

>>>FAIRVIEW FLASH REPORT<<<

Adviser Barred for Conducting Private Fund Sales Without Broker-Dealer Registration

WHAT HAPPENED?	On February 22, 2017, the SEC charged an adviser with soliciting and inducing investors to purchase promissory notes issued by the Rampart Fund LLP (“Rampart Fund Notes”) without registering as a broker-dealer or associating with a registered broker-dealer. From December 2008 through September 2013, the adviser solicited at least 31 investors to purchase \$3.7 million in Rampart Fund Notes and received \$384,712 in transaction-based compensation. The Rampart Fund Notes ultimately defaulted, which both the adviser and Rampart Fund LLP failed to disclose to the noteholders.
WHAT WERE THE IMPLICATIONS?	In addition to soliciting and inducing investors, the adviser counseled investors on the investments’ merits, took customers’ orders and collected investor paperwork. These activities were in direct violation of Section 15(a)(1) of the Exchange Act. This rule prohibits any broker or dealer from inducing or attempting to induce transactions unless the broker or dealer is registered with the SEC or associated with a registered broker or dealer. Due to this violation, the SEC has issued a cease and desist order. The adviser must also pay disgorgement of \$384,712 with an additional prejudgment interest of \$54,324.
WHAT DOES THIS MEAN FOR ME?	This enforcement action follows a recent trend of SEC efforts intended to prosecute individuals and firms performing adviser and broker-dealer services without the necessary registration. Fairview encourages all advisers and broker-dealers to review their business activities and the activities of associated personnel to ensure they are registered appropriately. If you have any questions or concerns regarding this matter, please feel free to contact Fairview.

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Sources: <https://www.sec.gov/litigation/admin/2017/34-80083.pdf>