
January 13, 2015

SEC Announces 2015 Examination Priorities

On January 13, 2015, the staff of the SEC's Office of Compliance Inspections and Examinations ("OCIE") announced its examination priorities for 2015, focusing on the following thematic areas:

- examining matters of importance to retail investors and investors saving for retirement, including whether the information, advice, products, and services being offered is consistent with applicable laws, rules, and regulations;
- assessing issues related to market-wide risks; and
- using OCIE's evolving ability to analyze data to identify and examine registrants that may be engaged in illegal activity, such as excessive trading and penny stock pump-and-dump schemes.

Below are certain highlights of the examination priorities particularly relevant to investment advisers to hedge funds and private equity funds.

- **Fees and Expenses in Private Equity.** As noted previously in 2014, OCIE has observed a high rate of deficiencies among advisers to private equity funds in connection with the allocation of fees and expenses. OCIE will continue to conduct examinations in this area.
- **Cybersecurity.** OCIE will continue its initiative to examine broker-dealers' and investment advisers' cybersecurity compliance and controls.
- **Large Firm Monitoring.** OCIE will continue to collaborate with the Division of Trading and Markets and the Division of Investment Management to monitor the largest U.S. broker-dealers and asset managers for the purpose of assessing market risks at individual firms and maintaining early awareness of developments industry-wide.
- **Recidivist Representatives.** OCIE will continue to use its analytic capabilities to identify individuals with a track record of misconduct and examine the firms that employ them.
- **Proxy Services.** OCIE will examine select proxy advisory service firms, including how they make recommendations on proxy voting and how they disclose and mitigate potential conflicts of interest. OCIE will also examine investment advisers' compliance with their fiduciary duty in voting proxies on behalf of investors.

For a complete list of OCIE's Examination Priorities for 2015, see
<http://www.sec.gov/about/offices/ocie/national-examination-program-priorities-2015.pdf>

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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