ADMINISTRATIVE PROCEEDING
File No. 3-17264

Fund Adviser Settles Charges Relating to Oversight of Consultant Relationships

May 27, 2016 – The Securities and Exchange Commission today announced that Federated Global Investment Management Corp. (FGIMC), a registered investment adviser to the Federated Kauffman Funds, has agreed to pay a $1.5 million penalty to settle charges that it failed to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, nonpublic information in connection with FGIMC's use of outside consultants as part of its securities research and analysis services.

An SEC investigation found that from approximately 2001 to 2010, FGIMC used third-party consultants and research services, including one particular consultant who worked closely with FGIMC and periodically provided analysis and buy, sell, and hold recommendations with respect to pharmaceutical and biotechnology stocks. Throughout the period of the consulting relationship, unbeknownst to the firm's senior management and compliance department, the consultant also served on the boards of four public companies. At times, the consultant had access to nonpublic information regarding those companies, as well as information about the holdings of funds advised by FGIMC. While FGIMC had written policies and procedures regarding the use of material nonpublic information, none established or enforced a mechanism for identifying consultant relationships that created the risk of misusing material nonpublic information. As such, there was a gap in FGIMC's compliance program.

The SEC's order instituting a settled administrative proceeding finds that FGIMC violated Section 204A of the Investment Advisers Act of 1940. Without admitting or denying the findings, FGIMC agreed to cease-and-desist order.

The SEC's investigation was conducted by Kristina Littman, Patrick McCluskey, and Scott Thompson of the Enforcement Division's Market Abuse Unit in Philadelphia, under the supervision of unit co-Chief Joseph Sansone.

See also: Order