

SEC penalizes Brighton Securities over fee disclosures, conflicts



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By [Bruce Kelly](#)



The Securities and Exchange Commission on Monday said it had penalized a Rochester, N.Y., hybrid broker-dealer, Rochester Securities Corp., for failing to disclose \$1 million in fees that came from a new contract with a clearing firm, resulting in an undisclosed potential conflict.

The SEC’s penalty against Rochester Securities was \$175,000, while the registered investment advisor arm of the firm was Brighton Securities Capital Management Inc., which managed \$195 million in client assets before its recent closure.

A call Tuesday morning to a spokesperson at Brighton Securities seeking comment about the penalty and settlement was not returned. According to the SEC’s order, Brighton Securities agreed to the settlement without admitting or denying its findings.

“Broker-dealers and RIAs are right now in a position where they must over disclose if they are getting any outside, third party revenue,” said Sander Ressler, managing director of Essential Edge Compliance Outsourcing Services. “That’s any revenue not coming directly from financial advisors or commissions.

“All firms want to avoid potential hits to their reputation caused by a fine from a regulator,” Ressler said. “For this reason, if a firm discloses what may be regarded as a conflict, that helps to make sure there isn’t a problem down the road.”

Brighton Securities failed to disclose to its advisory clients a conflict of interest created by incentive fees that Brighton received from its clearing firm after it renegotiated its clearing agreement and pricing schedule with the clearing firm in 2020, according to the SEC.

According to the SEC, the renegotiated clearing agreement includes several incentives for Brighton to use that clearing firm’s services. According to the firm’s BrokerCheck report, Brighton Securities uses Wells Fargo Clearing Services as its clearing firm.

Those incentives that were part of the new agreement included: a \$500,000 relationship extension award; a monthly client in good standing credit in amounts between \$15,000 and \$25,000; a termination fee on a sliding scale ranging from \$500,000 to \$100,000 if Brighton were to terminate the agreement before August 31, 2025; and a minimum monthly clearing fee that imposes additional fees should Brighton not utilize at least \$10,000 in clearing and execution services each month.

With Brighton’s failure to disclose such conflicts of interest involving the clearing firm that it recommended to its clients for clearing, execution, and custodial services, the firm breached its fiduciary duty of care, according to the SEC. In addition, Brighton failed to adopt and implement written policies and procedures reasonably designed to prevent such violations, in violation of SEC rules.