

WITH **CONFIDENCE**

Conducting an Annual Compliance Review

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Disclosures

- COMPLY is not a law firm, CPA firm or registered investment adviser.
- None of the information presented, advice given or services rendered, should be considered legal, tax, accounting or investment advice.
- If you require the services of an attorney, we recommend that you seek out an independent attorney and verify their securities law experience.

SEC Rule 206(4)-7

- Three Requirements
 - a. Polices and Procedures.** Adopt and implement written policies and procedures reasonably designed to prevent violation, by you and your supervised persons, of the Act and the rules that the Commission has adopted under the Act;
 - b. Annual Review.** Review *and document in writing*, no less frequently than annually, the adequacy of the policies and procedures established pursuant to this section and the effectiveness of their implementation; and
 - c. Chief compliance officer.** Designate an individual (who is a supervised person) responsible for administering the policies and procedures that you adopt under the paragraph (a) of this section.
- Similar State Rules



Annual Review Steps

1. Firm Background
2. Risk Assessment
3. Checklists
4. Regulatory Developments
5. Policies & Procedures
6. Advisory Documents
7. Annual Compliance Meeting
8. Summary

1. Firm Background

- Firm growth
 - AUM
 - IARs
 - Branch offices
- Fee changes
- New services
- New jurisdictions
- New third-party relationships



2. Risk Assessment

- **High Risk** – should be addressed in your manual
- **Medium Risk** – may need to be addressed
- **Low Risk** – do not need to address but review for next year
- Identify changes from previous year

Topics

Marketing / Performance; Form ADV / Disclosures; Invoices / Fees / Valuations; IPOs; Soft Dollars / Kickbacks; Compensation; Objectives / Restrictions / Suitability; Trading & Allocations; Best Execution; Non-public Information; Code of Ethics / Personal & Proprietary Trading; Safeguarding Client Assets / Custody; Proxy Voting; Client Accounts; Supervision / Employees; Branch / Remote Offices; Books & Records; Business Continuity / Succession Planning; Firm Compliance / Fiduciary Duty; Cybersecurity (Information Security); Solicitors / Promoters; Policies & Procedures; DOL PTE 2020-02



3. Checklists

- Use checklists and other supporting documents to help document compliance tasks and testing
 - Best execution
 - Annual review checklist
 - New hire checklist
 - Terminated rep checklist
 - Branch office visit checklist

4. Regulatory Developments 2022

- SEC Risk Alert on Investment Adviser Marketing Rule
- SEC Staff Bulletin: Standards of Conduct for Broker-Dealers and Investment Advisers Conflict of Interest
- SEC Risk Alert on Material Non-Public Information
- SEC Risk Alert for Advisers Managing Private Funds
- SEC Examination Priorities
- SEC Proposes New RIA Oversight Requirements for Use of Third-party Service Providers
- SEC Amendments to 13F Filings
- SEC Rule Proposal – Private Fund Proposed Reforms
- SEC Rule Proposal – Cybersecurity Risk Management
- NASAA
 - 2022 IAR CE Compliance Requirements
 - NASAA New Model Rule – Unpaid Arbitration Awards
 - 2022 IA Section Annual Report

5. Policies & Procedures Manual

- SEC rules require every RIA to have written procedures reasonably designed to prevent violations by the firm or by its supervised persons.
- Some manuals include Code of Ethics, Business Continuity, Succession, Cybersecurity, AML. If these are separate documents, review them as well.
- Updates and changes need to be distributed to all staff.
- Collect attestations.



6. Advisory Documents

- Form ADV Part 1
- Form ADV Part 2A and/or Wrap Brochure
- Form ADV Part 2B
- Form ADV Part 3 / CRS (SEC firms)
- Advisory Contract / Agreements
- New Account Form / Suitability Questionnaire / Client Profile / Investment Policy Statement
- Privacy Policy

7. Annual Compliance Meeting

- Review various aspects of the annual review
- Discuss changes in the firm
- Regulatory changes
- Changes in documents (ADVs, P&P etc...)
- Hot Topics
 - DOL
 - New Marketing Rule
- Collect attestations and other updates
- Ability for staff to ask questions
- Document, Document, Document
 - Who was there
 - What was covered
 - Where and when did it happen

8. Final Summary and Report

- Document your key findings and summarize
- High level upper management meeting to discuss
- Review findings and create action steps that will be taken
 - ADV updates
 - Compliance updates
- Testing of your program
- Follow up for specific tasks
- Documentation now required under amended rule

Best Practices

- Document everything (quarterly sales meeting)
- Use the entire year
- Testing
- Make sure manual has been personalized



Thank you.