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Milne Legal Press Release

“SEC Cites Top Five Examination Deficiencies”



I. Top Five Compliance Deficiencies or Weaknesses

If you or your firm are registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser (“RIA”), then you must certainly take the opportunity to read the latest RISK ALERT, published on February 7, 2017, by the Office of Compliance Inspections and Examinations (“OCIE”).

You will find the complete Risk Alert on the SEC’s website at: <https://www.sec.gov/ocie/Article/risk-alert-5-most-frequent-ia-compliance-topics.pdf>

The Risk Alert reflects the deficiency letters that were issued from over 1,000 investment adviser examinations that were completed during the past two years. The top five Deficiencies or Weaknesses identified by the OCIE were as follows:

- (1) *Rule 206(4)-7 (the “Compliance Rule”);*
- (2) *Required regulatory filings (e.g., inaccurate disclosures on Form ADV and failing to promptly amend Form ADV for material changes);*
- (3) *Rule 206(4)-2 (the “Custody Rule”);*
- (4) *Rule 204A-1 (the “Code of Ethics Rule”); and*
- (5) *Rule 204-2 (the “Books and Records Rule”).*



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“The OCIE staff could not communicate more clearly to the SEC investment advisory community, effectively alerting all RIAs to take immediate action to address any deficiency or weakness in their respective compliance programs which relate to these top five compliance topics.”

II. Conclusion

RIAs should take advantage of this Risk Alert by ensuring that their compliance programs do not fail to cover these five compliance topics, but even more importantly, RIAs should conduct an annual compliance review to ensure that their entire compliance program is robust and up-to-date.

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Charles Lerner

If you have any questions regarding this Press Release or any of the five compliance topics highlighted herein, please do not hesitate to contact a Milne Legal representative at one of the email addresses below.



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