

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

**SECURITIES ACT OF 1933**  
**Release No. 11146 / January 17, 2023**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 96668 / January 17, 2023**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 6218 / January 17, 2023**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21277**

**In the Matter of**

**NATIONAL TRUST AND  
FIDUCIARY SERVICES  
COMPANY, INC., GLEN V.  
ARMAND, and ROBERT W.  
MORESCHI,**

**Respondents.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTION 8A OF THE SECURITIES ACT  
OF 1933, SECTIONS 15(b) AND 21C OF  
THE SECURITIES EXCHANGE ACT OF  
1934, AND SECTION 9(b) OF THE  
INVESTMENT COMPANY ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against National Trust and Fiduciary Services Company, Inc. (“NTFS”), Glen V. Armand (“Armand”), and Robert W. Moreschi (“Moreschi”) (collectively, “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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 them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents’ Offers, the Commission finds<sup>1</sup> that:

#### Summary

1. These proceedings concern unregistered broker-dealer activity by NTFS and related material misrepresentations NTFS and Armand, founder and Chief Executive Officer (“CEO”) of NTFS, made to NTFS’s trust customers. NTFS was a trust company that offered, among other services and products, an online platform to create irrevocable trusts.

2. From at least January 2015 through December 2018 (the “Relevant Period”), to conceal its unregistered brokerage activities, NTFS made it appear that Eastern Point Securities, Inc. (“EPS”), a nominee formerly registered broker-dealer wholly owned by NTFS, was accepting and executing the omnibus trading activity of NTFS’s trust assets. In reality, NTFS bypassed EPS, in part, by using NTFS’s own personnel and systems to place mutual fund orders directly with EPS’s clearing firm.

3. As the nominal broker of record, EPS received approximately \$953,643 of transaction-based compensation in the form of 12b-1 fees during the Relevant Period, out of which it routed approximately \$764,933 to NTFS after deducting its operational expenses and satisfying its net capital requirements. Moreschi, EPS’s only employee and its managing principal, controlled the timing and payments made by EPS to NTFS and knew EPS did not undertake any trading activity on behalf of its only customer, NTFS.

4. NTFS also made material misrepresentations to investors claiming (i) one trust product had no annual fees; (ii) the Commission and the Financial Industry Regulatory Authority (“FINRA”) regulated its securities operations and (iii) that other governmental agencies regulated its business operations. In reality, the trust assets at issue incurred 12b-1 fees, all of the securities operations occurred at non-registered NTFS, and there were no federal or state agencies providing ongoing regulation of NTFS’s business operations. Armand drafted, reviewed, and disseminated these material misrepresentations to investors.

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<sup>1</sup> The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. As a result of the conduct above: (i) NTFS willfully violated Sections 17(a)(2) and (3) of the Securities Act and Section 15(a) of the Exchange Act; (ii) Armand willfully violated Sections 17(a)(2) and (3) of the Securities Act and willfully aided and abetted and caused NTFS's violations of Section 15(a) of the Exchange Act; and (iii) Moreschi willfully aided and abetted and caused NTFS's violations of Section 15(a) of the Exchange Act.

### **Respondents**

6. **NTFS** is a U.S. Virgin Islands ("USVI") corporation with its principal place of business in Warrenton, Virginia. NTFS was a non-depository trust company offering an online platform to create trusts and provide trustee and trust administrative services. In December 2018, NTFS transferred its business operations to a successor entity.

7. **Armand**, age 66, is a resident of Warrenton, Virginia. Armand is the founder, CEO, and Chief Compliance Officer ("CCO") of NTFS. Armand, through two entities he and his wife control, is the majority owner of NTFS.

8. **Moreschi**, age 61, is a resident of Lexington, Virginia. Moreschi is the Dean of Faculty at a college and was Managing Principal, CCO, and registered representative of EPS and its predecessor from August 2009 through January 2021.

### **Relevant Entity**

9. **EPS** is a Virginia corporation with its principal place of business in Lexington, Virginia. EPS was a registered broker-dealer until January 18, 2021, when its Form BDW filed with the Commission became effective. NTFS wholly owns EPS.

### **Background**

#### **A. NTFS Offered Investment Plans for Trust Assets**

10. During the Relevant Period, NTFS offered a variety of trusts to individual and institutional customers for which it provided trustee and trust administration services. Among other trust products, NTFS offered a product called "KissTrust," which allowed individuals to create irrevocable trusts on an online platform.

11. In connection with the KissTrust line of business, NTFS offered its customers three investment options for the trust assets: (i) the "Basic" plan; (ii) the "Deluxe" plan; and (iii) the "Premier" plan. The Basic plan offered the choice of approximately 2,000 Class C mutual funds or seven model portfolios consisting of only Class C mutual funds structured, based on risk tolerance, from capital preservation to aggressive growth. The Deluxe and Premier plans were similar except they offered only Class A mutual funds. NTFS stated it waived the annual trustee fee for the Basic plan. NTFS marketed and highlighted on websites owned and controlled by NTFS these three

investment plans including information about each plan and the mutual funds and model portfolios available.

12. Approximately 1000 trusts holding approximately \$14 million in assets were created on the KissTrust platform. Approximately 75% of these trusts utilized the Basic plan. NTFS told its customers it waived the annual trustee fee for the Basic plan while failing to disclose NTFS received 12b-1 fees (and thus recouped the annual trustee fee) from the use of Class C mutual funds in the Basic plan, which EPS routed to NTFS after deducting its expenses and net capital requirements.

#### **B. NTFS Used EPS as a Nominee Broker-Dealer**

13. EPS was a registered broker-dealer wholly owned by NTFS whose only customer was NTFS. EPS had one employee, Moreschi, who was its Managing Principal and CCO. Moreschi's work on behalf of EPS was strictly compliance and administrative, including compiling monthly financial statements, ensuring invoices were paid on time, and filing certain reports with FINRA. Moreschi also signed placement or selling agreements with various mutual fund companies so EPS would be the "broker of record" for securities transactions made on behalf of NTFS's trust assets.

14. EPS also entered into a services agreement with a clearing firm which allowed EPS to, among other things, utilize the clearing firm's electronic communications interface platform to transact with the mutual fund companies. As a result, where available, EPS received 12b-1 fees in connection with mutual fund transactions processed and cleared through its clearing firm. However, Moreschi knew neither he nor anyone on behalf of EPS ever handled any trades or reviewed the trading activity in connection with the securities transactions NTFS executed.

15. NTFS provided securities options to investors in an effort to induce securities transactions, processed account documents for the clearing broker, routed purchase and sale orders to the clearing firm, and received transaction-based compensation from EPS for doing so. NTFS conducted all trading activity, and EPS never received, executed, or approved any trading instructions on behalf of NTFS's customers.

#### **C. EPS Routed 12b-1 Fees to NTFS**

16. EPS's only source of revenue was the 12b-1 fees received from the mutual funds holdings of NTFS's trust assets (with the exception of a *de-minimis* amount of revenue from variable annuities positions). During the Relevant Period, EPS received approximately \$953,643 in 12b-1 fees. After EPS satisfied its net capital requirements and paid its operating expenses, Moreschi routed the remaining 12b-1 fees to NTFS, which totaled approximately \$764,933.

17. On September 7, 2018, Matrix provided notice to Moreschi that it was terminating its services agreement with EPS. Once Matrix terminated its agreement with EPS, EPS stopped receiving 12b-1 fees.

## **D. NTFS Made Material Misrepresentations**

### **1. Material Misrepresentations Concerning 12b-1 Fees**

18. On the KissTrust website, NTFS disclosed that for the Basic plan, there were “no annual fees.” In comparing the Basic and Deluxe plans, NTFS stated that the annual trustee fee for Basic was “none” or “free.” Similarly, once a trust was created on the KissTrust platform, a trust instrument was created which contained the “Trustee’s Schedule of Fees,” where it stated that the annual trustee fee for the Basic plan was “waived.”

19. These statements were material misrepresentations because NTFS failed to disclose that the Class C mutual funds utilized in the Basic plan incurred 12b-1 fees. These recurring fees were approximately 100 basis points or 1% and were deducted from the mutual fund’s assets on an ongoing basis. As a result, these fees were effectively borne by the beneficiaries whose assets were invested in the Basic Plan.

20. Grantors, designated family members, and beneficiaries could access monthly Kiss Trust statements on NTFS’s online platform. Those monthly statements disclosed that “[NTFS], its Affiliates, and Third Parties *may* also receive compensation from Permitted Asset providers, including, but not limited to, revenue sharing, servicing fees, 12[b]-1 fees or commissions in connection with other investments held in [NTFS’s] common omnibus trust.” (Emphasis added). This disclosure, however, failed to disclose all KissTrusts invested in the Basic Plan were in Class C shares that did pay 12b-1 fees to EPS.

### **2. Material Misrepresentations Concerning Regulatory Oversight**

21. NTFS repeatedly stated on its websites and in corporate brochures disseminated to its customers that its “securities trading and holding activities are audited and regulated subject to the Financial Industry Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC), and state security regulators – which provides our clients with the assurance of continual oversight that most other trustees do not offer.”

22. This statement and similar statements made by NTFS were material misrepresentations because there was no securities trading or holding activity that occurred at EPS, the only registered entity for which FINRA and the Commission have regulatory oversight. All securities trading activity occurred at the NTFS level for which no securities regulator provided oversight. Armand knew EPS had no responsibility or involvement with any trading activity on behalf of NTFS, including receiving instructions for placing or executing trades; rather, all trading activity took place at NTFS.

23. NTFS also stated on its websites and corporate brochures that:

[NTFS] and related subsidiaries are licensed in multiple states to provide trust and trust-related services . . . [NTFS] provides the safety and security that comes from utilizing a licensed and regulated institutional trust company. Unlike providers who operate under no ongoing government agency supervision or audit, [NTFS] provides the peace of mind that only comes from having a regulated trust company as the fiduciary.

24. Armand directed investors to NTFS's website for information concerning the trust business and disclosed certain information in emails to grantors that was substantially the same statements made on the website. For example, Armand disclosed in certain emails that NTFS was regulated by "multiple state and federal agencies" and "SROs."

25. These statements and others made by NTFS, and in emails by Armand, were material misrepresentations because there were no governmental entities providing ongoing government regulatory oversight, supervision, or audit over NTFS. Rather in 2012, NTFS, as a USVI corporation, simply filed its articles of incorporation with the Office of the Lieutenant Governor of the Virgin Islands and paid its filing fees and thereafter registered with the Maryland Department of Labor Licensing and Regulation to operate as a non-depository trust company in Maryland. Other than making routine filings with USVI, no other federal, state, or local governmental body or agency provided any ongoing regulation of NTFS's trust business.

### **Violations**

26. As a result of the conduct described above, NTFS and Armand willfully<sup>2</sup> violated Sections 17(a)(2) and (3) of the Securities Act. A violation of these provisions does not require scienter and may rest on a finding of negligence. *See Aaron v. SEC*, 446 U.S. 680, 685, 701-702 (1980).

27. As a result of the conduct described above, NTFS willfully violated Section 15(a) of the Exchange Act.

28. As a result of the conduct described above, Armand and Moreschi willfully aided and abetted and caused NTFS's violations of Section 15(a) of the Exchange Act.

### **Disgorgement and Civil Penalties**

The disgorgement and prejudgment interest ordered in paragraph IV.E is consistent with equitable principles and does not exceed NTFS's net profits from its violations and will be distributed to harmed investors, if feasible. The Commission will hold funds paid pursuant to

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<sup>2</sup> "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act, "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).

paragraph IV.E in an account at the United States Treasury pending a decision whether the Commission in its discretion will seek to distribute funds. If a distribution is determined feasible and the Commission makes a distribution, upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

#### IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest, to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents NTFS and Armand cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act and Section 15(a) of the Exchange Act.

B. Respondent Moreschi cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

C. Respondents Armand and Moreschi be, and hereby are:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

with the right to apply for reentry after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

D. Any reapplication for association by Respondents Armand and Moreschi will be subject to the applicable laws and regulations governing the reentry process, and reentry may be

conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondents in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondents for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

E. NTFS shall, within 10 days of the entry of this Order, pay disgorgement of \$101,700.25, prejudgment interest of \$20,099.62, and a civil money penalty of \$225,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment of the civil penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

F. Armand shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$75,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

G. Moreschi shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$40,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. 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) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents 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) Respondents 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 NTFS, Armand, and Moreschi 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 Glenn Gordon, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1950, Miami, FL 33131.

H. Regardless of whether the Commission in its discretion orders the creation of a Fair Fund for the penalties ordered in this proceeding, 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, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they 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 Respondents 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 Respondents Armand and Moreschi, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Armand and Moreschi 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 Armand and Moreschi 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