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**2009 INVESTMENT MANAGEMENT
COMPLIANCE TESTING SURVEY RESULTS:
COMPLIANCE DURING A MARKET CRISIS**

WASHINGTON, D.C./BERWYN, PA – May 18, 2009: The Investment Adviser Association, ACA Compliance Group, *ACA Insight*, and Old Mutual Asset Management are pleased to announce the conclusion of their fourth annual Investment Management Compliance Testing Survey.

The survey was conducted online from March 16 to April 20 and collected responses from 440 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 in the context of current events, focusing on how SEC-registered investment advisers have changed their compliance programs in light of the market crisis that began in September 2008. Additionally, reflecting current industry "hot topics," the survey contained in-depth questions about firms' testing practices in the areas of risk management, custody and safekeeping of client assets, marketing and advertising, and portfolio management.

Key findings include:

- There appears to be a trend towards CCOs serving solely in the CCO role, rather than in multiple roles within their firms. The percentage of CCOs who perform solely the CCO function (as opposed to wearing multiple hats within their firm) increased from just over 20% in our 2007 and 2008 surveys to 31% in 2009. Similarly, firms

reporting 4 or more persons employed in compliance increased from 16% in 2008 to 24% in 2009. At least part of those changes, however, may be attributable to a shift in the demographics of survey respondents: This year's survey attracted relatively larger, more established firms than the previous years' surveys. For example, the percentage of firms reporting AUM over \$1 billion rose from 44% in 2008 to 53% in 2009, and the percentage of firms reporting more than 51 employees increased from 22% in 2008 to 29% in 2009.

- 43% of the survey respondents reported that their firm conducted new compliance tests or otherwise changed their testing in response to the market crisis. These new or heightened tests generally focused on three areas: Portfolio holdings and investment guidelines; adequacy of disclosure in light of new information about products or markets; and counterparties.
- The vast majority (89%) of respondents did not change their custody testing in light of the Madoff scandal, perhaps because the overwhelming majority (93%) of respondents maintain client assets at a third-party, independent custodian. Respondents did not perceive custody to be a particularly high-risk area, although they did recognize it as one of the top three compliance "hot topics" for 2009.
- 85% of the respondents reported that their firms did not cut compliance resources (and are not planning to) following the market crisis. Of the 15% of respondents who did cut or are planning to cut compliance resources, the top areas to be cut included: attendance at out-of-town compliance conferences, the overall compliance budget, compliance staff compensation, staff positions, and the use of outside compliance consultants. Many firms also reported layoffs in the compliance department. Notably, the SEC staff's "don't cut compliance" message to the industry seemed to have little effect on a firm's decision whether or not to cut compliance. Only 9% of respondents reported that the staff's message had any effect on their budgeting decisions.
- Respondents pegged valuation as the "hottest" compliance topic. 41% of respondents said that the credit market turmoil had impacted their firm's pricing and valuation processes, compared to 19% of respondents in our 2008 survey.

"Once again, we were pleased by the strong response to this year's survey," said Cathie Saadeh, Editor of *ACA Insight*. "For the third year in a row, the survey has attracted over 400 respondents. We greatly appreciate the time spent by all those who participated in this year's survey."

"The survey is designed to provide a helpful benchmark of compliance testing practices across the U.S. investment management industry," said Valerie Baruch, Assistant General Counsel of the Investment Adviser Association. "While each firm should tailor its compliance program to its unique business operations and risks, the survey results provide an industry-wide perspective for compliance professionals."

“Once again, CCOs can use the survey results as a tool in identifying tests that they may want to implement in the future,” suggested Amy Yuter, Vice President and Senior Compliance Officer of Old Mutual Asset Management. “The survey results outline a number of areas where CCOs can make improvements to their testing programs, including adding tests commonly conducted by OCIE examiners.”

“Advisers seeking to get ahead of the curve should focus on valuation, advertising and marketing, custody, data security, and fraud prevention,” said ACA Compliance Group Partner Jeff Morton. “These were the areas identified by survey respondents as particularly ‘hot’ current compliance topics.”

About the survey organizers:

ACA Compliance Group

ACA Compliance Group is a full-service compliance consulting firm committed to offering unparalleled regulatory compliance services designed to satisfy the needs of investment advisers, private funds, investment companies, and broker-dealers. For more information, please visit www.acacompliancegroup.com.

Investment Adviser Association

The Investment Adviser Association is a not-for-profit organization that represents the interests of SEC-registered investment advisory firms. Founded in 1937, its membership today consists of investment advisory firms that collectively manage in excess of \$7 trillion for a wide variety of individual and institutional investors including pension plans, trusts, investment companies, endowments, foundations, and corporations. For more information, please visit www.investmentadviser.org.

ACA Insight

ACA Insight is a weekly newsletter designed to keep lawyers and compliance officers abreast of regulatory developments and industry practices affecting SEC-registered investment advisers. For more information, please visit www.acainsight.com.

Old Mutual Asset Management

Old Mutual Asset Management is the name under which Old Mutual (US) Holdings Inc. (“Old Mutual”) conducts its U.S. asset management business. Old Mutual is the holding company for nineteen distinct boutique firms, including asset managers that specialize in active investment strategies for institutional and individual investors. The group’s parent is Old Mutual plc. For more information, please visit www.oldmutualus.com.

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