

Are You Ready? SEC Outlines Enforcement Strategy for Newly Registered Advisers

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The Securities and Exchange Commission (SEC) is in the process of identifying the unique risks presented by newly registered private equity (PE) and hedge funds, according to Carlo V. di Florio, the SEC's Director of Office of Compliance Inspections and Examinations. He indicated that examination priorities will be based on a number of factors, including the SEC's past examination experience with the industry.

The SEC has also expanded resources through hiring and training and new information management systems to help analyze the new information it will be collecting on private equity firms on the new Form PF as well as the amended Form ADV. According to di Florio, data analysis will help the SEC identify where and how best to allocate its examination resources among all registered advisers.

Overall, di Florio stated the SEC has created a three-fold strategy for newly registered PE and hedge funds:

- In the initial phase, industry outreach and education to explain the highest-risk areas.
- Next, coordinated examinations of a significant percentage of new registrants, focusing on highest risk areas, and creating a risk-rating.
- Finally, "after-action" reports on the broad issues, risks and themes identified.

It will be interesting to see what transpires for the first batch and thereafter. Stay tuned. We will keep you posted.

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