

Hedge Fund in Trouble With SEC for Misleading Investors About Having “Skin in the Game”

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The Securities and Exchange Commission (SEC) has settled charges against a [hedge fund adviser](#) that misled investors about their executives having “skin in the game.” Apparently managers of Quantek Asset Management LLC told investors that its executives had personally invested in a Latin America-focused hedge fund when, in fact, they had not.

Investors—for obvious reasons—as part of their due diligence often want to know about the extent of executives’ personal investment in a fund, and many won’t invest if executives don’t have their own skin in the game.

In this case, two institutional investors invested \$100 million after Quantek told them that management was already in. Quantek made similar misrepresentations in side letter agreements with the investors.

“When making an investment decision, private fund investors are entitled to the unvarnished truth about material information such as management’s skin in the game or the adviser’s handling of related-party transactions,” said Bruce Karpati, co-chief of the SEC enforcement division’s asset management branch. “Quantek’s investors deserved better than the misleading information they received in marketing materials, side letters and other fund documents.”

Quantek’s former parent company Bulltick Capital Markets Holdings LP, lead executive Javier Guerra and operations director Ralph Patino are all on the hook for the charges. Bulltick, Guerra and Patina agreed to pay a total of \$3.1 million in fines and disgorgement to settle the allegations. In addition, Guerra is barred from the securities industry for five years, while Patino will serve a one-year suspension.

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