

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

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 6429 / September 22, 2023**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21705**

**In the Matter of**

**ELSA M. DOYLE**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 9(f) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against Elsa M. Doyle (“Respondent”).

**II.**

In anticipation of the institution of these proceedings, Doyle 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 her and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 9(f) of the Investment Company Act of 1940, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that

#### **Summary**

1. From May 2020 until March 30, 2022 ("Relevant Period"), Doyle, while employed at a large financial institution ("Adviser A"), engaged in 27 unlawful prearranged cross trades involving five money market funds ("Funds"), four of which were registered investment companies ("RICs"), for which she acted as a portfolio manager, in violation of Sections 17(a)(1) and 17(a)(2) of the Investment Company Act. For some of these cross trades, Doyle directly engaged with a third-party broker-dealer to sell the securities from one Fund and then to buy the same securities back through the same broker-dealer on behalf of another Fund. Doyle also showed a trader she worked with at Adviser A ("Trader") how she effected cross trades by interpositioning a broker-dealer and then directed the Trader to conduct additional cross trades between Funds in the same manner. In total, Doyle's cross trades cost the Funds approximately \$39,000. Prior to and throughout the time she and the Trader conducted the cross trades, Doyle attended annual trainings that advised employees of Adviser A such transactions were prohibited.

#### **Respondent**

2. Doyle, age 52, is a resident of Wyckoff, New Jersey. She was a portfolio manager for six money market funds advised by Adviser A, including the Funds for which she effected cross trades. As of December 31, 2022, the Funds collectively had \$237.8 billion in net assets. Doyle was associated with Adviser A from April 1999 until November 16, 2022, when she was terminated, during which time she held Series 7 and 63 licenses.

#### **Background**

3. Doyle was a portfolio manager at Adviser A during the Relevant Period. Her responsibilities included making investment decisions for six money market funds which Adviser A advised. The six money market funds were taxable money market funds that held U.S. Treasury Bills, U.S. government agency securities, and repurchase agreements.

4. In her role, Doyle interacted directly with broker-dealers to buy and sell securities and directed other traders in her working group to buy and sell securities.

#### **Cross Trading Regulations and Adviser A's Policies**

5. Sections 17(a)(1) and 17(a)(2) of the Investment Company Act generally prohibit any affiliated person of a RIC or any affiliated person of such affiliated person, acting as principal,

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<sup>1</sup> 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.

from knowingly selling a security to or purchasing a security from the RIC—referred to here as cross trades—unless the person first obtains an exemptive order from the Commission under Section 17(b). Rule 17a-7 under the Investment Company Act exempts from these prohibitions certain cross trades where the affiliation between a RIC and its trading counterparty arises solely because the two have a common investment adviser, directors, or officers, provided that the cross trades are effected in accordance with Rule 17a-7. Rule 17a-7 requires, among other things, that cross trades be executed at the “independent current market price,” which is defined in relevant part as “the average of the highest current independent bid and lowest current independent offer, determined on the basis of reasonable inquiry.” If the adviser pays a brokerage commission, fee, or other remuneration in connection with the cross trade, the cross trade is not eligible for an exemption under Rule 17a-7, and is therefore impermissible.

6. Section 48(a) of the Investment Company Act prohibits “any person, directly or indirectly, to cause to be done any act or thing through or by means of any other person which it would be unlawful for such person to do” under the Investment Company Act or the rules promulgated thereunder. The Commission has stated that interpositioning a dealer in cross trades does not remove the cross trades from the prohibitions of Section 17(a), and has emphasized that, “to the extent these transactions are effected at the ‘bid’ or ‘asked’ price rather than at an average of the two prices, they would not be in compliance with . . . [Rule 17a-7’s] pricing requirements.” *See Exemption of Certain Purchase or Sale Transactions Between a Registered Investment Company and Certain Affiliated Persons Thereof*, Investment Company Act Release No. 11136, 1980 WL 29973, at \*2 & n.10 (Apr. 21, 1980).

7. During the Relevant Period, Adviser A had policies and procedures concerning cross trades, which included rules that permitted such trades if certain conditions were met. Among other things, Adviser A required traders to obtain three bids and three offers from broker-dealers. The policies and procedures also required that the transaction price be set at the midpoint of the highest bid and lowest ask. The trader was then required to document the bids and offers in a form that was to be submitted to Adviser A’s compliance group. In the absence of three quotes, Adviser A had an alternate process that required a trader to seek the approval of the compliance group for the trade. Furthermore, Adviser A’s policies and procedures concerning cross trades required that no brokerage fees could be charged for the trades.

8. During the Relevant Period, Adviser A provided annual training presentations to its investment teams, which included the information discussed in Paragraph 7 above. Doyle attended these trainings.

### **Doyle Caused the Funds to Engage in Prohibited Cross Trades**

9. At times during the Relevant Period, Doyle decided to sell short-duration U.S. Treasury Bills and U.S. government agency securities out of the Funds due to market conditions, the need to satisfy redemptions, or for other reasons. Doyle believed that the securities she planned to sell in one of the Funds were desirable investments at current market prices, and Doyle wanted

to move them into one of the other Funds because she believed the Funds would benefit from holding the securities, each of which were highly liquid.

10. When Doyle sold securities from particular Funds that she thought were good investments for other Funds, she did not effect cross trades in accordance with Rule 17a-7 under the Investment Company Act and Adviser A's applicable policies and procedures. Instead, during the Relevant Period, Doyle used various third-party broker-dealers to effect the cross trades to sell and repurchase the securities with a markup or markdown. In at least some instances, no additional broker quotes were obtained for the cross trades.

11. For example, on October 14, 2021, Doyle told a trader from Broker-Dealer A, "[H]i [I] need to sell . . . [a Treasury security] 160mn [from] one fund and like to buy for another fund . . . can you show me bid ask?" Adviser A's records reflected a transaction of about \$160 million between two Funds for which Doyle was a portfolio manager that was executed by Broker-Dealer A.

12. On a second occasion, on December 31, 2021, Doyle communicated with a trader at Broker-Dealer B and asked "[L]et me know if [this trade is] do-able: you buy [Federal Home Loan Bank debt securities] . . . and resell to me . . . both cash settle out to 250mn." The trader at Broker-Dealer B asked Doyle to confirm that the securities were "[m]oving between funds . . . ?" and she responded "correct." On that date, Adviser A's records reflected a transaction involving the same \$250 million security being sold from one Fund to another Fund executed by Broker-Dealer B. Doyle was a portfolio manager for both Funds.

13. In addition to working directly with broker-dealers herself to effect cross trades, Doyle directed the Trader to engage in prohibited cross trades. After explaining to the Trader how to effect cross trades, she provided instructions to the Trader to conduct additional cross trades. For example, on December 20, 2021, Doyle told the Trader to "ask . . . [Broker-Dealer A] if [she] can sell for cash 500 (out of . . . [one Fund] and if they can reoffer to you for . . . [another Fund] . . . you can do all in . . . [an electronic trading platform] but like [I] showed in chat last week . . . ." Later that day, the Trader asked the Broker-Dealer A trader "Could I sell you 500mm of the 12/21 bill and I rebuy for other fund?" Adviser A's records show the transaction between the two Funds involving the \$500 million security. Doyle was a portfolio manager of both Funds.

14. Doyle effected, directly or through the Trader, 27 cross trades during the Relevant Period. The Funds incurred a total of \$38,833 in costs from these cross trades, which comprised the cost of the markups and the difference between market prices for the securities and the purchase prices. Furthermore, the cross trades were not *bona fide*, arm's length transactions and they did not involve actual transfer of risk to Adviser A's broker-dealer counterparties. By interposing broker-dealers to effect prearranged cross trades, Doyle did not comply with the applicable requirements under Rule 17a-7 and Adviser A's policies and procedures.

15. In April 2022, Adviser A's compliance group learned that Doyle may have been involved in cross trades and the firm conducted an investigation. During this investigation, Doyle

informed compliance personnel that she and the Trader had obtained multiple bids and offers for certain cross trades. However, when the compliance group requested the information from the Trader, the Trader admitted that she had not obtained bids and offers for the trades she had executed. On November 16, 2022, Adviser A terminated Doyle and the Trader for violating its policies and procedures concerning cross trades. Shortly thereafter, Adviser A self-reported the conduct to Commission.

### **Violations**

16. As a result of the conduct described above, Doyle caused the Funds to violate Sections 17(a)(1) and 17(a)(2) of the Investment Company Act, which make it unlawful for any affiliated person or promoter of or principal underwriter for a RIC, or any affiliated person of such a person, promoter, or principal underwriter, acting as principal (1) knowingly to sell any security or other property to such RIC or to any company controlled by such RIC, or (2) knowingly to purchase from such RIC, or from any company controlled by such RIC, any security or other property, unless the transaction complies with the exemptive requirements of Rule 17a-7 under the Investment Company Act, or the adviser obtains an exemptive order under Section 17(b) of the Investment Company Act. Adviser A did not seek an exemptive order for cross transactions effected by Doyle, and the transactions were not exempt from the prohibition by virtue of Rule 17a-7, because the trades were not executed at a price equal to the average of the highest current independent bid to purchase that security and the lowest current independent offer to sell that security, and were made through one or more broker-dealers who received remuneration in connection with the transactions.

### **IV.**

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

Accordingly, pursuant to Section 9(f) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Doyle cease and desist from committing or causing any violations and any future violations of Sections 17(a)(1) and 17(a)(2) of the Investment Company Act.

B. Doyle shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$30,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

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

- (2) 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
- (3) 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 Elsa Doyle as a 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 Lee A. Greenwood, Assistant Regional Director, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004.

C. 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, she shall not argue that she is entitled to, nor shall she 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 she 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.

## V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by

Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman  
Secretary