PUBLICATIONS

Fund Administrators Sanctioned by SEC

SRZ Private Funds Regulatory Update

October 2020

On Sept. 18, 2020, the SEC sanctioned two related administrators for contributing and causing violations of sections 206(2) and 206(4) of the Investment Advisers Act and Rule 206(4)-8 thereunder by L-R Managers LLC ("L-R").[1] Beginning in January 2016, the administrators performed several actions at the request of L-R, including permitting unsupported withdrawals by the adviser and allowing questionable accounting classifications and unsupported valuations that resulted in inaccurate valuations of client portfolios.

While the violations that the SEC cited for the administrators do not directly relate to investment management activities, private fund managers should view this action as a reminder that they are expected to provide administrators and other gatekeepers with sufficient support for all instructions and actions that can affect asset values. Also, this action serves as a reminder that performing effective due diligence and understanding the controls that key service providers have in place is essential.

This article appeared in the October 2020 edition of SRZ's Private Funds Regulatory Update. To read the full Update, click here.

[1] https://www.sec.gov/litigation/admin/2020/ia-5585.pdf

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