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2007 INVESTMENT MANAGEMENT COMPLIANCE TESTING SURVEY REPORT IDENTIFIES WIDE RANGE OF TESTING PRACTICES

WASHINGTON, D.C./BERWYN, PA – September 4, 2007: The Investment Adviser Association, ACA Compliance Group, *IM Insight*, and Old Mutual Asset Management today issued their second annual investment management compliance testing survey report. The report identifies a wide range of compliance testing practices and strategies at investment adviser firms in the areas of annual reviews, personal trading, gifts and entertainment, political and charitable contributions, insider trading, soft dollars, trade allocation, business continuity, and books and records.

The report is based on results from an online survey conducted earlier this year. More than 450 compliance professionals responded to the survey, representing a wide range of SEC-registered investment adviser firms.

Key findings include:

- The majority of investment adviser firms (57%) conduct compliance testing on an ongoing, rolling basis. 11% conduct testing quarterly, 2% conduct testing monthly, and 30% conduct testing annually.
- At 73% of firms, testing revealed only minor compliance issues; 8% reported finding significant issues and 19% reported finding no issues.
- Although large numbers of firms conduct a wide variety of personal trading tests, many advisers do not perform basic tests routinely conducted by SEC examiners when reviewing personal trading.
- Most firms have a written gift and entertainment policy, but relatively few had conducted specific testing to determine compliance with the policy.

- A majority of advisers do not test to detect insider trading. Anecdotal evidence suggests that many advisers do not view insider trading as a high-risk area at their firms.
- Virtually no advisers “unbundled” full-service brokerage by attempting to place a dollar value on proprietary research.
- While most firms have a business continuity plan in place, a significant number of firms have not yet tested critical plan components.

“This survey provides new and practical testing ideas and specific benchmarks that can be used by advisers to assess the effectiveness of their compliance programs,” said Jeff Morton, Partner, ACA Compliance Group. “We intend to conduct this survey annually to identify compliance testing trends over time.”

“The survey reveals that most firms have taken proactive steps to develop a culture of compliance,” said Karen Barr, General Counsel, Investment Adviser Association. “Advisers appear to have responded to the Advisers Act compliance program rule with strengthened compliance testing and assessment protocols.”

“The report found that virtually all advisers documented their annual review and apprised senior management of the results, although this is not specifically required by the compliance program rule,” reported Amy Yuter, Senior Compliance Officer, Old Mutual Asset Management. “OCIE's outreach efforts to offer ideas for annual reviews and compliance monitoring and testing are resonating with many firms and will undoubtedly lead to enhanced compliance programs.”

“We were pleased by the strong response to this year’s survey,” said Cathie Saadeh, Editor, *IM Insight*. “This report represents the most comprehensive survey ever taken of these issues and it underscores the fact that compliance personnel are highly interested in industry practices and trends in this area.”

Copies of the report may be obtained by contacting any of the organizations below. A PDF version of the report is available on-line at www.investmentadviser.org and www.acacompliancegroup.com.

ACA Compliance Group

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

Investment Adviser Association

The Investment Adviser Association is a not-for-profit organization that represents the interests of SEC-registered investment advisory firms. Founded in 1937, its membership today consists of about 500 firms that collectively manage in excess of \$8 trillion for a wide variety of individual and institutional investors. For more information, please visit www.investmentadviser.org.

IM Insight

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

Old Mutual Asset Management

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

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