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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING ) Order No. S-22-3283-24-CO01  
Whether there has been a violation of the )  
Securities Act of Washington by: ) CONSENT ORDER  
)  
GreenRock Asset Management LLC; )  
Mark Lalich; )  
)  
Respondents. )  
)

**INTRODUCTION**

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions (“Securities Division”) and Respondents GreenRock Asset Management LLC and Mark Lalich do hereby enter into this Consent Order in settlement of the matters alleged herein. GreenRock Asset Management LLC and Mark Lalich neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

**FINDINGS OF FACT**

**Respondents**

1. GreenRock Asset Management LLC (“GreenRock”) (CRD No. 310089) is a Delaware limited liability formed in June 2020. GreenRock has been registered as an investment adviser with the Securities Division since August 2020. GreenRock uses a business address in Brier, Washington.

2. Mark Daniel Lalich (“Lalich”) (CRD No. 6590999) is the co-founder, Chief Executive Officer (CEO), and Portfolio Manager of GreenRock. Lalich is a resident of Brier, Washington.

## Nature of the Conduct

### A. Block Trading and Preferential Allocation Practices

#### *Background*

3. Since registering as an investment adviser in 2020, GreenRock exercised discretionary authority in individual client accounts. In addition to executing trades in individual client accounts, GreenRock also executed block trades through a master securities account and then manually allocated trades to individual end-client accounts.

4. As an investment adviser, GreenRock owed a fiduciary duty to each of its advisory clients for whom it placed trades. In 2021, GreenRock engaged in block trading allocation practices that violated this duty. After purchasing securities in its master account, GreenRock would allocate the purchase to a small group of clients (typically two to five). When selling those same securities, GreenRock did not always equally or proportionally allocate the profits and losses among the same purchasing clients. Instead, at times, GreenRock excluded certain clients when allocating the sale of those securities. GreenRock engaged in different allocation practices depending on whether a specific trade was profitable or unprofitable. By engaging in these practices, GreenRock violated the fiduciary duty it owed to each of its advisory clients.

5. In numerous instances, GreenRock manually allocated a block trade sale of securities in its master account to a single client account, even when multiple clients participated in the purchase of those securities. Several block trade sales were allocated only to client B.B., one of four qualified clients who paid a 23% performance fee to GreenRock in 2021. As GreenRock recognized in its March 2021 Form ADV Part 2A, this created a conflict of interest, as it gave GreenRock “an incentive to favor accounts for which it charges a performance fee over other types of client accounts, by allocating more profitable investments to performance fee accounts.” In 2021, disfavored advisory clients lost a total of over \$100,000 when they were excluded from the block trade allocation of profitable securities sales.

1           6.       While GreenRock stated in its Form ADV that its “goal is to execute trades seamlessly and in  
2 the best interest of the client” GreenRock did not establish, maintain, or enforce any specific policies,  
3 procedures, or protocols that would prevent preferential allocations of block trades to favored advisory clients.

4                           *Examples of Block Trades and Preferential Allocation*

5           7.       On or about October 22, 2021, GreenRock used its master account and made a block trade  
6 purchase of 120 Amazon options that expired the same day. GreenRock manually allocated the purchase to  
7 four advisory clients. The same day, GreenRock executed another block trade and sold 20 of the Amazon  
8 options. After the close of market, GreenRock allocated all of the sale to client B.B., who made over \$7,500  
9 on the transaction. The other three clients, who were not allocated any of the funds from the sale, lost a total  
10 of more than \$25,000 on the transaction.

11           8.       On November 12, 2021, GreenRock used its master account and made a block trade purchase  
12 of 2,300 NIO Inc. options that expired that same day. GreenRock manually allocated the purchase to four  
13 client accounts. The same day, GreenRock sold 300 of the options, and allocated all of the sale to client B.B.,  
14 who made a small profit on the sale. The other three clients were not allocated any of the funds from the sale  
15 and each lost approximately \$2,480 on the transaction.

16           9.       On November 24, 2021, GreenRock used its master account and made a block trade purchase  
17 of 780 Invesco QQQ options that expired that same day. GreenRock manually allocated the purchase to four  
18 client accounts. The same day, GreenRock sold 80 of the options and allocated all of the sale to client J.T.  
19 who received a profit of approximately \$1,500. The other three clients, who were not allocated any of the  
20 funds from the sale, lost a total of over \$16,000 on the transaction.

21           10.      On December 3, 2021, GreenRock used its master account and made a block trade purchase of  
22 180 Amazon options. The same day, GreenRock manually allocated the purchase to two client accounts -  
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1 client B.B. and an account held by Lalich’s father. The same day, GreenRock sold 30 of the Amazon options  
2 and allocated all of the sale to client B.B., who made over \$18,500 from the sale.

### 3 **B. Communications and Disclosure Regarding Custodian Termination**

4 11. During the relevant time period, GreenRock’s master account and individual client accounts  
5 were held at a large international financial services firm (hereinafter, “Custodian”). In 2021, the Custodian  
6 detected unusual trading activity in the accounts that were managed by GreenRock. The Custodian detected  
7 situations where a disproportionate amount of trade gains or losses were preferentially allocated by  
8 GreenRock to particular client accounts. The Custodian identified several preferred accounts that received a  
9 disproportionate number of profitable trades and certain accounts that received a disproportionate number of  
10 unprofitable trades. By November 2021, GreenRock’s trading practices triggered multiple surveillance alerts,  
11 and the Custodian escalated the matter to its investigation unit.

12 12. In December 2021, the Custodian contacted GreenRock and spoke with the firm’s Chief  
13 Compliance Officer (CCO) and Lalich. The Custodian informed GreenRock that over the previous six  
14 months, client B.B. had 43 profitable allocations and only 7 unprofitable allocations, for a gain of nearly  
15 \$100,000. GreenRock’s CCO stated that the firm did not use an outside compliance firm to evaluate its block  
16 trading allocation practices. In January 2022, the Custodian had a follow-up call with GreenRock. During  
17 that call, Lalich indicated that GreenRock’s personnel were “novices” at block trading and did not maintain a  
18 pre-determined block allocation blotter. On February 22, 2022, the Custodian sent a letter to GreenRock and  
19 provided notice that it would be terminating its relationship with GreenRock in May 2022 due to concerns  
20 about its trading activity.  
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22 13. Days later, on February 28, 2022, GreenRock sent a written communication to its advisory  
23 clients regarding the Custodian’s termination. The written communication informed GreenRock clients that  
24 they would be receiving a letter from the Custodian that would “detail the closing of our Investment Adviser  
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1 Service Agreement.” The written communication indicated that this was occurring “in part due to the active  
2 trading we perform” and “certain technological pullbacks” on the Custodian’s trading platform. GreenRock’s  
3 written communication to its clients failed to disclose that the Custodian terminated its agreement with  
4 GreenRock due to its trading practices. This omission deprived GreenRock clients of material information  
5 about whether to continue their client relationship with GreenRock.

6 14. GreenRock failed to disclose the termination of its custodian on the firm’s Form ADV Part 1  
7 or 2A brochure. This omission deprived future clients of material information in deciding whether to use the  
8 firm’s investment advisory services. Under WAC 460-24A-205, each investment adviser must promptly file  
9 a notice of changes regarding their business on the firm’s Form ADV. An amendment is considered promptly  
10 filed if it is filed within 30 days of the event that requires the filing of the amendment. GreenRock did not  
11 update the custodian identified on its Form ADV until May 2023, approximately one year after the  
12 termination.

### 13 **C. Books and Records**

14 15. Every investment adviser registered in the state of Washington must make and keep true,  
15 accurate, and current books and records as specified in WAC 460-24A-200(1). Investment advisers must  
16 maintain and preserve the records required by WAC 460-24A-200(1) in an easily accessible place for at least  
17 six years and in their principal office for the first two years.

18 16. In September 2022, the Securities Division sent a subpoena to GreenRock. The subpoena  
19 included 11 items and required the production of specific records including account forms, order tickets,  
20 transaction confirmations, and client transaction notes. In response, GreenRock provided a letter that stated  
21 that it “was in the uncomfortable situation of being unable to provide much of the information regarding  
22 trading in the accounts referenced in subpoena.” GreenRock stated that records regarding its trades were with  
23 the Custodian, which would not release the information to the firm.  
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1 Based upon the above Findings of Fact, the following Conclusions of Law are made:

2 **CONCLUSIONS OF LAW**

3 1. Respondents GreenRock Asset Management LLC and Mark Lalich violated WAC 460-24A-  
4 120(1) by providing investment advice to clients without establishing, maintaining, and enforcing written  
5 policies and procedures to prevent violations of the Securities Act of Washington and the rules adopted  
6 thereunder. Respondents GreenRock Asset Management LLC and Mark Lalich violated WAC 460-24A-  
7 120(4) by failing to tailor its policies and procedures to the facts and circumstances of its business model,  
8 which included block trading and manual allocation to individual client accounts.

9 2. Respondents GreenRock Asset Management LLC and Mark Lalich violated WAC 460-24A-  
10 100(13), by distributing a written client communication that contained an omission or untrue statement of a  
11 material fact, or which was otherwise false or misleading.

12 3. Respondent GreenRock Asset Management LLC and Mark Lalich violated WAC 460-24A-  
13 205 by failing to promptly file amendments to its Form ADV to disclose the termination of its custodian due  
14 to concerns about the firm's trading activity.

15 4. Respondent GreenRock Asset Management LLC and Mark Lalich violated WAC 460-24A-  
16 220 by breaching its fiduciary duty to its advisory clients by failing to act primary for the benefit of each  
17 advisory client in the allocation of block trades to preferred client accounts. Respondent GreenRock Asset  
18 Management LLC and Mark Lalich violated WAC 460-24A-220(17) by failing to establish, maintain, and  
19 enforce written policies and procedures for the manual allocation of block trades to individual advisory clients.

20 5. Respondent GreenRock Asset Management LLC and Mark Lalich violated WAC 460-24A-  
21 200(1), by failing to keep failing to maintain the books and records required by investment advisers registered  
22 in the state of Washington.

1 Based upon the foregoing and finding it in the public interest:

2 **CONSENT ORDER**

3 IT IS AGREED AND ORDERED that Respondent GreenRock Asset Management LLC and its agents  
4 and employees shall cease and desist from violating WAC 460-24A-100, WAC 460-24A-120, WAC 460-  
5 24A-200, WAC 460-24A-205, and WAC 460-24A-220.

6 IT IS FURTHER AGREED AND ORDERED that Respondent Mark Lalich shall be liable for and  
7 shall pay a fine of \$10,000 on or before the entry of this Consent Order.

8 IT IS FURTHER AGREED AND ORDERED that Respondent GreenRock Asset Management LLC  
9 shall be liable for and shall pay a fine of \$10,000 on or before the entry of this Consent Order.

10 IT IS FURTHER AGREED AND ORDERED that Respondent GreenRock Asset Management LLC  
11 shall be liable for and shall pay investigative costs of \$5,000 on or before entry of this Consent Order.

12 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

13 IT IS FURTHER AGREED that Respondents GreenRock Asset Management LLC and Mark Lalich  
14 entered into this Consent Order freely and voluntarily and with a full understanding of its terms and  
15 significance.  
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17 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents GreenRock Asset  
18 Management LLC and Mark Lalich each waive their right to a hearing and to judicial review of this matter  
19 pursuant to RCW 21.20.440 and Chapter 34.05 RCW.  
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21 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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Signed this 18th day of December 2024.

Signed by:

GreenRock Asset Management LLC

/s/  
Mark Lalich, Managing Member

Signed by:

/s/  
Mark Lalich, Individually



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SIGNED and ENTERED this 31<sup>st</sup> day of December, 2024.

\_\_\_\_\_/s/\_\_\_\_\_  
William M. Beatty  
Securities Administrator

Approved by:  
  
\_\_\_\_\_/s/\_\_\_\_\_  
Brian J. Guerard  
Chief of Enforcement

Presented by:  
  
\_\_\_\_\_/s/\_\_\_\_\_  
Robert Kondrat  
Financial Legal Examiner

