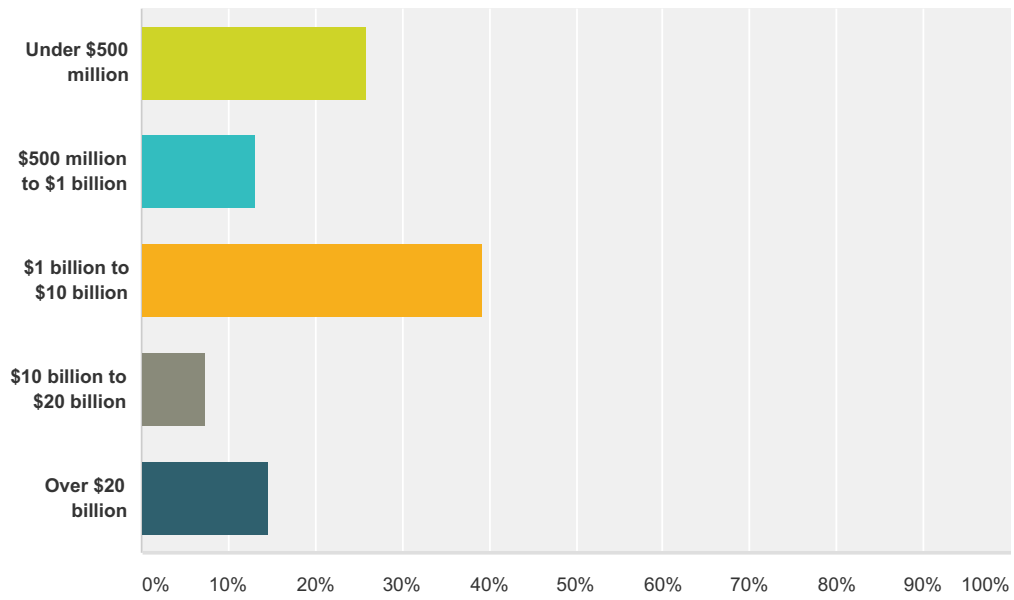


### Q1 What is your firm's total AUM (assets under management)?

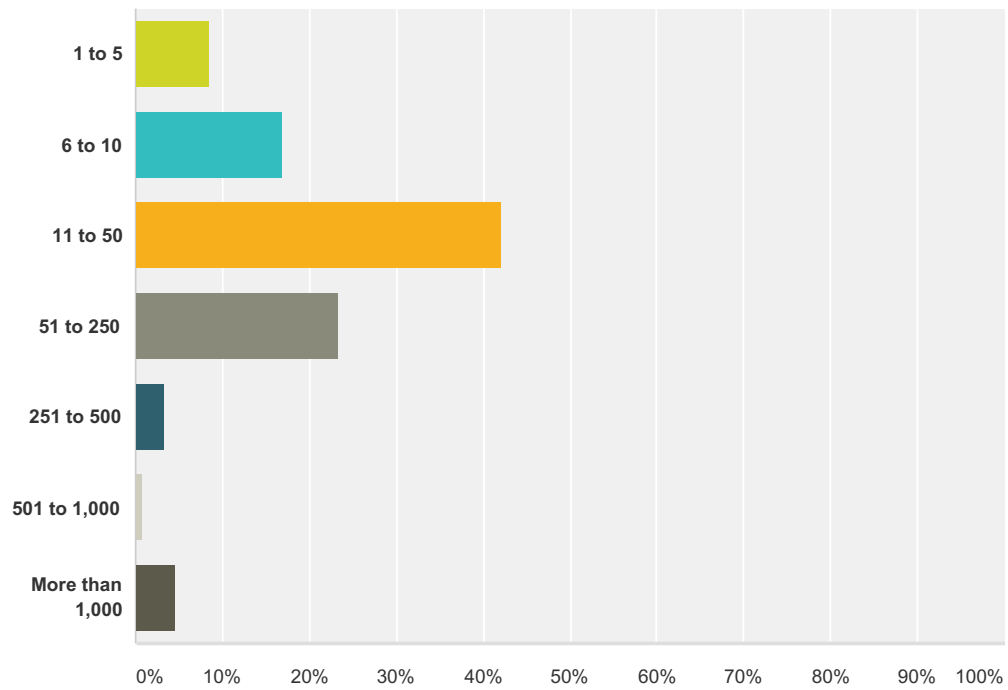
Answered: 592 Skipped: 5



Answer Choices	Responses	Count
Under \$500 million	25.84%	153
\$500 million to \$1 billion	13.18%	78
\$1 billion to \$10 billion	39.19%	232
\$10 billion to \$20 billion	7.26%	43
Over \$20 billion	14.53%	86
<b>Total</b>		<b>592</b>

## Q2 How many full and part time employees does your firm employ?

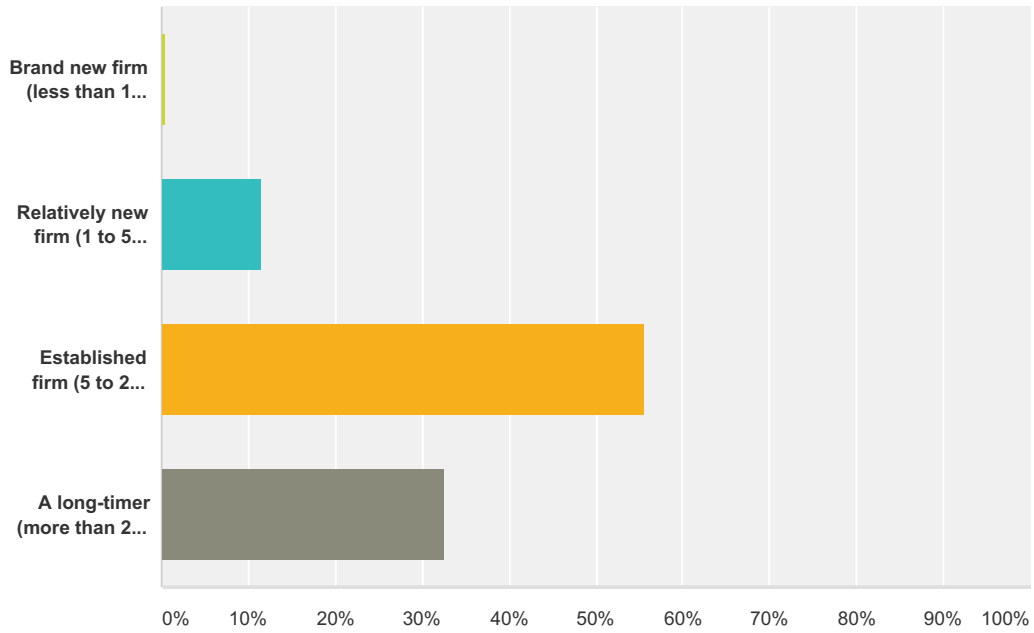
Answered: 592 Skipped: 5



Answer Choices	Responses
1 to 5	8.61% 51
6 to 10	16.89% 100
11 to 50	42.23% 250
51 to 250	23.48% 139
251 to 500	3.38% 20
501 to 1,000	0.84% 5
More than 1,000	4.56% 27
<b>Total</b>	<b>592</b>

### Q3 How would you describe your firm?

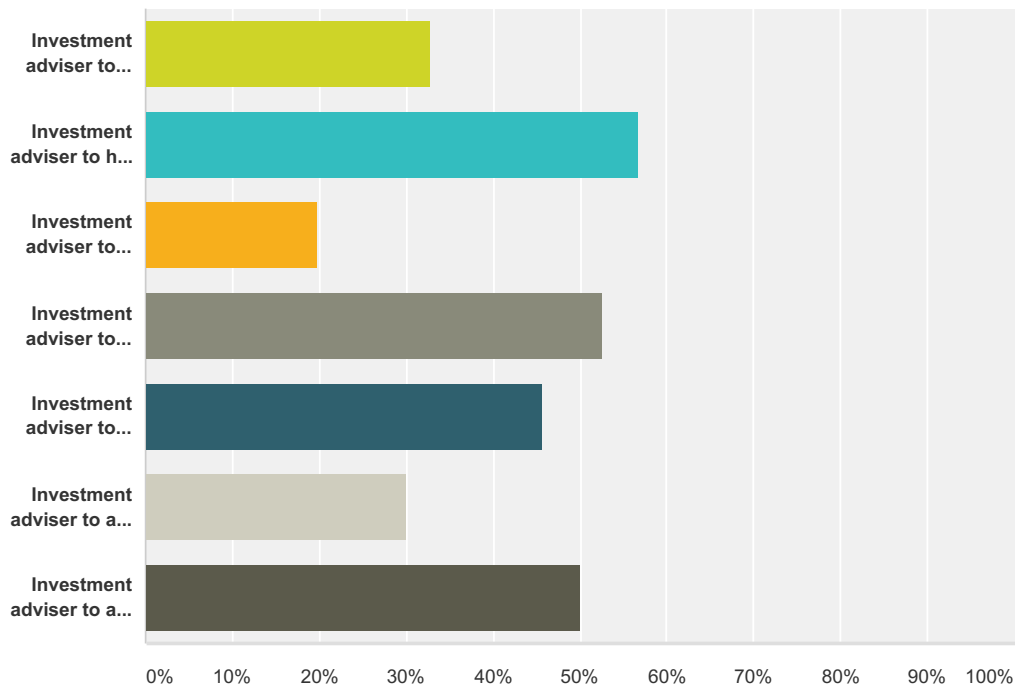
Answered: 588 Skipped: 9



Answer Choices	Responses
Brand new firm (less than 1 year in business)	0.51% 3
Relatively new firm (1 to 5 years in business)	11.39% 67
Established firm (5 to 25 years in business)	55.44% 326
A long-timer (more than 25 years in business)	32.65% 192
<b>Total</b>	<b>588</b>

### Q4 What are the services offered at your firm? (check all that apply)

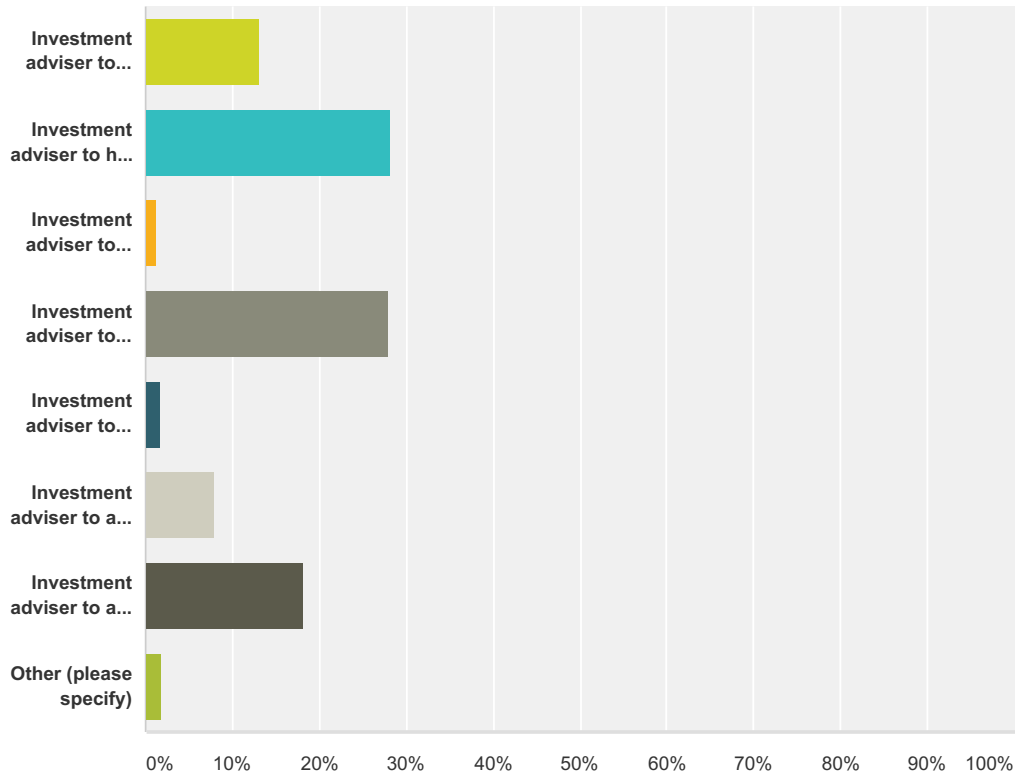
Answered: 587 Skipped: 10



Answer Choices	Responses
Investment adviser to retail individuals (typical account size \$1mm or less)	32.88% 193
Investment adviser to high net worth individuals (typical account size \$1mm or more)	56.73% 333
Investment adviser to family office	19.76% 116
Investment adviser to institutional clients	52.64% 309
Investment adviser to ERISA assets/pension consultant	45.66% 268
Investment adviser to a registered investment company	29.98% 176
Investment adviser to a private fund (e.g., private partnership, hedge fund, private equity fund)	50.09% 294
<b>Total Respondents: 587</b>	

**Q5 If you have indicated that your firm offers more than one service, which of these services do you consider to be your “main” or “primary” service?**

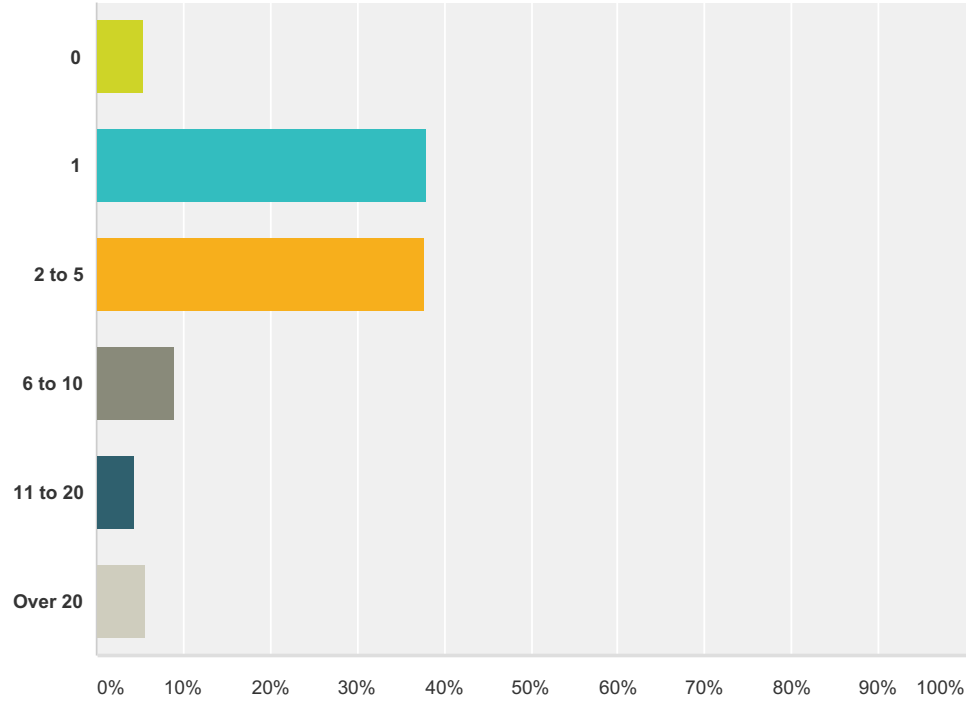
Answered: 505 Skipped: 92



Answer Choices	Responses
Investment adviser to retail individuals (typical account size \$1mm or less)	13.07% 66
Investment adviser to high net worth individuals (typical account size \$1mm or more)	28.12% 142
Investment adviser to family office	1.19% 6
Investment adviser to institutional clients	27.92% 141
Investment adviser to ERISA assets/pension consultant	1.58% 8
Investment adviser to a registered investment company	7.92% 40
Investment adviser to a private fund (e.g., private partnership, hedge fund, private equity fund)	18.22% 92
Other (please specify)	1.98% 10
<b>Total</b>	<b>505</b>

### Q6 How many full time employees are currently employed in your firm's legal and/or compliance departments?

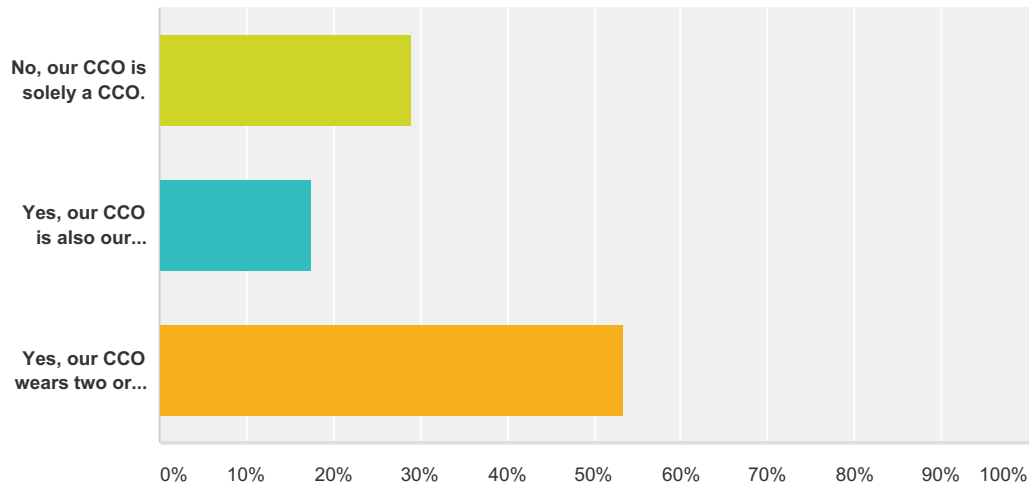
Answered: 574 Skipped: 23



Answer Choices	Responses
0	5.40% 31
1	37.98% 218
2 to 5	37.80% 217
6 to 10	8.89% 51
11 to 20	4.36% 25
Over 20	5.57% 32
<b>Total</b>	<b>574</b>

**Q7 Does your firm's CCO perform non-CCO functions (for example, by also serving as your firm's COO or CFO)?**

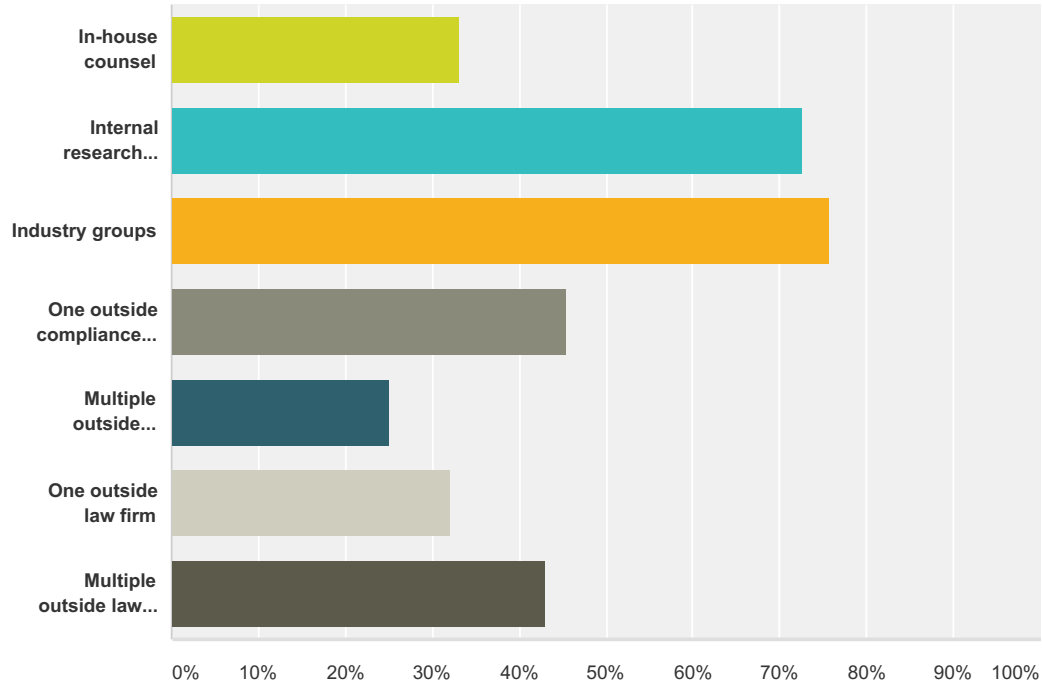
Answered: 571 Skipped: 26



Answer Choices	Responses	
No, our CCO is solely a CCO.	29.07%	166
Yes, our CCO is also our General Counsel/legal counsel.	17.51%	100
Yes, our CCO wears two or more hats and performs other non-CCO/legal roles.	53.42%	305
<b>Total</b>		<b>571</b>

### Q8 How does your firm obtain regulatory information about compliance? (check all that apply)

Answered: 571 Skipped: 26

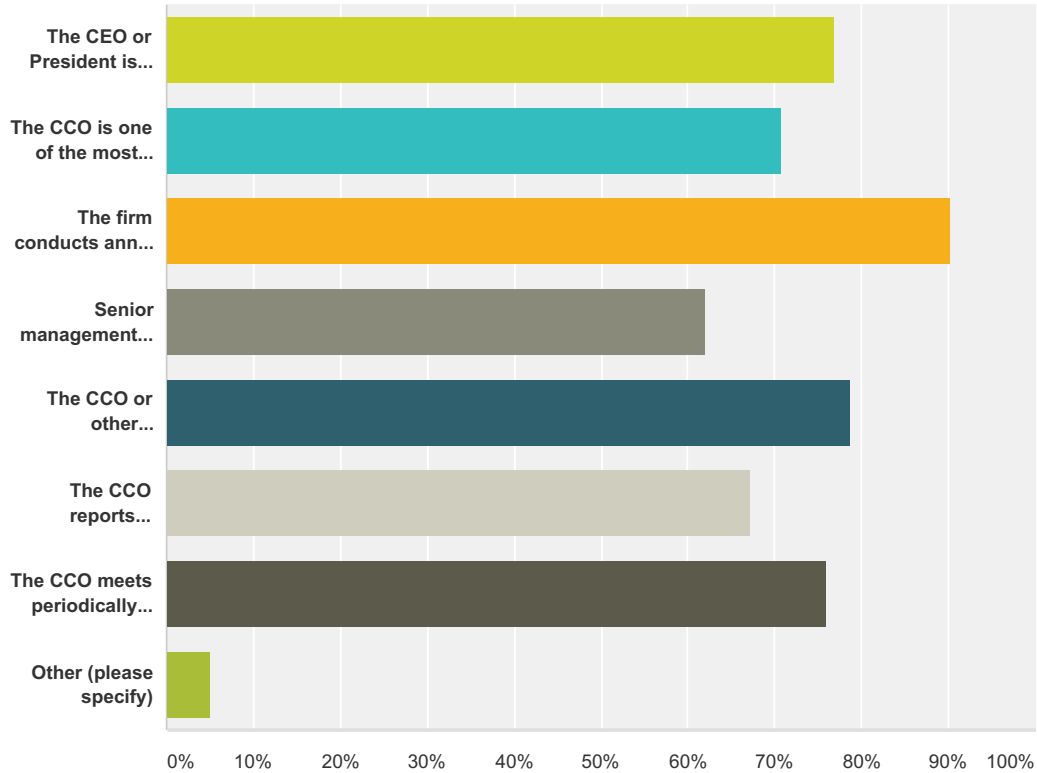


Answer Choices	Responses
In-house counsel	33.27% 190
Internal research conducted by our compliance personnel	72.68% 415
Industry groups	75.83% 433
One outside compliance consultant	45.53% 260
Multiple outside compliance consultants	25.04% 143
One outside law firm	32.05% 183
Multiple outside law firms	43.08% 246
<b>Total Respondents: 571</b>	



**Q9 How does your firm demonstrate that you have developed and promote a culture of compliance? (check all that apply)**

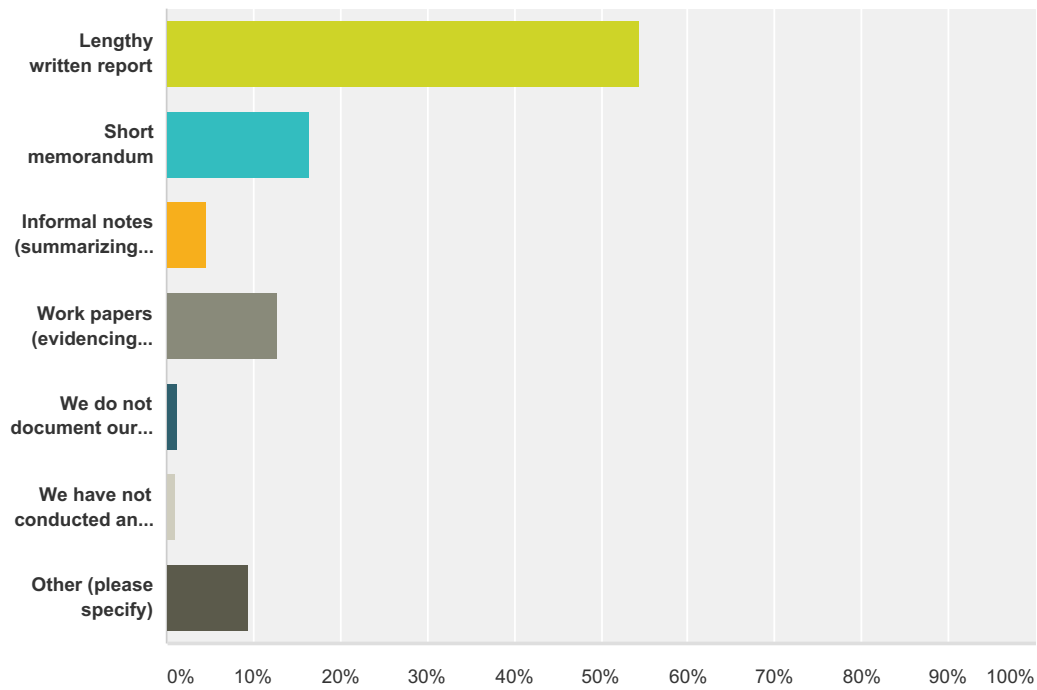
Answered: 572 Skipped: 25



Answer Choices	Responses
The CEO or President is immediately apprised of material compliance issues/breaches.	76.75% 439
The CCO is one of the most senior executives.	70.80% 405
The firm conducts annual (or more frequent) employee compliance training.	90.21% 516
Senior management participates in SEC inspections, such as by participating in the opening interview.	62.06% 355
The CCO or other compliance personnel attend various committee meetings (such as best execution committee meetings).	78.67% 450
The CCO reports directly to the CEO or President.	67.13% 384
The CCO meets periodically with the CEO or President to discuss compliance issues and initiatives.	76.05% 435
Other (please specify)	5.07% 29
<b>Total Respondents: 572</b>	

### Q10 How do you document/evidence the annual review?

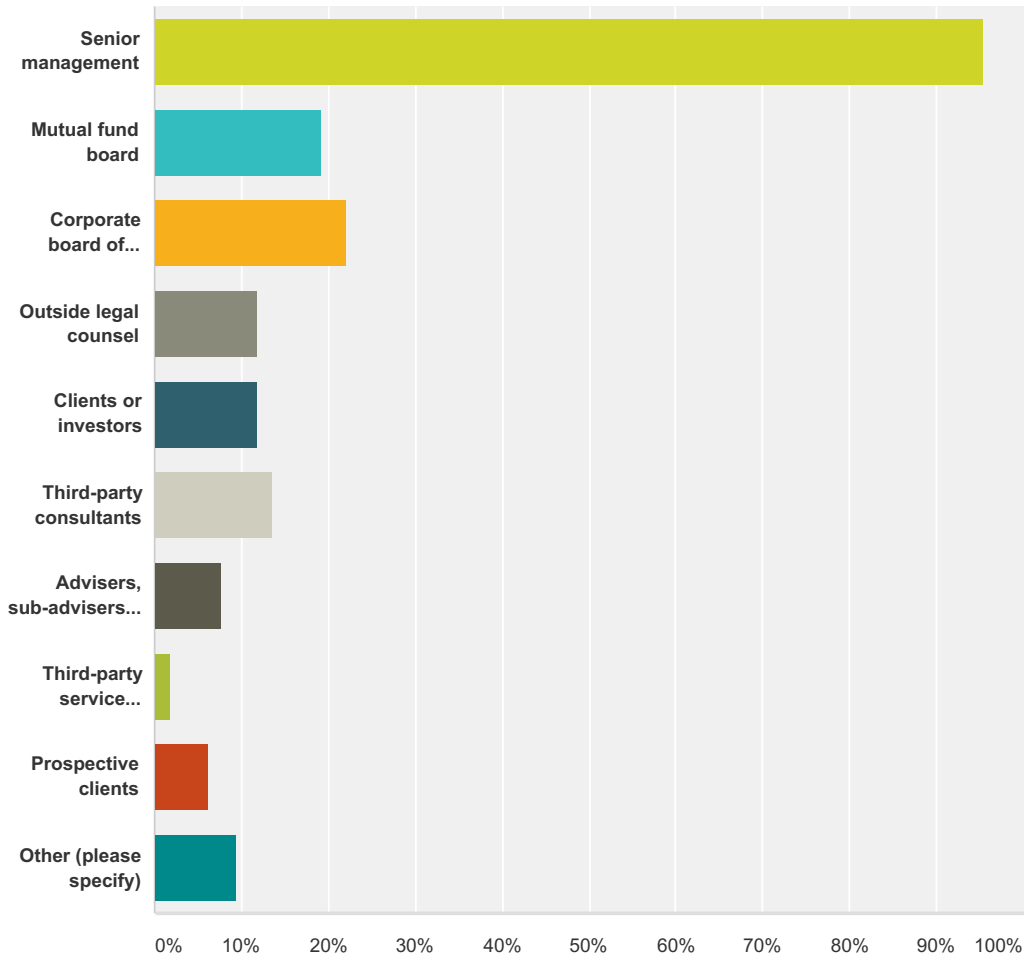
Answered: 571 Skipped: 26



Answer Choices	Responses
Lengthy written report	54.47% 311
Short memorandum	16.46% 94
Informal notes (summarizing tests)	4.55% 26
Work papers (evidencing tests)	12.78% 73
We do not document our annual review	1.23% 7
We have not conducted an annual review	1.05% 6
Other (please specify)	9.46% 54
<b>Total</b>	<b>571</b>

**Q11 What constituencies receive notification of the results or a copy of any report produced as a result of the annual review? (check all that apply)**

Answered: 551 Skipped: 46



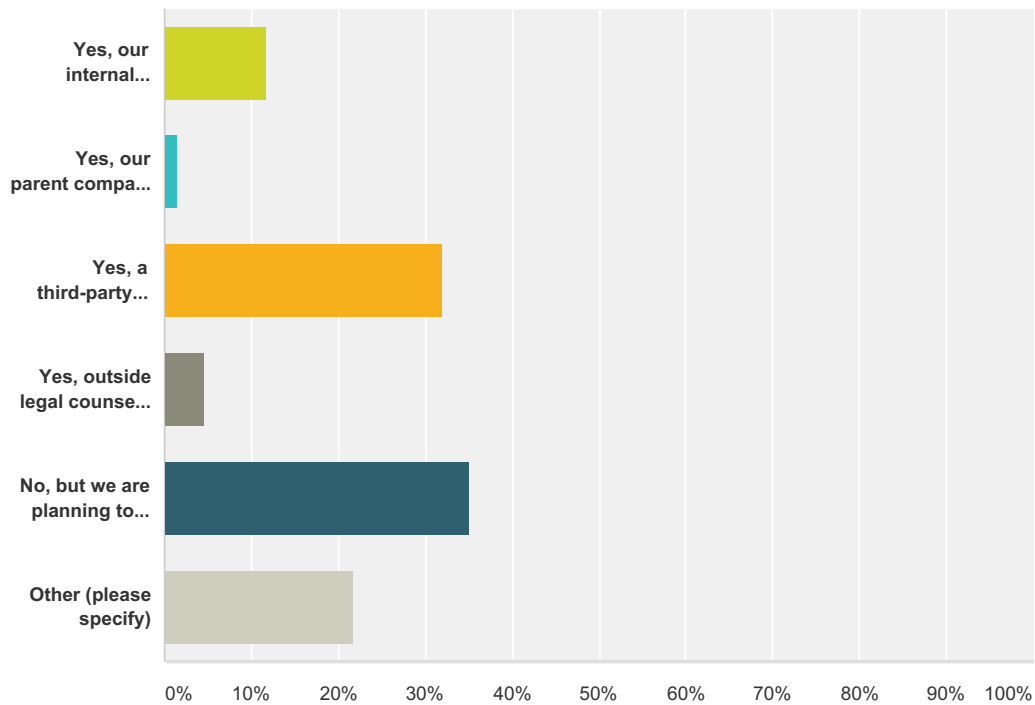
Answer Choices	Responses	Count
Senior management	95.46%	526
Mutual fund board	19.24%	106
Corporate board of directors	22.14%	122
Outside legal counsel	11.80%	65
Clients or investors	11.98%	66
Third-party consultants	13.61%	75
Advisers, sub-advisers, and/or wrap sponsors	7.80%	43
Third-party service providers	1.81%	10
Prospective clients	6.17%	34

## 2017 Investment Management Compliance Testing Survey

Other (please specify)	9.44%	52
<b>Total Respondents: 551</b>		

### Q12 Does your firm also conduct a mock SEC examination? (check all that apply)

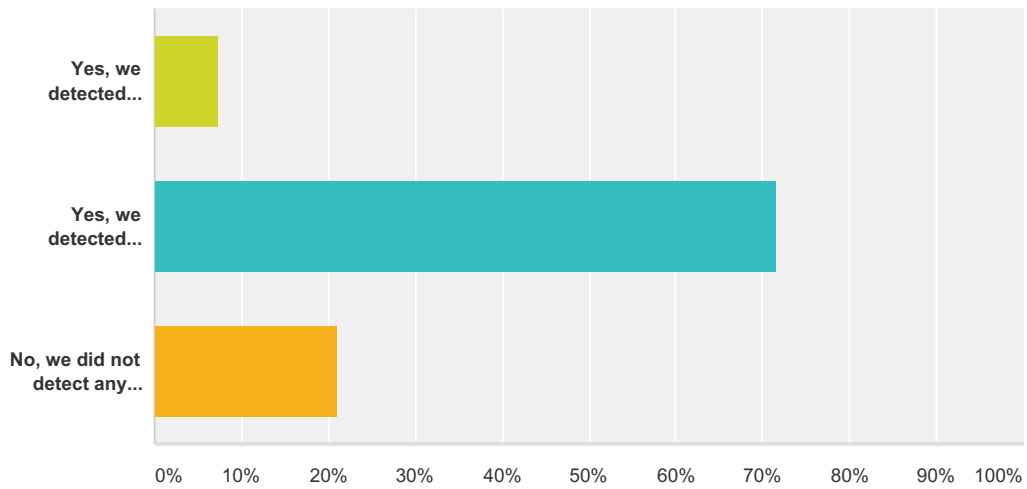
Answered: 555 Skipped: 42



Answer Choices	Responses
Yes, our internal compliance staff conducts a mock SEC examination.	11.71% 65
Yes, our parent company conducts a mock SEC examination.	1.44% 8
Yes, a third-party compliance consulting firm conducts a mock SEC examination.	31.89% 177
Yes, outside legal counsel conducts a mock SEC examination.	4.68% 26
No, but we are planning to conduct a mock SEC examination in the future.	35.14% 195
Other (please specify)	21.62% 120
<b>Total Respondents: 555</b>	

### Q13 Over the previous year, has your compliance testing detected any issues?

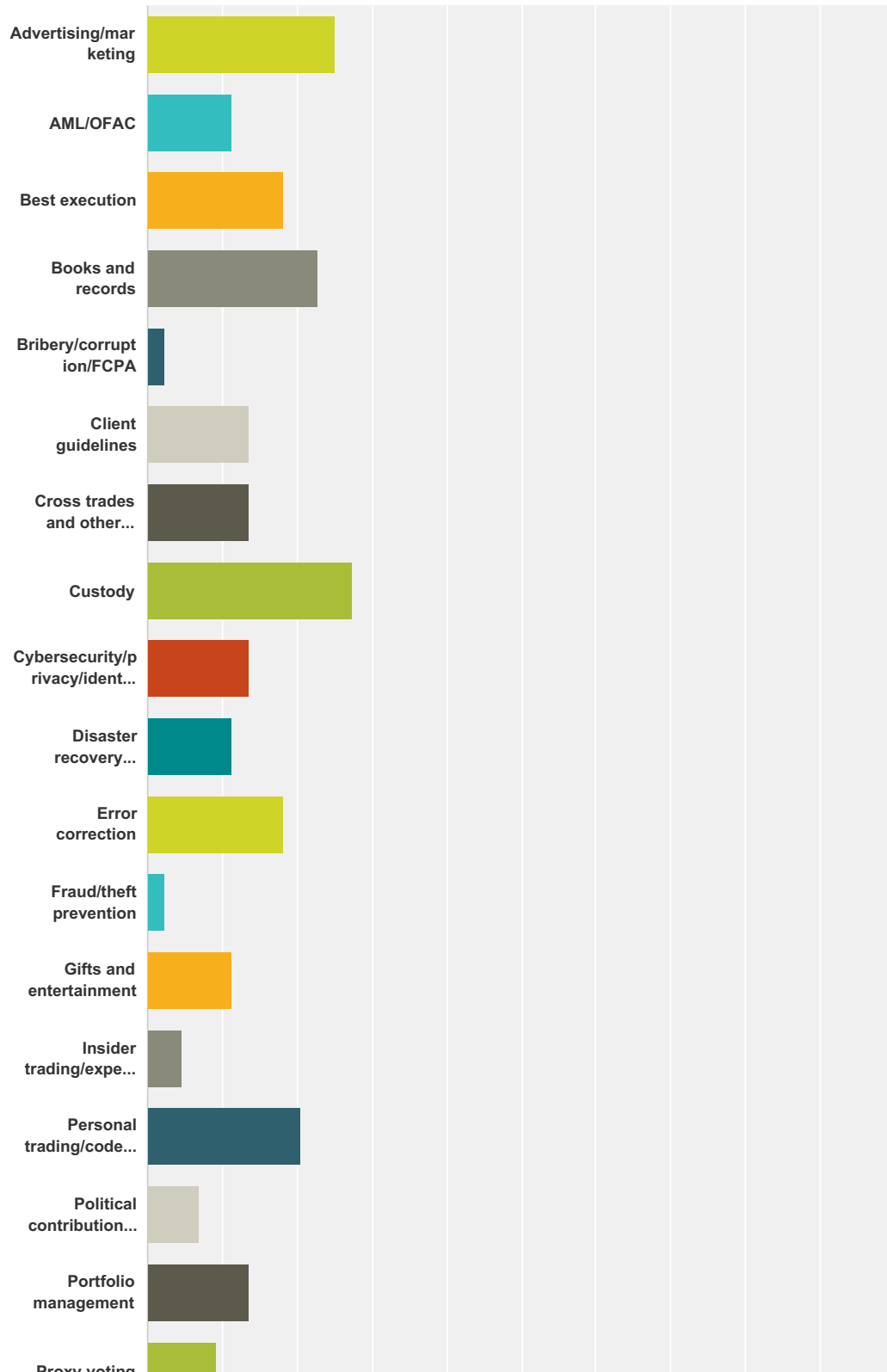
Answered: 571 Skipped: 26



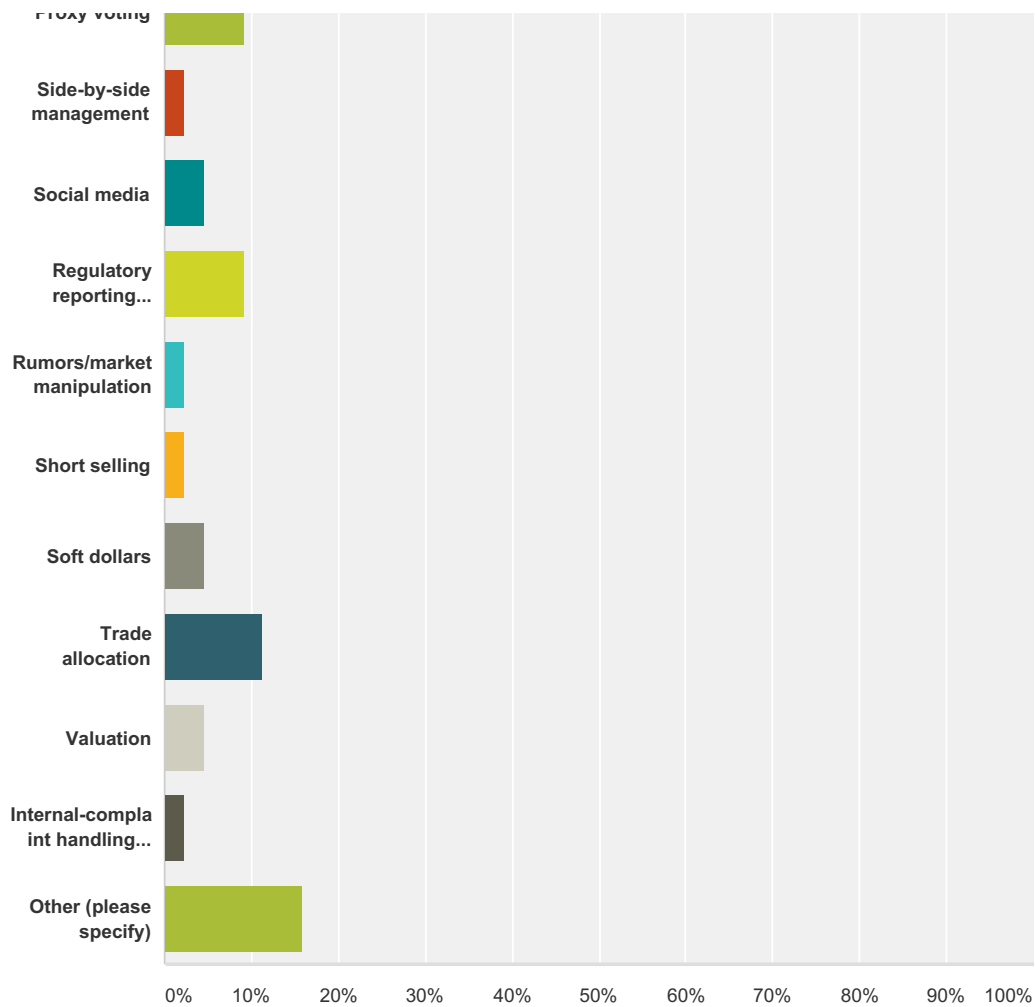
Answer Choices	Responses	
Yes, we detected material compliance issues.	7.36%	42
Yes, we detected compliance issues, none of which we deemed to be material.	71.63%	409
No, we did not detect any compliance issues.	21.02%	120
<b>Total</b>		<b>571</b>

**Q14 You have indicated that you detected material compliance issues. In which of the following areas have you detected material compliance issues? (check all that apply)**

Answered: 44 Skipped: 553



## 2017 Investment Management Compliance Testing Survey



Answer Choices	Responses	
Advertising/marketing	25.00%	11
AML/OFAC	11.36%	5
Best execution	18.18%	8
Books and records	22.73%	10
Bribery/corruption/FCPA	2.27%	1
Client guidelines	13.64%	6
Cross trades and other trading issues	13.64%	6
Custody	27.27%	12
Cybersecurity/privacy/identity theft	13.64%	6
Disaster recovery planning	11.36%	5
Error correction	18.18%	8
Fraud/theft prevention	2.27%	1
Gifts and entertainment	11.36%	5

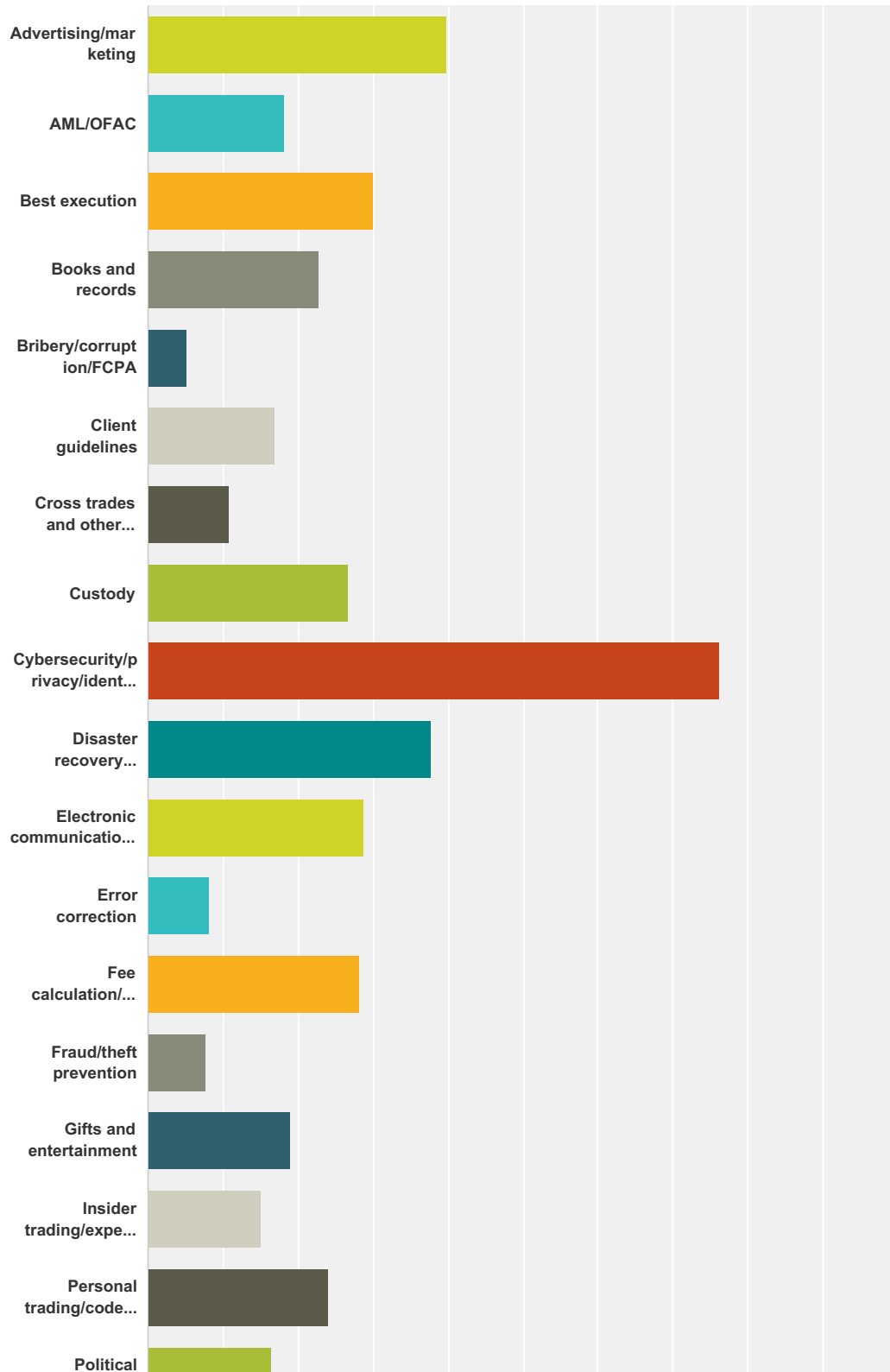


## 2017 Investment Management Compliance Testing Survey

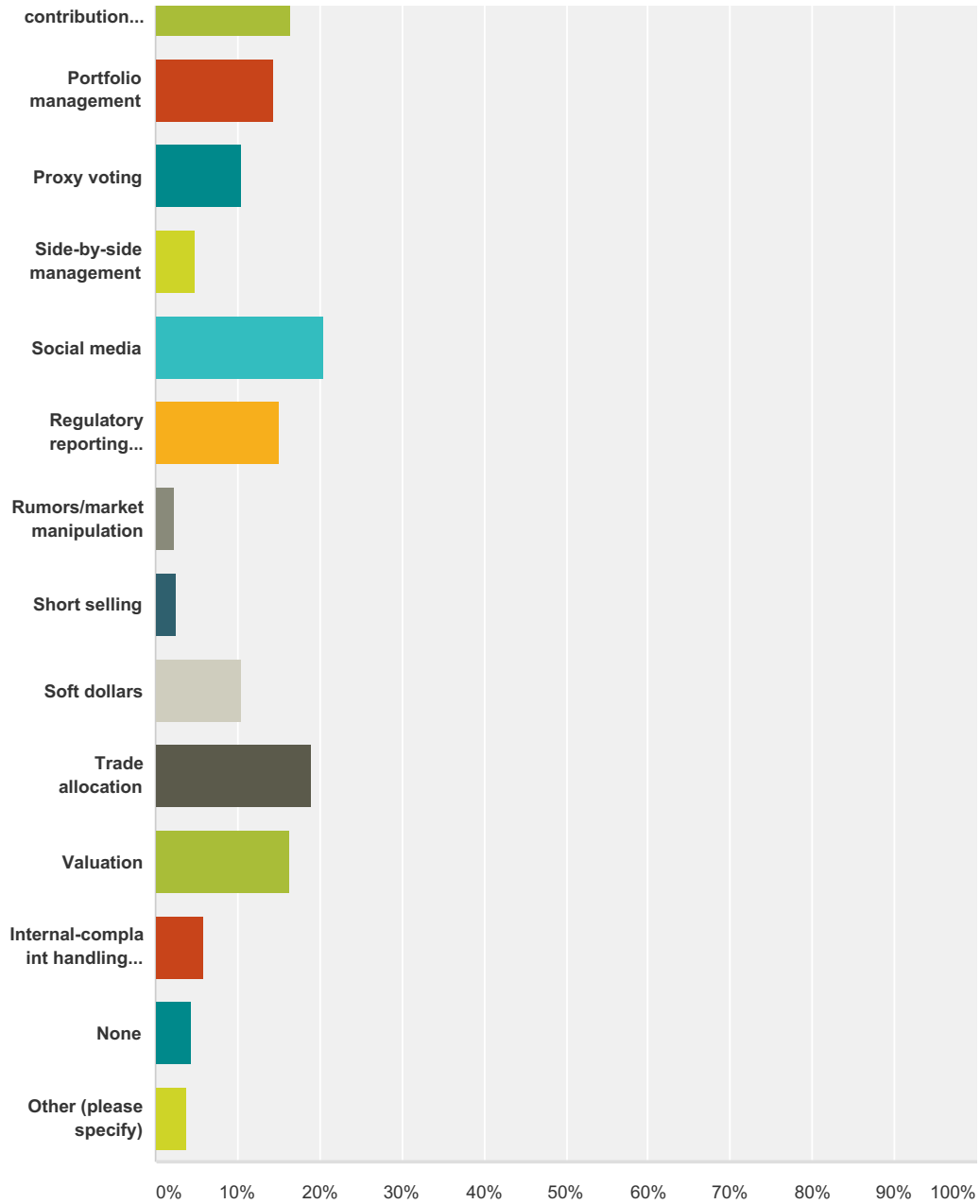
Insider trading/expert networks	4.55%	2
Personal trading/code of ethics	20.45%	9
Political contributions/Pay-to-play	6.82%	3
Portfolio management	13.64%	6
Proxy voting	9.09%	4
Side-by-side management	2.27%	1
Social media	4.55%	2
Regulatory reporting (e.g., Form ADV, Form 13F)	9.09%	4
Rumors/market manipulation	2.27%	1
Short selling	2.27%	1
Soft dollars	4.55%	2
Trade allocation	11.36%	5
Valuation	4.55%	2
Internal-complaint handling procedures	2.27%	1
Other (please specify)	15.91%	7
<b>Total Respondents: 44</b>		

**Q15 In which of the following areas have you increased the type, scope, and/or frequency of compliance testing (since January 1, 2016)? (check all that apply)**

Answered: 534 Skipped: 63



## 2017 Investment Management Compliance Testing Survey



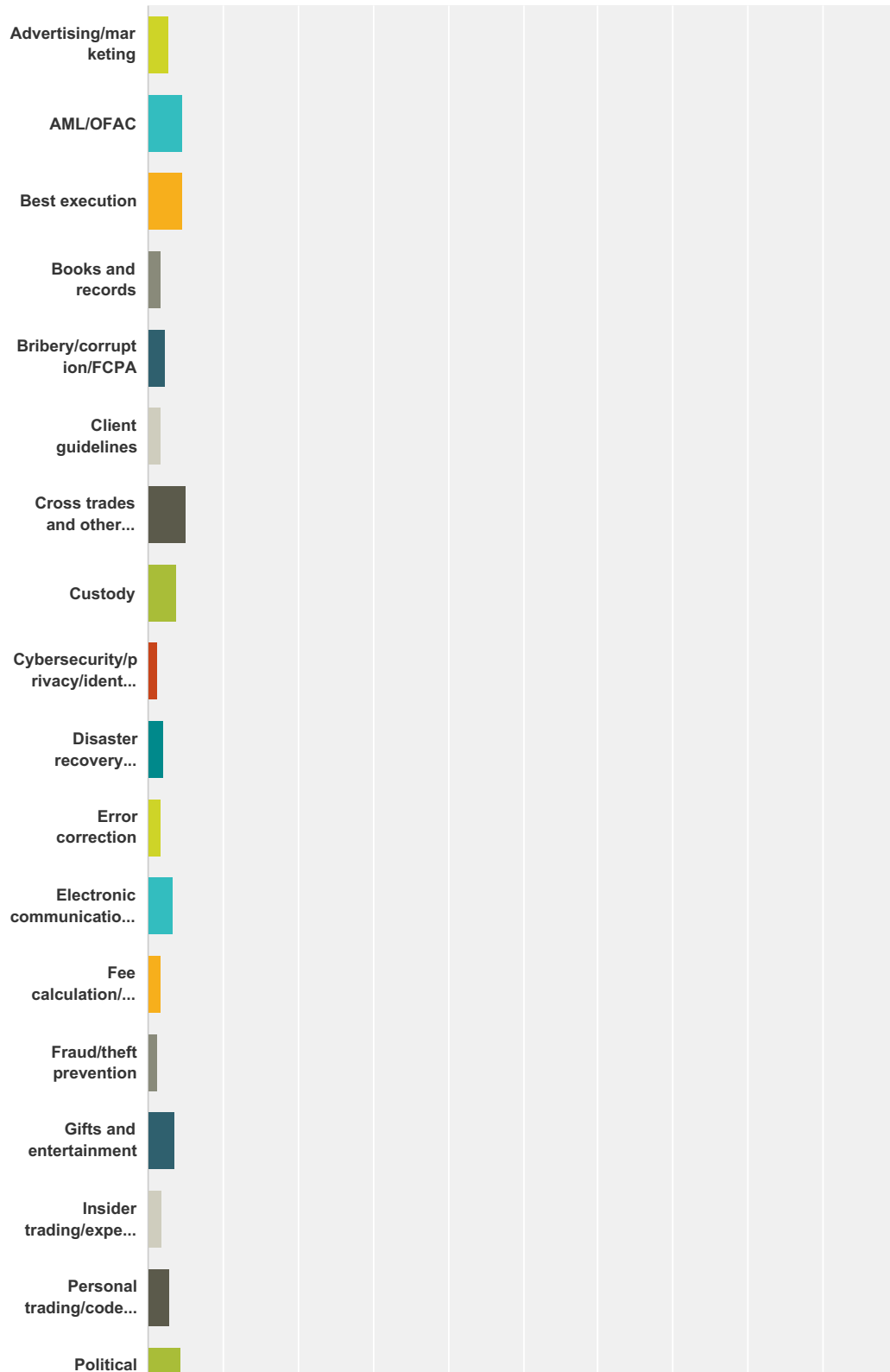
Answer Choices	Responses
Advertising/marketing	39.89% 213
AML/OFAC	18.16% 97
Best execution	29.96% 160
Books and records	22.66% 121
Bribery/corruption/FCPA	5.24% 28
Client guidelines	16.85% 90
Cross trades and other trading issues	10.86% 58
Custody	26.78% 143

## 2017 Investment Management Compliance Testing Survey

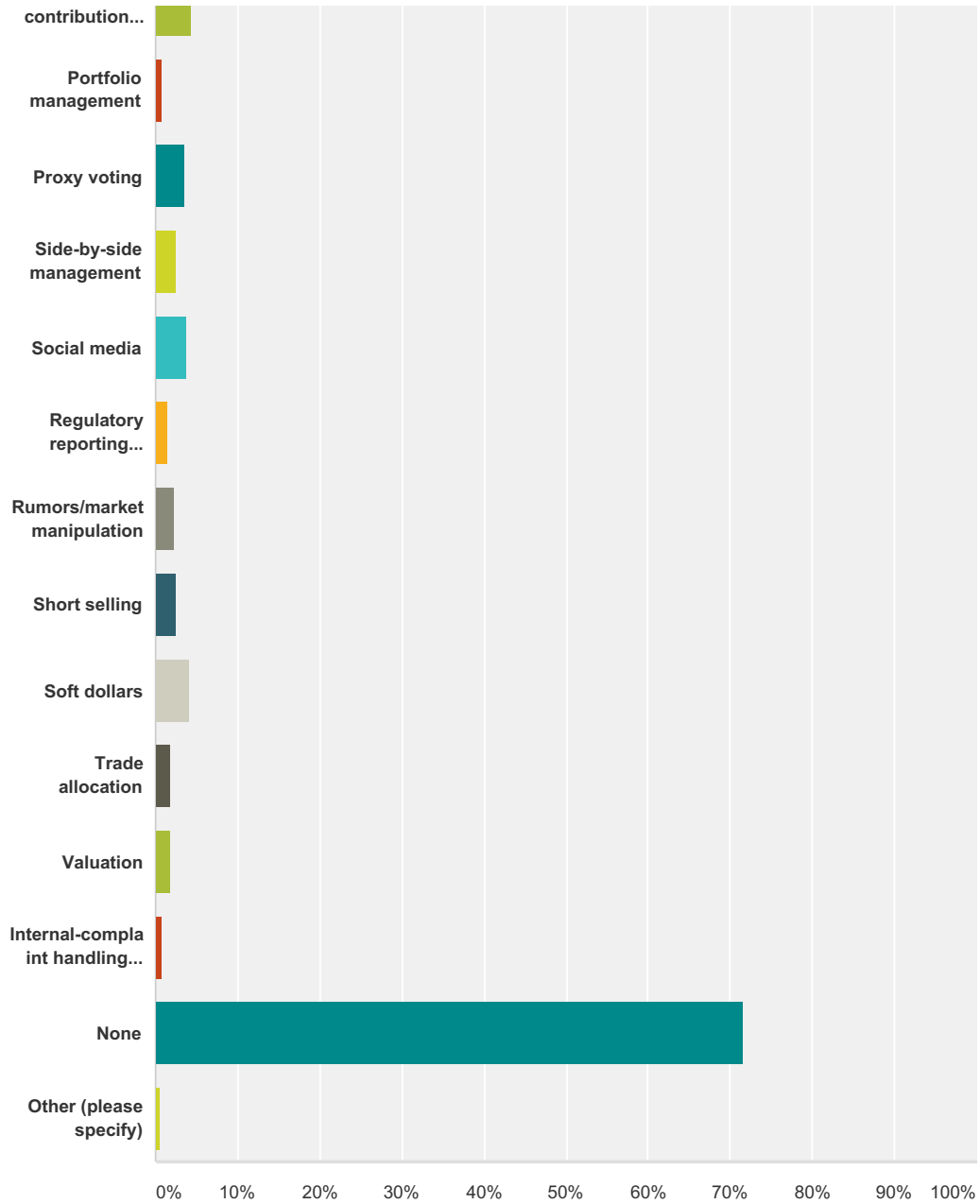
Cybersecurity/privacy/identity theft	76.22%	407
Disaster recovery planning	37.83%	202
Electronic communications surveillance	28.84%	154
Error correction	8.24%	44
Fee calculation/billing	28.09%	150
Fraud/theft prevention	7.68%	41
Gifts and entertainment	19.10%	102
Insider trading/expert networks	14.98%	80
Personal trading/code of ethics	23.97%	128
Political contributions/Pay-to-play	16.48%	88
Portfolio management	14.42%	77
Proxy voting	10.49%	56
Side-by-side management	4.87%	26
Social media	20.41%	109
Regulatory reporting (e.g., Form ADV, Form 13F)	14.98%	80
Rumors/market manipulation	2.25%	12
Short selling	2.43%	13
Soft dollars	10.49%	56
Trade allocation	19.10%	102
Valuation	16.29%	87
Internal-complaint handling procedures	5.81%	31
None	4.31%	23
Other (please specify)	3.75%	20
<b>Total Respondents: 534</b>		

**Q16 In which of the following areas have you decreased the type, scope, and/or frequency of compliance testing (since January 1, 2016)? (check all that apply)**

Answered: 431 Skipped: 166



## 2017 Investment Management Compliance Testing Survey



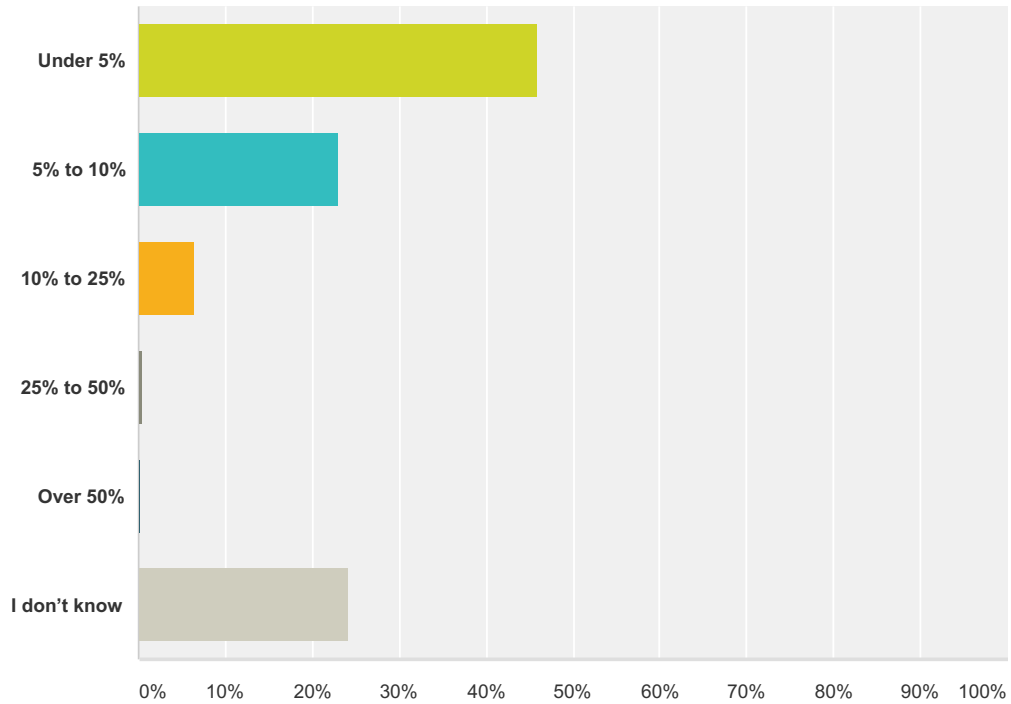
Answer Choices	Responses
Advertising/marketing	2.78% 12
AML/OFAC	4.64% 20
Best execution	4.64% 20
Books and records	1.62% 7
Bribery/corruption/FCPA	2.32% 10
Client guidelines	1.62% 7
Cross trades and other trading issues	5.10% 22
Custody	3.71% 16

## 2017 Investment Management Compliance Testing Survey

Cybersecurity/privacy/identity theft	1.16%	5
Disaster recovery planning	2.09%	9
Error correction	1.62%	7
Electronic communications surveillance	3.25%	14
Fee calculation/billing	1.62%	7
Fraud/theft prevention	1.16%	5
Gifts and entertainment	3.48%	15
Insider trading/expert networks	1.86%	8
Personal trading/code of ethics	3.02%	13
Political contributions/Pay-to-play	4.41%	19
Portfolio management	0.93%	4
Proxy voting	3.48%	15
Side-by-side management	2.55%	11
Social media	3.71%	16
Regulatory reporting (e.g., Form ADV, Form 13F)	1.39%	6
Rumors/market manipulation	2.32%	10
Short selling	2.55%	11
Soft dollars	4.18%	18
Trade allocation	1.86%	8
Valuation	1.86%	8
Internal-complaint handling procedures	0.93%	4
None	71.69%	309
Other (please specify)	0.70%	3
<b>Total Respondents: 431</b>		

**Q17 What percentage of your firm’s total revenue did your compliance budget represent in 2016 (estimate)? Include compensation of the firm’s compliance professional(s).**

Answered: 530 Skipped: 67

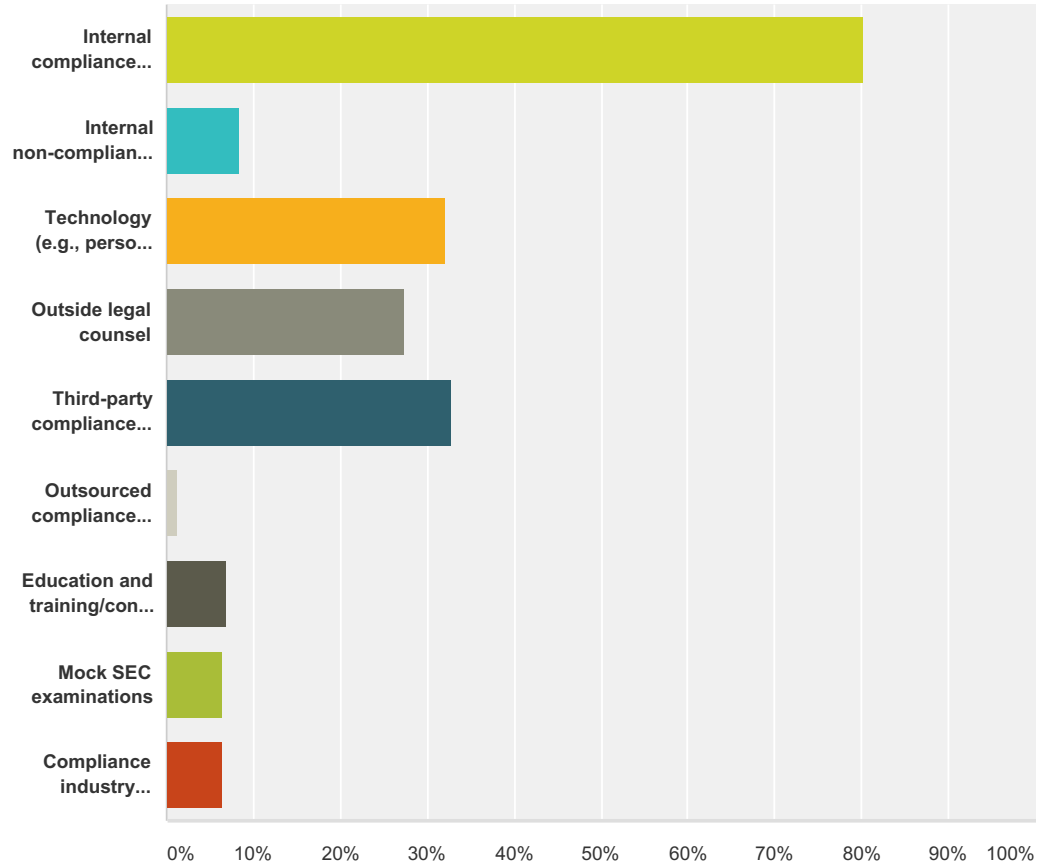


Answer Choices	Responses
Under 5%	45.85% 243
5% to 10%	23.02% 122
10% to 25%	6.42% 34
25% to 50%	0.38% 2
Over 50%	0.19% 1
I don't know	24.15% 128
<b>Total</b>	<b>530</b>



**Q18 Which of the following costs represent over 20% of your firm’s compliance-related budget? (check all that apply)**

Answered: 517 Skipped: 80

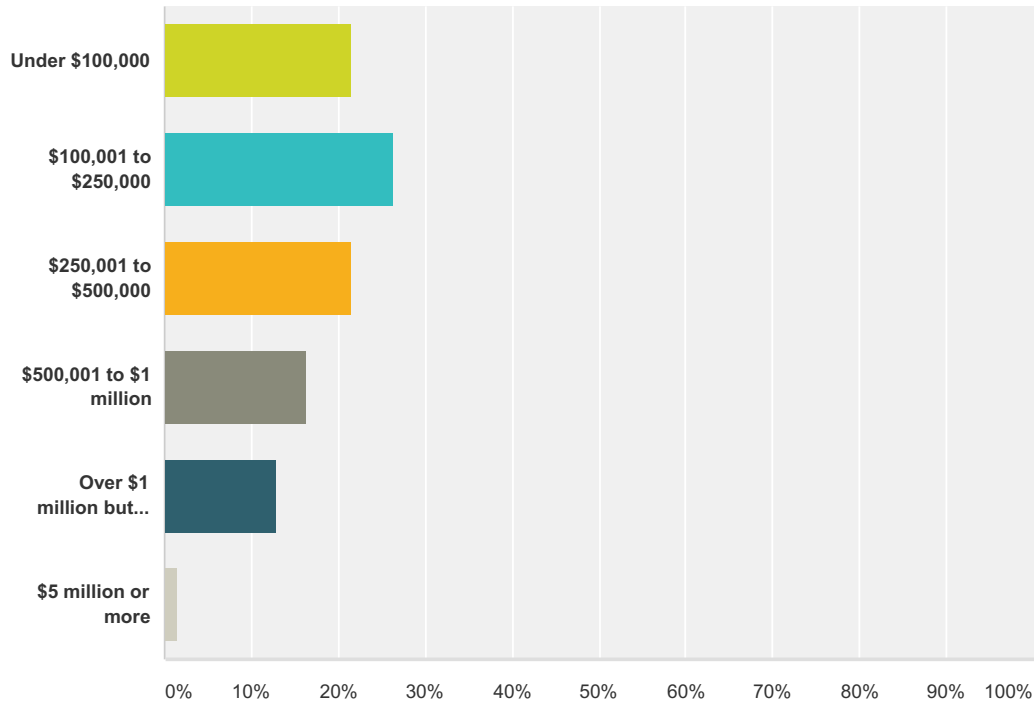


Answer Choices	Responses
Internal compliance personnel	<b>80.27%</b> 415
Internal non-compliance personnel performing compliance tasks	<b>8.32%</b> 43
Technology (e.g., personal trading software, email retention and surveillance systems, compliance functionality within order management and trading systems)	<b>32.11%</b> 166
Outside legal counsel	<b>27.27%</b> 141
Third-party compliance consultants	<b>32.69%</b> 169
Outsourced compliance officers	<b>1.35%</b> 7
Education and training/conferences (other than as provided by outside legal counsel and third-party consultants)	<b>6.96%</b> 36
Mock SEC examinations	<b>6.38%</b> 33
Compliance industry memberships and subscriptions	<b>6.38%</b> 33

Total Respondents: 517

**Q19 How much did your firm incur in total compliance-related costs in 2016 (estimate)? Include compensation of the firm's compliance professional(s) (roughly prorated if they wear multiple hats).**

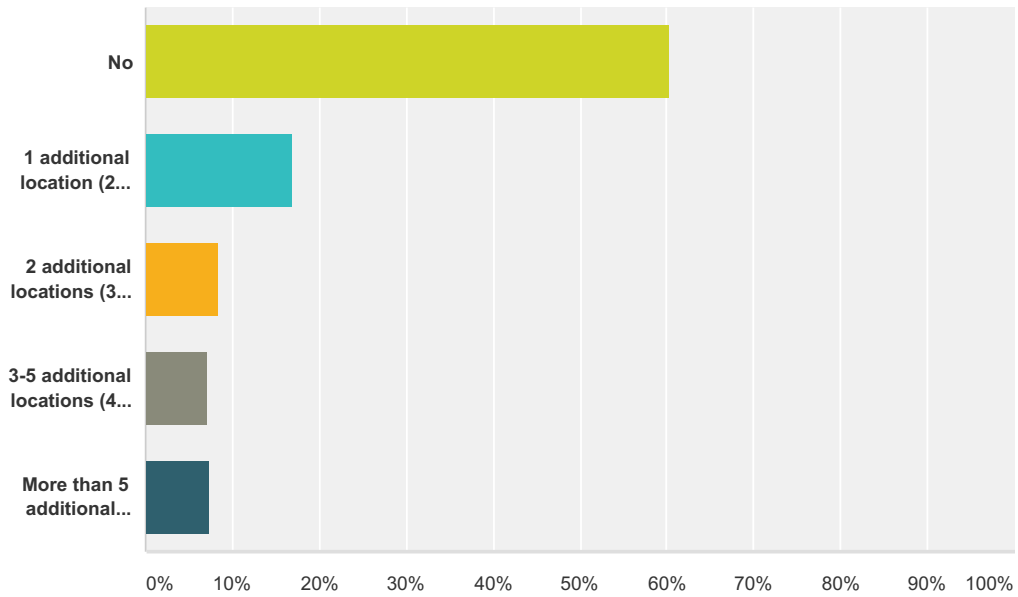
Answered: 512 Skipped: 85



Answer Choices	Responses	
Under \$100,000	21.48%	110
\$100,001 to \$250,000	26.37%	135
\$250,001 to \$500,000	21.48%	110
\$500,001 to \$1 million	16.21%	83
Over \$1 million but less than \$5 million	12.89%	66
\$5 million or more	1.56%	8
<b>Total</b>		<b>512</b>

### Q20 Does your firm provide advisory services from multiple locations (e.g., a remote or branch office)?

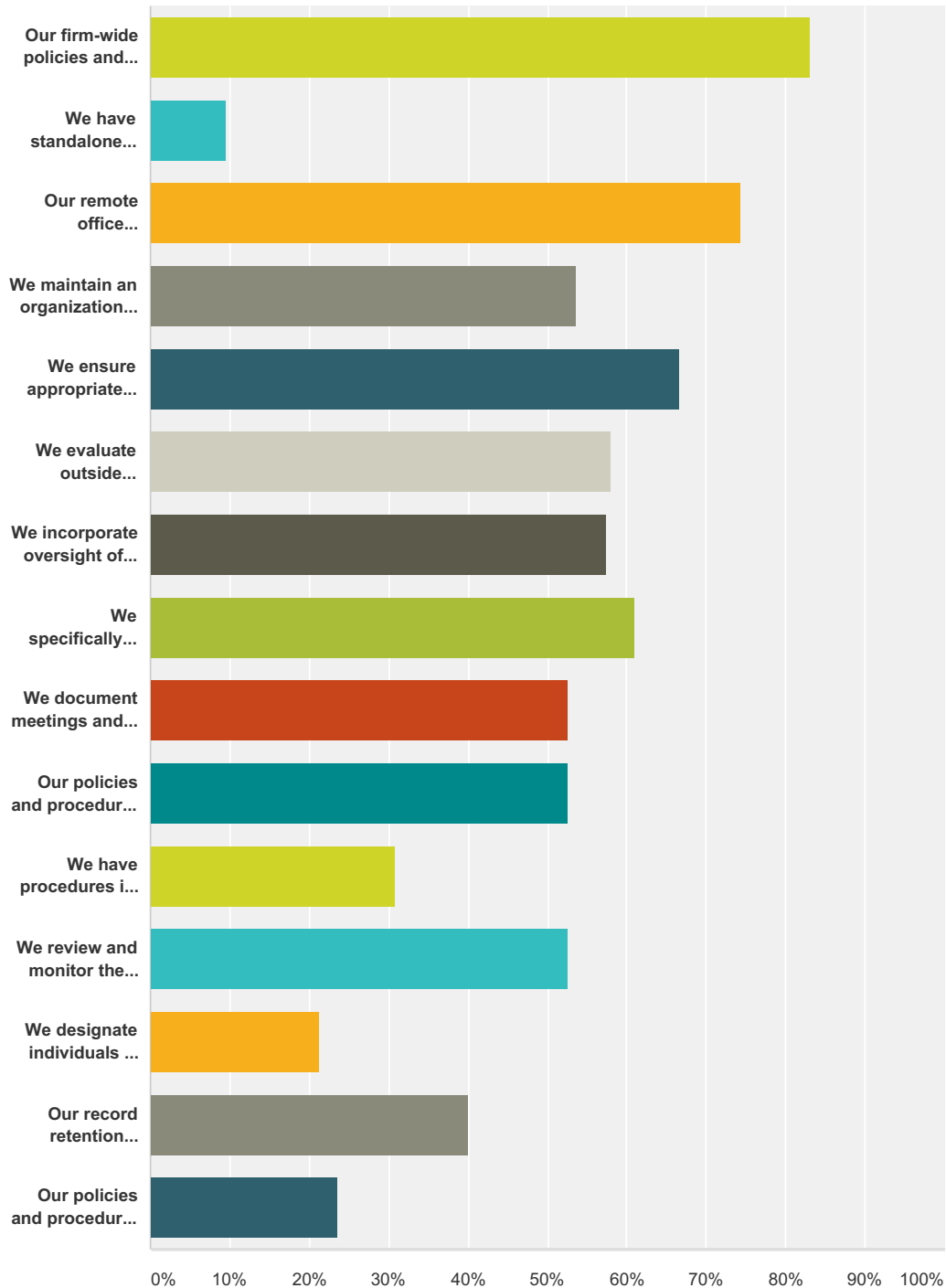
Answered: 533 Skipped: 64



Answer Choices	Responses
No	60.41% 322
1 additional location (2 offices total)	16.89% 90
2 additional locations (3 offices total)	8.26% 44
3-5 additional locations (4-6 offices total)	7.13% 38
More than 5 additional locations (more than 6 offices total)	7.32% 39
<b>Total</b>	<b>533</b>

**Q21 Which of the following are applicable to your compliance program relating to the oversight of advisory services provided at remote locations? (check all that apply)**

Answered: 207 Skipped: 390



Answer Choices

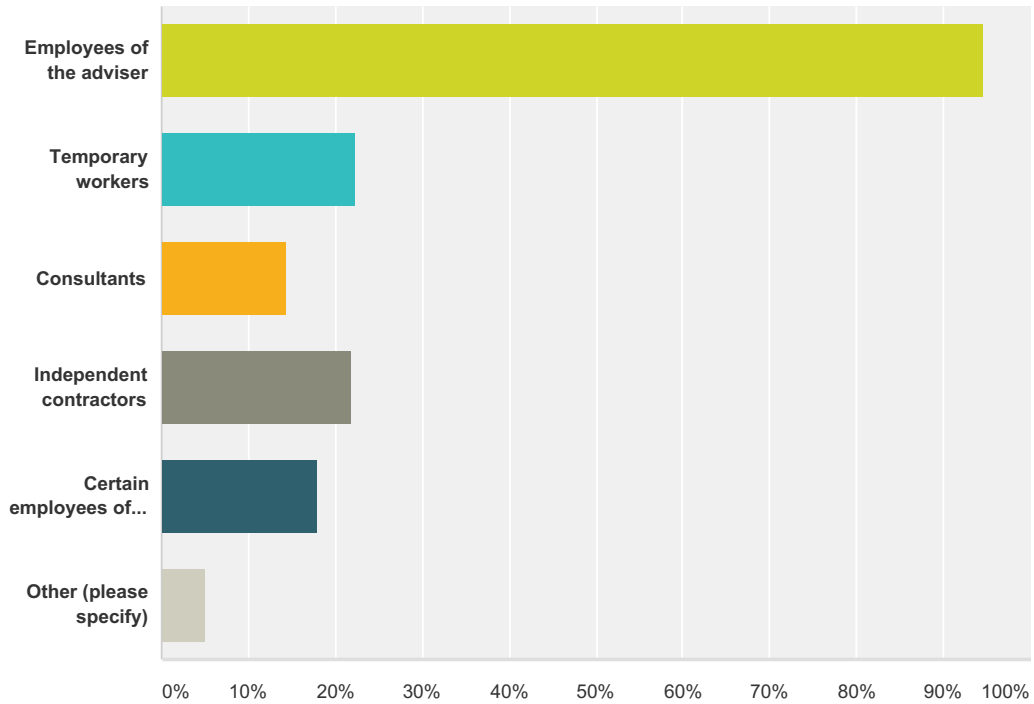
Responses

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Our firm-wide policies and procedures address overseeing remote office locations.	<b>83.09%</b> 172
We have standalone written compliance policies and procedures at each location.	<b>9.66%</b> 20
Our remote office locations are connected to our home office computer network, including automated compliance controls.	<b>74.40%</b> 154
We maintain an organizational chart to evidence oversight structures.	<b>53.62%</b> 111
We ensure appropriate controls over satellite office activities (e.g., fees, advertisements, personal trading, communications with clients, custody, investment recommendations, trade allocation).	<b>66.67%</b> 138
We evaluate outside business activities and compensation arrangements at remote locations.	<b>57.97%</b> 120
We incorporate oversight of remote offices in our annual compliance program review report.	<b>57.49%</b> 119
We specifically train employees at remote locations on the compliance program and all applicable requirements.	<b>60.87%</b> 126
We document meetings and training that occur at remote locations.	<b>52.66%</b> 109
Our policies and procedures address how violations should be reported and include escalation procedures for complaints that are not addressed by an immediate supervisor.	<b>52.66%</b> 109
We have procedures in place to identify and address "red flags" at remote locations.	<b>30.92%</b> 64
We review and monitor the effectiveness of our code of ethics with respect to remote office employees.	<b>52.66%</b> 109
We designate individuals at remote locations responsible for compliance, including training and educating supervisors regarding the applicable laws and regulations for their respective offices.	<b>21.26%</b> 44
Our record retention policies and procedures specifically address our remote locations.	<b>40.10%</b> 83
Our policies and procedures specifically address oversight of remote trading activity.	<b>23.67%</b> 49
<b>Total Respondents: 207</b>	

**Q22 For purposes of our branch office policies and procedures, supervised employees include the following. (check all that apply)**

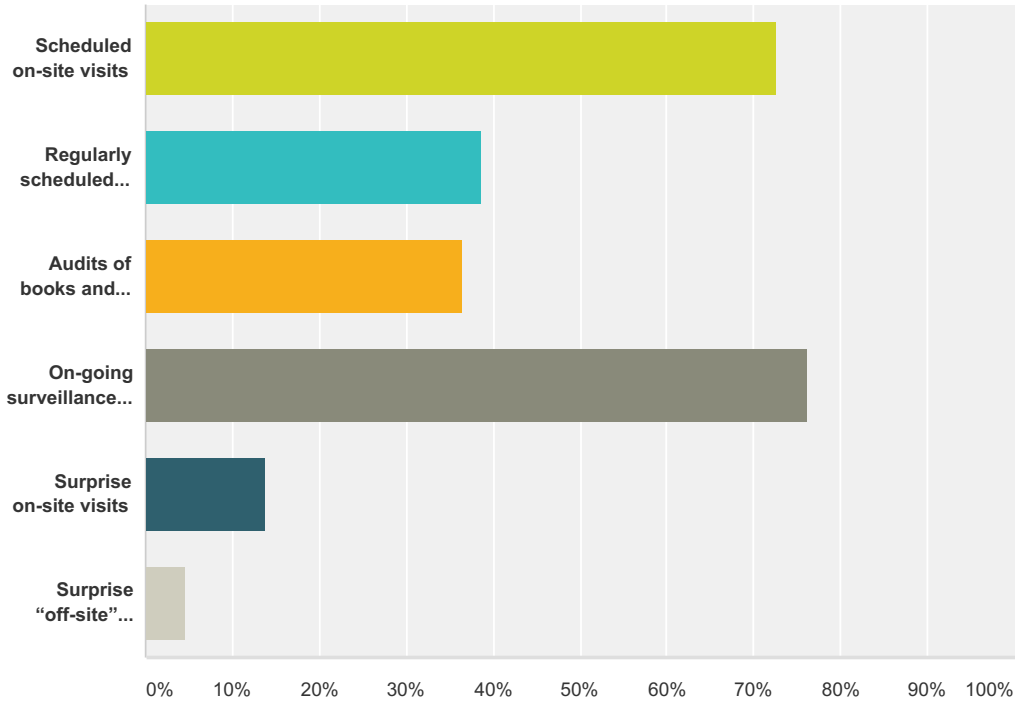
Answered: 201 Skipped: 396



Answer Choices	Responses	
Employees of the adviser	94.53%	190
Temporary workers	22.39%	45
Consultants	14.43%	29
Independent contractors	21.89%	44
Certain employees of affiliates	17.91%	36
Other (please specify)	4.98%	10
<b>Total Respondents: 201</b>		

**Q23 Compliance reviews of remote offices consist of the following. (check all that apply)**

Answered: 197 Skipped: 400

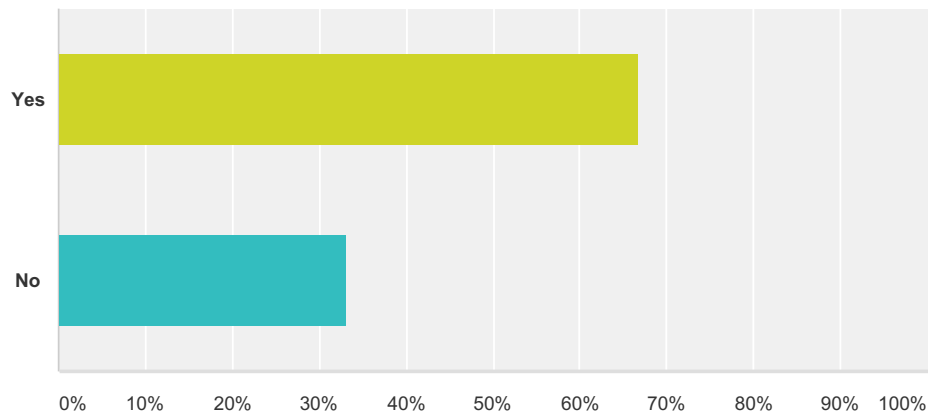


Answer Choices	Responses
Scheduled on-site visits	72.59% 143
Regularly scheduled telephone/video conferencing with home office compliance team	38.58% 76
Audits of books and records	36.55% 72
On-going surveillance of certain activities	76.14% 150
Surprise on-site visits	13.71% 27
Surprise "off-site" reviews	4.57% 9
<b>Total Respondents: 197</b>	



### Q24 Do you use automated/electronic compliance systems?

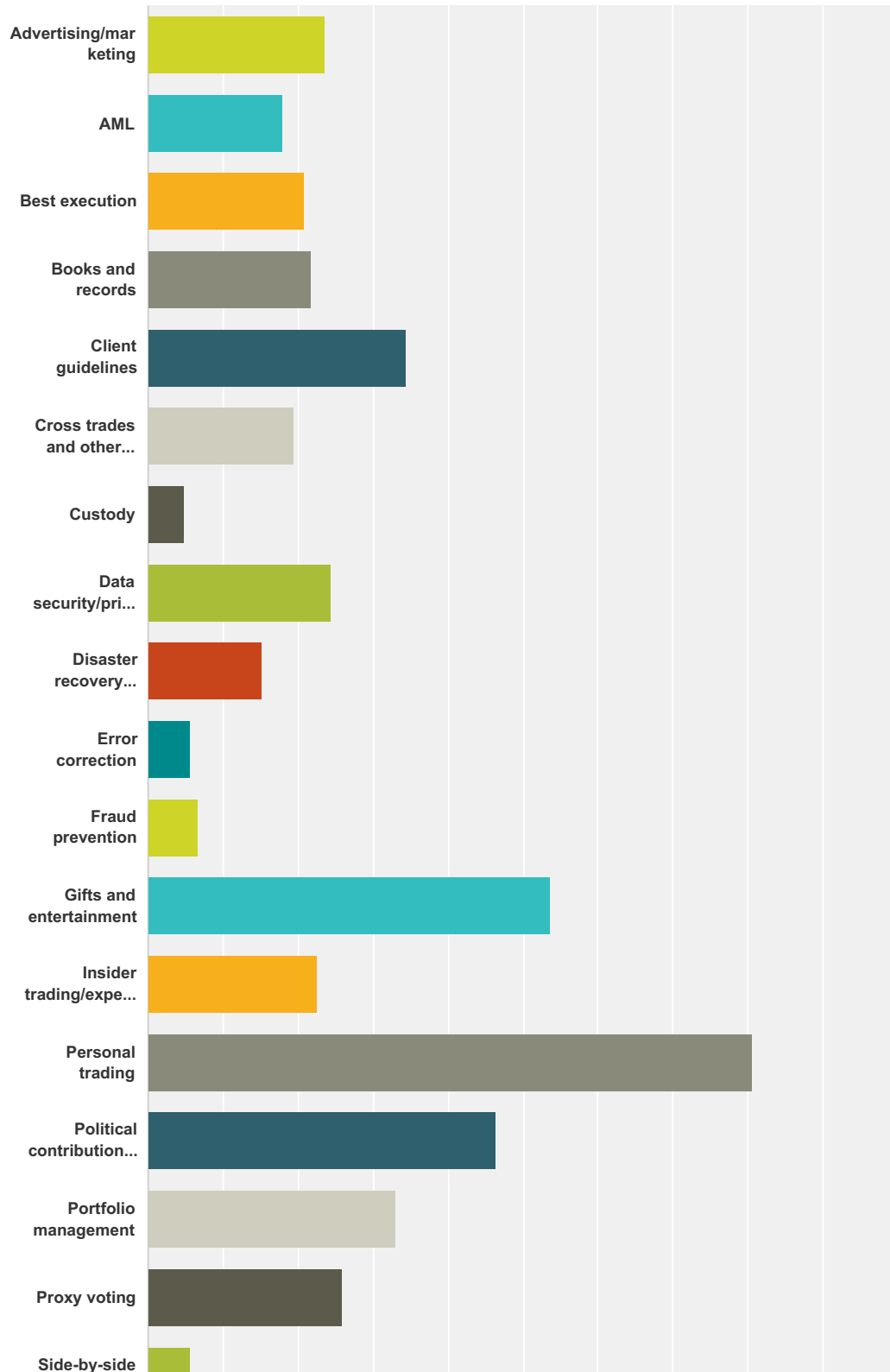
Answered: 528 Skipped: 69



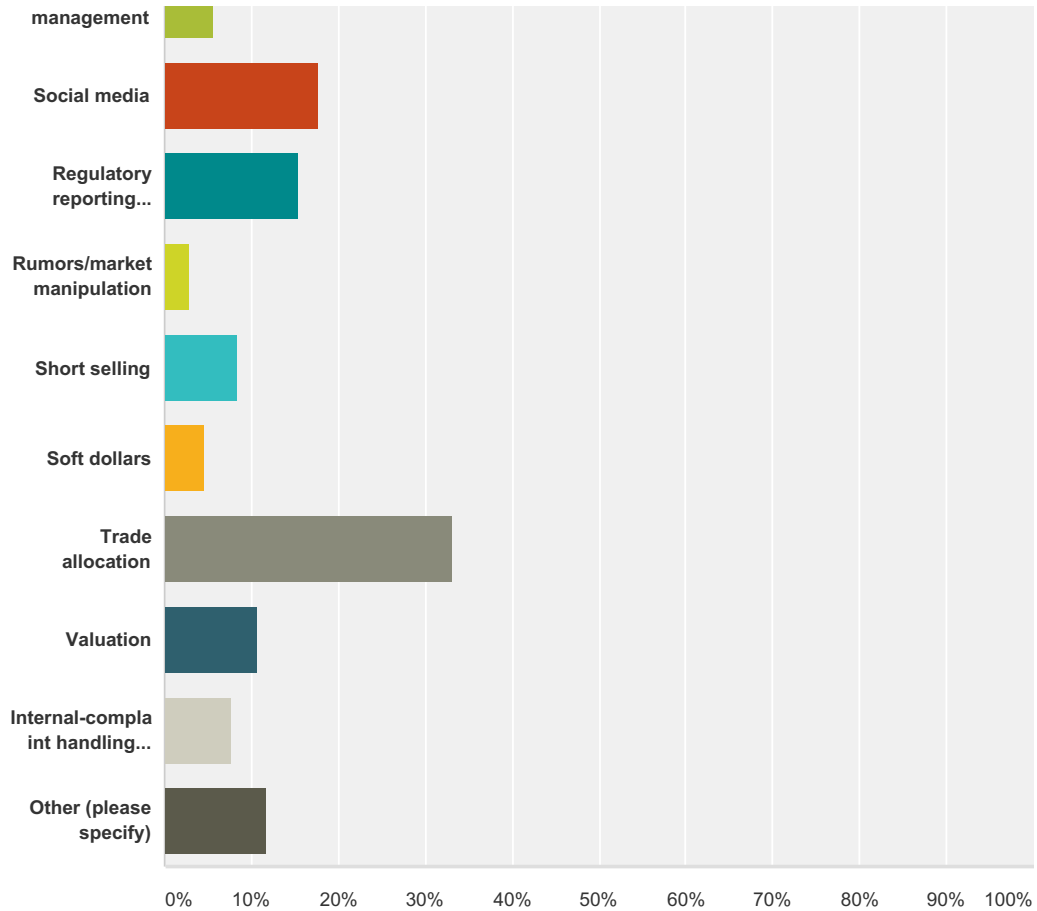
Answer Choices	Responses	
Yes	66.86%	353
No	33.14%	175
<b>Total</b>		<b>528</b>

**Q25 You have indicated that you use automated/electronic compliance systems. In what areas do you use these systems? (check all that apply)**

Answered: 349 Skipped: 248



## 2017 Investment Management Compliance Testing Survey



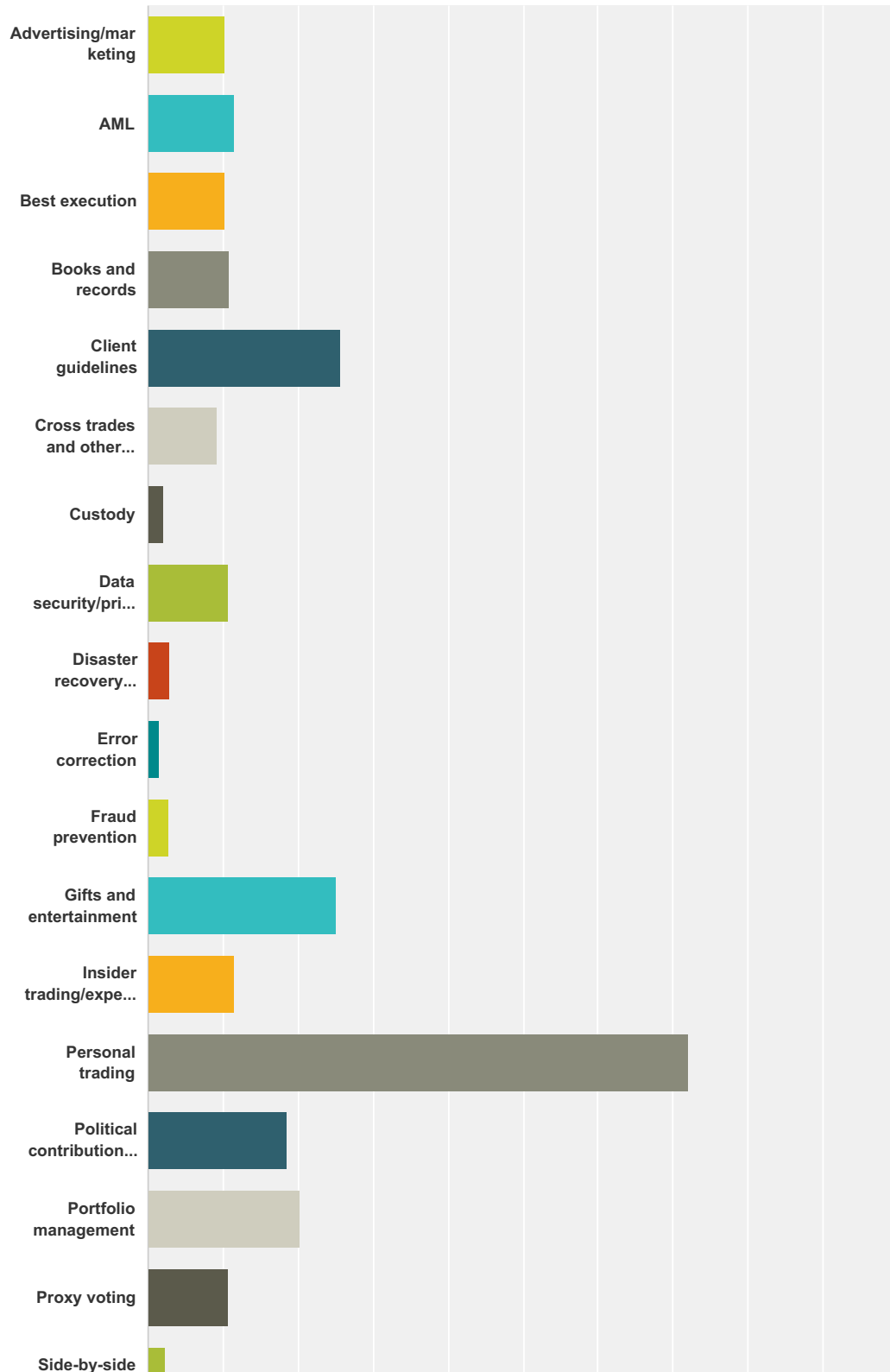
Answer Choices	Responses	
Advertising/marketing	23.50%	82
AML	18.05%	63
Best execution	20.92%	73
Books and records	21.78%	76
Client guidelines	34.38%	120
Cross trades and other trading issues	19.48%	68
Custody	4.87%	17
Data security/privacy/identity theft	24.36%	85
Disaster recovery planning	15.19%	53
Error correction	5.73%	20
Fraud prevention	6.59%	23
Gifts and entertainment	53.58%	187
Insider trading/expert networks	22.64%	79
Personal trading	80.52%	281
Political contributions/Pay-to-play	46.42%	162

## 2017 Investment Management Compliance Testing Survey

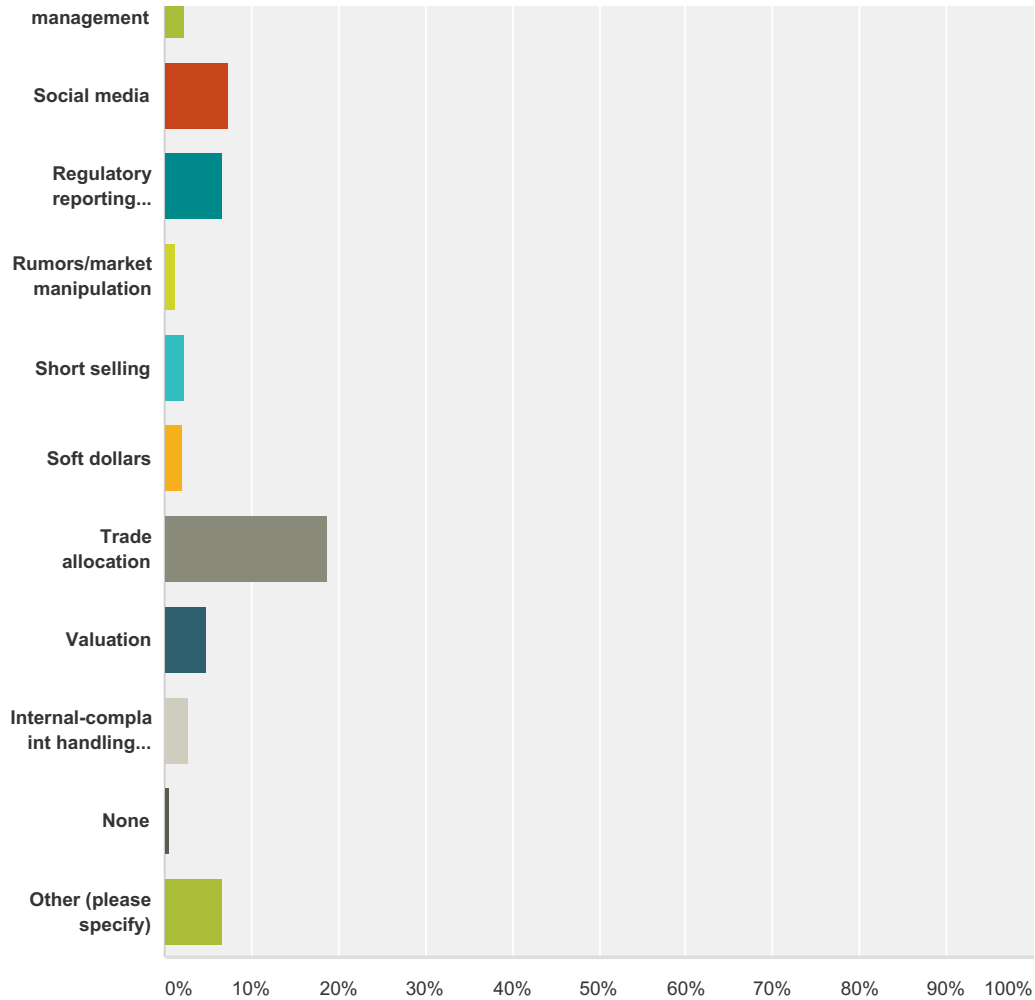
Portfolio management	32.95%	115
Proxy voting	25.79%	90
Side-by-side management	5.73%	20
Social media	17.77%	62
Regulatory reporting (e.g., Form ADV, Form 13F)	15.47%	54
Rumors/market manipulation	2.87%	10
Short selling	8.31%	29
Soft dollars	4.58%	16
Trade allocation	33.24%	116
Valuation	10.60%	37
Internal-complaint handling procedures	7.74%	27
Other (please specify)	11.75%	41
<b>Total Respondents: 349</b>		

**Q26 In which of the following areas do you find automated/electronic compliance systems to be the most useful? (Please pick only three!)**

Answered: 339 Skipped: 258



## 2017 Investment Management Compliance Testing Survey



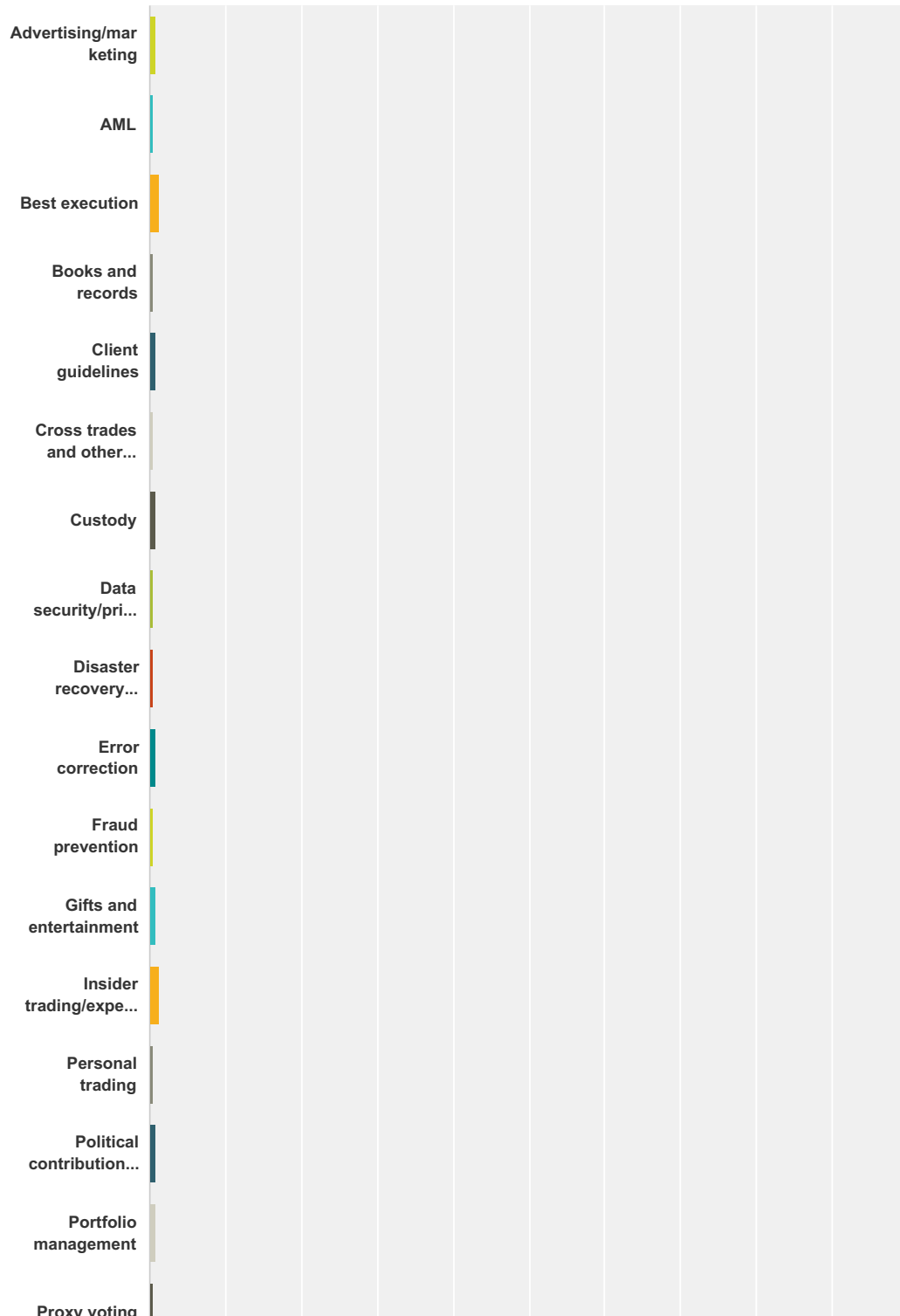
Answer Choices	Responses	Count
Advertising/marketing	10.32%	35
AML	11.50%	39
Best execution	10.32%	35
Books and records	10.91%	37
Client guidelines	25.66%	87
Cross trades and other trading issues	9.14%	31
Custody	2.06%	7
Data security/privacy/identity theft	10.62%	36
Disaster recovery planning	2.95%	10
Error correction	1.47%	5
Fraud prevention	2.65%	9
Gifts and entertainment	25.07%	85
Insider trading/expert networks	11.50%	39

## 2017 Investment Management Compliance Testing Survey

Personal trading	71.98%	244
Political contributions/Pay-to-play	18.58%	63
Portfolio management	20.35%	69
Proxy voting	10.62%	36
Side-by-side management	2.36%	8
Social media	7.37%	25
Regulatory reporting (e.g., Form ADV, Form 13F)	6.78%	23
Rumors/market manipulation	1.18%	4
Short selling	2.36%	8
Soft dollars	2.06%	7
Trade allocation	18.88%	64
Valuation	4.72%	16
Internal-complaint handling procedures	2.65%	9
None	0.59%	2
Other (please specify)	6.78%	23
<b>Total Respondents: 339</b>		

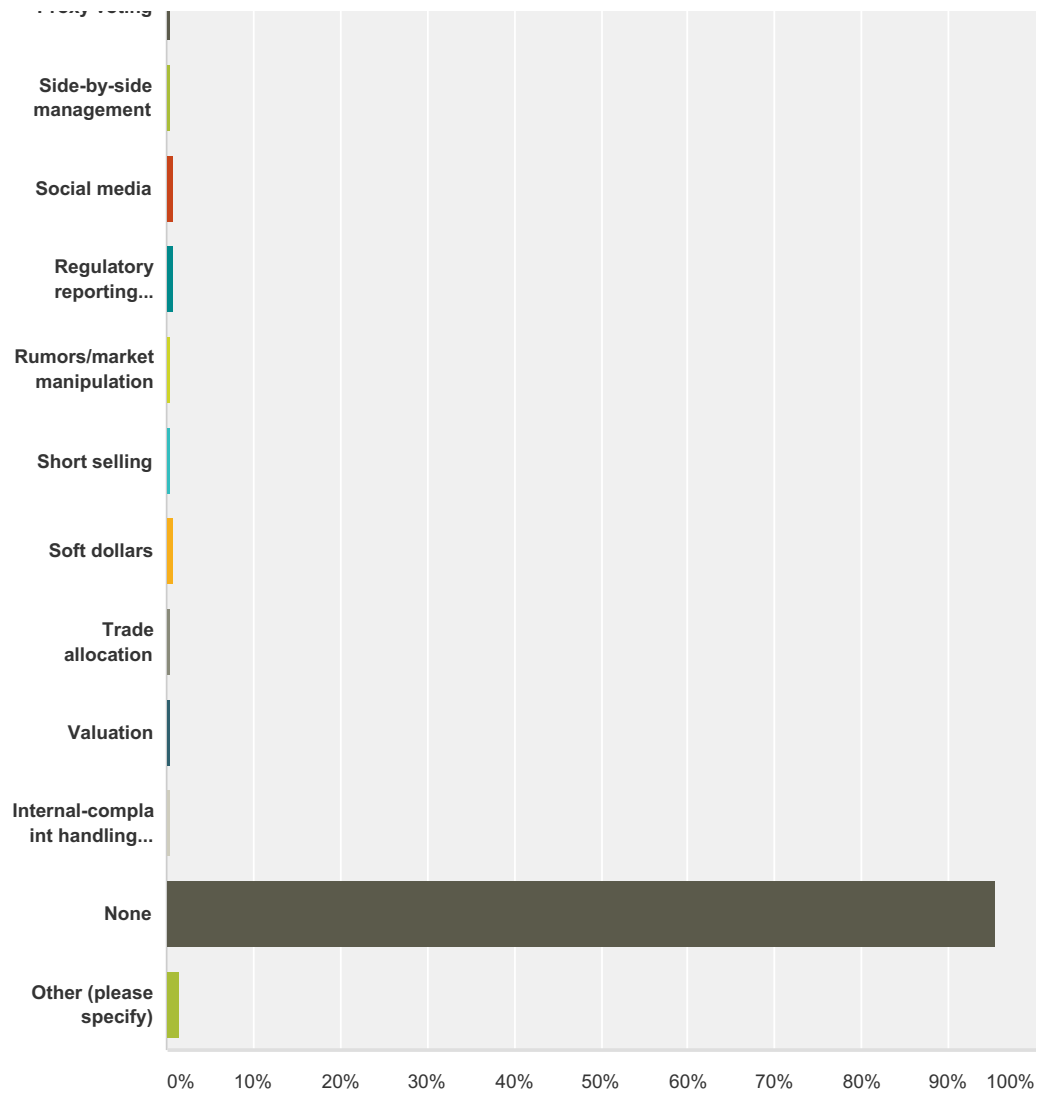
**Q27 In which of the following areas have you discontinued the use of automated/electronic compliance systems? (check all that apply) (Please explain reason(s) for discontinuing in the comment box below)**

Answered: 259 Skipped: 338





## 2017 Investment Management Compliance Testing Survey



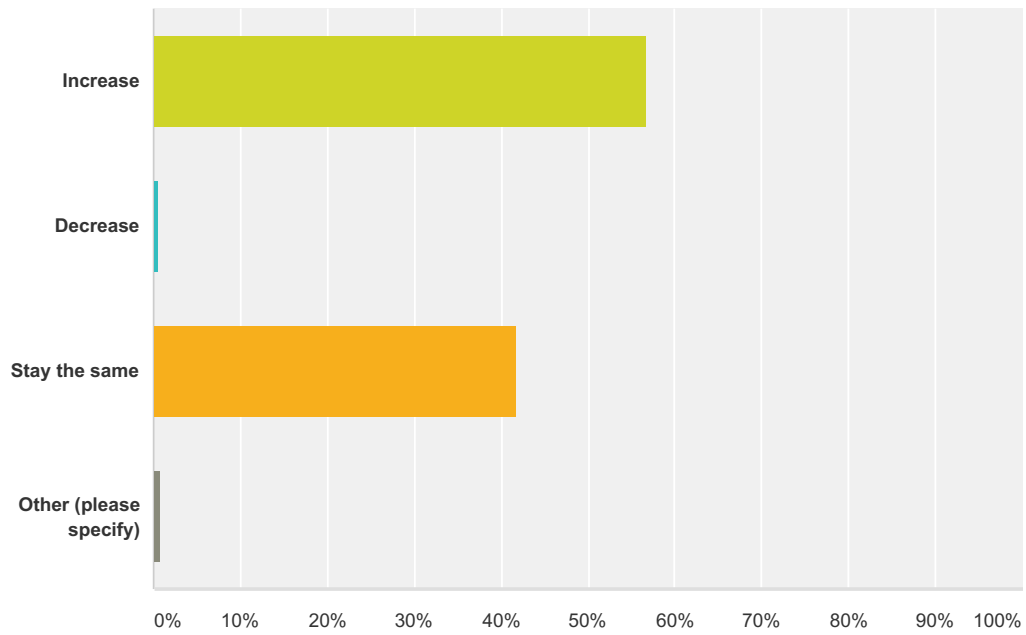
Answer Choices	Responses
Advertising/marketing	0.77% 2
AML	0.39% 1
Best execution	1.16% 3
Books and records	0.39% 1
Client guidelines	0.77% 2
Cross trades and other trading issues	0.39% 1
Custody	0.77% 2
Data security/privacy/identity theft	0.39% 1
Disaster recovery planning	0.39% 1
Error correction	0.77% 2
Fraud prevention	0.39% 1
Gifts and entertainment	0.77% 2

## 2017 Investment Management Compliance Testing Survey

Insider trading/expert networks	1.16%	3
Personal trading	0.39%	1
Political contributions/Pay-to-play	0.77%	2
Portfolio management	0.77%	2
Proxy voting	0.39%	1
Side-by-side management	0.39%	1
Social media	0.77%	2
Regulatory reporting (e.g., Form ADV, Form 13F)	0.77%	2
Rumors/market manipulation	0.39%	1
Short selling	0.39%	1
Soft dollars	0.77%	2
Trade allocation	0.39%	1
Valuation	0.39%	1
Internal-complaint handling procedures	0.39%	1
None	95.37%	247
Other (please specify)	1.54%	4
<b>Total Respondents: 259</b>		

**Q28 In 2016, did your use of automated systems to assist with compliance:**

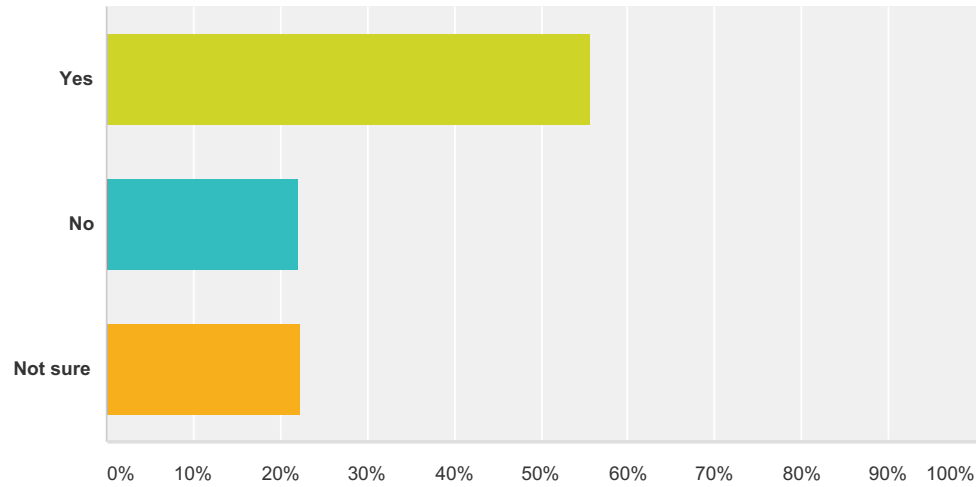
Answered: 345 Skipped: 252



Answer Choices	Responses	
Increase	56.81%	196
Decrease	0.58%	2
Stay the same	41.74%	144
Other (please specify)	0.87%	3
<b>Total</b>		<b>345</b>

**Q29 In 2017, do you anticipate an increase in the use of automated/electronic compliance systems to assist with the management of your compliance program?**

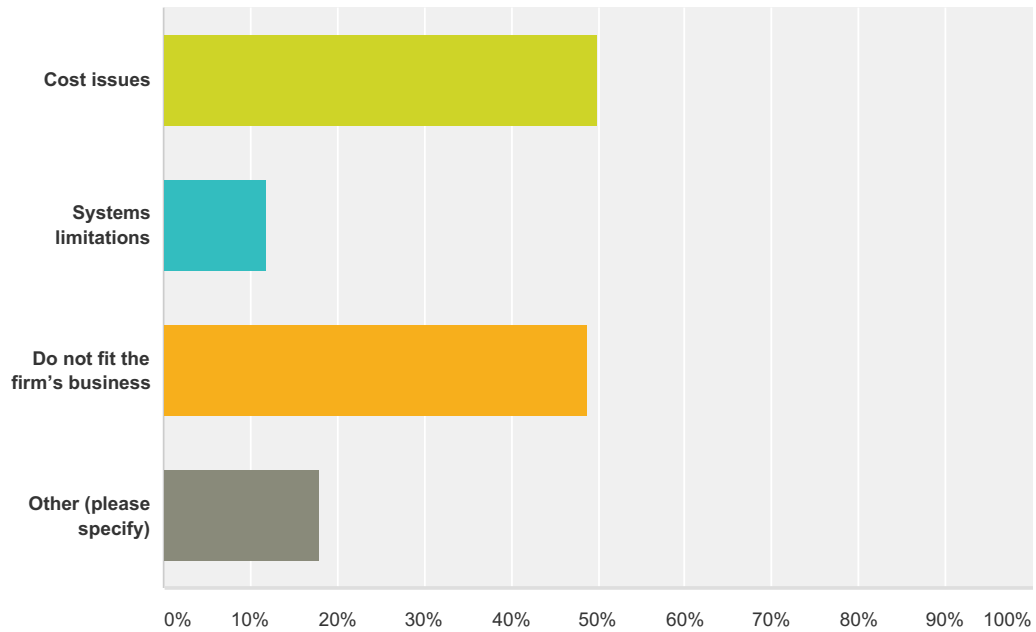
Answered: 345 Skipped: 252



Answer Choices	Responses	
Yes	55.65%	192
No	22.03%	76
Not sure	22.32%	77
<b>Total</b>		<b>345</b>

**Q30 Please specify why you do not use automated/electronic compliance systems. (check all that apply):**

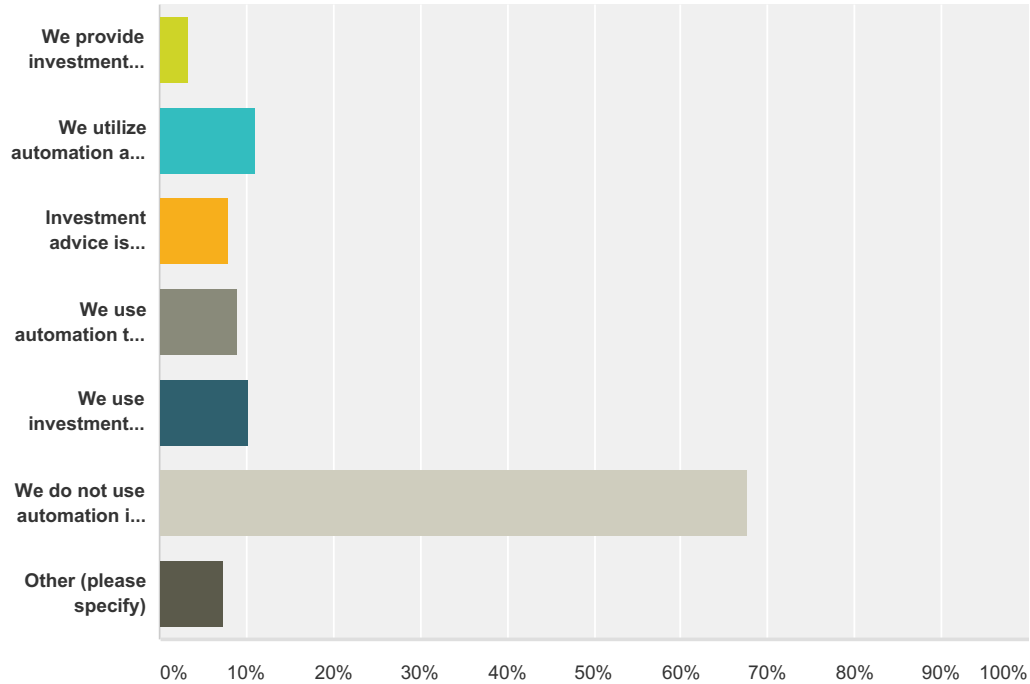
Answered: 178 Skipped: 419



Answer Choices	Responses
Cost issues	50.00% 89
Systems limitations	11.80% 21
Do not fit the firm's business	48.88% 87
Other (please specify)	17.98% 32
<b>Total Respondents: 178</b>	

### Q31 Describe the use of automation in your investment management processes. (check all that apply)

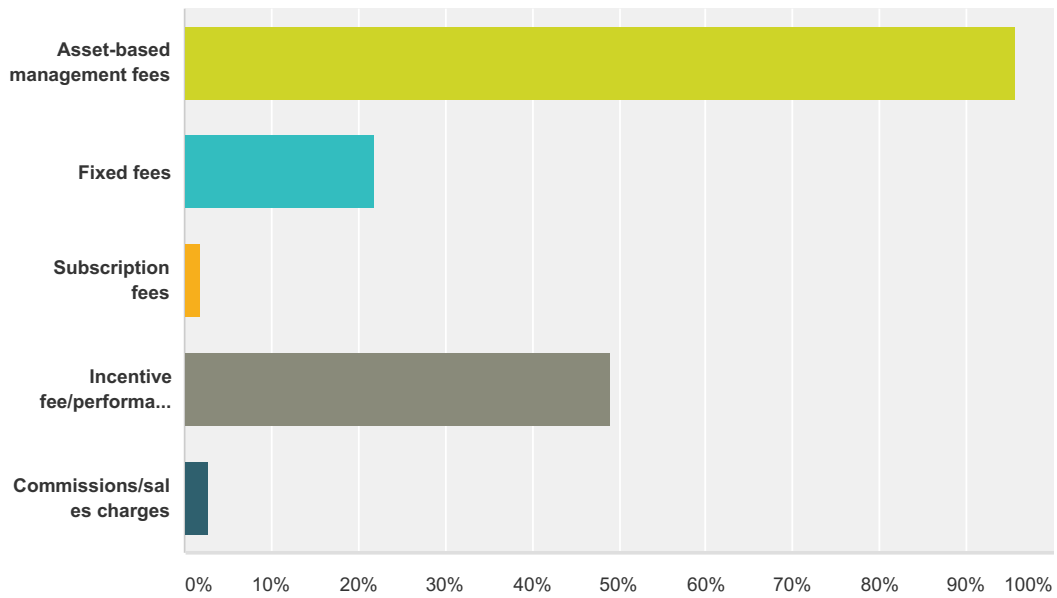
Answered: 491 Skipped: 106



Answer Choices	Responses
We provide investment advice to clients through an automated or digital platform with limited, if any, direct human interaction between the client and investment advisory personnel (i.e., "robo-advice").	3.26% 16
We utilize automation as a component of our services while also offering clients access to financial professionals.	11.00% 54
Investment advice is provided to clients by investment advisory personnel using an online interactive platform to generate an investment plan that is discussed and refined with the client in person.	7.94% 39
We use automation to collect information from clients (e.g., online questionnaire).	8.96% 44
We use investment algorithms that generate recommendations.	10.18% 50
We do not use automation in our investment management processes.	67.62% 332
Other (please specify)	7.33% 36
<b>Total Respondents: 491</b>	

**Q32 Which type(s) of fees does your firm charge to clients? (check all that apply)**

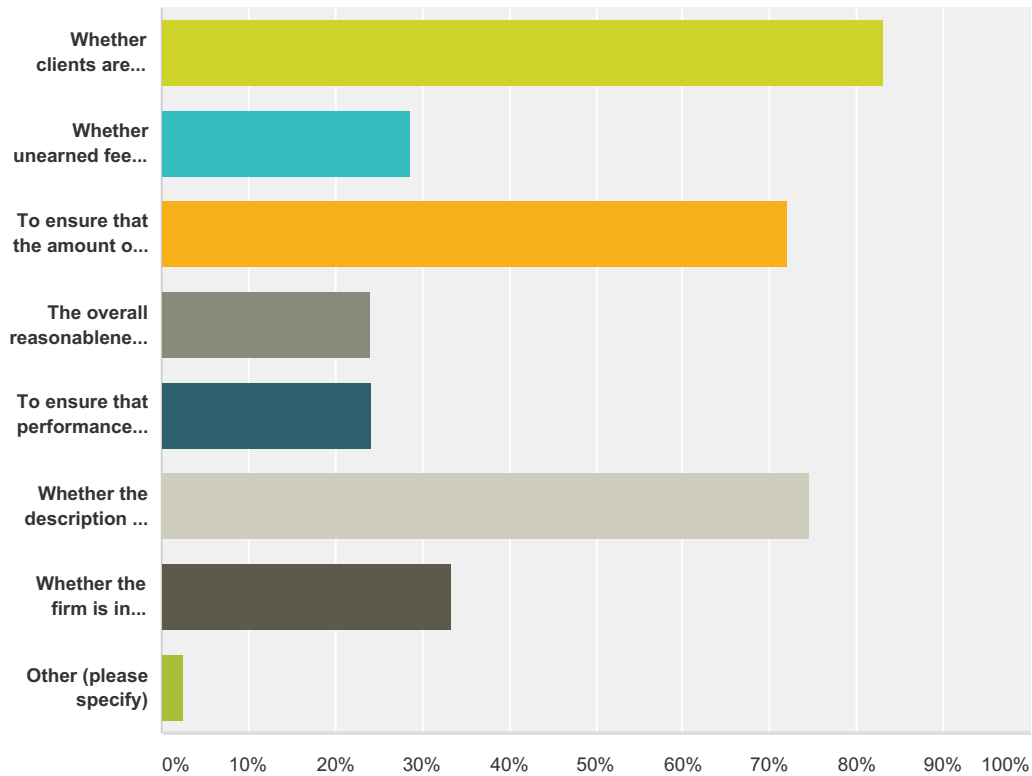
Answered: 476 Skipped: 121



Answer Choices	Responses
Asset-based management fees	95.59% 455
Fixed fees	21.85% 104
Subscription fees	1.89% 9
Incentive fee/performance allocation/carried interest	49.16% 234
Commissions/sales charges	2.73% 13
<b>Total Respondents: 476</b>	

**Q33 Which of the following areas does your firm test relating to fee arrangements?  
(check all that apply)**

Answered: 464 Skipped: 133



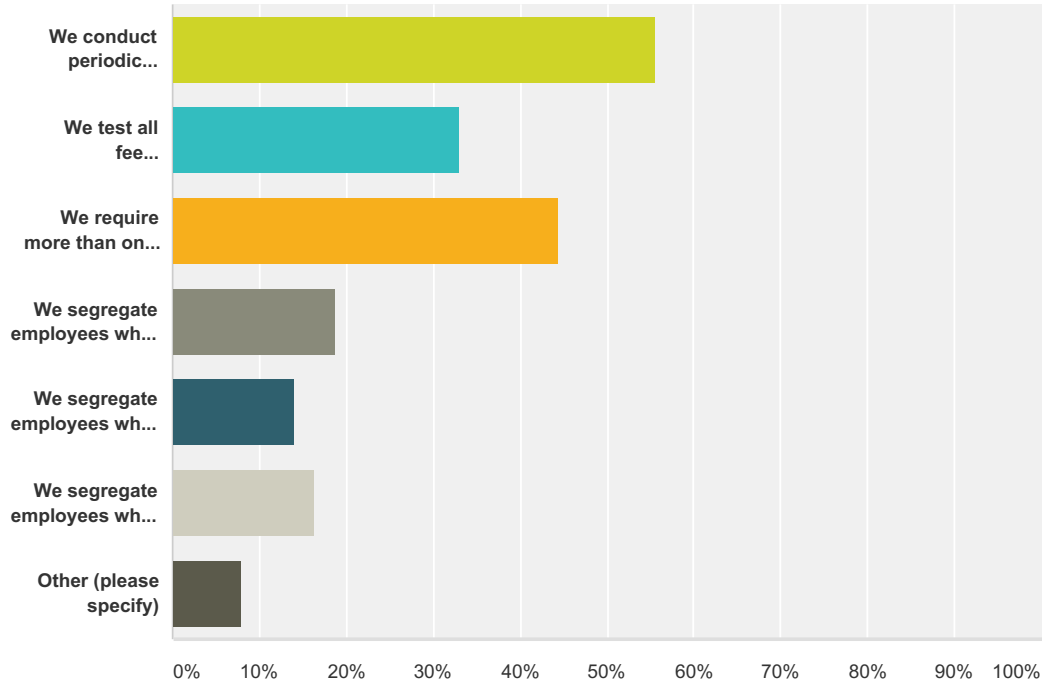
Answer Choices	Responses
Whether clients are billed advisory fees in accordance with the terms of their advisory contracts.	<b>83.19%</b> 386
Whether unearned fees have been credited upon termination of the advisory contract.	<b>28.66%</b> 133
To ensure that the amount of assets under management on which the advisory fee is billed is accurate.	<b>71.98%</b> 334
The overall reasonableness of the amount of fees deducted from all client accounts for a period of time based on the adviser's aggregate assets under management.	<b>23.92%</b> 111
To ensure that performance fees, if any, are billed only to eligible client accounts (i.e., "qualified clients").	<b>24.14%</b> 112
Whether the description of fee arrangements in Form ADV is accurate, current and consistent with the compensation arrangements in advisory contracts.	<b>74.57%</b> 346
Whether the firm is in compliance with most favored nations' fee arrangements.	<b>33.41%</b> 155
Other (please specify)	<b>2.59%</b> 12



Total Respondents: 464

**Q34 Which of the following controls does your firm use to ensure that the amount of assets under management on which the advisory fee is billed is accurate? (check all that apply)**

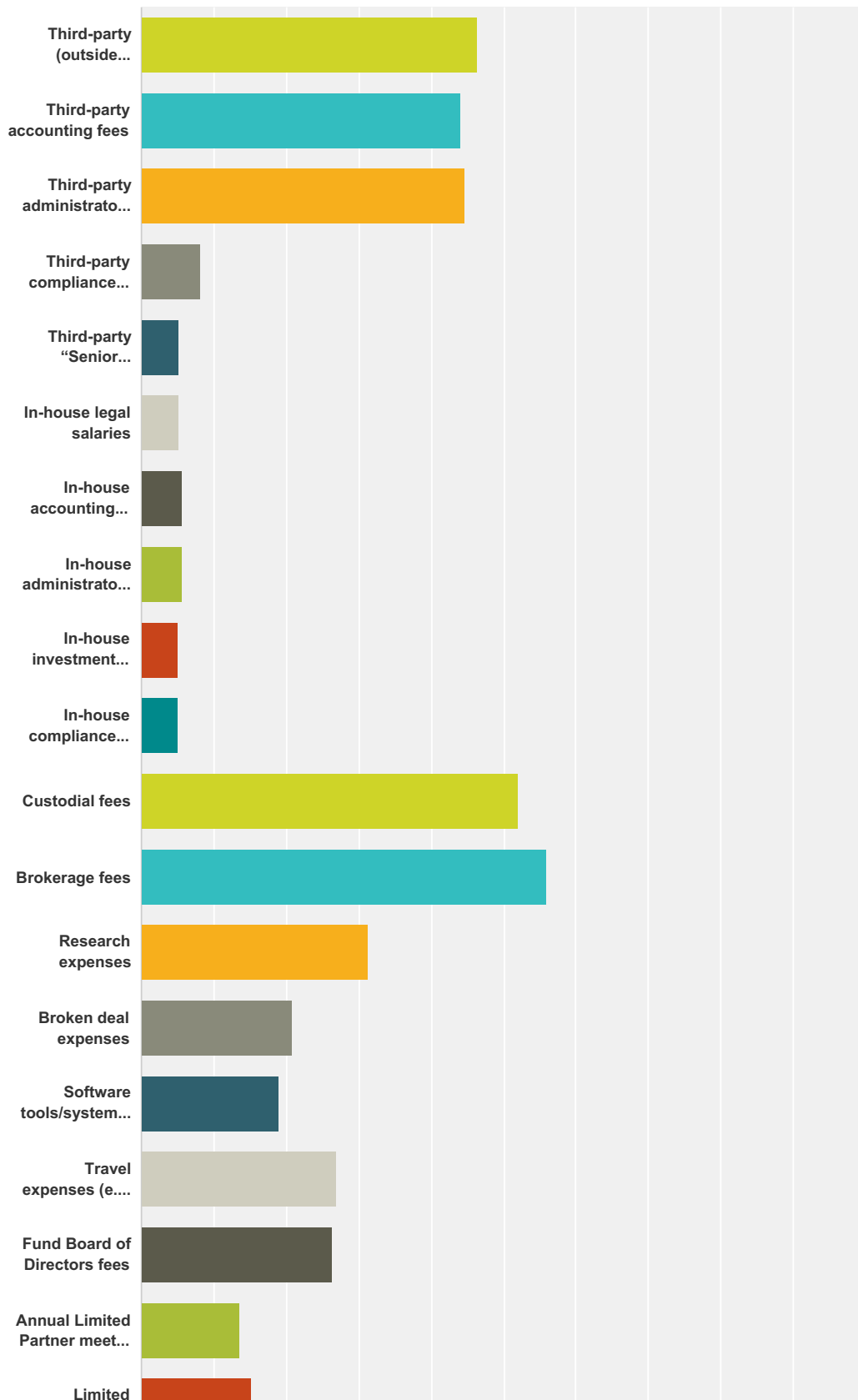
Answered: 450 Skipped: 147



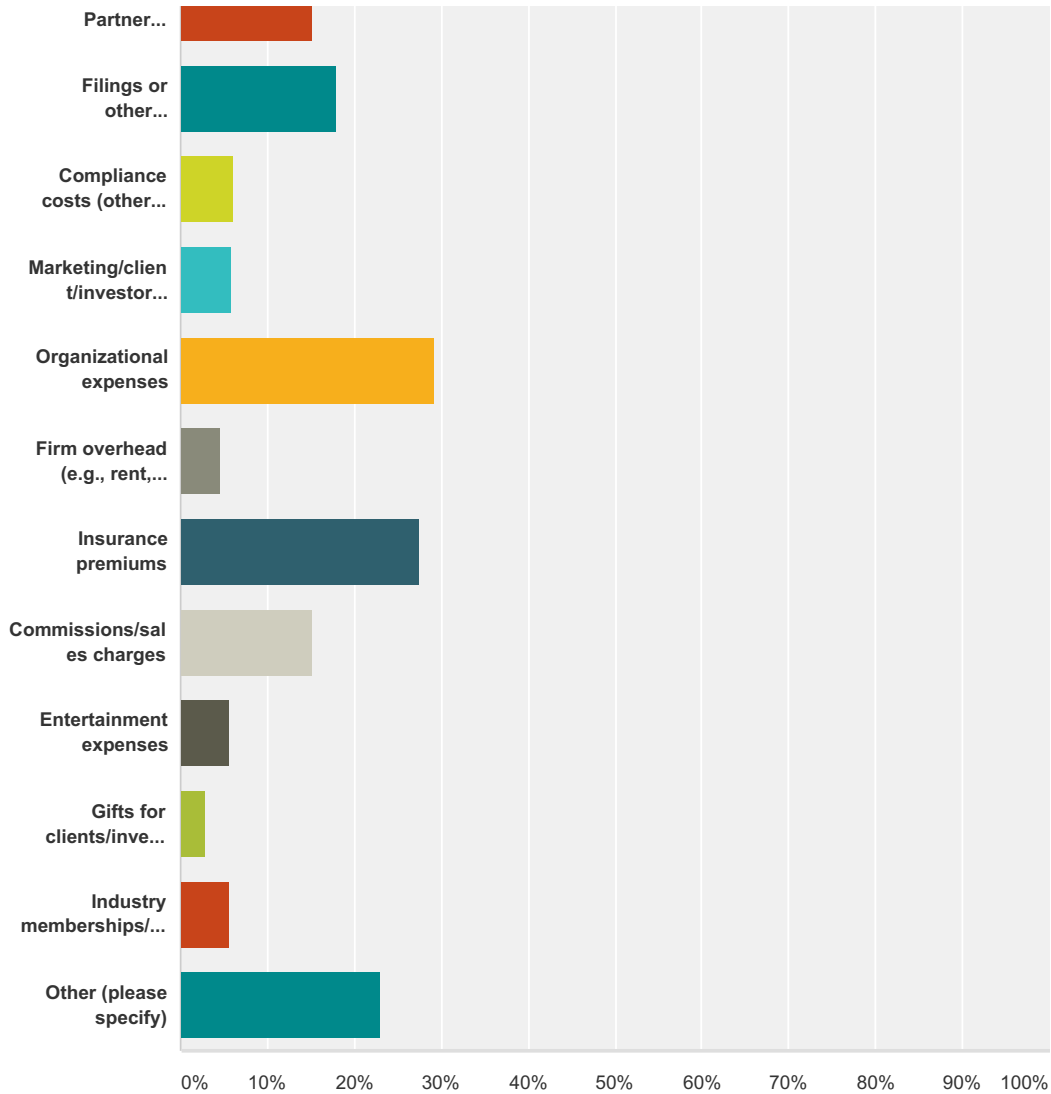
Answer Choices	Responses
We conduct periodic testing on a sample basis of fee calculations.	<b>55.56%</b> 250
We test all fee calculations.	<b>32.89%</b> 148
We require more than one person to sign off on advisory fee bills and invoices.	<b>44.44%</b> 200
We segregate employees who are responsible for processing billing invoices or listings of fees due from clients that are provided to custodians to deduct fees from clients' accounts.	<b>18.89%</b> 85
We segregate employees who are responsible for reviewing the invoices and listings.	<b>14.00%</b> 63
We segregate employees who are responsible for reconciling invoices and listings with deposits of advisory fees by custodians into the adviser's proprietary bank account.	<b>16.22%</b> 73
Other (please specify)	<b>8.00%</b> 36
<b>Total Respondents: 450</b>	

### Q35 Which type(s) of expenses does your firm charge to clients? (check all that apply)

Answered: 341 Skipped: 256



## 2017 Investment Management Compliance Testing Survey



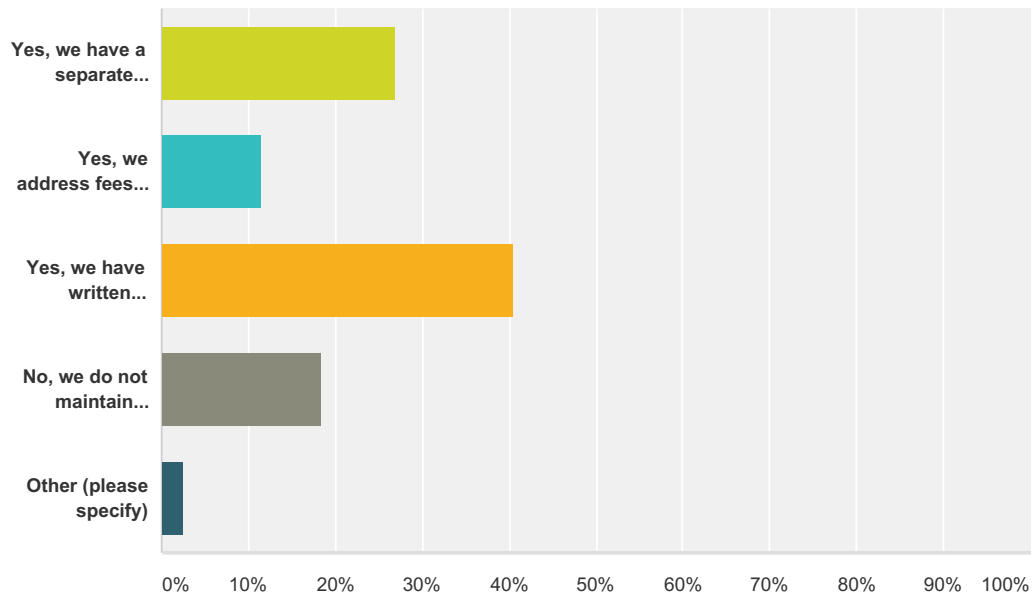
Answer Choices	Responses	
Third-party (outside counsel) legal fees	46.33%	158
Third-party accounting fees	43.99%	150
Third-party administrator fees	44.57%	152
Third-party compliance consultant fees	8.21%	28
Third-party "Senior Advisors," "Operating Advisors," or similar consultants	5.28%	18
In-house legal salaries	5.28%	18
In-house accounting salaries	5.57%	19
In-house administrator salaries	5.57%	19
In-house investment staff salaries	4.99%	17
In-house compliance staff salaries	4.99%	17
Custodial fees	51.91%	177
Brokerage fees	56.01%	191

## 2017 Investment Management Compliance Testing Survey

Research expenses	<b>31.38%</b>	107
Broken deal expenses	<b>20.82%</b>	71
Software tools/systems/other technology (e.g., order management systems)	<b>19.06%</b>	65
Travel expenses (e.g., for research, due diligence, fundraising, etc.)	<b>26.98%</b>	92
Fund Board of Directors fees	<b>26.39%</b>	90
Annual Limited Partner meeting expenses	<b>13.49%</b>	46
Limited Partner Advisory Board meeting expenses	<b>15.25%</b>	52
Filings or other regulatory costs (e.g., Form PF, Form 13F)	<b>17.89%</b>	61
Compliance costs (other than compliance consultants, staff salaries)	<b>6.16%</b>	21
Marketing/client/investor relations expenses (e.g., placement agent/solicitor)	<b>5.87%</b>	20
Organizational expenses	<b>29.33%</b>	100
Firm overhead (e.g., rent, utilities, IT, HR)	<b>4.69%</b>	16
Insurance premiums	<b>27.57%</b>	94
Commissions/sales charges	<b>15.25%</b>	52
Entertainment expenses	<b>5.57%</b>	19
Gifts for clients/investors	<b>2.93%</b>	10
Industry memberships/associations	<b>5.57%</b>	19
Other (please specify)	<b>22.87%</b>	78
<b>Total Respondents: 341</b>		

### Q36 Does your firm maintain written fee and expense policies?

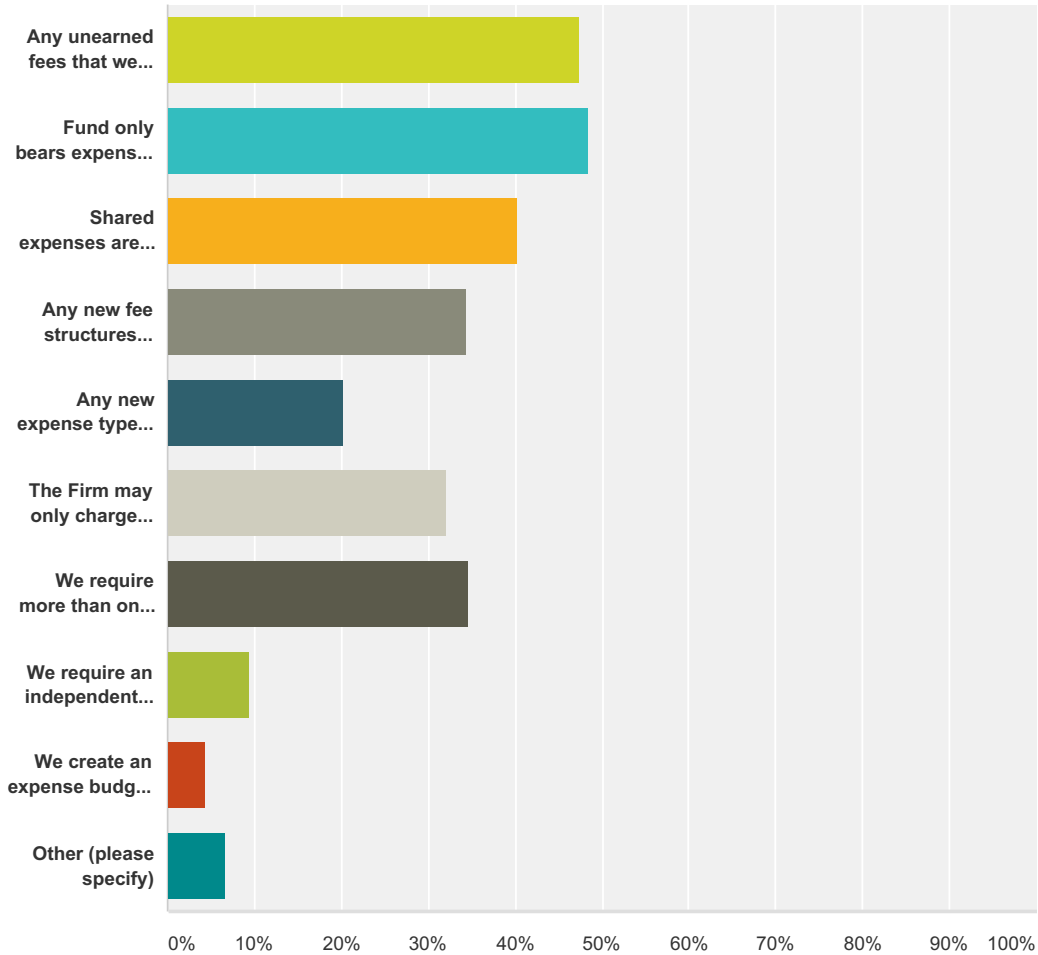
Answered: 467 Skipped: 130



Answer Choices	Responses
Yes, we have a separate written fee and expense policy.	26.98% 126
Yes, we address fees and expenses in other policies.	11.56% 54
Yes, we have written policies which are contained in the legal agreements with clients (e.g., advisory agreement, offering memorandum, LPA)	40.47% 189
No, we do not maintain written policies on fees and expenses.	18.42% 86
Other (please specify)	2.57% 12
<b>Total</b>	<b>467</b>

**Q37 Which of the following fee and expense policies have your firm adopted: (check all that apply)**

Answered: 419 Skipped: 178



Answer Choices	Responses
Any unearned fees that were prepaid by terminating clients/investors should be returned.	47.49% 199
Fund only bears expenses that are permissible under the relevant Limited Partnership Agreement.	48.45% 203
Shared expenses are allocated in a manner that is fair to all funds.	40.33% 169
Any new fee structures require pre-approval from the CCO.	34.37% 144
Any new expense types require pre-approval from the CCO.	20.29% 85
The Firm may only charge performance fees to Qualified Clients.	32.22% 135
We require more than one employee to sign off on invoices to be billed to clients.	34.61% 145
We require an independent person to sign off on invoices to be billed to clients.	9.31% 39
We create an expense budget at the beginning of the year and allocate only budgeted expenses to clients.	4.30% 18
Other (please specify)	6.68% 28

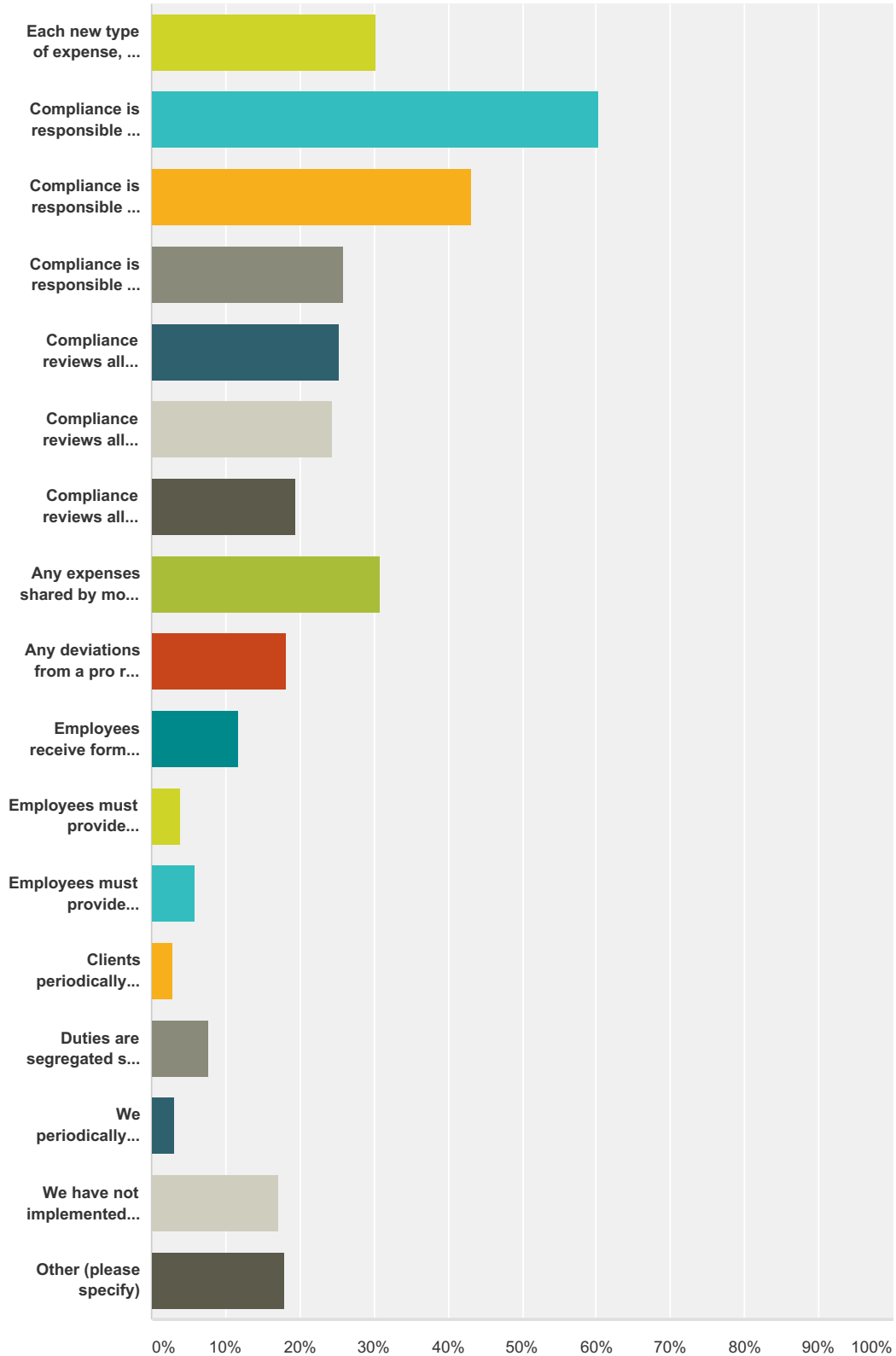




**Q38 Which of the following compliance controls has your firm implemented with regard to the allocation of expenses to clients? (check all that apply)**

Answered: 414 Skipped: 183

## 2017 Investment Management Compliance Testing Survey



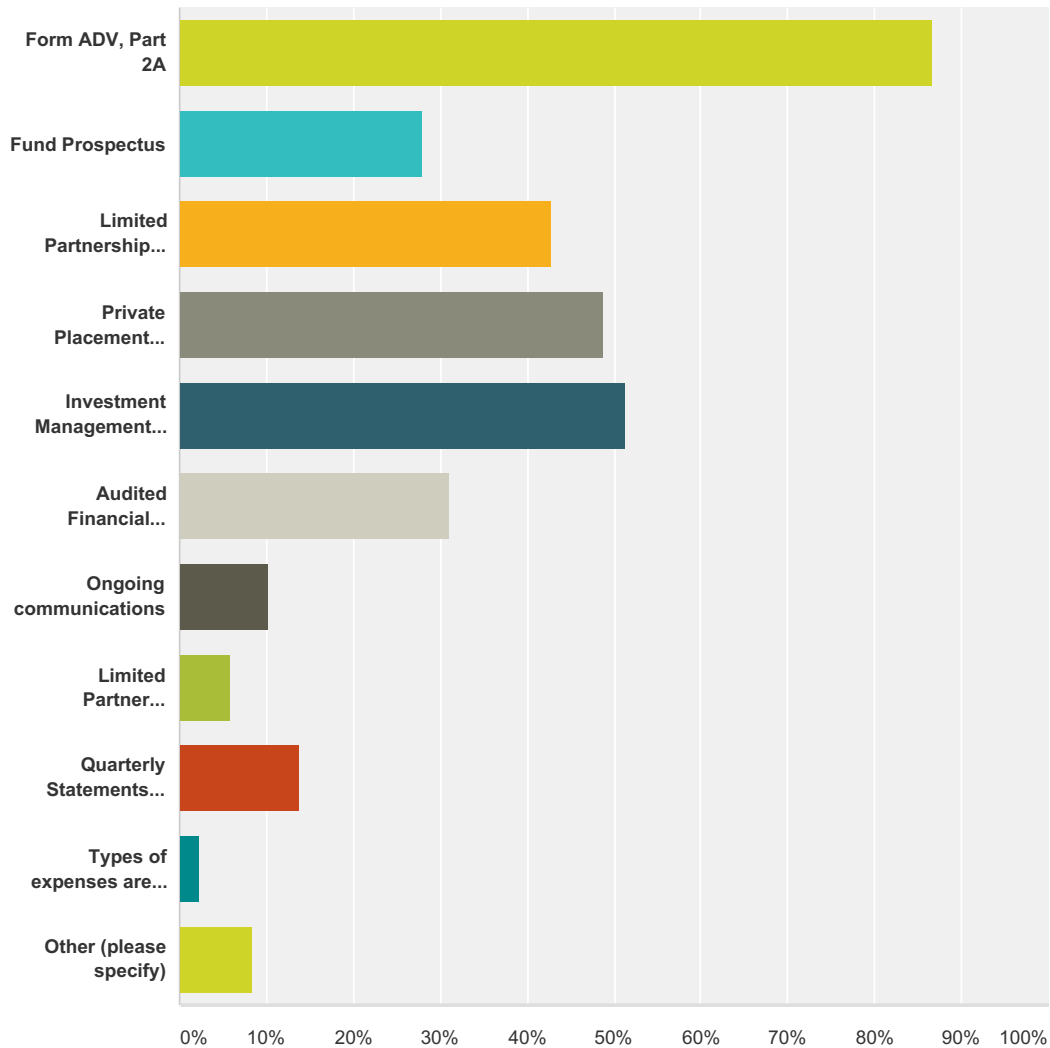
Answer Choices	Responses
Each new type of expense, and any changes to the way in which these expenses are allocated between clients must be preapproved by the CCO (or other senior officer of the firm).	30.19% 125

## 2017 Investment Management Compliance Testing Survey

Compliance is responsible for ensuring that expenses have been adequately disclosed in the Form ADV.	<b>60.39%</b> 250
Compliance is responsible for ensuring that expenses have been adequately disclosed to clients in fund documents.	<b>43.24%</b> 179
Compliance is responsible for ensuring that expenses have been adequately disclosed in client reporting.	<b>25.85%</b> 107
Compliance reviews all expense allocation methodologies to ensure that all clients are treated fairly.	<b>25.36%</b> 105
Compliance reviews all expense allocations as part of its compliance testing to ensure that the methodologies are fair on a retroactive basis.	<b>24.40%</b> 101
Compliance reviews all expense allocations between clients and the firm to ensure that the firm is treating clients fairly.	<b>19.32%</b> 80
Any expenses shared by more than one client will be allocated pro-rata based on each client's assets under management, unless unusual circumstances apply.	<b>30.92%</b> 128
Any deviations from a pro rata allocation must be approved by Compliance.	<b>18.12%</b> 75
Employees receive formal training regarding expense allocation policies and procedures.	<b>11.59%</b> 48
Employees must provide certifications regarding reasonableness of expenses.	<b>3.86%</b> 16
Employees must provide certifications regarding compliance with written expense allocation policies and procedures.	<b>5.80%</b> 24
Clients periodically acknowledge their agreement with fund expense policies.	<b>2.90%</b> 12
Duties are segregated so that employees who do not incur client expenses independently review each expense for reasonableness and decide which expenses should be borne by the clients.	<b>7.73%</b> 32
We periodically conduct an analysis to determine whether the expenses associated with in-house salaries paid by clients are comparable with market rates for similar services offered by unaffiliated third parties.	<b>3.14%</b> 13
We have not implemented compliance controls to address expense allocation.	<b>17.15%</b> 71
Other (please specify)	<b>17.87%</b> 74
<b>Total Respondents: 414</b>	

**Q39 How does your firm disclose to clients the types of expenses that are charged to them? (check all that apply)**

Answered: 448 Skipped: 149



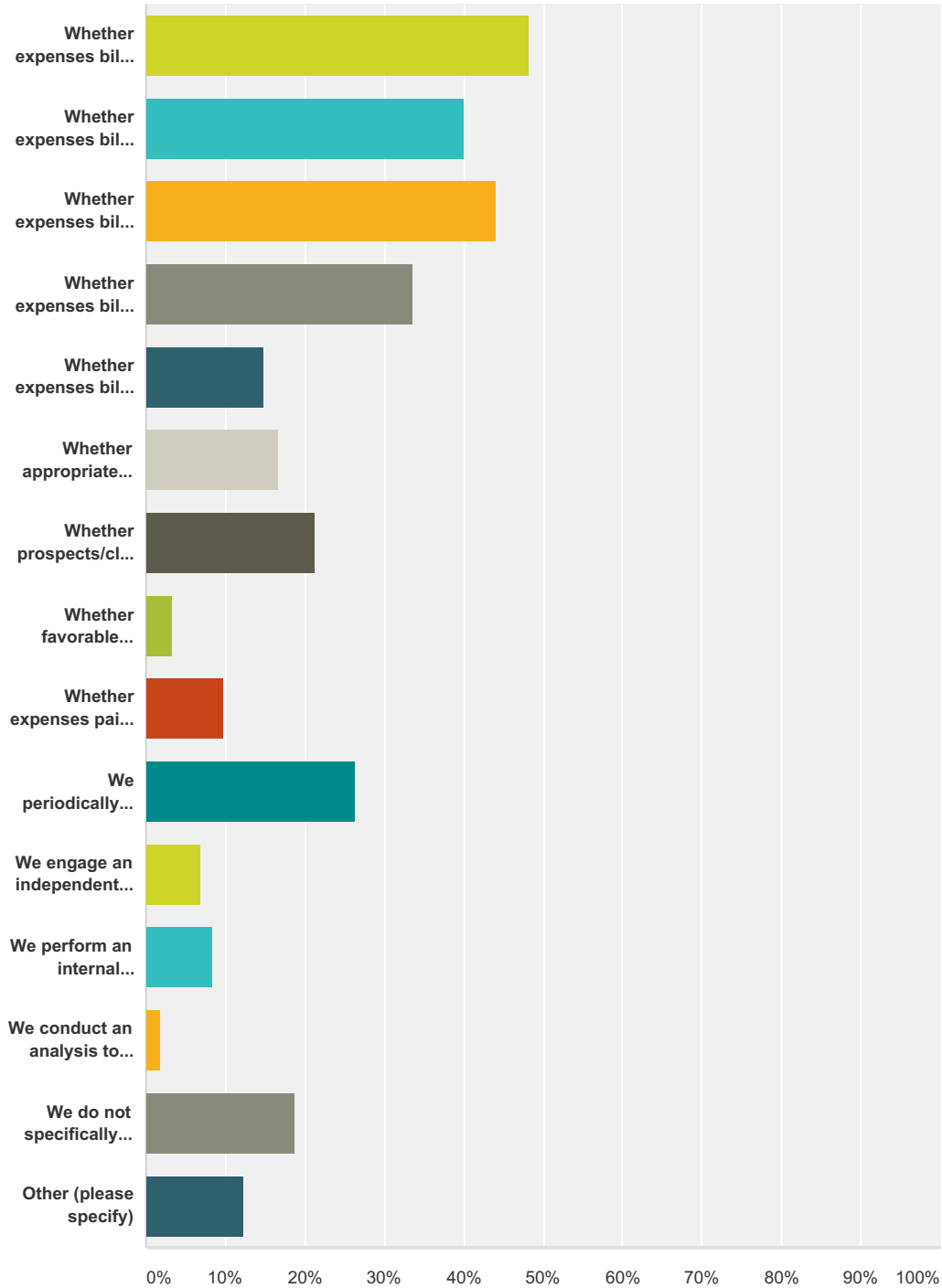
Answer Choices	Responses
Form ADV, Part 2A	86.61% 388
Fund Prospectus	27.90% 125
Limited Partnership Agreement or other similar private fund governing document	42.86% 192
Private Placement Memorandum or Offering Document	48.88% 219
Investment Management Agreement	51.34% 230
Audited Financial Statements	31.03% 139
Ongoing communications	10.27% 46
Limited Partner Advisory Board meeting materials	5.80% 26

## 2017 Investment Management Compliance Testing Survey

Quarterly Statements include invoice of expenses	13.84%	62
Types of expenses are not disclosed	2.23%	10
Other (please specify)	8.26%	37
<b>Total Respondents: 448</b>		

**Q40 Which of the following areas does your firm test relating to expenses charged to clients? (check all that apply)**

Answered: 417 Skipped: 180



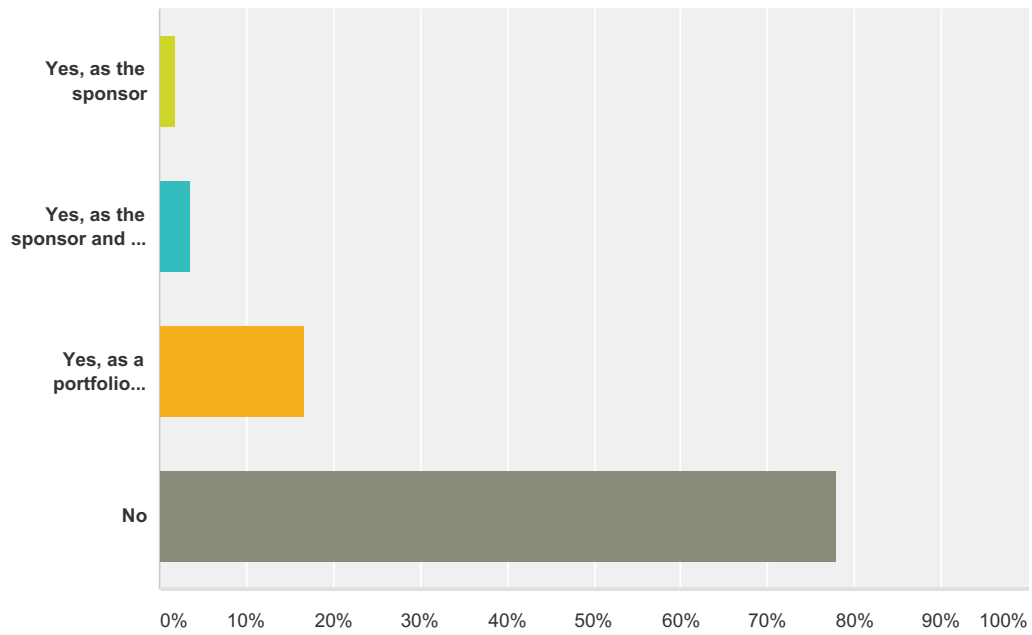
Answer Choices	Responses
Whether expenses billed to clients are in line with the terms of their advisory contracts.	48.20% 201

## 2017 Investment Management Compliance Testing Survey

Whether expenses billed to investors are in line with the terms of the offering documents of a fund.	<b>40.05%</b> 167
Whether expenses billed to clients/investors are explicitly disclosed in Form ADV, Part 2A.	<b>44.12%</b> 184
Whether expenses billed to clients are correct and appropriately allocated in accordance with stated policies and procedures (i.e., among clients or between the adviser and clients).	<b>33.57%</b> 140
Whether expenses billed to clients are within an expense cap.	<b>14.87%</b> 62
Whether appropriate approvals were obtained.	<b>16.79%</b> 70
Whether prospects/clients were provided with adequate disclosures.	<b>21.34%</b> 89
Whether favorable adviser negotiated expense arrangements are offered to clients (e.g., negotiated legal fees).	<b>3.36%</b> 14
Whether expenses paid by clients directly benefit such clients (e.g., insurance paid completely by the fund does not also benefit the adviser).	<b>9.83%</b> 41
We periodically review regulatory actions and guidance to ensure that inappropriate activities are not conducted by our firm.	<b>26.38%</b> 110
We engage an independent third party to conduct an expense mapping exercise testing expenses for reasonableness and consistency with policies and disclosures.	<b>6.95%</b> 29
We perform an internal expense mapping exercise testing expenses for reasonableness and consistency with policies and disclosures.	<b>8.39%</b> 35
We conduct an analysis to determine whether the expenses associated with in-house salaries paid by clients are comparable with market rates for similar services offered by unaffiliated third parties.	<b>1.92%</b> 8
We do not specifically test expenses charged to clients.	<b>18.71%</b> 78
Other (please specify)	<b>12.23%</b> 51
<b>Total Respondents: 417</b>	

### Q41 Does your firm participate in wrap fee programs?

Answered: 474 Skipped: 123

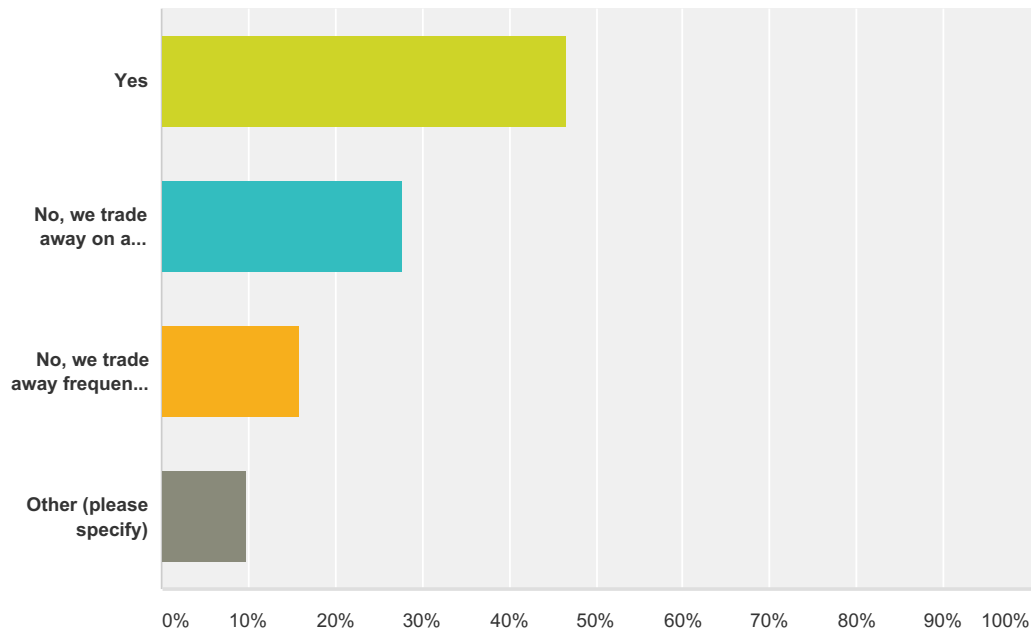


Answer Choices	Responses
Yes, as the sponsor	1.90% 9
Yes, as the sponsor and a portfolio manager	3.59% 17
Yes, as a portfolio manager	16.67% 79
No	77.85% 369
<b>Total</b>	<b>474</b>



### Q42 Does your firm trade exclusively with the wrap fee sponsor?

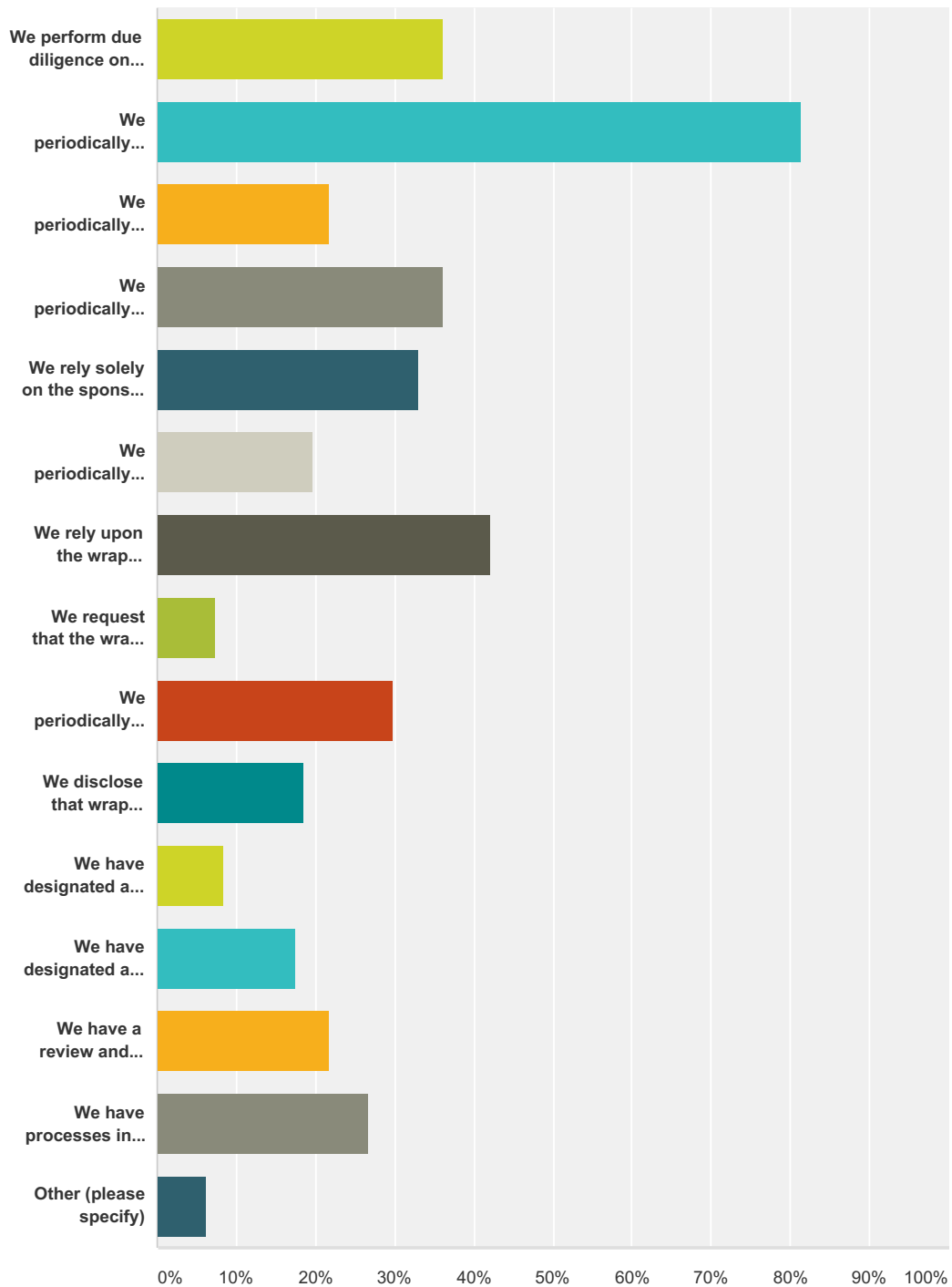
Answered: 101 Skipped: 496



Answer Choices	Responses	
Yes	46.53%	47
No, we trade away on a minimal basis when the sponsor cannot provide best execution	27.72%	28
No, we trade away frequently to achieve best execution	15.84%	16
Other (please specify)	9.90%	10
<b>Total</b>		<b>101</b>

### Q43 How do you test your wrap fee program? (check all that apply)

Answered: 97 Skipped: 500



Answer Choices	Responses
We perform due diligence on the sponsor of the wrap fee program to help ensure compliance with regulations and policies and procedures.	36.08%
	35

## 2017 Investment Management Compliance Testing Survey

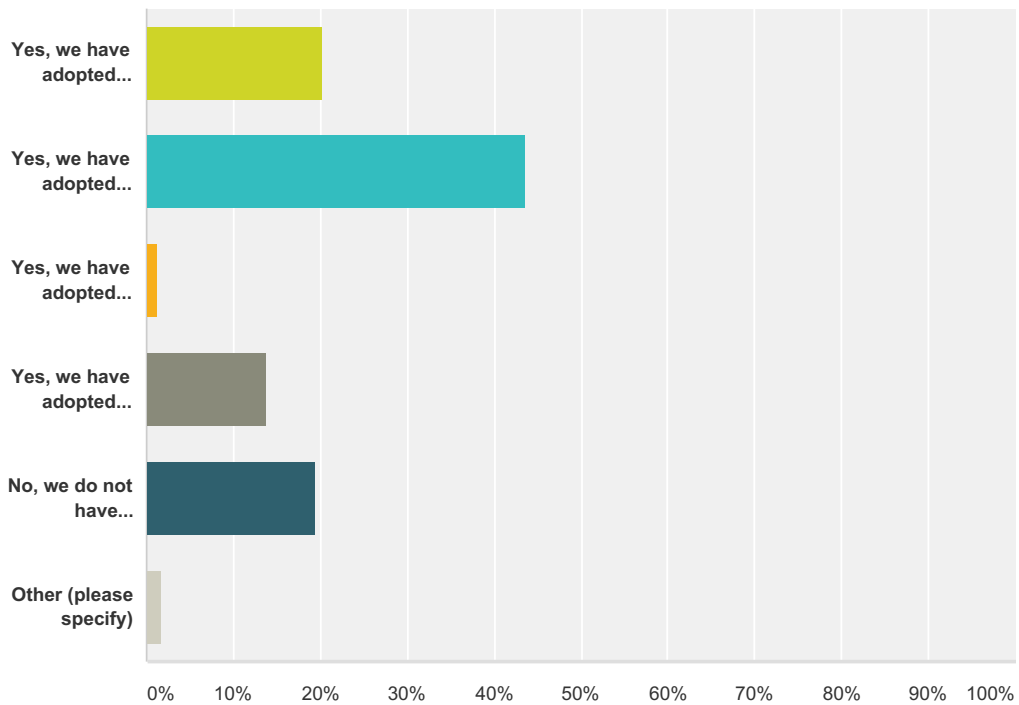
We periodically review our Form ADV disclosure to ensure that appropriate disclosure is included (e.g., trading away language).	<b>81.44%</b> 79
We periodically review the sponsor's Form ADV disclosure to ensure that appropriate disclosure is included (e.g., trading away language).	<b>21.65%</b> 21
We periodically review client trading to confirm that the sponsor's trading achieves best execution.	<b>36.08%</b> 35
We rely solely on the sponsor to ensure that the sponsor's trading achieves best execution obligations of the sponsor.	<b>32.99%</b> 32
We periodically review the total costs paid by the client to ensure that the wrap arrangement is beneficial to the client.	<b>19.59%</b> 19
We rely upon the wrap sponsor to ensure that the wrap arrangement is beneficial to the client.	<b>42.27%</b> 41
We request that the wrap fee client confirm its intent to direct brokerage on a periodic basis.	<b>7.22%</b> 7
We periodically review brokerage allocations to ensure that allocation methodologies are compliant with contractual obligations.	<b>29.90%</b> 29
We disclose that wrap client allocations will always follow non-directed accounts and rely upon such disclosures in not reviewing brokerage allocations.	<b>18.56%</b> 18
We have designated an individual or committee responsible for assessing the sponsor's suitability screening procedures for determining whether a particular client is suitable for a particular wrap fee program or portfolio manager.	<b>8.25%</b> 8
We have designated an individual or committee responsible for assessing whether the securities investments are suitable and consistent with any agreed upon strategy.	<b>17.53%</b> 17
We have a review and sign-off on all investment policy statements, client and/or model guidelines, and any client deviations from the model guidelines.	<b>21.65%</b> 21
We have processes in place to monitor compliance with both sponsor and client guidelines on an ongoing basis, particularly if a client wishes to deviate from client guidelines.	<b>26.80%</b> 26
Other (please specify)	<b>6.19%</b> 6
<b>Total Respondents: 97</b>	

**Q44 How has your firm's approach towards wrap fee programs changed since January 1, 2016? Please describe. (Note: Your candid, detailed answer to this question will benefit you and your peers. The survey organizers will be selecting the most insightful responses to this question and will share them as part of the final survey.)**

Answered: 49 Skipped: 548

### Q45 Has your firm adopted whistleblowing policies and procedures?

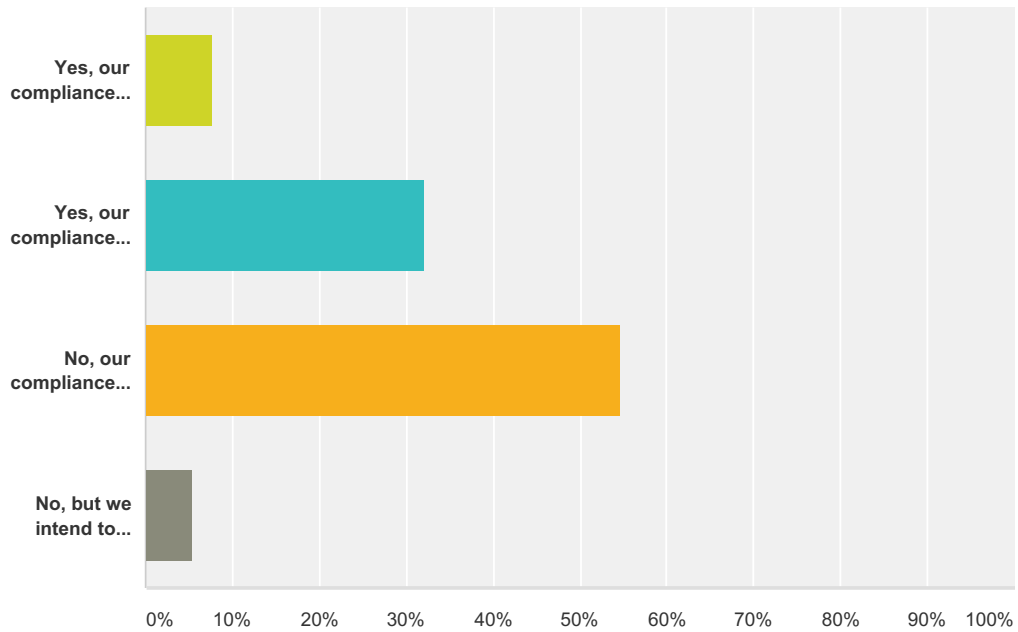
Answered: 468 Skipped: 129



Answer Choices	Responses	
Yes, we have adopted standalone whistleblowing policies and procedures.	20.30%	95
Yes, we have adopted whistleblowing policies and procedures as part of our code of ethics.	43.59%	204
Yes, we have adopted whistleblowing policies and procedures as part of our confidentiality/privacy policy.	1.28%	6
Yes, we have adopted whistleblowing policies and procedures as part of another policy.	13.68%	64
No, we do not have whistleblowing policies and procedures.	19.44%	91
Other (please specify)	1.71%	8
<b>Total</b>		<b>468</b>

### Q46 Has your firm's compliance program changed in response to the OCIE Whistleblowing Risk Alert (Oct. 24, 2016)?

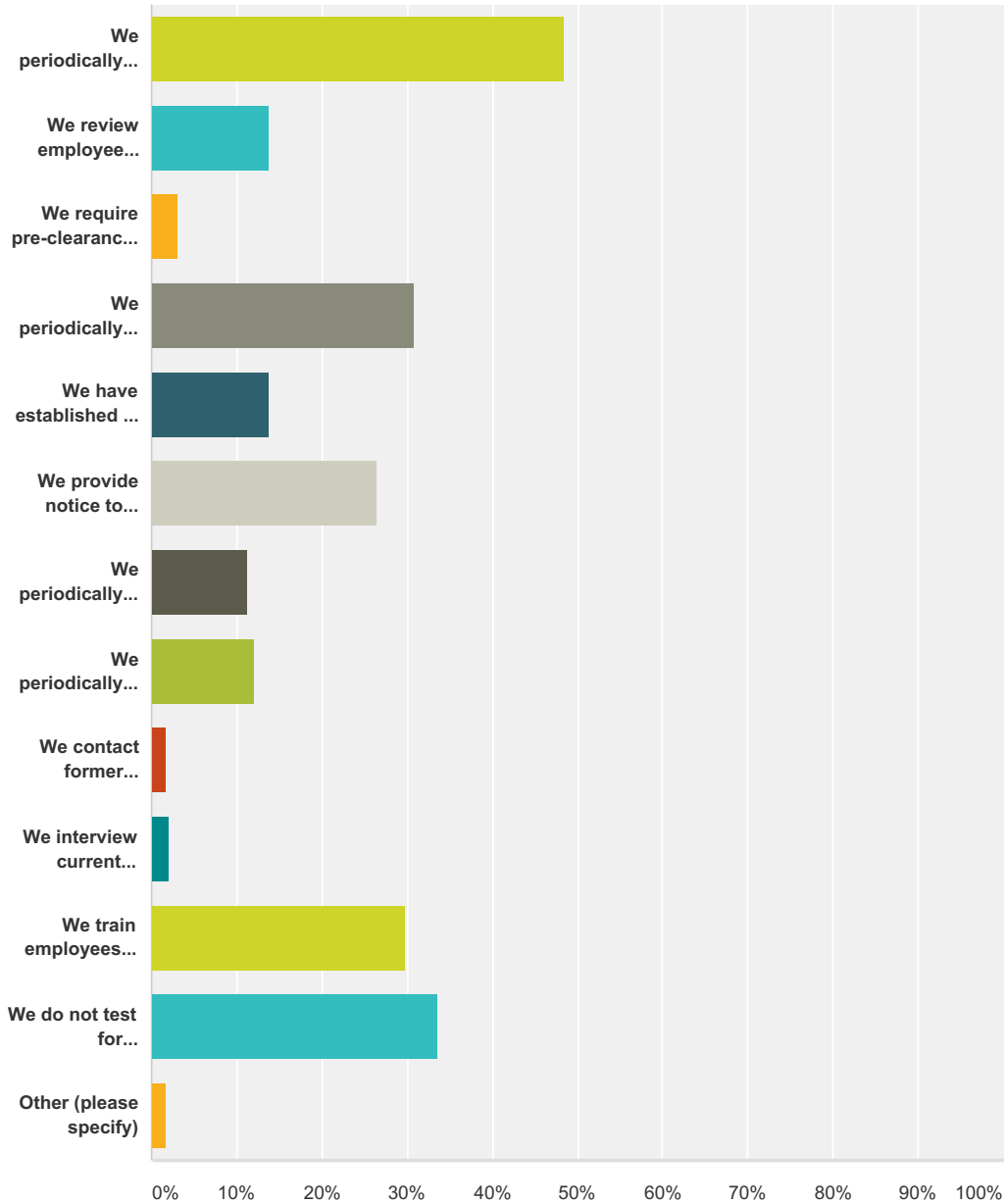
Answered: 380 Skipped: 217



Answer Choices	Responses
Yes, our compliance program was materially revised.	7.63% 29
Yes, our compliance program was revised, in a non-material manner.	32.11% 122
No, our compliance program was not revised.	54.74% 208
No, but we intend to revise our program.	5.53% 21
<b>Total</b>	<b>380</b>

### Q47 How do you test your firm's whistleblowing policy? (check all that apply)

Answered: 372 Skipped: 225



Answer Choices	Responses
We periodically review our policies and procedures to ensure there is no limitation on an employee whistleblowing internally/externally to a regulator.	48.39% 180
We review employee terminations, post separation, to ensure that no employee was terminated for whistleblowing.	13.71% 51
We require pre-clearance for employee terminations to ensure that termination was not in retaliation for whistleblowing.	3.23% 12
We periodically review emails to detect disgruntled employees/material issues.	30.91% 115

## 2017 Investment Management Compliance Testing Survey

We have established an independent whistleblowing hotline as a forensic measure should employees not want to report internally.	<b>13.71%</b>	51
We provide notice to employees of their whistleblowing rights regardless of policy/contractual content to ensure that all employees have a clear understanding.	<b>26.61%</b>	99
We periodically review employment agreements to determine whether employees understand their whistleblowing rights.	<b>11.29%</b>	42
We periodically review separation agreements to determine whether former employees understand their whistleblowing rights.	<b>12.10%</b>	45
We contact former employees to ensure they understand their whistleblowing rights.	<b>1.61%</b>	6
We interview current employees to ensure they understand their whistleblowing rights.	<b>2.15%</b>	8
We train employees periodically on their whistleblowing rights.	<b>29.84%</b>	111
We do not test for whistleblowing compliance.	<b>33.60%</b>	125
Other (please specify)	<b>1.61%</b>	6
<b>Total Respondents: 372</b>		

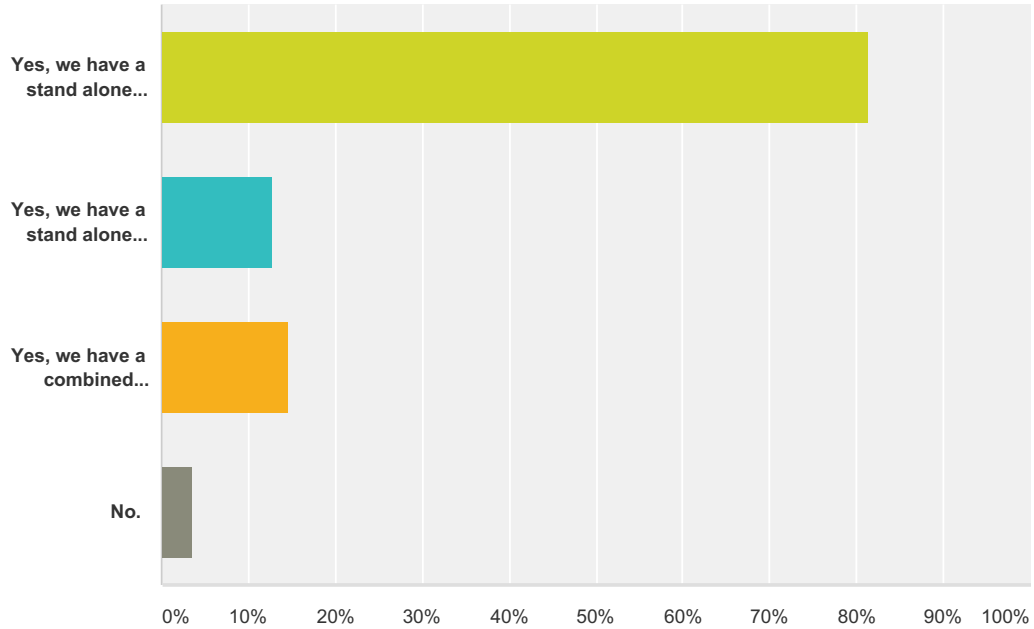


**Q48 How has your firm's whistleblowing policy changed since January 1, 2016? Please describe, including what changes were made in response to OCIE's Risk Alert on whistleblower rule compliance. (Note: Your candid, detailed answer to this question will benefit you and your peers. The survey organizers will be selecting the most insightful responses to this question and will share them as part of the final survey.)**

Answered: 164 Skipped: 433

**Q49 Does your firm have a written business continuity plan and/or transition plan?  
(check all that apply)**

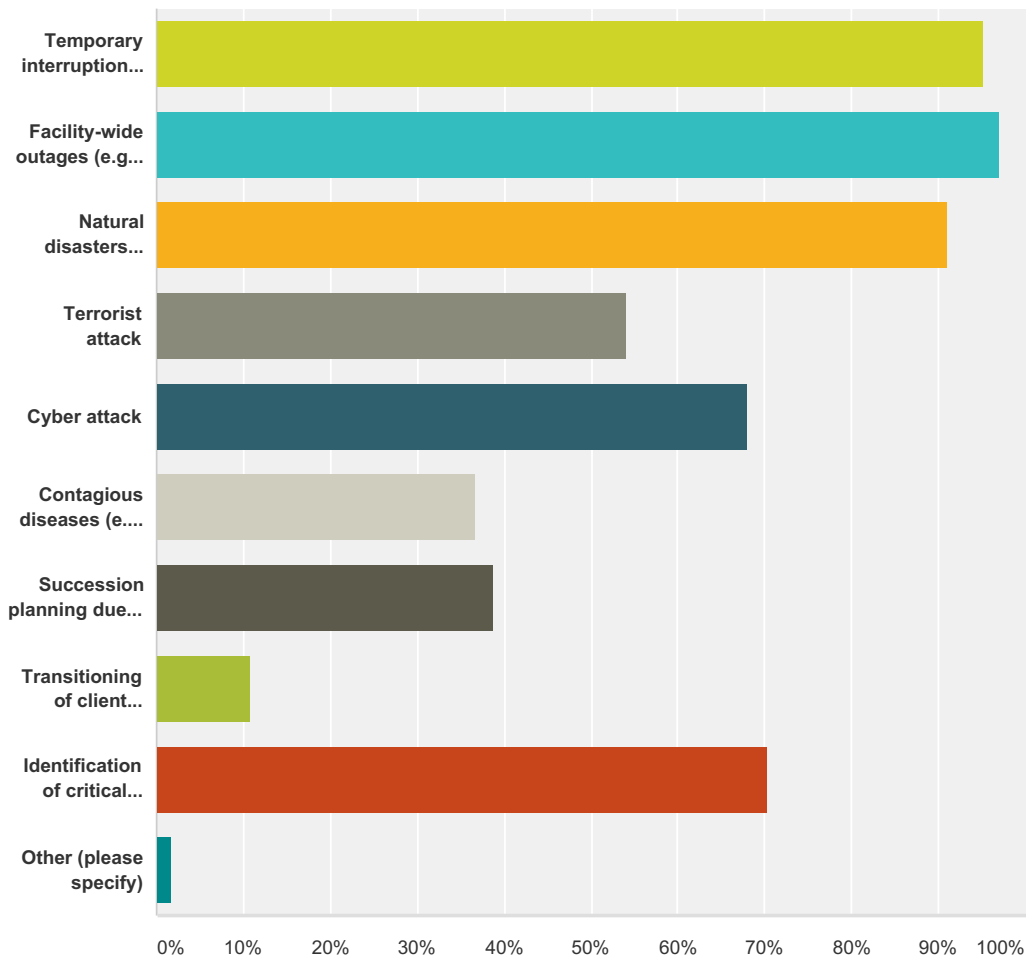
Answered: 470 Skipped: 127



Answer Choices	Responses
Yes, we have a stand alone business continuity plan ("BCP").	81.49% 383
Yes, we have a stand alone transition plan ("TP").	12.77% 60
Yes, we have a combined BCP/TP.	14.68% 69
No.	3.62% 17
<b>Total Respondents: 470</b>	

### Q50 Which of the following does your BCP/TP address? (check all that apply)

Answered: 444 Skipped: 153

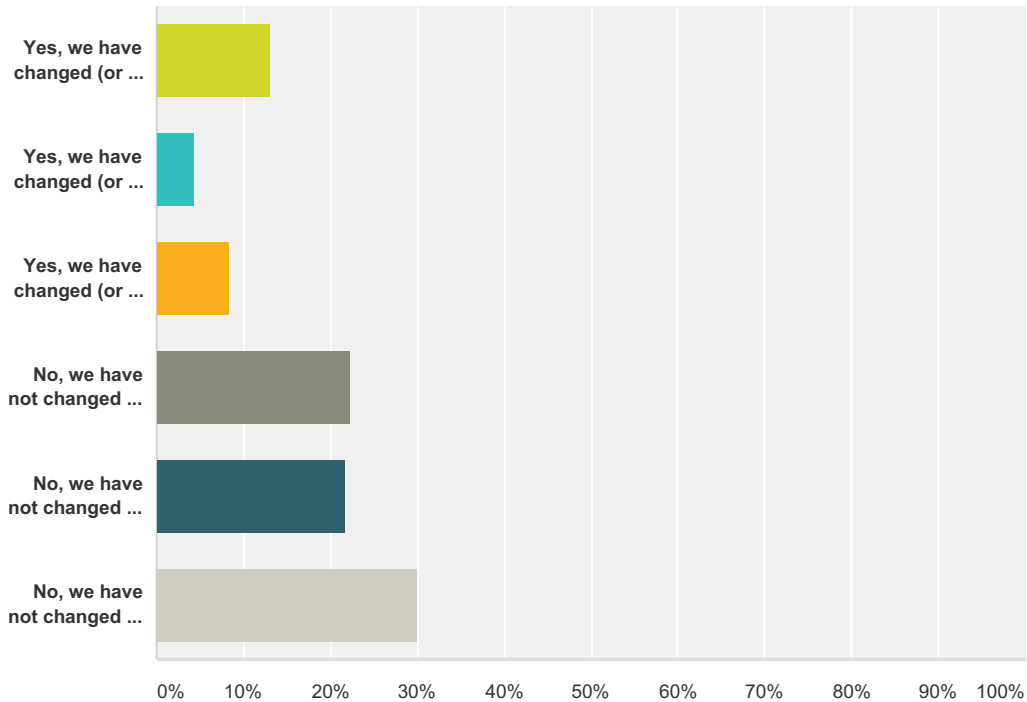


Answer Choices	Responses
Temporary interruption of discrete services (e.g., telephone or internet services, file server, real-time data feeds)	95.27% 423
Facility-wide outages (e.g., electrical outage, blackouts, fire)	97.07% 431
Natural disasters (e.g., hurricane, earthquake, flood)	90.99% 404
Terrorist attack	54.05% 240
Cyber attack	68.02% 302
Contagious diseases (e.g., pandemic flu)	36.71% 163
Succession planning due to death, disability, or departure of key personnel	38.74% 172
Transitioning of client assets to another firm in connection with winding down operations (i.e., dissolution)	10.81% 48
Identification of critical third-party service providers	70.27% 312
Other (please specify)	1.58% 7

Total Respondents: 444

### Q51 Has your firm's BCP/TP changed to reflect the SEC's 2016 proposed rule on Adviser Business Continuity and Transition Plans?

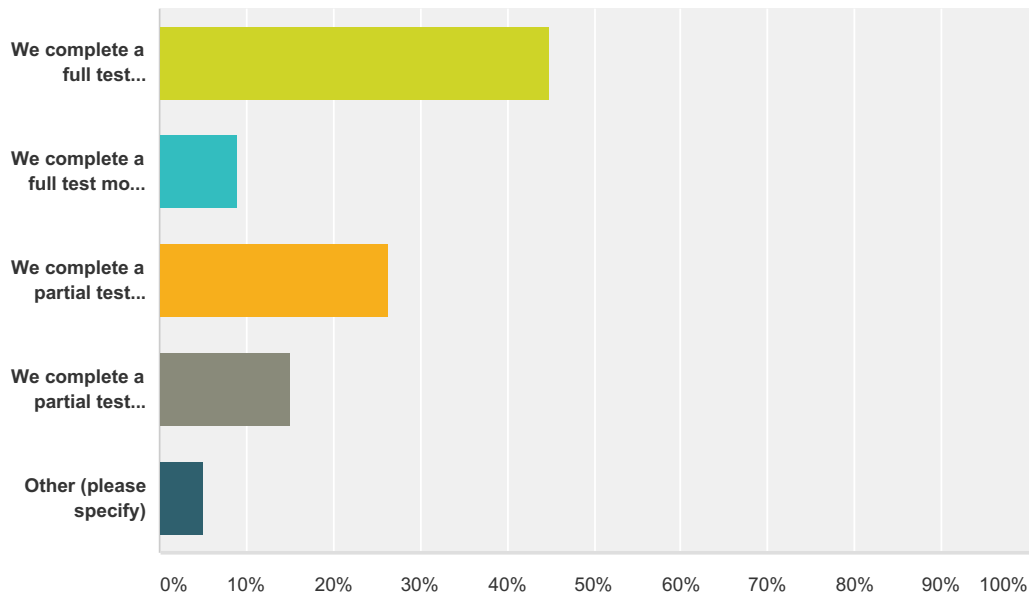
Answered: 439 Skipped: 158



Answer Choices	Responses	
Yes, we have changed (or are in the process of changing) our BCP.	13.21%	58
Yes, we have changed (or are in the process of changing) our TP.	4.33%	19
Yes, we have changed (or are in the process of changing) our combined BCP/TP.	8.43%	37
No, we have not changed our plans as they are in compliance with the proposed rule.	22.32%	98
No, we have not changed our plans but intend to significantly if the SEC adopts its proposed rule.	21.64%	95
No, we have not changed our plans but intend to immaterially if the SEC adopts its proposed rule.	30.07%	132
<b>Total</b>		<b>439</b>

### Q52 As a general matter, how often do you test for compliance with your BCP/TP?

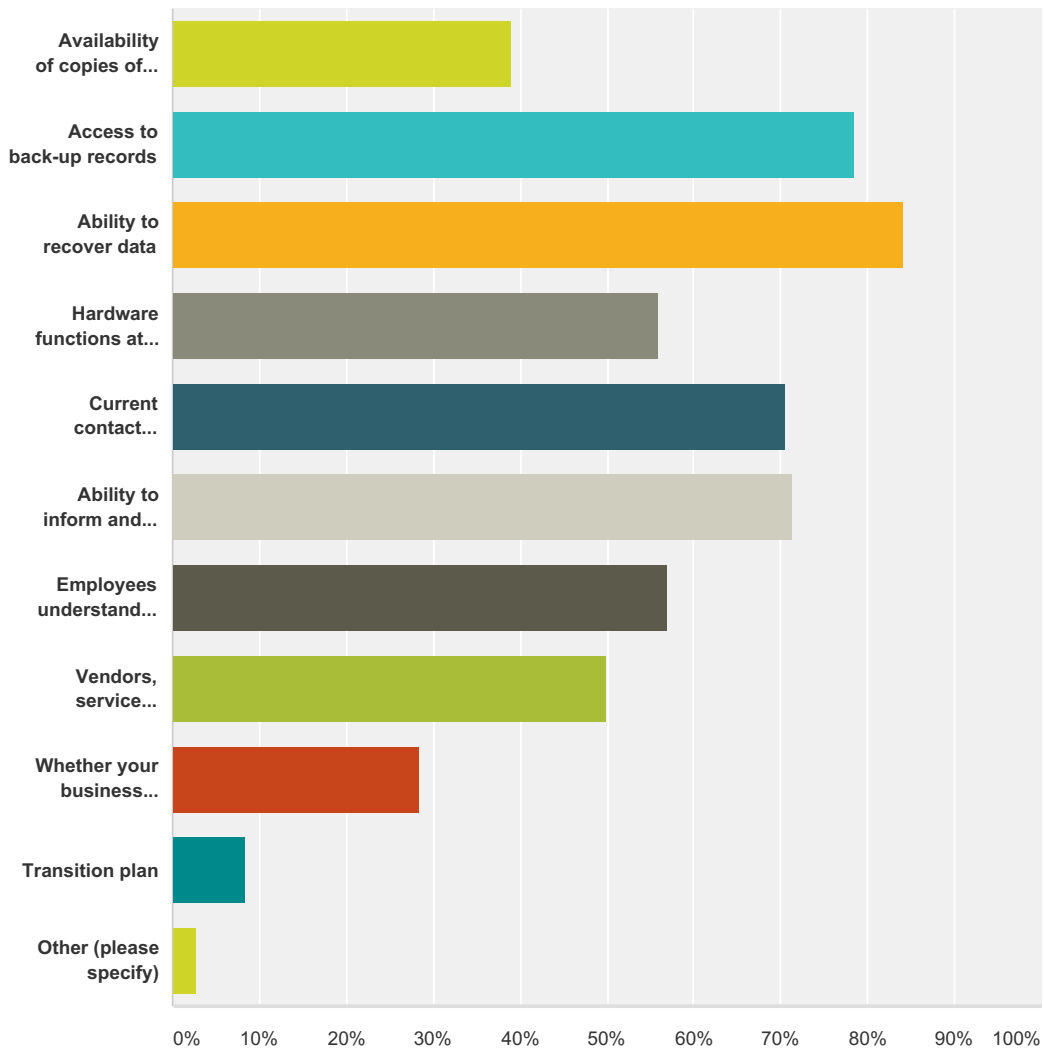
Answered: 435 Skipped: 162



Answer Choices	Responses	
We complete a full test annually.	44.83%	195
We complete a full test more often than annually.	8.97%	39
We complete a partial test annually.	26.21%	114
We complete a partial test more often than annually.	14.94%	65
Other (please specify)	5.06%	22
<b>Total</b>		<b>435</b>

### Q53 What do you test in connection with your BCP/TP? (check all that apply)

Answered: 431 Skipped: 166



Answer Choices	Responses
Availability of copies of the plan	38.98% 168
Access to back-up records	78.42% 338
Ability to recover data	84.22% 363
Hardware functions at a pre-arranged alternate physical location	55.92% 241
Current contact information for employees, clients, business partners, service providers and regulators	70.53% 304
Ability to inform and communicate with employees	71.46% 308
Employees understand their specific roles and responsibilities and are able to carry out the plan	57.08% 246
Vendors, service providers, software and equipment	49.88% 215
Whether your business practices conform to regulatory requirements	28.31% 122

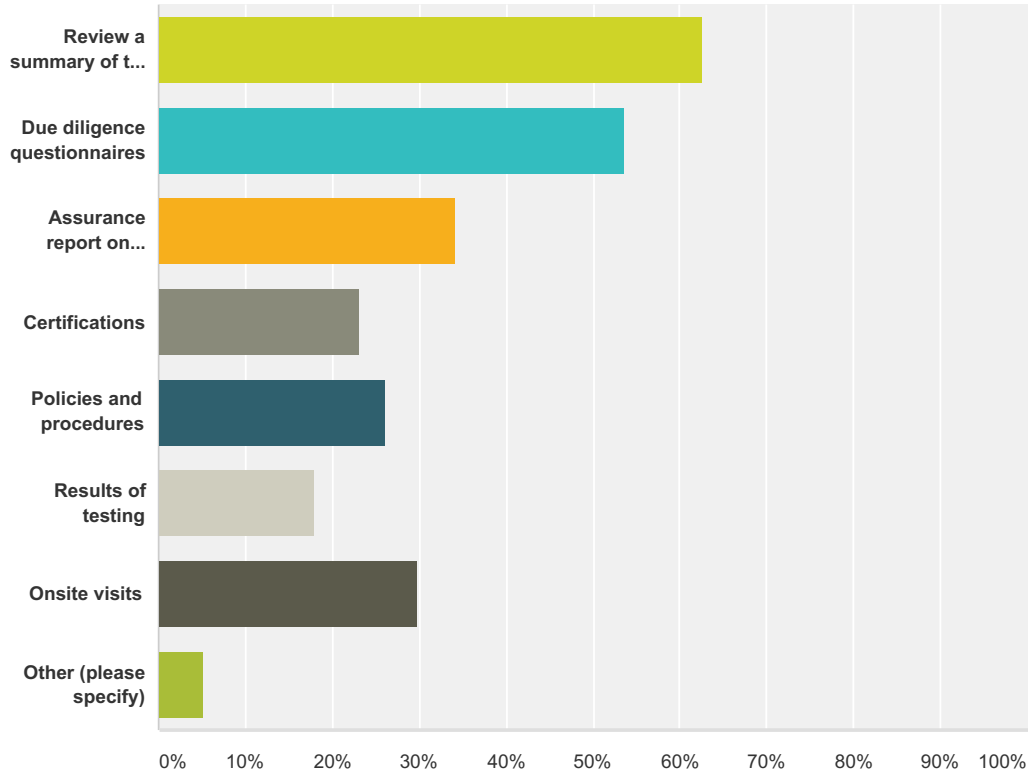
## 2017 Investment Management Compliance Testing Survey

Transition plan	8.35%	36
Other (please specify)	2.78%	12
<b>Total Respondents: 431</b>		



### Q54 How do you test your critical third-party service providers' readiness for a BCP event? (check all that apply)

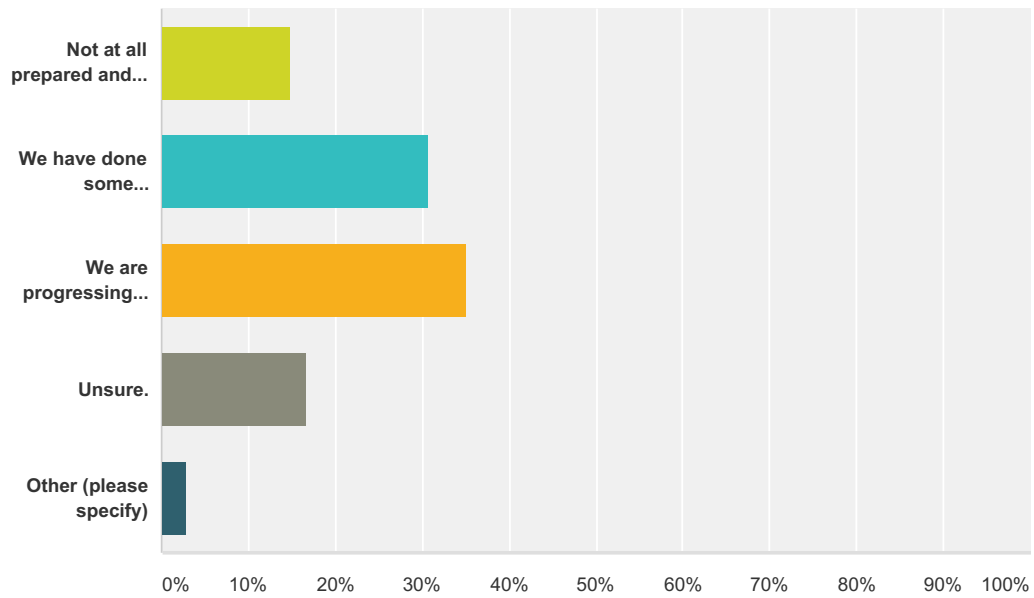
Answered: 414 Skipped: 183



Answer Choices	Responses
Review a summary of the service provider's BCP	62.56% 259
Due diligence questionnaires	53.62% 222
Assurance report on controls by an independent party	34.30% 142
Certifications	23.19% 96
Policies and procedures	26.09% 108
Results of testing	17.87% 74
Onsite visits	29.95% 124
Other (please specify)	5.31% 22
<b>Total Respondents: 414</b>	

### Q55 Overall, how prepared is your firm for the changes to Form ADV Part 1A?

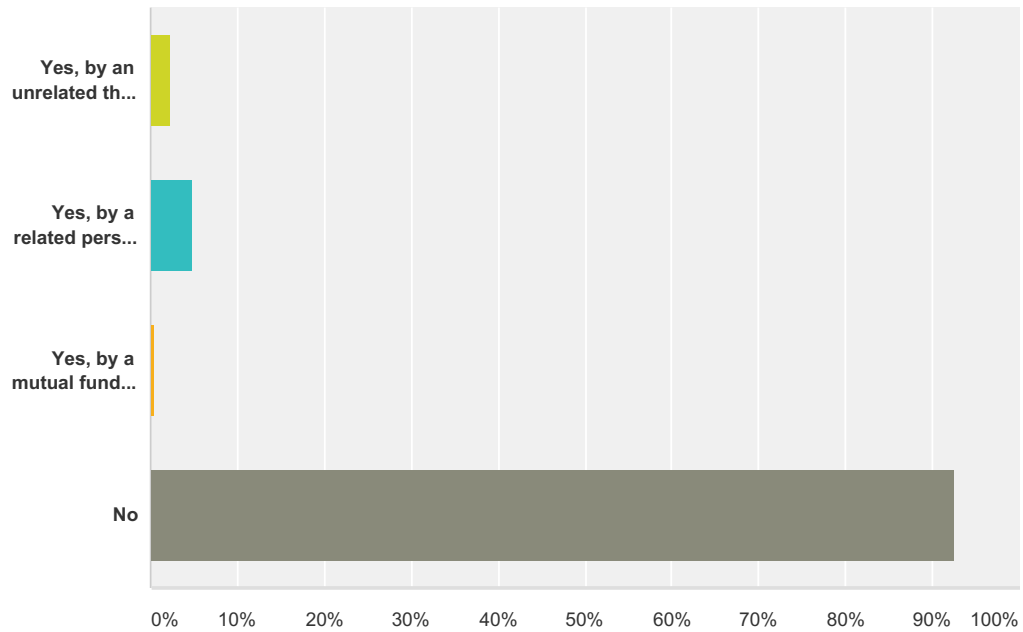
Answered: 457 Skipped: 140



Answer Choices	Responses	
Not at all prepared and are not yet clear on what the main impact areas are.	14.88%	68
We have done some preliminary analysis but have a significant amount of implementation work still to do.	30.63%	140
We are progressing with our implementation planning and are comfortable we will be ready by the deadline.	35.01%	160
Unsure.	16.63%	76
Other (please specify)	2.84%	13
<b>Total</b>		<b>457</b>

### Q56 Is your advisory firm’s Chief Compliance Officer compensated by an entity other than your firm?

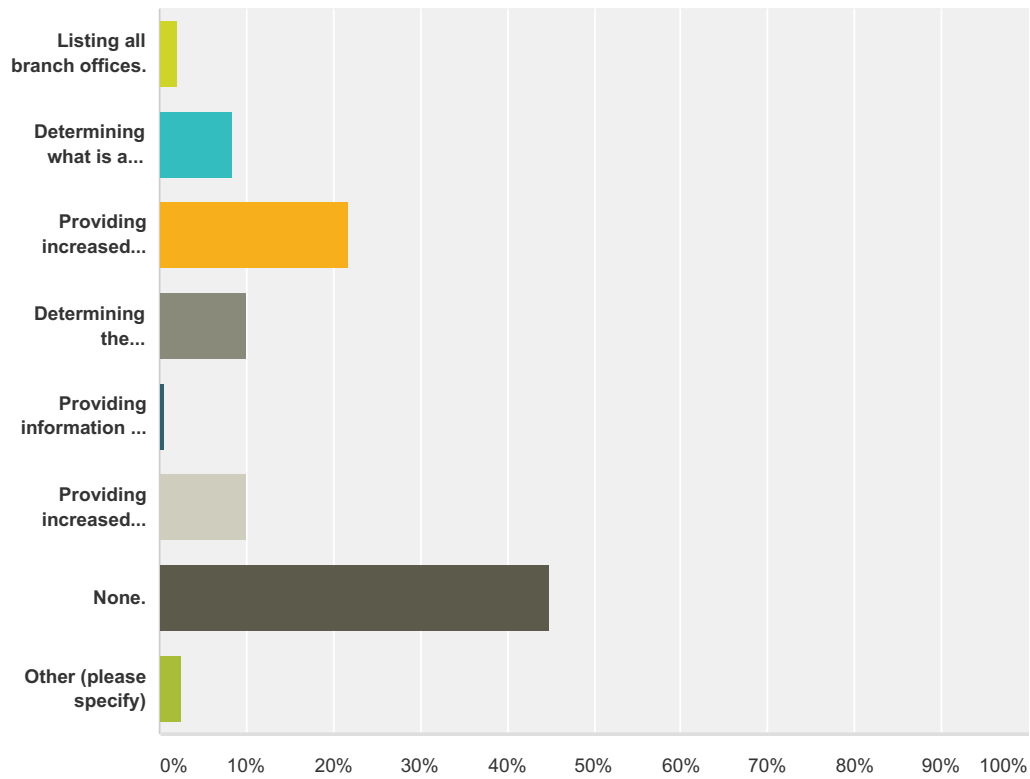
Answered: 461 Skipped: 136



Answer Choices	Responses
Yes, by an unrelated third party	2.39% 11
Yes, by a related person (or other affiliate)	4.77% 22
Yes, by a mutual fund that our firm advises	0.43% 2
No	92.41% 426
<b>Total</b>	<b>461</b>

### Q57 Which part of the new Form ADV do you find most onerous? (select one)

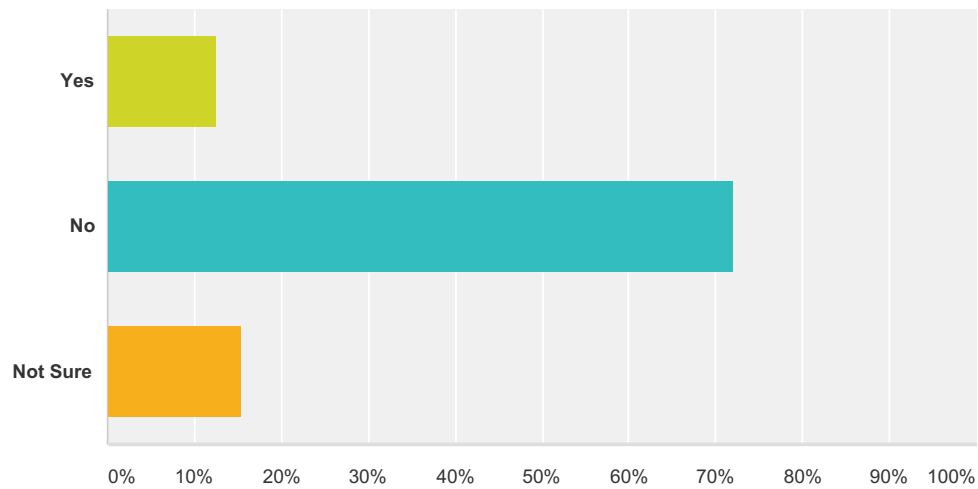
Answered: 451 Skipped: 146



Answer Choices	Responses
Listing all branch offices.	2.00% 9
Determining what is a separately managed account under the Form.	8.43% 38
Providing increased reporting on separately managed accounts, including derivatives and borrowing information.	21.73% 98
Determining the classification of investment types held in separately managed accounts.	9.98% 45
Providing information as to who compensates the Chief Compliance Officer.	0.67% 3
Providing increased information about whether any custodian holds 10% or more of the adviser's RAUM attributable to SMAs.	9.98% 45
None.	44.79% 202
Other (please specify)	2.44% 11
<b>Total</b>	<b>451</b>

**Q58 Do you intend to file an “umbrella registration” for multiple entities? (i.e., a single registration by a filing adviser and one or more relying advisers who advise only private funds and certain separately managed account clients that are qualified clients and collectively conduct a single advisory business).**

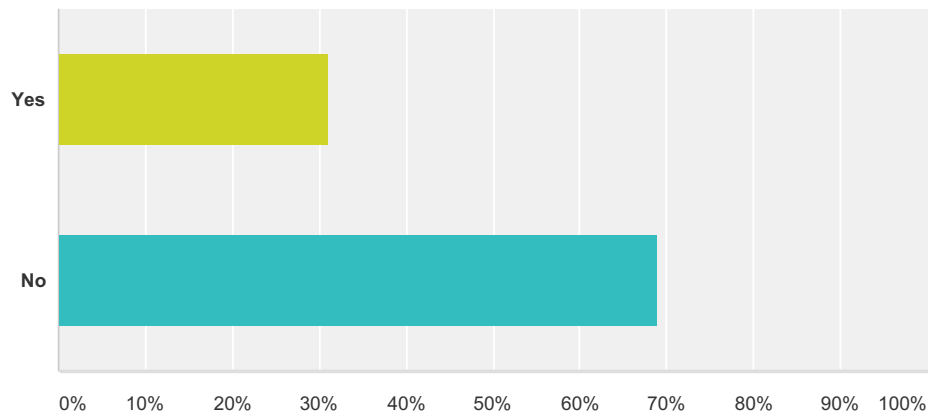
Answered: 454 Skipped: 143



Answer Choices	Responses
Yes	12.56% 57
No	72.03% 327
Not Sure	15.42% 70
<b>Total</b>	<b>454</b>

**Q59 Are you an adviser or a sub-adviser to a 1940 Act registered mutual fund?**

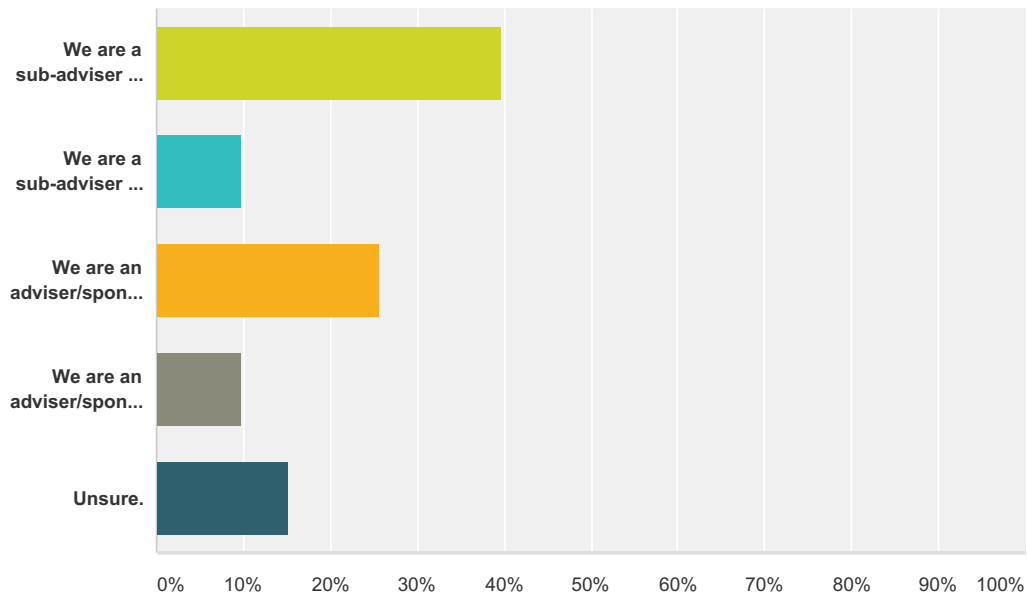
Answered: 466 Skipped: 131



Answer Choices	Responses
Yes	31.12% 145
No	68.88% 321
<b>Total</b>	<b>466</b>

### Q60 How will your firm be impacted by the Liquidity Risk Management Rules?

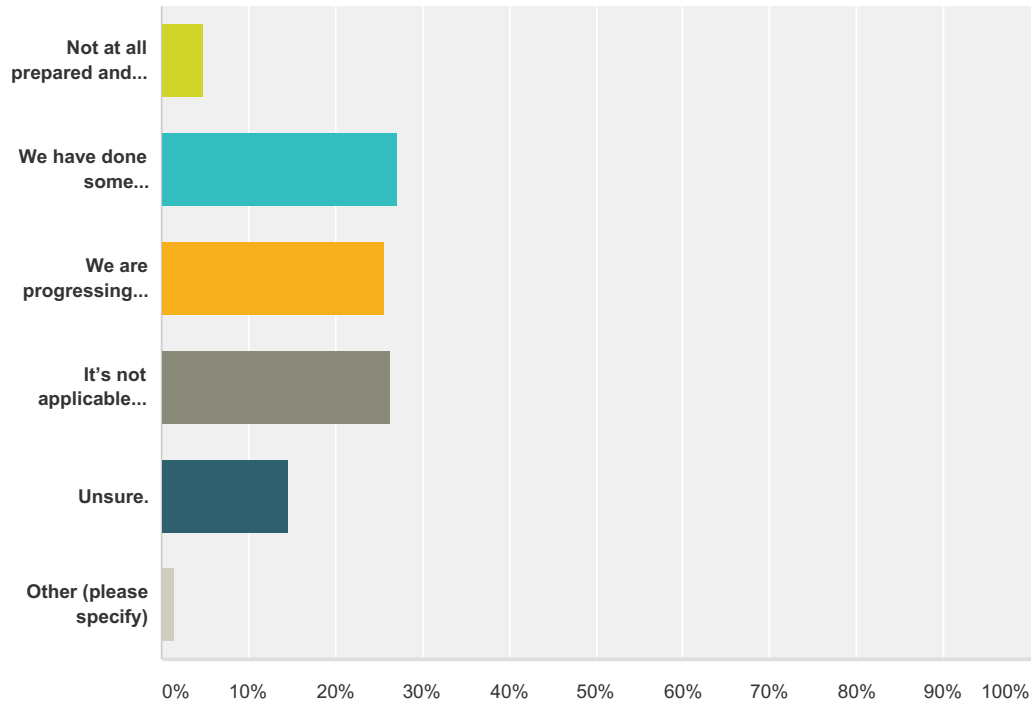
Answered: 144 Skipped: 453



Answer Choices	Responses
We are a sub-adviser to a fund and employ a highly liquid strategy so we don't believe we will be greatly impacted.	<b>39.58%</b> 57
We are a sub-adviser to a fund, but employ a less liquid strategy so we will need to implement procedures to ensure we properly classify assets in the portfolio.	<b>9.72%</b> 14
We are an adviser/sponsor of a fund which employs a highly liquid strategy, so we will need to implement the Liquidity Risk Management Program, but there should be no issues with the classification of assets or meeting the established thresholds.	<b>25.69%</b> 37
We are an adviser/sponsor to a fund with a less liquid strategy and will be significantly impacted by the Liquidity Risk Management Program Rules, including making determinations regarding the proper classification of investments.	<b>9.72%</b> 14
Unsure.	<b>15.28%</b> 22
<b>Total</b>	<b>144</b>

**Q61 Overall, how prepared is your firm for the Liquidity Risk Management Program Rule Implementation date of December 1, 2018 (for large funds) or June 1, 2019 (smaller funds)?**

Answered: 144 Skipped: 453

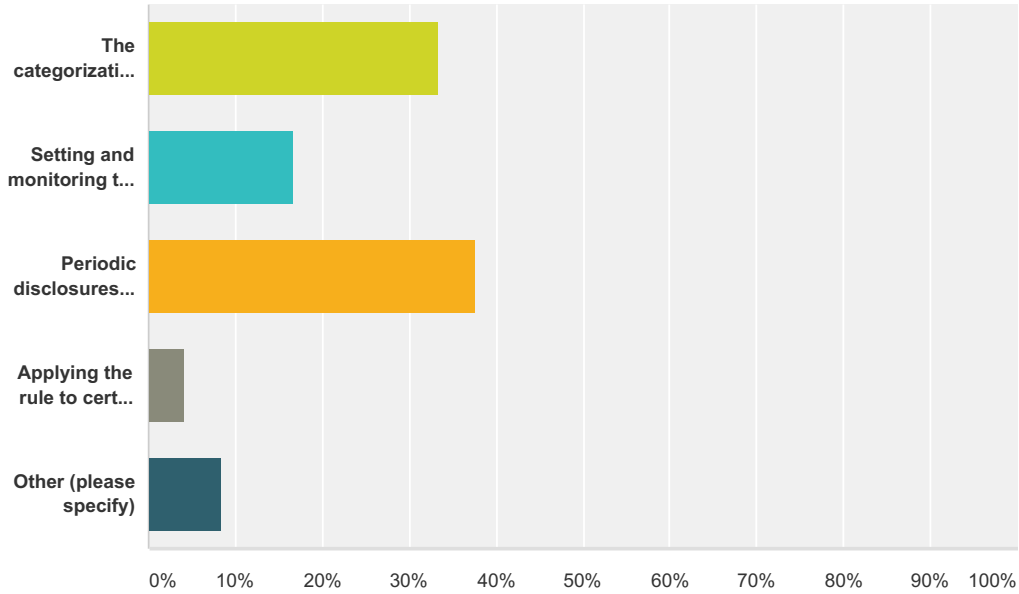


Answer Choices	Responses
Not at all prepared and are not yet clear on what the main impact areas are.	4.86% 7
We have done some preliminary analysis but have a significant amount of implementation work still to do.	27.08% 39
We are progressing with our implementation planning and are comfortable we will be ready by the deadline.	25.69% 37
It's not applicable directly to us as a sub-adviser so we are awaiting guidance from the fund.	26.39% 38
Unsure.	14.58% 21
Other (please specify)	1.39% 2
<b>Total</b>	<b>144</b>



### Q62 Which part of the Liquidity Risk Management Program Rule do you find most onerous? (Select One)

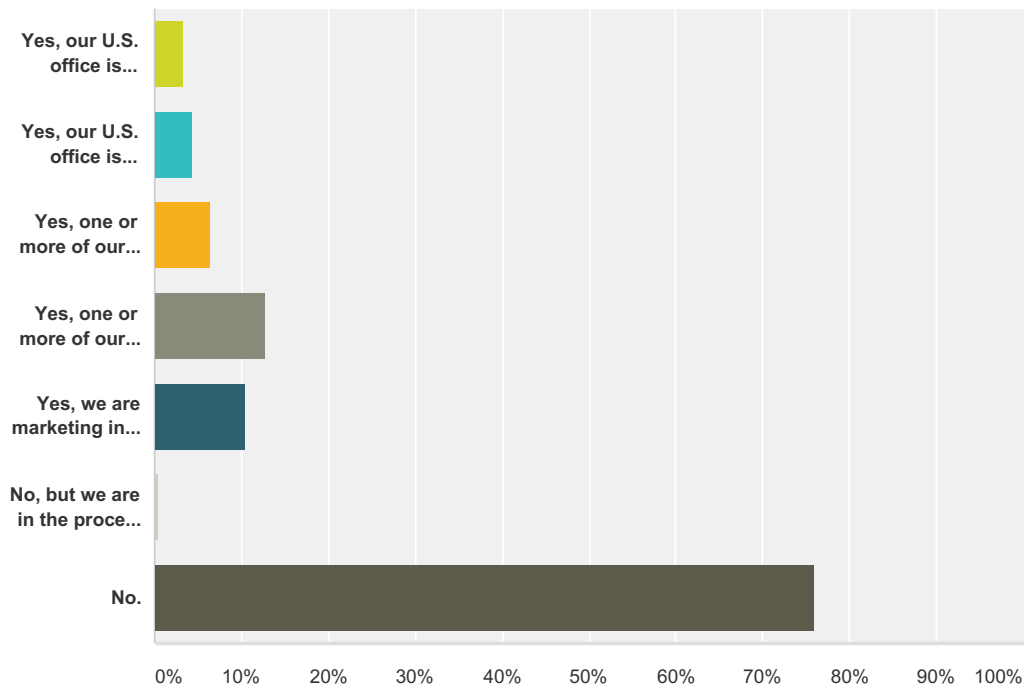
Answered: 120 Skipped: 477



Answer Choices	Responses
The categorization of portfolio holdings into the four (4) liquidity categories.	33.33% 40
Setting and monitoring the highly liquid investment minimum.	16.67% 20
Periodic disclosures regarding liquidity and liquidity classifications to the SEC.	37.50% 45
Applying the rule to certain ETFs.	4.17% 5
Other (please specify)	8.33% 10
<b>Total</b>	<b>120</b>

### Q63 Do you operate outside of the U.S.? (check all that apply)

Answered: 465 Skipped: 132

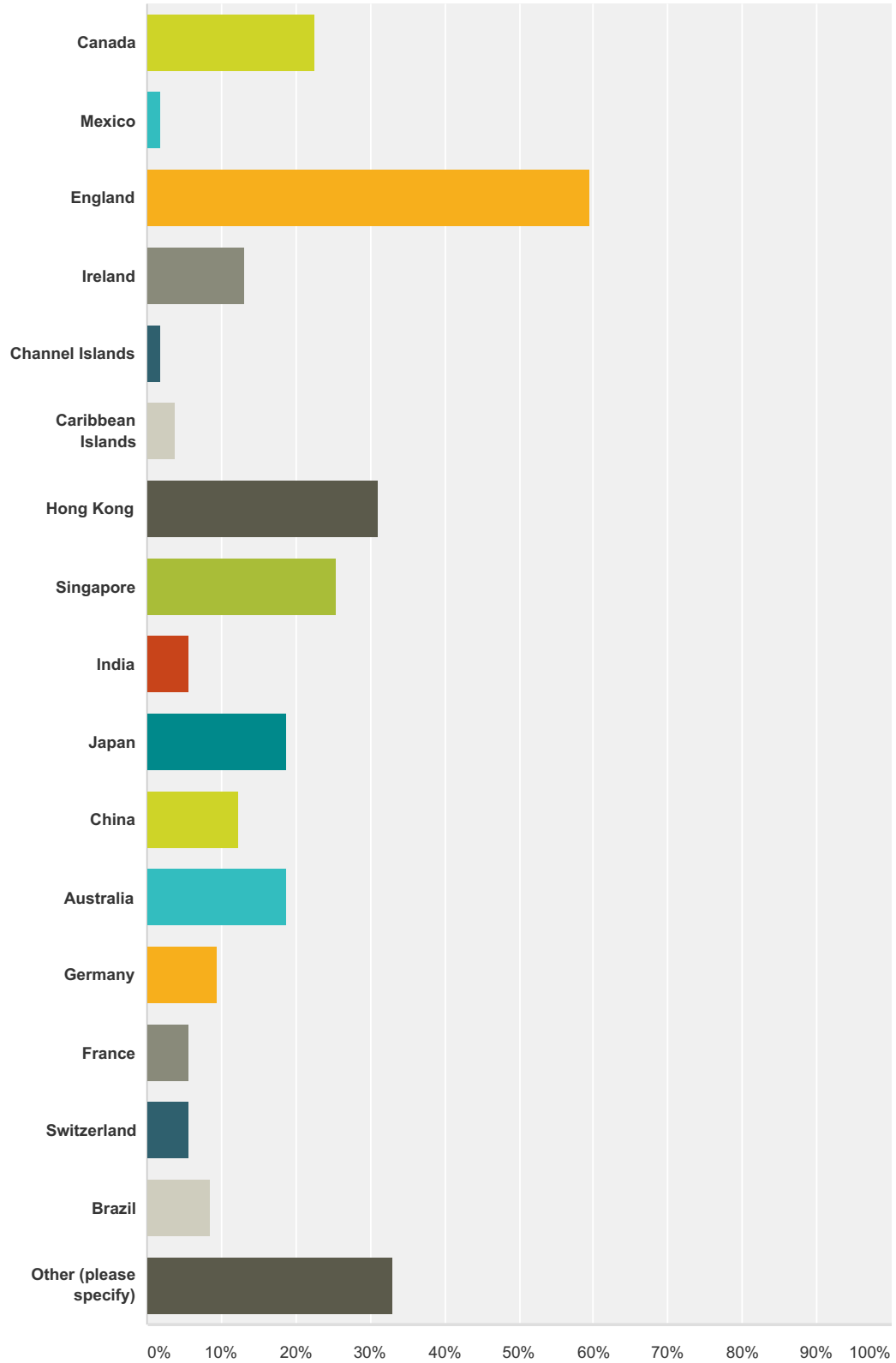


Answer Choices	Responses
Yes, our U.S. office is registered in a foreign region.	3.44% 16
Yes, our U.S. office is operating under an exemption in a foreign region.	4.30% 20
Yes, one or more of our branch offices are registered in a foreign region.	6.45% 30
Yes, one or more of our affiliates are registered in a foreign region.	12.69% 59
Yes, we are marketing in a foreign region.	10.54% 49
No, but we are in the process of setting up operations in a foreign region.	0.43% 2
No.	75.91% 353
<b>Total Respondents: 465</b>	

**Q64 You indicated that you have offices located outside of the U.S. Where are your offices located? (check all that apply)**

Answered: 106 Skipped: 491

## 2017 Investment Management Compliance Testing Survey



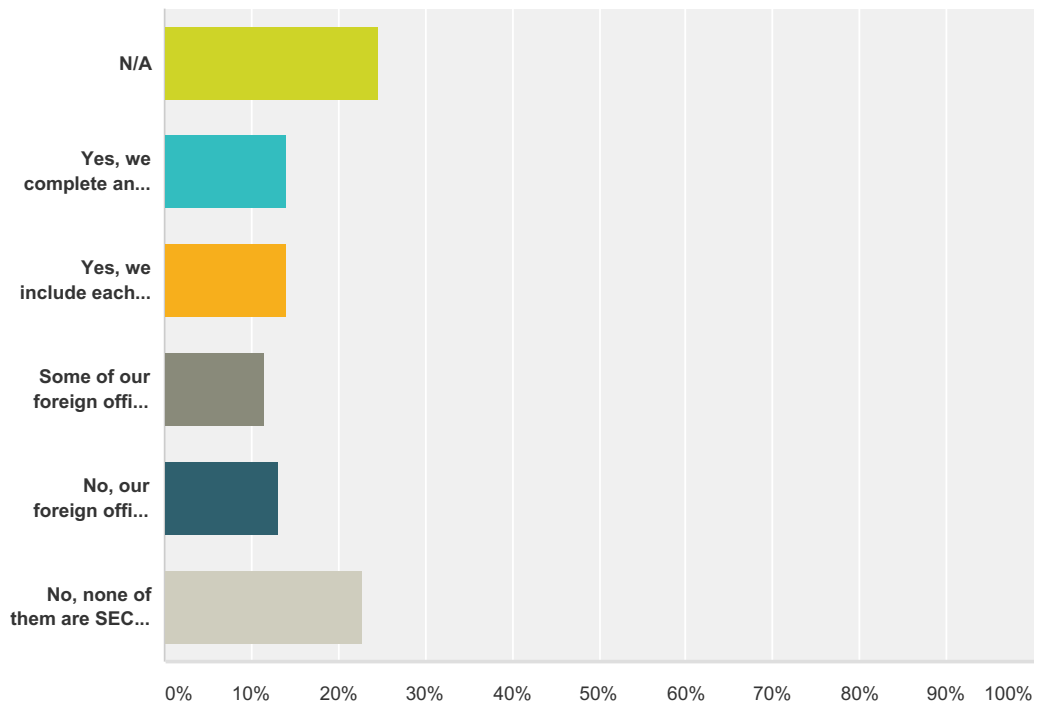
Answer Choices	Responses	
Canada	22.64%	24
Mexico	1.89%	2

## 2017 Investment Management Compliance Testing Survey

England	59.43%	63
Ireland	13.21%	14
Channel Islands	1.89%	2
Caribbean Islands	3.77%	4
Hong Kong	31.13%	33
Singapore	25.47%	27
India	5.66%	6
Japan	18.87%	20
China	12.26%	13
Australia	18.87%	20
Germany	9.43%	10
France	5.66%	6
Switzerland	5.66%	6
Brazil	8.49%	9
Other (please specify)	33.02%	35
<b>Total Respondents: 106</b>		

### Q65 Are your foreign offices registered with the SEC?

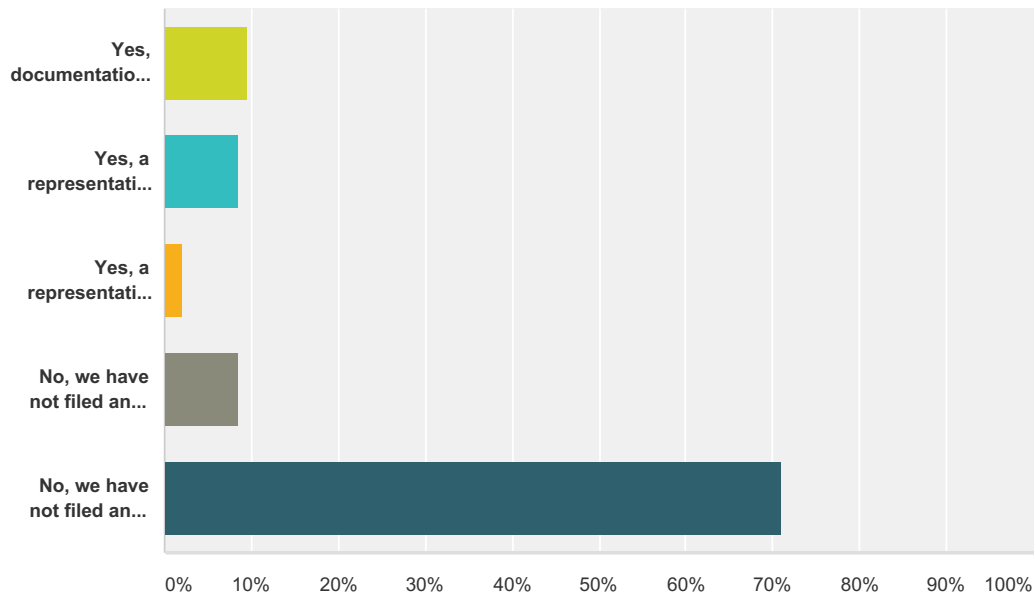
Answered: 114 Skipped: 483



Answer Choices	Responses
N/A	24.56% 28
Yes, we complete an individual full registration for each of our offices with the SEC.	14.04% 16
Yes, we include each office as a relying adviser on our Form ADV.	14.04% 16
Some of our foreign offices are SEC registered, but not all.	11.40% 13
No, our foreign offices are deemed to be "participating affiliates."	13.16% 15
No, none of them are SEC registered.	22.81% 26
<b>Total</b>	<b>114</b>

### Q66 Has your firm made any filings with the SEC for your participating affiliates?

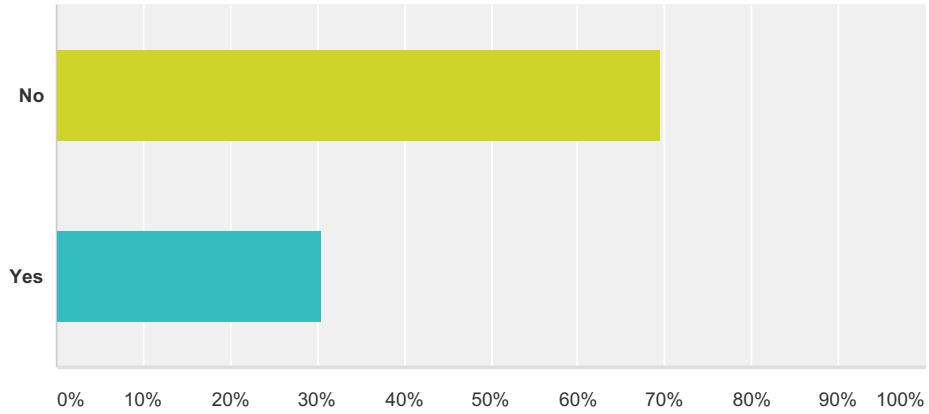
Answered: 93 Skipped: 504



Answer Choices	Responses
Yes, documentation of the appointment of an agent for service of process by a participating affiliate, including the name and contact information of such agent.	9.68% 9
Yes, a representation that the participating affiliate is under the jurisdiction of U.S. courts for actions arising, directly or indirectly, under U.S. securities laws or the securities laws of any state in connection with certain U.S. clients.	8.60% 8
Yes, a representation that the participating affiliate will produce, pursuant to an administrative subpoena or a request for voluntary cooperation, any documents in accordance with staff guidance.	2.15% 2
No, we have not filed any of these, but are planning to do so.	8.60% 8
No, we have not filed any of these and do not intend to do so.	70.97% 66
<b>Total</b>	<b>93</b>

**Q67 Is your U.S. office registered with any foreign regulator? If yes, please name all regulators.**

Answered: 105 Skipped: 492

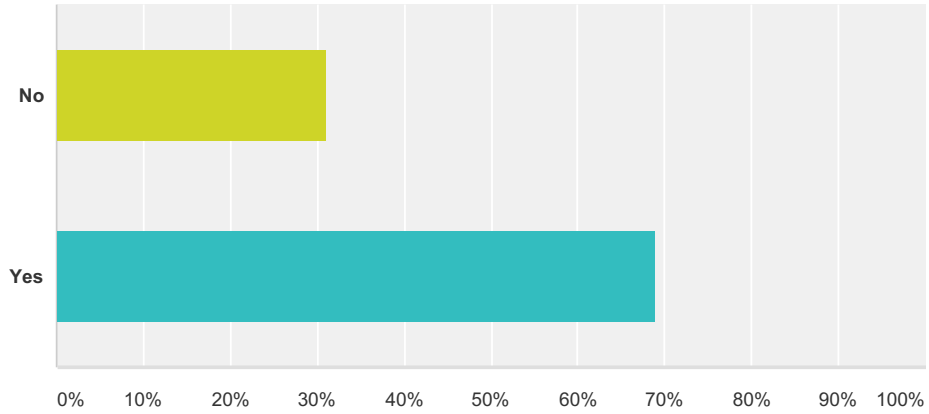


Answer Choices	Responses
No	69.52% 73
Yes	30.48% 32
<b>Total</b>	<b>105</b>



**Q68 Are your foreign offices registered with any foreign regulator? If yes, please name all regulators.**

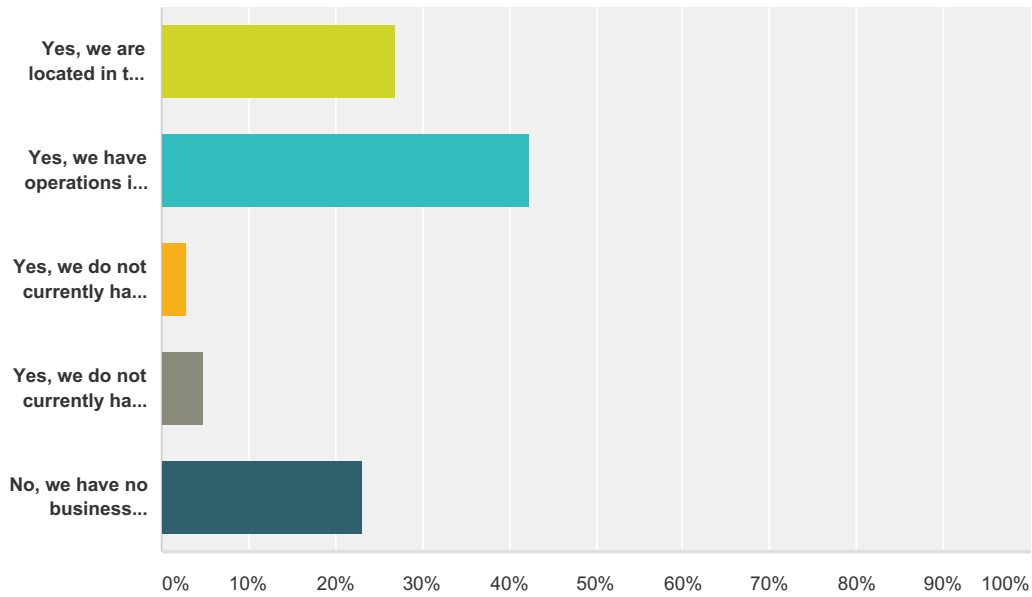
Answered: 103 Skipped: 494



Answer Choices	Responses
No	31.07% 32
Yes	68.93% 71
<b>Total</b>	<b>103</b>

### Q69 Do you anticipate that the European Union Markets in Financial Instruments Directive II (MiFID II) will impact your firm?

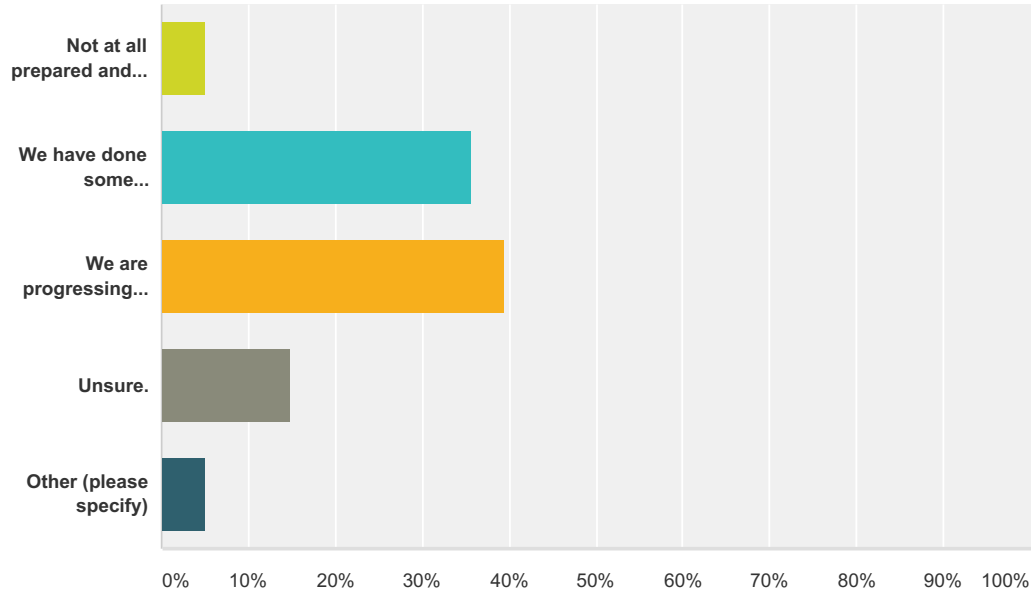
Answered: 104 Skipped: 493



Answer Choices	Responses	
Yes, we are located in the EU and will be directly affected.	26.92%	28
Yes, we have operations in the EU and will be indirectly affected.	42.31%	44
Yes, we do not currently have an office in the EU but are considering establishing one.	2.88%	3
Yes, we do not currently have operations in the EU but are considering initiating.	4.81%	5
No, we have no business dealings inside the EU.	23.08%	24
<b>Total</b>		<b>104</b>

**Q70 Overall, how prepared is your firm for the MiFID II implementation deadline of January 3, 2018?**

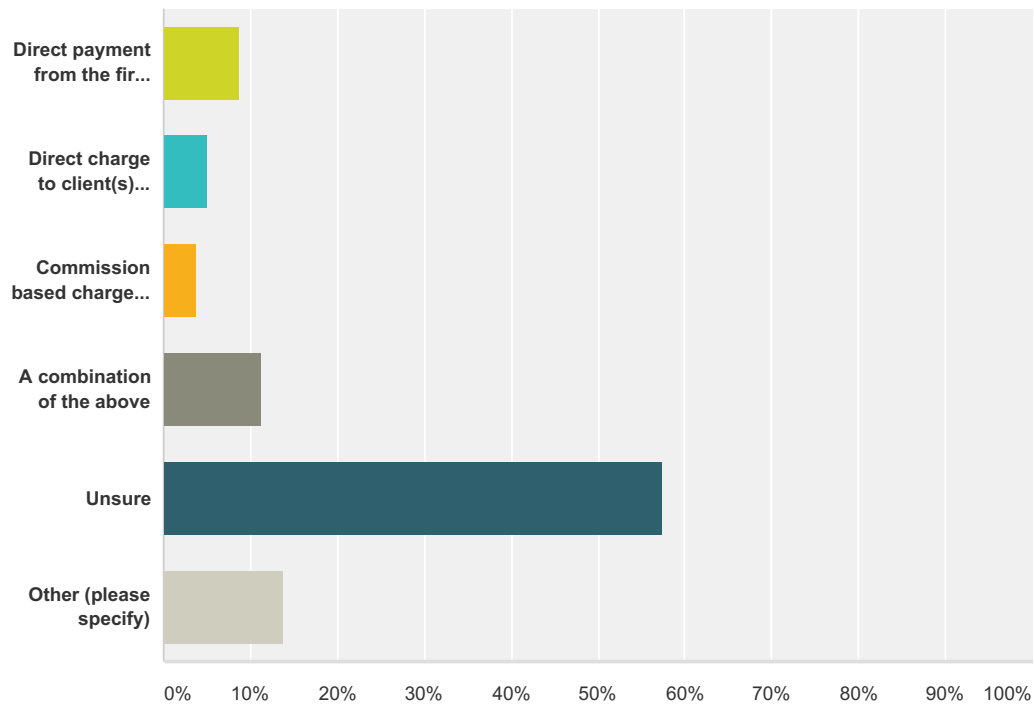
Answered: 81 Skipped: 516



Answer Choices	Responses	
Not at all prepared and are not yet clear on what the main impact areas are.	4.94%	4
We have done some preliminary analysis but have a significant amount of implementation work still to do.	35.80%	29
We are progressing with our implementation planning and are comfortable we will be ready by the deadline.	39.51%	32
Unsure.	14.81%	12
Other (please specify)	4.94%	4
<b>Total</b>		<b>81</b>

### Q71 Which option will your firm be using to pay for research once MiFID II is in effect?

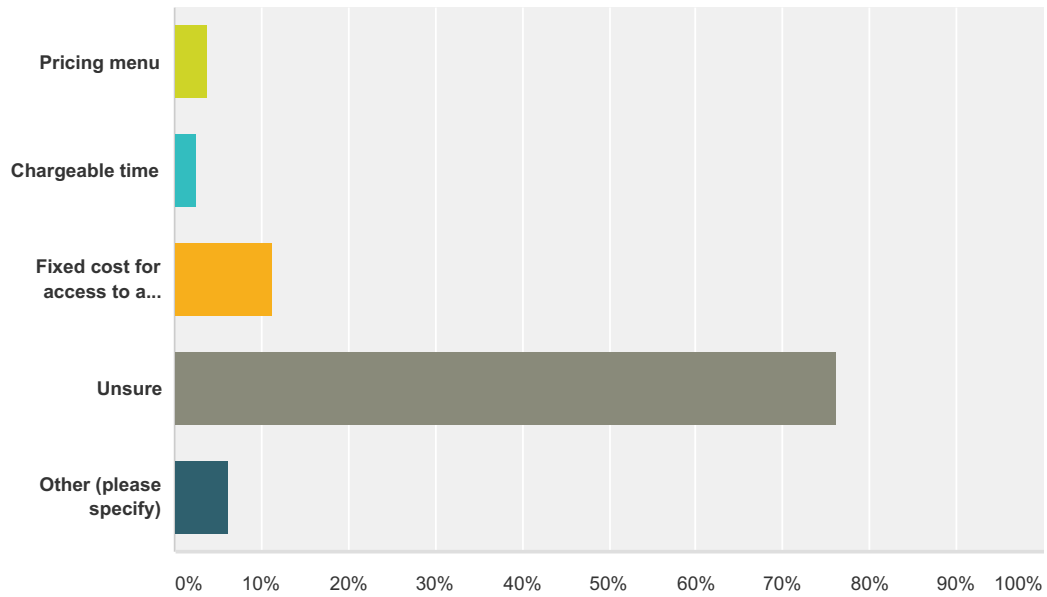
Answered: 80 Skipped: 517



Answer Choices	Responses	
Direct payment from the firm's P&L	8.75%	7
Direct charge to client(s) to fund a research payment account (RPA)	5.00%	4
Commission based charge to client(s) collected alongside transaction commissions	3.75%	3
A combination of the above	11.25%	9
Unsure	57.50%	46
Other (please specify)	13.75%	11
<b>Total</b>		<b>80</b>

### Q72 What charging structure are your sell-side counterparties opting for in relation to research services they offer?

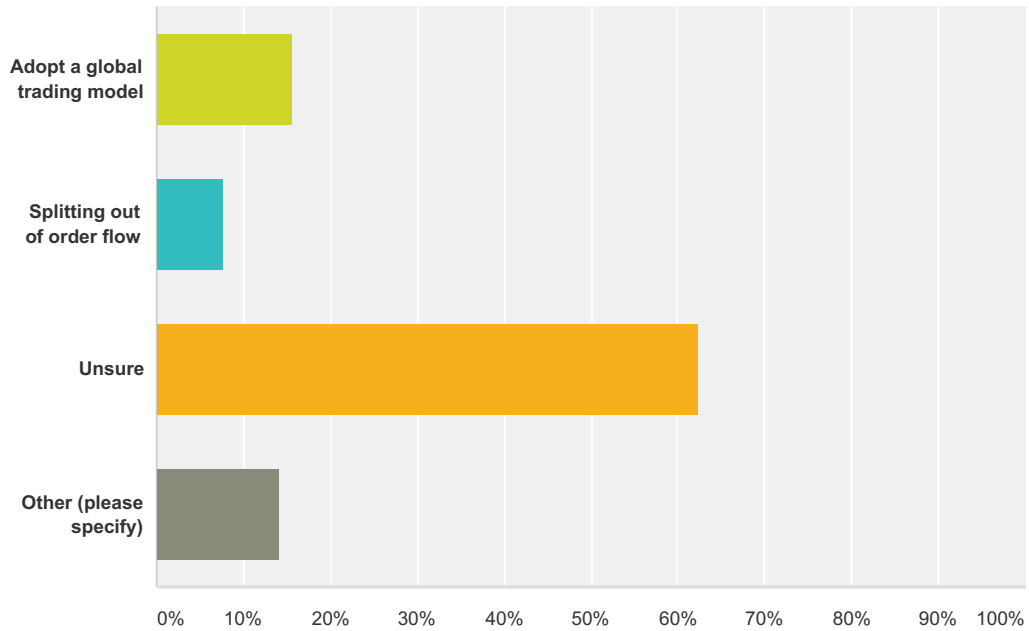
Answered: 80 Skipped: 517



Answer Choices	Responses
Pricing menu	3.75% 3
Chargeable time	2.50% 2
Fixed cost for access to a portal, then a combination of the above	11.25% 9
Unsure	76.25% 61
Other (please specify)	6.25% 5
<b>Total</b>	<b>80</b>

**Q73 If your firm is subject to different requirements on paying for research across different jurisdictions, how are you going to handle these?**

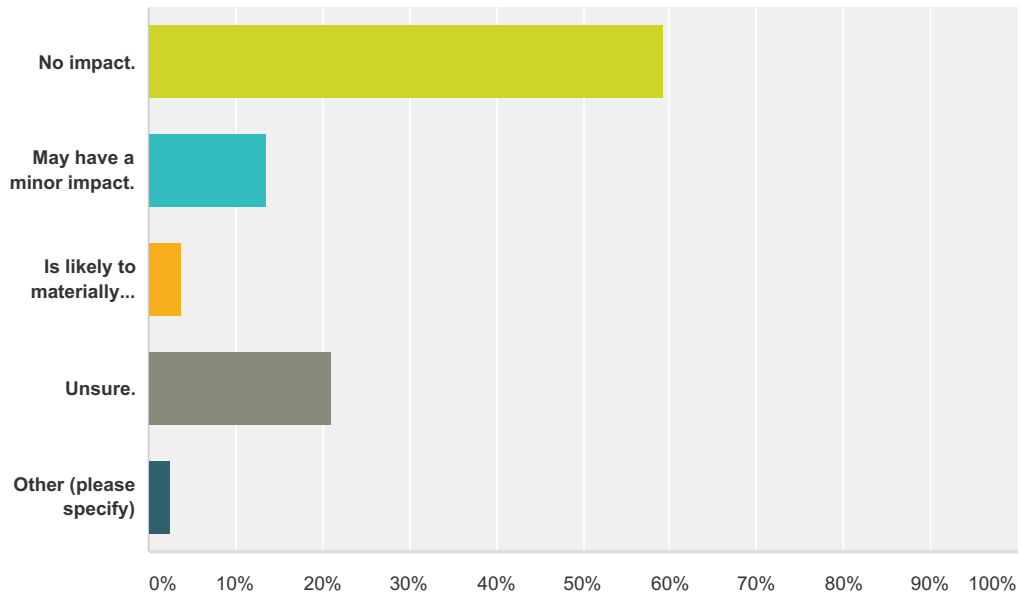
Answered: 77 Skipped: 520



Answer Choices	Responses
Adopt a global trading model	15.58% 12
Splitting out of order flow	7.79% 6
Unsure	62.34% 48
Other (please specify)	14.29% 11
<b>Total</b>	<b>77</b>

### Q74 How affected is your firm's investment strategy by the proposed new limits on commodity derivatives?

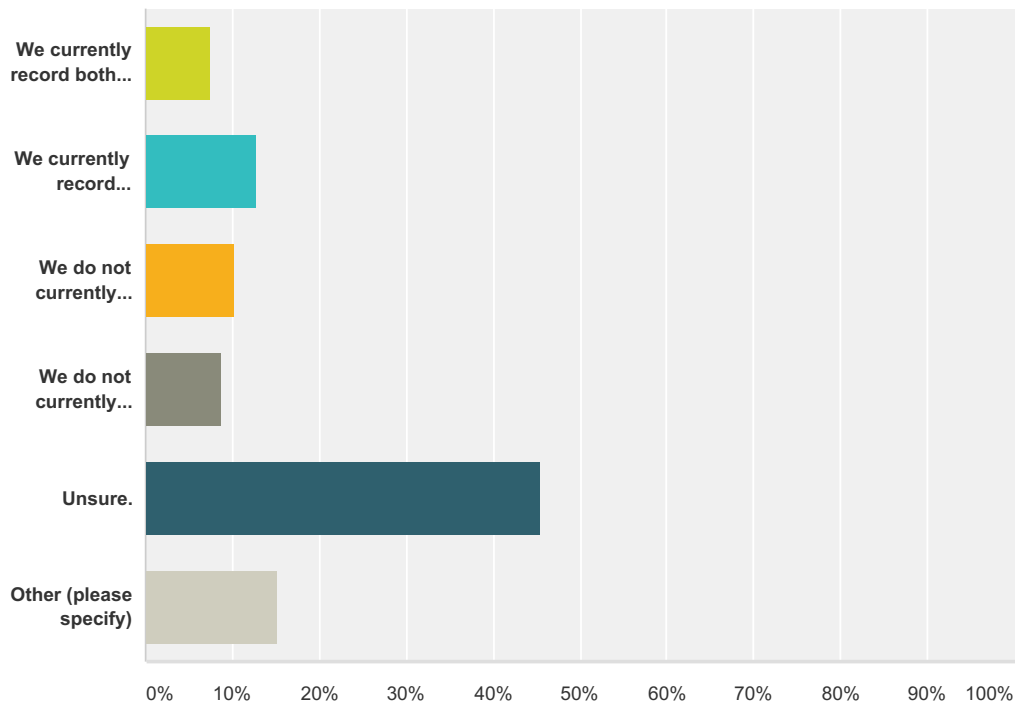
Answered: 81 Skipped: 516



Answer Choices	Responses
No impact.	59.26% 48
May have a minor impact.	13.58% 11
Is likely to materially impact the firm's trading strategy for relevant contracts.	3.70% 3
Unsure.	20.99% 17
Other (please specify)	2.47% 2
<b>Total</b>	<b>81</b>

### Q75 How will you respond to the new telephone recording requirements?

Answered: 79 Skipped: 518

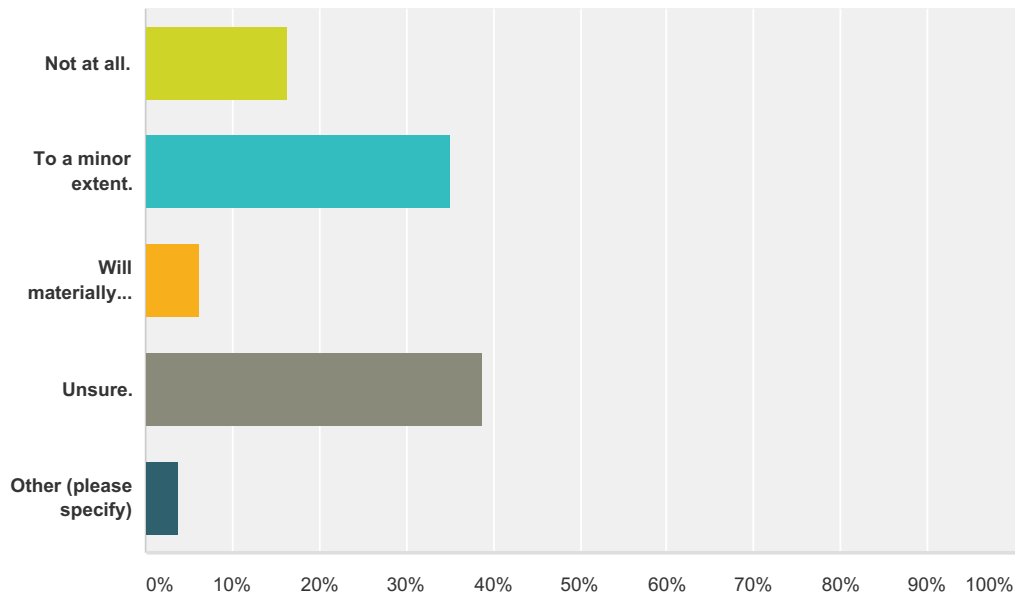


Answer Choices	Responses
We currently record both landlines and mobile phones for relevant staff.	7.59% 6
We currently record landlines only, but plan to record mobile phones for relevant staff.	12.66% 10
We do not currently record landline or mobile phones, but plan on engaging an outsourced provider to record both.	10.13% 8
We do not currently record landline or mobile phones, but plan on engaging an outsourced provider to record landlines only and will preclude use of mobile phones for conversations subject to the recording obligation.	8.86% 7
Unsure.	45.57% 36
Other (please specify)	15.19% 12
<b>Total</b>	<b>79</b>



### Q76 To what extent do the MiFID II product governance requirements affect your firm?

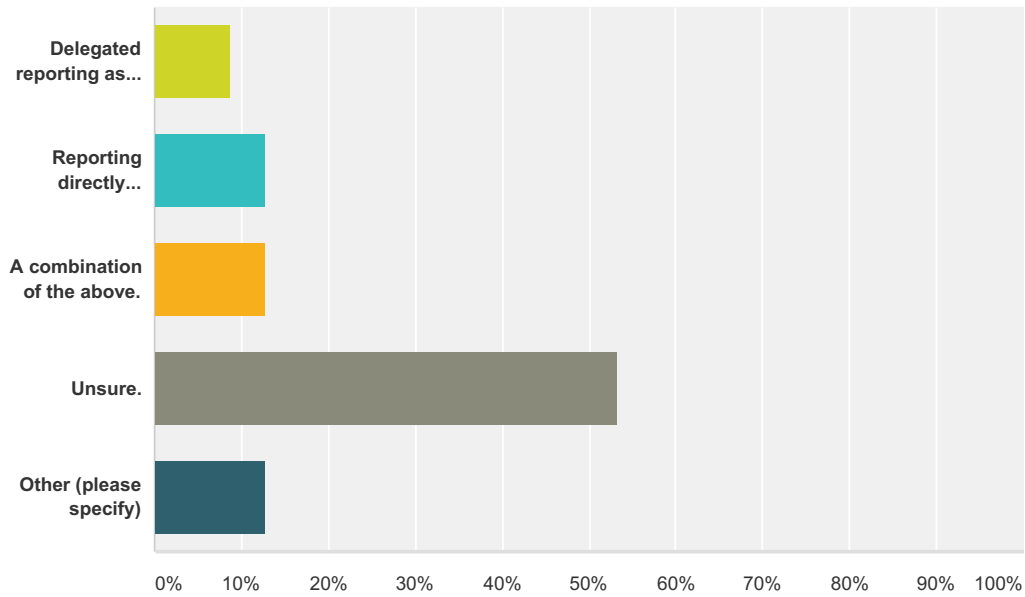
Answered: 80 Skipped: 517



Answer Choices	Responses
Not at all.	16.25% 13
To a minor extent.	35.00% 28
Will materially affect our distribution strategy/approach in Europe.	6.25% 5
Unsure.	38.75% 31
Other (please specify)	3.75% 3
<b>Total</b>	<b>80</b>

### Q77 How do you plan on fulfilling MiFID II's transaction reporting requirements on your firm?

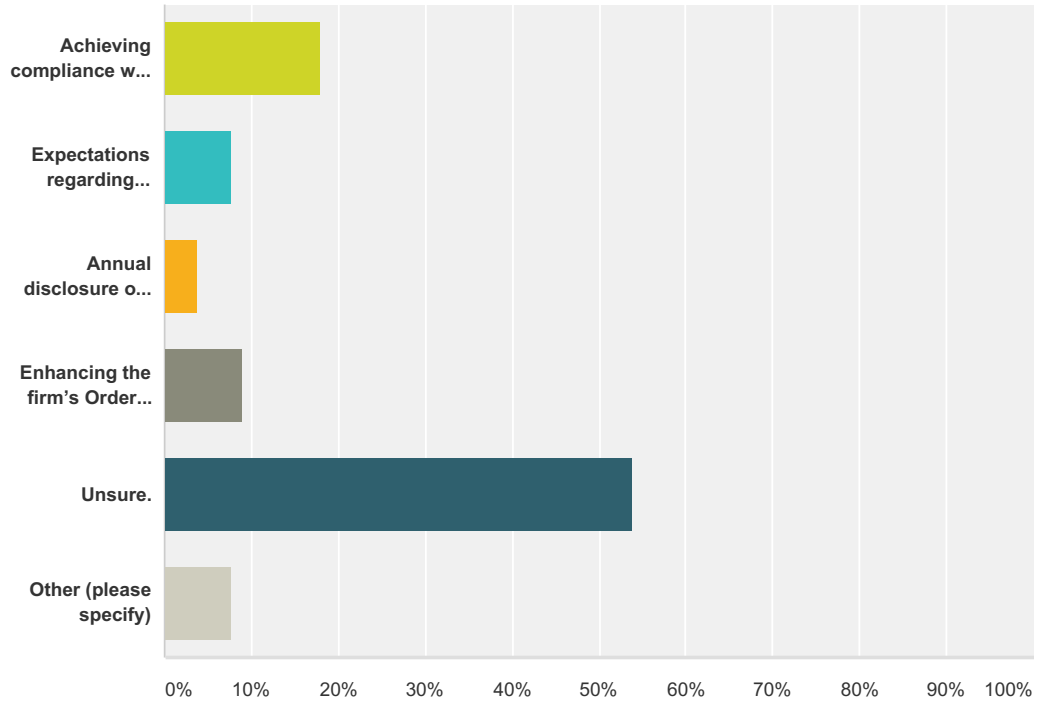
Answered: 79 Skipped: 518



Answer Choices	Responses	
Delegated reporting as a "transmitting firm."	8.86%	7
Reporting directly through an Approved Reporting Mechanism (ARM).	12.66%	10
A combination of the above.	12.66%	10
Unsure.	53.16%	42
Other (please specify)	12.66%	10
<b>Total</b>		<b>79</b>

### Q78 What do you consider to be the most onerous of MiFID II's requirements regarding best execution?

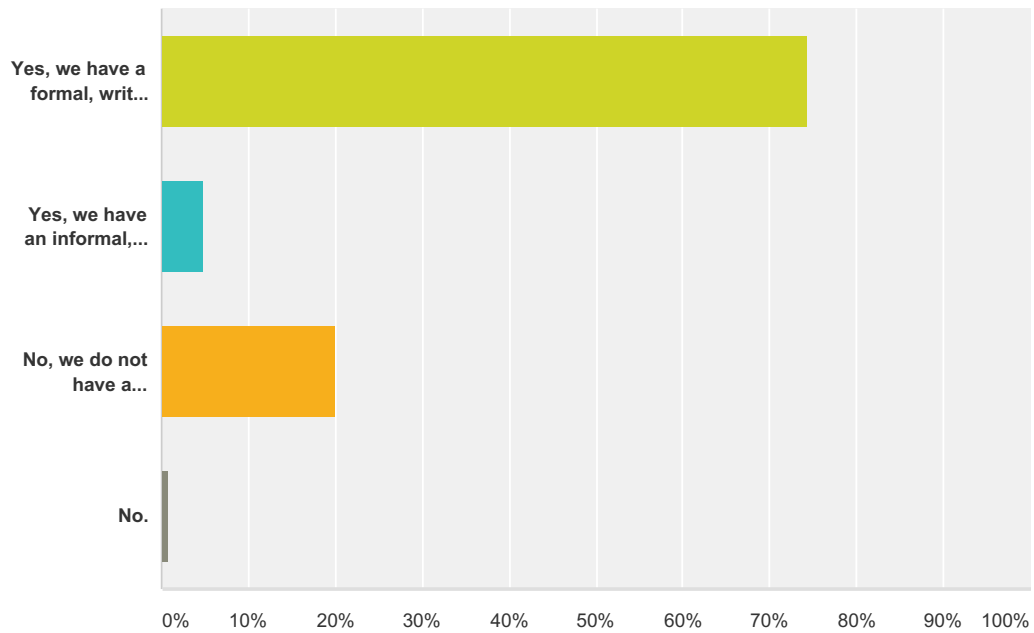
Answered: 78 Skipped: 519



Answer Choices	Responses
Achieving compliance with the higher standard of "all sufficient steps."	17.95% 14
Expectations regarding checking of "fairness" of pricing in connection with OTC trading.	7.69% 6
Annual disclosure of the firm's top 5 trading venues.	3.85% 3
Enhancing the firm's Order Execution Policy.	8.97% 7
Unsure.	53.85% 42
Other (please specify)	7.69% 6
<b>Total</b>	<b>78</b>

### Q79 Does your firm have a cybersecurity program?

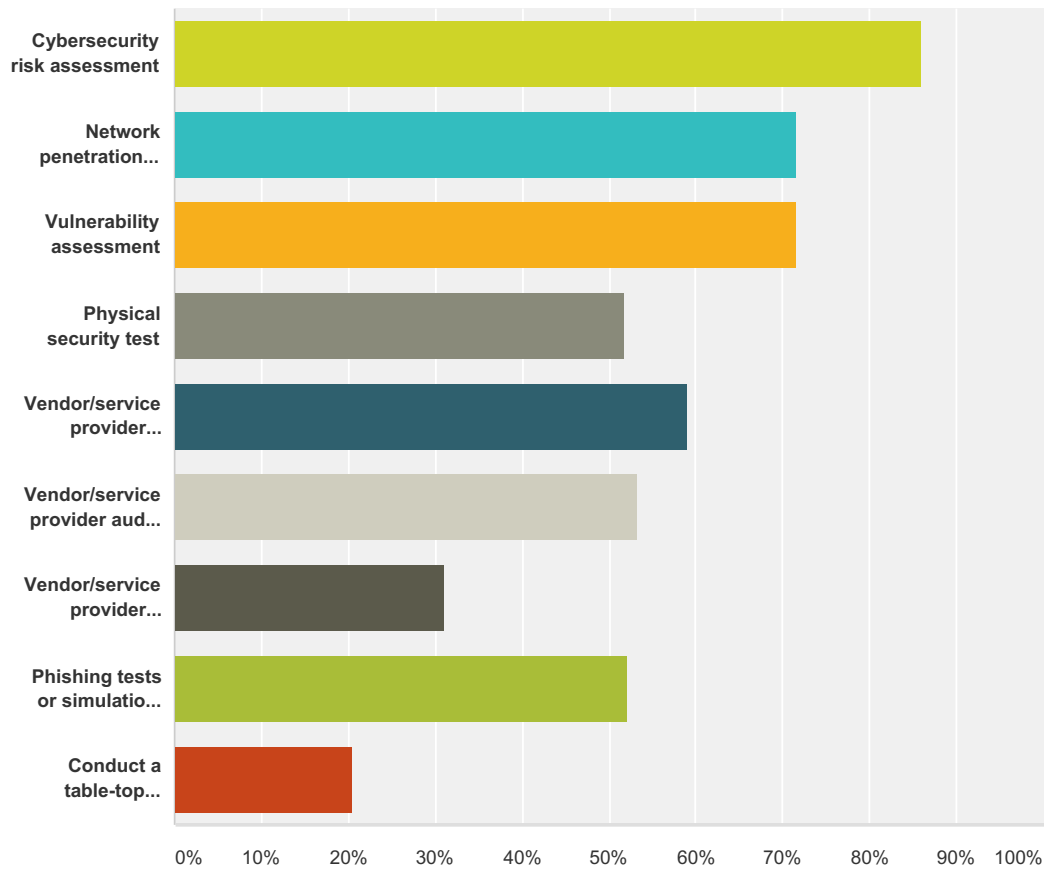
Answered: 461 Skipped: 136



Answer Choices	Responses
Yes, we have a formal, written cybersecurity program.	<b>74.40%</b> 343
Yes, we have an informal, unwritten cybersecurity program.	<b>4.77%</b> 22
No, we do not have a standalone cybersecurity program, but cybersecurity policies and procedures are incorporated into other policies and procedures (e.g., Red Flags Rule/Identity Theft Prevention Program; privacy policy).	<b>19.96%</b> 92
No.	<b>0.87%</b> 4
<b>Total</b>	<b>461</b>

### Q80 What cybersecurity assessments do you conduct? (check all that apply)

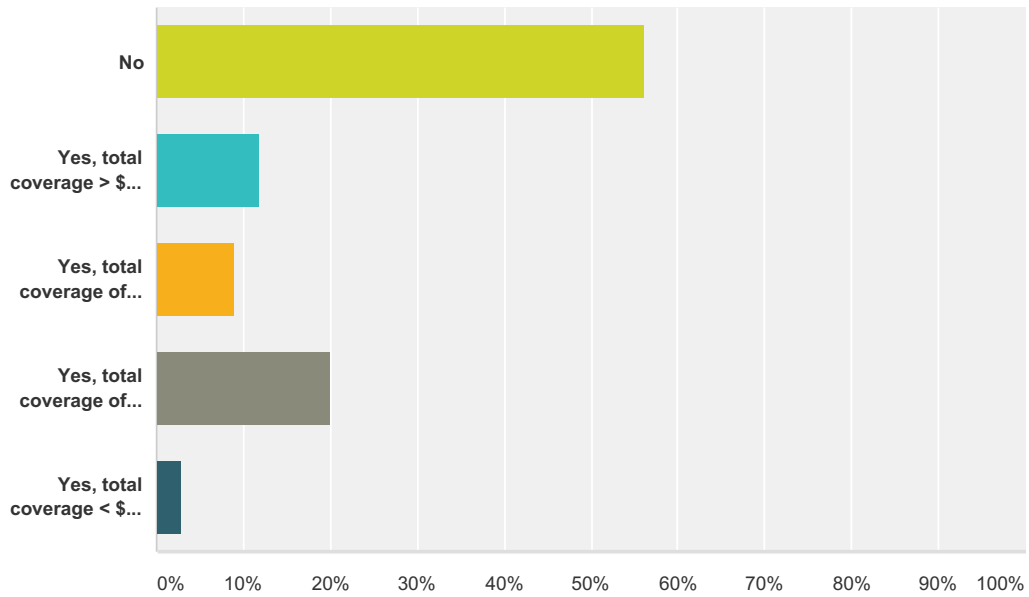
Answered: 443 Skipped: 154



Answer Choices	Responses
Cybersecurity risk assessment	86.00% 381
Network penetration test	71.56% 317
Vulnerability assessment	71.56% 317
Physical security test	51.69% 229
Vendor/service provider questionnaires	59.14% 262
Vendor/service provider audit reports (e.g., SOC 1/SOC 2 reports)	53.27% 236
Vendor/service provider on-site visits	31.15% 138
Phishing tests or simulations against employees	52.14% 231
Conduct a table-top incident response exercise	20.54% 91
<b>Total Respondents: 443</b>	

### Q81 Has your firm purchased a cybersecurity insurance policy since January 1, 2016?

Answered: 445 Skipped: 152



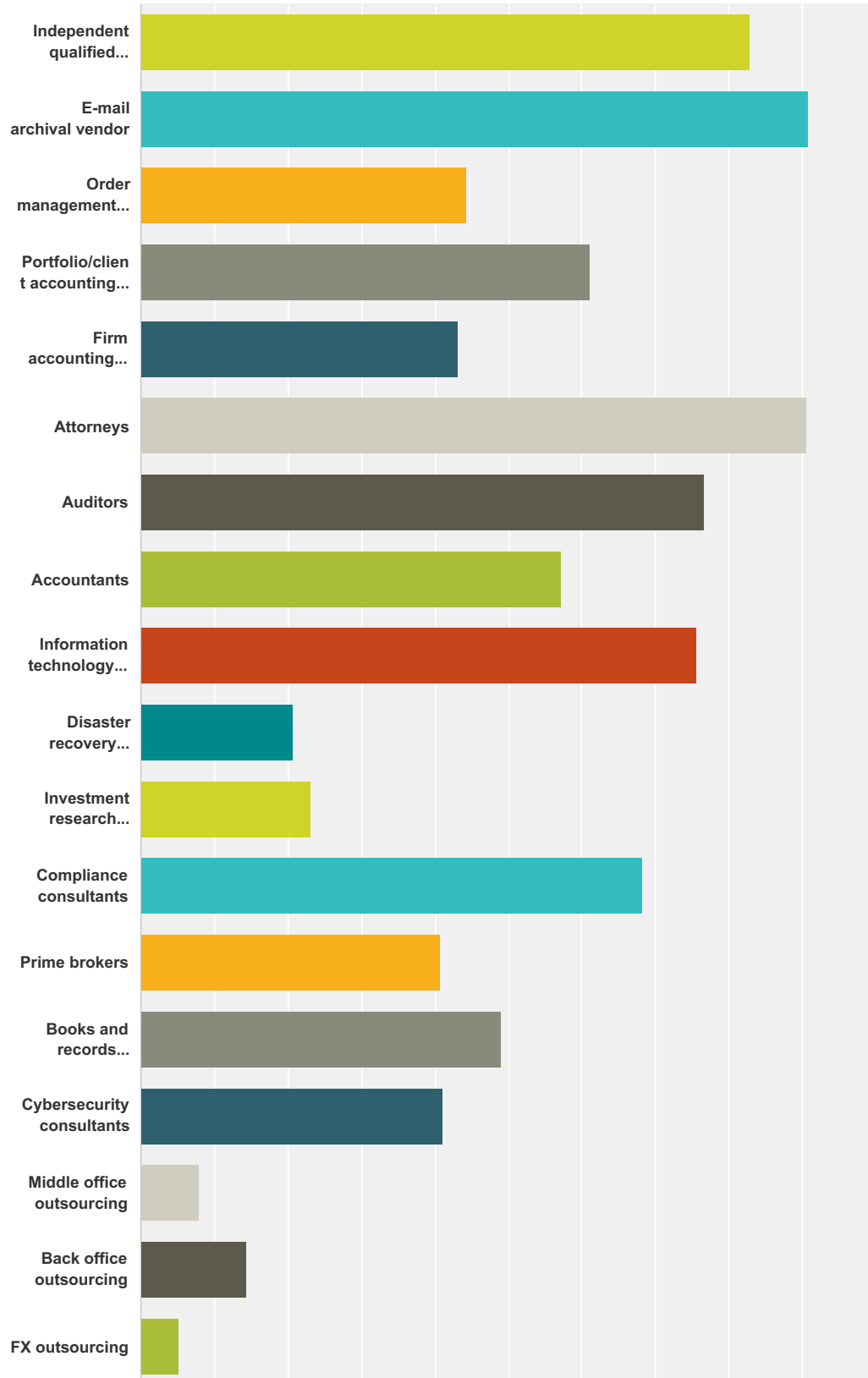
Answer Choices	Responses
No	56.18% 250
Yes, total coverage > \$5mm	11.91% 53
Yes, total coverage of \$3-5mm	8.99% 40
Yes, total coverage of \$1-3mm	20.00% 89
Yes, total coverage < \$1mm	2.92% 13
<b>Total</b>	<b>445</b>

**Q82 How has your firm's approach towards investing in cybersecurity programs changed since January 1, 2016? Please describe. (Note: Your candid, detailed answer to this question will benefit you and your peers. The survey organizers will be selecting the most insightful responses to this question and will share them as part of the final survey.)**

Answered: 200 Skipped: 397

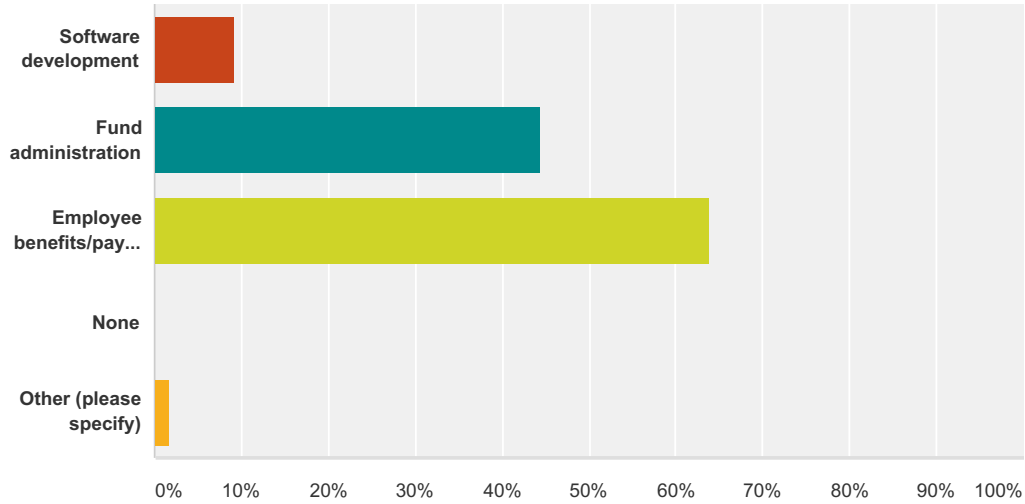
### Q83 Which type of third-party service providers does your firm use (check all that apply):

Answered: 458 Skipped: 139





## 2017 Investment Management Compliance Testing Survey

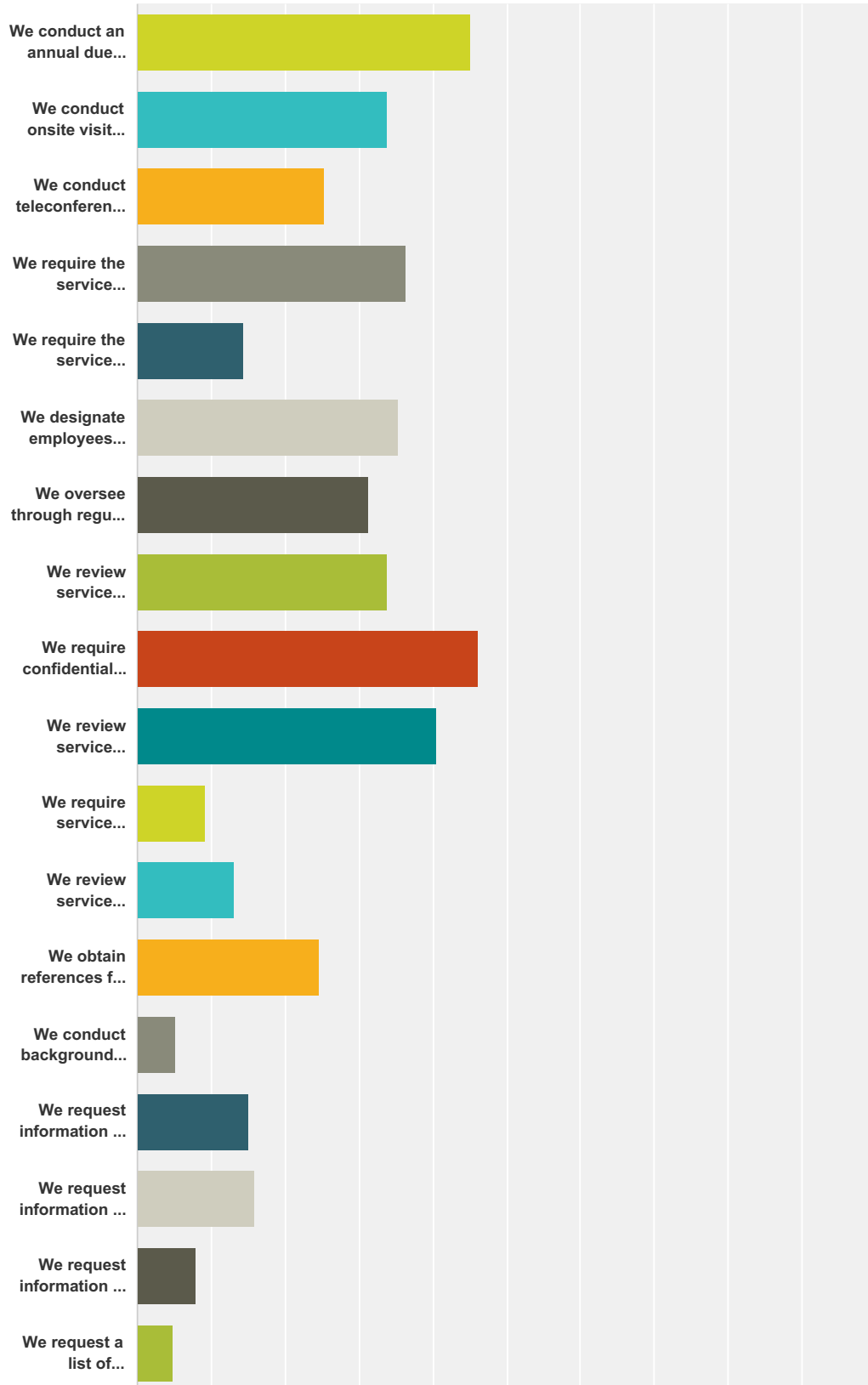


Answer Choices	Responses	
Independent qualified custodians	82.97%	380
E-mail archival vendor	90.83%	416
Order management vendor	44.32%	203
Portfolio/client accounting vendor	61.14%	280
Firm accounting vendor	43.23%	198
Attorneys	90.61%	415
Auditors	76.64%	351
Accountants	57.21%	262
Information technology companies (hardware and network management)	75.55%	346
Disaster recovery planning vendor	20.74%	95
Investment research consultants	23.14%	106
Compliance consultants	68.34%	313
Prime brokers	40.61%	186
Books and records storage/management vendors	49.13%	225
Cybersecurity consultants	41.05%	188
Middle office outsourcing	7.86%	36
Back office outsourcing	14.41%	66
FX outsourcing	5.24%	24
Software development	9.17%	42
Fund administration	44.54%	204
Employee benefits/payroll	63.97%	293
None	0.00%	0
Other (please specify)	1.75%	8

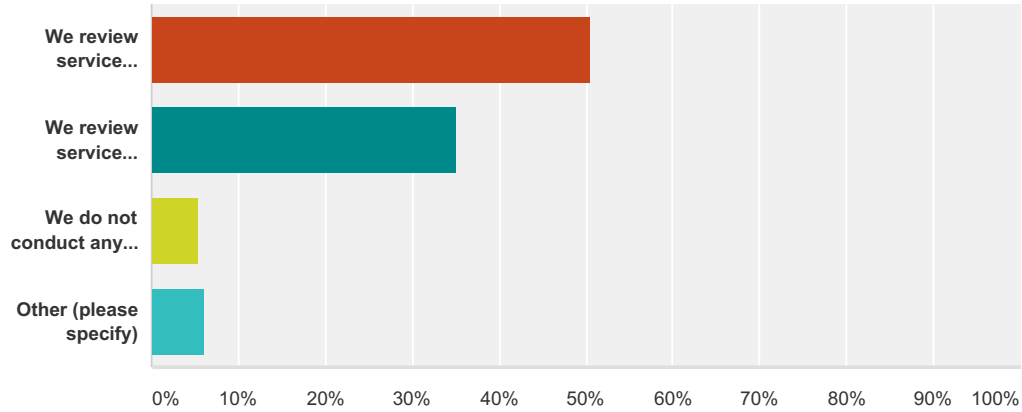
Total Respondents: 458

### Q84 How does your firm conduct oversight of its third-party service providers? (check all that apply)

Answered: 447 Skipped: 150



## 2017 Investment Management Compliance Testing Survey



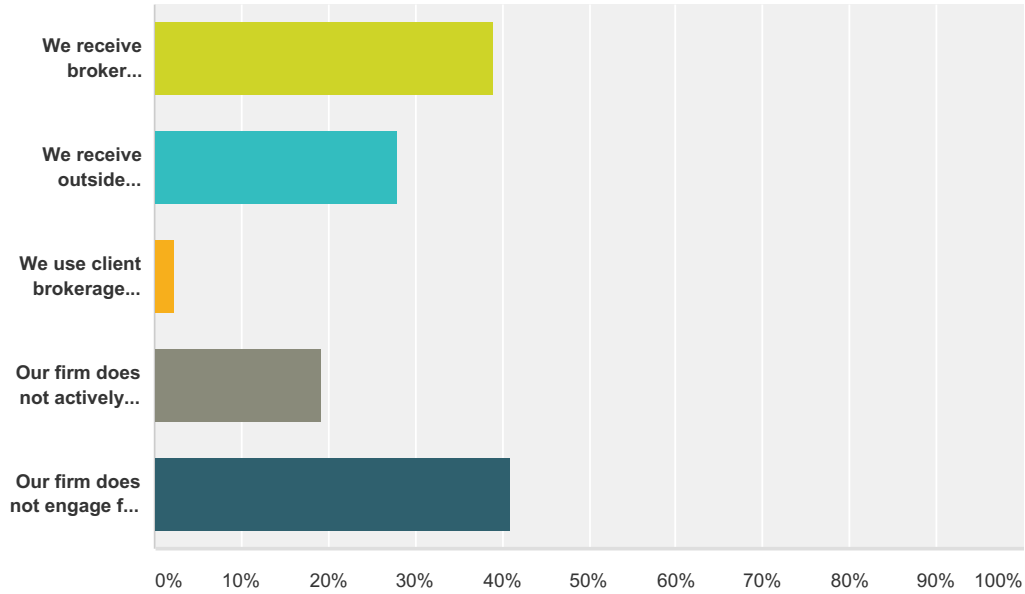
Answer Choices	Responses	
We conduct an annual due diligence review.	45.19%	202
We conduct onsite visits on a periodic basis.	33.78%	151
We conduct teleconferences on a periodic basis.	25.28%	113
We require the service provider to complete a periodic questionnaire.	36.24%	162
We require the service provider to complete annual attestations of compliance with the service agreement.	14.32%	64
We designate employees responsible for managing each relationship.	35.35%	158
We oversee through regular interaction but do not conduct a focused review.	31.32%	140
We review service providers' privacy policies.	33.78%	151
We require confidentiality agreements.	46.09%	206
We review service providers' disaster recovery plans.	40.49%	181
We require service providers to provide exception reporting.	9.17%	41
We review service providers' company financial statements.	13.20%	59
We obtain references from other customers.	24.61%	110
We conduct background checks of key employees of service providers assigned to our account.	5.15%	23
We request information on any current litigation.	14.99%	67
We request information on service providers' regulatory history.	15.88%	71
We request information on any criminal history.	7.83%	35
We request a list of complaints.	4.70%	21
We review service providers' SSAE 16s where applicable.	50.56%	226
We review service providers' cybersecurity policies.	35.12%	157
We do not conduct any oversight of service providers.	5.37%	24
Other (please specify)	6.04%	27
<b>Total Respondents: 447</b>		

**Q85 How has your firm's approach towards oversight of third-parties changed since January 1, 2016? Please describe. (Note: Your candid, detailed answer to this question will benefit you and your peers. The survey organizers will be selecting the most insightful responses to this question and will share them as part of the final survey.)**

Answered: 177 Skipped: 420

### Q86 Does your firm use soft dollars, including commission sharing arrangements? (check all that apply)

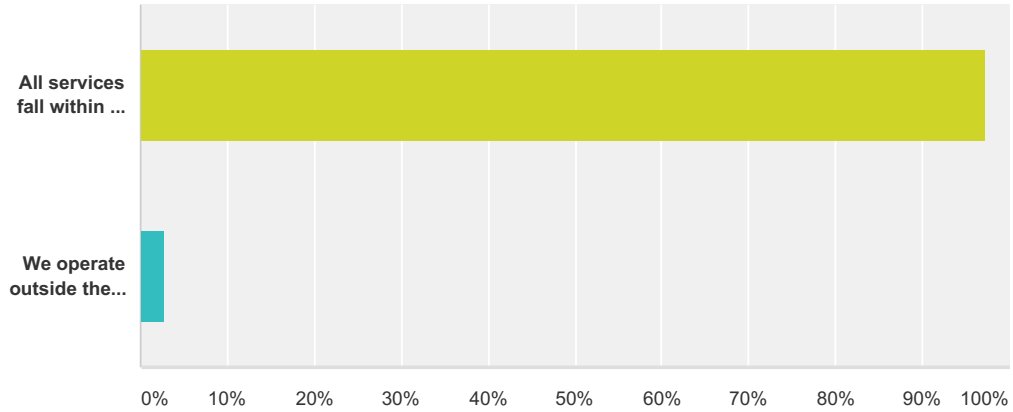
Answered: 449 Skipped: 148



Answer Choices	Responses
We receive broker proprietary research and other products and services from our full-service broker-dealers.	<b>38.98%</b> 175
We receive outside research and other products and services from third-party independent research providers, paid for by our broker-dealers.	<b>28.06%</b> 126
We use client brokerage commissions to pay for referrals and other products and services outside the Section 28(e) safe harbor.	<b>2.23%</b> 10
Our firm does not actively seek out third-party soft dollar products and services but may receive them.	<b>19.15%</b> 86
Our firm does not engage full service broker-dealers and we do not receive proprietary research.	<b>40.98%</b> 184
<b>Total Respondents: 449</b>	

### Q87 Do your firm's soft dollar products and services fall within the Section 28(e) safe harbor?

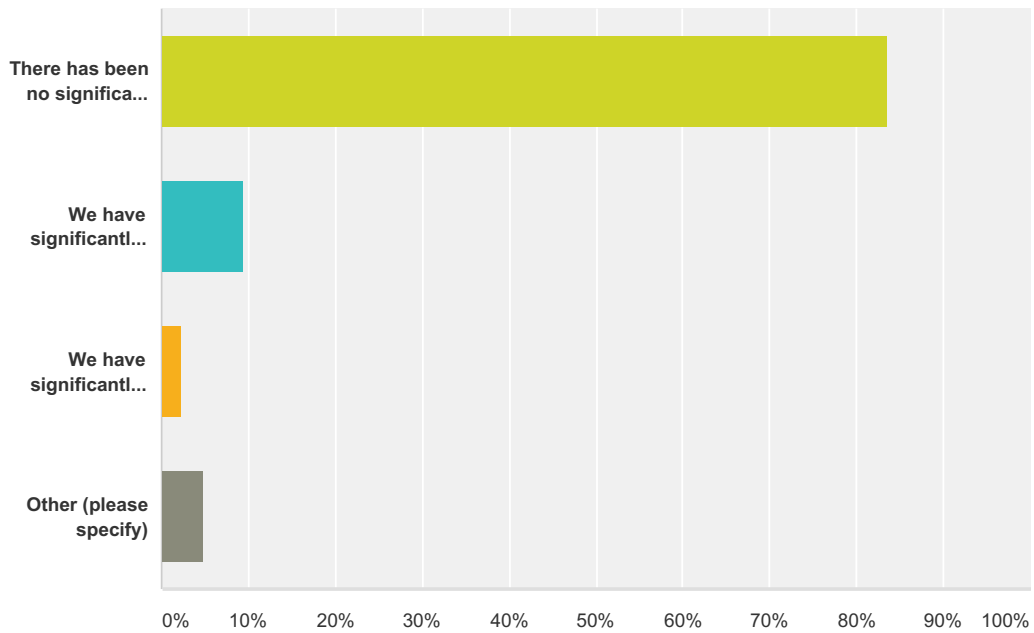
Answered: 262 Skipped: 335



Answer Choices	Responses
All services fall within the Section 28(e) safe harbor.	97.33% 255
We operate outside the Section 28(e) safe harbor with full disclosure to our clients.	2.67% 7
<b>Total</b>	<b>262</b>

### Q88 How has your firm’s approach towards soft dollars changed since January 1, 2016?

Answered: 266 Skipped: 331

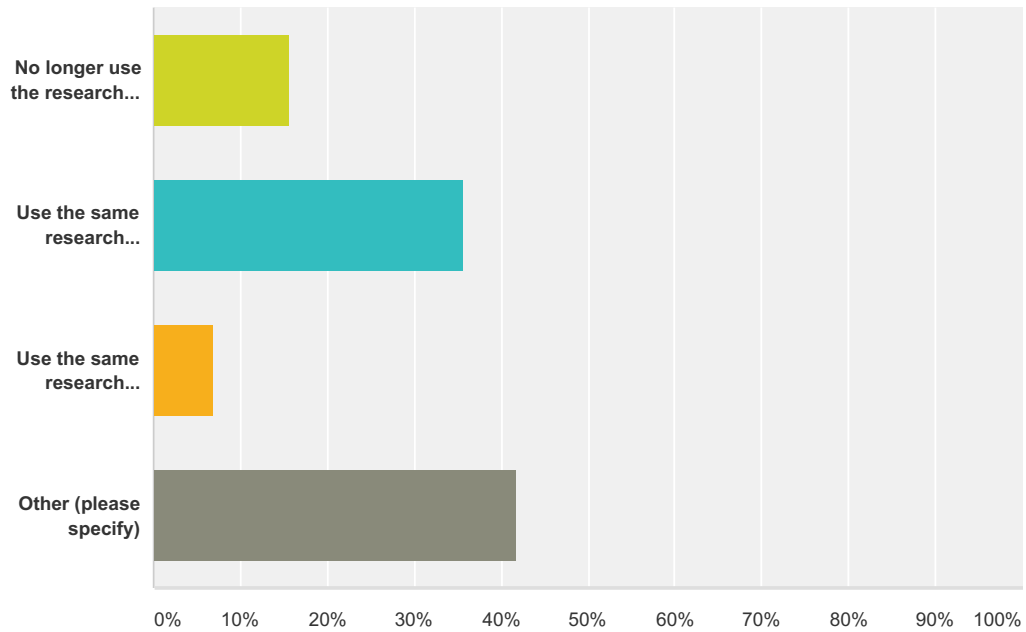


Answer Choices	Responses	
There has been no significant change in the amount of our soft dollar usage since January 1, 2016.	83.46%	222
We have significantly decreased our soft dollar usage since January 1, 2016.	9.40%	25
We have significantly increased our soft dollar usage since January 1, 2016.	2.26%	6
Other (please specify)	4.89%	13
<b>Total</b>		<b>266</b>



**Q89 You responded that you have significantly decreased your soft dollar usage. Do you:**

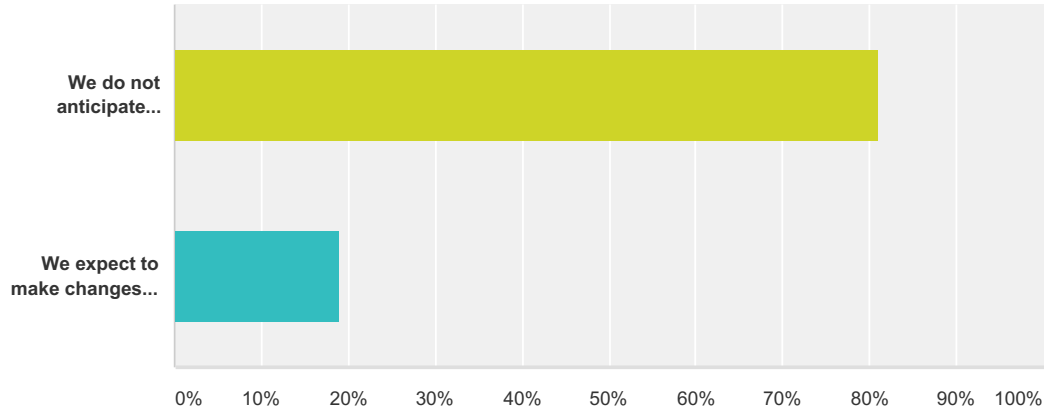
Answered: 115 Skipped: 482



Answer Choices	Responses
No longer use the research products and services.	15.65% 18
Use the same research products and services and pay for such products and services in hard dollars by the firm.	35.65% 41
Use the same research products and services and pay for such products and services in hard dollars by the client.	6.96% 8
Other (please specify)	41.74% 48
<b>Total</b>	<b>115</b>

### Q90 Does your firm anticipate changes to your soft dollar program in light of potential impact of MiFID II regulations?

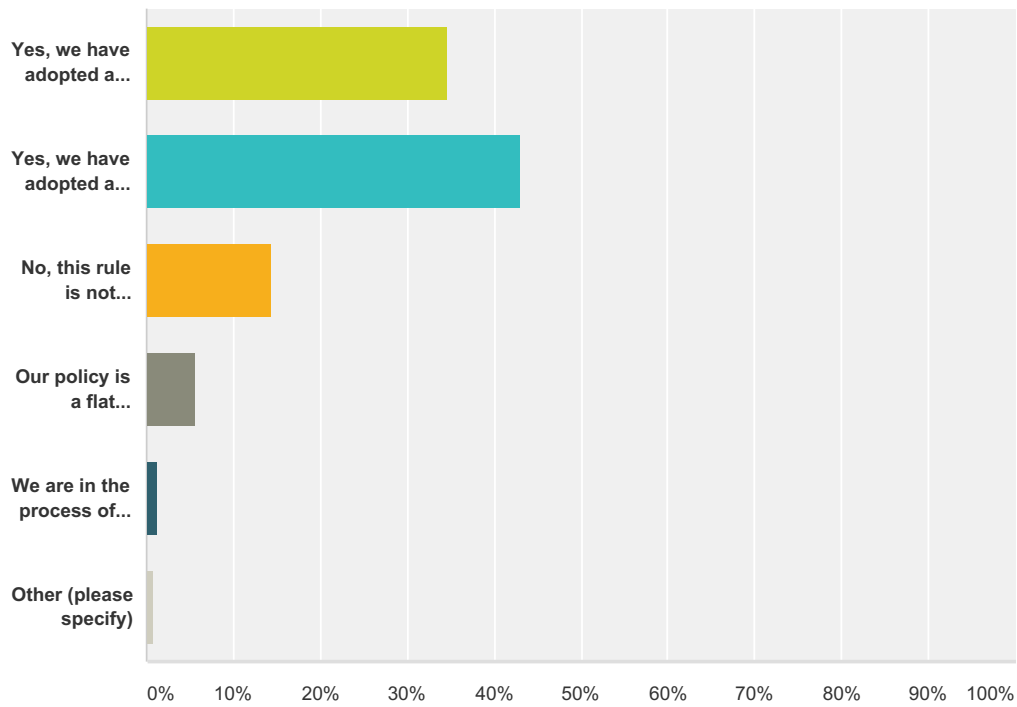
Answered: 253 Skipped: 344



Answer Choices	Responses
We do not anticipate changes to our program in light of MiFID II.	81.03% 205
We expect to make changes to our program in light of MiFID II.	18.97% 48
<b>Total</b>	<b>253</b>

### Q91 Has your firm adopted a policy to address pay-to-play?

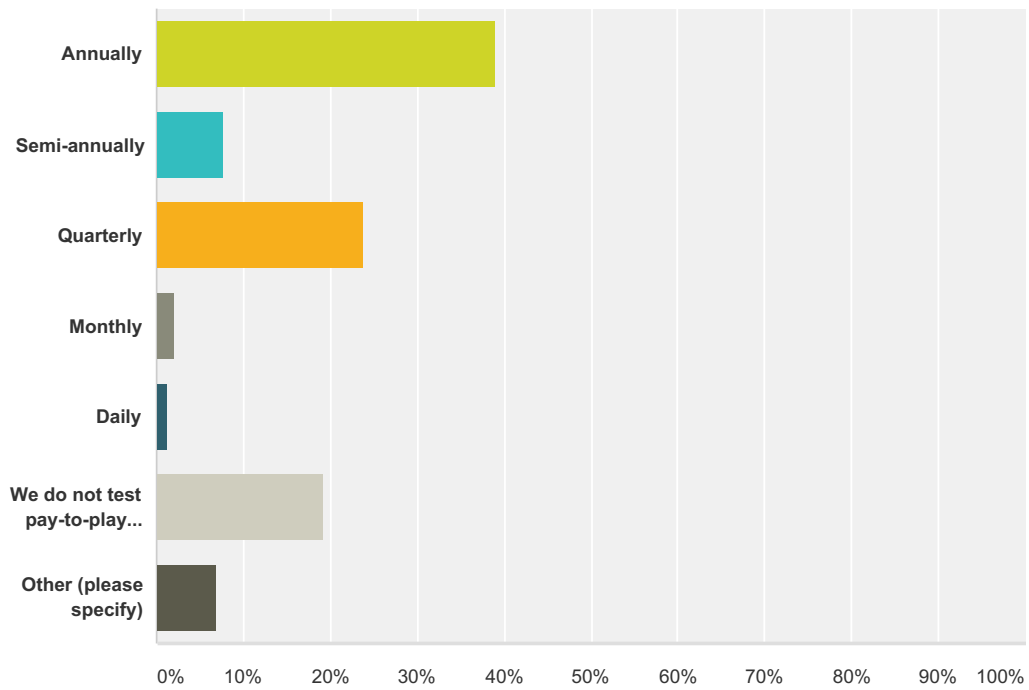
Answered: 456 Skipped: 141



Answer Choices	Responses
Yes, we have adopted a formal stand alone policy.	34.65% 158
Yes, we have adopted a policy as part of our other policies.	42.98% 196
No, this rule is not applicable.	14.47% 66
Our policy is a flat prohibition on political contributions.	5.70% 26
We are in the process of developing a policy.	1.32% 6
Other (please specify)	0.88% 4
<b>Total</b>	<b>456</b>

### Q92 As a general matter, how often do you test pay-to-play compliance?

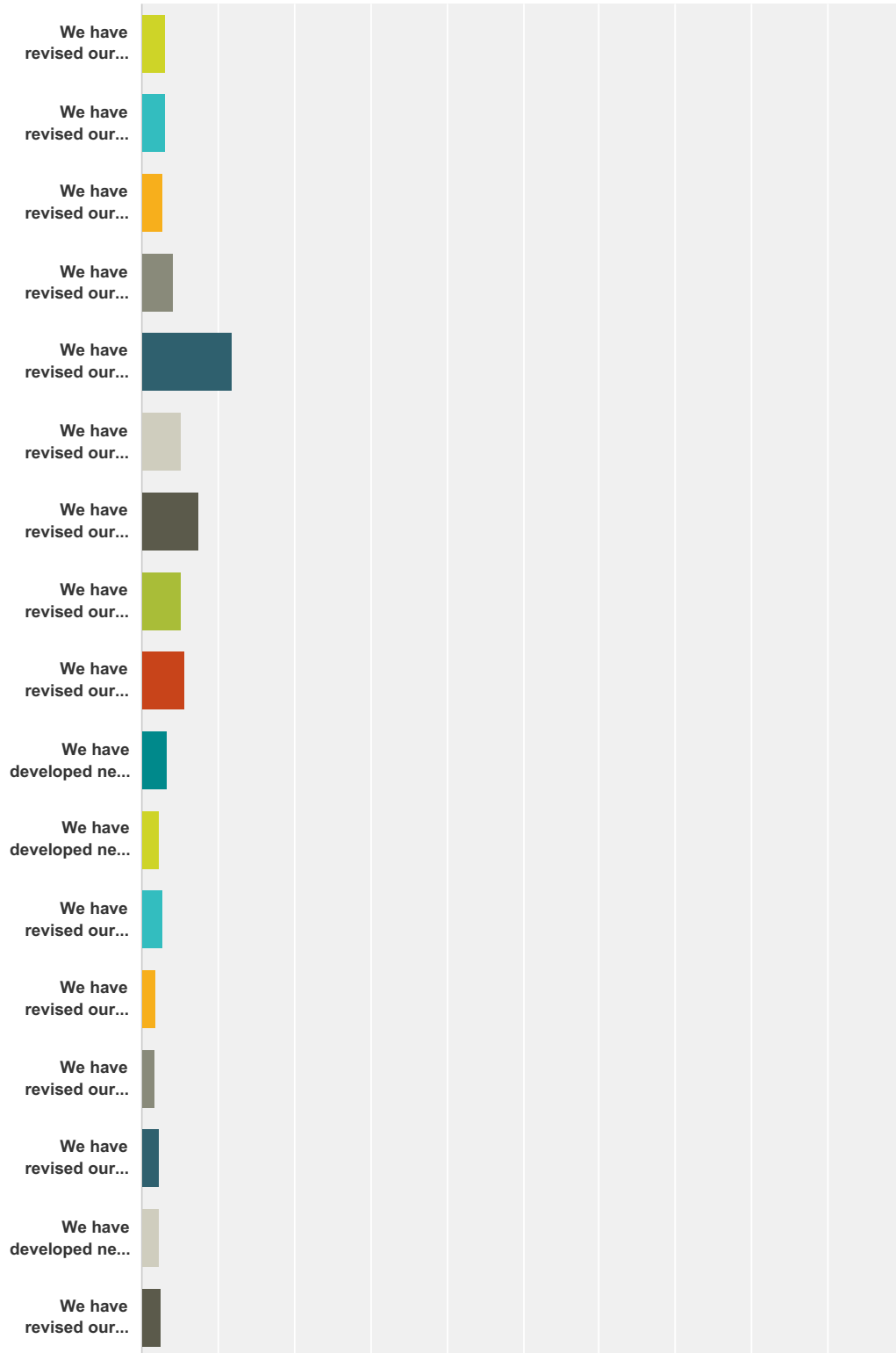
Answered: 387 Skipped: 210



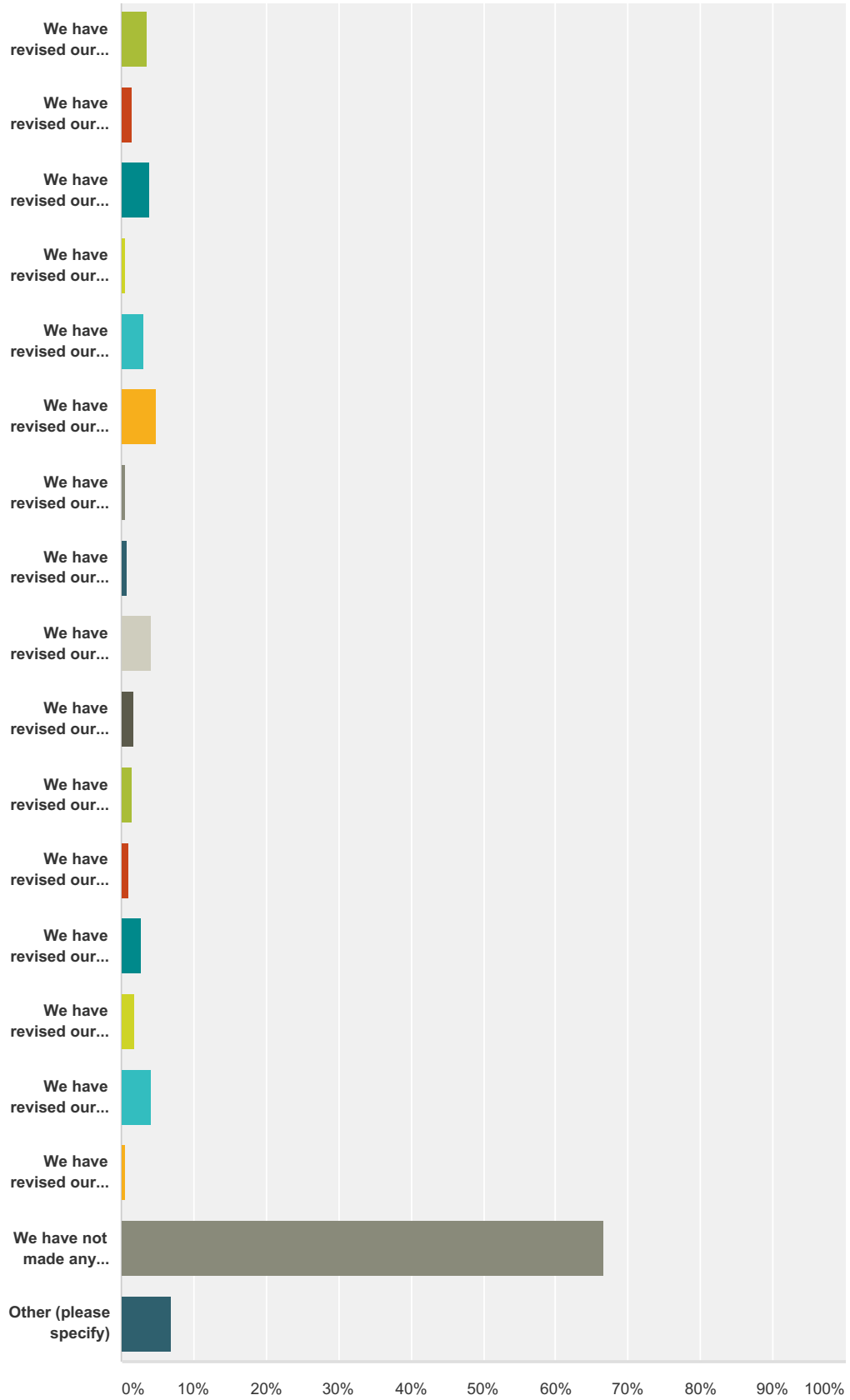
Answer Choices	Responses	
Annually	39.02%	151
Semi-annually	7.75%	30
Quarterly	23.77%	92
Monthly	2.07%	8
Daily	1.29%	5
We do not test pay-to-play compliance	19.12%	74
Other (please specify)	6.98%	27
<b>Total</b>		<b>387</b>

**Q93 How has your firm's pay-to-play compliance program changed since January 1, 2016? Please only indicate changes to your program. (check all that apply)**

Answered: 359 Skipped: 238



## 2017 Investment Management Compliance Testing Survey



Answer Choices	Responses
We have revised our policy to no longer permit political contributions.	3.06% 11

## 2017 Investment Management Compliance Testing Survey

We have revised our policy to prohibit all political contributions to any state or local government official.	<b>3.06%</b>	11
We have revised our policy to prohibit all political contributions to certain identified state and local government officials/entities (e.g., current clients, prospective clients).	<b>2.79%</b>	10
We have revised our policy to prohibit all political contributions above a de minimis amount. (Please specify the amount in the Comment Box below.)	<b>4.18%</b>	15
We have revised our policy to require Covered Persons to pre-clear all political contributions.	<b>11.98%</b>	43
We have revised our policy to require Covered Persons to pre-clear political contributions above a de minimis amount. (Please specify the amount in the Comment Box below.)	<b>5.29%</b>	19
We have revised our policy to require periodic reporting of all political contributions by Covered Persons. (Please specify how frequently in the Comment Box below.)	<b>7.52%</b>	27
We have revised our policy to require new personnel to be vetted for political contributions before they are hired as Covered Associates.	<b>5.29%</b>	19
We have revised our policy to require new personnel to be vetted for political contributions before they are hired as Covered Persons.	<b>5.57%</b>	20
We have developed new policies and procedures governing indirect contributions (e.g., via family members or other household members, or personally owned companies).	<b>3.34%</b>	12
We have developed new policies and procedures governing indirect contributions via payments to PACs and state and local political parties.	<b>2.23%</b>	8
We have revised our policy to prohibit coordinating or soliciting contributions.	<b>2.79%</b>	10
We have revised our policy to require pre-clearance of coordinating or soliciting contributions.	<b>1.95%</b>	7
We have revised our policy to require reporting of coordinating or soliciting contributions.	<b>1.67%</b>	6
We have revised our policy to require pre-clearance of political volunteering activities.	<b>2.23%</b>	8
We have developed new policies and procedures governing indirect contributions (e.g., via family members or other household members, or personally owned companies).	<b>2.23%</b>	8
We have revised our policy to prohibit providing gifts and entertainment to governmental officials.	<b>2.51%</b>	9
We have revised our policy to require pre-clearance of gifts and entertainment to governmental officials.	<b>3.62%</b>	13
We have revised our policy to restrict gifts and entertainment to governmental officials.	<b>1.39%</b>	5
We have revised our procedures to monitor publicly available information for contributions.	<b>3.90%</b>	14
We have revised our procedures to hire a third party to monitor publicly available information for contributions.	<b>0.56%</b>	2
We have revised our procedures to review periodic reports received from Employees/Covered Persons.	<b>3.06%</b>	11
We have revised our procedures to require periodic (i.e., monthly, quarterly, annually) certifications from personnel regarding compliance.	<b>4.74%</b>	17
We have revised our policy to request certifications from government clients that no officials received contributions from firm personnel.	<b>0.56%</b>	2
We have revised our policy to request a list of any political donations received from employees by prospective investors as part of the client onboarding process.	<b>0.84%</b>	3
We have revised our policy to request a list of any political contributions as part of our hiring process for new employees.	<b>4.18%</b>	15
We have revised our procedures to compare requested pre-clearances with employee reporting.	<b>1.67%</b>	6
We have revised our procedures to look for patterns regarding political contributions and entities with whom we win business.	<b>1.39%</b>	5
We have revised our procedures to look for patterns regarding gifts/entertainment given by employees to government entities with whom we win business.	<b>1.11%</b>	4
We have revised our procedures to conduct periodic training of relevant personnel on pay-to-play issues.	<b>2.79%</b>	10
We have revised our procedures to review expense reports of relevant personnel for pay-to-play red flags.	<b>1.95%</b>	7

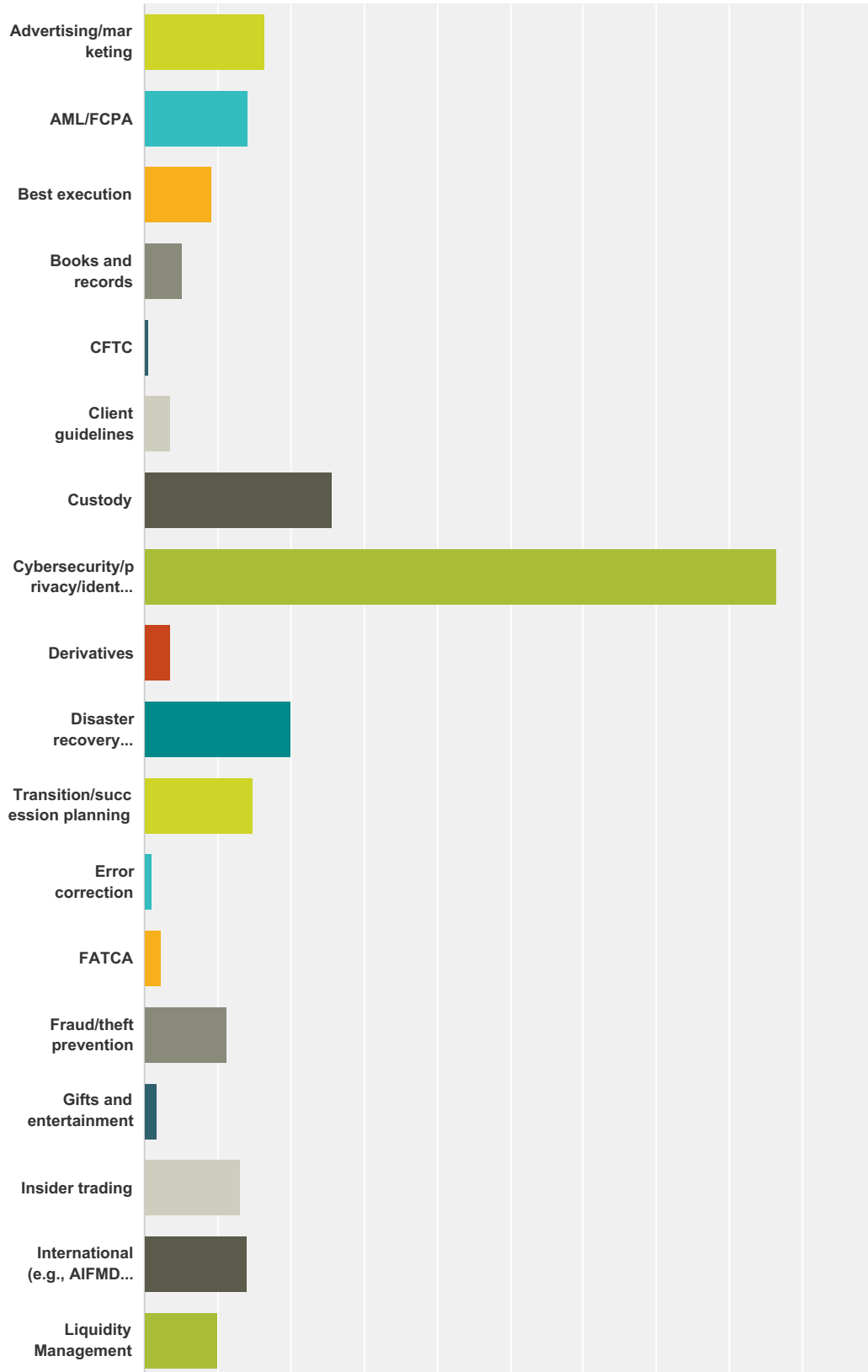
## 2017 Investment Management Compliance Testing Survey

We have revised our procedures to test more frequently. (Please specify frequency in the Comment Box below.)	<b>4.18%</b>	15
We have revised our procedures to test less frequently. (Please specify frequency in the Comment Box below.)	<b>0.56%</b>	2
We have not made any changes to our policies and procedures.	<b>66.57%</b>	239
Other (please specify)	<b>6.96%</b>	25
<b>Total Respondents: 359</b>		

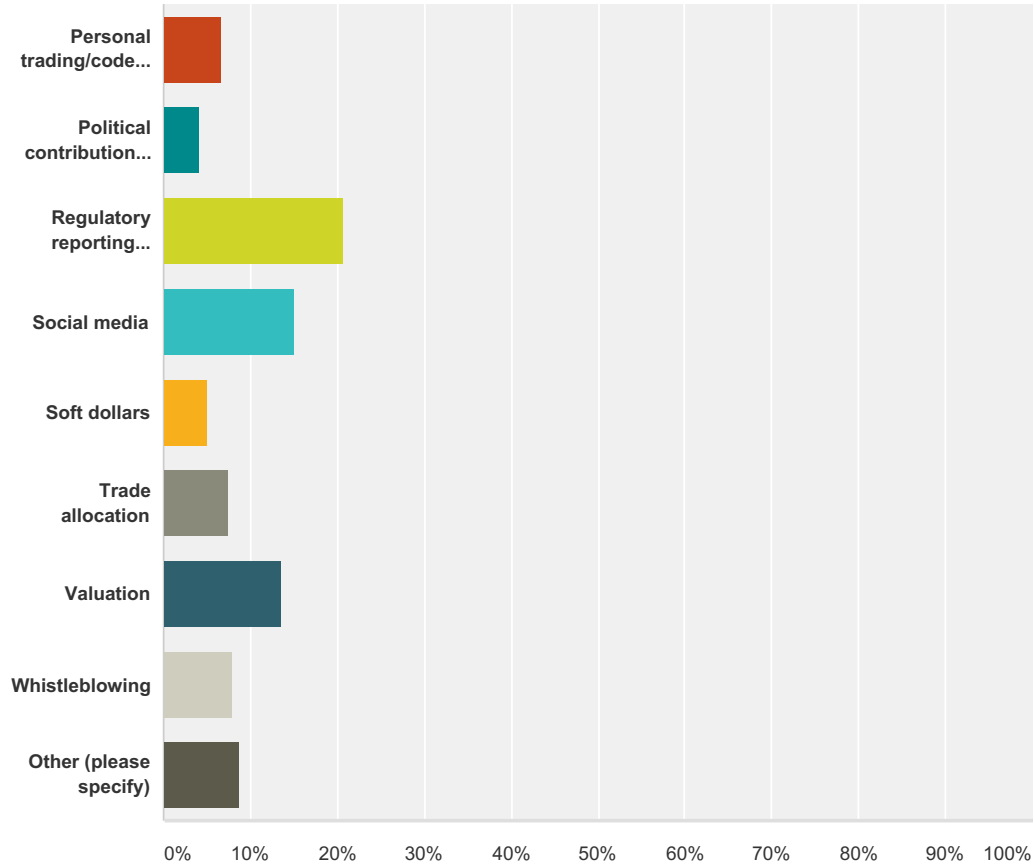


**Q94 Which of the following areas do you view as the “hottest” compliance topics for 2017? (Please pick only three!)**

Answered: 455 Skipped: 142



## 2017 Investment Management Compliance Testing Survey



Answer Choices	Responses	
Advertising/marketing	16.48%	75
AML/FCPA	14.29%	65
Best execution	9.23%	42
Books and records	5.27%	24
CFTC	0.66%	3
Client guidelines	3.52%	16
Custody	25.71%	117
Cybersecurity/privacy/identity theft	86.37%	393
Derivatives	3.52%	16
Disaster recovery planning	20.00%	91
Transition/succession planning	14.73%	67
Error correction	1.10%	5
FATCA	2.20%	10
Fraud/theft prevention	11.21%	51
Gifts and entertainment	1.76%	8
Insider trading	13.19%	60

## 2017 Investment Management Compliance Testing Survey

International (e.g., AIFMD, MiFID)	14.07%	64
Liquidity Management	10.11%	46
Personal trading/code of ethics	6.59%	30
Political contributions/pay-to-play	4.18%	19
Regulatory reporting (e.g., Form ADV, Form 13F)	20.66%	94
Social media	14.95%	68
Soft dollars	5.05%	23
Trade allocation	7.47%	34
Valuation	13.63%	62
Whistleblowing	7.91%	36
Other (please specify)	8.79%	40
<b>Total Respondents: 455</b>		