UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 6816 / January 13, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-22403

In the Matter of

Carlyle Investment Management L.L.C., Carlyle Global Credit Investment Management L.L.C., and AlpInvest Partners B.V.,

Respondents.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 203(e) AND 203(k) OF THE INVESTMENT ADVISERS 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 Carlyle Investment Management L.L.C., Carlyle Global Credit Investment Management L.L.C., and AlpInvest Partners B.V. (collectively, the "Carlyle Advisers" or "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement ("Offers") that the Commission has determined to accept. Respondents admit the facts set forth in Section III below, acknowledge that their conduct violated the federal securities laws, admit the Commission's jurisdiction over them and the subject matter of these proceedings, and consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e) and 203(k) of the Investment Advisers 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[1] that

Summary

1. The federal securities laws impose recordkeeping requirements on registered investment advisers to ensure that they responsibly discharge their crucial role in our markets. The Commission has long said that compliance with these requirements is essential to investor protection and the Commission's efforts to further its mandate of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

2. These proceedings arise out of the failure of Carlyle Advisers' personnel, including at senior levels, to adhere to certain of these essential requirements and the firm's own policies and procedures. Using their personal devices, these personnel communicated both internally and externally by text messages and/or other unapproved written communications platforms ("off-channel communications").

3. From at least December 2019 (the "Relevant Period"), personnel at the Carlyle Advisers sent and received off-channel communications that, among other things, related to the investment adviser's receipt, disbursement or delivery of funds or securities, or the performance or rate of return of Carlyle Advisers' managed accounts, portfolios, or securities recommendations. Respondents did not maintain or preserve the substantial majority of these written communications. Respondents' failures were firm wide and involved personnel at various levels of authority. As a result, Respondents violated Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder.

4. Respondents' failure to implement procedures reasonably expected to prevent such communications led to their failure to reasonably supervise their personnel within the meaning of Section 203(e)(6) of the Advisers Act.

5. During the Relevant Period, The Carlyle Group Inc. ("Carlyle Group") and its investment adviser affiliates received and responded to Commission records requests in Commission investigations. The recordkeeping failures of the Carlyle Group's investment adviser affiliates may have impacted the Commission's ability to carry out its regulatory functions and investigate violations of the federal securities laws.

6. The Commission staff found the Carlyle Advisers' recordkeeping failures after commencing a risk-based initiative to investigate the use of off-channel and

[1] The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

unpreserved communications at registered investment advisers. Respondents have initiated a review of their recordkeeping failures and begun a program of remediation.

Respondents

7. Carlyle Investment Management L.L.C. ("Carlyle") is a Delaware limited liability company, with its principal office in Washington, D.C. during the Relevant Period, that has been registered with the Commission as an investment adviser since 1996. The Carlyle Group, a Delaware corporation with its principal office in Washington, D.C. during the Relevant Period, is the parent of Carlyle.

8. Carlyle Global Credit Investment Management L.L.C. ("Carlyle Credit") is a Delaware limited liability company, with its principal office in New York, New York, that has been registered with the Commission as an investment adviser since 2013. Carlyle is the parent of Carlyle Credit.

9. AlpInvest Partners B.V. ("AlpInvest") is a Dutch private company with limited liability, with its principal office in Amsterdam and additional offices worldwide, including in New York, New York. It has been registered with the Commission as an investment adviser since 2011. The Carlyle Group is the parent of AlpInvest.

Recordkeeping Requirements Under the Advisers Act

10. Section 204 of the Advisers Act authorizes the Commission to issue rules requiring investment advisers to make and keep for prescribed periods, and furnish copies of, such records as necessary or appropriate in the public interest or for the protection of investors.

11. The Commission adopted Rule 204-2 pursuant to this authority. This rule specifies the manner and length of time that the records made in accordance with Commission rules, and certain other records made by investment advisers, must be maintained and produced promptly to Commission representatives.

12. The rules adopted under Section 204 of the Advisers Act, including Advisers Act Rule 204-2(a)(7), require that investment advisers preserve for at least five years in an easily accessible place, the first two years in an appropriate office of the investment adviser, originals of all communications received and copies of all written communications sent relating to, among other things: (a) any recommendation made or proposed to be made and any advice given or proposed to be given; (b) any receipt, disbursement or delivery of funds or securities; (c) the placing or execution of any order to purchase or sell any security; or (d) predecessor performance and the performance or rate of return of any or all managed accounts, portfolios, or securities recommendations.

Respondents' Policies and Procedures

13. The Carlyle Advisers adopted substantially the same compliance policies and procedures, including the same policies and procedures designed to ensure the retention of business-related records, including electronic communications, in compliance with the relevant recordkeeping provisions.

14. Personnel of the Carlyle Advisers were advised that the use of unapproved electronic communications methods, including on their personal devices, was not permitted, and that they should not use personal email, chats or text messaging applications for business purposes.

15. Messages sent through firm-approved communications methods were monitored, subject to review, and archived. Messages sent through unapproved communications methods, such as unapproved applications on personal devices, were not monitored, subject to review or archived on firm systems.

16. Personnel of the Carlyle Advisers received training, which was designed to address the Carlyle Advisers' supervision of their personnel and adherence to the Carlyle Advisers' books and recordkeeping requirements. The policies and related trainings notified personnel that electronic communications on approved platforms were subject to surveillance. The Carlyle Advisers had procedures for all personnel requiring annual self-attestations of compliance.

17. The Carlyle Advisers failed to implement systems reasonably expected to determine whether personnel were following their policies and procedures regarding electronic communications. While permitting their personnel to use approved communications methods, including on personal phones and/or firm-issued devices, for business communications, the Carlyle Advisers failed to implement sufficient monitoring to ensure that their recordkeeping and communications policies were being followed.

Respondents' Recordkeeping Failures

18. In October 2022, the Commission staff commenced a risk-based initiative to investigate whether investment advisers were properly maintaining communications that they were required to preserve as records under the Advisers Act. The Carlyle Advisers cooperated with the investigation by proactively gathering and reviewing communications from the personal devices of certain of their personnel and responding to the staff's requests for additional information. The Carlyle Advisers also produced, at the request of the Commission staff, off-channel communications of a subset of these personnel relating to their investment advisory businesses. These personnel included senior leadership such as managing directors and firm partners of the Carlyle Advisers.

19. The Commission staff's investigation found off-channel communications by Respondents' personnel, including at senior levels. The majority of Respondents' personnel whose communications were reviewed in the course of the investigation had sent or received multiple off-channel communications that were records required to be preserved by the Carlyle Advisers under the Advisers Act. These off-channel communications were sent among colleagues at Carlyle Advisers investment adviser affiliates as well as to external market participants.

20. During the Relevant Period, personnel at the Carlyle Advisers sent and received off-channel text messages subject to the recordkeeping requirements of Advisers Act Rule 204-2.

21. These off-channel communications included records required to be preserved under the Advisers Act because they related to the investment adviser's receipt, disbursement or delivery of funds or securities, or because they related to the performance or rate of return of Carlyle managed accounts, portfolios, or securities recommendations. For example, a managing director affiliated with Carlyle Credit exchanged several messages with an insurance company regarding the disbursement of funds related to a transaction. In another example, a partner associated with Carlyle exchanged messages with another partner about the performance of a Carlyle investment vehicle.

Respondents' Failure to Preserve Required Records Potentially Compromised and Delayed Commission Matters

22. During the Relevant Period, the Carlyle Group and its investment adviser affiliates received and responded to Commission subpoenas for documents and records requests in Commission investigations. By failing to maintain and preserve required records relating to its investment advisory businesses, the Carlyle Group's investment adviser affiliates may have deprived the Commission of these off-channel communications in investigations.

Respondents' Violations and Failure to Supervise

23. As a result of the conduct described above, the Carlyle Advisers willfully[2] violated Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder.

24. As a result of the conduct described above, the Carlyle Advisers failed reasonably to supervise their personnel, with a view to preventing or detecting certain of

[2] "Willfully," for purposes of imposing relief under Section 203(e) of the Advisers Act, 'means no more than that the person charged with the duty knows what he is doing.'" *See Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).

their supervised persons' aiding and abetting violations of Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder, within the meaning of Section 203(e)(6) of the Advisers Act.

Respondents' Efforts to Comply

25. In determining to accept the Offer, the Commission considered steps undertaken promptly by the Carlyle Advisers prior to and after being approached by the Commission staff, as well as cooperation afforded the Commission staff. Beginning in 2024, the Carlyle Group and its investment adviser affiliates began to roll out on-channel messaging platforms for external communications.

Undertakings

Respondents have undertaken to:

26. Internal Audit. Within one hundred eighty (180) days of the entry of this Order, the Carlyle Advisers shall require that their Internal Audit function(s) initiate a separate audit(s), to be completed within three hundred sixty-five (365) days of the entry of this Order, consisting of the following:

a. A comprehensive review of the Carlyle Advisers' supervisory, compliance, and other policies and procedures designed to ensure that the Carlyle Advisers' electronic communications, including those found on personal electronic devices, including without limitation, cellular phones ("Personal Devices"), are preserved in accordance with the requirements of the federal securities laws. This review should include, but not be limited to, a review of Carlyle Advisers' policies and procedures to ascertain if they provide for any significant technology and/or behavioral restrictions that help prevent the risk of the use of unapproved communications methods on Personal Devices in work conditions, (e.g., traveling, site visits).

b. A comprehensive review of training conducted by the Carlyle Advisers designed to ensure personnel are complying with the requirements regarding the preservation of electronic communications, including those found on Personal Devices, in accordance with the requirements of the federal securities laws, as well as a review of Carlyle Advisers' requirement that their personnel certify in writing on a periodic basis that they are complying with preservation requirements.

c. An assessment of the surveillance program measures implemented by the Carlyle Advisers designed to ensure compliance, on an ongoing basis, with the requirements found in the federal securities laws to

preserve electronic communications, including those found on Personal Devices.

d. An assessment of the technological solutions that the Carlyle Advisers have begun implementing to meet the record retention requirements of the federal securities laws, including an assessment of the likelihood that Carlyle Advisers personnel will use the technological solutions going forward and a review of the measures employed by Carlyle Advisers to track personnel usage of new technological solutions.

e. A comprehensive review of the framework adopted by the Carlyle Advisers to address instances of non-compliance by the Carlyle Advisers' personnel with the Carlyle Advisers' policies and procedures concerning the use of Personal Devices to communicate about the Carlyle Advisers' business. This review shall include a survey of how the Carlyle Advisers determined which personnel failed to comply with the Carlyle Advisers' policies and procedures, the corrective action carried out, an evaluation of who violated the policies and procedures and why, what penalties were imposed, and whether penalties were handed out consistently across business lines and seniority levels.

27. Recordkeeping. The Carlyle Advisers shall preserve any record of compliance with these undertakings, including any materials supporting the certification made pursuant to Paragraph 28, in an easily accessible place for a period of not less than five (5) years from the end of the fiscal year during which the last entry was made on such record, the first two (2) years in an appropriate office of the Carlyle Advisers.

28. Certification. The Carlyle Advisers shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings and provide written evidence of compliance in the form of a narrative. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents agree to provide such evidence. The certification shall be submitted to Thomas P. Smith, Jr., Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, 100 Pearl Street, Suite 20-100, New York, NY 10004, or such other person as the Commission staff may request, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

In determining whether to accept the Offers, the Commission has considered these undertakings.

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) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondents cease and desist from committing or causing any violations and any future violations of Section 204 of the Advisers Act and Rule 204-2 thereunder.

B. Respondents are censured.

C. Respondent Carlyle shall, within fourteen (14) days of the entry of this Order, pay a civil money penalty in the amount of $5.6 million 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.

D. Respondent Carlyle Credit shall, within fourteen (14) days of the entry of this Order, pay a civil money penalty in the amount of $1.7 million 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.

E. Respondent AlpInvest shall, within fourteen (14) days of the entry of this Order, pay a civil money penalty in the amount of $1.2 million 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.

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 cover letters identifying the paying Respondent 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 Thomas P. Smith, Jr., Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, 100 Pearl Street, Suite 20-100, New York, NY 10004.

F. 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) 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.

By the Commission.

Vanessa A. Countryman
Secretary