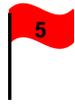
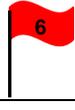
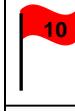
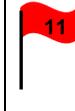


# Risk Inventory Guide\*

This chart is intended to visually guide you through some of the risks that may be present as part of an adviser’s everyday operations. As a CCO responsible for your firm’s compliance, you should determine what risks are present and how they might affect your firm and its operations, assess whether the controls in place to manage or mitigate these risks are adequate, and make or recommend modifications to the compliance policies and procedures as necessary. You are not expected to personally perform all compliance-related activities. Rather, you “administer” or manage the compliance program by determining whether controls are necessary and what reviews and tests should be performed, when and by whom, and ensuring that business persons are involved in creating and complying with the established procedures. In essence, you determine “how much is enough.”

	<b>Marketing/Performance:</b> ▪ Inaccurate performance calculations ▪ Overstated performance ▪ Guarantees of profit ▪ Unsubstantiated claims ▪ Misrepresentation of services offered ▪ Use of unapproved marketing materials ▪ Misrepresentation about advisory firm and principals
	<b>Form ADV/Disclosures:</b> ▪ Failure to provide Form ADV ▪ Inaccurate, omitted, or unclear disclosures ▪ Out of date disclosures ▪ Misrepresentation of services offered ▪ Failure to disclose potential conflicts of interest ▪ Inaccurate account statements ▪ Overstating account values
	<b>Invoices/Fees:</b> ▪ Non-“research” products obtained without disclosure ▪ Incorrect fee calculation ▪ Use of inflated asset values ▪ Direct debit of fees from custodial account ▪ Prohibited fees
	<b>IPO Offerings:</b> ▪ Directing trades to brokers that provide IPO offerings ▪ Placement of IPO allocations in adviser’s proprietary or employees’ personal accounts
	<b>Soft Dollars/Kickbacks:</b> ▪ Research and/or sources of research outside safe harbor ▪ Inadequate due diligence on research product ▪ Broker does not pay research source directly ▪ Inaccurate or misleading research obtained ▪ Research obtained is not current ▪ Mixed-use items not appropriately allocated
	<b>Compensation:</b> ▪ Incentive-based compensation leads to inappropriate recommendations or investments

	<b>Objectives/Restrictions:</b> ▪ Objectives not kept current ▪ Objectives miscommunicated or not clearly understood ▪ Adviser influences client to accept higher risk than desired ▪ Failure to reconcile information communicated to portfolio manager and strategy implemented ▪ Restrictions not monitored
	<b>Trade Ticket:</b> Preferential trade allocation ▪ Side by side management conflicts ▪ Investments outside client objectives or restrictions ▪ Failure to include required information on trade ticket ▪ Inappropriate allocation on partial fills
	<b>Trade Execution:</b> ▪ Failure to seek to obtain best execution ▪ Favoring brokers based on research or referrals received ▪ Post-trade allocation instructions ▪ Principal or cross trades without required disclosure/consent ▪ Errors/corrections not identified and resolved in client’s best interest
	<b>Non-public Information:</b> ▪ Non public information obtained during analysis phase ▪ Use of non-public information for personal gain/loss avoidance ▪ Use of client trading to manipulate price of publicly traded stock
	<b>Personal and Proprietary Trading Account:</b> ▪ Portfolio manager utilizes knowledge of upcoming trades for gain/loss avoidance in personal account ▪ Trader uses knowledge of market and current or upcoming trades to manipulate prices or for gain/loss avoidance
	<b>Money/Securities to/from Broker/Custodian:</b> ▪ Funds or securities sent to the adviser or employees instead of the custodian ▪ Theft

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