

OCIE Compliance Outreach Program

The Division of Investment Management's
Risk and Examinations Office
Recent Developments
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Disclosure

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Background of the Risk and Examinations Office

- **Section 965 of the Dodd Frank Act of 2010** required the Division of Investment Management to have a staff of examiners to perform compliance inspections and examinations of entities under the jurisdiction of the Division and report to the Director of the Division.
 - REO was created, in part, to comply with Section 965, and in part to provide the Division with the capability to perform quantitative risk analysis
 - REO was formed in October 2012

The Mission of the Risk and Examinations Office

SEC's Mission

- Protect investors,
- Maintain fair, orderly efficient markets, and
- Facilitate capital formation

Division's Mission

The Division of Investment Management works to:

- Protect investors;
- Promote informed investment decisions; and
- Facilitate appropriate innovation in investment products and services through regulating the asset management industry

REO's Mission

Support Division's mission by:

- Conducting rigorous quantitative and qualitative financial analysis
- Working to protect investors, ensure market integrity and support responsible capital formation

Our Team

Our Team — REO currently has a number of members that are former industry risk specialists and portfolio managers, financial analysts, examiners, lawyers, and accountants

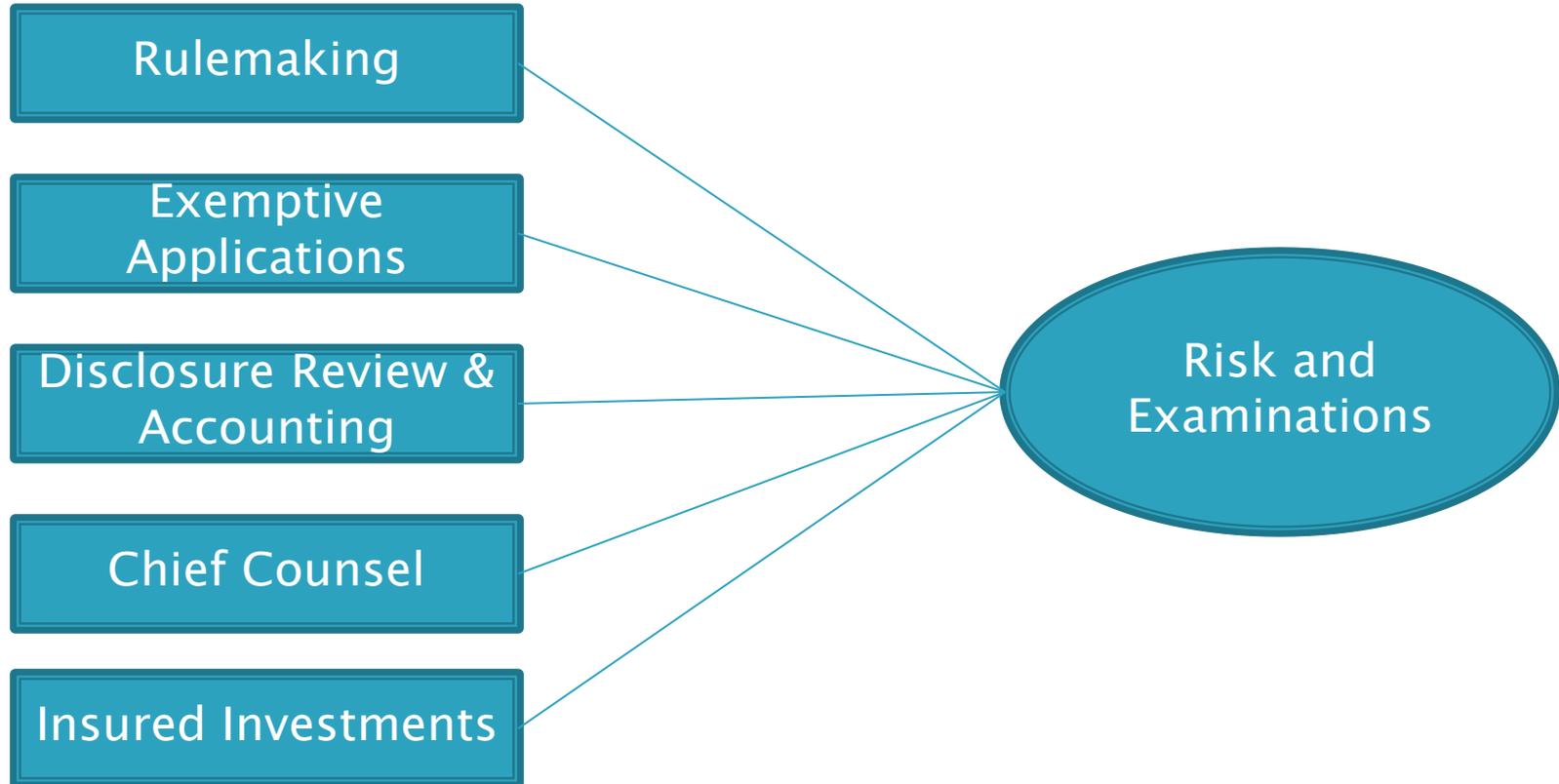
- Approximately ½ located in NY and ½ located in Washington, DC

Our Team Approach — While the team consists of “risk” and “examination” specialists, REO utilizes an open-architecture and inter-disciplinary approach to achieve its objectives

Our Support of the Division’s work is done primarily through two functions:

1. Industry Analysis and Monitoring
 - Ongoing investment risk analysis of the investment management industry
2. Examination Program
 - Obtaining relevant information and analysis for the Division’s offices

Informing Policy – Working With the Division’s Offices



Industry Risk Analysis and Monitoring

Key Responsibilities

- Analyze and monitor investment risk-taking activities
- Contribute subject matter expertise
- Create high-quality analyses
- Produce industry reports
- Assist Division staff in:
 - understanding complex investment products
 - reviewing disclosures associated with those products
- Work closely on investment risk-related issues with other SEC Divisions
- Interact with other regulatory agencies, as needed

Industry Risk Analysis and Monitoring

Investment and Systemic Risk Monitoring Programs

- Investment Adviser/Company investment risk monitoring approach:
 - Generally engage in routine investment risk discussions with firms
 - Engage in non-routine investment risk discussions with firms (e.g., market event driven discussions)
- Private Fund investment risk monitoring approach:
 - Utilize Form PF Data
 - Understand market and credit systemic risk channels/exposures
 - Data used to monitor exposures, trends in exposures, and to engage in dialogue with firms

Examination Program – Coordination with OCIE

- Coordination with OCIE
 - Leverage OCIE's extensive experience and exam work
 - Planned utilization of common technology platform for exam and non-exam reviews
 - Integration of IM staff on OCIE exams as active team members