

**OCIE OUTLINES EXAMINATION PRIORITIES**

Lori Richards, Director of the Securities and Exchange Commission's Office of Compliance Inspections and Examinations ("OCIE"), discussed examination issues related to broker-dealers and investment advisers at the Securities Industry and Financial Markets Association ("SIFMA") - Compliance and Legal Division's annual seminar. During her speech, Ms. Richards outlined OCIE's current broker-dealer and investment adviser examination priorities:

1. Valuation: review of firms' approaches to fair value valuation of derivatives and other hard-to-value portfolio positions.
2. Controls over Material, Nonpublic Information: determination of firms' confidence levels in their controls over inside information; examination of how inside information comes into firms; review of policies and procedures under Section 15(f) of the Securities Exchange Act of 1934 (prevention of misuse of material, nonpublic information by broker-dealers) and Section 204A of the Investment Advisers Act of 1940 (prevention of misuse of nonpublic information by investment advisers).
3. Retail Sales Practices: suitability; protection of seniors; free lunch sales seminars (*see Protecting Senior Investors: Report of Examinations of Securities Firms Providing "Free Lunch" Sales Seminars*, U.S. Securities and Exchange Commission, North American Securities Administrators Association and Financial Industry Regulatory Authority, September, 2007 [http://www.sec.gov/about/offices/ocie/ocie\\_guidance.shtml](http://www.sec.gov/about/offices/ocie/ocie_guidance.shtml)).
4. Supervision: review of supervisory policies. OCIE found deficiencies in establishing and enforcing supervisory policies in most of its Office of Supervisory Jurisdiction examinations.
5. Net Capital/Internal Controls: review of the accuracy of firms' net capital calculations.
6. Trading Issues: compliance with best execution requirements; Regulation NMS; Regulation SHO.
7. Fixed Income: compliance with the municipal bond pay-to-play rule, among other issues.
8. Rating Agencies: implementation of the new regulatory authority to approve and examine Nationally Recognized Statistical Ratings Organizations that Congress gave the SEC last year.
9. Conflicts of Interest: among other things, examination of initial public offering allocation practices; affiliated hedge fund abuses.

10. Anti-Money Laundering Policies and Procedures: review of firms' implementation of anti-money laundering policies and procedures.
11. Information/Account Security: consideration of protections for accounts against misappropriation and theft; implementation and testing of business continuity plans; appropriate review of outsourced functions; compliance with Regulation S-P.

\* \* \* \* \*

If you have any questions regarding this memorandum, please contact Roger D. Blanc (212-728-8206, rblanc@willkie.com), Larry E. Bergmann (202-303-1103, lbergmann@willkie.com), Martin R. Miller (212-728-8690, mmiller@willkie.com), or the attorney with whom you regularly work.

This memorandum was authored by Roger D. Blanc, Larry E. Bergmann, Martin R. Miller and Matthew B. Comstock.

Willkie Farr & Gallagher LLP is headquartered at 787 Seventh Avenue, New York, NY 10019-6099 and has an office located at 1875 K Street, NW, Washington, DC 20006-1238. Our New York telephone number is (212) 728-8000 and our facsimile number is (212) 728-8111. Our Washington, DC telephone number is (202) 303-1000 and our facsimile number is (202) 303-2000. Our website is located at [www.willkie.com](http://www.willkie.com).

April 1, 2008

Copyright © 2008 by Willkie Farr & Gallagher LLP.

All Rights Reserved. This memorandum may not be reproduced or disseminated in any form without the express permission of Willkie Farr & Gallagher LLP. This memorandum is provided for news and information purposes only and does not constitute legal advice or an invitation to an attorney-client relationship. While every effort has been made to ensure the accuracy of the information contained herein, Willkie Farr & Gallagher LLP does not guarantee such accuracy and cannot be held liable for any errors in or any reliance upon this information. Under New York's Code of Professional Responsibility, this material may constitute attorney advertising. Prior results do not guarantee a similar outcome.