

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10806 / July 22, 2020

SECURITIES EXCHANGE ACT OF 1934
Release No. 89380 / July 22, 2020

INVESTMENT ADVISERS ACT OF 1940
Release No. 5548 / July 22, 2020

INVESTMENT COMPANY ACT OF 1940
Release No. 33944 / July 22, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19891

In the Matter of

Carlos Renato Cano,

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Carlos Renato Cano (“Cano” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the

Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

These proceedings arise out of the sale of fraudulent securities by Cano and his employer, the International Investment Group LLC ("IIG"), a formerly registered investment adviser, to certain advisory clients of IIG.

Respondent

1. Cano, from at least 2014 until recently, was employed by IIG as an executive director and senior relationship manager. In this role, Cano managed the firm's relationships with businesses in which IIG invested its clients' funds. Prior to the conduct described herein, Cano held Series 7 and 63 licenses and was a registered representative of a broker-dealer.

Other Relevant Entity

2. IIG, a New Jersey limited liability company based in New York City, was registered with the Commission as an investment adviser from 1995 until November 26, 2019 when the Commission revoked its registration. IIG served as an investment adviser for multiple funds and separate accounts. According to its Form ADV filed in March 2018, IIG had \$373 million in assets under management. The Commission commenced a civil injunctive action against IIG on November 21, 2019. A judgment, including injunctive relief, was entered against IIG on November 26, 2019. Later that day, on the basis of the judgment, the Commission issued an order revoking IIG's registration as an investment adviser.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Background on IIG's Business

3. Since its inception in 1994, IIG specialized in advising clients with respect to investments in emerging market economies and, particularly, giving investment advice relating to trade finance loans.

4. Trade finance loans are loans made to small- to medium-sized businesses, usually commodities exporters located in emerging markets, such as Latin America. The loans are typically risky investments because the borrower's ability to repay could be impacted by less stable regulatory and economic conditions in the borrower's home country. In order to mitigate the risk of these investments, trade finance loans typically are secured by collateral, which may include one or more of receivables, inventories, and assets.

5. IIG's clients included several private investment funds, a collateralized loan obligation (the "CLO"), and a retail mutual fund (the "Retail Fund").

IIG Sold Fake Investments to Conceal Losses

6. In or about 2007, a private fund advised by IIG, the Trade Opportunities Fund ("TOF") began to experience heavy losses. The two owners of IIG—Executive-1 and Executive-2—were concerned that the losses would result in IIG's business going under. To cover those losses, they engaged in a string of frauds to conceal them from investors.

7. From late 2014 through December 2016, as part of their ongoing scheme to conceal TOF's losses, Executive-1 and Executive-2 diverted cash from a new investment vehicle, the CLO.

8. To facilitate the cash transfers from the CLO to TOF, Executive-1 caused the CLO to purchase certain purported loan assets from TOF. The loan assets purportedly sold to the CLO, however, were fake.

9. Cano participated in this scheme to defraud the CLO by assisting in the creation and/or acquisition of Panamanian shell companies that acted as the nominal borrowers of the fake loans and by obtaining fraudulent promissory notes purporting to memorialize the loans.

10. The loans purchased by the CLO were worthless. Nonetheless, IIG valued the CLO's fake assets in the tens of millions of dollars.

11. In 2017, IIG wound up the CLO, and the fake loans were sold to two new private funds set up by IIG. Cano participated in the sale of these fake loans to the new funds by knowingly causing fraudulent loan documentation to be sent to the custodian for the new funds.

IIG Defrauded the Retail Fund

12. In or about December 2012, IIG became an investment adviser to the Retail Fund.

13. In its capacity as an adviser to the Retail Fund, IIG recommended that it invest in participation interests in trade finance loans originated by IIG. IIG was compensated for its recommendations with a percentage of the cash flows from the loans it recommended.

14. In or about February 2017, one borrower (“Borrower-1”) had become delinquent on a principal payment of approximately \$6 million on a maturing facility owned by the Retail Fund.

15. The Retail Fund informed IIG that it had an additional \$6 million to invest and was interested in further lending to Borrower-1, but only if the Borrower-1 repaid the past-due loan in full.

16. At the time, the Retail Fund was a crucial source of liquidity for IIG as a purchaser of participations in loans originated or held by other IIG clients. Executive-1 became concerned that a default on the past-due loan could result in the Retail Fund ending its relationship with IIG.

17. On or about March 7, 2017, to make it appear as though the default on the past-due loan had been cured, Executive-1 instructed that approximately \$6 million be transferred into a collection account of the Borrower-1 from the collection account of a different borrower (“Borrower-2”). He further instructed that the funds be used to make the outstanding payment that Borrower-1 owed to the Retail Fund.

18. That same day, Cano, acting on Executive-1’s instructions, presented the Retail Fund with the opportunity to invest a fresh \$6 million to purchase an interest in a new loan to Borrower-1. Cano knew at the time he presented this opportunity to the Retail Fund that no new loan existed.

19. Cano also participated in the preparation of forged documentation purportedly memorializing the new loan, by altering documentation memorializing one of the earlier legitimate loans to Borrower-1, including electronically copying signature blocks from older documents. Cano knew that this documentation would be provided to the Retail Fund in connection with the proposed transaction.

20. In reliance on Cano’s representations and the forged documentation, the Retail Fund wired \$6 million to IIG. None of the \$6 million was invested in a loan to Borrower-1. Instead, Executive-1 directed that the proceeds be transferred to the account of Borrower-2 to reimburse that account for the earlier withdrawal.

21. The purchase of this fake loan resulted in a \$6 million loss to the Retail Fund.

Violations

22. As a result of the conduct described above, Cano willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

23. As a result of the conduct described above, Cano willfully aided and abetted and caused IIG's violations of Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest, and for the protection of investors to impose the sanctions agreed to in Respondent Cano's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, Sections 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Cano cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act.

B. Respondent Cano be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent Cano shall pay civil penalties of \$300,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to

Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. Payment shall be made in the following installments: (1) \$100,000 due ten (10) days after the entry of this Order; (2) \$50,000 due ninety (90) days after entry of this Order; (3) \$50,000 due 180 days after entry of this Order; (4) \$50,000 due 270 days after entry of this Order; and (4) \$50,000 due 360 days after entry of this Order. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Carlos Renato Cano as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Sanjay Wadhwa, Senior Associate Regional Director, and Daniel Michael, Chief of the Complex Financial Instruments Unit, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, 200 Vesey Street, Suite 400, New York, NY 10281.

E. Regardless of whether the Commission in its discretion orders the creation of a Fair Fund for the penalties ordered in this proceeding, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange

Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary