



**NICSA – Midwest Regional Meeting**

## Today's Objectives

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- Potential Regulatory Framework Changes
- Current SEC Regulatory Initiatives – Advisers & Funds
- 2009 SEC Examination Process & Priorities
- SEC Enforcement Update

## Regulatory Shake-Up

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“With all the requests for sweeping reform, not only are particular regulations being discussed, but the *entire regulatory structure seems to be on the table.*” Quote from SEC Commissioner Luis Aguilar in a April 17, 2009 speech at the 2009 Independent Directors Conference Workshop

- Merger of the SEC and the Commodity Futures Trading Commission?
- Creation of an SRO for Investment Advisers?
  - Extending FINRA’s authority to include Investment Advisers
- Creation of a Systemic Risk Regulator?
  - Primary Purpose: Ensure the continuation of systemically important market functions and investor protections.
  - View as a supplement to and not a replacement for the primary regulator

## Current SEC Regulatory Initiatives – What's on the Table?

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- Custody of Client Assets and Surprise Third-Party Audits
- Third-Party Compliance Reviews of Certain Investment Advisers
- Registration of Hedge Fund Advisers (and Potentially Hedge Funds)
- Increased Credit Rating Agency Oversight and Disclosure
- Increased Oversight of Credit Default Swaps
- Rule 2a-7 Reform
- Fund Director Guidance on Soft Dollars  
<http://www.sec.gov/rules/proposed/2008/34-58264.pdf>
- Summary Annual Reports

## 2009 SEC Exam Process

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- Deviating From “Typical” Exam Cycle
- Increased Sweep/Topic Exams
  - Custody
  - Performance
  - Expect More
- Cause Exams (tip or complaint)
- Half Day Exams (new advisers; telephone or in-person)
- Surprise Exams
  - Little to no notice
  - Focused on interviews with staff
  - Limited document requests
  - Occurring more often for registered advisers with hedge funds
- Risk-Based Exams (high – 3 years, medium – 5 years, low – 10 years)
- Document Production
  - Timeliness
  - Privileged information

## SEC Enforcement Update

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- New Director – Robert Khuzami (former federal prosecutor)
- Faster Turnaround on Cases
- Revamping Handling of Tips and Complaints
- Hiring New Skill Sets
- Expect for SEC Fines and Penalties to be Greater and More Frequent
- Current Investigations
  - Ponzi schemes
  - Municipal securities
  - Credit default swaps, CDOs and other derivative related investments

## Helpful Resources

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- Lori Richards, SEC Director - OCIE, "Compliance in Today's Environment: Step Up to the Challenge"  
<http://www.sec.gov/news/speech/2009/spch031209lar.htm>
- Andrew Donohue, SEC Director - Division of Investment Management, "Keynote Address, ICI 2009 Mutual Funds and Investment Management Conference"  
<http://www.sec.gov/news/speech/2009/spch032309ajd.htm>
- Mary Schapiro, SEC Chairman, Address to the Council of Institutional Investors  
<http://www.sec.gov/news/speech/2009/spch040609mls.htm>
- Luis A. Aguilar, SEC Commissioner, "Making Investors a Priority in Regulatory Reform"  
<http://www.sec.gov/news/speech/2009/spch041709laa.htm>
- Vista360 Hot Industry Topics List – March 2009  
[http://www.vista360llc.com/pdf/VISTA360\\_HIT\\_LIST\\_2009-03.pdf](http://www.vista360llc.com/pdf/VISTA360_HIT_LIST_2009-03.pdf)

## Speaker Biography

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### **Laura J. Rauman, Principal**

Laura is a founding principal of Vista360 and shares responsibility for the firm's strategic direction and client servicing. Laura has 16 years of investment industry experience – currently assisting investment advisers and mutual fund companies with compliance and strategic matters. Previously, Laura led the financial and operations functions of FIRMCO, a \$30 billion investment adviser with a \$10 billion mutual fund complex, as Senior Vice President of Finance and Operations. She was also a member of the Senior Management Committee for U.S. Bancorp Asset Management, a \$120 billion investment management firm. Laura began her career with Price Waterhouse, LLP as a financial services auditor. She earned a bachelor's degree in accounting from the University of Wisconsin.

Laura is a member of the National Society of Compliance Professionals, the American Institute of Certified Public Accountants and Professional Dimensions. She is actively involved with St. Francis Children's Center as President and a member of the Finance Committee.

## Vista360 Adviser and Fund Services

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### *Compliance Services*

Compliance Program Development

Gap Analysis

Compliance Program Annual Review

Compliance Program Testing

Continuous CCO Support

SEC Examination Assistance

Sub-Adviser Due Diligence

Expert Witness

### *Strategic Services*

Fund Service Provider Search/Assessment

Business Start-Up

M&A Due Diligence/Integration

Fund Feasibility Analysis

Mutual Fund Board Consulting

Part-Time CFO

Work Flow Mapping and Operation  
Efficiency Analysis



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