



IAA Contact:  
Laura Grossman  
(202) 293-4222  
[laura.grossman@investmentadviser.org](mailto:laura.grossman@investmentadviser.org)



ACA Contact:  
Lynne Carreiro  
+44 (0)20 7042 0500  
[lcarreiro@acacompliancegroup.com](mailto:lcarreiro@acacompliancegroup.com)



Old Mutual Contact:  
Amy Yuter  
(610) 578-1387  
[ayuter@oldmutualus.com](mailto:ayuter@oldmutualus.com)

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## **2014 INVESTMENT MANAGEMENT COMPLIANCE TESTING SURVEY RESULTS**

### **INVESTMENT ADVISER SURVEY REVEALS COMPLIANCE TESTING PRACTICES AND TRENDS**

WASHINGTON, D.C./BERWYN, PA – July 2, 2014: The Investment Adviser Association, ACA Compliance Group, and Old Mutual Asset Management are pleased to announce the results of their ninth annual Investment Management Compliance Testing Survey.

The survey was conducted online from April 24 to May 23 and collected responses from 369 compliance professionals, representing a range of SEC-registered investment advisers. The aggregate survey results are now publicly available on the [Investment Adviser Association web site](#) and the [ACA Compliance Group web site](#).

This year's survey addressed compliance testing with respect to the following areas: cybersecurity, custody/identity theft/red flags, valuation, proxy voting policies and procedures, and international regulatory compliance, including the impact of AIFMD. The survey also contained trend update questions about whistleblowing, directed brokerage, and hot compliance topics.

Key findings include:

- The hottest compliance topic in 2014 by far is cybersecurity/privacy/identity theft, identified by 75% of respondents.

- Other hot compliance topics are social media, advertising/marketing, custody, valuation, allocation of fees and expenses, disaster recovery, and FATCA. Hot topics from last year's survey that experienced the largest declines include regulatory reporting and insider trading.
- Despite claims that advisers widely rely too heavily on third parties for recommendations on proxy voting decisions, only 33% of firms reported retaining third parties to assist with recommendations or substantive voting decisions. Nevertheless, apparently in part to respond to these claims, on June 30 the SEC staff issued guidance primarily aimed at investment advisers that retain proxy advisory firms, including policies and procedures to consider implementing.
- Since last year's survey, compliance testing has increased the most in the areas of advertising/marketing, cybersecurity/privacy/identity theft, disaster recovery planning, best execution, and personal trading/code of ethics. 78% of firms indicated that they have not decreased compliance testing in any area.
- 75% of firms indicated that their compliance testing has detected non-material issues. Of those firms detecting material issues, the most common ones were in the areas of personal trading/code of ethics, advertising/marketing, custody, books and records, cybersecurity/privacy/identity theft, and disaster recovery planning.
- Half of firms that invest in marketable securities, and about one-quarter of firms that invest in illiquid or hard-to-value securities, rely entirely on independent third parties to value those securities.
- Advisers that have considered the implications of AIFMD on their business are most concerned with the remuneration requirements, followed by the risk management component.

“This year's survey reveals that an exceptionally large segment of the industry views cybersecurity as a hot compliance topic,” said Laura Grossman, Assistant General Counsel at the Investment Adviser Association. “That's encouraging because it's in alignment with the SEC's heightened focus on cybersecurity issues, as shown by the SEC staff's recent hosting of a cybersecurity roundtable, issuance of a risk alert on a cybersecurity examinations initiative, and announcement of plans to examine cybersecurity preparedness. However, many advisers still have work to do to develop their cybersecurity programs.”

“The survey results confirmed that members of our industry are committed to enhancing their compliance programs to address the risks self-identified through instituted risk management programs as well as the hot issues communicated by regulators. The survey continues to be a great tool for communicating industry trends, best practices and practical ideas to assist in the continual evolution of a firm's compliance program,” noted Amy Yuter, Vice President and Senior Compliance Manager of Old Mutual Asset Management.

“In our 9th year of the survey, it’s much easier to identify the trends emerging for compliance professionals. You can see that the industry takes the SEC’s statements to heart, with the “hot compliance topics” reported by respondents mirroring the SEC’s current initiatives as promoted in the press. You can also see the trends year on year and the constant march toward improvement in the compliance program as well as a continued concern regarding technology, its uses, its benefits to the compliance team as well as the risks that it poses,” said ACA Compliance Group Managing Director Lynne Carreiro. “We know compliance professionals have many competing demands on their time, and we thank all survey participants for their willingness to make the time to participate in this year’s survey.”

About the survey organizers:

### **ACA Compliance Group**

ACA Compliance Group (ACA) provides expert compliance consulting and GIPS® verification services to investment advisers, private funds, investment companies, and broker-dealers. For more information, visit [www.acacompliancegroup.com](http://www.acacompliancegroup.com).

### **Investment Adviser Association**

The Investment Adviser Association is a non-profit association based in Washington, D.C. that represents the interests of SEC-registered investment advisory firms. The IAA’s membership consists of more than 500 SEC-registered investment adviser firms that collectively manage approximately \$14 trillion in assets for a variety of institutional and individual clients. For more information, visit [www.investmentadviser.org](http://www.investmentadviser.org).

### **Old Mutual Asset Management**

OMAM is a global, multi-boutique asset management company with approximately \$203 billion of assets under management as of March 31, 2014 through a diverse portfolio of asset managers that serve institutional investors around the world. Headquartered in Boston, OMAM’s business model combines the investment talent, entrepreneurialism, focus and creativity of leading independent asset management boutiques with the resources and capabilities of a larger firm. More information about OMAM, its member firms, and their investment teams and strategies, is available at [www.oldmutualus.com](http://www.oldmutualus.com).

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