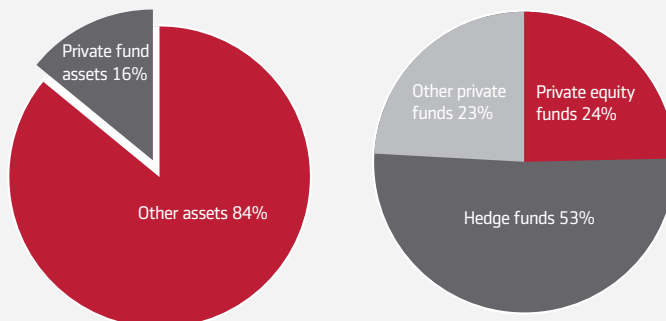


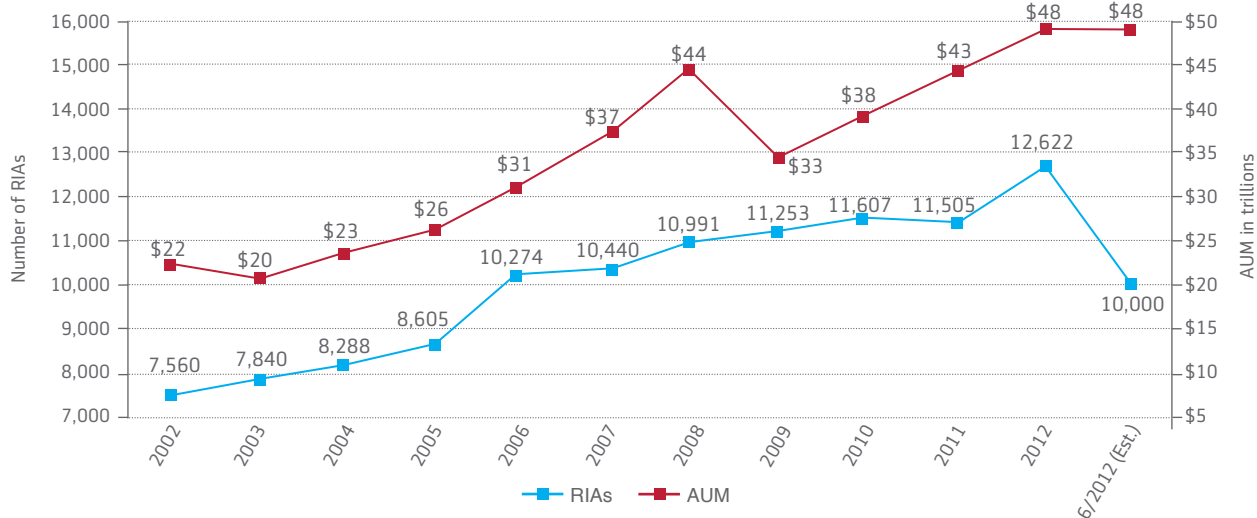
Dodd-Frank impact to advisor registrations

The SEC published the preliminary results of the new registration requirements for advisors. The number of SEC registered advisors is expected to drop from 12,622 to approximately 10,000 at the end of June. AUM is expected to remain essentially flat at close to \$49 trillion.

The SEC also provided some insight into AUM in private funds. Approximately 16% of the \$49 trillion in AUM is invested in private fund assets. ■■



Number of SEC-registered investment advisors and assets under management



Best practice – New client due diligence

Advisory clients have no shortage of ways to look into your background, but do you perform any due diligence on new clients? The Financial Task Force issued the following recommendations on new client due diligence, particularly international clients:

- Require multiple forms of government issued identification
- Make use of public databases and internet search engines
- Require transfers of funds to be routed through a reputable bank
- Seek to discover the source of the client's wealth

Obviously there is a balance to maintain with a new client. No one likes to feel like they are being interrogated, but good diligence now could save you some pain later. ■■

How economic sanctions can impact you

The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) maintains a list of sanctioned programs and countries. With the turbulent political climate, advisors should familiarize themselves with this list which can be found on the OFAC website (treasury.gov) under the Resource Center tab. If a client participates in a private fund that has a share of its investments in a sanctioned program or country, your firm is liable, no matter how small the investment. This holds true even if the investment was subject to sanctions after the time of client investment. As an advisor, you are expected to have knowledge of the investments that comprise client portfolios. Avoiding funds or investments with current or prior exposure to sanctioned countries is a best practice. ■■



Social media update

A recent study by Spectrem Group yielded interesting results for the advisor community. Some of their findings included:

- 36% of investors said they were interested in connecting with advisors through social media.
- 53% of investors under age 35 were interested in connecting with advisors through social media.
- 63% of Twitter users pay attention to investment tweets.
- A separate study in August of 2011, found that nearly half of all U.S. millionaires use Facebook, which was double the amount in 2010.

With these statistics in mind, make sure you develop and enforce social media policies and procedures for your firm. 📈



New fee disclosure requirements for retirement plans

The U.S. Department of Labor (DOL) required service providers of retirement plans to provide a comprehensive and easy-to-understand disclosure of all plan fees to plan sponsors by 7/1/12. In turn, plan sponsors are required to distribute these fee disclosures to retirement plan participants by 8/30/12. As a result, it is expected that there will be downward pressure on 401(k) fees and movement towards lower cost investment options. Financial advisors should be fully prepared to answer fee and expense ratio questions from plan sponsors. Proactive meetings with the investment committee to review both plan level and participant level fees are recommended. Please refer to the DOL web site for specifics on this final rule. dol.gov/ebsa/newsroom/fsparticipantfeerule.html 📈



We've heard you...

Filling out your E&O renewal application is probably not your favorite thing to do each year. We understand and have recently worked to make the process less painful. We have streamlined our renewal application and made it **electronically editable and savable**. The editable PDF can be saved one year and modified the next for any changes in your business. We hope using this function saves some of your valuable time.

For your upcoming renewal, please ask your insurance broker to provide you with the following renewal application – MAFA 3013 04 12 Renewal Application for Registered Investment Advisors. 📈

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