

# 2017 Investment Adviser Coordinated Exams



North American Securities Administrators Association

*The information provided herein is for your convenience only, is illustrative, and is not intended as legal advice.*

# Exams Overview

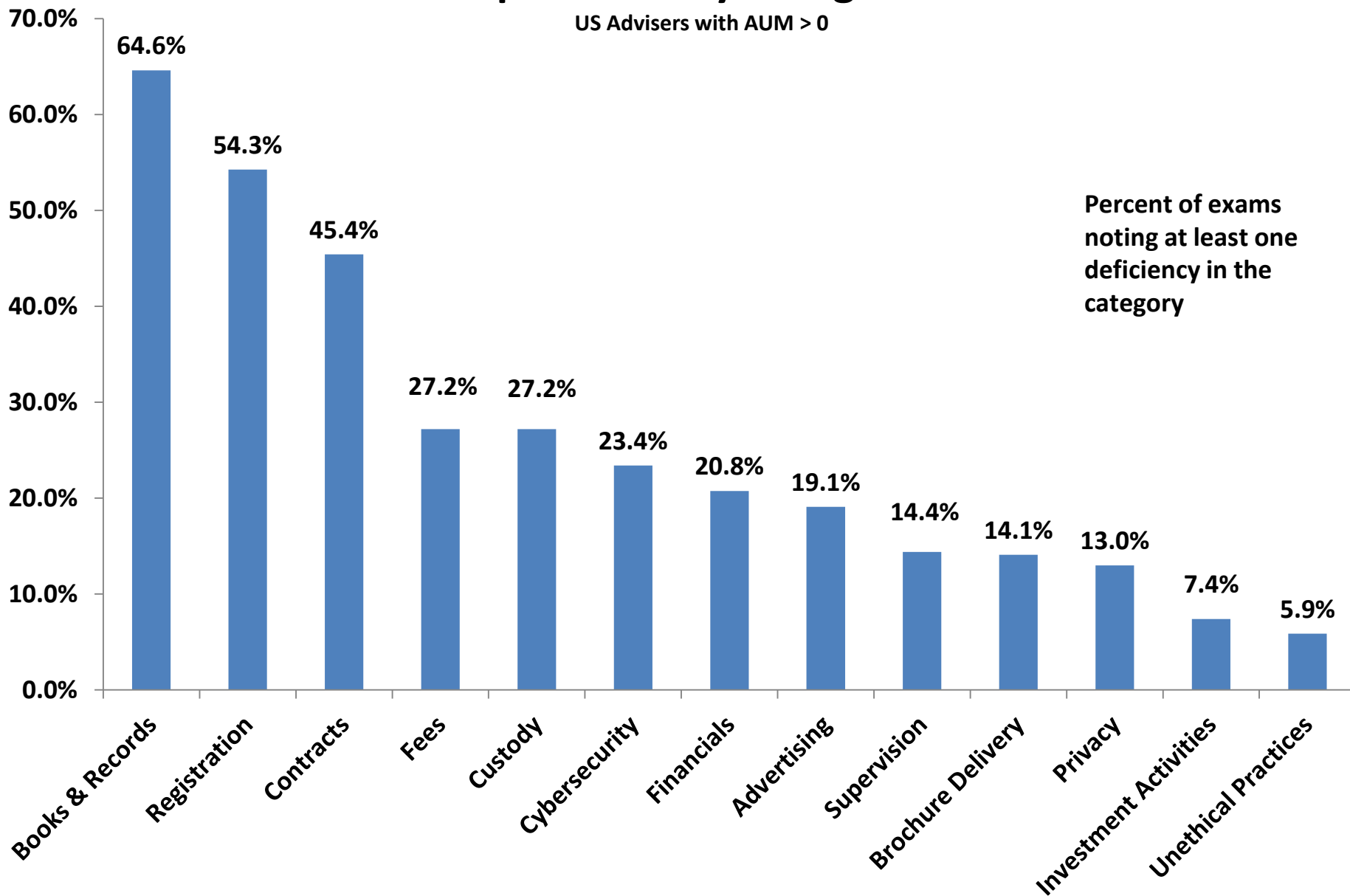
- 1227 routine investment adviser examinations
- January – June 2017
- 38 Jurisdictions including Ontario, Canada
- 946 Advisers had AUM > 0
- 336 had AUM > \$30MM
- 610 had AUM < \$30MM
- 331 first time examined by the state
- 535 were examined in last 5 years

# Adviser Stats

- 741 advisers had 1 IAR
- 220 advisers had 2 IARs
- 101 affiliated with a BD firm
- 74 advised a pooled investment vehicle
- 572 offered financial planning services
- 78 acted as solicitors for other advisers
- 27 payed solicitors for referrals

# Top Deficiency Categories

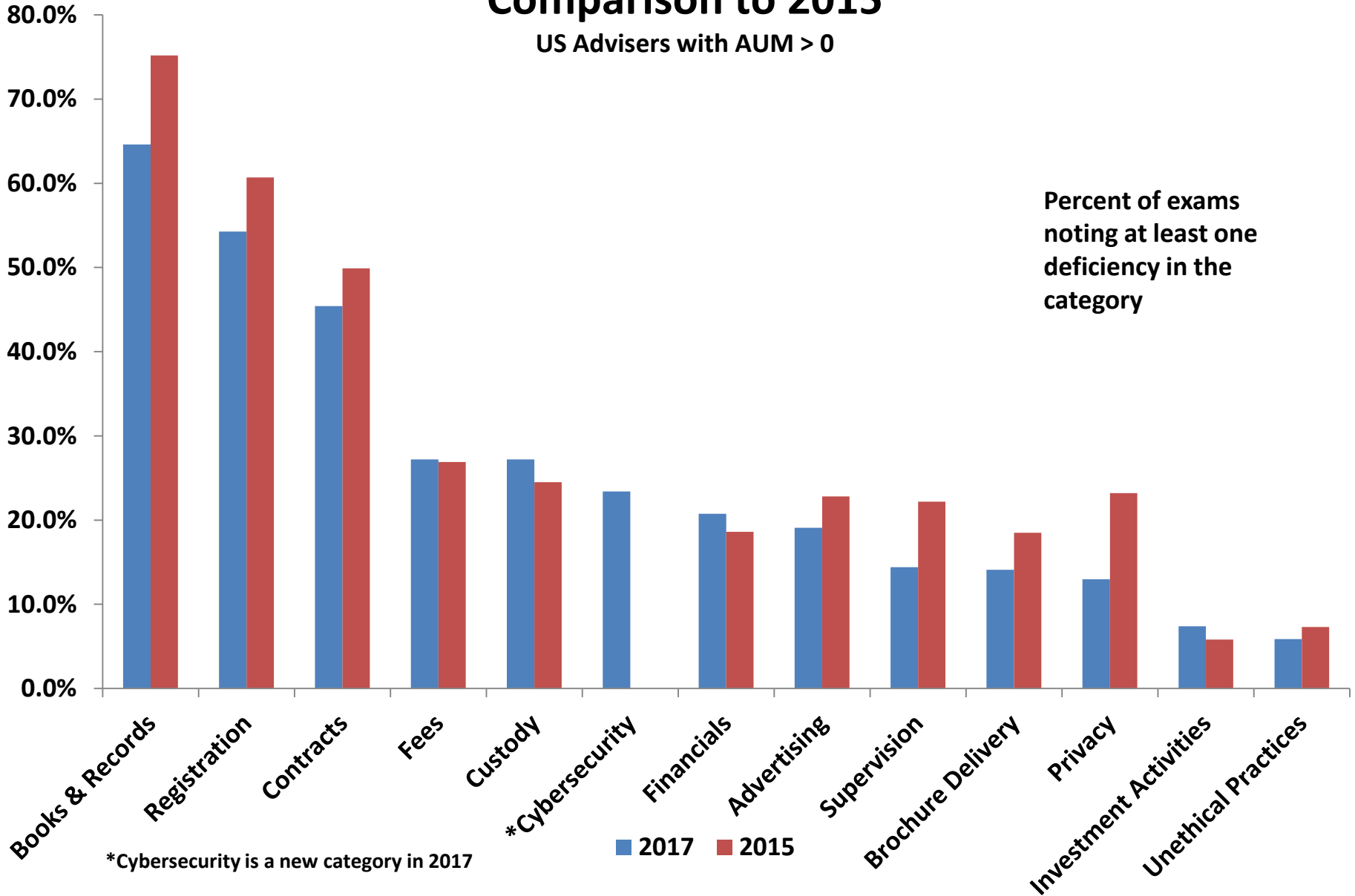
US Advisers with AUM > 0



# Comparison to 2015

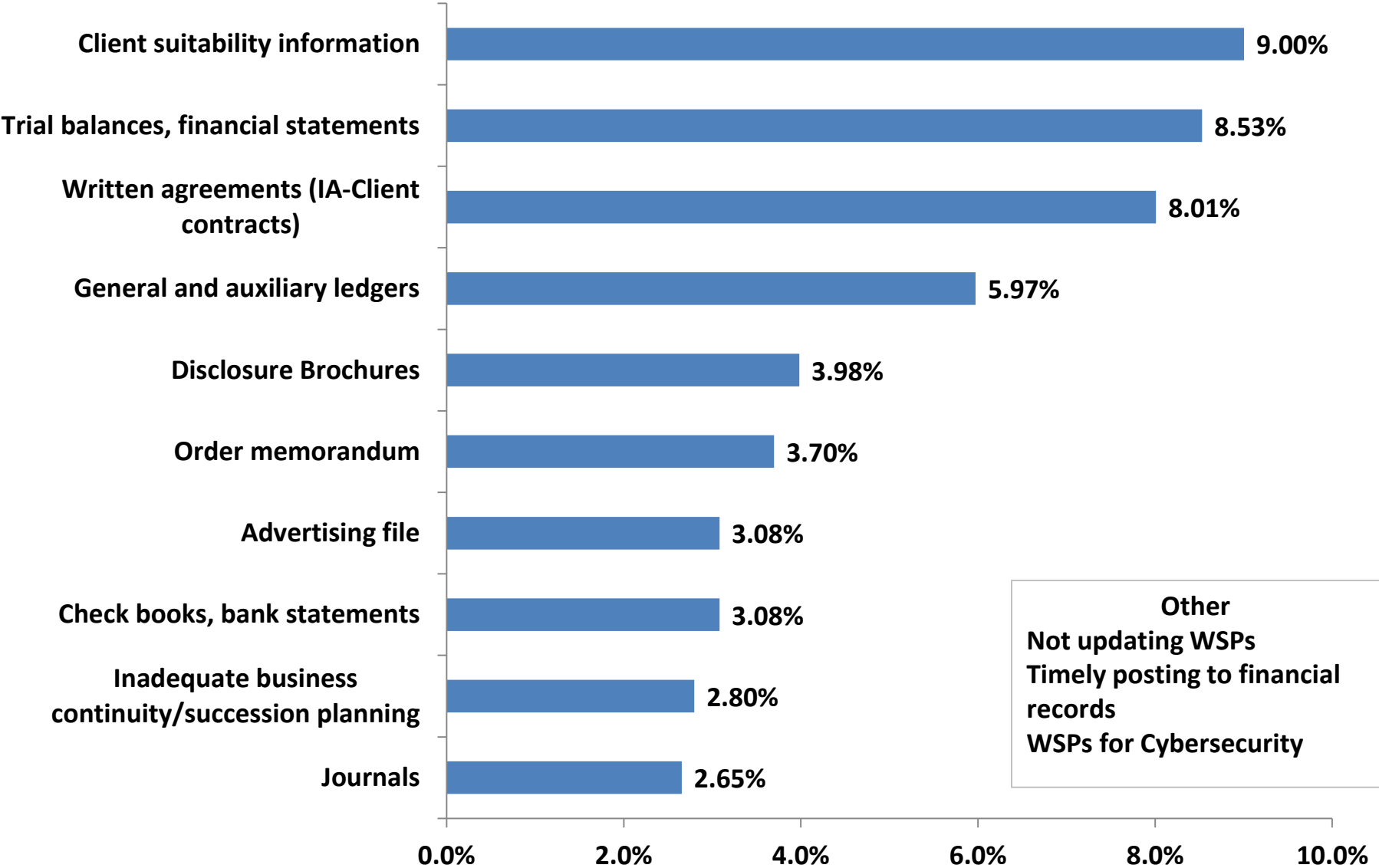
US Advisers with AUM > 0

Percent of exams  
noting at least one  
deficiency in the  
category



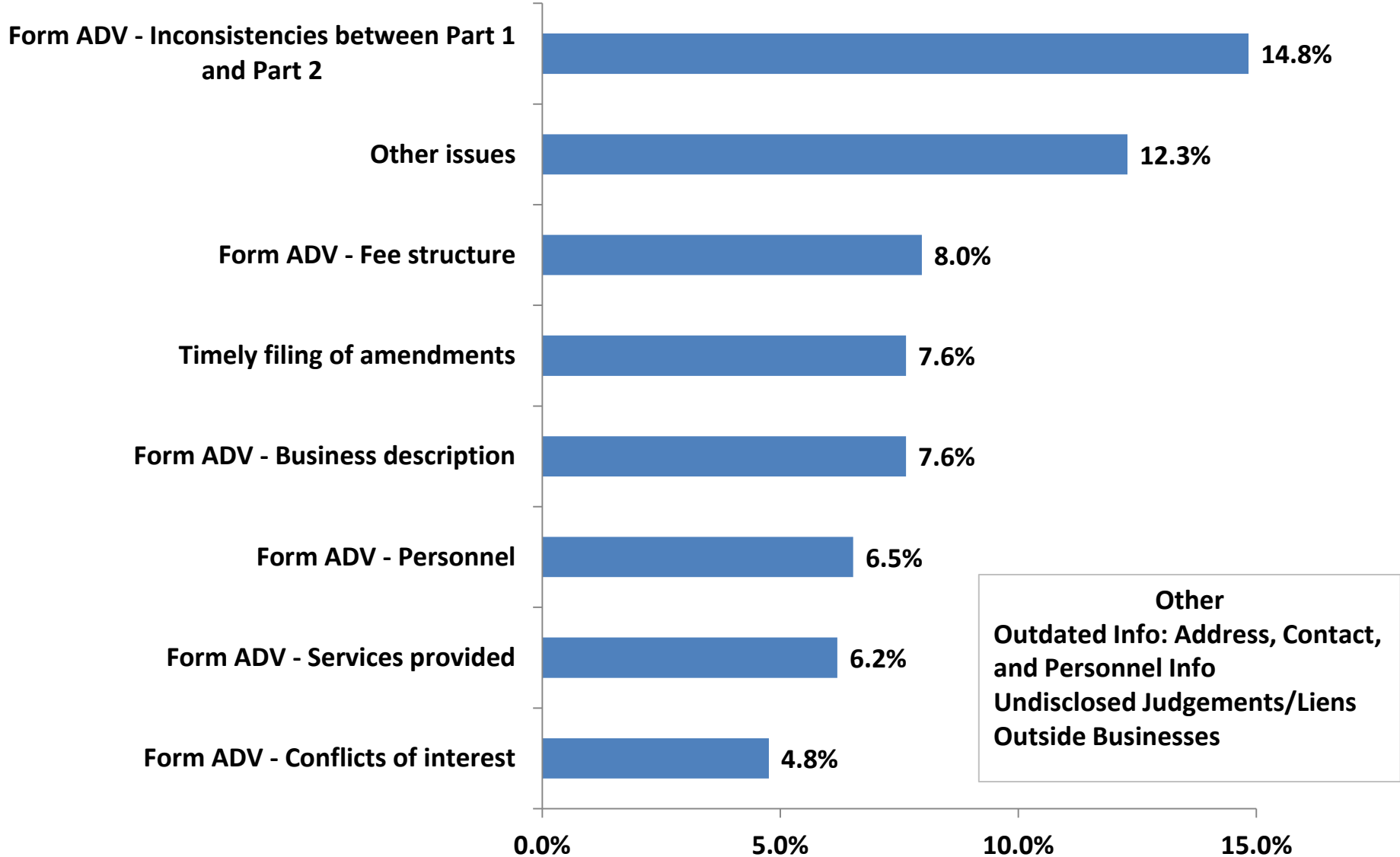
# Books and Records

2110 Deficiencies  
64.6% of US Advisers with AUM



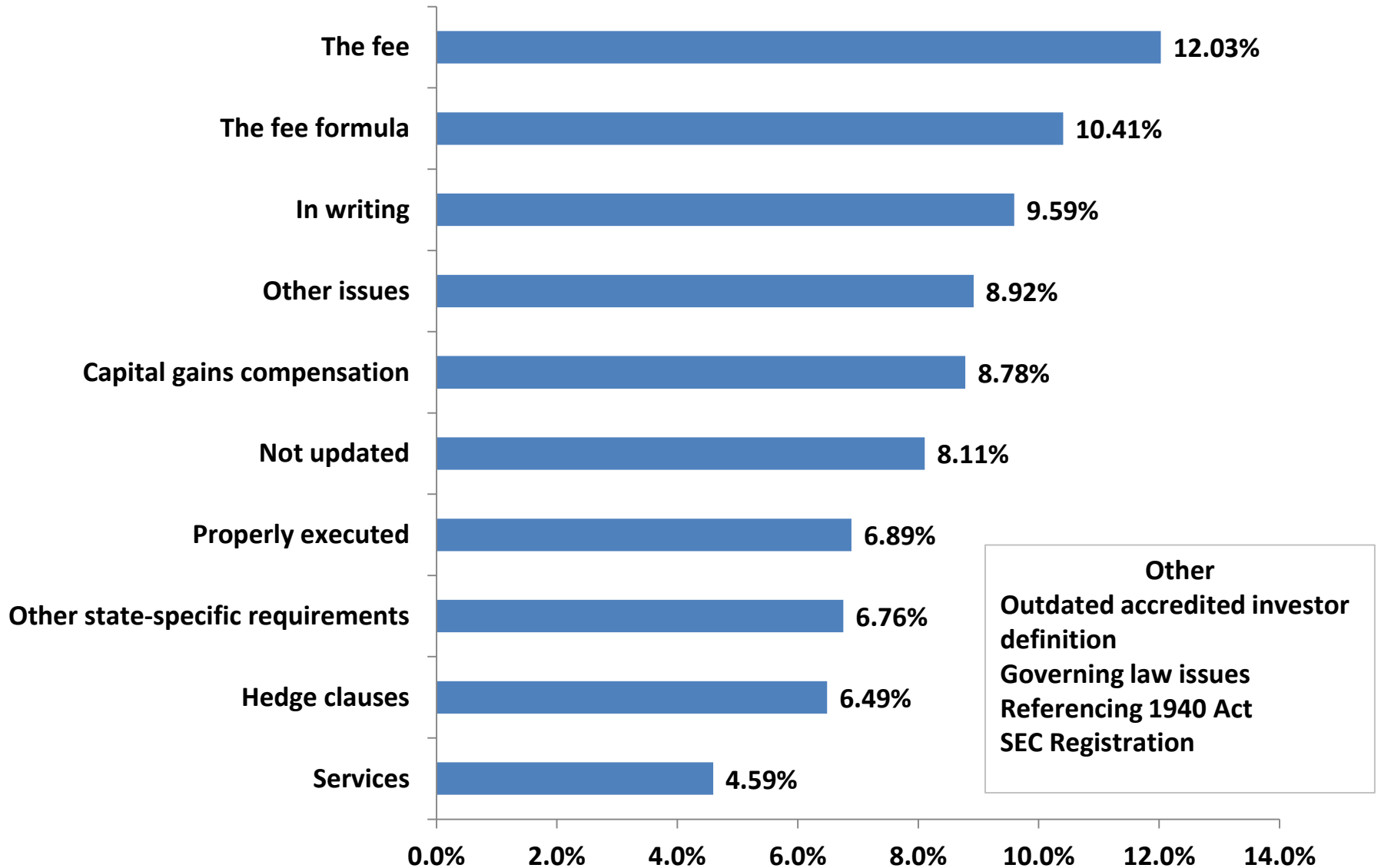
# Registration

903 Deficiencies  
54.3% of US Advisers with AUM



# Contracts

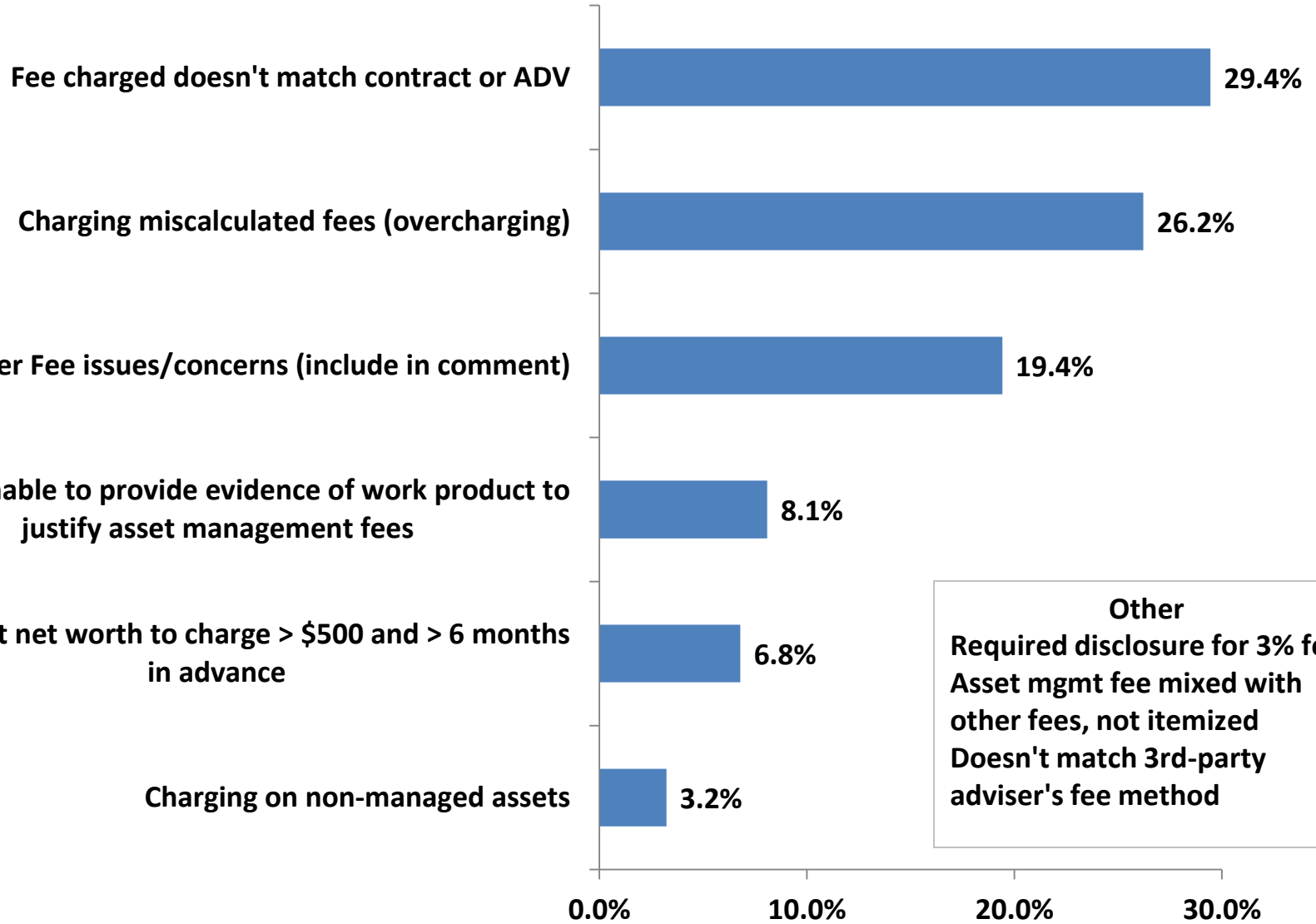
740 Deficiencies  
45.4% of Advisers with AUM





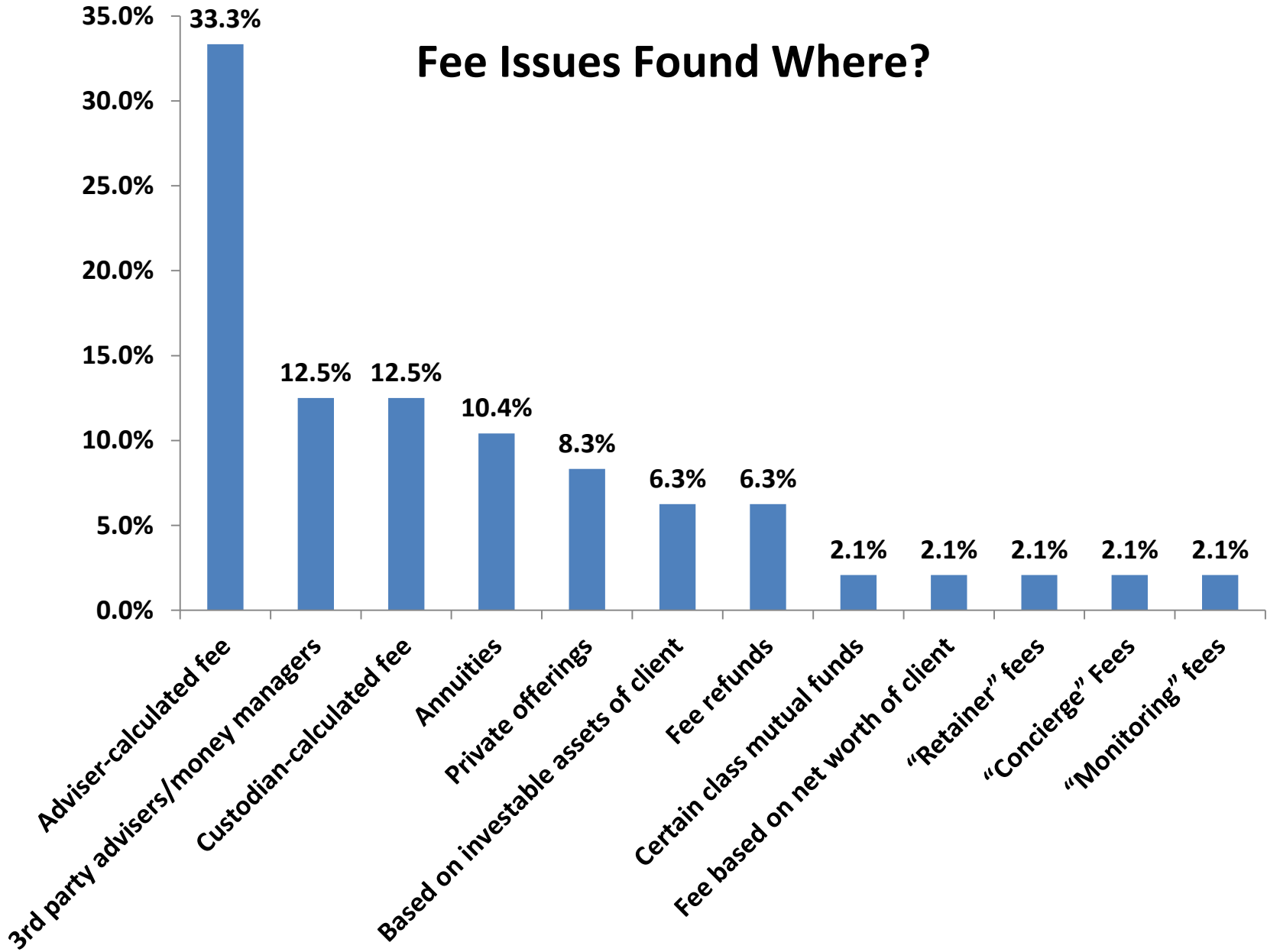
# Fees

309 Deficiencies  
27.2% of Advisers with AUM



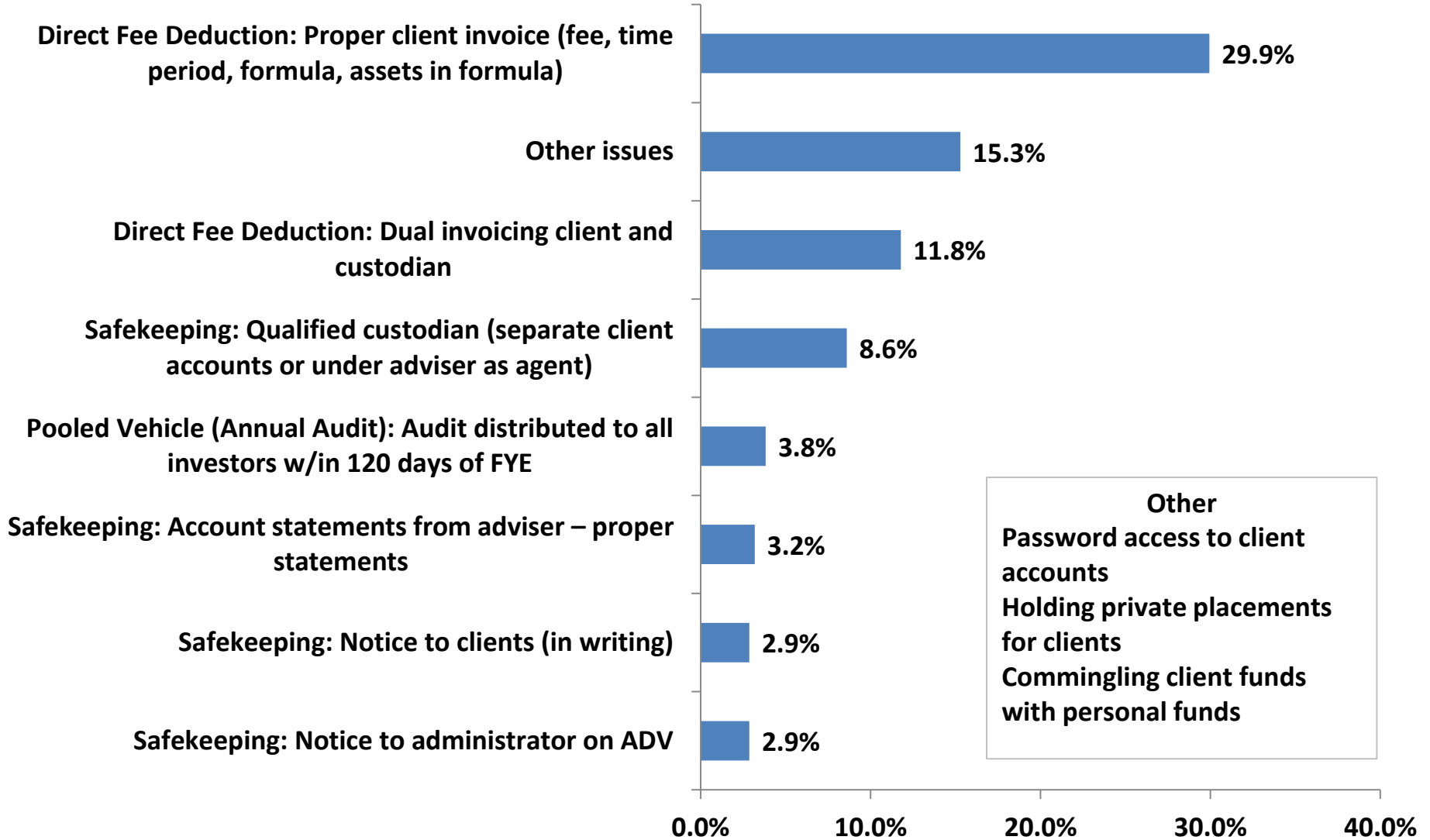
**Other**  
Required disclosure for 3% fee  
Asset mgmt fee mixed with  
other fees, not itemized  
Doesn't match 3rd-party  
adviser's fee method

# Fee Issues Found Where?



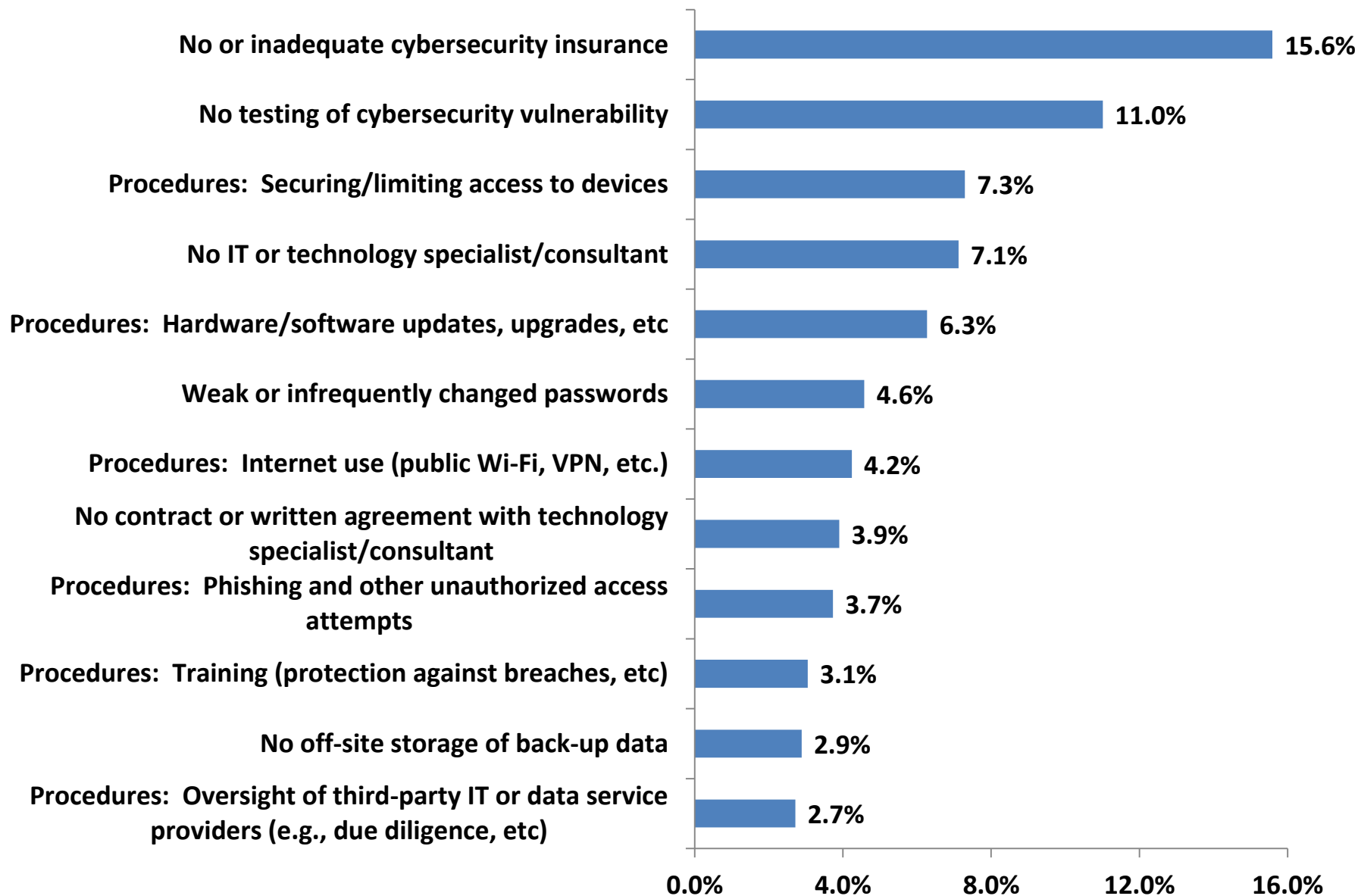
# Custody

314 Deficiencies  
27.2% of Advisers with AUM



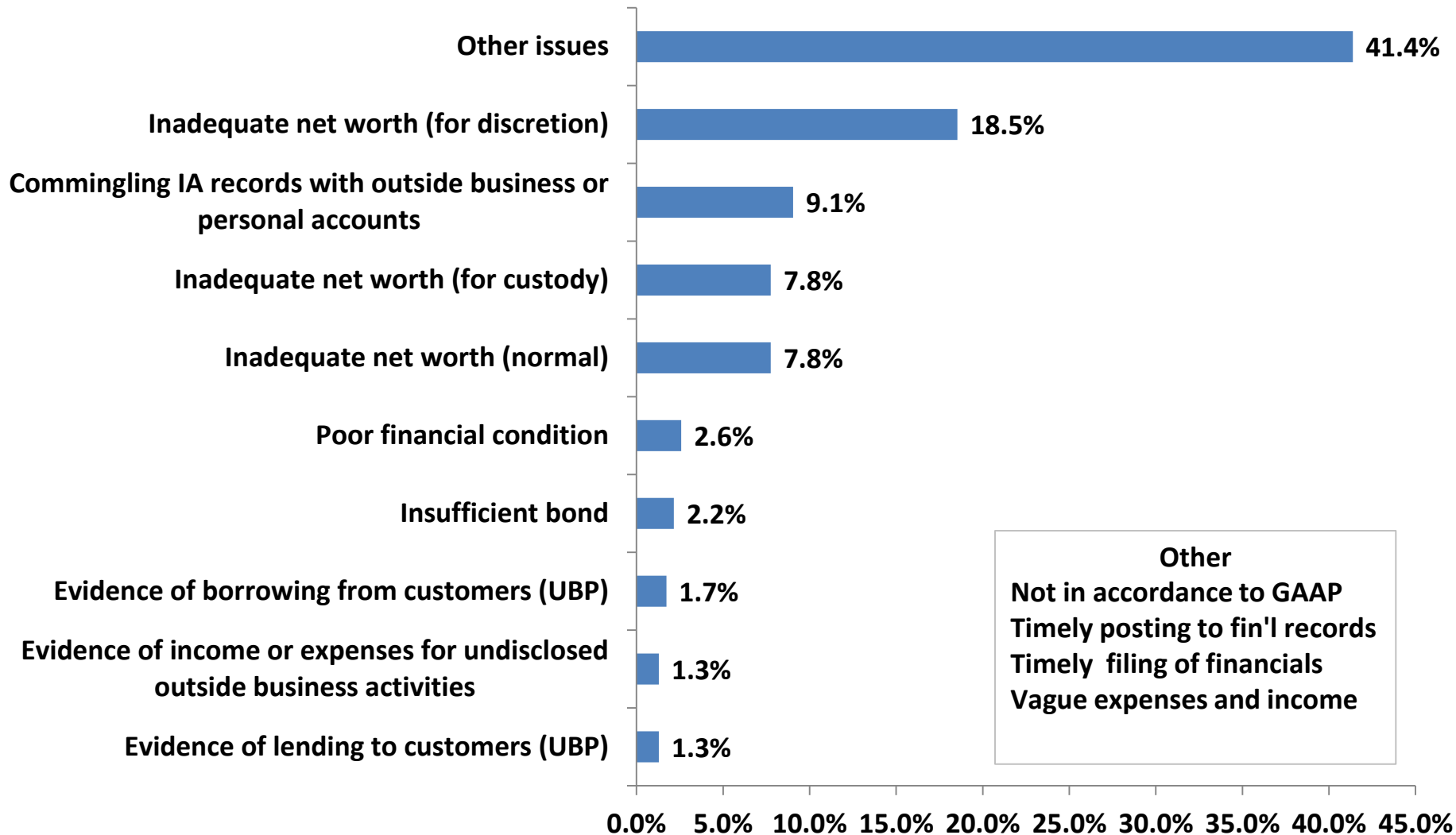
# Cybersecurity

590 Items Noted  
23.4% of Advisers with AUM



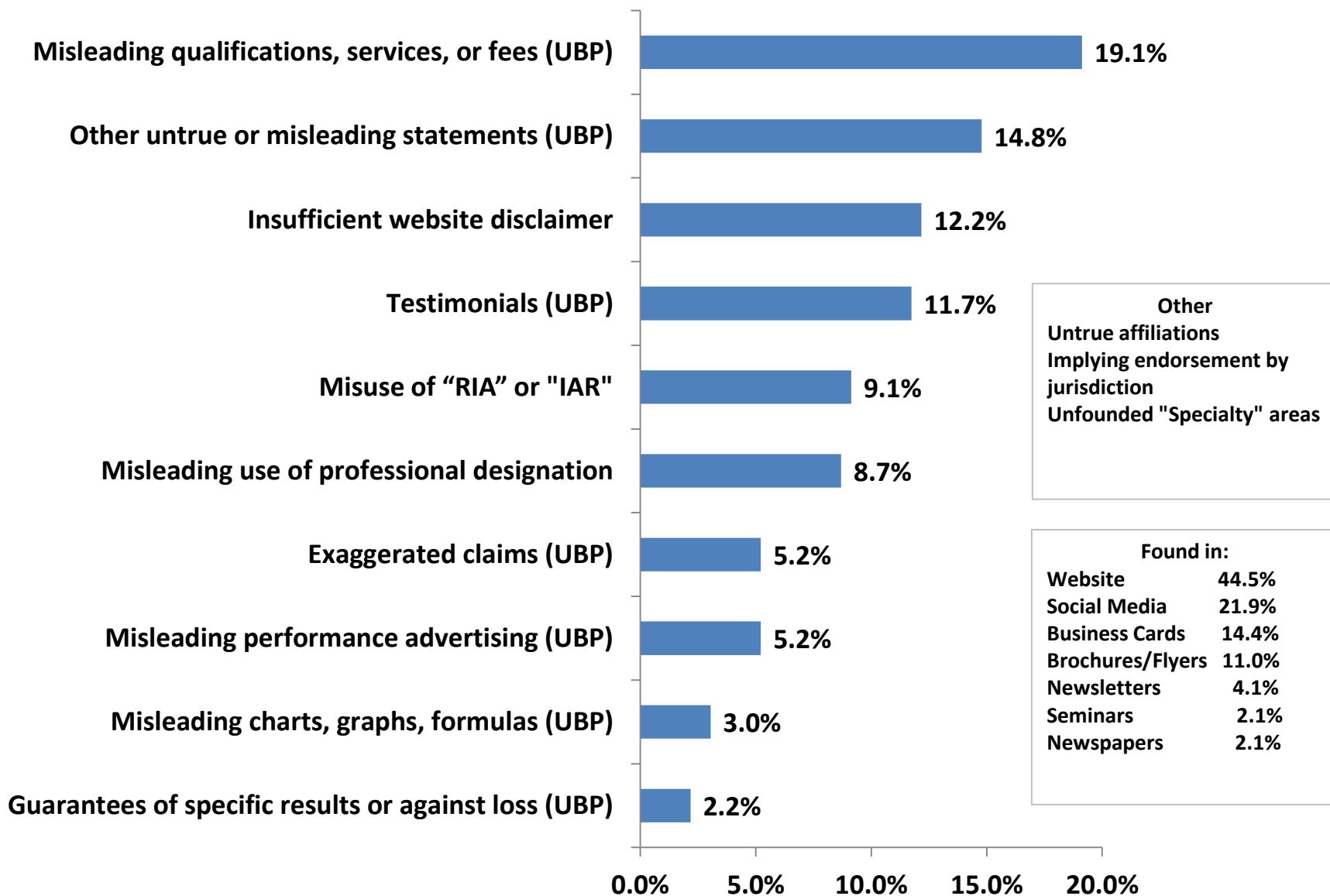
# Financial Matters

232 Deficiencies  
20.8% of Advisers with AUM



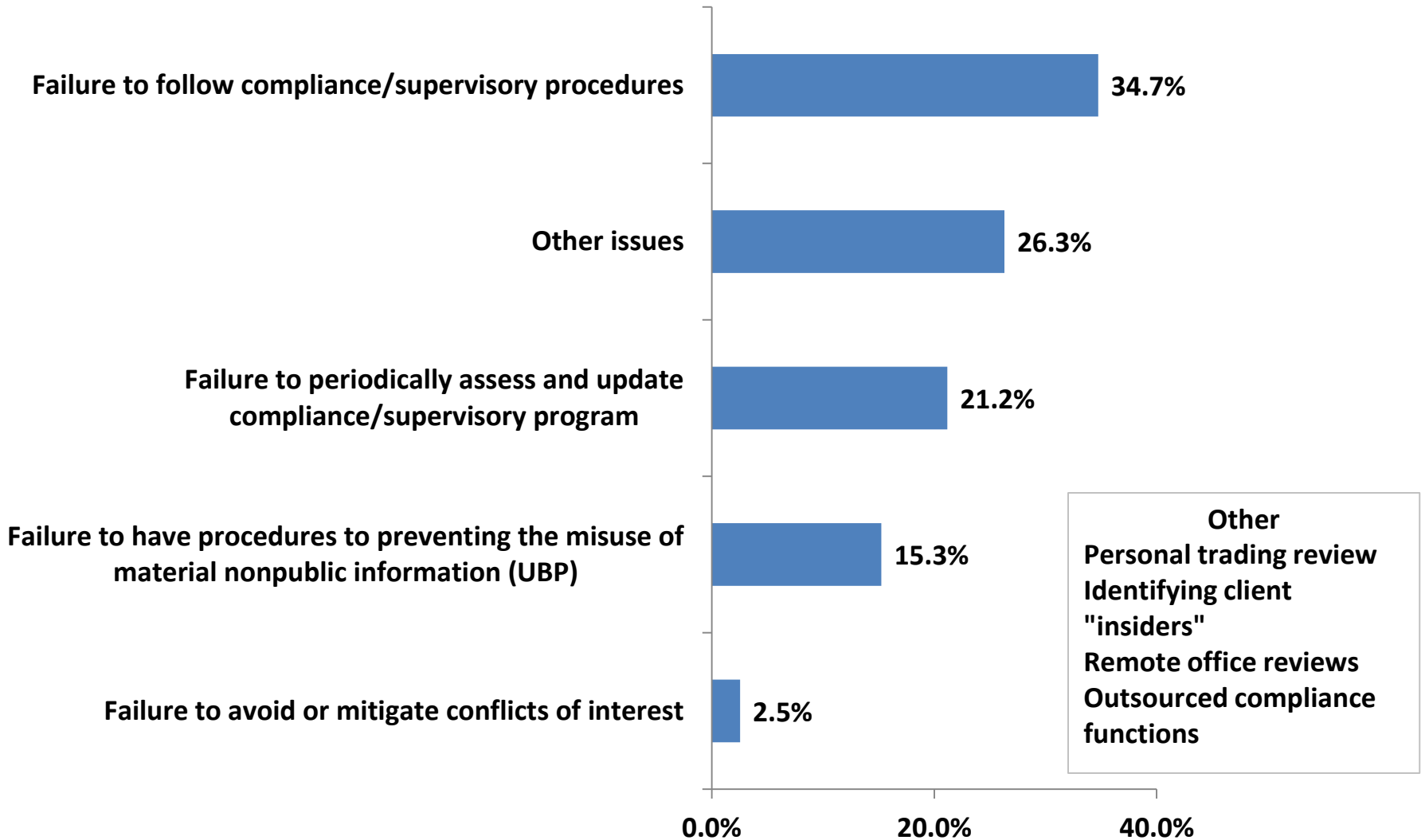
# Advertising

230 Deficiencies  
19.1% of Advisers with AUM



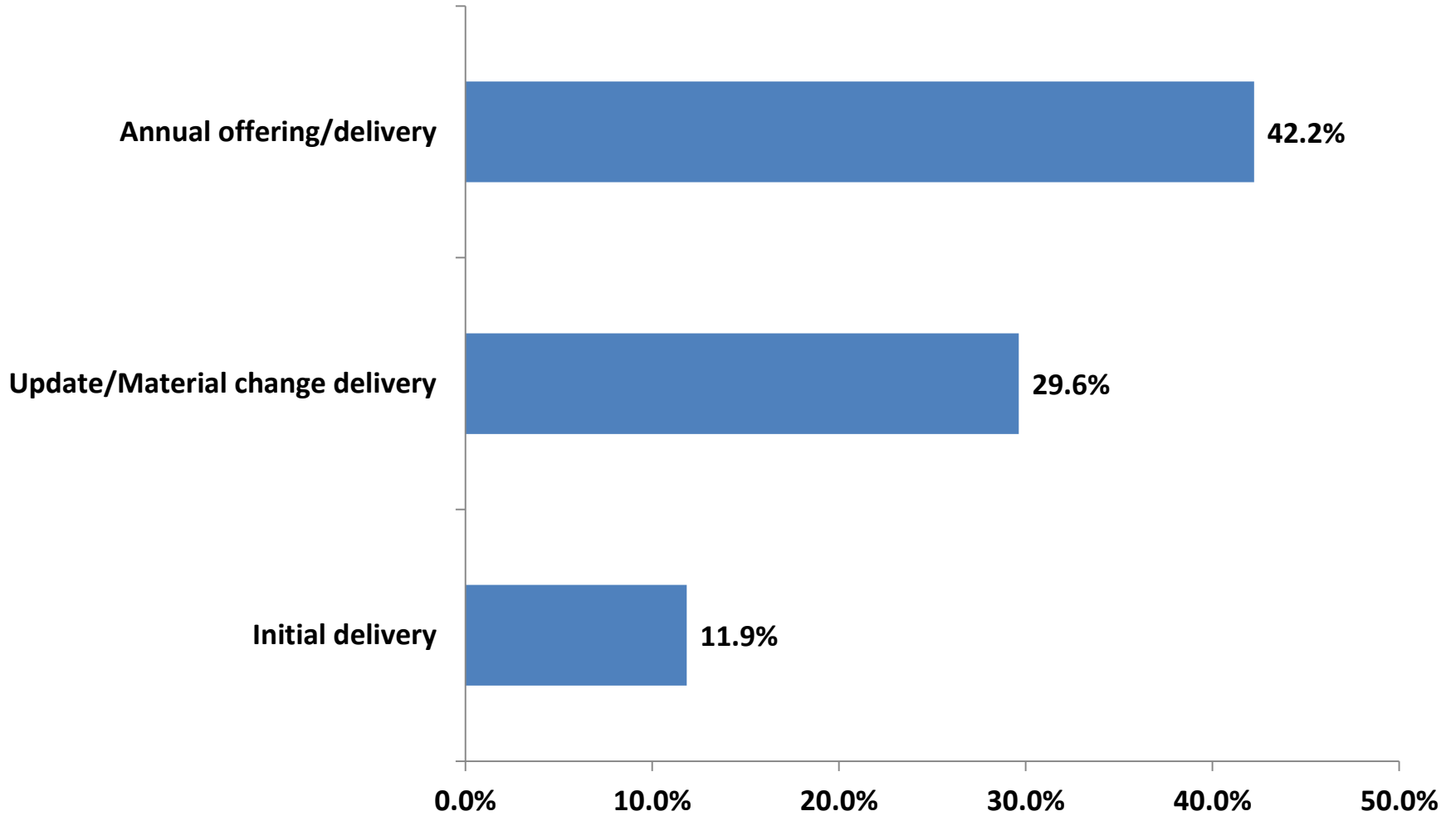
# Supervision

118 Deficiencies  
14.4% of Advisers with AUM



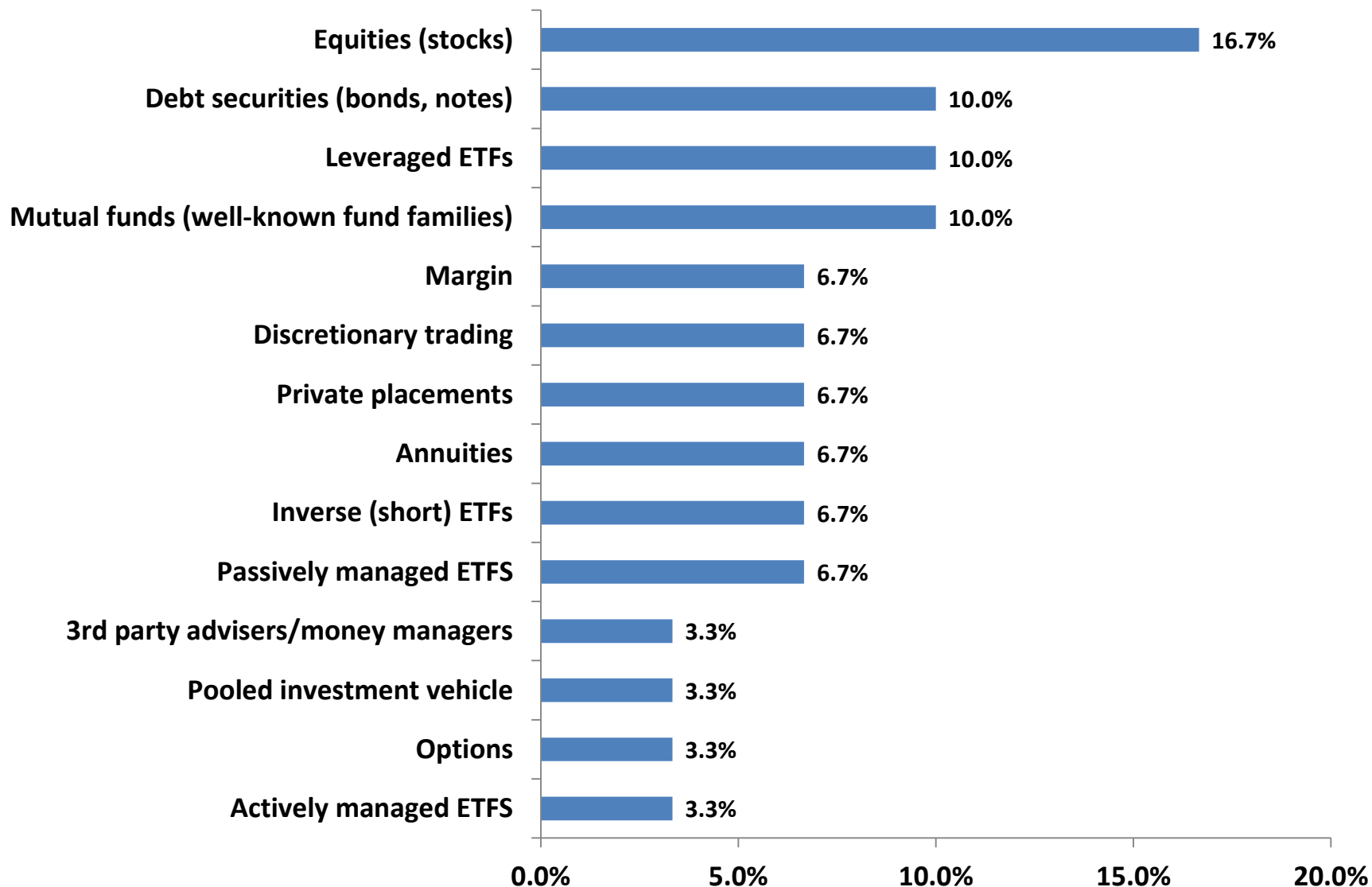
# Brochure Delivery

135 Deficiencies  
14.1% of Advisers with AUM



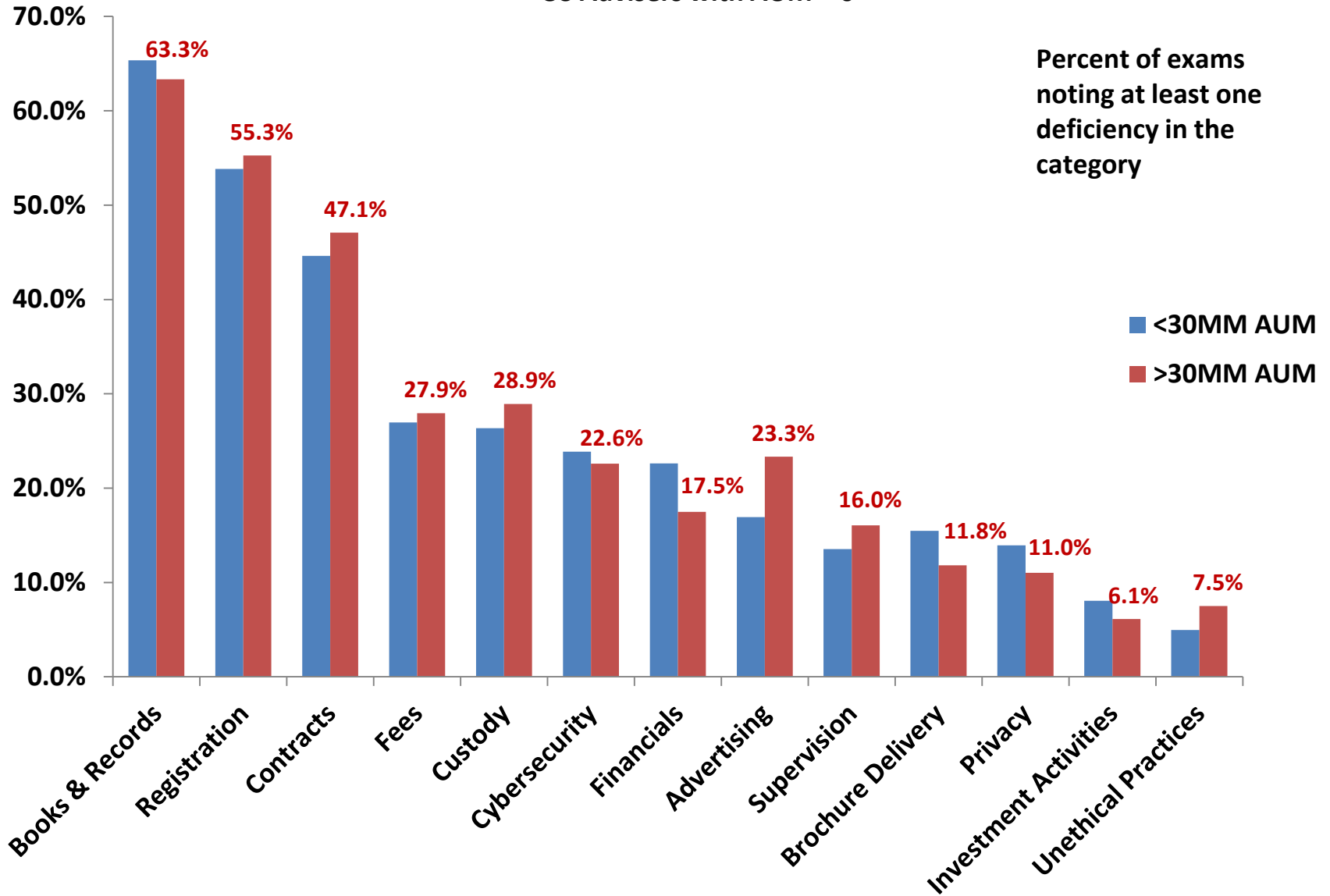


# Investment Activities Issues Found Where?



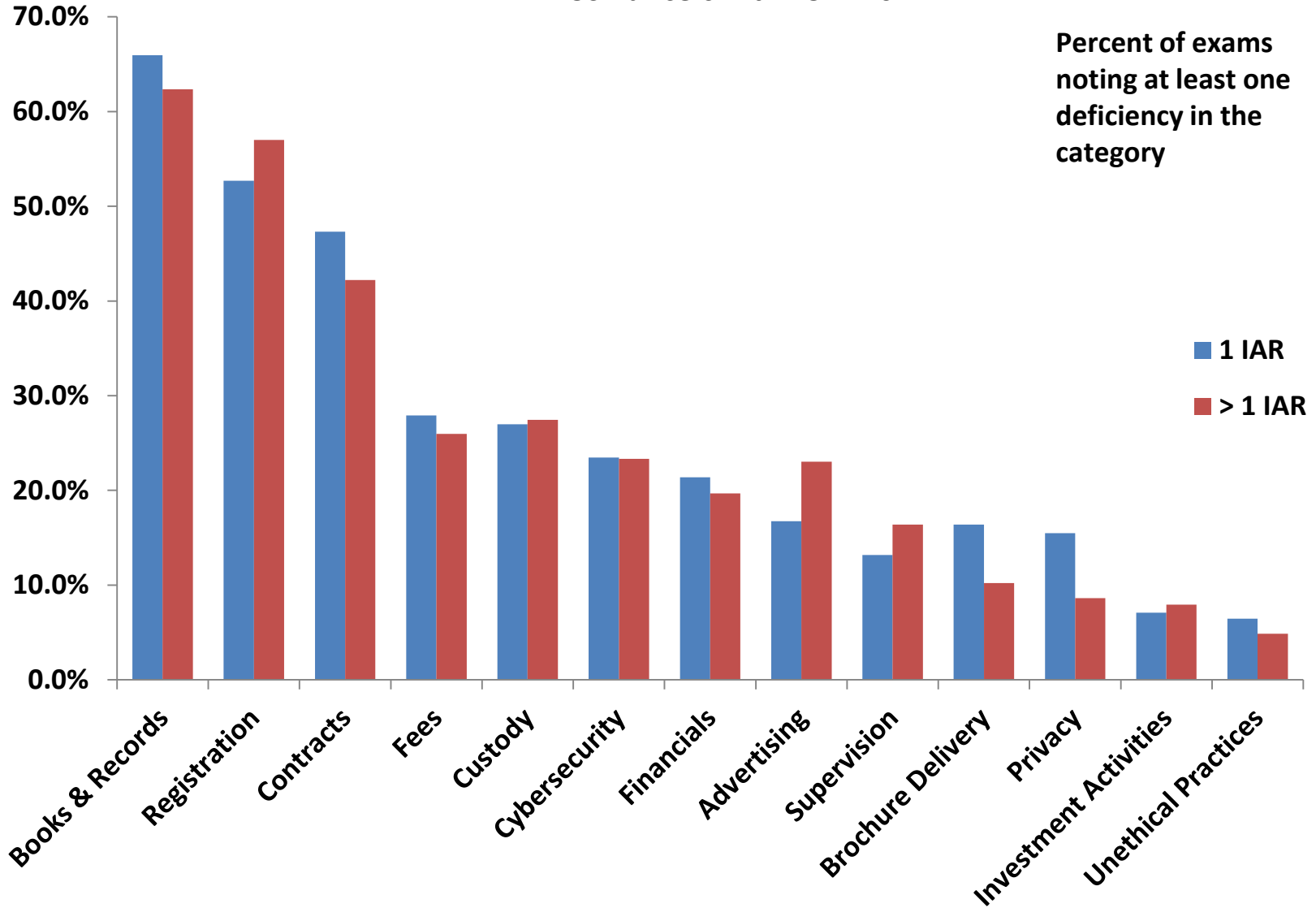
# AUM <30MM vs. AUM >30MM

US Advisers with AUM > 0

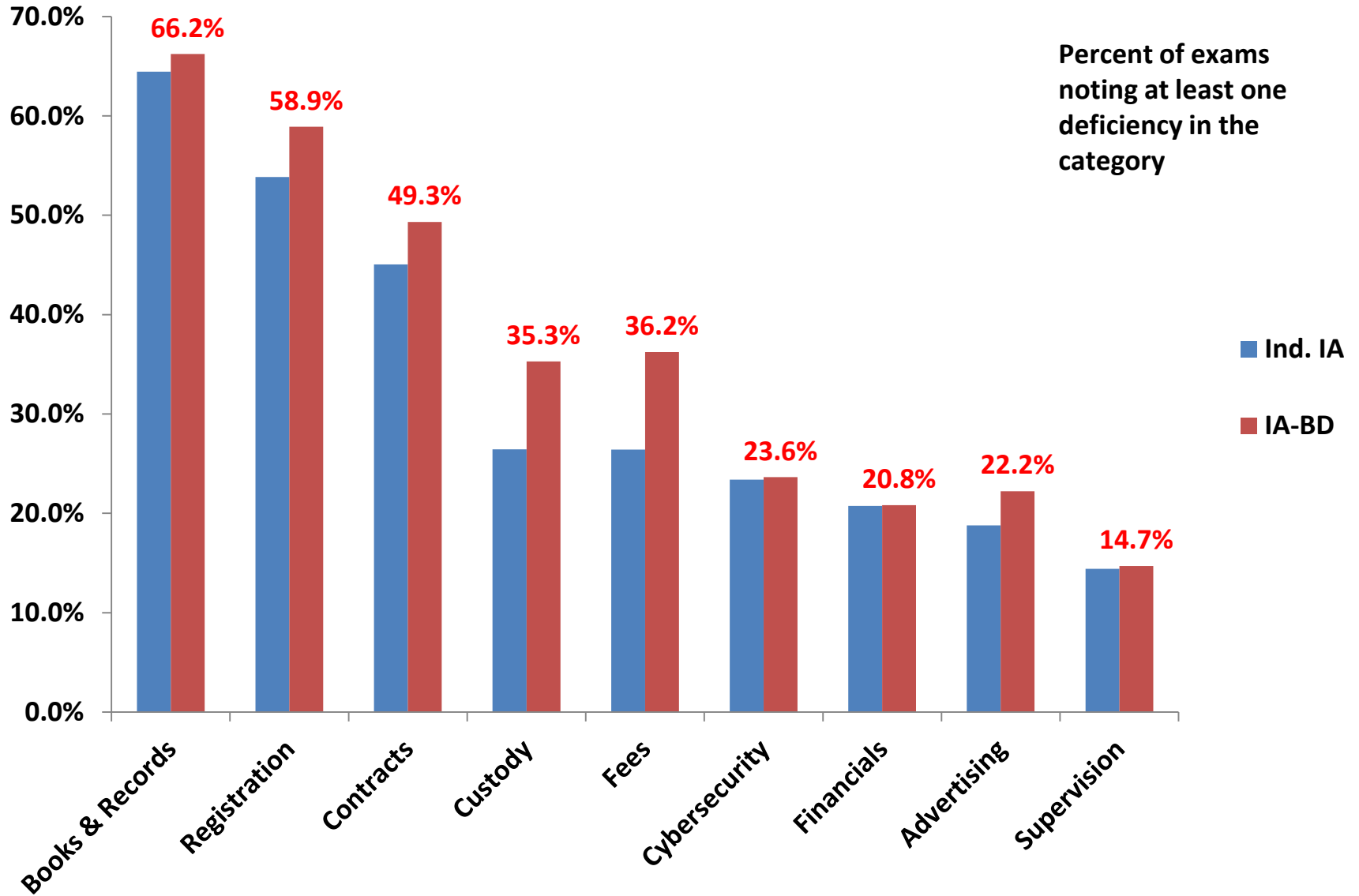


# 1 IAR vs. >1 IAR

US Advisers with AUM > 0

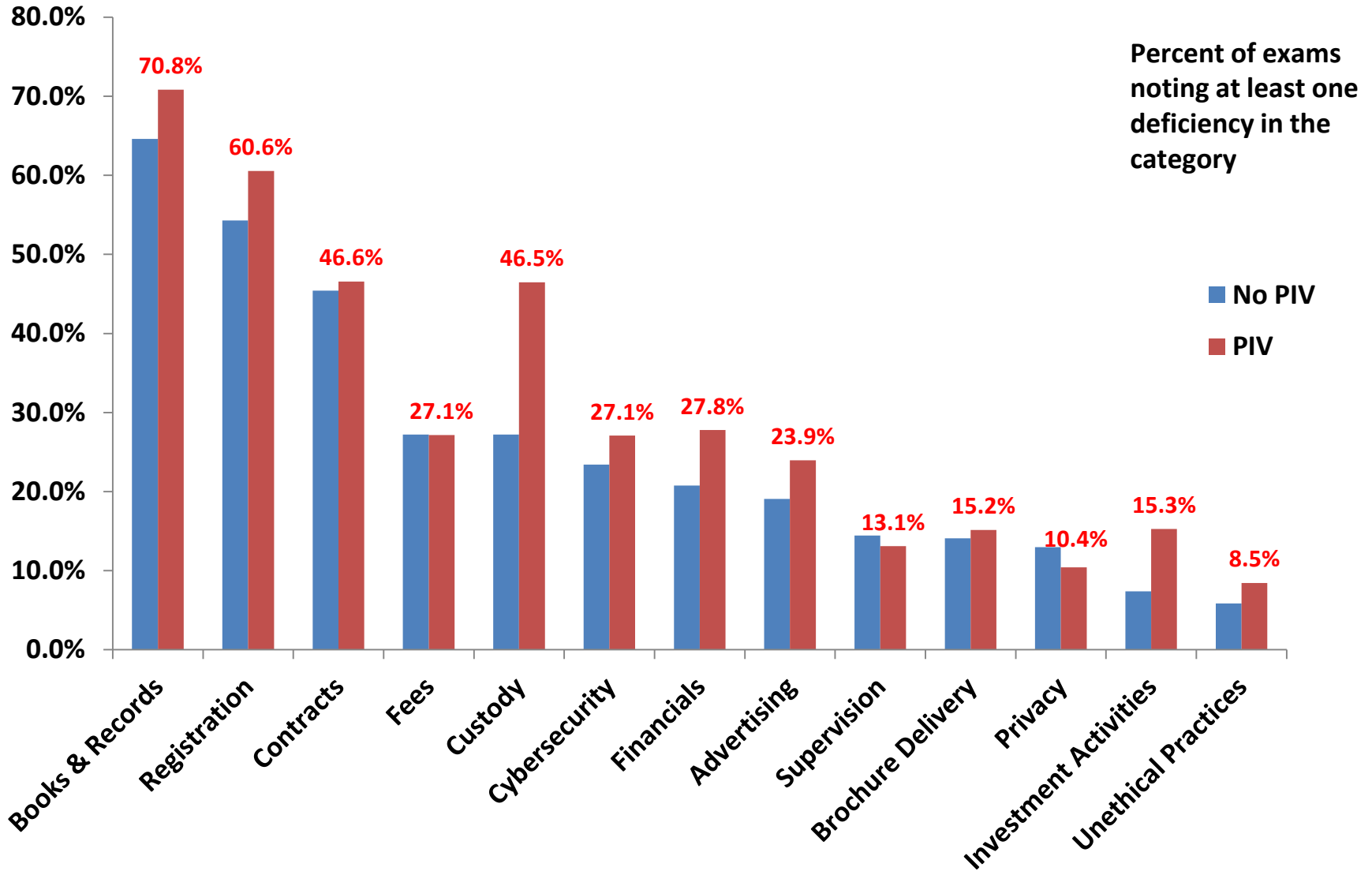


# Independent IAs vs. BD-affiliated IAs



# Comparison Non-PIV to PIV Advisers

US Advisers with AUM > 0



# Best Practices for Investment Advisers

- Prepare and maintain all required records, including financial records. Back-up electronic data and protect records. Document checks forwarded.
- Prepare and maintain client profiles or other client suitability info.
- Review and revise Form ADV and disclosure brochure annually to reflect current and accurate information.
- Review and update all client advisory contracts.
- Calculate and document fees correctly in accordance with contracts and ADV.
- Implement appropriate custody safeguards, especially for direct fee deduction.
- Start considering Cybersecurity policies, procedures, and measures
- Keep accurate and current financials. File timely with the jurisdiction. Maintain surety bond if required.
- Review all advertisements, including website and performance advertising, for accuracy.
- Prepare a written compliance and supervisory procedures manual relevant to the type of business to include business continuity plan.