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SEC Update

March 2014

SEC to Scrutinize Never-Examined Investment Advisers

The Securities and Exchange Commission (SEC) recently issued two important announcements regarding its examination of SEC-registered investment advisers. In January 2014, the SEC's Office of Compliance Inspections and Examinations (OCIE) announced the 2014 examination priorities for its National Examination Program (NEP). In sum, the NEP staff will focus on new and emerging issues and initiatives such as processes related to wrap fee programs, reliance on quantitative trading strategies, and payments made to distributors and intermediaries. The NEP will also continue to concentrate on core areas such as custody of assets, conflicts of interest, and marketing. To review a complete description of the NEP's 2014 examination priorities, [click here](#).

In addition, last month the SEC **announced** a new initiative whereby OCIE will examine a significant percentage of SEC-registered investment advisers that have never been examined. These examinations will focus on the advisers' compliance programs, filings and disclosure, marketing, portfolio management, and safekeeping of client assets. Initially, OCIE will focus on investment advisers who have been registered for three or more years. OCIE recently distributed a letter to investment advisers disclosing this initiative. [Click here](#) to see a copy of that letter. The SEC also plans to invite investment advisers who have yet to be examined to attend regional meetings where OCIE will provide information about the examination process.

If you have any questions about OCIE's examination process or other matters involving the SEC, please contact one of the authors, who are members of Venable's **Securities Enforcement and Compliance Practice Group**.