



Morgan Lewis

**ADVANCED TOPICS IN
HEDGE FUND PRACTICES
CONFERENCE**

Manager and Investor Perspectives

NEW YORK

Tuesday, June 13, 2023

Enforcement Trends and Issues

Speakers



Frederick L. Block
+1.202.739.5125
[fred.block@
morganlewis.com](mailto:fred.block@morganlewis.com)



G. Jeffrey Boujoukos
+1.215.963.5117
[jeff.boujoukos@
morganlewis.com](mailto:jeff.boujoukos@morganlewis.com)

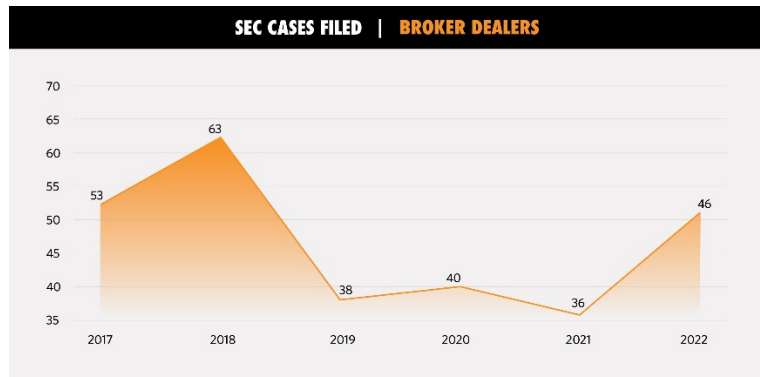
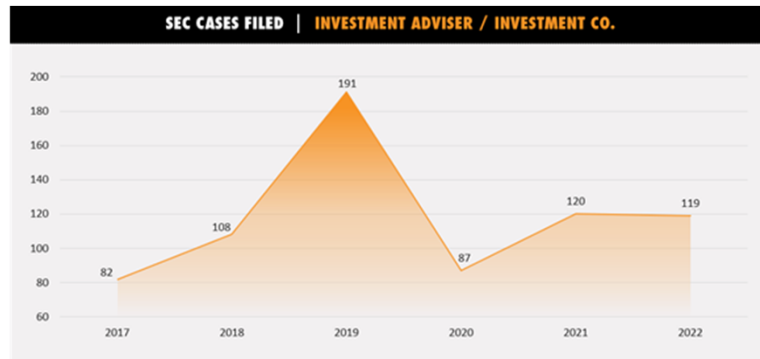
Morgan Lewis

General SEC Enforcement Outlook for Registrants

- Consistent enforcement focus on investment advisers and broker-dealers
- Civil penalties and disgorgement
- Private funds are a “substantive priority area”
- Direct from enforcement sweep investigations
- Cooperation

Total Money Ordered (in millions)						
	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Penalties	\$4,194	\$1,456	\$1,091	\$1,101	\$1,439	\$832
Disgorgement	\$2,245	\$2,395	\$3,588	\$3,248	\$2,506	\$2,957
	\$6,439	\$3,852	\$4,680	\$4,349	\$3,945	\$3,789

Disgorgement totals for 2020 and 2021 have been adjusted to exclude amounts ordered but waived. The currently-reported 2020 figure of \$3,588 (in millions) was previously reported as \$3,589 (in millions). The currently reported 2021 figure of \$2,395 (in millions) was previously reported as \$2,396 (in millions). No other years were adjusted.



Enforcement Overview

- Proactive Enforcement
 - Regulation by enforcement
 - Enforcement often follows significant rulemaking
 - Speeding tickets/broken windows
 - Direct from enforcement sweeps
- Penalties
- Admissions
- Whistleblowers
- Cooperation and self-reporting

Expected Areas of Scrutiny

Fees and Expenses

Management fee offsets and excess management fees; misallocated expenses; conflicts of interest

Complex Products and Valuations

Manipulation of financial reports to conceal the magnitude of a strategy's risk and performance

Insider Trading

Shadow trading and information scraping

ESG

Greenwashing and other potential disclosure violations

Deficient Recordkeeping and Filings

"Speeding ticket" violations such as Form PF and Custody Rule and failure to update Form ADV regarding status of audits

Cryptocurrencies

FTX; 2023 Exam Focus

Risk-Management Controls

In a time of high volatility, risk-management disclosures and practices

Cybersecurity

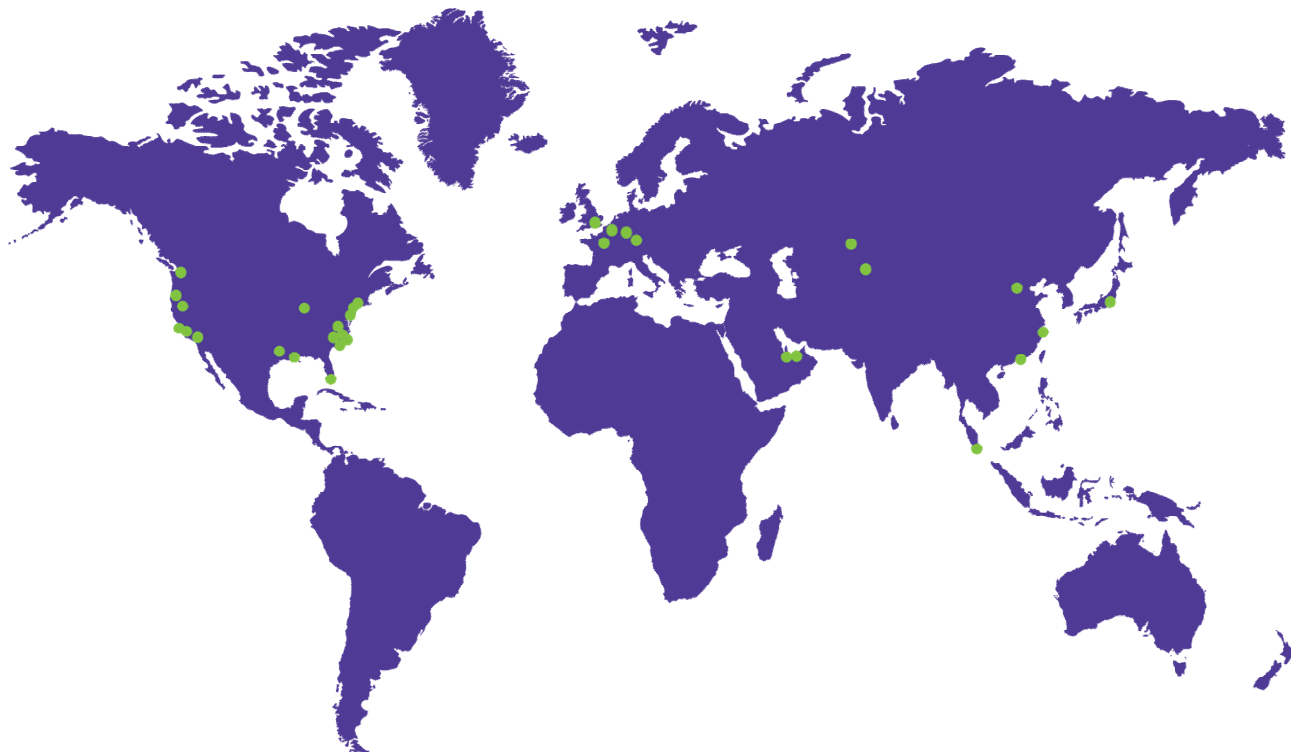
Supervisory controls, including third-party vendors, internal reporting of incidents, and self-disclosure

Our Global Reach

Africa
Asia Pacific
Europe
Latin America
Middle East
North America

Our Locations

Abu Dhabi
Almaty
Astana
Beijing
Boston
Brussels
Century City
Chicago
Dallas
Dubai
Frankfurt
Hartford
Hong Kong
Houston
London
Los Angeles
Miami
Munich
New York
Orange County
Paris
Philadelphia
Pittsburgh
Princeton
San Francisco
Seattle
Shanghai
Silicon Valley
Singapore
Tokyo
Washington, DC
Wilmington



Morgan Lewis

Our Beijing and Shanghai offices operate as representative offices of Morgan, Lewis & Bockius LLP.
In Hong Kong, Morgan, Lewis & Bockius is a separate Hong Kong general partnership registered with The Law Society of Hong Kong.

THANK YOU

© 2023 Morgan Lewis

Morgan, Lewis & Bockius LLP, a Pennsylvania limited liability partnership

Morgan Lewis Stamford LLC is a Singapore law corporation affiliated with Morgan, Lewis & Bockius LLP.

Morgan, Lewis & Bockius UK LLP is a limited liability partnership registered in England and Wales under number OC378797 and is a law firm authorised and regulated by the Solicitors Regulation Authority. The SRA authorisation number is 615176.

Our Beijing and Shanghai offices operate as representative offices of Morgan, Lewis & Bockius LLP.

In Hong Kong, Morgan, Lewis & Bockius is a separate Hong Kong general partnership registered with The Law Society of Hong Kong.

This material is provided for your convenience and does not constitute legal advice or create an attorney-client relationship.

Prior results do not guarantee similar outcomes. Attorney Advertising.

Morgan Lewis