

DEADLINE FOR SEC-REGISTERED INVESTMENT ADVISERS TO REVIEW COMPLIANCE POLICIES AND PROCEDURES

As a reminder, SEC-registered investment advisers must complete their initial review of their compliance policies and procedures by April 5, 2006.

SEC-registered investment advisers were required to adopt by October 5, 2004 policies and procedures reasonably designed to prevent violations of the Investment Advisers Act of 1940 (the "Advisers Act"). Following the adoption of the compliance policies and procedures, investment advisers were given eighteen months to conduct their initial review to determine the adequacy and the effectiveness of their implementation. The deadline is the earlier of (1) eighteen months after the investment adviser's adoption of the compliance policies and procedures or (2) April 5, 2006.

The initial review should include, among other things, general consideration of the following:

- whether the policies and procedures were effective in preventing violations of the Advisers Act;
- whether the policies and procedures were consistently carried out during the period between their adoption and the date of the initial review;
- whether there were any significant compliance events that arose during that period;
- whether there were any changes in the business activities of the investment adviser after the date of the adoption; and
- whether there were any changes in the Advisers Act or applicable regulations (for example, the compliance date for the "Code of Ethics" requirement is after October 5, 2004).

Of course, the initial review will comprehensively consider a variety of areas, which might include:

- Portfolio management processes, including allocation of investment opportunities;
- Trading practices, including best execution, soft dollar arrangements, and allocations of aggregate trades among clients;
- Trading of the firm for its own account and personal trading activities of supervised persons;
- Accuracy of disclosures, including information in advertisements;
- Safeguarding of client assets from theft or inappropriate use;
- Recordkeeping and document retention, including e-mails;
- Processes to value client holdings and determine fees based on those valuations;
- Client privacy safeguards (essentially as contemplated by Regulation S-P); and
- Business continuity plans.

Reviews must be conducted at least annually after the initial review, but it is always recommended that investment advisers consider whether significant compliance events, changes in the adviser's business activities, or regulatory developments make an interim review necessary.

If you have any questions concerning the annual review or its application to your firm, please contact your regular Tucker Ellis & West LLP attorney or any of the following:

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