U.S. Securities and Exchange Commission

AP SUMMARY

SEC Institutes Settled Order Against Nevada Investment Adviser for Causing Its ETF Clients' Prohibited Transaction, Risk Reporting, and Disclosure Violations

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ADMINISTRATIVE PROCEEDING
File No. 3-22662

July 27, 2026 – The Securities and Exchange Commission today announced settled charges against Simplify Asset Management, Inc., an investment adviser to exchange-traded funds (ETFs), for causing violations of Investment Company Act of 1940 provisions intended to prevent conflicted transactions and risk that may harm fund investors, and to ensure disclosure of material information about fund distributions to fund investors.

According to the SEC's order, in February and June 2023, Simplify caused a trust, which had an ownership stake in Simplify, to engage in two prohibited affiliate transactions with an ETF client. Through the two transactions, the order finds, the trust transferred shares of equity securities it owned to the ETF in exchange for the fund's shares, which provided the trust with certain tax benefits.

The SEC's order also finds that on two occasions in April and May 2024, Simplify caused another ETF client to exceed leverage thresholds permitted by Investment Company Act Rule 18f-4. According to the order, because these breaches lasted five days or more, the ETF was required to notify the fund's board and to provide the board with a written explanation within 30 days of how the ETF came back into compliance with these leverage thresholds, and to file with the Commission required disclosures of the leverage breaches within one business day after they occurred. The order finds, however, that Simplify caused the ETF to fail to meet these Rule 18f-4 conditions

because the board was not notified of the breaches and no disclosures were filed with the Commission until August 2024. Accordingly, the order finds that Simplify caused the ETF to violate Investment Company Act Section 18(f)(1) and Rule 30b1-10.

In addition, the SEC's order finds that, between July 2021 and June 2024, Simplify caused seven ETF clients to fail to provide contemporaneous notices to fund investors that a portion of the dividends the ETFs distributed to them was a return of fund capital rather than income, as required by Investment Company Act Section 19(a) and Rule 19a-1.

Finally, the SEC's order finds that, between July 2021 and June 2026, Simplify caused certain ETF clients to fail to adopt and implement policies and procedures reasonably designed to prevent violations of the federal securities laws.

As a result, the SEC's order finds that Simplify caused violations of Investment Company Act Sections 17(a)(1), 18(f)(1), and 19(a), and Rules 19a-1, 30b1-10, and 38a-1 thereunder. Without admitting the findings, Simplify agreed to a cease-and-desist order and to pay a civil penalty of $400,000.

The SEC's investigation was conducted by Salvatore Massa, Stephen Holden, and Brian Fitzpatrick, and supervised by Lee A. Greenwood and Corey Schuster, all of the Division of Enforcement's Asset Management Unit. Don Delano, Eli Bass, and Katherine Feld of the Division of Examinations assisted with the investigation.

Last Reviewed or Updated: July 27, 2026

RESOURCES

- **Order - Simplify Asset Management, Inc.**