

>>>FAIRVIEW FLASH REPORT<<<

Office of Compliance Inspections and Examinations Announces its “Multi-Branch Adviser Initiative”

WHAT HAPPENED?	<p>On December 12, 2016, the Office of Compliance Inspections and Examinations (“OCIE”) released its 2016 Examination Priorities, which emphasized the supervisory practices of registered investment advisors over personnel in branch offices. The OCIE staff noted that more investment advisors are utilizing numerous branch offices that are geographically dispersed from the adviser’s principal office. Consequently, OCIE has introduced its Multi-Branch Adviser Initiative to identify specific risks of violating federal securities laws that result from investment advisors operating out of multiple branch offices.</p>
WHAT ARE THE IMPLICATIONS?	<p>A key concentration of the Multi-Branch Adviser Initiative will be the advisers’ compliance programs and their oversight of the following related areas of risk:</p> <ul style="list-style-type: none">• The implementation of policies and procedures in all offices;• How the supervision structure is tailored to identify particular risks that are specific to each branch;• The role and empowerment of compliance personnel who are responsible for supervising branch offices;• The accuracy of information describing branch offices on the adviser’s filings;• The adviser’s calculation of fees and effectiveness of managing its billing system;• The adviser’s compliance with the Custody Rule and how branch office personnel are involved in determining which accounts the adviser maintains custody;• The adviser’s review and approval process for advertisement created or disseminated by branch offices; and• The implementation of the adviser’s code of ethics, including the oversight of personal securities transactions and whether access persons at branch offices have been properly identified. <p>An equally important emphasis of the Multi-Branch Adviser Initiative will be the advisers’ oversight of its investment advisory services, including how supervised personnel in branch offices manage client portfolios and the investment formulation and recommendation process. Areas of focus could</p>

	<p>be broadened based off particular business activities of an examined adviser, including:</p> <ul style="list-style-type: none">• Whether the adviser’s policies and procedures are designed to address certain risks that arise from the branch office model, such as the identification of potential conflicts of interest;• The adviser’s oversight of its controls concerning investment authority, the suitability of investment advice, and due diligence conducted in regards to investments; and• The branch offices’ trading activity and what disclosures are made to clients with respect to trade allocation.
WHAT DOES THIS MEAN FOR ME?	<p>The SEC has demonstrated that it is strengthening its focus on branch offices, which will place a greater burden on CCOs to allocate resources in an effort to provide adequate supervision across the firm. Fairview encourages all advisers to ensure their remote branch office checklists are up to date and all oversight procedures, such as branch visits, are conducted according to policy. Advisers should also confirm that procedures in their compliance manual meet all oversight requirements for branch offices as imposed by the Advisers Act. Please feel free to contact Fairview with any questions you might have regarding the Multi-Branch Adviser Initiative and how your firm can remain compliant.</p>

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Sources: [SEC Reviewing Multi-Branch Adviser Compliance](#)