

## Corporate & Financial Weekly Digest

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### SEC Releases Study on Investment Adviser Examinations

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As required by Section 914 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission has released a study conducted by the staff of the Division of Investment Management reviewing and analyzing the need for enhanced examination and enforcement resources for investment advisers. The study finds that the number and frequency of examinations of investment advisers have declined over the past six years. The staff expects that the frequency of examinations could increase following the effective date of amendments to the Advisers Act under the Dodd-Frank Act as a result of a substantial decrease in the number of registered investment advisers, many of whom will transition from federal to state registration. The amount of any potential increase in examinations, however, may be offset by the need to divert examination resources to fulfill new examination obligations that the SEC was given by the Dodd-Frank Act. In addition, the staff expects the number of registered investment advisers and the assets managed by them to grow in subsequent years, and finds that the SEC will face significant capacity challenges in examining registered investment advisers. The staff recommends that Congress consider the following three approaches to strengthen the SEC's investment adviser examination program: (1) authorize the SEC to impose user fees on SEC-registered investment advisers to fund their examinations; (2) authorize one or more self-regulatory organizations (SROs) to examine, subject to SEC oversight, all SEC-registered investment advisers; or (3) authorize the Financial Industry Regulatory Authority to examine dual registrants for compliance with the Advisers Act.

In a separate statement accompanying the study, SEC Commissioner Elisse Walter writes that although she voted to release the study, she is disappointed with the result. She emphasizes that the current resource problem is severe and advocates in favor of the SRO option.

FINRA released a statement commending the SEC's recognition that an SRO can augment government oversight programs through more frequent examinations. In prior comment letters to the SEC, FINRA has previously advocated establishing one or more investment adviser SROs.

In separate prior comment letters to the SEC, the Managed Funds Association (MFA), the Investment Adviser Association (IAA) and the Investment Company Institute (ICI) have each opposed establishing an investment adviser SRO.

To read the SEC's study, click [here](#).

To read Commissioner Walter's statement, click [here](#).

To read FINRA's statement, click [here](#).

Click [here](#) to read a summary of prior letters of FINRA, the MFA, the IAA and the ICI advocating for and against establishing an investment adviser SRO in the November 12, 2010, edition of *Corporate and Financial Weekly Digest*.

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