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5 Big Compliance Lessons from Recent SEC Cases.

With seemingly daily news about the Securities and Exchange Commission cracking down on advisory firms for wrongdoing, here's a list of five top issues and lessons learned from recent regulatory actions.

5. Do the due diligence you said you did

Barry Bekkedam, the former owner of investment advisory firm Ballamor Capital Management and a former Villanova University basketball player, touted to clients and prospects the high level of due diligence he performed on a private investment fund that turned out to be a Ponzi scheme, the SEC alleged in an April 30 complaint.

Take to heart what the SEC spelled out in a January exam program risk alert — it expects advisers to perform strict due diligence of alternative investments.

4. Repeating an error is an even bigger mistake

Transamerica Financial Advisors Inc. did not correct procedures throughout its firm after regulators found violations at a branch office that some clients weren't getting the breakpoint discounts they were due, the SEC said in an April 3 administrative complaint. The St. Petersburg, Fla.-based firm had to pay a total of $1 million in fines and client payments to more than 2,000 customers. Our story digs into the issue.

3. Conflicts of interest will get you every time

Advisory firm Total Wealth Management and owner Jacob Cooper failed to tell clients that the Altus family of funds they were recommending was paying them and others at the firm revenue sharing fees, the SEC said in an April 15 complaint.

Todd Cipperman, managing principal at Cipperman Compliance Services said revenue sharing isn't illegal, but it might not be possible for a firm to disclose enough to convince examiners there is no conflict. And in a bonus lesson, Mr. Cipperman said firing a compliance consultant — which the firm did, according to the SEC — is a red flag that "something may be amiss."

Details can be found in our coverage.

2. Insider trading applies to brokers, too

A broker who was at Oppenheimer & Co. and then Morgan Stanley, traded on inside information during four years in accounts for himself and 50 brokerage firm customers, the SEC said in a complaint on March 19. The tips originated from a law firm employee and were passed through a middleman who chewed up the Post-it or napkin on which they were written, the complaint said. The SEC now wants back the $5.6 million generated in ill-gotten gains. Our story looks into the matter.

1. Don’t make it worse by lying

Columbus, Ohio-based Professional Investment Management repeatedly overstated client assets by at least $750,000 in client statements, and its president and chief compliance officer tried to hide the shortfall from SEC examiners by entering a fake trade in the firm’s records, the SEC said in its May 5 complaint. A judge in the case, which began as a look into custody rule violations, has frozen the firm’s accounts to protect client assets. The SEC also is seeking civil penalties “due to the egregious nature of the defendants’ violations,” it said in the complaint. Find more details on the issue inour recent story.

By Liz Skinner