

SEC Enforcement Case Summary Adviser Charged with Multiple Recidivist Compliance & Disclosure Failures

Since its adoption in 2004, Rule 206(4)-7 (the **Compliance Rule**) under the Investment Advisers Act of 1940 (the **Advisers Act**) has required registered investment advisers (**RIAs**) to adopt and implement written policies and procedures reasonably designed to prevent violations by the adviser and its supervised persons of the Advisers Act and annually review the adequacy of their compliance policies and procedures and the effectiveness of their implementation. Moreover, the Securities and Exchange Commission (**SEC**) Division of Examinations routinely examines investment advisers' compliance programs, and when exam staff issues findings or deficiency letters to registrants at the conclusion of its examinations, it expects that firms will take appropriate actions to remediate such findings. Therefore, it is critical that investment advisers of all sizes take their compliance obligations and examination findings seriously and commit the necessary resources and diligence expected by SEC examiners to promptly and effectively correct deficiencies identified. Failing to do so can result in costly and damaging enforcement consequences.

On November 24, 2025, the SEC instituted administrative proceedings against RIA, Rudney Associates, Inc., an investment adviser to retail clients that managed approximately \$869 million in assets, and its founder and CEO, Eric A. Rudney, for multiple long-standing compliance failures, including recidivist violations identified in multiple SEC examinations and a prior SEC enforcement action (see [Rudney Assocs., Inc. & Eric A. Rudney, Advisers Act Release No. 2300 \(Sept. 21, 2004\)](#)). Following the firm's registration with the SEC as an RIA in 2001, the SEC conducted examinations of the firm in 2002, 2005, and 2020-2021. According to the SEC order, at the end of each examination, examiners sent a deficiency letter to the firm citing multiple compliance failures. The 2004 enforcement action cited failure to disclose material conflicts of interest related to its brokerage and soft dollar practices and other violations as noted below.

Recidivist Violations

The 2004 enforcement action found that Rudney and the firm failed to obtain signed investment advisory agreements with clients. The 2005 examination deficiency letter again cited the firm for, among other things, not obtaining copies of advisory agreements signed by both the firm and its clients. The SEC noted that during the 2020-2021 examination, the firm was unable to provide written advisory agreements for the majority of a sample of its clients requested by the staff, but advised the SEC staff that it was reviewing its files and expected to have signed advisory agreements for all of its clients within approximately four months. More than a year later, the firm still did not have written advisory agreements for all clients. After receiving a deficiency letter following that exam, the firm apparently engaged an independent compliance consultant to review its compliance policies and procedures, client disclosures, and internal controls. The consultant provided a report in November 2021 outlining the consultant's conclusions and making recommendations for improvement. Notably, the consultant's report stated that it was "imperative" that the firm implement a new version of its investment advisory agreement, and "stress[ed] the importance" of doing so. However, according to the SEC order, as of October 2024, the firm still had not yet obtained investment advisory agreements for all clients.

Compliance Rule Violations

The SEC's order noted that from at least 2013 through 2020, the firm failed to perform annual compliance reviews as required by the Compliance Rule. The firm's compliance policies and procedures required it

to periodically review and maintain Form ADV Part 2A (the firm's "brochure") on a current and accurate basis. In particular, the firm's policies and procedures required its brochure "to properly reflect and be consistent with" its fees. However, according to the SEC, the brochure misstated how the firm determined client fees. The brochure included a fee table with rates charged as a percentage of assets based on the market value of the portfolio. The SEC order noted that the firm had not determined client fees in accordance with this fee-tier table since at least 2013 and rather negotiated fees with individual clients in some cases charging fees higher than those in the table.

Other Violations

Rule 204-3 under the Advisers Act requires RIAs to deliver to clients and prospective clients a current brochure before or at the time of entering into an investment advisory contract with the client and annually thereafter. Rule 204-2(a)(14) requires RIAs to make and keep a record of the dates that each brochure and each amendment thereto is given to any client or to any prospective client who subsequently becomes a client. The 2004 enforcement action found that the firm violated these provisions by failing to keep such records. In the current enforcement action, the SEC again charged the firm with failing to keep a record of the dates its brochure was delivered to clients and prospective clients from at least 2011 through 2024.

Undertakings & Penalty

In settling the current enforcement action, Rudney Associates agreed to engage (within 60 days) another independent compliance consultant to conduct a comprehensive compliance review and provide a report to SEC staff within 90 days. The firm agreed to submit a detailed written report to the SEC of (i) the review performed; (ii) the independent consultant's findings, conclusions, and recommendations; (iii) any proposals made by the firm; and (iv) a procedure for the firm to adopt and implement the recommended changes in or improvements to its policies and procedures. Moreover, the firm agreed to take remedial action recommended by the consultant within 60 days. Under the order, Rudney Associates is to compensate the consultant for ongoing reviews for two years from completion of the initial engagement at reasonable and customary rates and is prohibited from terminating the independent consultant without SEC approval. The firm agreed to a \$150,000 civil penalty, to certify compliance with the undertaking in writing and to maintain all relevant documentation for at least six years.

See SEC Order - <https://www.sec.gov/files/litigation/admin/2025/ia-6927.pdf>