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# SEC Charges Investment Adviser for Compliance Failures

## ADMINISTRATIVE PROCEEDING

File No. 3-21445

**May 24, 2023** - The Securities and Exchange Commission today announced settled charges against New York-based investment advisers to private funds, Sciens Diversified Managers, LLC, and its predecessor, Sciens Investment Management, LLC, ("Sciens") for failing to adopt and implement reasonably designed written policies and procedures concerning the valuation of fund portfolio investments. Valuation of client assets is a critically important area for investment advisers, and failure to properly value assets can potentially lead to the incorrect calculation of fees and inaccurate performance reporting, among other things.

According to the SEC's order, Sciens charges management fees to the private funds quarterly based on its determinations of the fund net asset value, and these funds primarily invest in equity, debt of private companies or assets for which there is frequently no readily available market pricing information and no significant observable inputs are available. The order finds that since at least 2016, Sciens' written policies and procedures were not reasonably designed in light of the nature of the investment mandates of the funds, giving only minimal guidance regarding how to value the investments in accordance with Generally Accepted Accounting Principles and other standards set forth in the funds' offering documents.

The SEC's order finds that Sciens violated Section 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. Without admitting or denying the order's findings, Sciens consented to a cease-and-desist order, censure, the payment of a civil penalty of \$275,000 on a joint-and-several basis, and undertakings that include retaining an independent compliance consultant.

The SEC's investigation was conducted by Amanda Rios and Wendy Tepperman of the New York Regional Office, with assistance from Andrea Muller of the SEC's Division of Examinations. The matter was supervised by Tejal D. Shah.

## Related Materials

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- [Order - Sciens Investment Management, LLC and Sciens Diversified Managers, LLC](#)

*Modified: May 24, 2023*