

>>>FAIRVIEW FLASH REPORT<<<

SEC Amends Form ADV Part 1A and the Advisers Act

WHAT HAPPENED?	<p>The SEC adopted amendments to Part 1A of Form ADV and the Investment Advisers Act of 1940 (the “Advisers Act”) to better monitor various risks in the investment management industry. Collectively, the amendments will:</p> <ol style="list-style-type: none">(1) require investment advisers to disclose additional information about their separately management account (“SMA”) business;(2) require investment advisers to report specific information on general business operations, including compliance operations;(3) better facilitate the filing of an “umbrella registration” by private fund investment advisers; and(4) tighten recordkeeping obligations under Advisers Act Rule 204-2.
SMA REPORTING	<p>The new rules around the disclosure of SMAs in the Form ADV includes the following:</p> <ul style="list-style-type: none">• Advisers must provide the percentage of SMA assets in 12 different asset categories (e.g. exchange-trade equities, U.S. government bonds and derivatives) on an annual basis if managing less than \$10 billion in SMA assets or on a semi-annual basis if managing more than \$10 billion;• Advisers with less than \$500 million in SMA assets under management must file annual data on use of derivatives in these accounts;• Advisers with \$500 million to \$10 billion in SMA assets under management must file annual data on the use of derivatives and borrowings in these accounts;• Advisers with over \$10 billion in SMA assets under management must include semi-annual and annual data on the use of derivatives and borrowings in their filing; and• Advisers must identify custodians holding at least 10 percent of their SMA assets under management along with the amount of each asset category.

ADVISORY BUSINESS OPERATIONS

Additional information on business operations that is required to be reported in the Form ADV includes:

- The addresses of the investment adviser's website(s), social media accounts and marketing platforms;
- The total number of offices used for advisory business;
- The 25 largest offices and their investment-related operations, CRD branch numbers, and the number of employees with advisory roles;
- Whether the CCO is compensated or employed by an outside entity;
- An indication of where the adviser's own proprietary balance sheet assets fall within the categories of \$0-1 billion, \$1-10 billion, \$10-50 billion and over \$50 billion;
- Information on the number of clients and amount of regulatory assets attributable to regulatory accounts;
- Information on the amount of regulatory assets under management that attribute to the adviser's role as a sponsor or portfolio manager of a wrap fee program;
- The percentage of each private fund owned by qualified clients; and
- The identifying numbers of financial industry affiliates.

UMBRELLA REGISTRATION

The revised conditions for umbrella registration for private fund investment advisers and separate investment advisers operating as a single investment advisory business include the following:

- The filing investment adviser has its principal office in the United States and controls the relying investment advisers through the single private fund advisory business;
- The single private fund advisory business can only advise private funds and qualified clients in SMAs that are eligible to invest in the advisory business' private fund and whose accounts pursue similar strategies as the private fund;
- All employees of the relying investment adviser are associated persons of the filing investment adviser and therefore are subject to its code of ethics and written policies;
- The relying investment adviser's advisory activities are subject to examination by the SEC in accordance with the Advisers Act and rules thereunder; and

	<ul style="list-style-type: none"> • The ownership structure of each relying investment adviser must be reported in the new Schedule R of the Form ADV.
<p>BOOKS AND RECORDS RULES</p>	<p>The amendments to Rule 204-2 under the Advisers Act now require the following:</p> <ul style="list-style-type: none"> • The investment adviser must maintain all records that support performance claims in any communications distributed to one or more persons; and • The investment adviser must maintain original records of all written communications sent or received that include performance or the rate of return of any management accounts or investment recommendations.
<p>WHAT DOES THIS MEAN FOR ME?</p>	<p>Initial Form ADVs and amendments to existing Form ADVs submitted on or after October 1, 2017, will be required to report information requested by the revised form. Amendments to the books and records rule will also take effect on October 1, 2017.</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>

[Fairview Privacy Policy and Terms of Use](#)

Sources: <http://www.drinkerbiddle.com/insights/publications/2016/09/sec-approves-amendments-to-form-adv-part-1a>