

>>>FAIRVIEW FLASH REPORT <<<

SEC Sanctions Firm for Inadequate Compliance Policies and Procedures

WHAT HAPPENED?	<p>The SEC recently sanctioned and issued public administrative and cease-and-desist proceedings against Agamas Capital Management (“Agamas”) for not adopting and implementing adequate written compliance policies and procedures designed to prevent violations in “three important areas of private fund management:</p> <ul style="list-style-type: none">i. valuation of assets;ii. the accuracy of disclosures to fund investors about the valuation practice; andiii. cross trades between clients.”
WHAT WERE THE ISSUES?	<p>Agamas’ master fund traded securities that were not widely quoted including mortgage backed securities, asset backed securities, CDO’s, and convertible bonds. Agamas failed to follow their fund’s valuation procedures which included statistical calculation principles and instead frequently used discretion without sufficient documentation.</p> <p>In addition, Agamas did not regularly review its private fund’s PPM and other investor disclosures to confirm they accurately described their valuation process.</p> <p>Agamas also did not have policies and procedures in place to determine the pricing of cross trades made between their private fund and an SMA client and whether they were fair to both.</p>
WHAT WAS THE SETTLEMENT?	<p>Agamas consented to the SEC’s Order which:</p> <ul style="list-style-type: none">i. required Agamas to “cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Advisers Act and Rule 206(4)-7;”ii. censured Agamas;iii. issued a civil penalty of \$250,000 to Agamas; andiv. required Agamas to provide a copy of the Order to specific clients and investors.