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SEC Cites Falsified Compliance Records in Two Recent SEC Settlements with CCOs

July 31, 2025

Two SEC enforcement actions from earlier this month, each including charges against a firm's Chief Compliance Officer in their personal capacity, underscore the importance of maintaining accurate records and upholding transparency during regulatory examinations. While the cases differ in detail, both focus on allegations that the CCO provided misleading information to regulators during an exam—highlighting one of the principal ways that individual liability can arise. Typically, CCOs are given the benefit of the doubt, but can face personal exposure when they (1) participate in the underlying misconduct, (2) fail entirely in their compliance duties, or (3) mislead regulators. These recent actions illustrate the third category.

Case Summary: RIA Chief Compliance Officer Backdated and Fabricated Pre-Clearance Forms

In July 2025, the SEC settled charges with the CCO of a formerly registered investment adviser for altering approximately 170 pre-clearance trading forms. As part of a routine examination, the SEC requested documents and information regarding the adviser's Code of Ethics and preclearance policies. According to the SEC's order, the CCO backdated or completed the forms after the trades were completed. For some transactions where no pre-clearance trading forms had been created, the CCO created forms and added the respective trader's signature (without their knowledge) before sending them to SEC exam staff. When the exam Staff questioned the CCO about "apparent alterations" to the forms, she misled the staff and did not disclose that the forms were created or modified for the exam.

The CCO agreed to a $40,000 civil penalty and a three-year bar from serving in a compliance or supervisory capacity. The SEC found that her actions violated provisions of the Advisers Act related to books and records and compliance procedures.

Case Summary: RIA Chief Compliance Officer Backdated Annual Compliance Review Documents

In a separate matter announced the prior week, the SEC settled charges with a CCO of another former registered investment adviser for backdating annual compliance review documents. Although the Compliance Rule does not technically require documentation of the firm's annual compliance review, the firm's internal policies did require a written annual compliance report. The SEC found that the individual created and provided these documents to exam staff after the examination had begun, while representing them as contemporaneous records. Unlike the other settled matter, the CCO "voluntarily admitted" to SEC staff in testimony that he created, signed, and backdated the records.

The CCO agreed to a $10,000 civil penalty for violating the recordkeeping requirements of the Advisers Act but was not barred from serving in the investment advisory industry. The lower penalty and lack of an industry bar could be explained by the CCO's admission of wrongdoing when confronted by the staff.

Comparison with Past Enforcement

This is not the first time that the SEC has brought an enforcement action against a CCO who altered compliance records. For example, the SEC brought another settled action against a CCO in September 2020, during the last Republican administration. In that case, the SEC found that the CCO had provided backdated records to the SEC's exam staff and withheld certain other materials that were responsive to the staff's requests. The CCO agreed to a $25,000 civil penalty, a censure and a two-year bar from associating with, among other entities, any broker, dealer or investment adviser. Other enforcement actions brought by the SEC against CCOs can involve – and have involved – even more stringent penalties, including higher fines and even permanent industry bans.

The SEC has repeatedly noted that it does not seek such remedies lightly, however, and its more stringent penalties have been reserved for cases in which the SEC has found evidence of intentional wrongdoing by the CCO or "a wholesale failure" to carry out their compliance responsibilities.

Key Themes and Takeaways

The recent cases, along with other actions and statements from SEC staffers and Commissioners over the years provide some insights into the key issues CCOs should monitor to protect themselves, in addition to their firms.

1. **No Partisan Bias for CCO Misconduct**

When it comes to affirmative misconduct and wholesale failures by CCOs, it does not matter whether the case is reviewed under a Republican or Democratic administration. Over the years, the SEC has consistently sought penalties against compliance officers who altered compliance records to mislead SEC exam staff. For example in 2022, when Commissioner Peirce (who was then in the Republican minority on a Democratic-led SEC) issued a statement in support of a different action against a CCO (involving a "wholesale failure" by the CCO). In the 2022 case, which occurred during a Democratic administration, the SEC brought an enforcement action against a CCO who became aware of an employee's unreported business activities, but did not address them despite the firm's compliance program requiring disclosure of outside business activities. The CCO agreed to a $15,000 civil penalty, a censure and a five-year bar from acting in a supervisory or compliance capacity.

2. **Adherence to Written Compliance Policies**

Both recent settlements involved CCOs that created or backdated documents that were required to be contemporaneously prepared under the adviser's compliance policies. The documents themselves were not required by the Advisers Act. The settlements highlight the need to strictly adhere to the firm's written policies (and adopt documentation policies that can be followed).

3. **Accuracy and Timeliness of Records**

Maintaining accurate and timely documentation is a foundational element of any compliance program. Records should reflect actual events and be created contemporaneously by compliance officers. While there are circumstances where records reconstructed after the fact can still have some value (for example, retroactively collecting certifications "as of" a particular date to correct a foot fault), they should not be misrepresented as contemporaneous.

4. **Transparency During Examinations**

Regulators rely on the integrity of information provided during examinations. As noted above, well-intentioned efforts to “fill in the gaps” can lead to significant regulatory consequences if they misrepresent the firm’s practices. In interactions with the SEC, a compliance officer may put the firm’s best foot forward and make legally appropriate arguments that particular conduct was permissible, but this should not be interpreted to endorse a lack of candor.

5. **When Personal Liability Becomes a Risk**

The SEC has consistently emphasized that compliance officers are not typically held liable for firm-level failures, and that the SEC will take into account all of the facts and circumstances. However, when a CCO takes affirmative steps to mislead or obstruct SEC staff, such as fabricating documents or backdating records, personal liability can follow. (The Commission and staff have not provided a formal list of factors that it will consider in assessing a CCO’s personal culpability, however many industry participants look to the New York City Bar Association Compliance Committee’s “Framework for Chief Compliance Officer Liability in the Financial Sector” as a guide, which Commissioner Peirce cited to with approval in her 2022 public statement discussed above). These recent cases demonstrate the SEC’s willingness to hold CCOs accountable for this type of misconduct. In particularly egregious instances, the SEC may even refer the matter to criminal authorities.[1]

[1] See 18 USC 1001.

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