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SEC fines three advisers for compliance failures

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Nov 28 (Reuters) - The [Securities and Exchange Commission](#) on Monday fined three registered investment advisers for failures in their compliance programs.

The civil cases stem from an initiative at the agency's enforcement unit that focuses on directly on adviser compliance programs. While the fines involved in these cases -- \$120,000 total -- are relatively small, the action could make a larger statement to advisers about the risks of not taking compliance seriously, say industry professionals.

"This is the SEC telling firms that they need to take compliance seriously," said Todd Cipperman, a lawyer in Wayne, Pennsylvania who advises investment firms on regulatory issues. Many advisers do not realize that regulators may cite lapses in compliance programs as separate offenses, since it usually is part of a larger case involving multiple issues.

Industry rules require investment advisers to adopt and carry out written compliance policies and procedures that are designed to detect and prevent securities law violations, among other things.

The settlements in separate civil cases with three firms announced by the SEC on Monday followed the pattern: compliance programs were either lacking or did not exist. Penalties, which include fines ranging from \$20,000 to \$50,000, followed earlier warnings from the SEC to two of the advisers who did not correct the problems, according to the agency. The SEC imposed additional sanctions aimed at improving the firms' compliance programs.

The three investment advisers that settled with the SEC are Feltl & Company in Minneapolis, Minnesota; Asset Advisors LLC in Troy, Michigan, and OMNI Investment Advisors Inc in Draper, Utah. None admitted or denied the SEC's findings.

Feltl & Company conducts about 95 percent of its business through its brokerage unit, according to Chet Taylor, the firm's general counsel. It mistakenly used its brokerage supervisory procedures for its smaller investment adviser unit, he said. The firm has since beefed up those procedures, he told Reuters.

A representatives from Asset Advisors LLC did not return a call for comment. The telephone number listed for OMNI Investment Advisors was not working on Monday.

The enforcement cases were the result of a joint effort between the SEC Enforcement Division's Asset Management Unit and the agency's Office of Compliance Inspections and Examinations, which typically reviews compliance programs at firms. Together the units have been looking at compliance failures that are worthy of enforcement actions, according to Robert Kaplan, who co-heads the Asset Management Unit.

Other cases are still being reviewed through the initiative, which has been underway for about a year, according to Kaplan.

(Reporting by Suzanne Barlyn)

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