

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

5 William Derrington;

6 Respondent

Order No.: S-17-2276-18-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO ENTER ORDER TO
REVOKE REGISTRATION, TO DENY FUTURE
REGISTRATIONS, TO IMPOSE A FINE, AND TO
CHARGE COSTS

7
8 THE STATE OF WASHINGTON TO: William Derrington (CRD #1325480)

9 **STATEMENT OF CHARGES**

10 Please take notice that the Securities Administrator of the State of Washington has reason to believe
11 that Respondent William Derrington has violated the Securities Act of Washington. The Securities
12 Administrator believes those violations justify the entry of an order against the Respondent, pursuant to RCW
13 21.20.110, revoking registration, denying future securities registrations, charging costs, and imposing a fine.
14 The Securities Administrator finds as follows:

15 **TENTATIVE FINDINGS OF FACT**

16 **Respondent**

17 1. William Derrington (“Derrington”) is a Washington resident. Since 1991, Derrington has been
18 registered in the securities industry in Washington in various capacities, most recently as an investment
19 adviser representative with Royal Fund Management LLC. During the time relevant to this action, Derrington
20 was registered in Washington with KCD Financial, Inc., as an investment adviser representative and securities
21 salesperson.

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STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER ORDER TO REVOKE
REGISTRATION, TO DENY FUTURE REGISTRATIONS,
TO IMPOSE A FINE, AND TO CHARGE COSTS

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 **Related Parties**

2 2. Royal Fund Management, LLC (CRD #144434) is a registered investment adviser. Derrington
3 has worked for RFM as a registered investment adviser representative since September 2015.

4 3. KCD Financial, Inc. (“KCD,” CRD #127473) is a registered investment adviser and broker-
5 dealer. Derrington worked for KCD as a securities salesperson and investment adviser representative from
6 December 2006 to December 2013.

7 **Nature of the Conduct**

8 4. In most jurisdictions, securities laws for financial professionals (specifically investment
9 adviser representatives and securities salespersons) contain specific prohibitions against borrowing money
10 from clients, due to the potential for conflicts of interest. For instance, the client who loaned the money might
11 expect more favorable treatment for their account to the detriment of the financial professional’s other clients,
12 and the financial professional who took the loan from the client could be inclined to treat that client more
13 favorably. Alternatively, if the financial professional was unable to repay the loan, they might ignore calls
14 from the client to avoid discussing the loan, to the detriment of the client and the client’s account.

15 5. In early 2009, Derrington solicited a loan from a client (“Client A”), purportedly on behalf of
16 his daughter, without disclosing the loan to KCD or obtaining KCD’s approval to do so. Client A, a
17 Washington resident, was a broker-dealer and securities salesperson customer of Derrington and KCD.
18 Derrington’s daughter was in graduate school at the time.

19 6. Client A did not personally know Derrington’s daughter and did not directly interact with her
20 about the loan, instead conducting the transaction through Derrington himself. Client A believed that she was
21 making the loan to Derrington himself and that Derrington, not his daughter, would be responsible for
22 repaying her the money.

1 **NOTICE OF INTENT TO IMPOSE FINES**

2 Pursuant to RCW 21.20.110(4), and based upon the Tentative Findings of Fact and Conclusions of
3 Law, the Securities Administrator intends to order that Respondent William Derrington shall be liable for and
4 shall pay a fine of \$5,320.

5 **NOTICE OF INTENT TO CHARGE COSTS**

6 Pursuant to RCW 21.20.110(7), and based upon the Tentative Findings of Fact and Conclusions of
7 Law, the Securities Administrator intends to order that Respondent William Derrington shall be liable for and
8 shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing of this
9 matter, in an amount not less than \$1,000.

10 **AUTHORITY AND PROCEDURE**

11 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject
12 to the provisions of Chapter 34.05 RCW. The Respondent, William Derrington, may make a written request
13 for a hearing as set forth in the Notice of Opportunity to Defend and Opportunity for Hearing accompanying
14 this Order. If the Respondent does not make a hearing request in the time allowed, the Securities
15 Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to
16 enter a permanent order to deny future registrations, impose any fines sought, and to charge any costs sought.

17 **AUTHORITY AND PROCEDURE**

18 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject
19 to the provisions of Chapter 34.05 RCW. Respondent William Derrington may make a written request for a
20 hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR
21 HEARING accompanying this Order. If the Respondent does not make a hearing request in the time allowed,
22 the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law
23

1 as final and to enter a permanent order to cease and desist, to impose any fines sought, and to charge any costs
2 sought.

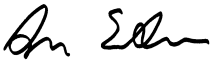
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Signed and Entered this 28th day of September, 2018.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Adam N. Yeaton
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor