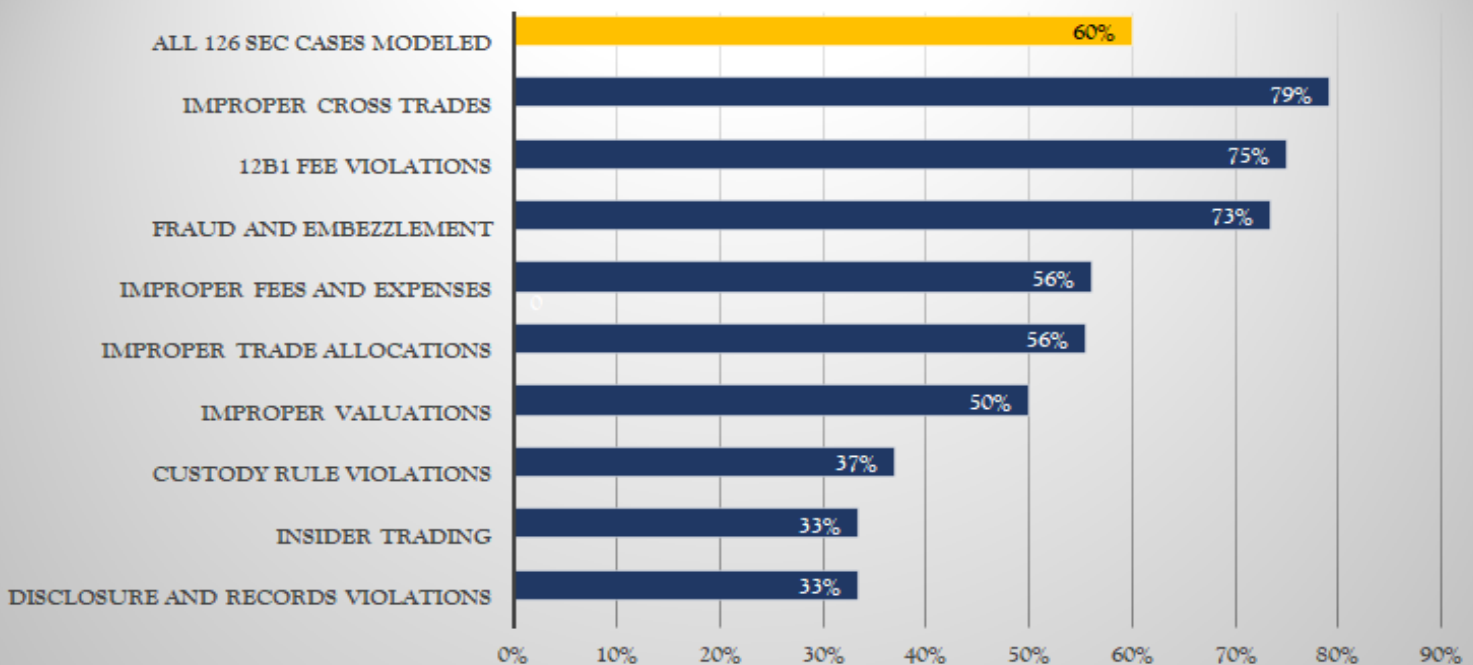


The Multi-Functional Chief Compliance Officer (CCO)

- Convergence's multi-functional CCO is a compliance risk factor that is considered a high-risk when the CCO performs more than one function for the Delegate. The Multi-Functional CCO creates a natural conflict between the compliance oversight activities on certain functions, like Finance, and creates capacity challenges that can strain the quality of each function managed. The most common multi-functional CCO role combinations creating these conflicts include the CCO who is also the CEO, CFO, COO and CRO. The CCO who serves as the Chief Legal Officer is a common functional combination and is not deemed to create high-risk.
- The graph below highlights the percentage of sampled SEC cases taken against registered investment advisers in the United States for various infractions where the CCO was "Multi-Functional." The way to read the graph is, "In 60% of 126 SEC cases modeled by Convergence the Adviser had a Multi-Functional CCO and the same high-risk condition existed in 79% of fraud and embezzlement cases and in 75% of 12b-1 fee cases."
- Designated persons should ask a Delegate with multi-functional CCOs to list all the functional conflicts and for documentation describing the compensating controls within the Delegate to deal with them.



The Convergence Database includes 4,000 data points on each Adviser/Manager updated daily, including:

- 38,000+ SEC and State Advisers
- 183,000+ private-public funds
- 6,000+ Service Providers
- 100,000+ C-Suite Executives
- 30+ Investment Strategies

For more information on the topic of "identifying and dealing with non-investment risk conditions" in your Delegates, please contact George Gainer at Convergence at ggainer@convergenceinc.com