

ADMINISTRATIVE PROCEEDING

File No. 3-18323

New York-Based Investment Adviser, its President, and its Former Chief Compliance Officer Settle SEC Charges Relating to Multiple Violations of Advisers Act and Safeguards Rule

December 22, 2017 – The Securities and Exchange Commission today announced that Southwind Associates of NJ Inc. (d/b/a Villafranco Wealth Management) (“Southwind”), its President, and its former Chief Compliance Officer have agreed to settle charges relating to multiple violations of the Investment Advisers Act of 1940 and rules thereunder and Rule 30(a) of Regulation S-P, known as the “Safeguards Rule.”

An SEC investigation found numerous violations of several Advisers Act provisions and rules by Southwind, a New York-based registered investment adviser, all of which had been cited as deficiencies during prior examinations by the SEC’s Office of Compliance Inspections and Examinations (“OCIE”) or identified by Southwind’s compliance consultant. According to the SEC’s order, Southwind failed to have surprise examinations conducted of client funds and securities for which it had custody; did not ensure that two private fund clients timely distributed audited financial statements to investors or had audits performed by a qualified independent public accountant; failed to make and keep certain electronic communications; did not adopt and implement written policies and procedures that were reasonably designed to prevent violations of the Advisers Act and rules thereunder; and failed to conduct annual reviews of its written policies and procedures. The SEC’s order further found that Southwind failed to adopt any written policies and procedures to safeguard client records and information, and that the security and confidentiality of client records and information were put at risk when a former internal information technology specialist forwarded all of Southwind’s sent and received electronic communications to an external “Gmail” e-mail account.

According to the SEC’s findings, Anthony LaPeruta, Southwind’s former Chief Compliance Officer, knew of each violation but neglected to address them for years, despite having responsibility to do so. In addition, LaPeruta made misrepresentations to Southwind’s compliance consultant regarding the adviser’s progress on addressing certain deficiencies and failed to provide certain information to OCIE staff during the course of an examination. The SEC’s order also finds that William Scott Villafranco, Southwind’s President and sole owner, was aware of Southwind’s violations but failed to take adequate steps to ensure they were addressed.

The SEC’s order instituting a settled administrative cease-and-desist proceeding finds that Southwind violated the Advisers Act’s custody rule, books and records provisions, and compliance rule, as well as the Safeguards Rule, and that LaPeruta willfully aided and abetted and caused, and that Villafranco caused, those violations. Without admitting or denying the findings in the SEC’s order, Southwind agreed to entry of a cease-and-desist order, to be censured, and to comply with certain specified undertakings, including the retention of an independent compliance consultant; LaPeruta agreed to entry of a cease-and-desist order and to a limitation on industry supervisory and compliance activity;

Villafranco agreed to entry of a cease-and-desist order; and Southwind and Villafranco agreed to jointly and severally pay a penalty of \$50,000.

The SEC's investigation was conducted by Joshua I. Brodsky, Pamela Sawhney, and Valerie A. Szczepanik, and was supervised by Lara S. Mehraban. The Enforcement Division appreciates the assistance of staff from NYRO's investment adviser examination staff.

See also: [Order](#)