

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 90628 / December 10, 2020

INVESTMENT COMPANY ACT OF 1940
Release No. 34135 / December 10, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-20166

In the Matter of

Ravi Iyer,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT OF
1934, 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 (the “Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b)(6) and 21C of the Securities Exchange Act of 1934 (the “Exchange Act”), and Section 9(b) of the Investment Company Act of 1940 (the “Investment Company Act”) against Ravi Iyer (“Iyer” 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 Sections 15(b) and 21C of the Securities Exchange Act of 1934, and Sections 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Order”), as set forth below.

III.

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

SUMMARY

From December 2016 to September 2018, Iyer acted as an unregistered broker in violation of Section 15(a) of the Exchange Act. Iyer personally invested in Global Credit Recovery, LLC ("GCR"), an entity offering investments in purported portfolios of charged-off consumer debt and shortly thereafter, invited his friends, family, and colleagues to invest money as well. In exchange for actively managing the investment relationship with GCR, Iyer charged those who did invest ("Investors") 1% of their account balances each time they took a distribution from their investment. This compensation netted Iyer approximately \$238,034 of the Investors' money.

RESPONDENT

1. Ravi Iyer is a resident of Greenwich, Connecticut. Iyer is not, and during the relevant time was not, registered with the Commission in any capacity.

OTHER RELEVANT INDIVIDUALS AND ENTITIES

2. Kevin B. Merrill, 55, is incarcerated at FCI Allenwood Low in Allenwood, PA. Merrill pleaded guilty to and admitted civil liability in connection with a fraudulent scheme in which, from at least 2013 to September 2018, he sold investments in purported portfolios of charged-off consumer debt through, among other entities, GCR while misappropriating millions of dollars of investors' money.

3. Jay Ledford, 56, is incarcerated at FCI Safford in Safford, AZ. Ledford pleaded guilty to and admitted civil liability in connection with a fraudulent scheme in which, from at least 2013 to September 2018, he sold investments in purported portfolios of charged-off consumer debt while misappropriating millions of dollars of investors' money.

4. GCR is a Maryland limited liability company. Prior to the appointment of a receiver in *SEC v. Merrill, et al.*, 18-CV-2844 (D. Md.) (the "Merrill-Ledford Civil Litigation"), Merrill owned and operated GCR out of Towson, MD. GCR was the primary entity through which Merrill operated the aforementioned fraudulent scheme. GCR was never registered with the Commission in any capacity.

FACTS

5. From at least 2013 to September 2018, Merrill and Ledford, directly, and through entities under their control, raised at least \$345 million from more than 230 investors by persuading them to invest in purported portfolios of consumer debt. Merrill and Ledford spent

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.

only a fraction of the money they raised on any debt as promised. Instead, they misappropriated nearly \$87 million for themselves and used over \$213 million to make Ponzi-like payments to investors to maintain the scheme.

6. Iyer met Merrill in 2013 and made his first personal investment with him shortly thereafter. Iyer maintained investments with GCR until Merrill and Ledford were arrested in September 2018.

7. Starting in 2014, Iyer invited friends, family, and colleagues to invest with Merrill and GCR.

8. Iyer recruited approximately 35 Investors for GCR. He told potential investors about the attractive return he was receiving from GCR, that it was run by a friend of his, and that it had been a great investment for him.

9. After Investors sent their money to GCR, Iyer acted as a liaison between Merrill and the Investors and actively managed the relationship. He tracked each Investor's account balance and each investment he or she made in a purported debt portfolio. Iyer used information provided to him by Merrill to do this.

10. Iyer handled the communications with the Investors. He discussed with Investors whether they wanted to roll all or some of their purported profits into a new debt portfolio or take a distribution, and reported the information to Merrill. If an Investor decided to take a distribution, Iyer tracked the amount owed and coordinated with Merrill to have the Investor paid. Starting in December 2016, Merrill paid the money to Iyer, and Iyer distributed the money to Investors. At first, Iyer paid the wire fees himself.

11. During this timeframe, Iyer also created periodic account statements based on information provided to him by Merrill and distributed them to Investors.

12. Starting later in December 2016, Iyer instituted a fee for his work. Iyer and the Investors agreed that the Investors would pay 1% of their total investment each time they took a distribution from GCR. In total, the 1% fee Iyer charged resulted in compensation of approximately \$238,034 for Iyer.

13. Iyer did not receive compensation from GCR.

14. Throughout this period, Iyer was not associated with a registered broker or dealer.

VIOLATIONS

15. As a result of the conduct described above, Iyer willfully² violated Section 15(a) of the Exchange Act, which makes it unlawful for any broker or dealer "to effect any transaction

² "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969,

in, or to induce or attempt to induce the purchase or sale of, any security” unless such broker or dealer is registered in accordance with Section 15(b) of the Exchange Act.

DISGORGEMENT

16. The disgorgement and prejudgment interest ordered in Section IV.C is consistent with equitable principles, does not exceed Respondent’s net profits from his violations, and is awarded for the benefit of, and will be distributed to, harmed investors to the extent feasible.

UNDERTAKING

17. Respondent shall provide to the Commission, within 15 days after the end of the 12 month suspension period described below, an affidavit that he has complied fully with the sanctions described in Section IV below.

18. In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Respondent (i) agrees to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints Respondent’s attorney as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waives the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Respondent’s travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consents to personal jurisdiction over Respondent in any United States District Court for purposes of enforcing any such subpoena.

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 Sections 15(b) and 21C of the Exchange Act, and Section 9(b) of the Investment Company Act it is hereby ORDERED that:

977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term “willfully” for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has “willfully omit[ted]” material information from a required disclosure in violation of Section 207 of the Advisers Act).

A. Respondent shall cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

B. Respondent be, and hereby is, suspended from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, 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, and suspended from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock, for a period of 12 months, effective on the second Monday following the entry of this Order;

C. Respondent shall pay disgorgement, prejudgment interest, and a civil money penalty totaling \$287,558 (the "Fair Fund"), as follows:

- i. Iyer shall pay disgorgement of \$238,034 and prejudgment interest of \$24,524, consistent with the provisions of this Subsection.
- ii. Iyer shall pay a civil monetary penalty in the amount of \$25,000, consistent with the provisions of this Subsection.
- iii. Within ten (10) days of the issuance of this Order, Iyer shall deposit the disgorgement and prejudgment interest into an escrow account at a financial institution not unacceptable to the Commission staff and Respondent shall provide the Commission staff with evidence of such deposit in a form acceptable to the Commission staff. If timely payment into the escrow account is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.
- iv. Within ten (10) days of the entry of this Order, Iyer shall pay a civil money penalty in the amount of \$25,000 to Gregory S. Milligan, Harney Management Partners, LLC (the "Receiver"), the receiver appointed by the United States District Court for the District of Maryland in the Merrill-Ledford Civil Litigation, for disposition pursuant to any terms ordered by the Court in the Merrill-Ledford Civil Litigation. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways: (a) Respondent may transmit payment electronically to the Receiver, which will provide detailed ACH transfer/Fedwire instructions upon request; or (b) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to Gregory S. Milligan and hand-delivered or mailed to:

Gregory S. Milligan, Receiver
P.O. Box 90099
Austin, Texas 78709-0099

Payments by check or money order must be accompanied by a cover letter identifying Iyer as 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 Scott A. Thompson, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, Philadelphia Regional Office, 1617 J.F.K. Blvd, Suite 520, Philadelphia, PA 19103.

- v. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement, prejudgment interest, and civil money penalty. This Fair Fund may receive the funds from and/or be combined with funds paid by other respondents or defendants, including without limitation defendants in the Merrill-Ledford Civil Litigation. 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.
- vi. Respondent shall be responsible for administering the Fair Fund and may hire a professional service to assist him in the administration of the distribution. The costs and expenses of administering the Fair Fund, including any such professional services, shall be borne by Respondent and shall not be paid out of the Fair Fund.
- vii. Respondent shall distribute the remaining amount in the Fair Fund (the \$262,558 of disgorgement and prejudgment interest) to the Investors that Iyer charged the fee described above (the "Affected Investors") pursuant to a disbursement calculation (the "Calculation") that will be submitted to, and reviewed and approved by, the Commission staff in accordance with

this Subsection. No portion of the Fair Fund shall be paid to any account in which Respondent has a financial interest.

- viii. Respondent shall, within thirty (30) days of the entry of the Order, submit a proposed Calculation to the Commission staff for its review and approval. At or around the time of submission of the proposed Calculation to the staff, Respondent shall make himself, and any third-parties or professionals retained by Respondent to assist in formulating the methodology for the Calculation and/or administration of the Distribution, available for a conference call with the Commission staff to explain the methodology used in preparing the proposed Calculation and its implementation, and to provide the staff with an opportunity to ask questions. Respondent shall also provide to the Commission staff such additional information and supporting documentation as the Commission staff may request for the purpose of its review. In the event of one or more objections by the Commission staff to Respondent's proposed Calculation or any of the information or supporting documentation, Respondent shall submit a revised Calculation for the review and approval by the Commission staff or additional information or supporting documentation within ten (10) days of the date that Respondent is notified of the objection, which revised Calculation shall be subject to all of the provisions of this Subsection.
- ix. Respondent shall, within ninety (90) days of the approval of the Calculation by the Commission staff, submit a payment file (the "Payment File") for review and acceptance by the Commission staff demonstrating the application of the methodology to each affected investor. The Payment File should identify, at a minimum: (1) the name and address of each payee, (2) the manner in which payment will be made (e.g. check, credit to an account, wire transfer), and (3) the exact amount of the payment to be made to each payee.
- x. Respondent shall complete the disbursement of all amounts payable to Affected Investors within ninety (90) days of the date that the Commission staff accepts the Payment File, unless such time period is extended as provided in this Subsection. If Respondent is unable to distribute or return any portion of the Fair Fund because he is unable to locate an Affected Investor or a beneficial owner of an Affected Investor's account or for other factors that make a distribution infeasible, Respondent shall transfer any such undistributed funds to the Receiver, pursuant to the instructions set forth above, after the distribution of funds is complete and before the final accounting provided for in this Subsection.
- xi. Within one hundred fifty (150) days after Respondent completes the distribution of all amounts payable to Affected Investors, Respondent shall transfer, pursuant to the instruction set forth above, any undistributed funds to the Receiver for eventual disposition pursuant to any terms

ordered by the Court in the Merrill-Ledford Civil Litigation. The Respondent shall then submit to the Commission staff a final accounting and certification of the disposition for Commission approval, which final accounting and certification shall be in a format to be provided by the Commission staff. The final accounting and certification shall include, but not be limited to, by payee: (i) the amount paid or credited; (ii) the date of each payment or credit; (iii) the manner of payment; (iv) the check number or other identifier of money transferred or credited to the person or entity; (v) the amount of any returned payment and the date received; (vi) a description of any effort to locate a prospective payee whose payment was returned, or to whom payment was not made; (vii) the total amount, if any, forwarded to the Receiver; and (viii) an affirmation that Respondent has made payments to Affected Investors in accordance with the Calculation approved by the Commission staff. Respondent shall submit the final accounting and certification, together with proof and supporting documentation in a form acceptable to Commission staff, under a cover letter that identifies Ravi Iyer as the Respondent in these proceedings and the file number of these proceedings to Scott A. Thompson, Associate Regional Director, Philadelphia Regional Office, Securities and Exchange Commission, 1617 J.F.K. Blvd., Suite 520, Philadelphia, PA, 19103, or such other address the Commission staff may provide. Any and all supporting documentation for the accounting and certification shall be provided to the Commission staff upon request, and Respondent shall cooperate with any additional requests by the Commission staff in connection with the accounting and certification.

- xii. The Fair Fund is a Qualified Settlement Fund (“QSF”) under Section 468B(g) of the Internal Revenue Code, 26 U.S.C. §§ 1.468B.1-1.468B.5. Respondent shall be responsible for any and all tax compliance responsibilities associated with the Fair Fund, including but not limited to tax obligations resulting from the Fair Fund’s status as a QSF and the Foreign Account Tax Compliance Act, and may retain any professional services necessary. The costs and expenses of tax compliance, including any such professional services, shall be borne by Respondent and shall not be paid out of the Fair Fund.
- xiii. The Commission staff may extend any of the procedural dates set forth in this Subsection for good cause shown. Deadlines for dates relating to the distribution of the Fair Fund shall be counted in calendar days, except if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

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