

## SEC to Recommend Additional Compliance Rules for Investment Advisers

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David W. Grim, Director of the SEC's Division of Investment Management (the "Division"), recently noted in testimony before a U.S. House of Representatives subcommittee that the Division is developing new rule recommendations to supplement the SEC's regulatory compliance program, including in the following areas:

- **Third-party compliance reviews for registered investment advisers.** The reviews would not replace examinations conducted by the Office of Compliance Inspections and Examinations ("OCIE"), but would supplement them in order to improve compliance by registered investment advisers. This recommendation is being developed with the OCIE.
- **Transition plans for investment advisers,** which would require registered investment advisers to create and maintain transition plans to prepare for a major disruption in their business.
- **Use of derivatives by investment companies,** including measures to appropriately limit the leverage these instruments may generate, and measures to enhance risk management programs for such activities. These recommendations are being developed in close consultation with the SEC's Division of Economic and Risk Analysis.
- **Stress testing for large investment advisers and large investment companies** through rules implementing section 165(i) of the Dodd Frank Act.

The Director's full testimony regarding "Oversight of the SEC's Division of Investment Management" before the U.S. House of Representatives Subcommittee on Capital Markets and Government Sponsored Enterprises on October 23, 2015 can be **found here**. Foley Hoag will continue to monitor the status of any new rules proposals by the SEC affecting our investment advisory clients.

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