
SEC Announces 2015 Examination Priorities

January 2015

On January 13, the Securities and Exchange Commission (the “SEC”) announced 2015 examination priorities for registered entities.¹ The SEC groups the priorities into three general thematic areas: protecting retail investors, assessing market-wide risks and using data analytics to identify potential wrongdoing. The SEC notes that the list of priorities is not exhaustive and priorities may be adjusted in light of market conditions, industry developments and ongoing risk assessment.

This alert focuses on identified priorities particularly relevant to private fund advisers.

Retail Investors. The SEC will focus on assessing risks to retail investors by examining specific trends. Among these, the SEC will focus on alternative investment companies, and in particular, (i) leverage, liquidity and valuation policies and practices; (ii) internal controls, including staffing, funding and empowerment of boards, compliance personnel and back-offices; and (iii) marketing of alternative funds.

Market-Wide Risks. The SEC will examine structural risks and trends in the markets. Specific examination priorities include monitoring large asset managers, cybersecurity and best execution duties in selecting trading venues. The SEC notes that its focus on cybersecurity is a continuation of its 2014 initiative to examine broker-dealers and investment advisers’ cybersecurity compliance and controls.²

Data Analytics. The SEC plans to use enhancements in data analytics to focus on firms that appear to be potentially engaged in illegal activity. Among the examination priorities in this area are focusing on individuals with a track record of misconduct and the firms that employ such individuals.

Other Areas of Focus. The SEC also plans to focus on a few additional areas. These include examining investment adviser compliance with their fiduciary duty in voting proxies on behalf of investors, and examining never-before-examined investment companies, which follows the SEC’s stated 2014 priority of examining never-before-examined investment advisers.³

¹ Examination Priorities for 2015, available [here](#).

² OCIE Cybersecurity Initiative, available [here](#).

³ For an overview of past trends in SEC examinations of private fund advisers, please go [here](#).



In addition, the SEC plans to focus on fees and expenses charged by private equity funds, noting that it has observed a high rate of deficiencies among private equity fund advisers in connection with fees and expenses.

Fund managers should take note of these stated priorities and review their businesses and operations to determine if any enhancements or changes are necessary.

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