS Broker in Ohio for Muni Allocation Fraud.

A midwestern UBS Financial Services broker who helped customers pose as retail investors in order to receive new-issue muni bond allocations agreed to an industry bar and payment of \$374,000 to regulators, the Securities and Exchange Commission said on Tuesday.

Chris D. Rosenthal, who worked at a UBS retail branch in Pepper Pike, Ohio for more than 17 years, helped the firm's traders obtain new muni bonds when they were not in the distribution syndicate by participating in subterfuge and by establishing "parking" arrangements with the phony retail customers, the regulator said.

Rosenthal, 54, who began his brokerage career in 1990 at Lehman Brothers, did not immediately return a call for comment at his current trading firm, Municipal Portfolio Managers. His website lists him as president and a related video promotes his "amazing leadership skills and collaboration abilities."

From the beginning of 2012 to May 2016, Rosenthal worked with two firms of unregistered brokers to commit the fraud, according to the SEC's settlement order. They exploited order priority rules that give customers higher priority over broker-dealers in the allocation of new issue municipal bonds, and the firms then flipped the bonds in sales to broker-dealers and to UBS traders.

Rosenthal's customers—Core Performance Management in Boca Raton, Florida and RMR Asset Management Co. in Chula Vista, California—maintained 41 accounts at UBS under fictitious business names, according to the settlement order. "Rosenthal knew that these parties were in the business of flipping new issue municipal bonds," the order said.

In addition to placing more than 1,100 fraudulent retail orders for CPM and RMR with UBS's syndicate desk, Rosenthal placed UBS muni traders' indications of interest for new-issue bonds with the unregistered brokers who would then place retail or institutional customer orders with members of the underwriting group, who would then sell the bonds back to UBS based on Rosenthal's orders, the SEC said.

The SEC in August barred or suspended five employees of CPM, which was dissolved in July 2016, and ordered them to pay disgorgement and/or civil penalties. It reached similar settlements with 11 out of 13 RMR employees.

As part of the fraud, Rosenthal often included incorrect zip codes for his customers to indicate that were residents of the bond issuers' zip codes. He also helped UBS's own traders refill their inventory by repurchasing bonds from CPM and RMR at \$1-per-bond above the offering price immediately after they bought them, the SEC said in explaining the "parking" violations.

The SEC ordered the former broker to disgorge \$284,080 plus \$15,128 of interest to the government and to pay a \$75,000 civil penalty, \$15,000 of which will be paid to the Municipal Securities Rulemaking Board. The order said he can re-apply to work in the securities industry after five years.

Rosenthal voluntarily resigned from UBS in September 2016 as it was “investigating whether certain clients....obtained allotments during the retail order periods of negotiated new issue municipal offerings to which they may not have been entitled,” the firm reported to regulators. Rosenthal has no other disclosures on his BrokerCheck record.

by AdvisorHub Staff

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