
Honorable Mention

By Editorial Staff Fri, Jul 24, 2020

UBS to pay \$10 million to settle “flipping” charges: SEC; Jackson National completes sale of equity stake to Athene; AM Best downgrades, removes Foresters from ratings; Craig DeSanto named president of New York Life.

UBS to pay \$10 million to settle “flipping” charges: SEC

UBS Financial Services Inc., one of four “wirehouses” or full-service brokerages in the U.S., will pay more than \$10 million to resolve federal charges that for four years it “improperly allocated bonds intended for retail customers to parties known in the industry as “flippers,” the Securities and Exchange Commission announced this week.

These individuals purchase new issue municipal bonds, often by posing as retail investors to gain priority in bond allocations. The defendants then “flip” the bonds to broker-dealers for a fee.

The order imposes a \$1.75 million penalty, \$6.74 million in disgorgement of ill-gotten gains plus over \$1.5 million in prejudgment interest, and a censure. Two UBS registered representatives, William S. Costas and John J. Marvin, were fined and will incur a 12-month “limitation” from trading in negotiated new municipal securities.

The SEC [previously settled charges](#) against Jerry E. Orellana, a former UBS Executive Director, for submitting retail orders to the underwriting syndicate from certain UBS customers who were flippers.

Without admitting or denying the findings, UBS consented to a cease-and-desist order that finds it violated the disclosure, fair dealing, and supervisory provisions of Municipal Securities Rulemaking Board Rules and the Securities Exchange Act of 1934.

“UBS registered representatives knew or should have known that flippers were not eligible for retail priority,” the SEC order said, adding that “UBS registered representatives facilitated over 2,000 trades with flippers, which allowed UBS to obtain bonds for its own inventory, thereby circumventing the priority of orders set by the issuers and improperly obtaining a higher priority in the bond allocation process.”

The SEC also charged UBS registered representatives William S. Costas and John J. Marvin with negligently submitting retail orders for municipal bonds on behalf of their flipper customers. Costas was charged with helping UBS bond traders improperly obtain bonds for

UBS's own inventory through his flipper customer.

Costas and Marvin agreed to settle the charges without admitting or denying the SEC's findings, and consented to orders finding they violated MSRB Rules G-11(k) and G-17. Costas agreed to pay disgorgement and prejudgment interest totaling \$16,585 and a civil penalty of \$25,000, and Marvin agreed to pay disgorgement and prejudgment interest totaling \$27,966 and a civil penalty of \$25,000.

The SEC's investigation was conducted by the Division of Enforcement's Public Finance Abuse Unit, which is led by LeeAnn G. Gaunt. The investigators included Joseph Chimienti, Laura Cunningham, Warren Greth, Cori Shepherd, and Jonathan Wilcox, with assistance from Deputy Unit Chief Mark Zehner and Assistant Director Kevin Guerrero. Ivonia K. Slade supervised the investigation.

Jackson National completes sale of equity stake to Athene

Jackson National Life Insurance Company today announced the completion of a \$500 million equity investment from Athene Holding Ltd. in return for a 9.9% voting interest corresponding to an 11.1% economic interest in Jackson.

Jackson has \$297.6 billion in total IFRS assets and \$269.5 billion in IFRS policy liabilities set aside to pay primarily future policyowner benefits (as of December 31, 2019).

Jackson is an indirect subsidiary of Prudential plc, an Asia-led portfolio of businesses focused on structural growth markets. Prudential plc has 20 million customers (as of December 31, 2019) and is listed on stock exchanges in London, Hong Kong, Singapore and New York.

Prudential plc is not affiliated in any manner with Prudential Financial, Inc., nor with the Prudential Assurance Company, a subsidiary of M&G plc, a company incorporated in the United Kingdom.

AM Best downgrades, removes Foresters from ratings

AM Best has removed from under review with negative implications and downgraded the Financial Strength Rating to B+ (Good) from A- (Excellent) and the Long-Term Issuer Credit Rating to "bbb-" from "a-" of Foresters Life Insurance and Annuity Company (FLIAC) (New York, NY).

The outlook assigned to these ratings (ratings) is negative. "Although FLIAC is

fundamentally sound in terms of risk-adjusted capitalization and operating earnings, the rating downgrades reflect drag from Nassau's insurance operating entities," AM Best said in a release.

On July 1, 2020, Nassau Financial Group, L.P. (Nassau) announced that it had completed the acquisition of FLIAC from The Independent Order of Foresters. Concurrently, AM Best withdrew the ratings following its merger into Nassau Life Insurance Company.

The ratings reflect FLIAC's balance sheet strength, which AM Best categorizes as adequate, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management.

AM Best expects the earnings impact of the acquisition for Nassau to be modest in the near term, although accretive in the longer term assuming satisfactory execution of strategic plans.

Craig DeSanto named president of New York Life

New York Life's board has elected Craig DeSanto as its president of the company, the New York Life reported this week. DeSanto, 43, had been co-Chief Operating Officer. New York Life chairman and CEO Ted Mathas had been president since former president John Y. Kim retired in 2018. DeSanto continues to report to Mathas.

As president, DeSanto will oversee all businesses of the company, including the Individual Life Insurance and Agency Distribution units, as well as Retail Annuities, New York Life Investment Management, and the company's portfolio of strategic businesses.

DeSanto joined New York Life in 1997 as an actuarial intern, later becoming head of the Institutional Life Insurance business, Individual Life Insurance business, and Eagle Strategies. In 2015, he was appointed to lead the company's Strategic Businesses, where he built businesses that support the company's core retail life insurance franchise.

In 2017, DeSanto joined the company's Executive Management Committee, and in the two subsequent years, he assumed oversight for Retail Annuities and New York Life Investment Management, respectively.

DeSanto helped lead New York Life's pending acquisition of Cigna's Group Life and Disability Insurance business, which is the company's largest acquisition to date. The transaction is expected to close in the third quarter.

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