

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10912 / December 22, 2020

INVESTMENT ADVISERS ACT OF 1940
Release No. 5655 / December 22, 2020

INVESTMENT COMPANY ACT OF 1940
Release No. 34148 / December 22, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-20186

In the Matter of

**MUSTAFA ABDEL
WADOOD,**

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933, 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”), 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 Mustafa Abdel Wadood (“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, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and consents to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings, Pursuant to 8A of The

Securities Act of 1933, 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 misappropriation of fund assets from one private equity fund client of the Abraaj Group (“Abraaj”) and an offering fraud against investors in another Abraaj fund, including actual and potential U.S.-based investors in the fund. From at least 2015 to 2018, Respondent took actions that assisted Abraaj Investment Management Limited (“AIML”), the adviser to these funds, in the misappropriation of assets from Abraaj Private Equity Fund IV (“APEF IV”), one of the funds it advised. AIML falsely told U.S.-based investors in APEF IV that their money would be invested in the securities of portfolio companies over a range of industries in emerging markets, while in fact AIML misappropriated the money to cover cash shortfalls and remediate insolvency at AIML and its parent company, Abraaj Holdings. Respondent also assisted AIML in misleading the investors and potential investors in Abraaj Private Equity Fund VI (“APEF VI”), a new fund offered by Abraaj beginning in 2017, about the dire financial condition of AIML and its parent company, its misappropriation of the assets of APEF IV and other AIML-managed funds to address the liquidity crisis, and AIML’s performance track record. Respondent thereby willfully aided and abetted and caused violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act, and Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder. In a related criminal action, Respondent pled guilty in June 2019 to violating the antifraud provisions of the Securities Exchange Act of 1934 in connection with this conduct.

Respondent

1. Respondent, 50 years old, is a citizen of Egypt. Respondent was a managing partner of Abraaj, a director on the board of Abraaj Holdings, the CEO of AIML, and an executive of Abraaj Capital Limited (“ACLD”), Abraaj’s Dubai-registered advisory entity. He was an associated person of AIML and ACLD. During the pertinent period, Respondent was a member of Abraaj’s global investment committee that made investment decisions for APEF IV and other funds managed by AIML. In his positions at Abraaj, he participated in marketing Abraaj funds to potential new investors, signed drawdown and distribution notices to investors in funds managed by AIML, and was a signatory on Abraaj and fund bank accounts.

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.

Other Relevant Entities

2. The Abraaj Group was the name for a group of related entities including general partners of and investment advisers to a family of private funds. Abraaj included Abraaj Holdings, AIML, and ACLD, among other entities. As of 2018, Abraaj reportedly managed more than \$13 billion in numerous private funds that were typically structured as limited partnerships.

3. Abraaj Holdings is a UAE-based, Cayman Islands-incorporated limited liability company founded in 2002. Abraaj Holdings served as Abraaj's top-level holding company and owned numerous entities, including entities that advised and managed Abraaj private equity funds, and certain private funds' general partners. Abraaj Holdings also held limited partnership interests in Abraaj-managed funds, and interests in some of its funds' portfolio company investments. Abraaj Holdings voluntarily declared bankruptcy and entered liquidation proceedings in or around June 2018 in the Grand Court of the Cayman Islands.

4. AIML, which filed reports with the Commission as an exempt reporting investment adviser during the relevant period, is a UAE-based and Cayman Islands-incorporated limited liability company, and wholly owned subsidiary of Abraaj Holdings. During the relevant period, AIML—both directly and through its wholly-owned subsidiary ACLD—was the investment adviser and manager to, among other Abraaj private equity funds, APEF IV and APEF VI. AIML voluntarily declared bankruptcy and entered liquidation proceedings in or around June 2018 in the Grand Court of the Cayman Islands.

5. APEF IV is a private pooled investment vehicle formed in 2008 as a limited partnership in the Cayman Islands to invest in the securities of portfolio companies across a variety of industries primarily in the Middle East, North Africa, and South Asia. APEF IV's first investor closing date was on October 1, 2008, with a total commitment of \$1.59 billion from investors who became limited partners of the fund. By September 2015, APEF IV had at least four U.S.-based investors who had become limited partners of the fund. APEF IV added additional U.S.-based investors as limited partners in 2016. AIML owned and controlled the fund's general partner. AIML served as APEF IV's investment adviser during the relevant period.

6. APEF VI is a private pooled investment vehicle for which Abraaj solicited investments between 2016 and 2018. Abraaj marketed APEF VI to numerous U.S.-based and other investors as a global emerging markets fund, and by late fall 2017 claimed it had secured more than \$3 billion in investor commitments. APEF VI was aborted in approximately March 2018 and Abraaj released committed limited partners from their investment obligations.

Offering Fraud and Misappropriation at Abraaj

7. Abraaj formed APEF IV in 2008 to “make investments in buy-outs, growth capital opportunities, greenfield projects and privatisations,” according to its private placement memorandum. APEF IV had an investment period of eight years from the first closing date, subject to early termination and extensions under certain circumstances. Upon termination, the

fund's assets were to be realized and distributed in accordance with the APEF IV limited partnership deed.

8. Between June 2015 and June 2018, AIML sent drawdown notices totaling hundreds of millions of dollars to APEF IV's investors that identified specific securities investments that AIML was going to make on behalf of the fund. In response to the notices, the investors of APEF IV, including its U.S.-based investors, transferred cash to bank accounts in the name of entities owned and controlled by APEF IV.

9. In the period between and including 2015 and 2018, AIML misappropriated millions of dollars in assets of APEF IV to cover ongoing cash shortfalls and forestall insolvency at AIML and its parent, Abraaj Holdings. AIML transferred cash drawn down from APEF IV investors from APEF IV accounts to the accounts of AIML and Abraaj Holdings to be commingled with those entities' cash and cash from other AIML-managed funds. AIML then used this commingled pool of cash as a central treasury, frequently to pay the expenses of AIML and Abraaj Holdings to keep those entities from collapsing. Respondent was aware of and assisted AIML in this misconduct, as he admitted in his guilty plea allocation summarized below. Respondent also helped AIML delay payment to APEF IV's investors the proceeds from selling securities of certain portfolio companies held by the fund. This was done so that AIML and Abraaj Holdings could use the proceeds of these sales to cover the mounting expenses at AIML and Abraaj Holdings, keeping them solvent at the expense of APEF IV and other Abraaj-managed funds and their investors.

10. As he admitted in his guilty plea allocation quoted below, Respondent helped AIML to fraudulently conceal the misappropriation and misuse of APEF IV's assets, as well as the desperate financial condition of Abraaj Holdings and AIML, from APEF IV and its investors, including U.S.-based investors.

11. In 2017, Abraaj announced its plans to raise a new \$6 billion global emerging markets fund, APEF VI. By fall 2017, following marketing efforts that included fundraising from U.S.-based investors, Abraaj had secured over \$3 billion in investor commitments.

12. As he admitted in his guilty plea allocation quoted below, Respondent helped AIML mislead investors and prospective investors, including U.S.-based investors and prospective investors that were offered an investment in APEF VI, about the dire financial condition of AIML and Abraaj Holdings, the misappropriation and misuse of the assets of APEF IV and of other AIML-managed funds, and AIML's performance track record.

Respondent's Criminal Plea

13. On June 28, 2019, in the related criminal proceeding, *United States v. Arif Naqvi, et al.*, Case No. 1:19-cr-00233-LAK in the U.S. District Court for the Southern District of New York, Respondent pled guilty to violating the securities laws of the United States with respect to his conduct while at the Abraaj Group, including Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, among other charges. During his guilty plea allocution to the Court, Respondent made the following statements:

From 2006 to 2018, I worked at Abraaj Capital Ltd., a private equity firm headquartered in Dubai that invested in companies in emerging markets. I was a managing partner and had principal responsibility for overseeing Abraaj's investments. By 2014, Abraaj was experiencing serious liquidity issues. Our operating costs significantly exceeded our revenues from management fees and other sources. Cash shortfalls were a monthly reality.

At the direction of Arif Naqvi . . . Abraaj's founder and CEO, numerous steps were taken to close the gap, steps that disadvantaged our investors. To name only two, we held back on distributing money to which investors were entitled and used those funds to keep Abraaj afloat. And we drew down funds from investors and used those funds for working capital, telling investors that funds were being used for their benefit. Put simply, money was commingled that should have been segregated, and investors were not told the truth.

This was especially so with respect to Abraaj Private Equity Fund IV, APEF IV, which was launched in 2008 and included U.S.-based investors.

In 2016, Abraaj began raising money for a new fund, Abraaj Private Equity Fund VI, APEF VI. We raised approximately \$3 billion from entities and individuals, including several U.S.-based investors. We met with potential investors in Manhattan and sent emails into the United States. In raising those funds, potential investors were lied to about Abraaj's financial health. We painted a rosy picture of a prosperous firm, when, in fact, the firm was experiencing the severe liquidity issues I have described. We also materially overstated Abraaj's track record. We led potential investors to believe that several of our prior investments were more successful than they really were. To that end, I approved valuations that I knew were inflated, and at Arif Naqvi's urging, I resisted attempts by others in the firm to mark down these valuations.

At meetings with potential investors, I stood by silently while Abraaj's track record was overstated and its financial health falsely portrayed. I was

respected by investors and potential investors, and by my presence, I lent my credibility to statements that I knew were not true...

[T]he indictment charges a criminal enterprise and conspiracy counts. There was no formal agreement among Abraaj's leaders to commit illegal acts. Some of us pushed back at Arif Naqvi's misconduct. . . .

Too often, however, we capitulated. We knew that, acting together, we were giving investors and potential investors, people to whom we owed a duty of candor, a less than candid account of the firm....

I knew at the time that I was participating in conduct that was wrong. When things turned bad in 2014, I should have walked away. I considered it but didn't. My commitment to Abraaj compromised the integrity of my judgment, and I ended up drifting from who I really am. For that, I am ashamed. I hoped that if I stayed I could help give investors what they were promised and entitled to. The hope was never realized. I share responsibility for what happened. I regret my involvement more deeply than anyone can imagine.

Violations

14. As a result of the conduct described above, Respondent willfully aided and abetted and caused AIML's violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act, which prohibits fraudulent conduct in the offer or sale of securities.

15. As a result of the conduct described above, Respondent willfully aided and abetted and caused AIML's violations of Sections 206(1), 206(2) and 206(4) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser, and Rule 206(4)-8 promulgated thereunder, which prohibits fraud by an investment adviser to a pooled investment vehicle against any investor or potential investor in the pooled investment vehicle.

Undertakings

16. Respondent has undertaken to cooperate fully with the Commission in any and all investigations, litigations, administrative or other proceedings relating to or arising from the matters described in this Order. In connection with such investigations, litigations, administrative or other proceedings, Respondent agrees to the following: (i) to produce, without service of a notice or subpoena, any and all documents and other materials or information as requested; (ii) to appear and testify without service of a notice or subpoena in such investigations, interviews, depositions, hearings and trials, at such times and places as reasonably requested; and (iii) to respond promptly to all inquiries.

17. In determining whether to accept the Offer, the Commission has considered the undertaking enumerated in Paragraph 16 above.

IV.

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

Accordingly, pursuant to Section 8A of the Securities 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 cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, and Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent be, and hereby is:

barred from association with any investment adviser, broker, dealer, 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 acknowledges that the Commission is not imposing a civil penalty based upon his agreement to cooperate as set out in Paragraph 16 above. If at any time following the entry of the Order, the Division obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission, or in a related proceeding, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay a civil money penalty. Respondent may contest by way of defense in any resulting administrative proceeding whether he knowingly provided materially false or misleading information, but may

not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Vanessa A. Countryman
Secretary