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SEC Proposes Business Continuity and Transition Plans for Registered Investment Advisers

WHAT IS HAPPENING?	<p>The SEC has proposed a new rule that would require registered investment advisers to construct and implement written business continuity and transition plans.</p> <p>The purpose of this rule is to address and reduce the impact of operational disruptions to the adviser’s clients and investors. Advisory services would therefore be less vulnerable to events such as natural disasters, data security breaches, and the departure of important personnel.</p>
WHAT WOULD THE PROPOSED RULE REQUIRE?	<p>The SEC’s proposal would require the adviser’s policies and procedures to identify risks within the following components:</p> <ul style="list-style-type: none">• Maintenance of systems and protection of data;• Pre-arranged alternative physical locations;• Communications plans;• Review of third-party service providers; and• Plan of transition in the event the adviser is winding down or is unable to continue providing advisory services. <p>Registered investment advisers would be allowed to tailor their plans around their specific operations in order to best minimize any potential disruptions. However, the SEC would require registered advisers to conduct annual reviews and collect related records with the objective of assessing the plan’s efficiency.</p>
NEXT STEPS	<p>The SEC has released additional guidance regarding business continuity and transition plans, including advice on managing the operational capabilities of key fund service providers. This can be utilized to form a plan that is tailored to a specific registered investment adviser’s particular operations.</p> <p>Written comments can be submitted 60 days after publication in the Federal Register. In the event the proposal is adopted, we will support our registered investment advisers’ efforts to ensure their business continuity and transition plans are effective and up-to-date.</p>

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Sources:

Proposed Rule to Amend Rule 204-2

SEC Press Release Dated June 28, 2016