UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 6673 / September 3, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22047

In the Matter of **INTERNATIONAL ASSETS INVESTMENT MANAGEMENT, LLC,** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 203(e) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") against International Assets Investment Management, LLC ("International Assets Advisers" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. These proceedings arise out of International Assets Advisers' failure, beginning in April 2018 through December 2021 ("Relevant Period"), to fully and fairly disclose to its advisory clients material facts and conflicts of interest that arose out of a relationship between Respondent's affiliated broker-dealer International Assets Advisory, LLC ("Affiliated Broker-Dealer"), and an unaffiliated clearing broker ("Clearing Broker"), concerning certain financial incentives and revenue sharing payments that its Affiliated Broker-Dealer received from the Clearing Broker.

2. During the Relevant Period, approximately 25% of the Affiliated Broker-Dealer's brokerage customers were also advisory clients of International Assets Advisers ("Advisory Clients"). International Assets Advisers directed Advisory Client trades to its Affiliated Broker-Dealer for execution which, in turn, introduced these client trades to the Clearing Broker for clearing and custodial services. During the Relevant Period, International Assets Advisers and its Affiliated Broker-Dealer employed individuals who were registered representatives of the Affiliated Broker-Dealer as well as investment adviser representatives of International Assets Advisers.

3. International Assets Advisers failed to provide full and fair disclosures regarding the following compensation and financial incentives that its Affiliated Broker-Dealer received from the Clearing Broker: (1) an incentive payment received in August 2018 from the Clearing Broker that was contingent on the conversion of the majority of customer accounts, including of those customers who were also Advisory Clients, to the Clearing Broker for clearing and custodial services; (2) revenue sharing payments from Advisory Client investments in the Clearing Broker's FDIC-insured bank deposit cash sweep program between August 2018 and December 2021; and (3) revenue sharing payments from the Clearing Broker on the rate of interest charged to Advisory Clients on margin loans and lines of credit between August 2018 and May 2020.

4. In addition, International Assets Advisers failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act related to its disclosure of conflicts arising from the receipt of financial incentives and revenue sharing.

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Respondent

5. **International Assets Investment Management, LLC**, a Florida limited liability company with its principal place of business in Orlando, Florida, has been registered with the Commission as an investment adviser since July 2007. It provides investment advisory services, portfolio management, education funding, and estate and retirement planning services to individuals, trusts, estates, and other business entities. International Assets Advisers is wholly owned by Pecunia Management, LLC. In its most recent Form ADV filed with the Commission on March 28, 2024, it reported regulatory assets under management of approximately $1.7 billion.

Other Relevant Entity

6. **International Assets Advisory, LLC**, a Florida limited liability company with its principal place of business in Orlando, Florida, has been registered with the Commission as a broker-dealer since June 1982. It shares common ownership, office space, management, and employees with International Assets Advisers.

Incentive Payment

7. During the Relevant Period, the Affiliated Broker-Dealer engaged an unaffiliated third party to provide clearing and custodial services to its brokerage customers, including Advisory Clients. In April 2018, the Affiliated Broker-Dealer entered into a clearing agreement ("Clearing Agreement") with the Clearing Broker. The Clearing Agreement contains the terms of the relationship, including fees and compensation. The Affiliated Broker-Dealer introduced Advisory Client trades to the Clearing Broker pursuant to the Clearing Agreement.

8. Pursuant to the Clearing Agreement, the Clearing Broker provided the Affiliated Broker-Dealer with an incentive credit of $1,000,000 for transferring to the Clearing Broker "the bulk" of brokerage customer accounts, including those of Advisory Clients, from the previous clearing firm. The Affiliated Broker-Dealer received the total incentive credit of $1,000,000 in August 2018 for transferring almost all of its brokerage customer accounts to the Clearing Broker. Approximately 25% of these brokerage accounts belonged to Advisory Clients. During the Relevant Period, International Assets Advisers did not disclose the incentive fee to Advisory Clients, including in its Forms ADV Part 2A brochures.

9. As an investment adviser, International Assets Advisers has an obligation to disclose all material facts to its Advisory Clients relating to the advisory relationship, including any conflicts of interest between itself and its clients. To meet this fiduciary obligation, International Assets Advisers was required to provide Advisory Clients with full and fair disclosure that was sufficiently specific so that its clients could understand the conflicts of interest concerning International Assets Advisers investment advice and have an informed basis on which to consent to or reject the conflicts.

Revenue Sharing Payments

Bank Deposit Cash Sweep Balances

10. Pursuant to the Clearing Agreement, the Clearing Broker provided the Affiliated Broker-Dealer brokerage customers, including Advisory Clients, the option to participate in the "FDIC Insured Deposit Program," a bank cash sweep program offered by the Clearing Broker that automatically transferred uninvested cash (*e.g.*, incoming cash deposits, dividends, or certain investment returns) in customer accounts, including those of Advisory Clients, to FDIC-protected interest-bearing accounts at various FDIC-insured banks ("Sweep Account").

11. During the Relevant Period, the Sweep Account was the only bank cash sweep option provided by the Clearing Broker. The Clearing Broker would credit the Affiliated Broker-Dealer a monthly rebate based on the Affiliated Broker-Dealer's monthly average daily balance in the Sweep Account. The annual rate of the rebate earned by the Affiliated Broker-Dealer increased as the total monthly average balance in the Sweep Account increased. From August 2018 through December 31, 2021, the Affiliated Broker-Dealer received approximately $158,000 in bank cash sweep revenue sharing payments from the Clearing Broker related to Advisory Client investments in the Sweep Account.

12. During the Relevant Period, International Assets Advisers did not fully and fairly disclose to its Advisory Clients the associated conflicts of interest created by the bank cash sweep revenue sharing payments related to the Sweep Account, including in its Forms ADV Part 2A brochures.

Margin Interest and Lines of Credit

13. A margin account is a type of account in which a broker-dealer lends customers cash, using the cash and securities in brokerage customer's account as collateral, to purchase securities. Margin interest is the interest charged on the amount of money loaned to the investor in the margin account. During the Relevant Period, Advisory Clients paid margin interest on the amount of margin in the account.

14. During the Relevant Period, the Clearing Agreement provided that the Clearing Broker would charge margin interest to the Affiliated Broker-Dealer on the margin accounts of brokerage customers, including those who were also Advisory Clients. The Clearing Agreement also provided that the Affiliated Broker-Dealer may determine the rate of interest the Clearing Broker would charge to brokerage customers on the balance in their margin accounts, and that the Affiliated Broker-Dealer would earn the difference between the interest paid by the brokerage customers and the interest paid by the Affiliated Broker-Dealer to the Clearing Broker. As a result, the Affiliated Broker-Dealer received revenue by marking up the margin interest rate the Clearing Broker charged to the brokerage customers. Because of the payments the Affiliated Broker-Dealer received from the Clearing Broker, International Assets Advisers had an incentive to recommend margin accounts to its clients.

15. Similarly, the Clearing Agreement also provided a line of credit program for brokerage customers, including Advisory Clients. Specifically, the line of credit was extended by the Clearing Broker's affiliated bank and secured by the value of eligible securities in a customer's account. When a brokerage customer accessed a line of credit, the Affiliated Broker-Dealer received a percentage of the loaned balance. As a result, the Affiliated Broker-Dealer received revenue that it would not otherwise have collected. Because of the payments the Affiliated Broker-Dealer received from the Clearing Broker, International Assets Advisers had an incentive to recommend the line of credit program to its clients.

16. From August 2018 to May 2020, International Assets Advisers did not disclose to its clients the markups on margin interest or the revenue sharing related to the lines of credit, or the associated conflicts of interest, including in its Forms ADV Part 2A brochure. In June 2020, the Regulation BI Disclosure, provided to the Affiliated Broker-Dealer's brokerage customers, including Advisory Clients, disclosed that its Affiliated Broker-Dealer would receive revenue related to the margin accounts and lines of credit and that such shared revenue, fees, and payments from the Clearing Broker could create an incentive to offer or recommend certain activities and investments.

17. From August 2018 to May 2020, the Affiliated Broker-Dealer received a total of approximately $168,000 related to margin interest paid by and lines of credit extended to Advisory Clients.

Compliance Deficiencies

18. International Assets Advisers did not adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder concerning the disclosure of all material facts regarding financial incentives, revenue sharing, and associated conflicts of interest. In addition, while International Assets Advisers had written policies and procedures since at least July 2018 that explained that it has an obligation to always act in the clients' best interest, International Assets Advisers did not adequately implement those policies and procedures.

Violations

19. As a result of the conduct described above, International Assets Advisers willfully[2] violated Section 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, directly or indirectly, to "engage in any transaction, practice or course of business which operates

[2] "Willfully," for purposes of imposing relief under Section 203(e) of the Advisers Act, "'means no more than that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ed]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

as a fraud or deceit upon any client or prospective client." Scienter is not required to establish a violation of Section 206(2), but rather a violation may rest on a finding of negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180,195 (1963)).

20. As a result of the conduct described above, International Assets Advisers willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require a registered investment adviser to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder.

Disgorgement

21. The disgorgement and prejudgment interest ordered in Section IV.C is consistent with equitable principles and does not exceed the net profits from the violations, and will be distributed to harmed investors to the extent feasible. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors may be transferred by the Commission to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

Undertakings

22. International Assets Advisers has undertaken to:

a. Within thirty (30) days of the entry of the Order, review and correct as necessary all relevant disclosures concerning margin interest charged to or revenue sharing related to their advisory clients and financial incentives or any compensation received by an affiliated broker-dealer from a clearing broker and associated conflicts of interest.

b. Within thirty (30) days of the entry of this Order, evaluate, update (if necessary), and review for the effectiveness of their implementation Respondent's policies and procedures so that they are reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with disclosures concerning margin interest charged to or revenue sharing related to their advisory clients and financial incentives or any compensation received by an affiliated broker-dealer from a clearing broker and associated conflicts of interest.

c. Within thirty (30) days of the entry of this Order, notify affected investors (*i.e.*, those former and current clients who were financially harmed by the practices detailed above (hereinafter, "Affected Advisory Clients")) of the settlement terms of this Order by sending a copy of this Order to each Affected Advisory Client via mail, email, or such other method not unacceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff.

d. Within forty (40) days of the entry of this Order, certify, in writing, compliance with the undertaking(s) set forth in paragraphs 22(a) through (c) above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Jessica M. Weissman, Assistant Regional Director, Miami Regional Office, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1950, Miami, FL 33131, or such other address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

e. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 203(e) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 promulgated thereunder.

B. Respondent is censured.

C. Respondent shall pay disgorgement, prejudgment interest, and a civil penalty, totaling $900,410.37 as follows:

(i) Respondent shall pay disgorgement of $576,134.19 and prejudgment interest of $174,276.18 consistent with the provisions of this Subsection C.

(ii) Respondent shall pay a civil penalty in the amount of $150,000, consistent with the provisions of this Subsection C.

(iii) Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the penalties, disgorgement, and prejudgment interest described above for distribution to Affected Advisory Clients. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

(iv) Within ten (10) days of the issuance of this Order, Respondent shall deposit the disgorgement, prejudgment interest, and civil penalty totaling $900,410.37 (collectively, the "Fair Fund"), into an escrow account at a financial institution not unacceptable to the Commission staff and Respondent shall provide evidence of such deposit in a form acceptable to the Commission staff. The account holding the assets of the Fair Fund shall bear the name and the taxpayer identification number of the Fair Fund. If timely deposit into the escrow account is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 [17 C.F.R. § 201.600] and/or 31 U.S.C. § 3717.

(v) Respondent shall be responsible for administering the Fair Fund and may hire a professional at its own cost to assist it in the administration of the distribution. The costs and expenses of administering the Fair Fund, including any such professional services, shall be borne by Respondent and shall not be paid out of the Fair Fund.

(vi) Respondent shall distribute from the Fair Fund to each Affected Advisory Client an amount representing the financial harm incurred by the Affected Advisory Client, plus reasonable interest from any remaining funds, pursuant to a disbursement calculation (the "Calculation") that will be submitted to, reviewed, and approved by the Commission staff in accordance with this Subsection C. The Calculation shall be subject to a *de minimis* threshold. No portion of the Fair Fund shall be paid to any Affected Advisory Client account in which Respondent, or any of its current or former officers or directors, has a financial interest.

(vii) Respondent shall, within ninety (90) days of the entry of this Order, submit a Calculation to the Commission staff for review and approval. At or around the time of submission of the proposed Calculation to the staff, Respondent shall make itself available, and shall require any third parties or professionals retained by Respondent to assist in formulating the methodology for its Calculation and/or administration of the distribution to be available for a conference call with the Commission staff to explain the methodology used in preparing the proposed Calculation and its implementation, and to provide the staff with an opportunity to ask questions. Respondent also shall provide the Commission staff such additional information and supporting documentation as the Commission staff may request for the purpose of its review. In the event of one or more objections by the Commission staff to Respondent's proposed Calculation or any of its information or supporting documentation, Respondent shall submit a revised Calculation for the review and approval of the Commission staff or additional information or supporting documentation within ten (10) days of the date that the Commission staff notifies Respondent of the objection. The revised Calculation shall be subject to all of the provisions of this Subsection C.

(viii) Respondent shall, within thirty (30) days of the written approval of the Calculation by the Commission staff, submit a payment file (the "Payment File") for review and acceptance by the Commission staff demonstrating the application of the methodology to each Affected Advisory Client. The Payment File should identify, at a minimum: (1) the name of each Affected Advisory Client; (2) the net amount of the payment to be made, less any tax withholding; (3) the amount of any *de minimis* threshold to be applied; and (4) the amount of reasonable interest paid. Respondent shall exclude from the payee file all payments to payees that appear on the U.S. Treasury Department Specially Designated Nationals List.

(ix) Respondent shall disburse all amounts payable to Affected Advisory Clients within ninety (90) days of the date the Commission staff accepts the Payment File unless such time period is extended as provided in Paragraph xiii of this Subsection C. Respondent shall notify the Commission staff of the date and the amount paid in the initial distribution.

(x) If Respondent is unable to distribute or return any portion of the Fair Fund for any reason, including an inability to locate an Affected Advisory Client or a beneficial owner of an affected investment account or any other factors beyond Respondent's control, Respondent shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury subject to Section 21F(g)(3) of the Exchange Act once the distribution of funds is complete and before the final accounting provided for in Paragraph xii of this Subsection C is submitted to the Commission staff. Payment must be made in one of the following ways:

(a) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(b) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(c) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying International Assets Investment Management, LLC as the Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Jessica M. Weissman, Assistant Regional Director, Miami Regional Office, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1950, Miami, FL 33131.

(xi) A Fair Fund is a Qualified Settlement Fund ("QSF") under Section 468B(g) of the Internal Revenue Code ("IRC"), 26 U.S.C. §§ 1.468B.1-1.468B.5. Respondent agrees to be responsible for all tax compliance responsibilities associated with the Fair Fund's status as a QSF. These responsibilities involve reporting and paying requirements of the Fair Fund, including but not limited to: (1) tax returns for the Fair Fund; (2) information return reporting regarding the payments to investors, as required by applicable codes and regulations; and (3) obligations resulting from compliance with the Foreign Account Tax Compliance Act ("FATCA"). Respondent may retain any professional services necessary. The costs and expenses of tax compliance, including any such professional services, shall be borne by Respondent and shall not be paid out of the Fair Fund.

(xii) Within 150 days after Respondent completes the disbursement of all amounts payable to Affected Advisory Clients, Respondent shall return all undisbursed funds to the Commission pursuant to the instruction set forth in this Subsection C. Respondent shall then submit to the Commission staff a final accounting and certification of the disposition of the Fair Fund for Commission approval, which final accounting and certification shall include, but not be limited to: (1) the amount paid to each payee, with reasonable interest amount, if any, reported separately; (2) the date of each payment; (3) the check number or other identifier of the money transferred; (4) the amount of any returned payment and the date received; (5) a description of the efforts to locate any prospective payee whose payment was returned or to whom payment was not made for any reason; (6) the total amount, if any, to be forwarded to the Commission for transfer to the United States Treasury; and (7) an affirmation that Respondent has made payments from the Fair Fund to Affected Advisory Clients in accordance with the Calculation

approved by the Commission staff. The final accounting and certification shall be submitted under a cover letter that identifies Respondent and the file number of these proceedings to Jessica M. Weissman, Assistant Regional Director, Miami Regional Office, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1950, Miami, FL 33131. Respondent shall provide any and all supporting documentation for the accounting and certification to the Commission staff upon its request, and shall cooperate with any additional requests by the Commission staff in connection with the accounting and certification.

(xiii) The Commission staff may extend any of the procedural dates set forth in this Subsection C for good cause shown. Deadlines for dates relating to the Fair Fund shall be counted in calendar days, except if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

D. Respondent shall comply with the undertakings enumerated in Section III, paragraphs 22(a) through (d) above.

By the Commission.

Vanessa A. Countryman
Secretary