

PUBLICATIONS

Private Funds Regulatory Update May 2020

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CCO Oversight in a Remote Working Environment

While COVID-19 has changed many aspects of the working environment for private fund managers and other investment advisers, compliance and legal personnel have not been granted any dispensations from their duties by the regulators. In fact, while the SEC staff in the Office of Compliance Inspections and Examinations has stated that they understand the hardships and challenges imposed by the ongoing pandemic, the legal and compliance functions of private fund managers are expected, and required, to continue to operate.

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New Custody Rule FAQs

On March 30 and April 2, 2020, the SEC's Division of Investment Management released two pieces of guidance regarding issues relating to Rule 206(4)-2 that relate to COVID-19 delays. The guidance addressed two specific challenges for advisers, surprise examination delays, and unintended possession of physical certificates.

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Recent SEC Enforcement Activity

In a recent SEC enforcement action, an adviser and its principal allegedly overcharged a client fund in travel expenses, and the principal borrowed \$1 million from the fund for personal use. Both the adviser and its principal were charged with fraud and breach of fiduciary duty under Sections 206(1), 206(2) and 206(4) of the Advisers Act, and under Rule 206(4)-8.

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