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Insights

## DCS ALERT: SEC Enforcement Action Related to Conflicts of Interest

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DCS Investment Advisor Alert  
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On January 5, 2023 the SEC announced a settled Administrative Proceeding with Randy Robertson. Mr. Robertson previously served as the co-portfolio manager for the BlackRock Multi-Sector Income Trust (“BIT”).

While serving as the co-portfolio manager for BIT, Mr. Robertson explored the possibility of a BlackRock investment opportunity regarding a potential secured lending investment relating to print and advertising expenses associated with film distribution. Mr. Robertson had no experience in the print and advertising business and, therefore, began discussions with a firm that sourced potential investment opportunities. Through this firm, Mr. Robertson was introduced to the principal of a film distribution company. In his interactions with the principal of the film distribution company, Mr. Robertson had communications regarding acting and related opportunities for his daughter.

After these communications, BIT and the film distribution company entered into a note. After the execution of this loan, and later loans, Mr. Robertson and Mr. Robertson's daughter continued to have communications regarding assistance with Mr. Robertson's daughter's acting career. As a result of these ongoing communications, Mr. Robertson's daughter obtained a minor role in a film and received introductions and meetings with casting agents. At no time did Mr. Robertson disclose to BlackRock the communications and benefits received by his daughter.

In 2019, the film distribution company defaulted on the note. While preparing for a lawsuit regarding the note, BlackRock learned of the conflict involving Mr. Robertson and Mr. Robertson's daughter and terminated Mr. Robertson.

Mr. Robertson and the SEC entered into an agreed order relating to the above described conduct. The agreed order provides that Mr. Robertson violated Section 206(2) of the Advisers Act, which prohibits an investment adviser, directly or indirectly, from engaging "in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client." Mr. Robertson agreed to the payment of a \$250,000 civil monetary penalty.

This enforcement action highlights the fiduciary obligations relating to conflicts of interest. At no time did he disclose this conflict of interest and, therefore, at no time were the holders of BIT aware of this conflict of interest. As provided by the SEC in the press release announcing the enforcement action, "Investors must be able to know that the advice they receive is free of undisclosed conflicts, regardless of whether the conflict is financial in nature." In addition, the SEC provided the following statement in the press release, "Investment professionals must be forthcoming about any conflicts of interest they may have with the companies in which they invest client funds, including situations involving favors or assistance to family members."

Here is the link to the Enforcement Action:

<https://www.sec.gov/news/press-release/2023-3>