

>>>FAIRVIEW FLASH REPORT<<<

SEC Amends Recordkeeping Rules and Reporting Rules for Separately Managed Accounts.

WHAT HAPPENED?	<p>The SEC adopted amendments to Part 1A of Form ADV requiring advisers to provide additional information about their SMAs. The purpose of these rules is to strengthen the SEC's risk assessments of SMAs and their investment advisers. The SEC defines a "separately managed account" as an advisory account that is not classified as a pooled investment vehicle.</p> <p>The SEC adopted two additional rules with amendments to Rule 204-2 under the Advisers Act. These rules are intended to enhance the information required while evaluating advisers' compliance with Rule 206(4)-1. The SEC will also utilize this information in its enforcement against fraudulent advertising.</p>
WHAT ARE THE IMPLICATIONS?	<p>The two amendments to Rule 204-2 under the Advisers Act will require the following:</p> <ul style="list-style-type: none">• Advisers must maintain all materials included in Rule 204-2(a)(16) that were used for the calculation of performance or rate of return communicated to anyone; and• Advisers are required to maintain all copies of written correspondence both sent and received pertaining to performance or rate of return of any or all managed accounts or securities recommendations. <p>The revisions to Part 1A of Form ADV include the addition of Item 5.K.(1). This item requires advisers to report any regulatory assets under management ("RAUM") attributable to SMAs. If the SMAs hold RAUM, the adviser must answer specific questions in Item 5.K. and accompanying disclosure in Schedule D. Advisers must complete the following requirements based on the amount of RAUM attributable to SMAs and the value of those accounts:</p> <ul style="list-style-type: none">• Advisers must provide the percentage of RAUM attributable to SMAs invested in 12 asset categories on an annual basis or a biannual basis if the amount attributable exceeds \$10 billion;• Advisers to SMAs are required to report the percentage of SMA assets held in borrowings and in derivatives; and

	<ul style="list-style-type: none"> • Advisers must identify all custodians that account for 10% or more of RAUM attributable to SMAs and the attributable amount that the custodian holds. • Advisers must disclose whether the CCO receives compensation from any outside employer for providing CCO services. If the outside employer is a registered investment company, the name and Internal Revenue Service Employer Identification Number are exempt from reporting. <p>In order to avoid disclosure of client-identifying, confidential, or proprietary information about investment strategies, Item 5.D allows advisers to select "fewer than 5 clients" for the number of advisory clients in categories. Furthermore, advisers will not have to report the number of accounts in Section 5.K.(2).</p>
<p>WHAT DOES THIS MEAN FOR ME?</p>	<p>The SEC's amendments to rule 204-2 and to Form ADV will become effective on October 31, 2016. Initial Form ADVs and amendments to existing Form ADVs submitted on or after October 1, 2017 should be compliant with the new rules. Communications distributed after October 1, 2017 should be compliant with the recordkeeping amendments.</p> <p>Advisers should review their recordkeeping procedures and the information they report in Part 1A of their Form ADV. Please contact Fairview with any questions or concerns regarding compliance with the new rules. Fairview will assist with the revision and implementation of the adviser's policies and procedures as necessary.</p>

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Sources: [SEC Adopts Rules for Reporting Separately Managed Accounts on Form ADV and Revised Recordkeeping Rules](#)