QUESTIONS FOR YOUR TRADERS	
SEC examiners need to determine: 1) If clients are being treated fairly, 2) If trade practices are properly disclosed to clients, and 3) If trade practices are in accordance with a firm's internal policies and procedures. During an SEC examination, it is common for examiners to ask traders to "walk-through" how client trades are placed. Below is a list of specific questions that your traders may be asked during this "walk-through".	
Time Period:	
Reviewer:	
MECHANICS	
QUESTION	***RESPONSE/COMMENTS***
How do portfolio managers communicate trade decisions to the trading desk?	
What methods are used to place client transactions (phone, fax, online, etc.)?	
What controls are built into the trading process to ensure that transactions are in accordance with client mandates and restrictions?	
How and when are transactions reconciled?	
What are the procedures for correcting trade errors?	
What is the length of time between when a trade is executed and when allocation instructions are transmitted to the broker?	
BUNCHING AND ALLOCATION	
QUESTION	***RESPONSE/COMMENTS***
Are transactions placed for clients on an individual basis or are they bunched?	
How are bunched transactions initially allocated across client accounts?	
How are partially filled transactions allocated across client accounts?	
In a bunched transaction, do clients receive average prices? Do clients receive average commissions?	
Are there any instances where the final trade allocation differs from the original allocation?	

FAIR TREATMENT	
QUESTION	***RESPONSE/COMMENTS***
Are the transactions for any clients or group of clients regularly placed first or last in the order queue (e.g., wrap accounts, directed brokerage accounts, etc.)?	
For limited investment opportunities, such as in an IPO, how are such opportunities allocated to clients?	
What is the process for effecting transactions in thinly traded securities for multiple clients?	

BROKERAGE	
QUESTION	***RESPONSE/COMMENTS***
What factors are considered in determining the broker used to effect client transactions?	
How is a broker's commission rate determined?	
Do clients pay disparate commission rates or are commission rates uniform across all client accounts?	
If commission rates vary between brokers, why is there a difference?	
Are there any instances where a client pays a mark-up/down on a security as well as a commission on the transaction?	
How are directed brokerage arrangements accommodated?	
How are client requests to direct brokerage pursuant to a commission recapture program accommodated?	
Are there any step-out or give-up transactions effected in client accounts?	
Are any client transactions excluded from generating soft dollar credits?	

CONFLICTS OF INTEREST	
QUESTION	**RESPONSE/COMMENTS**
Do clients receive equivalent or more favorable terms when transactions in employee/proprietary accounts are placed alongside client transactions?	
Are transactions in employee/proprietary accounts bunched with client transactions?	
For a given security, are transactions in employee/proprietary accounts placed ahead of transactions in client accounts?	
Are any securities ever sold (or arranged to be sold) from one client/employee/proprietary account to another client/employee/proprietary account?	

Compliance officers should ask the aforementioned questions to the firm's traders and request a "walk-through" of the trading process. In addition to helping prepare for an SEC examination, this will help compliance officers evaluate if clients are being treated fairly, if internal policies and procedures are adequate and if sufficient disclosures are made to clients.

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