SEC Enforcement Update
SQN Capital Management: Third Action for Custody and Valuation Failures

On October 8, 2026, the U.S. District Court for the Southern District of New York entered consent judgments against SQN Capital Management LLC, a New York-based investment adviser, and Jeremiah Silkowski, its President, CEO, CCO, and majority owner, and appointed a receiver for the four funds the firm managed. It is the third SEC action against the firm since 2020 and shows how unremediated custody, valuation, and compliance failures escalate. In its own press release, the firm noted Silkowski's voluntary offer to exit the advisory business, asserted that investors were not materially harmed, and attributed the issues largely to the effects of the COVID-19 pandemic.

The SEC's Allegations (2019 Through 2025)

- No Audits or GAAP Financial Statements – The firm did not have the funds audited or prepare unaudited GAAP financial statements, as the governing documents required.
- Valuation – Silkowski alone prepared all valuations, although investors were told an independent expert did, and allegedly inflated net asset values for years.
- Liquidation – Silkowski repeatedly told investors, without a reasonable basis, that liquidation would soon be complete, leaving them without access to their funds for years.

Prior Enforcement History

- 2020 – Settled custody and compliance rule charges for failing to deliver audited financial statements for two private funds for years ($75,000 penalty).
- 2023 – Settled charges for failing to correct these issues for two private and two public funds ($200,000 firm and $100,000 Silkowski penalties, plus a compliance consultant).

Charges and Resolution

The defendants were charged under Advisers Act Sections 206(1), 206(2), and 206(4) and the Custody and Compliance Rules, with Silkowski also charged with aiding and abetting. Without admitting the allegations, both consented to permanent injunctions, and Silkowski agreed to a $200,000 penalty and an industry bar. A receiver will liquidate the funds for investors.

Key Takeaways

- Audits – Treat audit deadlines included in the governing documents as firm obligations and escalate promptly when one is at risk.
- Valuation – Follow documented policies, revisit stale marks, consider ability to provide independence in the process and describe sources accurately.
- Fund Wind-Downs – Support liquidation timing statements and disclose delays.
- Remediation – Fully remediate prior findings, using outside compliance support as needed.

SEC Litigation Release – https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26671

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