



2014 Compliance & Legal Seminar

June 11, 2014

Morgan, Lewis & Bockius LLP

Co-Chairs:

Stuart J. Cohen, Managing Director and Assistant General Counsel, Nuveen Investments
Michelle Logue, Director and Chief Compliance Officer, Lockwood Advisors, Inc.
and Pershing Managed Investments, Pershing LLC, both BNY Mellon companies



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Current Areas of SEC Examination Focus with Managed Accounts

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Discussion Leader:

Steven W. Stone, Partner, Morgan, Lewis & Bockius LLP





Changes in the National Exam Program

- Focus on managed accounts
 - Assessment of whether advisers are fulfilling their fiduciary and contractual obligations to clients
 - Review of processes for monitoring program recommendations, conflicts, best execution, trading away, and disclosures
 - Focus on reverse “churning”
- OCIE working group
- SEC’s new trade analytics capabilities





Current Areas of SEC Exam Focus

- Supervision of advisory accounts
 - Reverse “churning”
 - Documentation of client reviews
 - Inactivity
 - High cash balances
- Suitability of fee arrangements
 - Step outs
 - Net trades
 - Confirmation disclosure
 - Oversight by sponsor
 - Role of sponsor and portfolio manager
- Trading issues
 - Principal
 - Cross trades, including ATs
- Mutual funds
 - Share class suitability
 - Undisclosed revenue
 - Proprietary funds
- Disclosure
- Systems and surveillance
- Cyber security
- Advertising





Examination Process & Escalation

