

**INVESTMENT ADVISER COMPLIANCE PROGRAM REVIEW**

Investment advisers are required under Rule 206(4)-7 of the Investment Advisers Act of 1940 (“Advisers Act”) to conduct an annual review and assessment of the adequacy of their policies and procedures. This should include, but not be limited to, any compliance matters that arose during the previous year, any change in business activities (or your affiliates’ activities), or changes to the Advisers Act. *RRS* structures its compliance review to determine if your compliance program is designed to consistently and effectively prevent, detect, and correct compliance problems in a timely manner. The *RRS* review process is similar in scope to an SEC regulatory examination and incorporates the extensive regulatory and industry experience of our staff.

*RRS* implements its review through a four stage process involving: 1) Risk assessment and scope; 2) Onsite examination and testing; 3) Compilation and vetting of *RRS*’ analysis and findings; and 4) Delivery of a written report and work-papers. As an important component of the overall review process, *RRS* staff will assess and incorporate, as necessary, all findings that require modification to the risk assessment and scope.

**Risk Assessment and Scope** – The first step in reviewing any compliance program is to obtain a thorough understanding of your firm’s operations and to identify and assess any compliance issues that may be unique to your business model. The risk assessment and scope will encompass areas of high risk, compliance related issues that arose during the past year, changes in your (or your affiliates’) business activities, and any changes in applicable regulations and industry practices that impact your compliance program. *RRS*’ risk assessment will also consider your organizational structure, affiliations, portfolio management philosophy, operations, key personnel, supervisory system, compliance systems, marketing, customers, sources of revenue, and liabilities.

**Document Review & Forensic Testing** – *RRS* will identify any weaknesses in your compliance program by testing your firm’s operations, processes and books and records for adherence to written policies and procedures and related regulatory requirements. *RRS*’ examinations include review and testing of the compliance program’s internal controls and supervisory systems in the following areas, as applicable:

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| ➤ Portfolio Management                           | ➤ Portfolio Valuations                              | ➤ Safety of Client’s Assets   |
| ➤ Trading and Trade Allocations (Best Execution) | ➤ Proprietary and Personal Trading (Code of Ethics) | ➤ Performance Advertising and Marketing   |
| ➤ Proxy Voting                                   | ➤ Protection of Client Privacy                      | ➤ Business Continuity Plans   |
| ➤ Solicitation Arrangements                      | ➤ Anti-Money Laundering                             | ➤ Internal Audit Function   |
| ➤ Sub-Advisory Arrangements and Due Diligence    | ➤ Adherence to Client Investment Policies           | ➤ Information Processing and Protection (Books and Records, Disclosures, Filings) |

**Analysis and Findings** - *RRS* will compile the findings of its examination and vet the issues with appropriate senior management. The vetting process will include *RRS*’ overall assessment of the compliance program as it relates to identified risks and applicable rules and regulations. In addition, *RRS* will provide details of specific findings from the testing process and, as applicable, recommendations for corrective action or improvements to the firm’s overall compliance program.

**Written Report** – RRS will deliver a written report of its findings and recommendations to senior management that will detail the examination process and the findings from the examination, including samples reviewed during the testing process, and recommendations for corrective action. RRS will also deliver all work-papers and documents necessary to evidence the review. RRS' report may also provide recommendations on industry "best practices" for management to consider incorporating into its compliance program.

### **ABOUT RRS**

Renaissance Regulatory Services, Inc. provides comprehensive compliance and operational consulting and support services to broker-dealers and investment advisers. Specializing in compliance examinations, written supervisory procedures and internal controls, RRS provides the experience and insight to meet all your compliance needs. Our services are customized to fit your firm's operations and in most cases are performed on site. RRS' staff and partners are former regulators and compliance professionals who have extensive experience with SEC, FINRA, MSRB, NYSE and state rules and regulations.

### **CONTACT US**

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