



A Division of O'Connor Davies Munns & Dobbins LLP

Monthly *Foot* Notes

January 11, 2010

SEC Investment Adviser Custody Rule Amendments

On December 16, 2009, the Securities and Exchange Commission (the SEC) adopted rule amendments designed to strengthen controls over client assets held by registered investment advisers (RIAs) or their affiliates.

The revisions to the Custody Rule (Rule 206(4)-2), which are effective March 12, 2010, will affect a significant number of RIAs, including those who manage private funds. Although the Rule is directly applicable only to those investment advisers registered with the SEC under the Investment Advisers Act of 1940, investment advisers registered under state securities laws also will be subject to these requirements, as many of the state securities laws require a state-registered investment adviser to comply with the SEC's Rule.

The four principal components to the Amendments are: (i) expansion of the surprise audit requirement; (ii) requiring a SAS 70 report for RIAs with physical custody of client assets; (iii) imposing a public reporting requirement on RIAs and their accountants; and (iv) requiring direct delivery of account statements. O'Connor Davies Financial Services (ODFS) can help. We truly understand the impact of a changing regulatory environment on your business dynamics. Contact your ODFS service provider for additional guidance and also visit our website at www.odfsconsulting.com.

Hedge Funds Up Over 20% For 2009

The Hennessee Group reported on Thursday that the average fund gained 24.6 percent in 2009, matching the broader S&P index gains. In December, positive performance added about 1%, to help end 2009 with the best performance in a decade.

New York, NY
212.286.2600

Harrison, NY
914.381.8900

White Plains, NY
914.421.5600

Paramus, NJ
201.712.9800

Stamford, CT
203.323.2400

www.ODMD.com