

2024 Year-In-Review

Rule Proposals, Risk Alerts, & More for Investment Advisers

Every January for the past seven years, I've sat down to write my year-in-review letter. It's been a valuable exercise in reflection—assessing what has worked well, what hasn't, and what adjustments are needed for the future. This year is no different, and by nearly every measure, 2024 has been our best year yet.

We've built a stronger, more dynamic team, introduced enhanced employee benefits, and opened a new office in New York. Our client base grew, and we deepened our relationships while expanding our services into London. Behind the scenes, we streamlined operations and improved reporting to enhance efficiency. Most importantly, our clients have achieved exceptional results in navigating investor and regulatory inquiries. This success would not have been possible without our incredible team, whose dedication and hard work have been the driving force behind every milestone.

While we celebrate these achievements, we're mindful of the lessons that growth brings. Success introduces greater complexity, higher expectations, and challenges alongside the opportunities. At HighCamp, we've always prioritized long-term, sustainable growth, and as our clients' needs evolve, we remain committed to adapting our services while staying true to our core values. These principles—discipline, focus, and a commitment to excellence—will guide us as we navigate an increasingly competitive and commoditized industry.

Looking ahead, the macroeconomic and regulatory landscape will continue to shift. In 2025, our focus will be on how these changes impact our clients' businesses, from fundraising dynamics to regulatory requirements and competitive pressures. We'll navigate these challenges equipped with our disciplined approach, our talented team, and our ability to innovate in response to disruption, ensuring we're well-prepared for whatever the coming months may bring.

This planning process is what excites me the most. Achievements are fleeting, but the challenge of doing it all again—and doing it better—is what drives us forward. Our commitment to recruiting and retaining top talent remains steadfast, as does our focus on building meaningful, long-term

relationships with our clients. Concurrently, we are investing in technologies that have the potential to reshape our industry.

If we've done one thing well at HighCamp, it's been our ability to say "no"—staying true to our values and operating within our lane of expertise. This deliberate focus could, at first glance, seem limiting. After all, many successful businesses have thrived by embracing the "fake it until you make it" philosophy, taking bold risks to expand their reach. Yet, for every success story, there are countless examples of companies—especially in professional services—that have withered into irrelevance by spreading themselves too thin or succumbing to an "all hat, no cattle" approach. By doubling down on what we do best, we ensure not just our relevance but our ability to deliver enduring value to our clients.

I enter the new year confident that any apprehension about market uncertainties and heightened regulatory expectations will be offset by our disciplined structure. Being 100% employee owned (with 50% of our team holding equity in HighCamp), our alignment with the company's mission has never been stronger. This shared ownership fosters a culture of accountability and collaboration, enabling us to listen closely to our clients, adapt to their evolving needs, and remain focused on creating long-term value.

While traveling to London in connection with our expansion in that market I've been reading many Winston Churchill books this year, and I'll leave you with one of his many humbling and motivating quotes:

"Success is not final, failure is not fatal: it is the courage to continue that counts."

Thank you again to our incredible team and to all who have supported our journey. As we have done every year, we'll continue to give back to our communities.

Cheers to 2025 and beyond.

-Brad Burgtorf

Looking Ahead to 2025: Regulatory Forecasts for Private Fund Managers

HighCamp's [predictions for 2024](#) largely aligned with expectations, though we underestimated the level of judicial scrutiny and its impact on rulemaking. As we look to 2025, we have refined and expanded our forecasts.

- The legal challenge to the private fund amendments raised significant questions about the SEC's authority, triggering increased scrutiny of its rulemaking process. This scrutiny has contributed to delays in finalizing proposals on cybersecurity, outsourcing arrangements, custody, and ESG disclosures. Nevertheless, we anticipate that examination and

enforcement teams will continue to focus on how advisers identify and manage conflicts highlighted in these vacated and proposed rules. This will likely be enforced under existing compliance program rule requirements and the anti-fraud rule for pooled investment vehicles.

- In 2024, the SEC pursued enforcement actions regarding custody violations, whistleblower protection issues, regulatory filing delays, and recordkeeping requirements for electronic communications. The agency demonstrated little tolerance for lapses in these areas, even for technical violations. While we expect continued vigilance from regulators, changes in leadership and staff may signal a shift to a more measured enforcement approach, echoing past Republican-led commissions' focus on market abuse and significant investor harm.
- The rise of artificial intelligence presents an ongoing risk area that legal and compliance teams must address. The SEC is expected to scrutinize AI usage in investment decision-making, compliance monitoring, and client interactions for potential conflicts and transparency issues.
- The SEC staff will continue monitoring developments in new and emerging investment vehicles, such as private wealth products that offer access to illiquid assets. Key areas of interest include fee and expense practices, valuation practices, liquidity terms, and risk and conflict disclosures. Ensuring alignment with both investor expectations and regulatory standards will be essential for firms in this space.
- In line with the SEC's 2025 examination priorities, the SEC staff will review investment-level fees and expenses, in addition to fund-level disclosures, for consistency and transparency. Investment managers should take steps to review portfolio investment reimbursements and affiliated fees that may not be clearly outlined for investors.
- The growth of general partner staking arrangements will attract continued regulatory attention, particularly regarding conflicts of interest and disclosure practices. Adapting disclosures to reflect these evolving ownership structures, including shared and affiliated support services, will be a key challenge.
- Private fund financing arrangements will remain under scrutiny, particularly in terms of marketing, investor disclosures, cross-collateralization, and risk management. Firms should ensure robust controls and comprehensive documentation to mitigate potential regulatory risks.

Fourth Quarter Headlines

SEC Divisions of Examinations ("EXAMS") Announces 2025 Priorities

On October 16, EXAMS [released](#) its annual examination priorities (the “Priorities”) for FY25. Adherence to fiduciary standards of conduct and the effectiveness of advisers’ compliance program will remain a primary focus for all RIAs. Priorities specifically relevant to private fund advisers include fund management in response to market fluctuations, private fund (including investment-level) fees and expenses, conflicts of interest, and compliance with new SEC rules, including amendments to Form PF and the new Marketing Rule. Recent registrants and previously unexamined advisers will continue to be a priority. Finally, all SEC registrants can expect EXAMS to focus on cybersecurity, Regulation S-ID and Regulation S-P, the shortening of the settlement cycle, emerging financial technologies (including the use of AI), digital assets, and AML compliance. To read HighCamp’s memo on the 2025 Examination Priorities, please read [here](#).

SEC Leadership Shakeup

On November 21, SEC Chairman Gary Gensler [announced](#) his resignation from the Commission effective January 20, 2025. Mr. Gensler began his tenure on April 17, 2021, and led the Commission during a period of increasing rule proposals and enhanced regulation. Surprisingly, under Gensler’s leadership, the number of enforcement actions was slightly lower than during the tenure of the preceding Chairman, Republican Jay Clayton, while total financial penalties under Gensler were 50% higher than those under Clayton. Distributions to harmed investors were also lower under Gensler’s tenure compared to Clayton’s. Additionally, on November 22, Commissioner Jaime Lizarraga, also a Democrat, [announced](#) his resignation from the Commission, effective January 17, 2025.

After weeks of speculation about whom President-elect Donald Trump would nominate to lead the SEC during his second term in office, he made an official announcement on December 4, 2024, nominating former Commissioner Paul Atkins. Mr. Atkins served as a Commissioner from 2002 to 2008 and is widely regarded in the industry as being “pro-business.” While the confirmation process for Atkins waits to get underway, Trump has [named](#) current Commissioner Mark Uyeda as Acting Chairman of the Commission.

Corporate Transparency Act Sees Various Court Rulings

On December 3, the U.S. District Court for the Eastern District of Texas [issued](#) an order granting a nationwide preliminary injunction. The Department of Justice immediately filed an appeal of the order and on December 23, a panel of the U.S. Court of Appeals for the Fifth Circuit [granted](#) a stay of the district court’s preliminary injunction pending the outcome of Treasury’s ongoing appeal of the district court’s order. Following this ruling, the Treasury extended the reporting deadlines a few additional weeks to give entities time to comply. Then on December 26, a different panel of the U.S. Court of Appeals for the Fifth Circuit [issued](#) an order vacating the Court’s December 23 order granting a stay of the preliminary injunction. The Department of Justice has again sought a stay of the injunction, and it remains to be seen how this will play out moving forward.

2024 Trends

Industry Trends

By the Numbers	2020	2021	2022	2023	2024
SEC Staffing (# of full-time employees) ⁱ	4,411	4,459	4,547	4,606	4,920
SEC Registered Investment Advisers (Dec '24) ⁱⁱ	13,903	14,835	15,444	15,573	16,005
Exempt Reporting Advisers (Dec '24) ⁱⁱ	4,568	5,024	5,573	6,010	5,649
Investment Adviser Examinations ⁱⁱⁱ	15%	16%	15%	15%	~14%
Broker-Dealers (Dec '24) ^{iv}	3,616	3,541	3,533	3,477	3,363
Private Equity Funds/Advisers ^v	14,470/1,359 (Q1 2020)	15,879/1,459 (Q1 2021)	18,961/1,636 (Q1 2022)	20,967/1,765 (Q1 2023)	23,115/1,858 (Q2 2024)
Hedge Funds/Advisers ^v	9,370/1,728 (Q1 2020)	9,484/1,760 (Q1 2021)	9,645/1,858 (Q1 2022)	9,862/1,863 (Q1 2023)	9,849/1,851 (Q2 2024)
Real Estate Funds/Advisers ^v	3,111/373 (Q1 2020)	3,292/388 (Q1 2021)	3,788/428 (Q1 2022)	4,274/460 (Q1 2023)	4,266/464 (Q2 2024)

Enforcement Highlights

- The Division of Enforcement (“Enforcement”) brought 583 enforcement actions (a 26% decrease from FY23) in which it obtained \$8.2 billion in combined penalties and disgorgement orders, the highest amount in SEC history.
- 23% of standalone enforcement actions involved investment adviser/company issues, which is up from 17% in FY23. Insider trading cases accounted for 8% of standalone enforcement actions, also an increase from the previous fiscal year.
- In FY24, the Commission brought recordkeeping cases resulting in more than \$600 million in civil penalties against more than 70 firms. The initiative has resulted in charges against more than 100 firms and more than \$2 billion in penalties since December 2021.
- For more information, read the SEC’s press release: [SEC Announces Enforcement Results for Fiscal Year 2024](#)

Did You Know?

In 2004, Paul Atkins [dissented](#) from the SEC's final rule requiring hedge funds to register. In 2007, Atkins issued a [statement](#) against applying the "negligence" standard of private fund anti-fraud Rule 206(4)-8, instead stating that "we should" require a finding of "scienter."

Q4 Key Enforcement Actions and News

We left off on September 30 in our 2024 [Third Quarter Newsletter](#). Please note all sources are hyperlinked rather than footnoted.

SEC Charges Adviser with Failing to Disclose Managing Partner's Personal Conflicts

On December 20, the SEC [charged](#) an adviser and its Managing Partner with failing to disclose to investors that the CEO of a portfolio company a fund invested in was the uncle of the Managing Partner and served as a trustee of various trusts in which the Managing Partner had a beneficial interest. The fund was the only investor in the portfolio company and continued to make follow on investments over a multi-year period that the SEC alleges were needed for the portfolio company to maintain operations. The SEC alleged that this relationship was well known inside the adviser and with the compliance department but was not properly disclosed to investors. The adviser settled with the SEC, paying \$500,000 in civil penalties.

SEC Charges Adviser with Policy and Procedure Violations Regarding the Potential Misuse of MNPI

On December 20, the SEC [filed](#) a complaint against a debt adviser with allegedly poor MNPI controls after it had a consultant participate on creditors' committees of distressed companies on the adviser's behalf. On one particular instance, the consultant allegedly received MNPI from the respective committee and subsequently had extensive conversations with the adviser's public trading desk. The SEC alleged this created substantial risk the adviser could have misused this information in connection with its trading on the underlying bonds as the conversations with the consultant and trading desk personnel occurred without members of the compliance department.

SEC Charges Adviser with Custody Rule Violations

On December 20, a private fund adviser was [charged](#) with allegedly failing to deliver timely audits over a two-year period for three private funds it advised after purporting to rely on the Audited Financials Alternative of the Custody Rule. The adviser paid a \$115,000 penalty.

SEC Charges Adviser for Failing to File Form D

On December 20, the SEC [announced](#) charges against an adviser it alleged failed to file Form D for several funds that were required to rely on either Rule 504 or Rule 506(c) of Regulation D. The adviser engaged in general solicitation and therefore the offerings could not have been conducted as exempt offerings under Section 4(a)(2) of the Securities Act. The adviser agreed to pay a \$60,000 penalty.

SEC Charges Adviser with Marketing Rule Violations

On December 20, the SEC **charged** an adviser with allegedly making false and misleading claims about its investment strategies and their performance, failing to present net performance alongside gross performance, and not being able to substantiate performance claims upon demand by the Commission, among other violations. The adviser claimed hypothetical performance it advertised on its website was “verified by Morningstar” when it was not, and instead an employee used a software tool offered by Morningstar to calculate the advertised hypothetical performance. The SEC settled with the adviser for \$75,000.

SEC Charges Exempt Reporting Adviser with Rule 105 Violations

On December 19, a Hong Kong adviser was **charged** with violating Rule 105 after it allegedly purchased American Depository Shares in five public company offerings after effecting short sales in the ADS’s within the Rule 105 restricted period. The adviser paid a \$525,000 civil penalty in addition to disgorgement and prejudgment interest.

SEC Charges Multiple Adviser with Failure to File Form PF

On December 13, the SEC announced charges against multiple advisers for their alleged failure to make required Form PF filings. Each of the charged advisers are alleged to have missed multiple required filings from at least 2021 through 2023.

- Failed to file from 2021 – 2023; \$90,000 civil penalty; **Administrative Proceeding**
- Failed to file from 2021 – 2023; \$90,000 civil penalty; **Administrative Proceeding**
- Failed to file from 2019 – 2023; \$125,000 civil penalty; **Administrative Proceeding**
- Failed to file from 2020 – 2023; \$150,000 civil penalty; **Administrative Proceeding**
- Failed to file from 2019 – 2023; \$135,000 civil penalty; **Administrative Proceeding**
- Failed to file from 2019 – 2023; \$100,000 civil penalty; **Administrative Proceeding**
- Failed to file from 2019 – 2023; \$100,000 civil penalty; **Administrative Proceeding**

SEC Charges Adviser with Cherry-picking Scheme

On December 12, the SEC **charged** an adviser with allegedly disproportionately allocating profitable trades to certain personal and family accounts he controlled, while allocating unprofitable trades to accounts of unrelated advisory clients. The trades were allegedly executed in a block account before being allocated the following day, by which point the adviser could see the initial price movements, resulting in an approximate 4.6% average return delta in the positively allocated accounts vs the negatively allocated accounts. The adviser also allegedly engaged in unsuitable trading after certain clients identified their investment objectives. The adviser paid a civil penalty of \$375,000.

Individual Charged with Unregistered Broker-Dealer Activity

On December 9, an individual was **charged** with allegedly acting as an unregistered broker-dealer in connection with the fraudulent and unregistered securities offerings for another adviser and their private funds. According to the order, the individual raised money for the sale of unregistered securities to investors, some of which were unaccredited, through a feeder fund he operated, solicited investors and helped complete subscription agreements while receiving transaction-based compensation from the 3rd party adviser. Additionally, the individual used the

third-party adviser's marketing materials which allegedly contained fraudulent information. The individual agreed to a civil penalty of \$490,250.

US District Court Vacates SEC's Finalized "Dealer" Rule

On November 21, the US District Court for the Northern District of Texas vacated a previously adopted rule which broadened the definition of dealer and required additional regulatory requirements for those with significant liquidity providing roles. The court ruled the Commission had exceeded its statutory authority in adopting the rule. The rule originally was adopted with the Commissioners divided on it. Commissioner Pierce stated the rule "obliterates" the prior regulatory framework by extending the definition of "dealer" to market participants that run investing and trading businesses, not dealing businesses. The court's overturning of the rule follows similar results in several other cases involving recently adopted rules under the current Commission.

SEC Releases 2024 Agency Financial Report

On November 15, the SEC [released](#) its 2024 Agency Financial Report. The report is full of information regarding the SEC's financial health, work-life goals, EXAMS statistics, and future rulemaking notes. Some highlights from the report include:

- This year's report specifically called out the CIP Rule proposed jointly with the U.S. Department of Treasury as a rule that the Division of Investment Management ("IM") will continue to evaluate and potentially adopt in 2025.
- IM "will maintain its focus on certain areas such as crypto assets and cybersecurity and will remain vigilant in monitoring market developments in the asset management industry."
- Enforcement will focus on risk areas including disclosures regarding AI and cybersecurity incidents; information asymmetries and actual and potential abuse of MNPI; the Marketing Rule; and whistleblower impeding actions.
- The Commission has been focused on shedding office space in recent years. In FY24, it reduced its footprint in NYC, Atlanta, Fort Worth and San Francisco by a combined 22 percent. It also announced the closure of its Salt Lake City operations.
- EXAMS reached its FY24 goal for the percentage of investment advisers examined during the year. Additionally, it reached its cybersecurity goal by carrying out 323 examinations that requested information related to an entity's information security.
- Under the current leadership, the SEC has pursued a substantial rulemaking agenda. Since 2021, the Commission has proposed 55 rules and finalized 43 rules. The report acknowledges the recent increase in challenges to SEC rules and states rulemaking will continue to face judicial scrutiny following the Loper Bright Supreme Court decision.

SEC Releases 2024 Whistleblower Report

On November 15, the Office of the Whistleblower [released](#) its annual report for FY24. The Commission awarded over \$255 million, the third highest annual amount for the program and a decrease from the nearly \$600 million awarded in FY23. 47 individual whistleblowers received awards. More than \$2.2 billion has now been awarded to 444 whistleblowers since the program's

launch in 2011. In FY24, the Commission brought 11 enforcement actions against entities and individuals who took action to impede whistleblowers. The Commission received nearly 25,000 whistleblower tips, more than 14,000 of which were attributable to two individuals. The report includes positive factors that may increase an award such as significance of the information, assistance provided by the whistleblower, law enforcement interest, and participation in internal compliance or reporting systems. Culpability or an unreasonable reporting delay are among the factors that can negatively affect an award amount.

SEC Charges Adviser with Marketing Rule Violations

On November 1, the SEC **announced** a settlement with an adviser that allegedly disseminated advertisements containing endorsements from professional athletes and failed to provide the disclosures required under the Marketing Rule. The adviser also included a performance summary chart on its public website that showed hypothetical returns for six different strategies without having established policies and procedures designed to ensure such returns were relevant to the likely financial situation of the intended audience. The adviser agreed to pay a \$75,000 penalty.

SEC Charges Adviser with Supervisory Failures

On October 15, the SEC **announced** charges against an adviser for allegedly failing to properly supervise its personnel after an investment advisor representative allegedly misappropriated over \$700,000 from adviser clients to fund his gambling, pay personal expenses, and repay other investors. The SEC alleged that the adviser failed to follow up on numerous red flags and that the CEO failed to follow policies and procedures himself. The adviser agreed to a civil penalty of \$100,000.

SEC Charges Adviser with Breaching Fiduciary Duties

On October 7, the SEC **charged** an unregistered Venture Capital adviser for allegedly transferring \$600,000 of cash out of the Fund's bank account to three different bank accounts not held or controlled by the Fund in March 2023. The principal communicated to the advisory committee her concerns that the Fund's bank account would not be fully protected by FDIC insurance during the banking crisis, but failed to notify all investors of such transfers. Under the applicable partnership agreement, the advisory committee allegedly did not have any authority to make decisions or the ability to provide consent in this instance. The adviser allegedly failed to immediately transfer the money back to the Fund bank account even after the risk of loss had subsided. Further, the adviser allegedly provided a financial statement to investors in July 2023 showing that the cash was still in the Fund's control.

Q1 Upcoming Key Reporting & Disclosure Deadlines

01/24/25 Deadline for Receipt of Final IARD Statement Payments

01/30/25 Q4 2024 Quarterly Transaction Reports Due

- 02/14/25** Form 13F Due for Q4 2024
- 02/14/25** Annual form 13H Due
- 02/14/25** Initial Form SHO Filing Due (due within 14 days of month end thereafter)
- 02/28/25** Form PF Due for Large Hedge Fund Advisers for Q4 2024
- 02/28/25** Form N-PX Stub Period Filing Due for Final 13F Filers
- 03/31/25** Annual Form ADV Due

Key Rulemaking Tracker

HighCamp maintains a Key Rulemaking Tracker with effective dates and pending rule proposals on its [website](#).

About HighCamp Compliance

HighCamp is a boutique compliance consulting and outsourcing firm helmed by former SEC examiners, CCOs and proven consulting professionals. The firm specializes in regulatory compliance and operational support for SEC-registered private equity, real estate, venture capital, hedge fund, and institutional alternative managers. HighCamp is 100-percent employee owned, with a gender-balanced leadership team. The company has locations in New York City (Metro), Los Angeles, Denver, Dallas, and Bozeman.

i <https://www.sec.gov/files/sec-2024-agency-financial-report.pdf>

ii <https://www.sec.gov/help/foiadocsinvafoiahtm.html>

iii <https://www.sec.gov/files/fy-2025-congressional-budget-justification.pdf>

iv <https://www.sec.gov/help/foiadocsbdfioiahtm.html>

v Private Fund Statistics, December 6, 2024, <https://www.sec.gov/files/investment/private-funds-statistics-2024-q2.pdf>