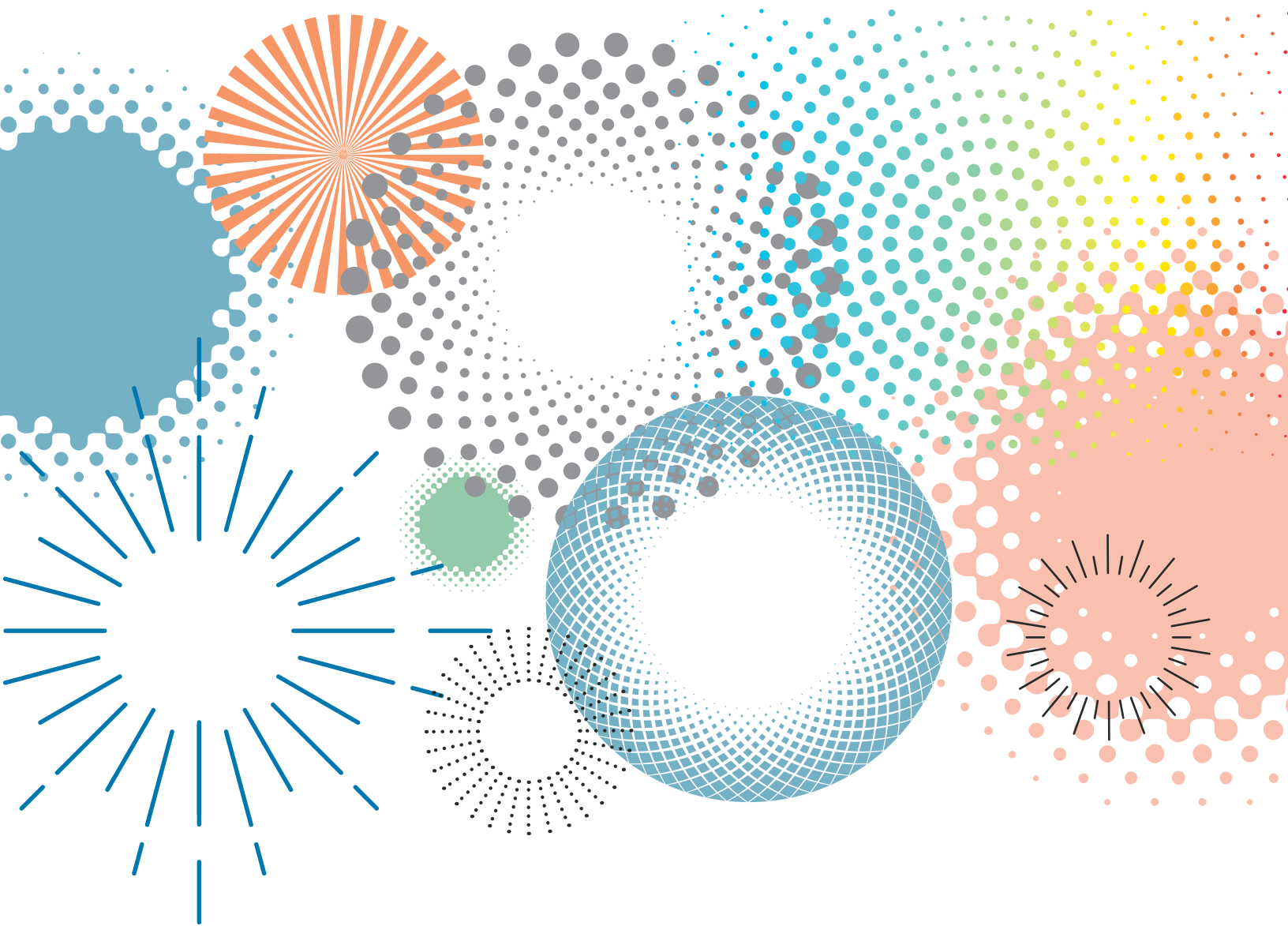


2025
Investment Management Compliance Testing
Survey Results



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About the 2025 Investment Management Compliance Testing Survey

20th Annual Investment Management Compliance Testing Survey

- 577 respondents
- Most likely or somewhat likely to take the survey again (82%)
- Survey was created as a service to the industry to share industry best practices

Legend

- **Text in Blue** indicates a key finding or important data point
- **Text in Green** indicates an opportunity for an enhancement in controls or practices

Disclosure

All data represented is shown in terms of percent of responses to specific questions. Due to respondents skipping questions, responses, or because of "check all that apply," data sets could have fewer or more total responses than the total number of participants. Some percent of responses shown in this presentation represents a percentage of a subset of data.

About the Investment Adviser Association

The Investment Adviser Association (IAA) is the leading trade association representing the interests of fiduciary investment advisers. The IAA's member firms collectively manage more than \$35 trillion in assets for a wide variety of institutional and individual investors. In addition to serving as the voice of the advisory profession on Capitol Hill and before the SEC, DOL, CFTC and other U.S. and international regulators, the IAA provides extensive practical and educational resources to its membership. For more information, visit www.investmentadviser.org or follow us on [LinkedIn](#) and [YouTube](#).

About ACA Group

ACA Group (ACA) is the leading governance, risk, and compliance (GRC) advisor in financial services. For over 20 years, we've empowered our clients to reimagine GRC to protect and grow their business. Our global team of 1,250 employees includes former regulators and practitioners with a deep understanding of the regulatory landscape. Our innovative approach integrates advisory, managed services, distribution solutions, and analytics with our ComplianceAlpha® technology platform. For more information, visit www.acaglobal.com.

About Yuter Compliance Consulting

Yuter Compliance Consulting (YCC) is an internationally recognized boutique compliance consulting firm offering consultation and support services trusted by the industry's chief compliance officers. Amy Yuter, Managing Principal of Yuter Compliance Consulting, has over 30 years of industry, consultation and SEC regulatory experience in overseeing investment advisers, investment companies, public companies, broker-dealers, and private funds. Amy is the founder of The Philadelphia Compliance Roundtable and the *Investment Management Compliance Testing Survey*. Yuter Compliance Consulting partners with clients to provide personalized consultation and support to enhance compliance resources and improve compliance programs. For more information, visit www.yutercompliance.com.

An abstract graphic design featuring a large blue sphere with a grid pattern, surrounded by various geometric shapes and patterns including orange and blue circles, a green circle, and a large orange circle with a grid pattern. The background is white with scattered dots and lines.

20th Annual Survey Key Findings

1. Things change, yet they stay the same.

- Change of the guard under new administration
- SEC staff messaging: *Keep your foot on the compliance pedal*
- CCOs action: Focus remains on compliance program mission
- Over 1/3 of firms continue to have dedicated CCO

2. Change the testing program if the testing produces no findings.

- 27% of respondents reported no issues with their testing
- “No exceptions” will bring SEC examination scrutiny
- A working compliance program produces testing exceptions
- SEC staff has guided to change up testing when testing produces no results

3. Mock exams continue to help CCOs.

- 45% have conducted; 18% planning to conduct
- 8% material issues, 35% material best practices, 42% non-material findings, 42% helped with exam prep

4. Continued alignment of testing programs with SEC focus areas, yet opportunities were noted.

- Whistleblowing rule is a high focus area – whistleblower rule testing is reported as **↑3%**
- <1/3 review employee agreements, 14% IMAs, 10% consultants, 58% no steps taken
- Reg S-P is pending – vendor testing is reported as **↑42%**

5. Marketing rule FAQ helpful to some and industry wants more relief.

- 1/3 finding the new relief helpful
- 1/3 are not taking advantage of recent SEC marketing rule FAQs
- **Only 13% updated policies and procedures as a result of the relief**
- Over half see general relief needed; others had specific requests

6. Electronic relief is overdue; SEC guidance interpretations vary.

- **53% obtain affirmative consent**
- **3% using read receipt alternative**
- **25% test consent received**
- **55% no testing conducted**

7. We are conservative with technology; until we understand more, we don't use it.

- Exploring cautiously with only 3.7% using AI both internally and externally
- We are not investing in crypto; 74% not investing in digital assets
- Automation is used less than expected; <1/3 use automation in compliance

8. We are following best practices for use of electronic communications, and we have room to improve.

- 83% requiring periodic certifications, 83% training employees, 83% retain/in process retaining approved communication methods
- **53% sharing enforcement actions, 51% testing records are maintained, 55% forward unapproved communications, 9% interview employees**

continued

20th Annual Survey Key Findings

continued

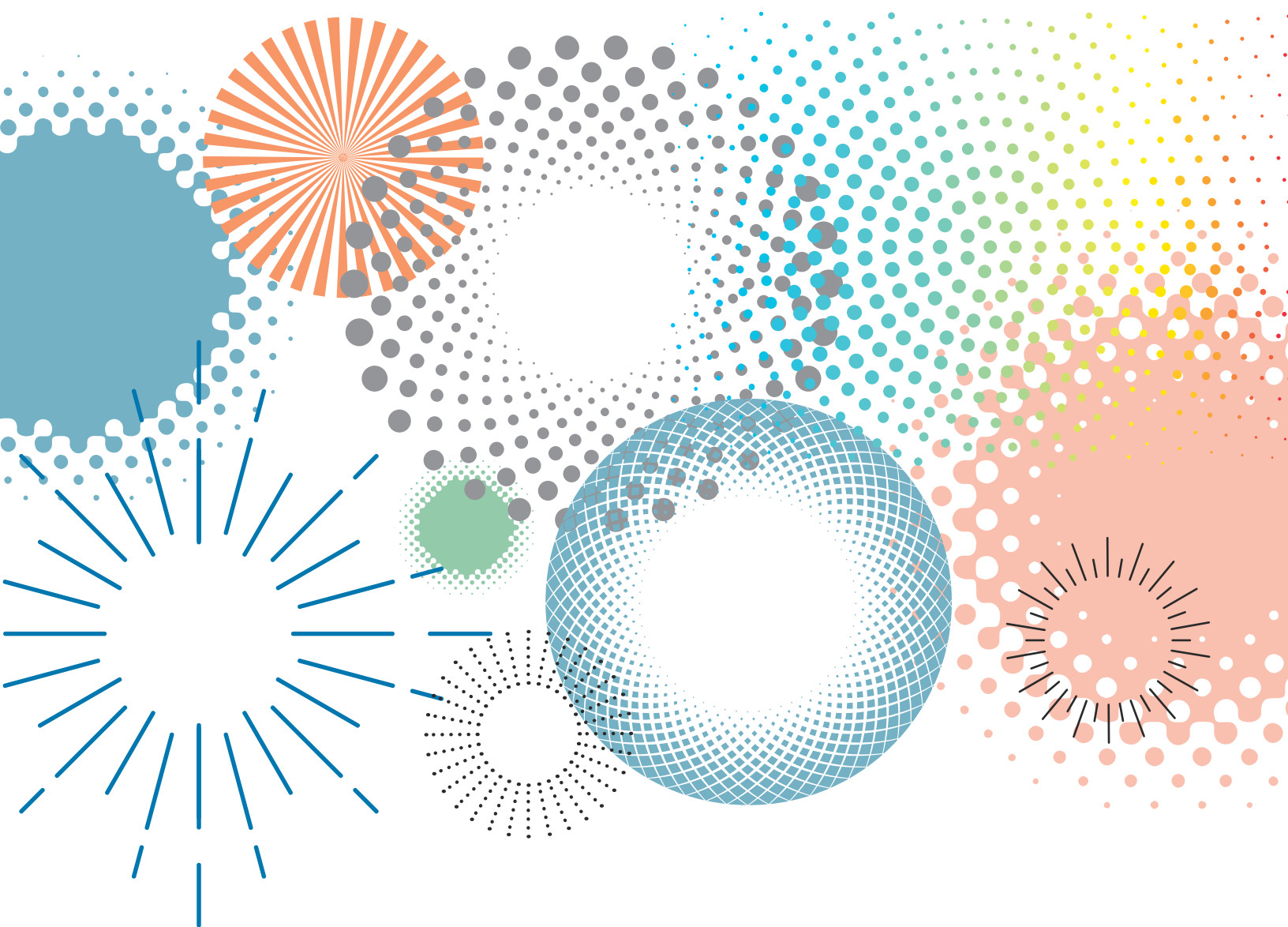
9. AI is the new king of compliance topics.

- Off-channel lost its top spot and no longer shows up in the top ranking
- AML takes 2nd place with rule changes pending
- Steady going with Cyber 3rd and Advertising 4th
- Surprised with Reg S-P that vendor due diligence is not showing up higher

10. SEC examination activity is consistent; despite resource drain.

- The frequency of exams and areas of focus have changed little from 2024
- Of note, SEC exam staff resources decreased yet examination activity is continuing at reasonable rate, per SEC staff and survey findings

Demographics and Compliance Program Overview



Demographics and Compliance Program Overview

Responding Firms Align with the Broader Industry

Survey Demographics, Firm Size

43% of respondents had regulatory assets under management (RAUM) between \$1 billion and \$10 billion. The other respondents were relatively evenly represented:

- **12%** Under \$500 Million
- **11%** \$500 Million to Under \$1 Billion
- **9%** \$10 Billion to \$20 Billion
- **10%** \$20 Billion to \$50 Billion
- **12%** \$50 Billion to \$1 Trillion
- **2%** Over \$1 Trillion

Survey Note:

These results are substantially similar to those of last 10 years.

41% of respondents have between 11 and 50 employees.

- **18%** 1 to 10 employees
- **25%** 51 to 250 employees
- **9%** 251 to 1,000 employees
- **8%** 1,000+ employees

Survey Demographics, Client Types (2025 | 2024)

63%	62%	Private fund(s) (e.g., private partnership, hedge fund, private equity fund)
54%	50%	Institutional clients
52%	50%	High net worth individuals (typical account size \$1 million or more)
38%	37%	ERISA assets/pension consultant
30%	33%	Retail individuals (typical account size \$1 million or less)
28%	29%	Registered investment companies
20%	18%	Family office
6%	4%	Other

Survey Demographics, Client Types (2025 | 2024)

45%	39%	Private Equity Funds (including energy, infrastructure)
29%	33%	Long Only Funds
24%	25%	Long/Short Funds
23%	22%	Credit Funds (public or private)
20%	19%	Fund-of-Funds
16%	19%	Real Estate
11%	9%	Venture Funds
12%	10%	Other (commodity pools, multi-strategy)

Compliance Program Size and Structure

Compliance Staffing Size (Compliance/Legal)

- **43%** 2 to 5
- **28%** Only 1
- **19%** 6 or more
- **9%** <1 (CCO is outsourced, or not dedicated to compliance)

Survey Note:

Compliance program size has changed little over the past 5 years.

CCO's Roles

- **37%** Solely a CCO
- **19%** CCO + other (e.g., HR, risk, marketing)
- **17%** CCO + COO or similar
- **17%** CCO + general counsel or similar
- **13%** CCO + CFO or similar
- **6%** CCO + CIO or similar
- **2%** Outsourced CCO

Survey Key Finding:

Things change, yet they stay the same.

- Over 1/3 of firms continue to have dedicated CCO.

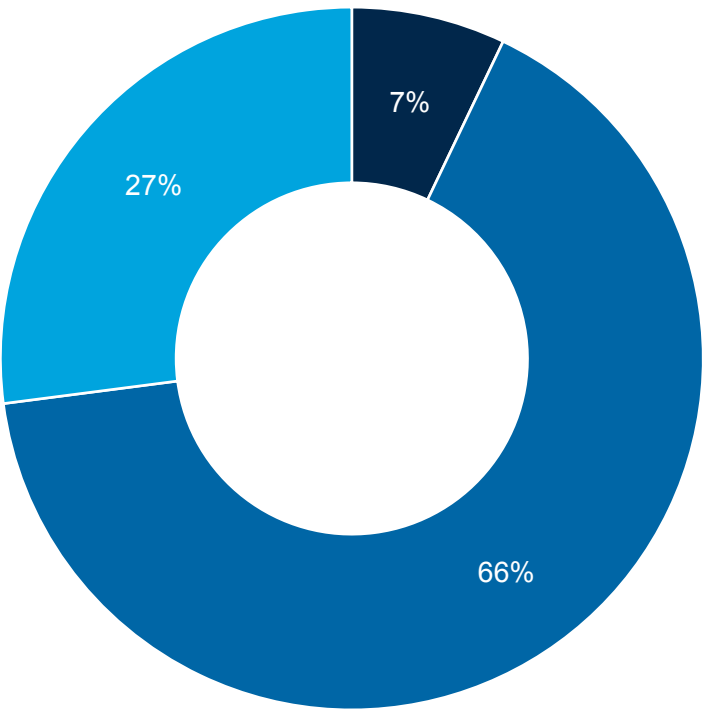
Demographics and Compliance Program Overview

Firms Are Increasing Testing Around Tech Risks

Top Areas of Increased Testing (2025 | 2024)

61%	73%	Electronic communications surveillance
55%	57%	Cybersecurity
48%	65%	Advertising/marketing
46%	32%	Artificial intelligence/predictive analytics
42%	44%	Vendor due diligence
25%	31%	Conflicts of interest
24%	36%	Books and records
24%	17%	Anti-money laundering
24%	25%	Regulatory reporting (e.g., Form ADV, Form 13, Form PF)
24%	30%	Social media

Were issues detected by your compliance testing?



- Yes; we detected material compliance issues
- Yes; we detected non-material compliance issues
- No, we did not detect any compliance issues

Survey Key Finding:

Continued alignment of testing programs with SEC focus areas, yet opportunities were noted.

Whistleblowing Testing ↑ 3%;
ESG ↓ expected

Demographics and Compliance Program Overview

Examinations Remain Steady, Despite Changes

Most Recent SEC Exam

- **41%** 2 – 5 years ago
- **28%** More than 5 years ago
- **19%** The past year
- **10%** We have not yet undergone an SEC Exam
- **2%** Other
- **0%** We've received official notice of a pending Exam

Most Common Areas of Focus During Most Recent Exam

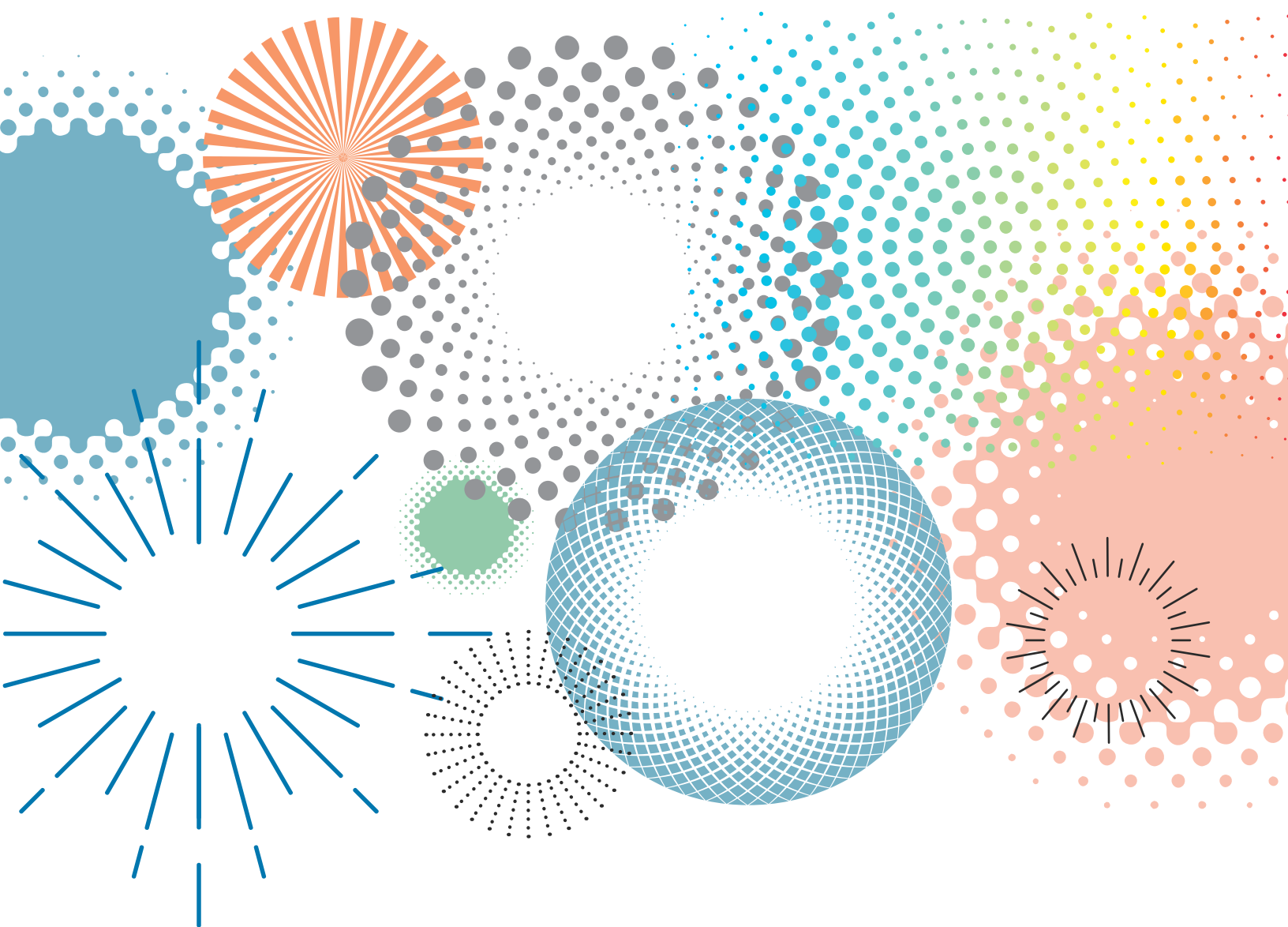
- **57%** Advertising and marketing
- **55%** Books and records
- **47%** Conflicts of interest
- **42%** Fee calculation and billing
- **35%** Custody
- **33%** Personal trading/code of ethics
- **32%** Valuation

Survey Key Findings:

SEC examination activity is consistent; despite resource drain.

- The frequency of exams and areas of focus have changed little from 2024
- Of note, SEC exam staff is decreased yet examination activity is continuing at reasonable rate, per SEC staff

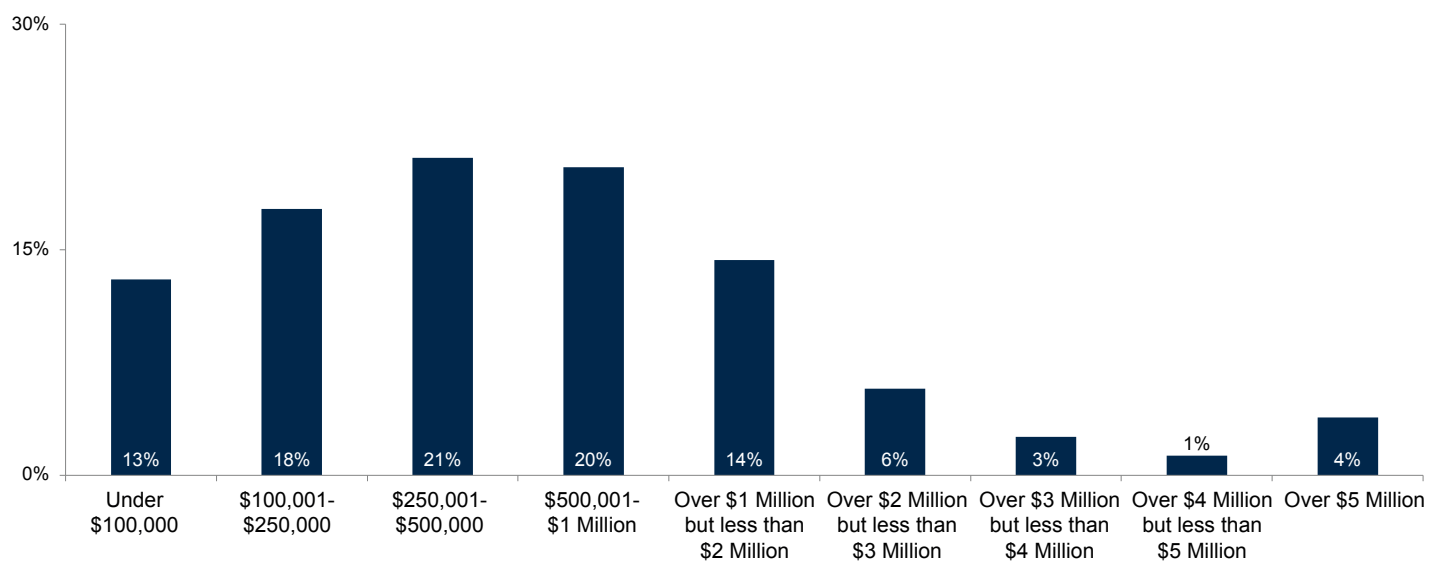
Compliance Program Costs



Compliance Program Costs

The Not So Hidden Cost of Compliance

Approximately how much does your firm incur in total compliance-related costs annually?



Survey Key Findings:

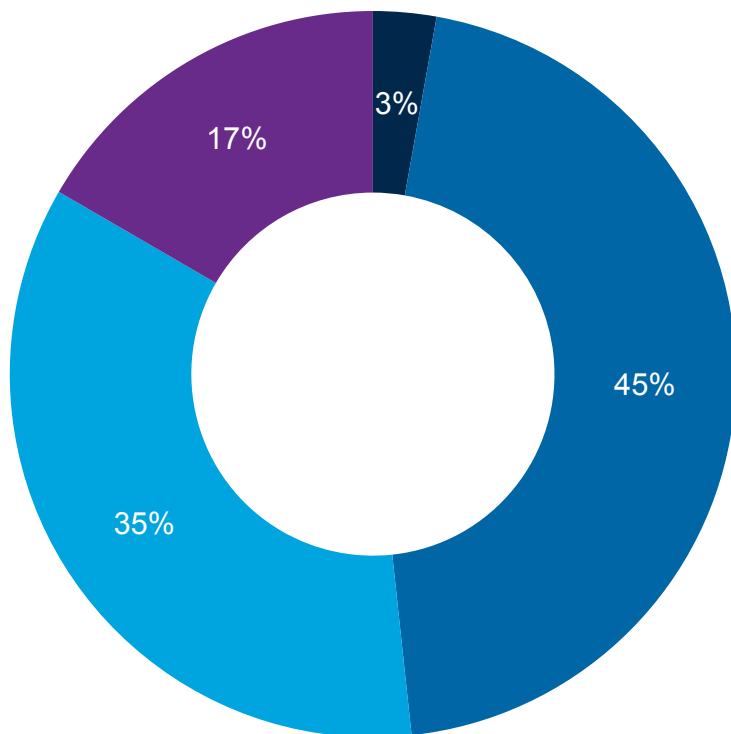
Things change, yet they stay the same.

- SEC staff messaging: Keep your foot on the compliance pedal
- CCOs action: Focus remains on compliance program mission

Compliance Program Costs

Still Doing More With Less

Did your firm exceed your compliance budget in 2024?



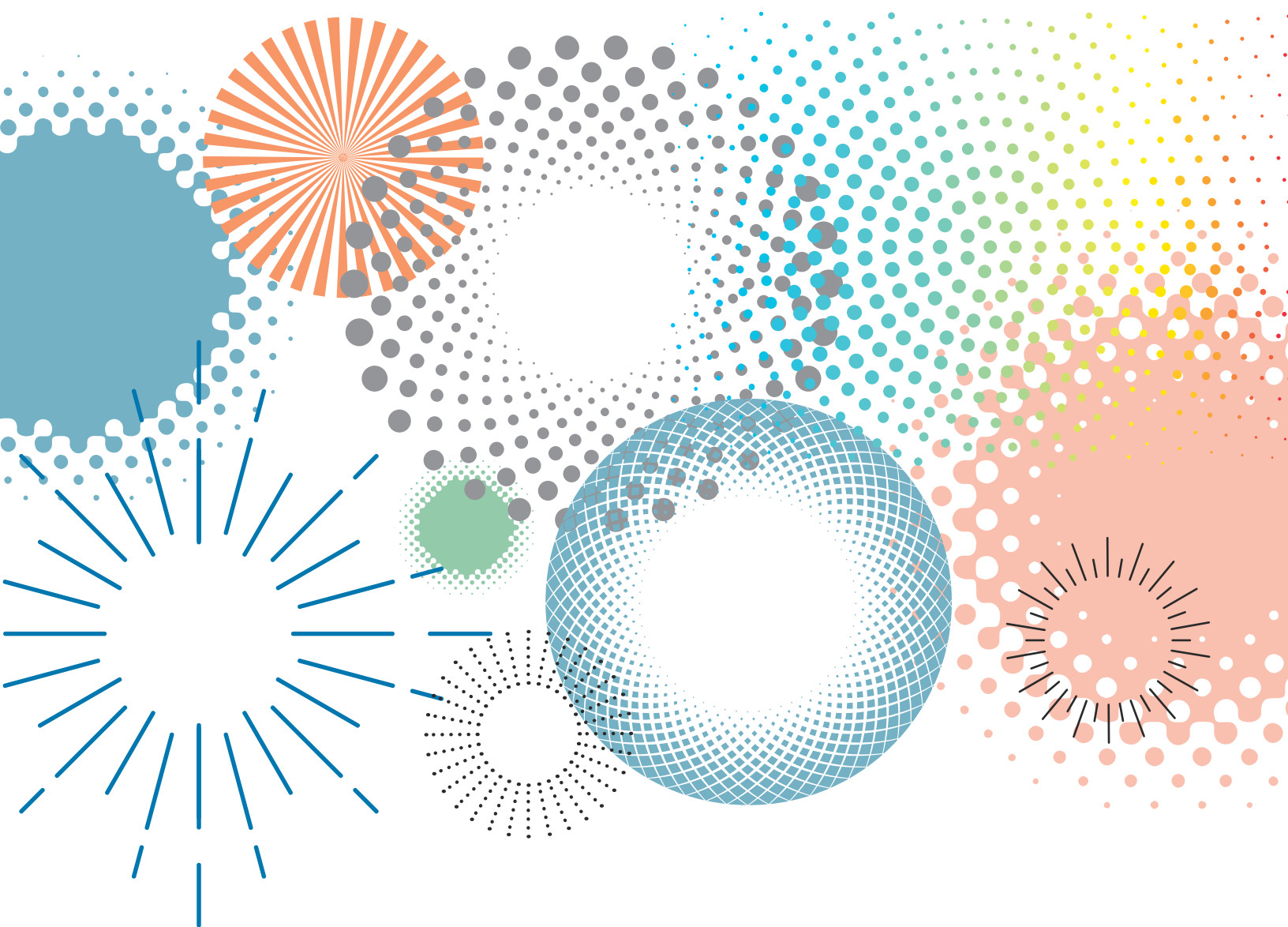
- Yes, were materially over budget
- No, we were not materially over/under budget
- We don't have a formal/standalone compliance budget
- I don't know

Survey Key Findings:

Things change, yet they stay the same.

- SEC staff messaging: Keep your foot on the compliance pedal
- CCOs action: Focus remains on compliance program mission

Advertising



The Marketing Rule Still Presents Challenges

How have your advertising/marketing practices changed since March 2025 FAQ guidance issued by the SEC staff? *(check all that apply)*

- 30%** We have not made any changes to our practices – we are not relying on the new no action relief and continue to present standard performance only net of fees and other information in compliance with rule requirements
- 28%** We have made changes to our practices – we are relying on the new no action relief and now present standard performance both gross and net of fees and present other performance without regard to deduction of fees
- 19%** We have not made any changes to our policies and procedures and do not take advantage of the no action relief offered
- 14%** We have not made any changes to our policies and procedures and informally require performance to be presented in compliance with the March 2025 FAQs
- 13%** We have made changes to our policies and procedures and require performance to be presented in compliance with the March 2025 FAQs
- 7%** Other (please specify)

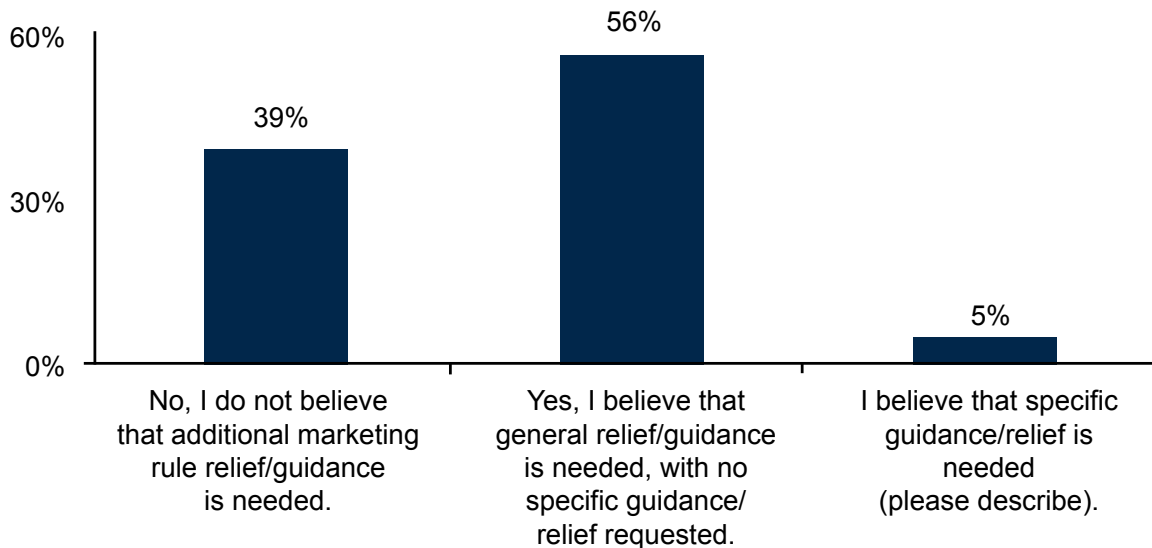
Survey Key Findings:

Marketing rule FAQ helpful to some.

- 1/3 finding the new relief helpful
- 1/3 are not taking advantage of recent SEC marketing rule FAQs
- Only 13% updated policies and procedures as a result of the relief

The Marketing Rule Still Presents Challenges

Do you believe that additional marketing rule relief and guidance is needed following the March 2025 FAQs?

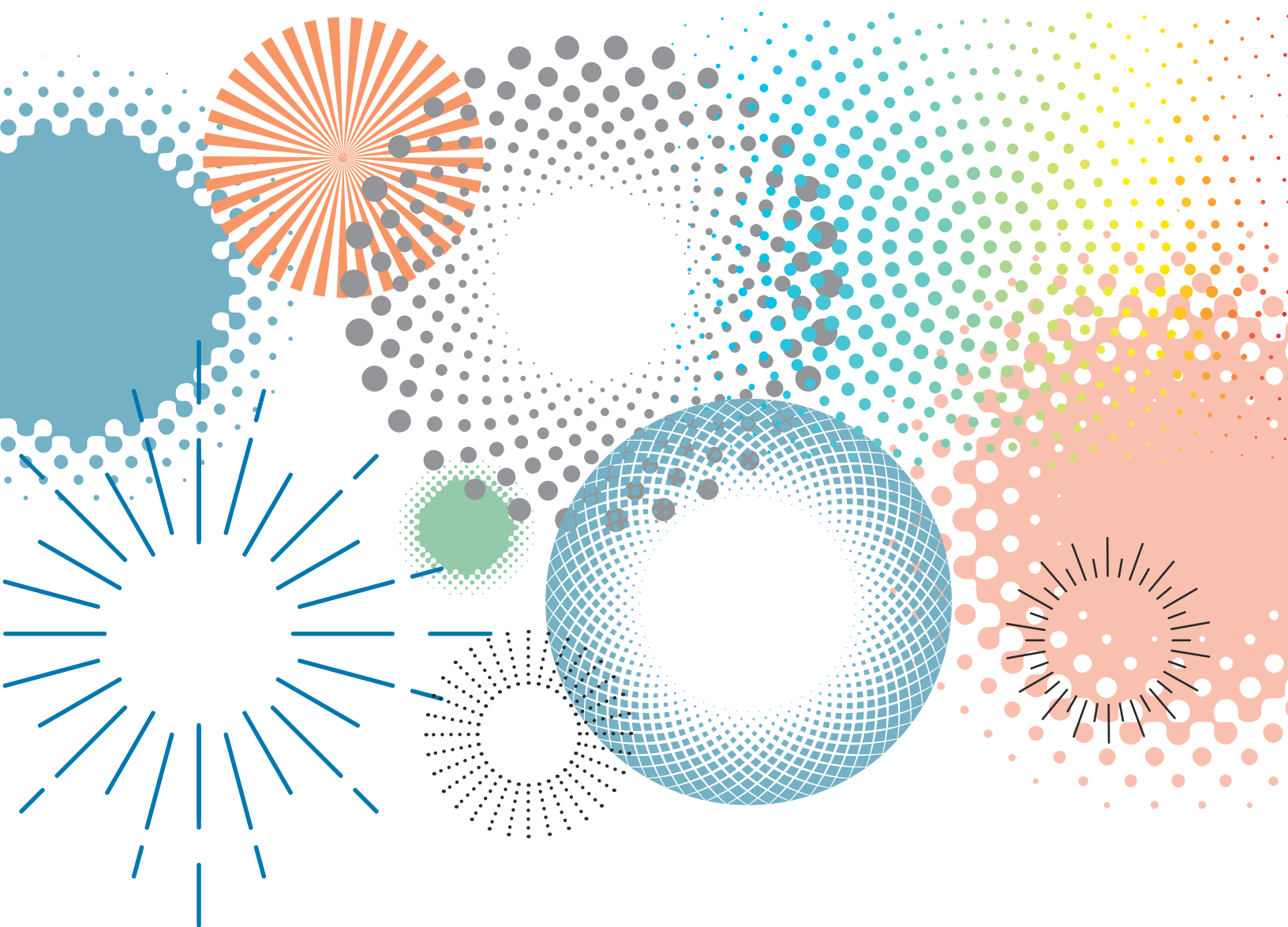


Survey Key Findings:

Marketing rule FAQ helpful to some and industry wants more relief.

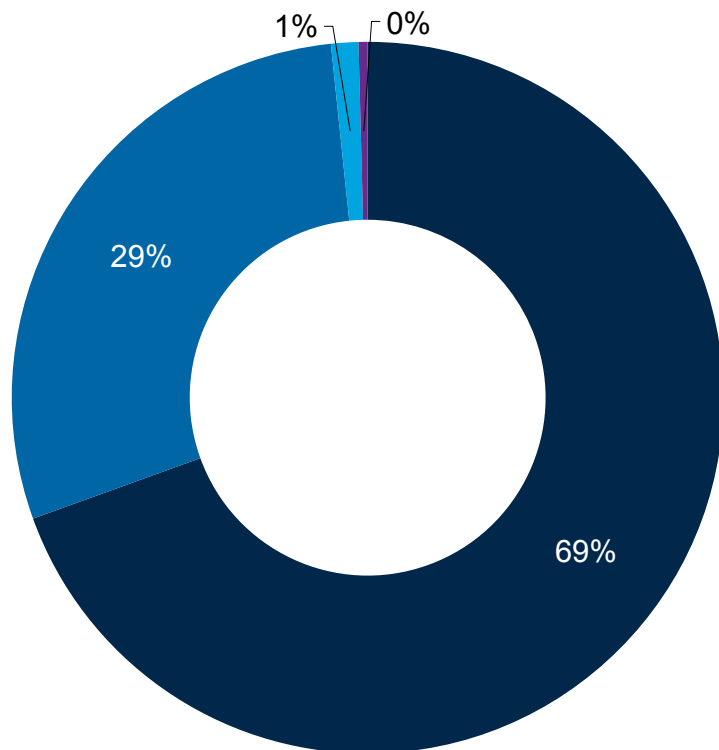
- Over half see general relief needed
- Others had specific requests:
 - Substantiation
 - Market/Index Performance
 - Hypothetical Performance
 - GIPS Confirmation
 - Institutional Exceptions

Document Review and Destruction



Majority Have Written Policies

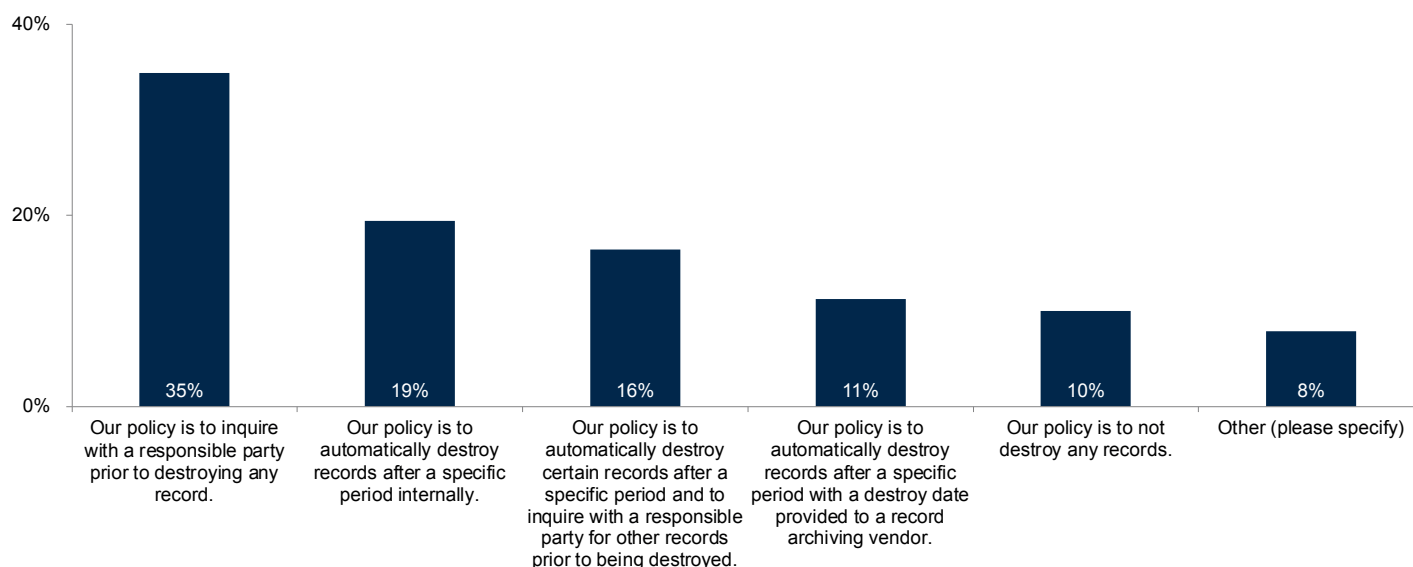
Does your firm have a books and records policy?



- Yes, we have a books and records policy and the policy addresses record destruction
- Yes, we have a books and records policy; the policy does not address record destruction
- No
- Other (please specify)

Common to Require Destruction Approval

Which of the following best describes your firm's destruction policy?



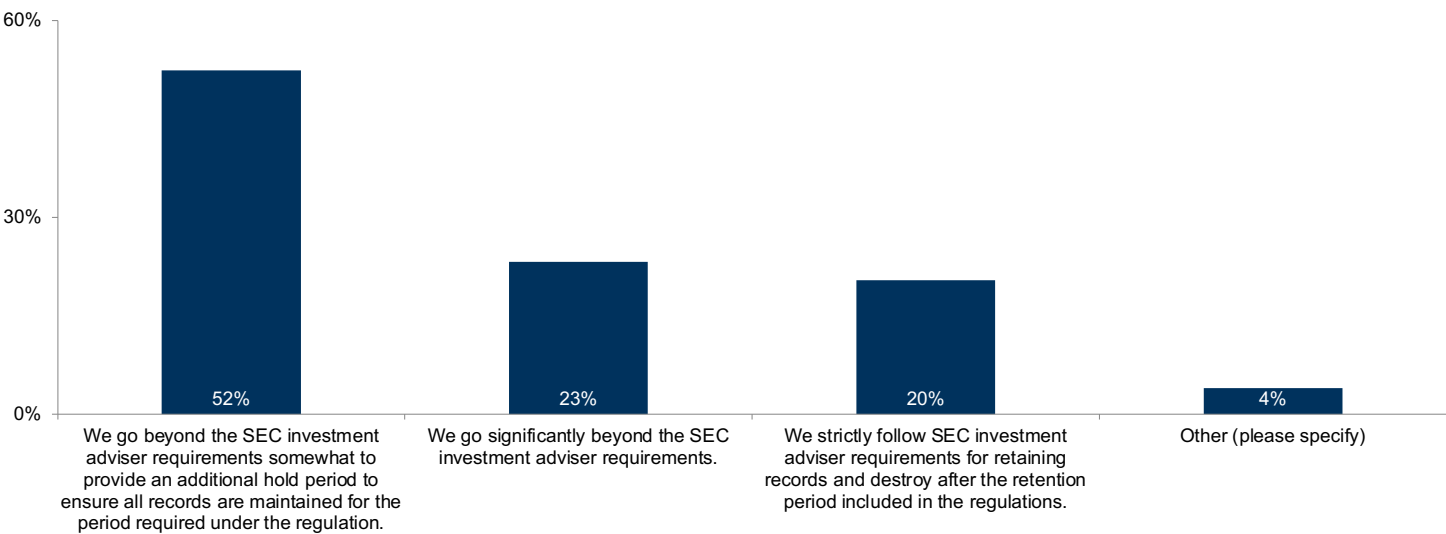
Destruction Trends:

- 35% destruction permission
- 19% automatically destroy
- 16% auto w/permission
- 10% don't destroy

Document Review and Destruction

Majority Retain Longer Than Required

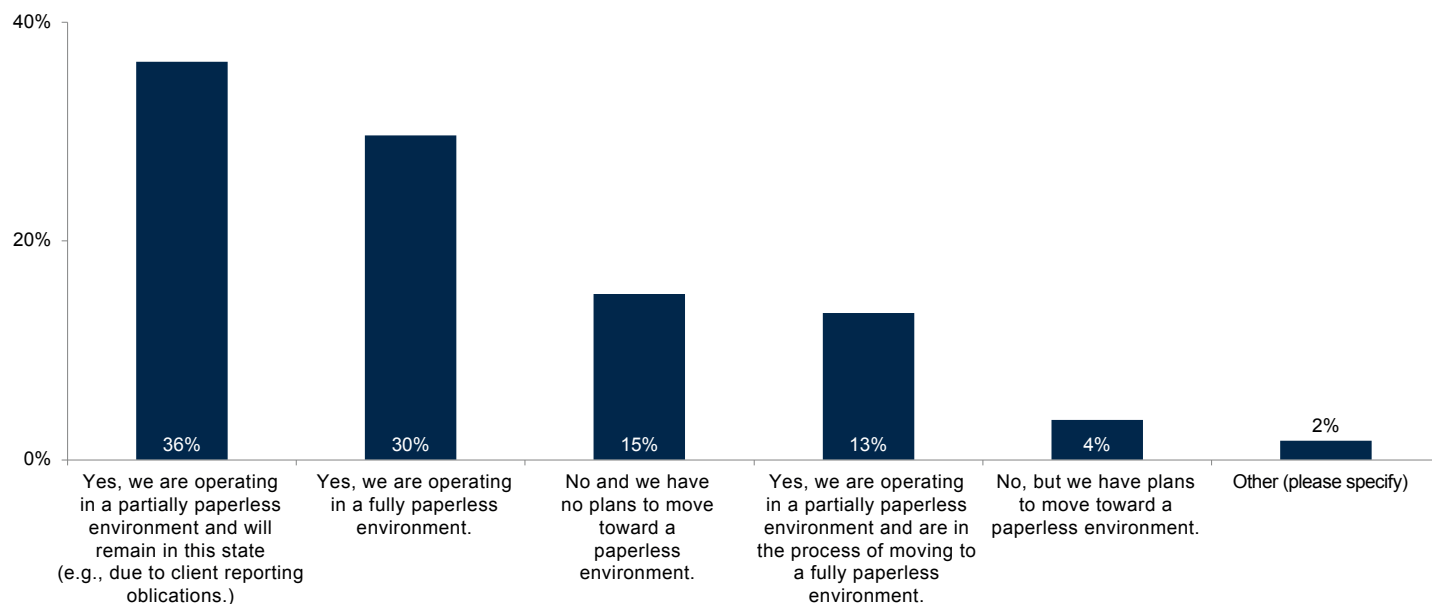
We have instituted the following retention period:



Document Review and Destruction

Moving to a Paperless Environment

Does your firm operate within a paperless environment? *(check all that apply)*



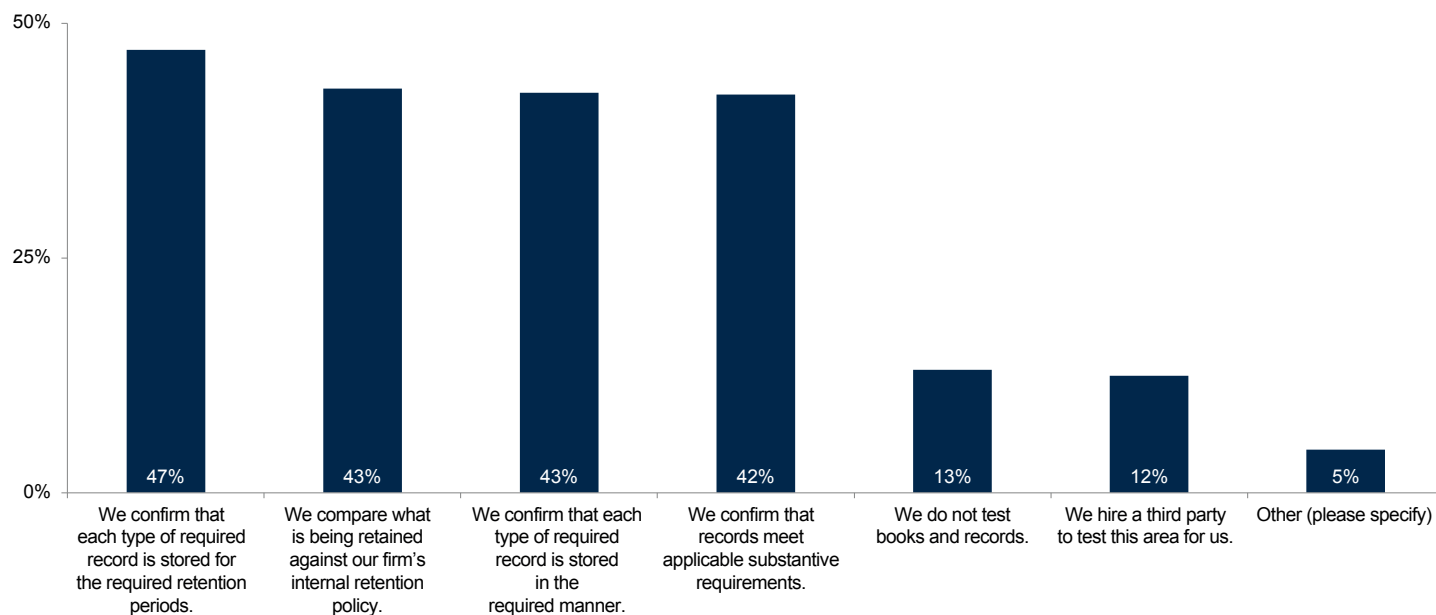
Paperless Trends:

- 88% electronic exam requests
- 36% sticking to partial
- 30% fully paperless
- 13% partial/going fully
- 4% moving to paperless

Document Review and Destruction

Opportunities to Enhance Testing

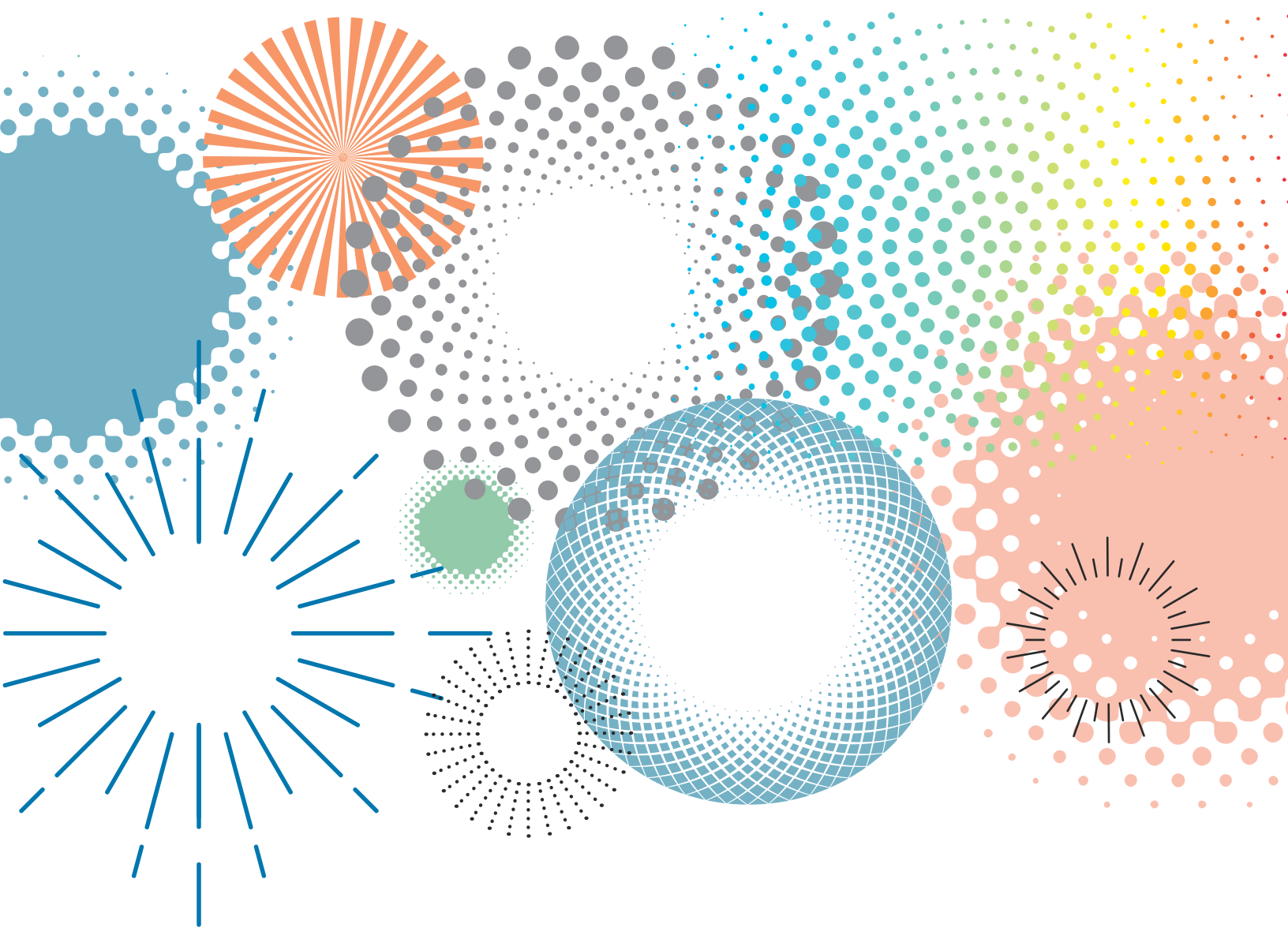
How does your firm test books and records compliance? *(Check all that apply)*



Testing Opportunities:

- 47% required retention
- 43% practice vs. policy
- 43% stored properly
- 42% meet requirements
- 13% do not test
- 12% 3rd-party tests

Electronic Delivery



The Paper Chase

How do you comply with the SEC's position on electronic delivery of documents to clients and investors?

- 53% We require that all clients and investors provide affirmative consent to electronic delivery, and we mail documents to clients and investors that have not provided affirmative consent
- 30% We seek negative consent of our clients and investors and mail to clients and investors that have objected to electronic delivery
- 7% We do not seek consent and mail documents to clients and investors
- 3% We seek affirmative consent and use read receipt tracking to ensure that clients and investors who have not yet affirmatively consented have received documents that we sent electronically
- 7% Other

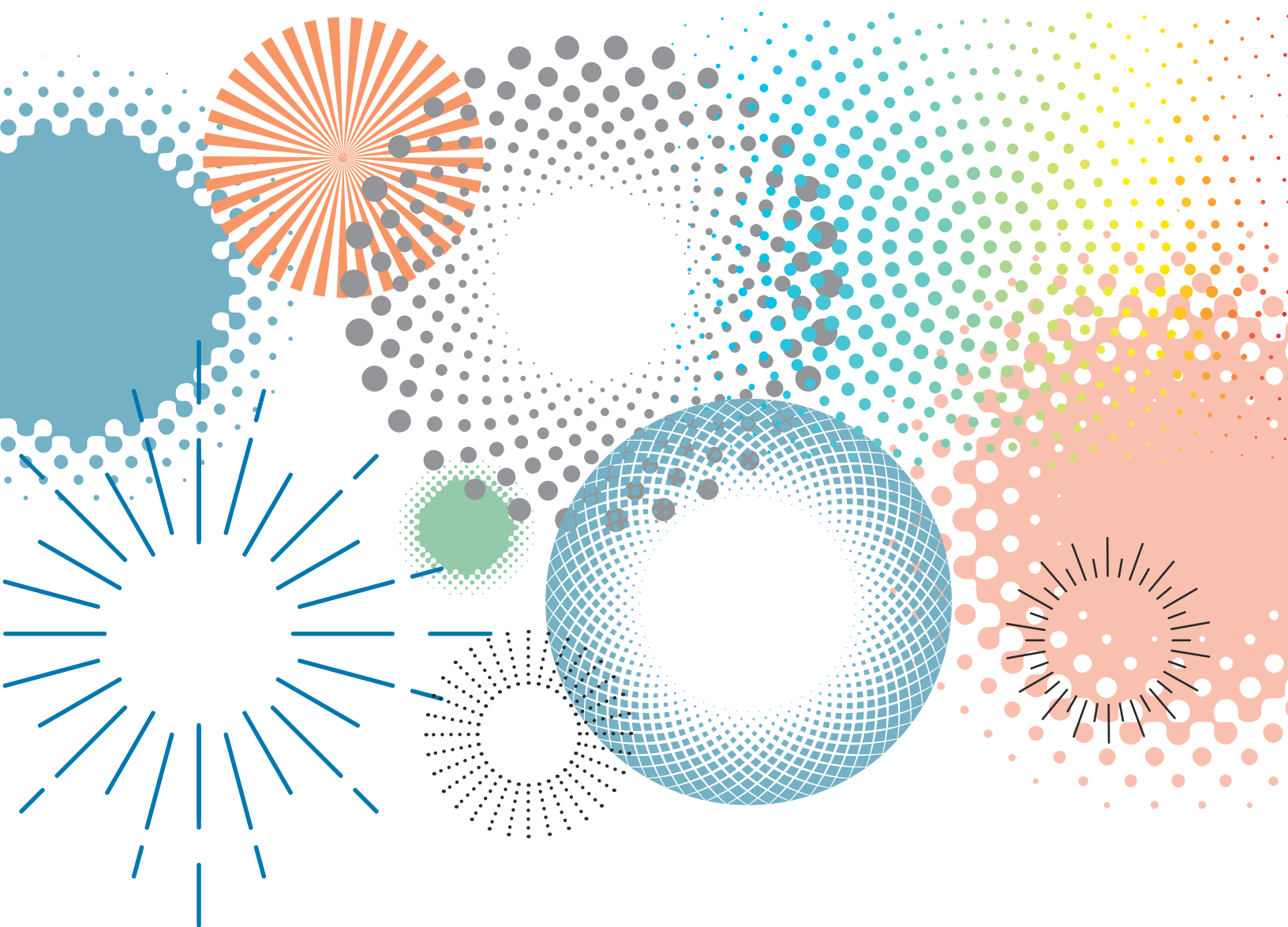
How do you test compliance with the SEC's position on electronic delivery? (Check all that apply)

- 55% We do not perform testing
- 25% We periodically review to ensure that clients and investors have provided affirmative consent where materials are being sent electronically
- 15% We periodically review to test that clients that have objected to electronic delivery receive documents via mail
- 4% We periodically review to ensure that read receipt is received
- 7% Other

Survey Key Findings:

Electronic relief is overdue; SEC guidance interpretations vary

Artificial Intelligence and Compliance Automation



AI Used Primarily for Internal Work

Which of the following best describes your firm's current use of AI systems and tools?

- 40%** AI tools have been formally adopted but are restricted to only internal use cases (e.g., internal research, internal testing/monitoring, IT activities).
- 25%** We are in the process of exploring AI use cases and have not yet deployed AI tools.
- 18%** AI tools are used informally by employees.
- 8%** We have banned or significantly restricted the use of AI tools.
- 4%** AI tools have been formally adopted and are used internally and externally to support simple client interactions (e.g., customer service chatbots).
- 1%** AI tools have been formally adopted and are used internally and externally to support complex client interactions (e.g., providing investment advice).
- 5%** Other (please specify)

Survey Key Findings:

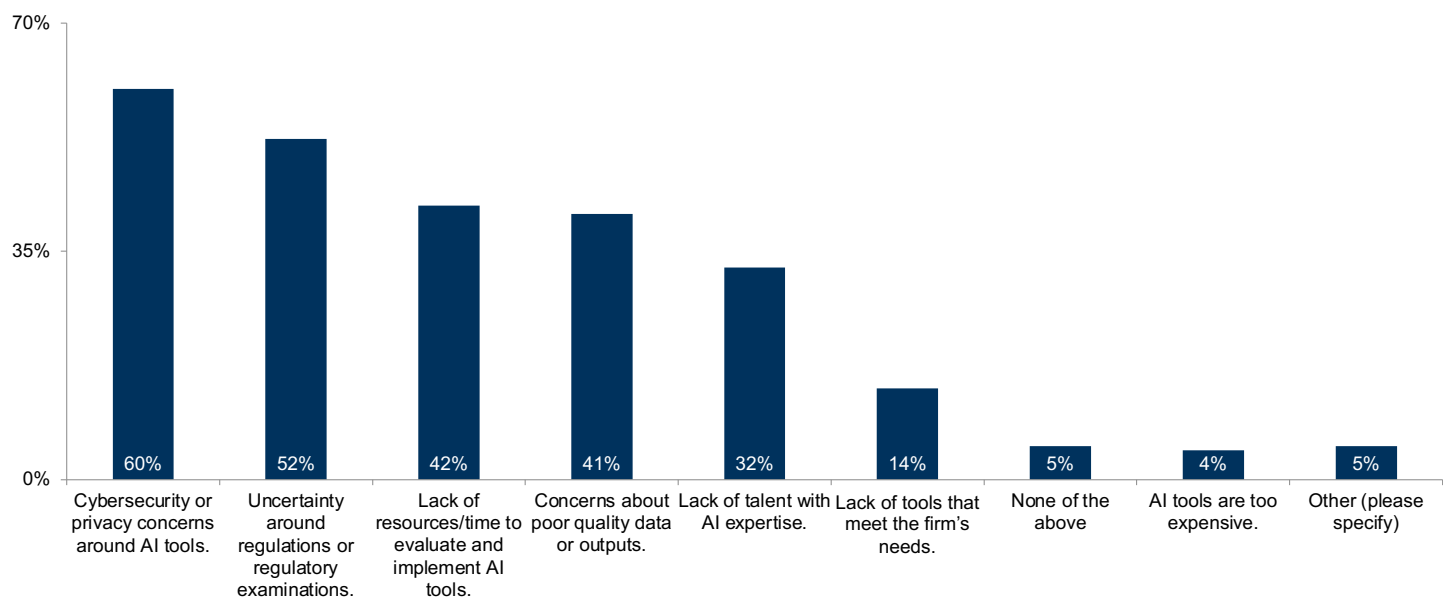
We are conservative with technology; until we understand more, we don't use it.

- Only 9% of firms that use AI include references to their AI use in marketing materials
- Exploring cautiously with only 5% using AI both internally and externally

Artificial Intelligence and Compliance Automation

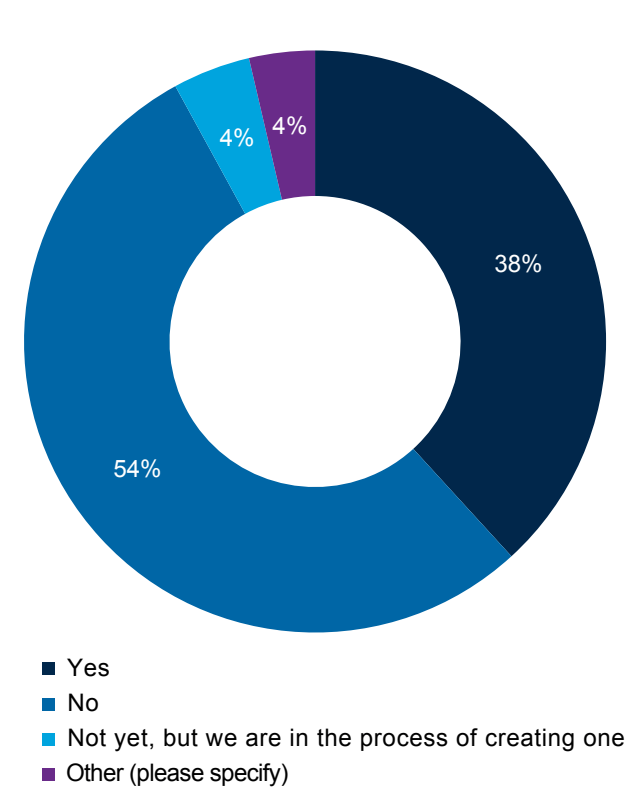
Cyber and Regulatory Concerns Slow AI Adoption

Why has your firm not formally adopted AI tools and technologies? (Check all that apply)

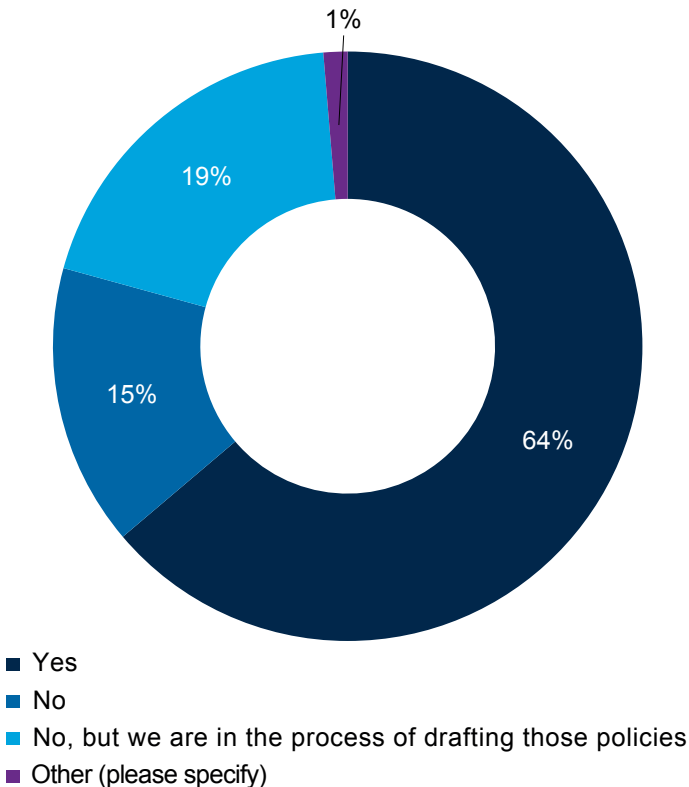


AI Acceptable Use Policies Lacking

Has your firm established policies and procedures to govern AI use by employees?



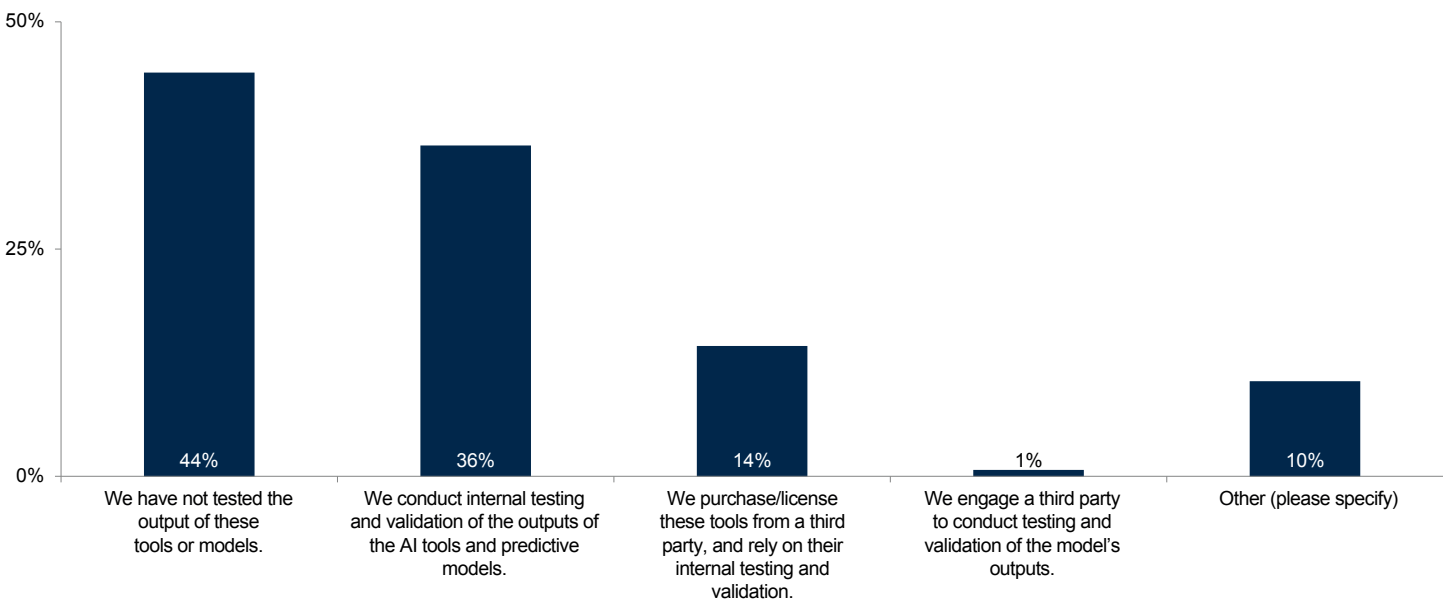
Does your firm have an AI committee or other AI governance group?



Artificial Intelligence and Compliance Automation

Testing of AI Tools Remains Limited

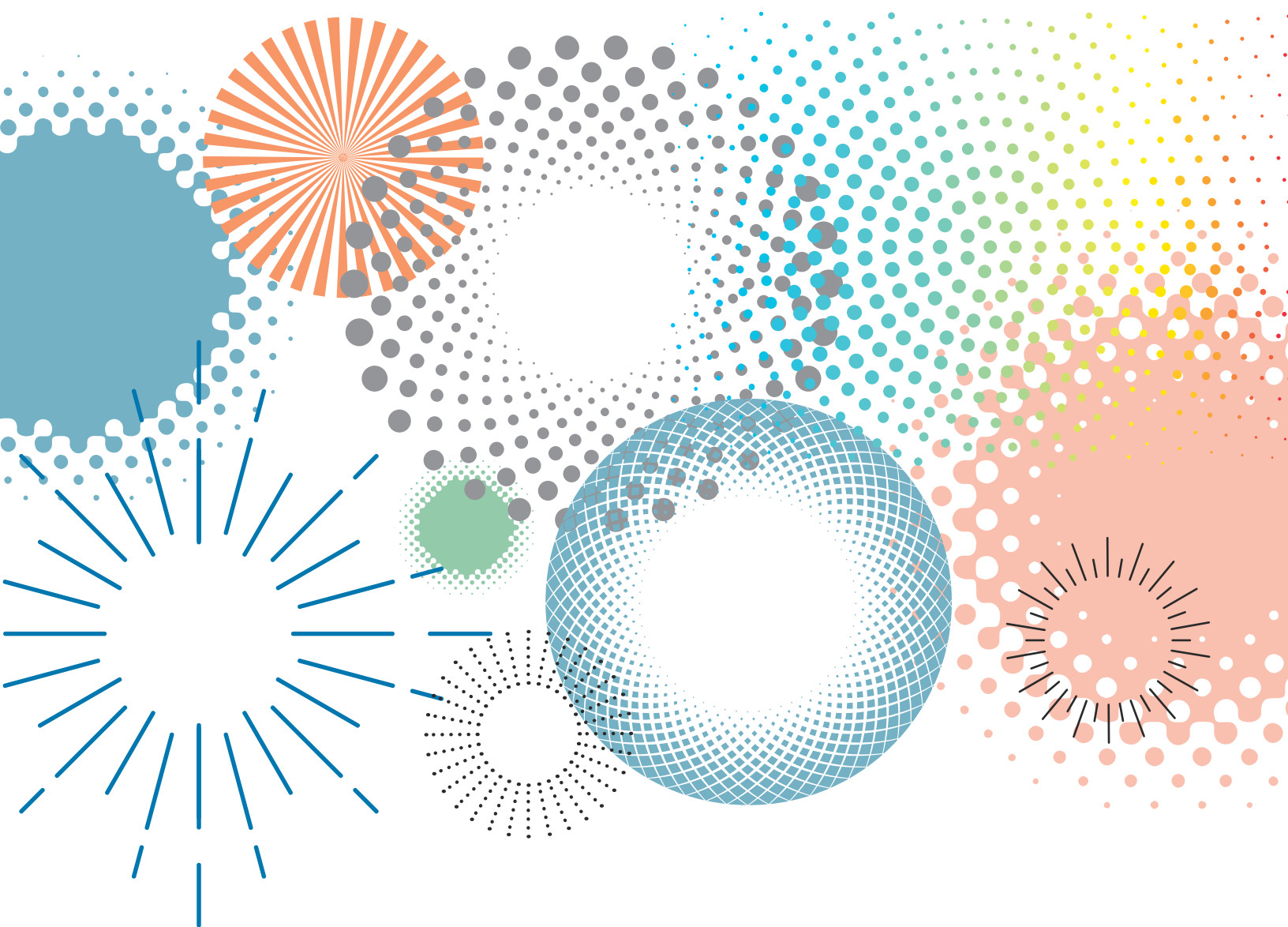
How have you tested or validated the quality of the output of these AI tools or predictive analytic models? *(Check all that apply)*



AI Testing Trends:

The most common testing approach is to have staff review outputs from the tool for accuracy.

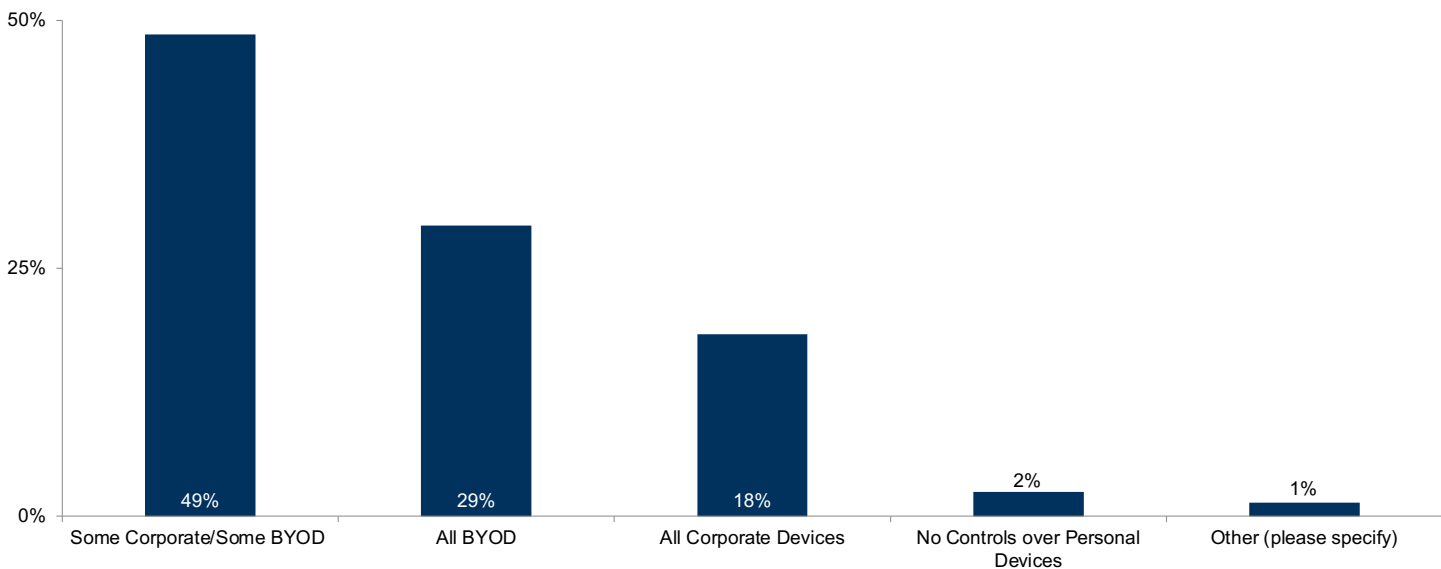
Personal Devices and Electronic Communications



Personal Devices and Electronic Communications

Hybrid Device Policies Most Common

Which communication device policy is in place at your firm?



Firms Use a Variety of Methods to Manage Communications

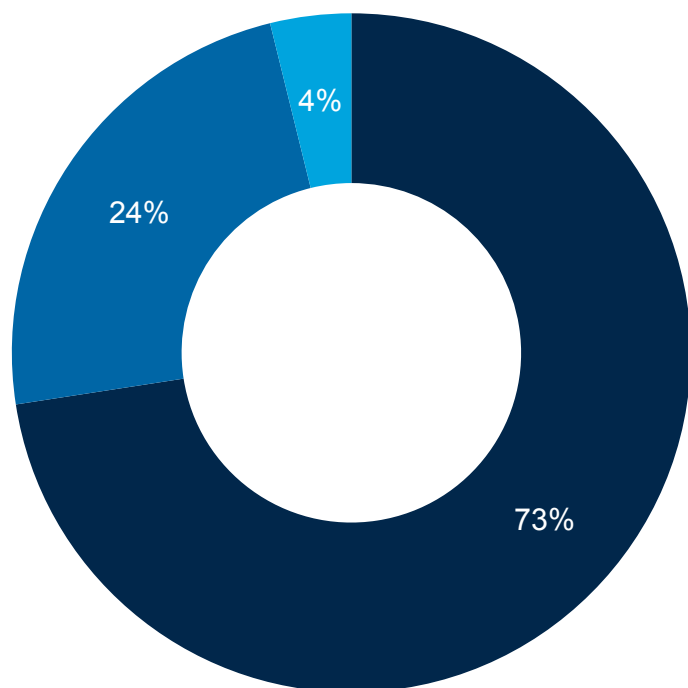
Does your firm permit employees to use communication methods other than business email and telephone for business communication purposes? *(Check all that apply)*

- 94%** We have adopted policies and procedures governing appropriate communication methods.
- 83%** We request that employees periodically certify that they only use approved communication methods.
- 83%** We periodically train employees on our approved communication methods.
- 55%** We require employees to report violations of our approved communications policies.
- 54%** We share enforcement actions to inform employees of the risk of unapproved communication methods.
- 50%** We review business emails to determine if other communications are being used.
- 45%** We periodically search social media sites or apps for employee postings.
- 28%** We allow for exceptions to our general policy in the case of an emergency.
- 24%** We impose sanctions for violations of our communications policies up to and including termination.
- 23%** We review employees' corporate devices to ensure that prohibited communication methods are not used.
- 13%** We interview employees to ensure that they are complying with our communication methods policies.
- 4%** We review employees' personal devices to ensure that prohibited communication methods are not used.
- 3%** Other

Personal Devices and Electronic Communications

Firms Responding to SEC's Off-Channel Focus

Have you taken any significant actions to address the SEC's focus on the use of unapproved communication methods?



- Yes
- No
- Other (please specify)

Survey Key Findings:

We are following best practices for use of electronic communications...

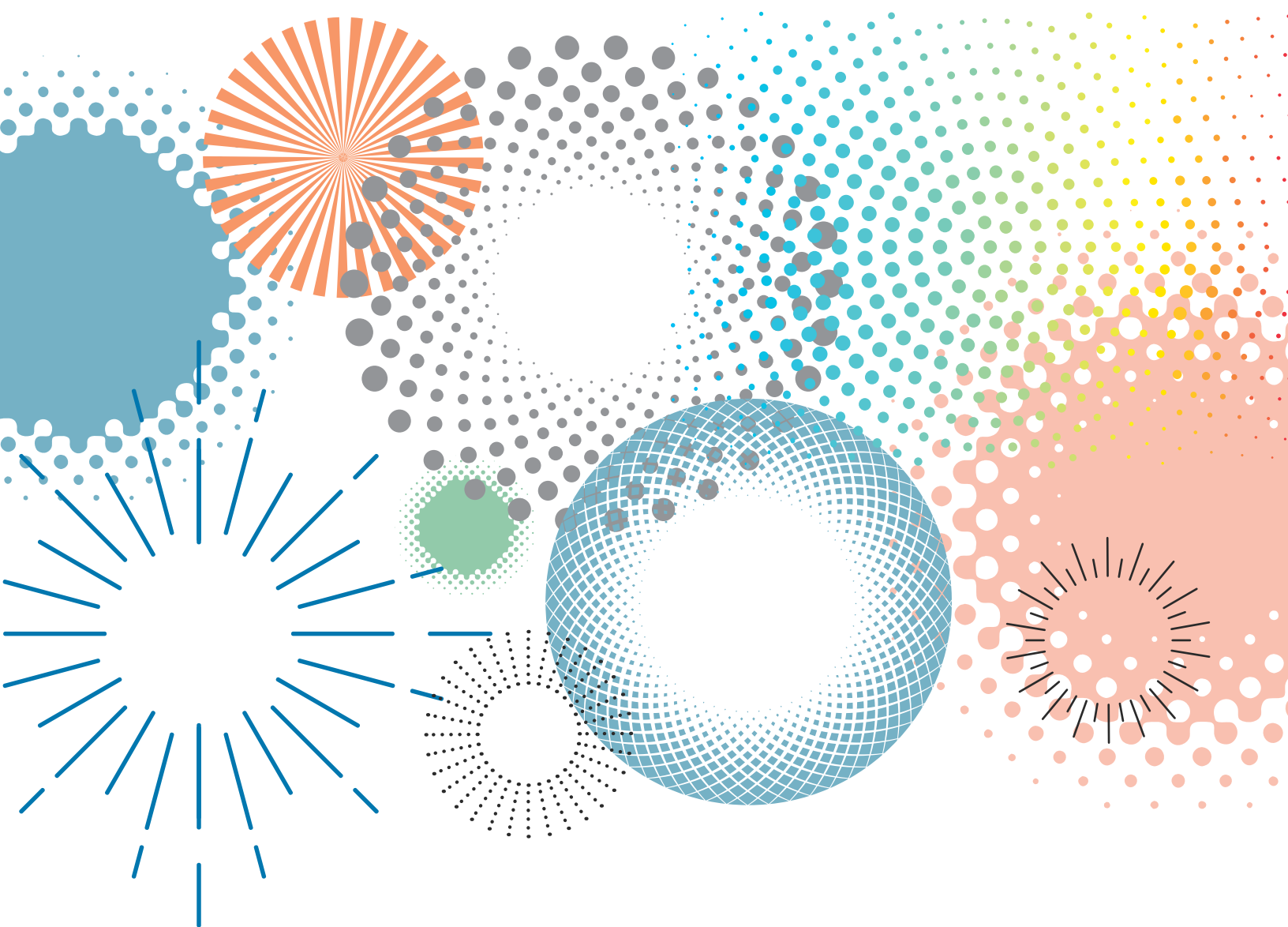
- 83% requiring periodic certifications
- 83% training employees

New Training the Most Common Response

Which significant NEW actions have you taken in the past 18 months? *(Check all that apply)*

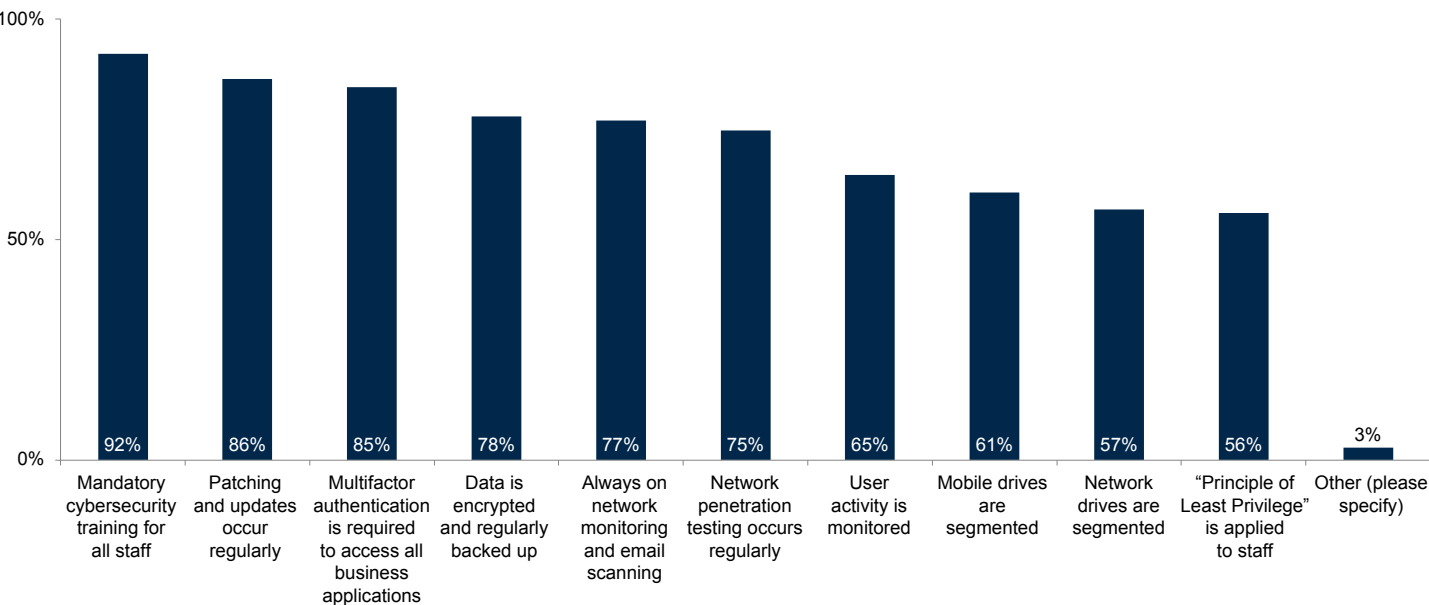
- 74%** We trained employees on our approved communication methods and record retention policies.
- 63%** We trained our employees to forward unapproved communications to their business email.
- 60%** We request that employees periodically certify that they only use approved communication methods.
- 48%** We shared enforcement actions with employees.
- 47%** We significantly revised our policies and procedures governing appropriate communication methods.
- 40%** We review employee business emails for specific terms (e.g., "text," "personal email").
- 38%** We expanded our record retention capabilities or are in the process of doing so.
- 25%** We require employees to report violations of our approved communications policies.
- 25%** We review business emails to determine if the volume may indicate that other methods of communication are being used.
- 21%** We test to ensure that records are being properly maintained.
- 14%** We review employees' corporate devices to ensure that prohibited communication methods are not being used.
- 12%** We interview employees to ensure that they are complying with our communication methods policies and procedures.
- 5%** We require employees to use their business email for LinkedIn purposes.
- 4%** We review employees' personal devices to ensure that prohibited communication methods are not being used.
- 8%** Other

Cybersecurity



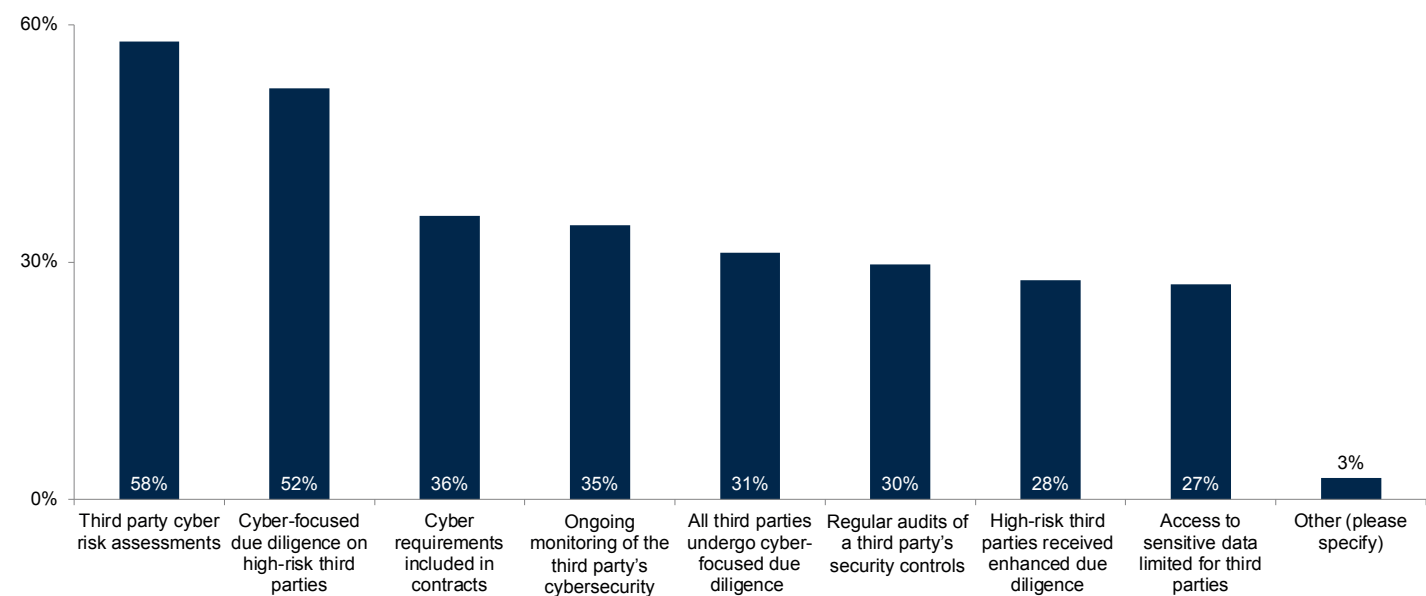
Numerous Cyber Controls Typically in Place

Which of the following controls or protections does your firm currently have in place in regard to cybersecurity? (Check all that apply)

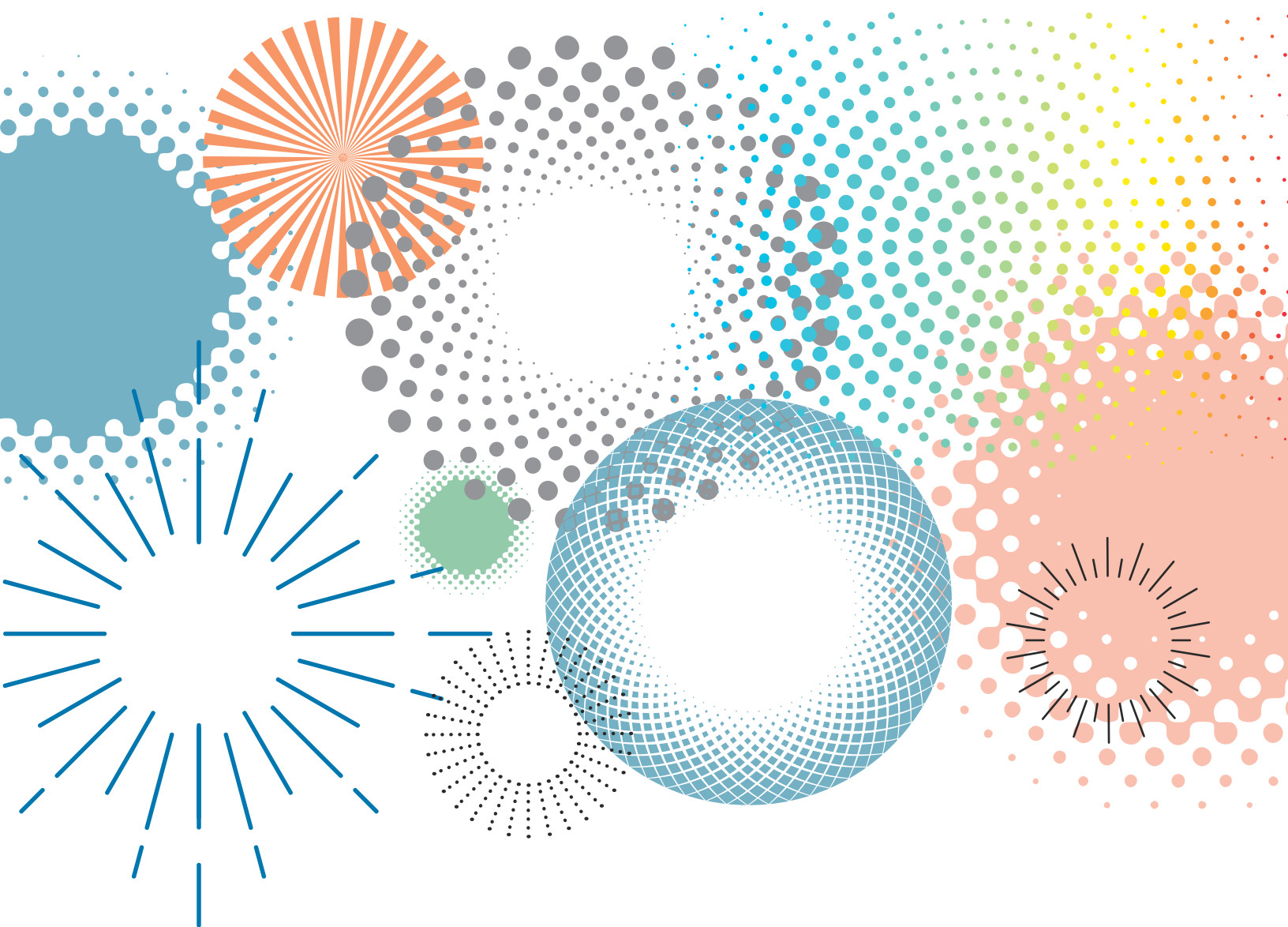


Opportunities in Third-Party Management

How does your firm ensure that third parties and/or service providers adhere to the firm’s cybersecurity requirements? *(Check all that apply)*

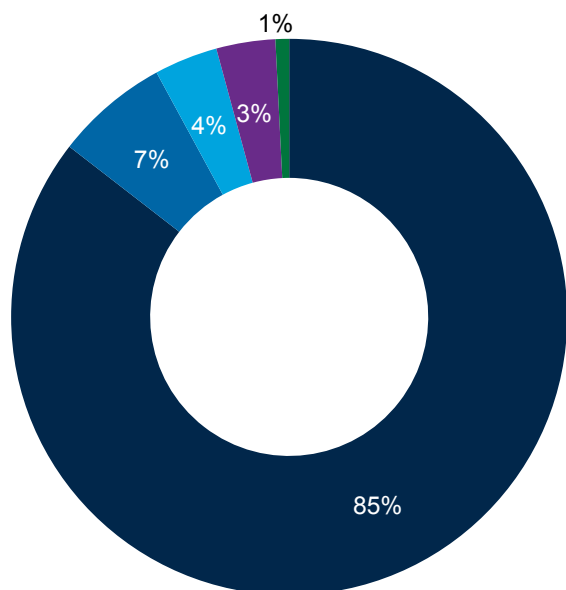


Cryptocurrencies and Digital Assets



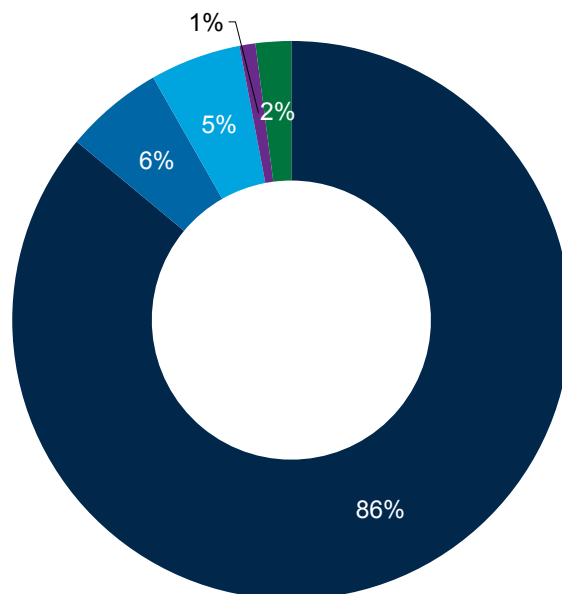
Few Firms Deal in Digital Assets

Does your firm offer investment advice to clients around digital assets?



- No, and we have no plans to do so
- No, but we are exploring opportunities
- Yes, we actively advise clients on digital assets
- Yes, but only in response to client requests or questions
- Other (please specify)

Does your firm currently invest in digital assets?



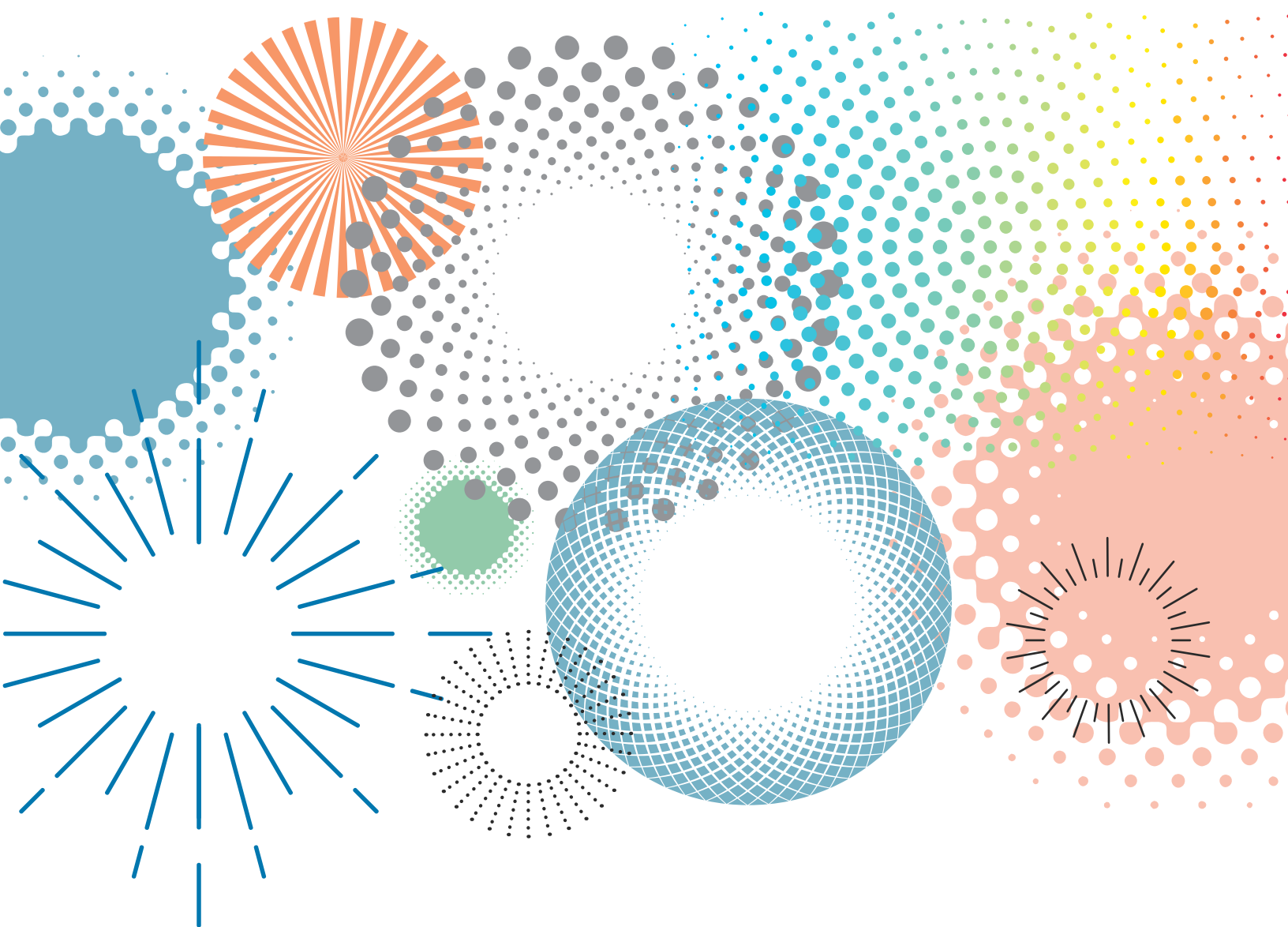
- No, and we have no plans to do so
- No, but we are exploring investment opportunities in digital assets
- Yes, but on a limited basis
- Yes, as a core part of our strategy and/or portfolio
- Other (please specify)

Survey Key Findings:

We are conservative with technology; until we understand more, we don't use it.

- We are not investing in crypto
- 86% not investing in digital assets

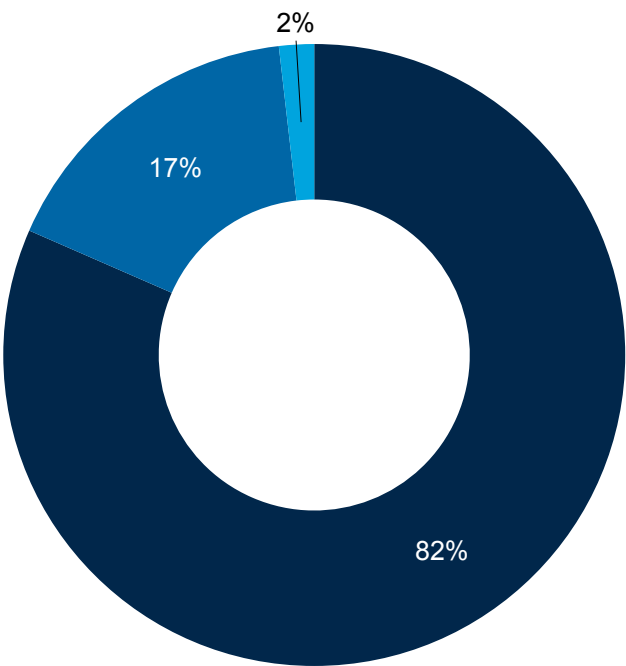
Anti-Money Laundering



Anti-Money Laundering

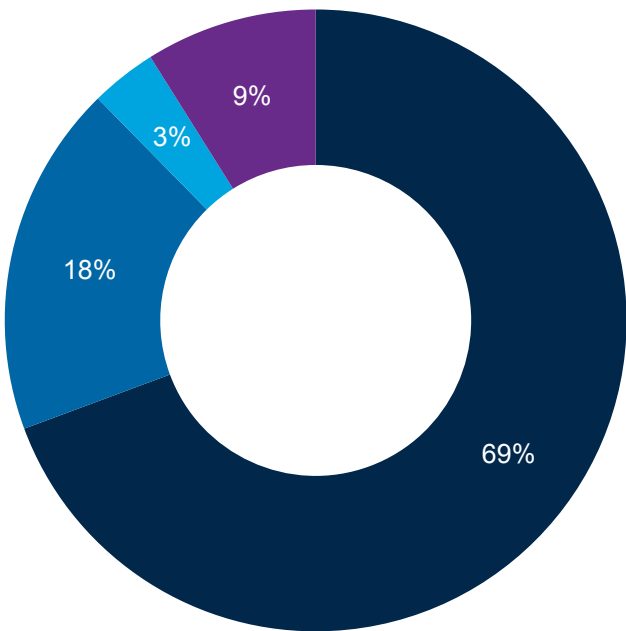
Is There an AML Gap?

How would you assess your firm's anti-money laundering related risk?



- Low
- Moderate
- High

Who is the designated AML Officer responsible for the development/administration of AML controls?

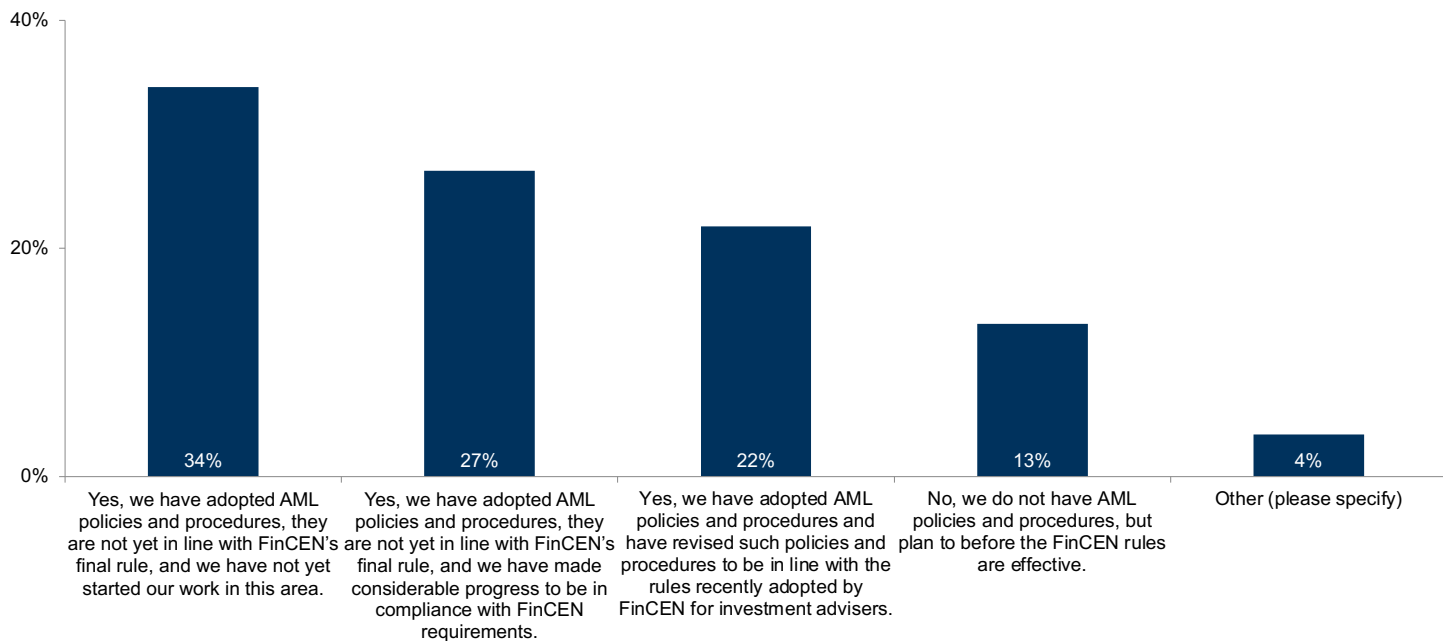


- CCO/Compliance Department
- We do not have/are not required to have an AML Officer
- GC/Legal Department
- Other (please specify)

Anti-Money Laundering

Progress is Being Made but More to Do

Have you adopted anti-money laundering policies and procedures?



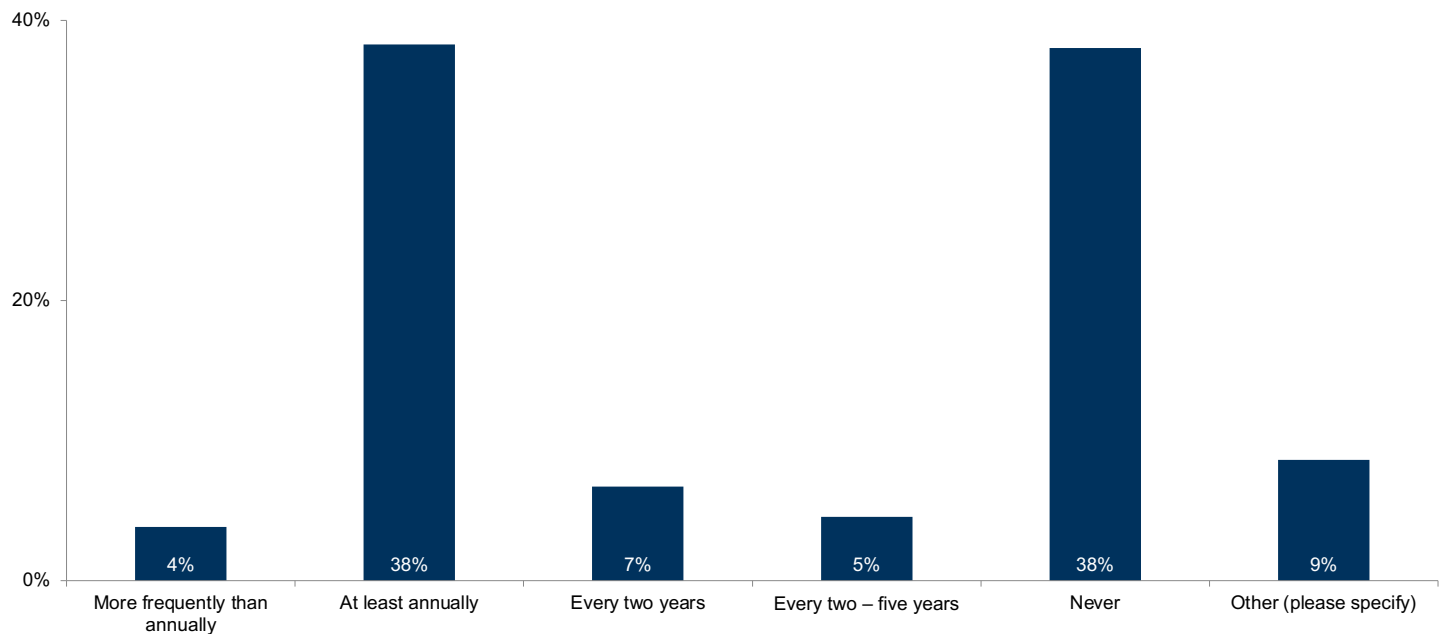
AML Trends:

83% of firms have at least some AML policies and procedures.

Anti-Money Laundering

Mandatory Independent Testing

How often does your firm’s AML program undergo independent testing?



Wide Range of AML Practices

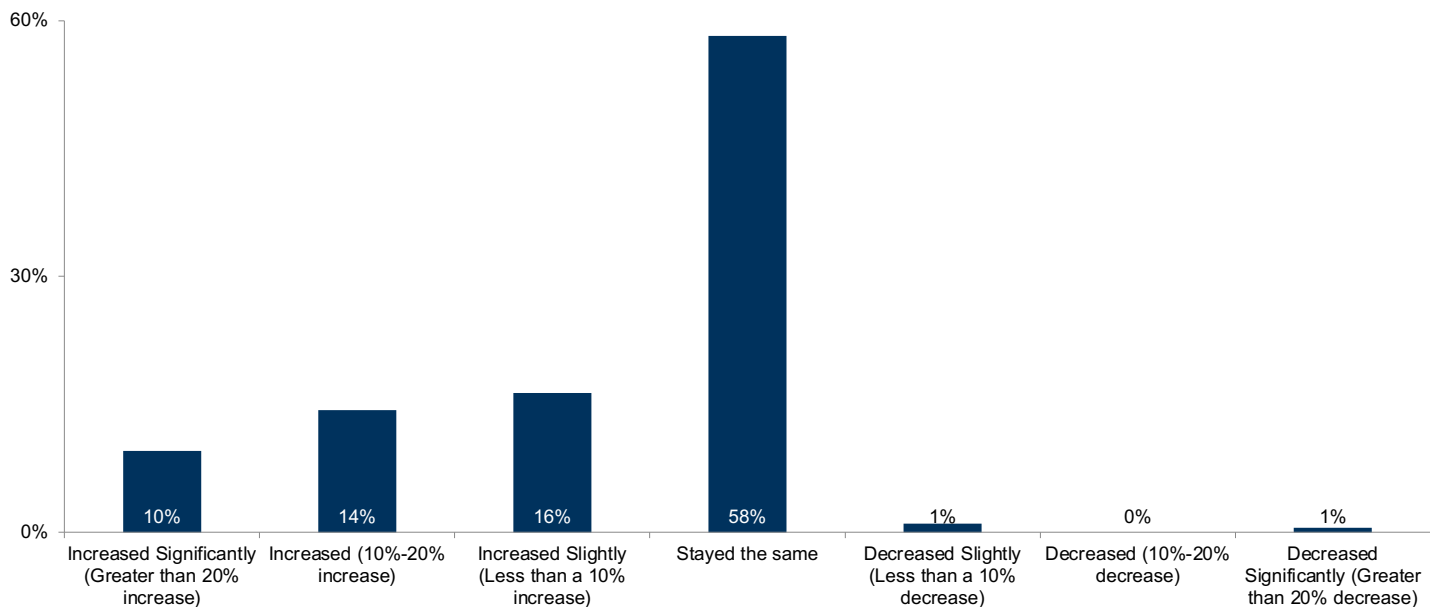
What do your current AML policies and procedures address? *(check all that apply)*

- 71%** We have adopted general policies to address the type of AML risks associated with our business
- 62%** We periodically review our policy to ensure that it appropriately addresses our firm's AML risks
- 51%** We train all employees on at least an annual basis on our AML policies
- 43%** We train all new employees on our AML policies
- 42%** We have designated an individual to be responsible for AML matters at the firm that have sufficient seniority and experience
- 40%** We have implemented a customized formal AML program to manage and monitor AML risk across our business
- 39%** We have procedures to appropriately escalate and report AML compliance issues
- 19%** We review 3rd parties to ensure they are completing AML reviews
- 18%** We actively consider AML risk when designing new products
- 14%** We engage a third party to provide periodic training to employees
- 13%** We provide or arrange specialist training for staff with oversight responsibility for AML
- 12%** We have adopted disciplinary procedures to address violations of our AML policies
- 5%** Other (please specify)

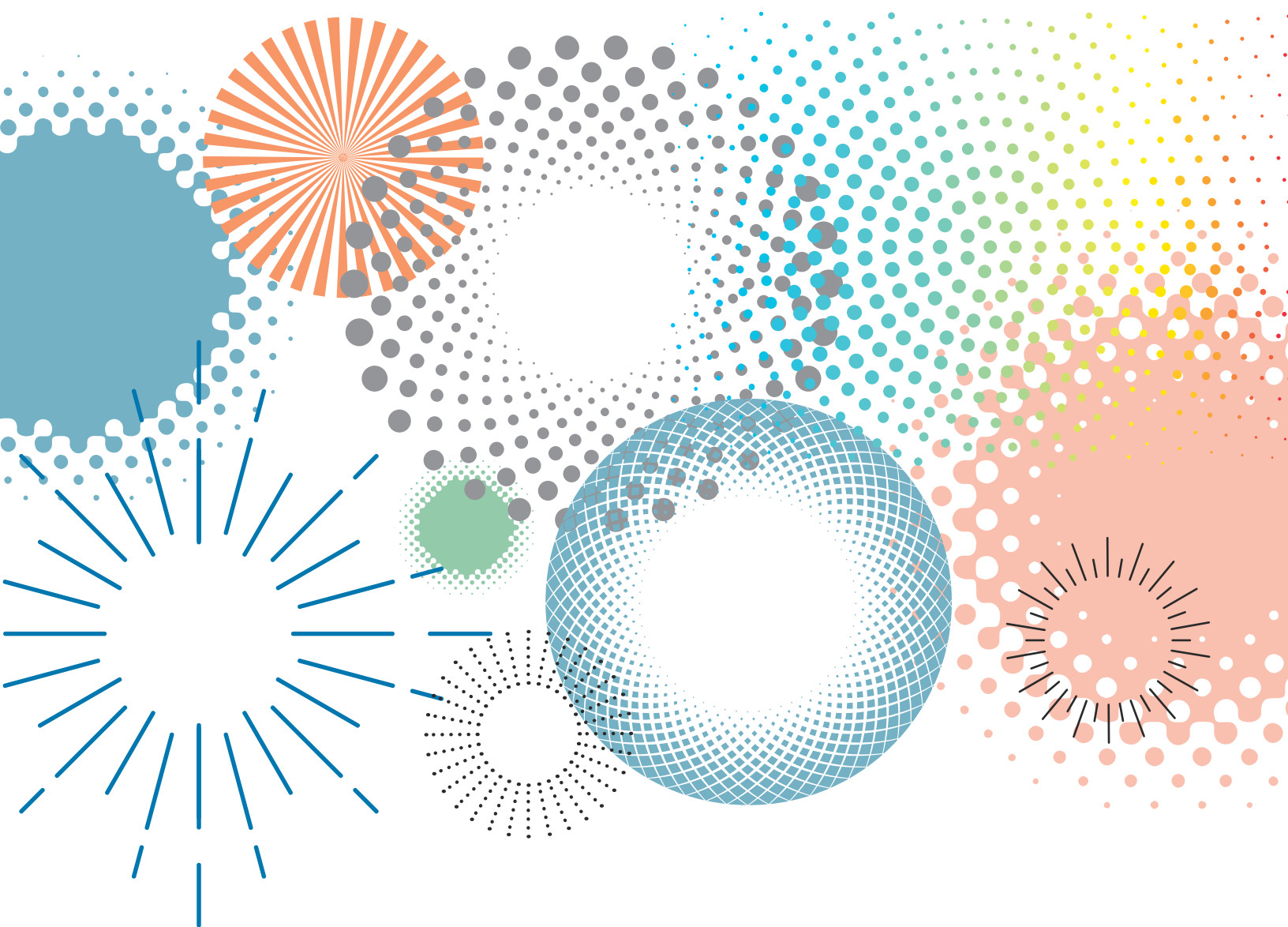
Anti-Money Laundering

AML Budgets Flat or Increasing

With regard to the level of resources dedicated to AML activities compared to prior years, would you say it has:



Whistleblowing



Time to Review Whistleblower Provisions

Has your firm taken any specific actions in response to the recent SEC focus on anti-whistleblower provisions in certain agreements? *(Check all that apply)*

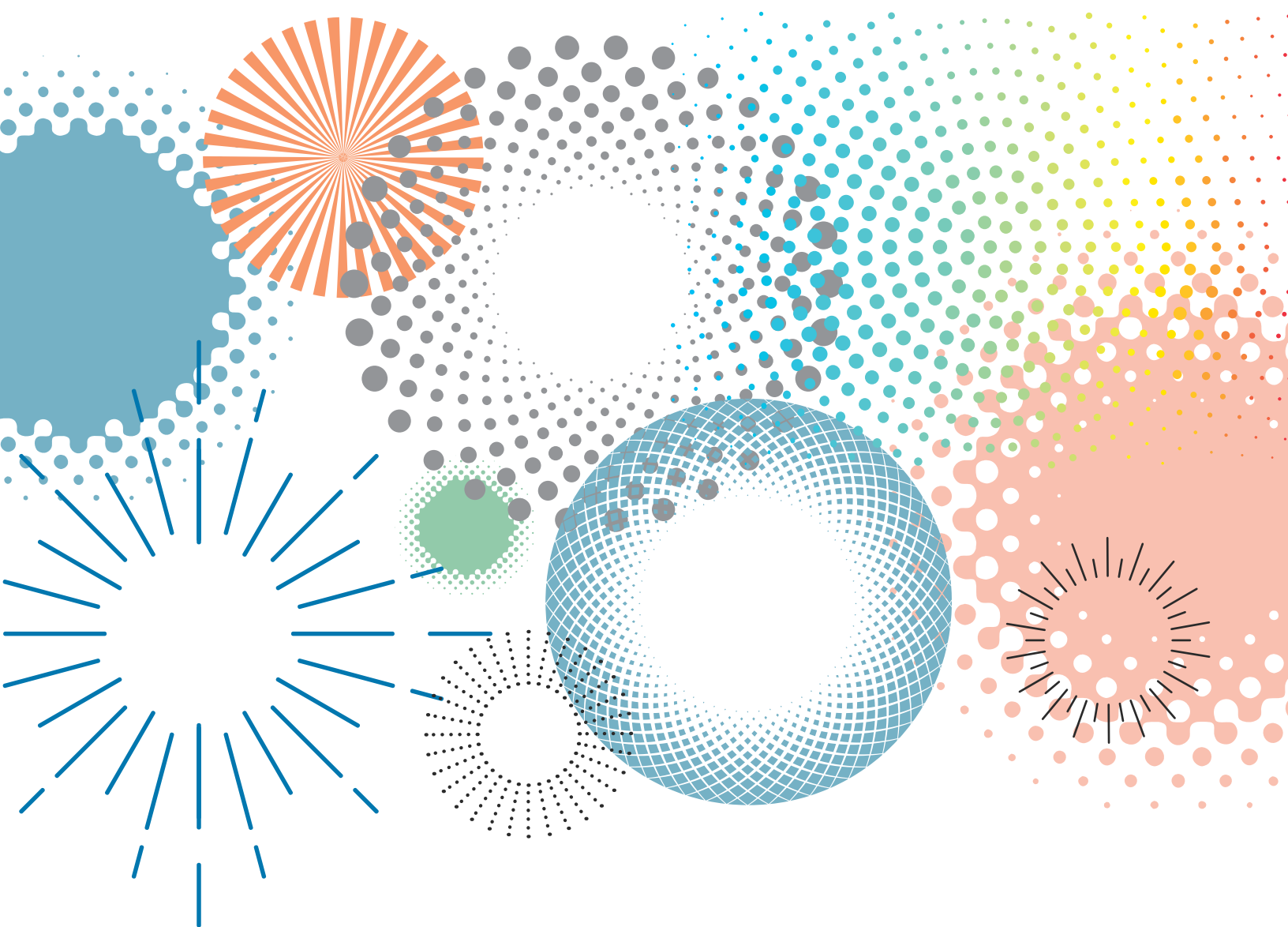
- 58%** We have not taken any additional steps regarding whistleblower provisions in our agreements.
- 29%** We have reviewed and amended our employment agreements, including separation and settlement agreements, to ensure that none of the provisions purport to restrict, or thereby potentially discourage, employees and other signatories from reporting information to government investigators or participating in a whistleblower award.
- 15%** We have reviewed our private fund agreements for confidentiality, non-disclosure and non-disparagement provisions that could potentially impede our employees' and investors' rights to report potential securities law violations to the SEC.
- 14%** We have reviewed and amended our client and customer agreements for confidentiality and non-disclosure provisions that could potentially impede advisory clients' and customers' rights to report potential securities law violations to the SEC.
- 10%** We have reviewed and amended our consultant agreements for confidentiality, non-disclosure and non-disparagement provisions that could potentially impede advisory clients' and customers' rights to report potential securities law violations to the SEC.
- 2%** We have added disclosure to other client documents.
- 4%** Other (please specify)



Survey Key Findings:

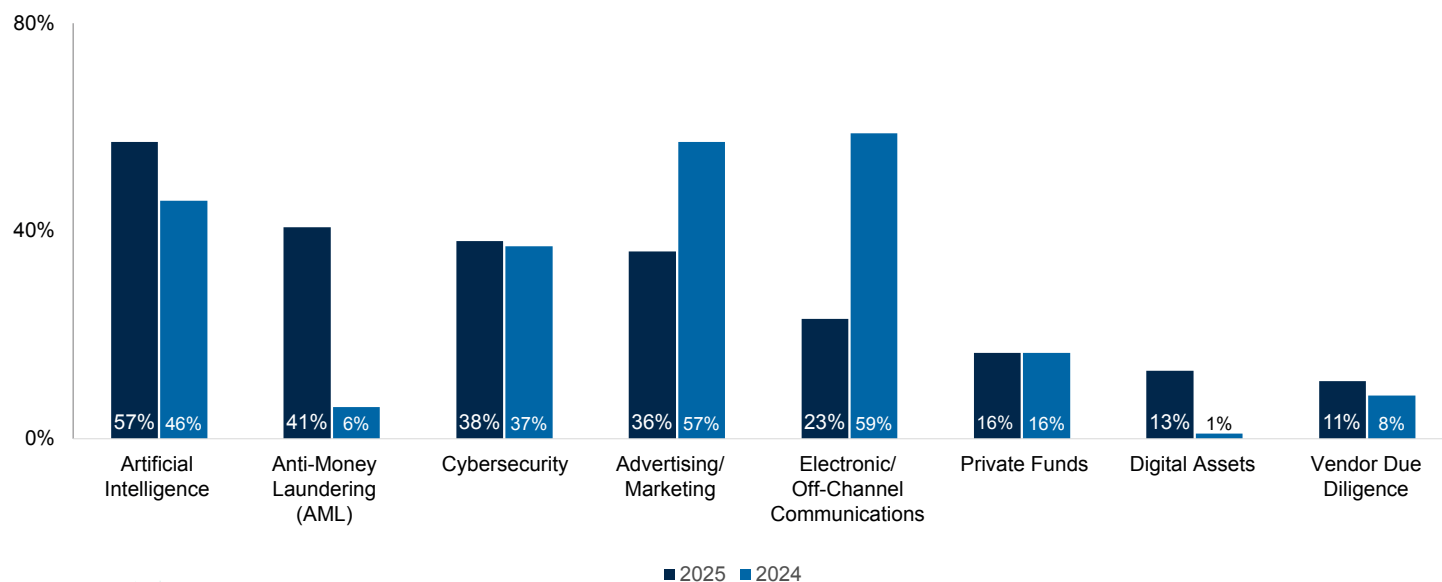
Continued alignment with SEC focus areas, yet opportunities were noted.

Hot Compliance Topics



Hot Compliance Topics

Progress Is Being Made but More to Do



Survey Key Findings:

AI is the new king of compliance topics.

- Off-channel lost its top spot and no longer shows up in the top ranking
- AML takes 2nd place with rule changes pending
- Steady going with Cyber 3rd and Advertising 4th
- Surprised with Reg S-P that vendor due diligence is not showing up higher