

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 1714 / April 13, 1998**

**ADMINISTRATIVE PROCEEDING File No. 3-9577**

**In the Matter of ROTHSCHILD INVESTMENT CORPORATION Respondent.**

**ORDER INSTITUTING PUBLIC ADMINISTRATIVE AND CEASE-AND- DESIST PROCEEDINGS,  
MAKING FINDINGS AND IMPOSING SANCTIONS PURSUANT TO SECTIONS 203(e) AND 203(k)  
OF THE INVESTMENT ADVISERS ACT OF 1940.**

**I.**

The Securities and Exchange Commission (Commission) deems it appropriate and in the public interest to institute public administrative and cease-and-desist proceedings pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (Advisers Act) against Rothschild Investment Corporation (Rothschild).

In anticipation of the institution of these proceedings, Rothschild has submitted an Offer of Settlement (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 Commission's findings, except as to jurisdiction and the finding contained in Paragraph II.A. below, which are admitted, Rothschild, by its Offer, consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings and Imposing Sanctions Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (Order).

ACCORDINGLY, IT IS ORDERED that public administrative and cease- and-desist proceedings pursuant to Sections 203(e) and 203(k) of the Advisers Act be, and hereby are, instituted.

**II.**

On the basis of this Order and the Offer submitted by Rothschild, the Commission finds that:

A. Rothschild has been dually registered with the Commission as an investment adviser and as a broker-dealer since 1971.

B. In 1976, Rothschild began to use riskless proprietary accounts with its clearing brokerage firm to effect trades involving bonds and over-the-counter stocks for its advisory clients' accounts. Rothschild continued this practice, using three successive clearing firms, through at least December 1995.

C. During 1994 and 1995, Rothschild effected approximately 3,750 riskless principal transactions with its advisory clients without obtaining the consent of those clients. As a result of this conduct, Rothschild willfully violated Section 206(3) of the Advisers Act.

D. Although Rothschild did disclose in Part II of its 1994 and 1995 amendments to Form ADV that it engaged in riskless principal transactions with advisory clients, it did not give its clients a copy of Part II of its Form ADV. Instead, Rothschild provided a brochure which, unlike the Form ADV, failed to disclose that Rothschild engaged in riskless principal transactions with its advisory clients. As a result of this conduct, Rothschild willfully violated Section 204 of the Advisers Act and Rule 204-3 thereunder.

### III.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions specified in the Offer submitted by Rothschild.

ACCORDINGLY, IT IS ORDERED:

A. That Rothschild cease and desist from committing or causing any violation, and any future violation, of Sections 204 and 206(3) of the Advisers Act and Rule 204-3 thereunder; and

B. That Rothschild shall, within thirty days of the entry of this Order, pay a civil money penalty in the amount of \$15,000 to the United States Treasury. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Comptroller, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Rothschild as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Mary E. Keefe, Regional Director, Securities and Exchange Commission, Midwest Regional Office, 500 West Madison Street, Suite 1400, Chicago, IL 60661-2511.

By the Commission.

Jonathan G. Katz  
Secretary

#### **SERVICE LIST**

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings and Imposing Sanctions on each person named as a party in the Order and their legal agent.

The attached Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings and Imposing Sanctions pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 has been sent to the following parties and other persons entitled to notice:

Brenda Murray Chief Administrative Law Judge Securities and Exchange Commission 450 Fifth Street, N.W., Stop 11-6 Washington, D.C. 20549

John S. Markle Division of Enforcement Securities and Exchange Commission 450 Fifth Street, N.W., Stop 4-1 Washington, D.C. 20549

Mary E. Keefe Regional Director Securities and Exchange Commission Midwest Regional Office 500 West Madison Street Suite 1400 Chicago, Illinois 60661-2511

Rothschild Investment Corporation c/o Richard F. Karger, President 311 South Wacker Drive, Suite 6500 Chicago, Illinois 60606

Robert W. Edler Thiedmann & Edler 30 South Wacker Drive, Suite 2810 Chicago, Illinois 60606 (Attorney for Rothschild Investment Corporation)