

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 102642 / March 12, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-18425

In the Matter of	:	ORDER AUTHORIZING THE TRANSFER
Geneos Wealth Management, Inc.,	:	TO THE U.S. DEPARTMENT OF THE
Respondent.	:	TREASURY OF THE REMAINING FUNDS
	:	AND ANY FUNDS RETURNED TO THE
	:	DISTRIBUTION FUND IN THE FUTURE
	:	AND TERMINATING THE
	:	DISTRIBUTION FUND

On April 6, 2018, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 15(b) of the Securities Exchange Act Of 1934 and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Order”)¹ against Geneos Wealth Management, Inc. (“Geneos” or the “Respondent”). In the Order, the Commission found a series of failures by Geneos, a registered investment adviser and broker-dealer, in connection with its mutual fund share class selection practices and its receipt of revenue sharing payments. First, from February 2012 through April 2017, Geneos invested certain advisory clients in mutual fund share classes that charged 12b-1 fees when these clients were eligible to invest in cheaper share classes of the same funds that did not charge such fees. Geneos financially benefitted from investing advisory clients in mutual fund share classes with higher fees, which created a conflict of interest that the Respondent failed to adequately disclose in its Forms ADV, Part 2A or otherwise. In its capacity as a broker-dealer, Geneos received at least \$1,047,617.50 in 12b-1 fees based on its advisory clients’ investments in the higher-fee share classes. The Respondent’s practice of investing advisory clients in mutual fund share classes that charged 12b-1 fees rather than cheaper share classes of the same funds was also inconsistent with its duty to seek best execution.

Additionally, from February 2012 through January 2018, Geneos failed to disclose to its clients compensation that it received through agreements with two third-party broker-dealers (“Clearing Brokers”) and conflicts arising from that compensation. Pursuant to the agreements, the Clearing Brokers agreed to share with Geneos certain revenues that the Clearing Brokers received from the mutual funds in the Clearing Brokers’ no-transaction-fee mutual fund

¹ Exchange Act Rel. No. 83003 (Apr. 6, 2018).

programs (“NTF Programs”). These payments, totaling \$386,185.77, created a conflict of interest in that they provided a financial incentive for Geneos to favor the mutual funds in the NTF Programs over other investments when giving investment advice to its advisory clients.

Finally, Geneos failed to adopt written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its mutual fund share class selection practices and its revenue sharing arrangements with the Clearing Brokers.

The Commission ordered Geneos to pay \$1,047,617.50 in disgorgement and \$87,511.57 in prejudgment interest, for a total of \$1,135,129.07 (the “Distribution Fund”). Section IV(C)(ii) of the Order required Geneos to deposit this amount into an escrow account. Section IV(C)(iii) of the Order also placed responsibility for the administration of the Distribution Fund for the purpose of making payments to those advisory clients harmed by the conduct described in the Order. Pursuant to Sections IV(C)(vi) and IV(C)(iii) of the Order, Geneos was responsible for any and all tax compliance responsibilities, and any administrative costs and expenses, respectively. Additionally, Sections IV(D) and IV(E) of the Order required Geneos to pay disgorgement of \$386,185.77, prejudgment interest of \$36,807.29, and a civil money penalty of \$250,000 to the Commission for transfer to the general fund of the U.S. Department of the Treasury (the “Treasury”).

Pursuant to the Order, Geneos was responsible for administering the Distribution Fund pursuant to a calculation specified in the Order. The Respondent disbursed the Distribution Fund to those advisory clients harmed by the conduct described in the Order. Geneos applied a \$10 *de minimis* threshold to checks to former clients. Credits to current clients had no *de minimis* threshold applied.

Geneos distributed 5,320 payments totaling \$1,135,129.07, of which \$1,083,438.09 (95.4%) was successfully disbursed to recipients. Distribution payments ranged from \$0.01 to \$13,554.09. Geneos has returned \$51,690.98 to the Commission that consists of uncashed checks, returned funds, funds that would have gone to affiliates of the Respondent which the Order prohibits, and other residual amounts (e.g., amounts resulting from rounding).

The Order further requires Geneos to provide a final accounting to the Commission staff for submission to the Commission for approval. Upon approval of the final accounting, all remaining amounts in the Distribution Fund that are infeasible to return to investors, and any funds returned in the future that are infeasible to return to investors, are to be sent to the Treasury. The final accounting has been submitted to the Commission for approval, as required by the Order, and has been approved.

Accordingly, it is ORDERED that:

- A. the remaining funds in the amount of \$51,690.98 that are infeasible to return to investors, and any funds returned to the Distribution Fund in the future that are infeasible to return to investors, shall be transferred to the Treasury, subject to Section 21F(g)(3) of the Securities Exchange Act of 1934; and
- B. the Distribution Fund is terminated.

By the Commission.

Vanessa A. Countryman
Secretary