U.S. Securities and Exchange Commission

Questions Advisers Should Ask While Establishing or Reviewing Their Compliance Programs

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This document should not be considered legal advice, and you should consider consulting appropriate legal counsel regarding the federal securities laws. Rather, the questions herein are the views of SEC examination staff. These questions may be used as an aid in creating, evaluating, and maintaining a compliance program, but do not comport to be comments on the requirements of the federal securities laws.

Introduction

Every investment adviser registered with the SEC is required to establish and maintain policies and procedures reasonably designed to prevent violations of the Investment Advisers Act of 1940 ("Advisers Act") and rules and regulations related to that Act as well as to detect and correct violations that occur.[1]

The compliance policies and procedures should address the practices and risks present at each adviser. No one standard set of policies and procedures will address the requirements established by the Compliance Rule for all advisers because each adviser is different, has different business relationships and affiliations, and, therefore, has different conflicts of interest. Because the facts and circumstances (i.e., risks) that can give rise to violations of the Advisers Act are unique for each adviser, each adviser should identify its unique set of risks, both as the starting point for developing its compliance policies and procedures and as part of its periodic assessment of the continued effectiveness of these policies and procedures. This process of assessing factors that may cause violations of the Advisers Act is often called a "Risk Assessment," a "Gap Analysis," or the compilation of a "Risk Inventory."

Whatever an adviser may call its process for identifying its unique set of compliance risks, it is important that this analysis be conducted while initially establishing compliance policies and procedures and periodically thereafter to make sure that the policies and procedures are sufficiently comprehensive and robust to address all areas in which an adviser is at risk of violating the Advisers Act.

To assist advisers in conducting their risk assessments, SEC examination

staff has compiled the following non-exclusive list of questions.[2] These questions address a range of activities often present at advisers and point to possible risk areas. Based on each adviser's responses to these questions, the adviser can begin to develop a solid foundation for drafting policies and procedures that are designed to mitigate, manage and control each risk area in ways that reflect the adviser's resources and need for assurance that violations can be prevented or, if violations occur, such violations will be detected promptly and corrected.

A. COMPLIANCE PROGRAMS

(Reference:[3] Rules 206(4)-7, 204-2(a))

1. Does your compliance program comply with the requirements of the Compliance Rule?

Risk assessment

2. Have you conducted an effective "risk assessment" (i.e., evaluated how your activities, arrangements, affiliations, client base, service providers, conflicts of interest, and other business factors may cause violations of the Advisers Act or the appearance of impropriety)?

3. Did this risk assessment serve as the basis for developing your compliance policies and procedures?

4. Do you periodically re-evaluate your risk assessment to determine that new, evolving, or resurgent risks are adequately addressed?

Compliance policies and procedures

5. Are your compliance policies and procedures designed to manage and control the compliance risks identified in your risk assessment?

6. Does the implementation of your compliance policies and procedures reflect good principles of management and control?

Quality control and forensic testing

7. Do you regularly conduct transactional or quality control tests to determine whether your activities are consistent with your compliance policies and procedures?

8. Do you conduct periodic tests to detect instances in which your policies and procedures may be circumvented or where there may have been attempts to take advantage of the gaps in your policies and procedures?

9. Do these tests produce exception or other reports? Does knowledgeable staff review these reports, follow up on any exceptions, and resolve problematic items found in a timely manner?

Annual review

10. Have you planned or conducted an annual review of your compliance program? Does or did the review test the comprehensiveness of your compliance policies and procedures, taking into account any changes

in your business or organization?

11. Were changes to existing policies and procedures made as a result of the annual review? Are any changes under consideration?

12. Were the findings and results of the annual review brought to the attention of senior management?

Qualities and role of the CCO and other compliance staff

13. Is your CCO knowledgeable regarding the Advisers Act, competent in regard to administering your compliance program, and empowered to enforce compliance with your policies and procedures?

14. Does your compliance staff (including operational staff with compliance responsibilities) approach compliance issues or possible compliance issues with professional skepticism and the incentive and security to ask the hard questions to get to the real issues involved in a matter?

15. When your staff, particularly compliance staff, is confronted with a set of facts and circumstances that is inconsistent with how things should be, does your compliance culture encourage them to follow-up on these matters, including bringing these matters to the attention of higher-level management and the CCO?

16. Does your compliance staff recommend necessary changes to resolve compliance issues? Do they follow-up as needed to ensure that necessary steps are being taken?

Conflicts of interest

17. Does your CCO have both compliance and organizational (operational) positions? Are the resulting conflicts of interest appropriately identified and managed?

Disclosures

18. Do disclosures regarding your compliance program fully and fairly inform clients of your practices?

Information handling

19. With respect to your annual compliance review, is documentation or other output generated to substantiate that you obtained and reviewed all related information in a timely, accurate, and complete manner as pursuant to Rule 204-2(a)(17)(ii)? How do you ensure that this information is preserved and protected from unplanned destruction, loss, alteration, compromise, or use?

B. PROVIDING INVESTMENT ADVICE

(Reference: Sections 204, 204A, 205 and 206, and the rules thereunder)

Information to make decisions

1. Do you maintain current and complete information regarding each

client's financial and family circumstances, investment objectives and restrictions, and risk tolerance? Is this information used to provide clients suitable investment advice?

2. What processes, including supervisory procedures, do you have to ensure that the investment advice provided to each client is consistent with (a) the client's circumstances, expectations, restrictions, direction, and risk tolerance, and (b) the information provided to each client in brochures, marketing materials, contracts and otherwise?

3. Are your investment recommendations consistent with the disclosures made to clients? Do your investment recommendations carry a greater or lesser risk than disclosed to clients?

4. If you use an approved list of investments, how do you ensure that actual client investments are consistent with this list?

5. Do you recommend derivative instruments, such as swaps and inverse floaters? Is your client accounting system able to fully accommodate the sometimes unusual terms and conditions relating to these instruments?

Handling non-public information

6. Do you have effective processes to identify, contain, and prevent the unauthorized and/or inappropriate use of non-public information that comes into your possession?

7. If your employees come into possession of non-public information, is this information effectively identified, documented, and contained so that it is used appropriately?

8. If your employees come into possession of non-public information about an issuer as a result of a client's position in that issuer (e.g., a participation in a bank loan), is this information controlled effectively so that it is not used to unlawfully trade in other instruments of the issuer (e.g., shorting the issuer's equity if the issuer's financial condition deteriorates)?

Conflicts of interest

9. If you provide investment advice to clients regarding companies with which you have business relationships, do you have processes to prevent providing conflicted investment advice to clients and to ensure that clients receive full and fair disclosures regarding these conflicts?

10. Do you engage in "window dressing" (i.e., are decisions to effect trades in client or proprietary accounts undertaken in an attempt to manipulate the closing price of a security or to be able to present to clients a list of portfolio positions that is consistent with their investment objectives but which is substantially different than the positions held in between reporting periods)?

11. How do you deal with conflicts in advice you give to clients (e.g., advising one client to sell a thinly traded security, while at the same time recommending that another client purchase the same security)?

12. Is portfolio turnover (frequency and amount of trading in clients' accounts) consistent with clients' investment objectives, or is it the result of decisions by employees to generate commission credits that you can use for your own purposes?

13. If you participate in soft dollar arrangements (or other arrangements dependent on the receipt of clients' business or use of clients' assets), are the sources and types of information or products and services obtained or used consistent with disclosures made to clients and with your fiduciary relationship with clients?

14. How do you prevent cherry-picking of favorable trades on behalf of favored clients or proprietary accounts? Are changes in order allocations consistent with your fiduciary relationship with clients, code of ethics, and disclosures?

15. How do you prevent scalping of investment advice provided to clients (i.e., the illegal practice of recommending that clients purchase a security and secretly selling the same security in a personal or proprietary account contrary to the recommendation)?

16. Do you have any side letters or agreements with any participant in a pooled vehicle you advise or manage? Are the terms and conditions of these agreements consistent with your disclosures to clients and fiduciary relationship with clients and pooled vehicle participants?

17. Do you vote proxies consistent with your proxy voting policies and procedures, disclosures to clients, and status as a fiduciary?

Advisory fees

18. Are advisory fees, including any incentive compensation or other fees, calculated and charged in accordance with contractual arrangements and disclosures?

19. Do clients that pay performance fees meet the requirements established in Section 205?

20. If a client terminates its advisory relationship, are the clients reimbursed fees calculated and paid in advance in accordance with contractual terms and disclosures?

Disclosures

21. Are disclosures made to clients consistent with your actual practices? Are those disclosures reviewed regularly to determine whether they remain current?

22. If you made materials changes to your disclosures, have you conveyed such information to clients?

Information handling

23. How do you ensure that your compliance policies and procedures are adequate with respect to the investment advice you provide?

24. Is documentation or other output generated to substantiate that you

obtained all information related to providing investment advice in a timely, accurate, and complete manner? Do you ensure that this information is preserved for the required period of time and protected from unplanned destruction, loss, alteration, compromise, or use?

C. BROKERAGE ARRANGEMENTS AND TRADE EXECUTIONS

(Reference: Section 206; Regulation SHO, and Regulation M under the Securities Exchange Act of 1934, Banking Regulation Regulation T)

Seeking best execution

1. Do you have policies and procedures in place designed to seek best execution of clients' orders and that are consistent with client disclosures?

2. Do you periodically evaluate your arrangements with broker-dealers to determine that those broker-dealers continue to provide best execution of clients' orders? Are clients' orders consistently placed with broker-dealers that are likely to provide best execution?

3. Based on post-trade analyses of client order execution, are the full costs incurred by clients (market impact, opportunity, spreads, and commissions) consistent with your duty to seek best execution, disclosures regarding your practices in placing orders, and your status as a fiduciary?

Regulatory issues

4. Are trades placed in ways that are consistent with all marketplace regulations in the jurisdictions in which trading takes place?

5. Are short sale trades placed consistently with applicable regulations such as Regulation SHO and Regulation M? Are appropriate levels of initial and maintenance margin maintained as required by Regulation T?

Conflicts of interest

6. If you are also registered as a broker-dealer or futures commission merchant ("FCM") or are affiliated with or have a proprietary relationship with a broker-dealer or FCM, are the terms and conditions of clients' orders placed through such entities consistent with your fiduciary relationship and disclosures made to clients?

7. If trades are placed on a principal basis, are these trades consistent with the requirements of Section 206-3?

8. If trades are placed on an agency cross basis, are these trades consistent with the requirements of Section 206(3) and Rule 206(3)-2 thereunder?

9. Are trade errors identified at the earliest possible time and resolved in a manner that is consistent with disclosures made to clients and your fiduciary relationship with clients?

10. Given your current policies and procedures, is there a high probability that clearly erroneous trades or trades with "intent to defraud" will be

identified and prevented from being communicated to broker-dealers for execution?

Forensic test

11. Do you periodically compare brokerage commissions paid to executing broker-dealers with the value of products and services (i.e., research) you and clients have obtained from these broker-dealers? Are the outcomes consistent with your disclosures and status as a fiduciary?

Disclosures

12. Do you disclose material issues that may impact your decision to maintain your brokerage arrangements and place clients' orders? Are these disclosures consistent with your actual practices?

Information handling

13. With respect to brokerage arrangements and the placing of clients' orders (including each subsequent modification, addition, or cancellation of an order), is documentation or other output generated to substantiate that information was obtained and reviewed in a timely, accurate, and complete manner? How do you ensure that this information is preserved and protected from unplanned destruction, loss, alteration, compromise, or use?

D. ALLOCATING INVESTMENT OPPORTUNITIES AMONG CLIENTS

(Reference: Section 206)

Fairness among clients

1. Are allocations of limited investment opportunities (e.g., hot IPOs) dispersed among clients in ways that fairly reflect clients' investment objectives and restrictions, disclosures made to clients, and your fiduciary relationship with clients?

2. Are allocations among clients of positions acquired in blocked or bunched trades consistent with disclosures and your fiduciary relationship with clients?

3. Are proprietary accounts' and access persons' participation in investment opportunities, including blocked or bunched trades, consistent with your code of ethics, and disclosures made to clients? Also, are any staff issued interpretive guidance, such as no-action letters, applicable?

4. When changes are made to the initial decisions regarding the allocation of trades among client, proprietary, and/or access persons' accounts, are these changes supported by fully documented and approved audit trails?

5. If the allocation of block orders among clients or proprietary accounts is determined at any time after an order is placed for execution, is the allocation, including the selection of accounts to participate in such trades, consistent with disclosures and your status as a fiduciary?

Forensic test

6. Do you periodically evaluate the extent to which each client actually participated in limited investment opportunities, taking into account your trade allocation policies, disclosures, and status as a fiduciary?

7. Over relevant periods of time, is the performance among client accounts consistent with what would be expected if investment opportunities were allocated fairly and equitably among all eligible clients?

Disclosures

8. Are disclosures regarding trade allocation policies and procedures, including possible exceptions to the use of these policies and procedures, consistent with your actual practices?

9. Do disclosures of trade allocation policies and procedures, including possible exceptions to the use of these policies and procedures, fully and fairly inform clients of your practices and enable clients to give their informed consent to all material conflicts of interest that may arise?

Information handling

10. With respect to the allocation of investment decisions among clients, is documentation or other output generated to substantiate that you obtained and reviewed all related information in a timely, accurate, and complete manner? Do you ensure that this information is preserved for the required period of time and protected from unplanned destruction, loss, alteration, compromise, or use?

E. CODE OF ETHICS AND PERSONAL TRADING

(Reference: Rule 204A-1, Section 206)

Code provisions

1. Does your code of ethics encourage an honest, open, and ethical compliance culture/ethical environment?

2. Is your compliance culture/ethical environment consistent with the description in your code of ethics?

3. Do you use specific factors (e.g., the number of compliance issues that occur) to measure the effectiveness of the ethical environment?

4. Does your compliance culture handle conflicts of interest and compliance issues in ways that are consistent with your disclosures, given your fiduciary responsibilities?

5. Is periodic training provided to your staff that effectively provides information with respect to expectations regarding ethical conduct?

6. Is your process for designating "supervised persons" consistent with the definition of such persons in Rule 204A-1 as well as the organization of your firm?

7. Is your process for designating "access persons" consistent with the definition of such persons in Rule 204A-1 and encompass those people associated with your firm that have, or may have, knowledge or access to information regarding the advice provided to clients?

8. For all access persons, do you obtain written annual acknowledgement regarding their knowledge of your code of ethics?

9. Do the provisions of your code of ethics comply with the requirements described in Rule 204A-1 regarding pre-clearance and reporting of certain access persons' trades and access persons' transaction and holdings reports?

10. If your code of ethics is more restrictive than Rule 204A-1 regarding pre-clearance and transaction reporting do you ensure that access persons adhere to your code of ethics?

11. Is the information contained in periodic reports of trading and annual holdings reports used to effectively monitor personal trading activities of access persons?

12. Are violations of the code of ethics handled appropriately and consistently across all staff, including the imposition of fines or similar sanctions for repeated violations of code provisions?

13. Is the CCO, or another designated person, responsible for administering your code of ethics? If another designated person is responsible, does this individual report directly to the CCO or upper management of your firm, in general, and with respect to the code of ethics?

Trading by insiders

14. Are personal trades and holdings of access persons, including proprietary trades and holdings, consistent with your code of ethics, disclosures to clients, and your fiduciary relationship with clients?

Forensic tests

15. Is the performance of access persons' accounts and proprietary accounts consistent with the performance of client accounts (taking into account differences in objectives, restrictions, and amount of risk taken)? Is it consistent with your code of ethics and other disclosures made to clients?

16. Are there strong information barriers between you and affiliates regarding advice given to clients? If not, is the performance of these affiliates' proprietary accounts consistent with the performance of client accounts (taking into account differences in objectives, restrictions and amount of risk taken)? Is it consistent your code of ethics and other disclosures made to clients?

Conflicts of interest

17. Are gifts and entertainment provided by actual or potential service providers and/or broker-dealers (whether or not currently used to execute client transactions) and accepted by your officers, directors,

and employees consistent with the code of ethics and disclosures made to clients?

18. Are gifts and entertainment offered to third parties by your officers, directors and employees consistent with your fiduciary relationship with clients?

19. Are business arrangements with third parties that impact the services you provide to clients (e.g., the negotiation of loans from bank custodians you recommend for client use) consistent with disclosures and your fiduciary relationship with clients?

Registration status

20. In light of the amount of assets under management and the other types of advisory services you offer, are you appropriately registered with the SEC?

21. Are all advisory representatives that have direct client contact appropriately registered with the state(s) in which each representative conducts advisory business in accordance with applicable state law?

Information handling

22. With respect to the operation of your code of ethics, is documentation or other output generated to substantiate that you obtained all related information in a timely, accurate, and complete manner? Do you ensure that this information is preserved for the required period of time and protected from unplanned destruction, loss, alteration, compromise, or use?

F. VALUATION OF CLIENTS' POSITIONS

(Reference: Section 206)

Accuracy of prices used

1. Do you perform adequate and on-going due diligence on the methodologies used by all entities, such as pricing services, that provide pricing information used to value clients' positions?

2. Do the prices used to value clients' positions consistently reflect the price(s) that would be paid or received in a transaction with a knowledgeable and willing counter party at the time the pricing was performed?

3. Are the prices used to value clients' holdings based on the appropriate quantities of each position (i.e., match the quantities of each position as reported by the client's custodian)?

4. Do other assets (e.g., cash, receivables and prepaid items) and liabilities (e.g., payables) used in determining the gross and net value of clients' accounts consistently reflect the current value of these items at the time of the calculation?

5. If you manage a pooled investment vehicle and move positions into a "side pocket," is the value applied to those positions consistent with

your pricing policies and procedures?

6. If an error is made when calculating the gross or net value of clients' positions or the net asset value ("NAV") of pooled accounts, is the error corrected in a way that is consistent with disclosures and your fiduciary relationship with clients?

7. Is your process for calculating the NAV of pooled clients' accounts and allocating the NAV of pooled vehicles among participants consistent with the pooled vehicles' policies, disclosures, and your fiduciary relationship with clients?

Corporate actions

8. Do your (or a service provider's) procedures for identifying and recording corporate actions, such as dividends and stock splits that impact clients' positions, timely and accurately capture these actions?

9. Do your (or a service provider's) procedures for monitoring pending corporate actions ensure that appropriate follow-up is taken so that stale receivable items, such as recapture of taxes withheld, do not accumulate in clients' accounts?

10. Are your (or a service provider's) policies and procedures for following-up and causing clients to participate in class action settlement funds consistent with your disclosures and fiduciary relationships with clients?

Forensic test

11. Taking into account the volume and timing of transactions in pooled vehicles that you advise, do the valuations that make up the NAV fairly represent each participant's ownership interest?

Disclosures

12. Are your clients fully and fairly informed of your process for valuing clients' positions, including possible exceptions? Are they able to give their informed consent to all material conflicts of interest that arise from such processes?

Information handling

13. With respect to your pricing and valuation process, including the calculation of NAV for pooled vehicles, is documentation or other output generated to substantiate that you obtained all related information in a timely, accurate, and complete manner? Do you ensure that this information is preserved for the required period of time and protected from unplanned destruction, loss, alteration, compromise, or use?

G. SAFEGUARDING CLIENTS' ASSETS

(Reference: Rule 206(4)-2, Regulation S-P under the Gramm-Leach-Bliley Act)

Custody practices

1. Are client assets held in accounts maintained by qualified custodians as required by Rule 206(4)-2?

2. If you inadvertently obtain possession of clients' assets (e.g., if a client sends you stock certificates), are required actions taken within the time periods specified in Rule 206(4)-2 to dispose of those assets?

3. Does the custodian of each client's account independently monitor corporate actions (e.g., stock splits, dividends) affecting the account?

4. Does the custodian of each client's account independently determine the value of each position on a date near the date of each statement sent to the client and communicate such valuations and the total value of the account in its statements sent to clients?

5. Are securities lending practices that involve loans of clients' securities consistent with clients' contracts and disclosures made to clients?

Providing information to clients

6. Do all clients receive periodic statements directly from their qualified custodians, and do these statements describe all activity in their accounts? Are these statements accurate (i.e., fully and fairly reflect transactions in and balances of each account during the periods covered by the statements)? If not, is the information contained in account statements provided to clients regularly verified by a knowledgeable person that has no access to clients' assets to determine the truthfulness of transactional, balance and performance information?

7. If you are the only source of information provided to clients regarding activity in and balances of their accounts (i.e., no custodial statements are sent to clients), are those accounts subject to annual, unannounced surprise audits by an independent auditor? Do those audits include confirmation of account activity and balances directly with clients?

8. If one or more client's account holdings are subject to a surprise audit, does the auditor file the results of its audit with the SEC on Form ADV-E?

Forensic tests

9. Do you periodically verify the postal/e-mail addresses to which clients' account statements are sent (both by you and client custodians)?

10. Do you regularly reconcile account balances and transaction detail shown on your records with information reported by clients' custodians? Is there follow-up to resolve all reconciling items?

11. Are pooled vehicles over whose assets you have custody annually audited by an independent auditor in accordance with generally accepted accounting principles?

12. Does the auditor performing the financial statement audit of each pooled vehicle confirm with all participants in the pool the activity in

and balances of their account and appropriately follow-up on any discrepancies identified (not a specific requirement)?

13. Does the auditor send a copy of the pooled vehicles' audited financial statements directly to each participant in the pooled vehicle or to a representative of the participant (not a specific requirement)?

Conflicts of interest

14. Do you or your advisory representatives maintain business or personal relationships with clients' custodians? Do you personally benefit in some way from clients' relationships with those custodians (e.g., borrowing at below market rates)? If you or your advisory representatives benefit, do you disclose this to clients and/or have you established policies and procedures to mitigate any perceived risks?

Disclosures

15. Are clients fully and fairly informed of your practices for safeguarding clients' assets, including possible exceptions to these practices, and able to give their informed consent to all material conflicts of interest that arise from such practices?

Information handling

16. With respect to custody or safekeeping for each client asset and liability, is documentation or other output generated to substantiate that you obtained all related information in a timely, accurate, and complete manner? Do you ensure that this information is preserved for the required period of time and protected from unplanned destruction, loss, alteration, compromise, or use?

H. MARKETING AND PERFORMANCE ADVERTISING

(Reference: Rules 206(4)-1 and 206(4)-3)

Truthfulness of representations

1. Are all "communications with clients" (i.e., representations made and numbers used in advertisements, responses to requests for proposals, in other marketing literature and on web sites maintained by you or to which you maintain links) truthful, representative, complete, and not misleading?

2. Is information about past specific performance of investment advice that is contained in communications with clients and other investors consistent with Rule 206(4)-1, and your status as a fiduciary? Also, are any staff issued interpretive guidance, such as no-action letters, applicable?

3. Are model and composite performance figures, formulas, and related disclosures contained in communications to clients consistent with your status as a fiduciary? Also, are any staff issued interpretive guidance, such as no-action letters, applicable?

4. Are representations that composite performance shown in

communications with clients is presented in conformity with a specified industry standard consistent with the requirements of that standard?

5. Are advertisements that must be cleared by the NASD before use or filed with the NASD after use done so on a timely basis?

6. Are all communications with clients provided by advisory representatives reviewed and cleared as required by your policies and the law?

Use of solicitors

7. Is your use of third party solicitors consistent with Rule 206(4)-3?

8. Do the disclosure documents used by third party solicitors comply with the requirements of Rule 206(4)-3 and your status as a fiduciary?

9. Are all payments made to third party solicitors or other compensation arrangements maintained with solicitors consistent with disclosures and your status as a fiduciary?

10. Are the solicitors used by pooled vehicles that you manage or advise required to be registered representatives of a broker-dealer (as a result of the form of compensation they received for their work) and, if so, are they appropriately registered?

11. Is the compensation received by solicitors used by pooled vehicles that you manage or advise and the relationships between you and these solicitors fully and fairly disclosed to investors and consistent with your status as a fiduciary?

12. Are advisory clients referred to you by broker-dealers fully and fairly informed of the conflicts of interest you face in placing trades for their accounts and negotiating commission rates (e.g., if you do not negotiate commission rates paid on trades placed for clients referred by broker-dealers, and the commissions paid by such clients are higher than rates paid other clients for whom you do negotiate commission rates)?

Disclosures

13. Are your marketing and performance advertising practices fully and fairly disclosed to clients, and are clients enabled to give their informed consent to all material conflicts of interest that arise from such policies and procedures?

Information handling

14. With respect to performance advertising, is all required documentation or other output generated to substantiate that you obtained all related information in a timely, accurate, and complete manner maintained pursuant to Rule 204-2(a)(16)? Do you ensure that this information is preserved for the required period of time and protected from unplanned destruction, loss, alteration, compromise, or use?

I. CREATING, RECORDING, RETAINING AND REPORTING INFORMATION

(Reference: Rule 204-2)

Information handling

1. Do you create, record, and retain all required information, including information that may be contained in e-mails and instant messages, for required periods? Is this information accurate and current as required by Rule 204-2?

2. Can you promptly produce information, whether on paper or electronic media, upon request?

3. Do you maintain the means to or does your records management program enable you to read and produce information maintained electronically or photographically or that has been encrypted for the entire period required by record retention rules (taking into account changes in software needed to access the information)?

4. Does your records management program provide for the destruction of records after the required retention periods have passed? Is the destruction automatic, or can it be suspended (e.g., when the possibility of an inspection or litigation arises)?

5. Do you ensure that all information that is deleted from files or otherwise disposed of is either not required to be kept or is beyond any required retention period?

6. Do you effectively safeguard information you are required to maintain from unauthorized access, alteration, loss, or destruction?

7. Do you have security measures to properly safeguard personal and financial information of clients, including consumer credit report information, from unauthorized access, disclosure or use? Do you ensure that the security measures of your service providers also safeguard this information?

Malicious intrusions

8. Do your electronic information systems, both internal and those supplied by third parties, effectively detect and prevent malicious intrusions from internal and external sources? Do you have effective oversight measures to protect your electronic infrastructure, operating systems, files and databases?

Disclosures and filings

9. Do you periodically provide clients with privacy policy notices, as required?

10. Are required filings (e.g., updates of Form ADV, Parts 1 and II; Form ADV-E and Form 13F) accurately and completely prepared and filed on a timely basis?

11. Do disclosures provided to clients fully and fairly describe all material conflicts of interest that you face when providing investment advice?

12. Are all required reports and information (e.g., annual offer of disclosure document) prepared accurately, completely, timely, and consistent with applicable regulations?

13. Have you reported to clients information required by Rule 206(4)-4 (e.g., an adverse financial condition or certain disciplinary events)?

14. Are complaints and concerns that you receive (either from clients or from sources that impact clients) reviewed by a person(s) that has no access to clients' assets and that is in a position to effectively act on the information?

15. With respect to the collection and retention of information, is documentation or other output generated to substantiate that you obtained all related information in a timely, accurate, and complete manner? Do you ensure that this information is preserved for the required period of time and protect it from unplanned destruction, loss, alteration, compromise, or use?

J. ANTI-MONEY LAUNDERING PROGRAM

The anti-money laundering ("AML") regulations, which are administered through the Financial Crimes Enforcement Network (FinCEN), are applicable to open-end mutual funds. To date, investment advisers have not been identified as entities that must comply with the AML regulations. However, investment advisers may be delegated to perform certain AML responsibilities on the behalf of other entities and/or may be required to comply with certain related regulations (e.g., U.S. Treasury Office of Foreign Assets Control ("OFAC") reporting requirement and Internal Revenue Code/Bank Secrecy Act reporting procedures for cash transactions). For information about possible AML requirements please see http://www.sec.gov/about/offices/ ocie/amlmfsourcetool.htm#3 and www.fincen.gov.

If you conclude you are obligated to administer an AML program, you should consider the following:

1. Does your AML program contain all of the elements required by applicable regulations?

2. Do you ensure that your staff has sufficient knowledge and skills to effectively carry out their AML responsibilities?

3. Does your AML program appear to be effective in identifying suspicious cash/ currency activity and reporting such activities to appropriate authorities?

4. With respect to your AML program, is documentation or other output generated to substantiate that you obtained all related information in a timely, accurate, and complete manner? Do you ensure that this information is preserved for the required period of time and protected from unplanned destruction, loss, alteration, compromise, or use?

You should also consider whether you are complying with the U.S. Treasury OFAC requirements by restricting your business transactions with certain individuals, entities, and/or countries on lists compiled by OFAC.

[1] *See*, Rule 206(4)-7 ("Compliance Rule") under the Advisers Act. The Compliance Rule also requires advisers to no less frequently than annually review the operation of their policies and procedures to ensure their continued effectiveness in preventing, detecting and correcting compliance problems and to designate a Chief Compliance Office ("CCO") to administer their compliance program. *See also*, Advisers Act Release No. 2204, Dec. 17, 2003, available at http://www.sec.gov/rules/final/ia-2204.htm.

[2] All references herein to 'you' and 'your' refer specifically to the adviser.

[3] Unless otherwise specified, all sections and rules referenced in this document are related to the Advisers Act. In addition to the text contained in the sections and rules, you may find it useful to read releases adopting, interpreting, and/or amending such rules. The referenced sections and rules contained in this document are not all-inclusive.

http://www.sec.gov/info/cco/adviser_compliance_questions.htm