



What is your CCO up against?

- Ever-changing regulatory environment
- Evolving industry (trading platforms, broker offerings...)
- Changes within your firm - products, people, investment strategies, distribution
- Often limited knowledge of your systems' strengths and weaknesses
- Limited resources – people, technology

CCO's New Best Friend – You!

- Identify Risks – assist in determining focus levels
 - Systems
 - Network
 - Data storage
 - Manual processes
- Research Industry Developments
 - Software
 - Vendor offerings
 - Outsourcing opportunities
- Communicate Regularly with CCO
- Assist CCO with Automation of Monitoring and Reporting



CCO FAQs...

Trade Allocation

Question: How do we demonstrate our policy is followed?

- Actual Allocation vs. Allocation Policy
 - When is standard allocation (e.g., pro rata) overridden?
 - What exception reports are available/can be created?
 - Is firm's trade rotation process followed?
- Trend Analysis
 - Certain client(s) consistently favored?
 - Performance in line with other like accounts?
 - Sector allocation consistent among like accounts?

Client Investment Guidelines

Question: How do we demonstrate guidelines are followed?

- Current System Capabilities
 - Restrictions (e.g., tobacco, ticker, asset classes)
 - Guidelines (e.g., asset class ranges)
 - Pre-trade vs. Post-trade
 - Overrides
 - Alerts
 - Portfolio Management Analytical Tools
- Manual Processes
 - Changes
 - Reports
 - Checks & Balances
 - Portfolio Management Review

SEC Exam – Your Role

Key - Information Management

- Most Frequent SEC Deficiency – Books & Records
- Document Request Letter
 - Paper
 - Electronic – CD-ROM/DVD
 - Timeframe ~ 2 weeks
 - Prior to on-site
 - Available during on-site

Can Your Firm Produce?

- Security Purchases/Sales
 - Client transactions
 - Access person transactions
- Securities Holdings Report
 - By client
 - In aggregate
- Securities Positions Report (i.e., all clients owning a particular security)
- Trades Using “Step-Outs”
- Cross Transactions
- Brokerage Commission Reports



MANAGING THE BUSINESS OF INVESTMENT MANAGEMENT

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