

WEEKLY BRIEFING

EVENTS & WEBINARS

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IA Compliance: Master Emerging Challenges
Sept. 16, 2019 | Philadelphia, PA

UPCOMING WEBINARS

Conquering Current Compliance Challenges
Sept. 11, 2019 | 2:00 - 2:30 PM EST

RECORDED WEBINARS

Conquering Current Compliance Challenges
Recorded: August 14, 2019

HANDBOOKS

Private Equity Enforcement Lessons Learned: Compliance Guidance for the PE Business Model
Includes: Best Practices, Key Regulatory Issues and Compliance Tips

The SEC Examinations Priorities Handbook (2019 Edition)
Includes: Best Practices, Document Request Letters and OCIE Risk Alerts

The Adviser's Guide to SEC Advertising and Marketing Rules
Includes: 23 Best Practices, 5 Peer-tested tools and 15 No Action Letters

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Sample OCIE's interest as seen in recent document request letters

Published on: 8/15/2019 Content area: Investment Adviser

Comments?

Our recap of recent **SEC** exam activity includes three new document request letters obtained by **RCW** ([IA Watch](#), Aug. 1, 2019).

The [first exam letter](#) dives into custody. The adviser was asked to submit a list of client account numbers at each custodian, to identify the custodian and its location and to indicate the accounts for which the adviser has custody.

Examiners also wanted to know if the adviser has confirmed that each custodian sends clients account statements. "Please provide any written procedures for conducting reconciliation of client accounts to custodial accounts," the letter reads.

Evidence of the existence of other assets, "such as real estate or commodities," held by a custodian on behalf of the firm also was sought by examiners.

Socially responsible investing

With more clients pushing advisers toward socially responsible investing or environmental, social and governance investing, a second new OCIE [document request letter](#) targets such strategies ([IA Watch](#), Jan. 11, 2018). Among the items requested by examiners out of the SEC's Los Angeles Regional Office were the adviser's definitions of ESG and SRI investing and its P&Ps for deciding whether an investment fit these categories. The adviser was asked to submit versions of its P&Ps that have changed over the years.

Examiners wondered if the adviser adhered to the *UN Principles for Responsible Investment*.

A list of clients with ESG/SRI investments were to be provided, as was any "proprietary scoring system" or "third-party scoring system" used by the adviser to label an investment as ESG/SRI worthy. Examiners wanted to know why the adviser chose its particular method of scoring.

This exam also quizzed the adviser about proxy voting and its use of service providers (including compliance, due diligence and valuation consultants). The service providers were to be identified.

The adviser's three most profitable and three least profitable trades were scrutinized. "Please also include a copy of all research and due diligence files (e.g., personal research notes, notes of meetings with issuer management personnel or with customers and consultants/experts, third-party analyst reports, issuer private placement memoranda, issuer financial statements, etc.) for these investments," examiners wrote.

A third recent OCIE [document request letter](#) focuses on an adviser's share class selection process. This letter is similar to a previous [OCIE request letter](#) that we shared with you earlier this year. It attests to OCIE's continued interest in this topic ([IA Watch](#), March 11, 2019).

The information contained herein was current as of the publication date.

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