

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 5490 / April 30, 2020

INVESTMENT COMPANY ACT OF 1940
Release No. 33858 / April 30, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19776

In the Matter of

MONSOON CAPITAL, LLC

and

GAUTAM PRAKASH

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 203(e), 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 Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Monsoon Capital, LLC (“Monsoon”), and Sections 203(f) and 203(k) of the Advisers Act and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Gautam Prakash (“Prakash”) (collectively “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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 them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 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 Respondents’ Offers, the Commission finds that:

Summary

1. This matter involves the misuse of over \$1 million of private fund assets by Monsoon, an SEC-registered investment adviser, and its founder and owner, Prakash. From 2015 through early 2019, Prakash submitted fraudulent expense reports and received approximately \$44,000 in excessive reimbursements that Monsoon charged to a private fund it advised, Monsoon Infrastructure & Realty Co-Invest, L.P. (“MIRC”). In addition, Prakash breached his fiduciary duty in 2017 when he borrowed \$1 million in cash from MIRC for five days to settle a personal trade.

2. As a result, Monsoon and Prakash willfully violated Sections 206(1), 206(2), and 206(4) of the Advisers Act, and Rule 206(4)-8 thereunder.

Respondents

3. **Monsoon Capital, LLC (“Monsoon”)** is an investment adviser registered with the Commission since July 2005. Monsoon is a Delaware limited liability company with its principal place of business in Bethesda, Maryland. During the relevant period, Monsoon managed private funds and separately managed accounts whose principal investment strategies were tied to investing in the Indian real estate and public equity markets. According to its Form ADV filed in December 2019, Monsoon has approximately \$154 million in regulatory assets under management

4. **Gautam Prakash (“Prakash”)**, age 50, resides in Chevy Chase, Maryland and is the founder, owner, senior managing director, and chief compliance officer of Monsoon.

Other Relevant Entity

5. **Monsoon Infrastructure & Realty Co-Invest, L.P. (“MIRC”)** is a Delaware limited partnership formed in December 2007. MIRC is a feeder fund in a master-feeder structure, and is advised by Monsoon.

Fraudulent Expense Reports

6. From 2015 through early 2019, Prakash engaged in a practice of intentionally submitting false travel expenses for reimbursement, which Monsoon improperly expensed to MIRC.

7. Approximately twice a year during the relevant period, Prakash made business trips from the United States to India on behalf of MIRC, and his travel expenses were permitted to be

reimbursed by MIRC pursuant to its limited partnership agreement. However, when Prakash traveled to India, he routinely booked a refundable business class airline ticket, and also booked a substantially less expensive non-refundable business class airline ticket for the same dates but on a different airline. Prakash then cancelled the refundable airline ticket, and traveled on the non-refundable airline ticket.

8. Prakash submitted the more expensive airline ticket to Monsoon for reimbursement, and Monsoon caused a portion of those expense reimbursements to be paid by MIRC. Prakash retained the difference in the airfare cost. From 2015 through 2017, Prakash submitted a total of \$77,242 in airfare travel expenses in connection with six trips to India; however, Prakash's actual airfare travel costs were only \$21,674.

9. As a result of this fraudulent practice, Prakash received \$44,092 in excessive travel reimbursements that Monsoon charged to MIRC.

10. In March 2019, Prakash reimbursed MIRC for his false travel expenses plus interest for the period 2015 through 2017. Monsoon disclosed the false charges made in 2015, 2016, and 2017 in MIRC's audited financial statements for the year ended December 31, 2018.

Personal Use of Monsoon Private Fund Assets

11. In June 2017, Prakash borrowed \$1 million in cash from MIRC's bank account to settle a trade in Prakash's personal account in India.

12. Prakash owned a personal investment in a derivative instrument in India that was set to expire on June 23, 2017, and he wanted to preserve the value of his investment by purchasing the underlying shares from the counterparty before the expiration date. Prakash originally attempted to transfer the needed monies from his Monsoon account in the United States to his personal account in India; however, a transfer error occurred, and the monies were not available in time to settle the trade in India. Rather than forgo the trade, Prakash instead decided to borrow \$1 million in cash from MIRC's bank account to fund the transaction.

13. At the time of the transaction, three Monsoon employees told Prakash that a use of fund assets for his own personal benefit would breach his fiduciary duty to MIRC. Notwithstanding their concerns, Prakash placed his personal interest over the interest of the fund, and authorized the transfer.

14. Prakash returned the monies with interest to the MIRC account five days after he borrowed them. Monsoon disclosed the \$1 million loan made in June 2017 in MIRC's audited financial statements for the year ended December 31, 2018.

Violations

15. As a result of the conduct described above, Respondents willfully violated Section 206(1) of the Advisers Act, which makes it unlawful for any investment adviser, directly or indirectly, to employ any device, scheme, or artifice to defraud any client or prospective client.

16. As a result of the conduct described above, Respondents willfully violated Section 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, directly or indirectly, to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

17. As a result of the conduct described above, Respondents willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, which makes it unlawful for any investment adviser to a pooled investment vehicle, directly or indirectly, to make any untrue statement of a material fact or to omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle; or to otherwise engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.

Respondents' Remedial Efforts

In determining to accept the Offers, the Commission considered remedial acts promptly undertaken by Respondents and cooperation afforded the Commission staff.

IV.

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

Accordingly, pursuant to Sections 203(e), 203(f), and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents Monsoon and Prakash cease and desist from committing or causing any violations and any future violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act, and Rule 206(4)-8 promulgated thereunder.

B. Respondent Prakash 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. Respondent Monsoon is censured.

D. Any reapplication for association by Respondent Prakash 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 this Order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against Respondent Prakash in any action brought by the Commission; (b) any disgorgement amounts ordered against Respondent Prakash for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for this Order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for this Order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for this Order.

E. Respondents Monsoon and Prakash shall pay, joint and severally, within ten (10) calendar days of the entry of this Order, a civil money penalty in the amount of \$100,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

F. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents 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) Respondents 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 Monsoon and Prakash as Respondents 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 Adam S. Aderton, Co-Chief of the Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5010.

G. 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, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within thirty (30) calendar 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 Respondents 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 Prakash, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Prakash 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 Prakash 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