



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
OFFICE OF COMPLIANCE INSPECTIONS AND EXAMINATIONS
100 F STREET, NE
WASHINGTON, DC 20549

February 20, 2014

Dear Senior Executive or Principal of a Registered Investment Adviser:

Our records indicate your firm is a registered investment adviser that has never been examined by the Office of Compliance Inspections and Examinations (“OCIE”) within the United States Securities and Exchange Commission (“Commission”). We are sending you this letter to provide you with information about the National Exam Program (“NEP”), which is administered by OCIE, and information about upcoming examinations of certain never-before examined registered investment advisers and the topical areas that may be examined. ***The fact that you are receiving this letter does not necessarily mean your firm will be examined.¹ The NEP staff will contact you separately if your firm is selected for an examination.***

I. Information About the NEP

An investment adviser registered with the Commission has an obligation to comply with the Investment Advisers Act of 1940 (the “Advisers Act”) and the rules adopted by the Commission thereunder. OCIE examines registered advisers to assess whether they are operating in a manner consistent with the federal securities laws. OCIE administers such examinations through the NEP, which is comprised of staff in the Commission’s eleven regional offices and the home office in Washington, D.C. The NEP’s mission is to protect investors and maintain market integrity through risk-focused examinations that promote compliance, prevent fraud, monitor risk, and inform policy.

II. Exams of Certain Never-Before Examined Registered Investment Advisers

Consistent with our mission and objectives, the NEP is launching an initiative (the “Never-Before Examined Initiative”) to engage with investment advisers that have never-before been examined, with an emphasis on those that have been registered three years or more. Excluded from this initiative, are advisers to private funds, which are being examined pursuant to the “Presence Exam” initiative launched in October 2012.

The Never-Before Examined Initiative includes two distinct approaches: risk-assessment and focused reviews. The risk-assessment approach is designed to obtain a better understanding of a registrant. This type of exam may include a high-level review of an adviser’s overall business activities, with a particular focus on the compliance program and other essential documents needed to assess the representations made on disclosure documents. The focused review approach includes conducting

¹ The views expressed herein are those of the staff of OCIE. The Commission has expressed no view on its contents. This document was prepared by the SEC staff and is not legal advice.

comprehensive, risk-based examinations of one or more of the following higher-risk areas of the business and operations of advisers selected for an examination:²

Compliance Program. Registered investment advisers are required to adopt and implement written policies and procedures that are reasonably designed to prevent violations of the Advisers Act. NEP staff will evaluate the effectiveness of the compliance program. This evaluation will include a review of advisory books and records to determine if an adviser has adequately identified conflicts of interest and compliance-related risks, adopted appropriate policies and procedures to mitigate and manage those conflicts and risks, and empowered a competent Chief Compliance Officer (“CCO”) to administer the compliance program.

Filings/Disclosure. Investment advisers must disclose all material facts regarding conflicts or potential conflicts of interest so that clients can make an informed decision regarding entering into or continuing an advisory relationship.³ Such disclosures should include information on the full scope of the adviser’s business, investment activities, and conflicts of interest. NEP staff will analyze an adviser’s filings and disclosure documents to assess the content and scope of disclosures that have been made.

Marketing. Investment advisers may utilize marketing materials to solicit new clients or retain existing clients. NEP staff will review marketing materials and evaluate whether an investment adviser has: made false or misleading statements about its business or performance record; made any untrue statement of a material fact; omitted material facts; made any statement that is otherwise misleading; or engaged in any manipulative, fraudulent, or deceptive activities.

Portfolio Management. An investment adviser has an obligation to act in the best interests of its advisory clients and to identify, mitigate, and disclose any material conflict of interest. NEP staff will review and evaluate an investment adviser’s portfolio decision-making practices, including the allocation of investment opportunities and whether the adviser’s practices are consistent with disclosures provided to clients.

Safety of Client Assets. Registered investment advisers that have “custody” of client assets must take specific measures to protect client assets from loss or theft. NEP staff will review an adviser’s compliance with the relevant provisions of the Advisers Act and other applicable law that are designed to prevent the loss or theft of client assets.

If your firm is selected for an examination, after the completion of the examination, NEP staff will send you a letter indicating that the examination has concluded without findings or a letter that describes the deficiencies identified and any corrective action to be taken. If serious deficiencies are found, in addition to sending an examination summary letter, NEP staff may refer the deficiencies to the Commission’s Division of Enforcement, state regulatory agency, or other regulator for possible action.

² The books and records of all registered investment advisers are subject to compliance examinations by Commission staff. If your firm is examined, you are required to provide examiners with access to all requested records that are maintained by your firm (under certain conditions, documents may remain private under the attorney-client privilege).

³ Investment advisers are fiduciaries and are required to act in their clients’ best interests.

III. Adviser Information and Resources

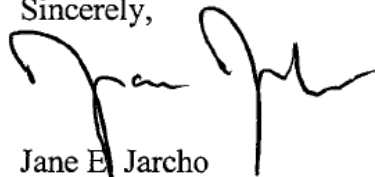
The NEP seeks to inform registered firms about their obligations under the Advisers Act and related rules through a variety of channels. As part of our outreach, the NEP has published compliance outreach materials, staff letters, risk alerts, special studies, speeches, and other documents that are available on the Commission's website. The Commission's website also contains information and links to relevant laws and rules, staff guidance, enforcement cases, and staff issued no-action and interpretive letters (generally from 2001 to present).⁴ Some of these resources and their reference links are provided at the end of this letter.⁵

In addition, the Commission's staff engages in compliance outreach for investment advisers through initiatives such as our Compliance Outreach Program. This program is designed to provide senior officers, including CCOs, with a forum to discuss compliance issues, share experiences, engage in discussions with Commission staff, and learn about effective compliance practices. The program features both regional meetings at various locations across the country and national seminars in Washington D.C.

* * *

We hope that this letter was useful in introducing you to the Never-Before Examined Initiative and the NEP generally, and will better acquaint you and your personnel with compliance resources. Should you have any questions regarding this letter, please contact me or any member of NEP management in the Commission's regional office that is assigned to your advisory firm.

Sincerely,



Jane E. Jarcho

National Associate Director IAIC Examinations

cc: Chief Compliance Officer

⁴ Staff interpretations and no-action letters provided by the Commission's Division of Investment Management ("IM") are informal interpretative and advisory assistance and represent the views of persons, who are continuously working with the provisions of the Advisers Act. Opinions expressed by the staff, however, are not an official expression of the Commission's views and they do not have the force of law. You may wish to speak with an attorney or a compliance professional about specific provisions and how they apply to your firm.

⁵ This letter does not provide a complete description of all of the legal obligations of SEC-registered investment advisers, nor does it provide a comprehensive inventory of resources that may be available.

Additional Information: Reference Materials

You may find the following non-exclusive list of informational sources to be helpful.

Information About the Advisers Act

- The Advisers Act and rules are available on the Commission’s website at <http://www.sec.gov/divisions/investment.shtml>.
- Overview of the Regulation of Investment Advisers (April 2012), available on the Commission’s website at http://sec.gov/about/offices/oia/oia_investman/rplaze-042012.pdf
- SEC-Staff Issued Interpretive Guidance and Studies, available on the Commission’s website at <http://www.sec.gov/divisions/investment.shtml>.
- Information for Newly-Registered Investment Advisers, available on the Commission’s website at <http://www.sec.gov/divisions/investment/advoverview.htm>.

Information Regarding the NEP and Examinations

- NEP, “Examination Priorities for 2014” (January 2014), available on the Commission’s website at <http://www.sec.gov/about/offices/ocie/national-examination-program-priorities-2014.pdf>.
- Overview of Examinations by the Securities and Exchange Commission’s Office of Compliance Inspections and Examinations (February 2012), available on the Commission’s website at <http://www.sec.gov/about/offices/ocie/ocieoverview.pdf>
- Examination Brochure, available on the Commission’s website at http://www.sec.gov/about/offices/ocie/ocie_exambrochure.pdf.
- NEP website, available at <http://www.sec.gov/about/offices/ocie.shtml>.
- Listing of local Commission office (contact information for senior examination staff) is available at http://www.sec.gov/about/offices/ocie/ocie_org.htm. The Commission’s regional office designated for an adviser can be found by first identifying the adviser’s Principal Office and Place of Business on its Form ADV (as used in: Form ADV, Part 1A, Instructions, Items 1 and 2; Schedule D; Form ADV-W, Item 1). Then identifying the Commission’s regional office assigned to that state jurisdiction, which can be found at <http://www.sec.gov/contact/addresses.htm>.

Information Regarding Building an Effective Compliance Program and the Role of Senior Management

- Speech by Commissioner Luis A. Aguilar, “Doing the Right Thing: Compliance That Works for Investors” (April 18, 2013), available on the Commission’s website at <http://www.sec.gov/News/Speech/Detail/Speech/1365171515784>.

- Speech by Commission Staff Carlo di Florio, “The Role of Compliance and Ethics in Risk Management” (October 17, 2011), available on the Commission’s website at <http://www.sec.gov/news/speech/2011/spch101711cvd.htm>.
- Speech by Commission Staff Stephen M. Cutler, “Second Annual General Counsel Roundtable: Tone at the Top: Getting it Right” (December 4, 2004), available on the Commission’s website at <http://www.sec.gov/news/speech/spch120304smc.htm>.

Information About the Compliance Outreach Program

- Information about the Compliance Outreach Program for investment advisers and any scheduled events is available at http://www.sec.gov/info/complianceoutreach_ia-funds.htm.