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Roosevelt & Cross Settles Bond-Flipping Case; CEO Resigns.

Roosevelt & Cross agreed to pay about $1 million as part of a settlement with the Securities and Exchange Commission over charges that the broker-dealer and its chief executive officer improperly allocated municipal bonds meant for retail buyers to professional investors looking to make a quick profit.

The SEC found that Roosevelt & Cross helped so-called "flippers" by circumventing order periods designated for individual investors between March 2014 and May 2017. The flippers would then resell the bonds to other broker-dealers for a profit. Roosevelt & Cross did not deny or admit the SEC's charges.

Chief Executive Officer Thomas Vigorito resigned on Sept. 11, said Matthew Campolettano, the firm's chief compliance officer.

The SEC's order said that Roosevelt & Cross placed such orders for two firms, RMR Asset Management Company and Core Performance Management, LLC –also known as Dockside Asset Management — over 100 times and often during retail order periods.

"In almost all instances where bonds were allocated, Roosevelt's registered representatives submitted inaccurate zip codes which corresponded to the state of the issuer and did not correspond to where Dockside and RMR were located," the order said.

The SEC filed enforcement actions against RMR and Core and their associates in 2018.

Campolettano, the compliance officer, said in an emailed statement that the broker-dealer "is among the firms that interacted with flippers and failed to detect the flippers' fraudulent misrepresentations."

"These dealing with the flippers involved a very small part of the firm's total business and took place between three and six years ago," he said. "Roosevelt & Cross fully cooperated with the SEC in its investigation and took prompt remedial actions."

The SEC also settled with Vigorito and William W. Welsh, a salesperson. Both representatives consented to cease-and-desist order findings but did not admit or deny the SEC's allegations. The SEC's order says that Vigorito had served as the company's chief executive officer since 2017.

The SEC order against Vigorito said he would also engage in a practice known as "parking," in which he would arrange for a bond flipper to buy a new issue deal underwritten by Roosevelt with the understanding that the flipper would sell the bonds back to Roosevelt at a higher price.

Roosevelt & Cross is ranked the 28th largest underwriter of long-term municipal-bond debt so far in 2020, according to data compiled by Bloomberg. The firm specializes in smaller bond deals sold by towns and school districts in New York, New Jersey and Connecticut.

Monday's announcement is the latest enforcement action by the SEC involving muni-bond flippers, an enforcement effort that’s spanned years. In July, UBS Group AG agreed to pay more than $10 million to resolve charges that it helped such buyers.

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