

2019 Investment Adviser Coordinated Exams



North American Securities Administrators Association



Exams Overview

- 1078 routine investment adviser examinations
- January – June 2019
- 43 Jurisdictions including Ontario, Canada
- 292 IAs first time examined by the state
- 80% of US Advisers had AUM > 0
 - 67% had AUM > \$30MM
 - 33 % had AUM < \$30MM



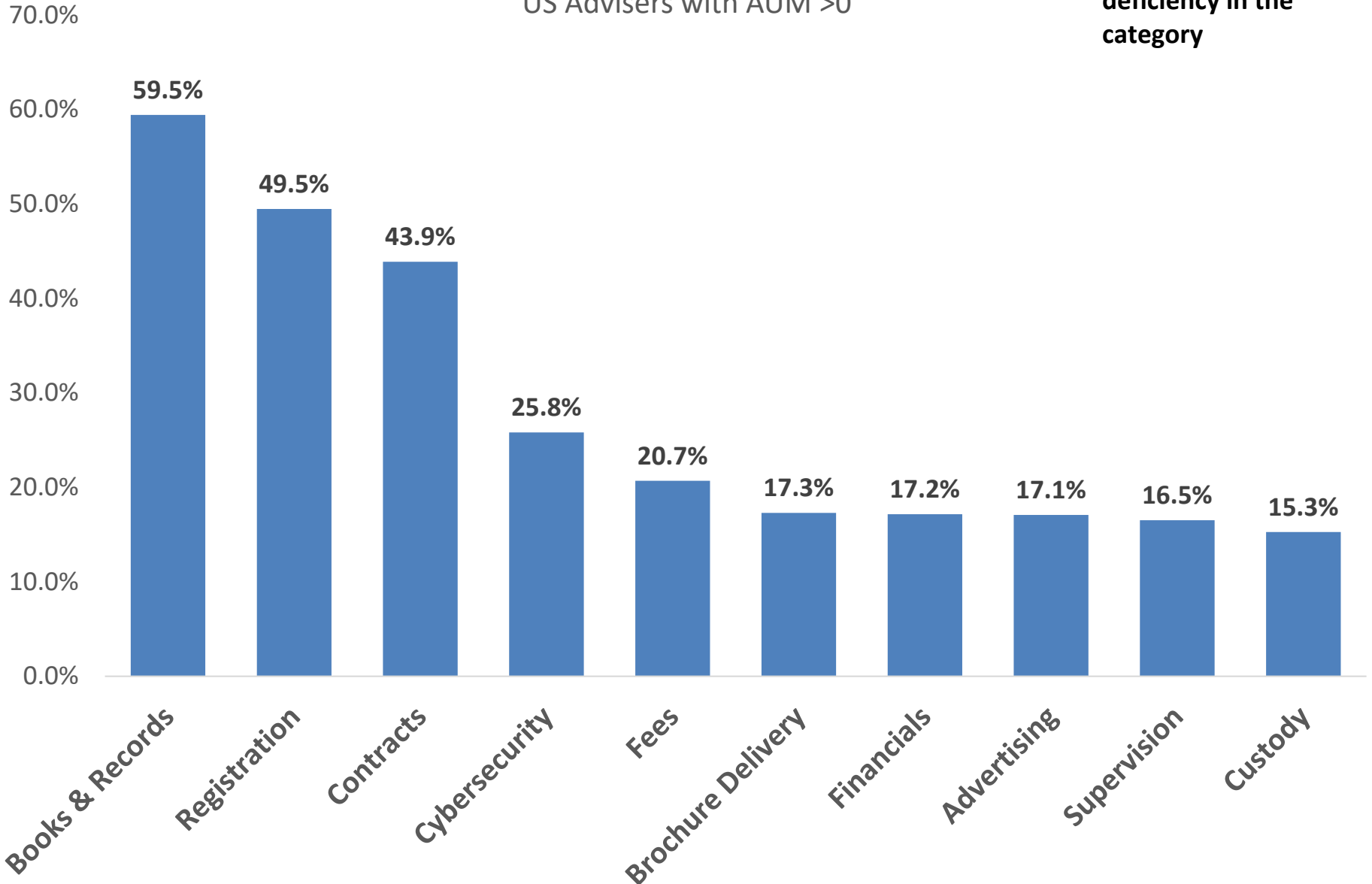
Adviser Stats

- 70.2% of advisers had 1 IAR
- 19% of advisers had 2 IARs
- 63 IAs affiliated with a BD firm
- 30 IAs advised a pooled investment vehicle
- 214 IAs offered financial planning services
- 77 (36 solely) IAs acted as solicitors for other advisers
- 23 IAs payed solicitors for referrals

2019 Top Ten Deficiency Categories

US Advisers with AUM >0

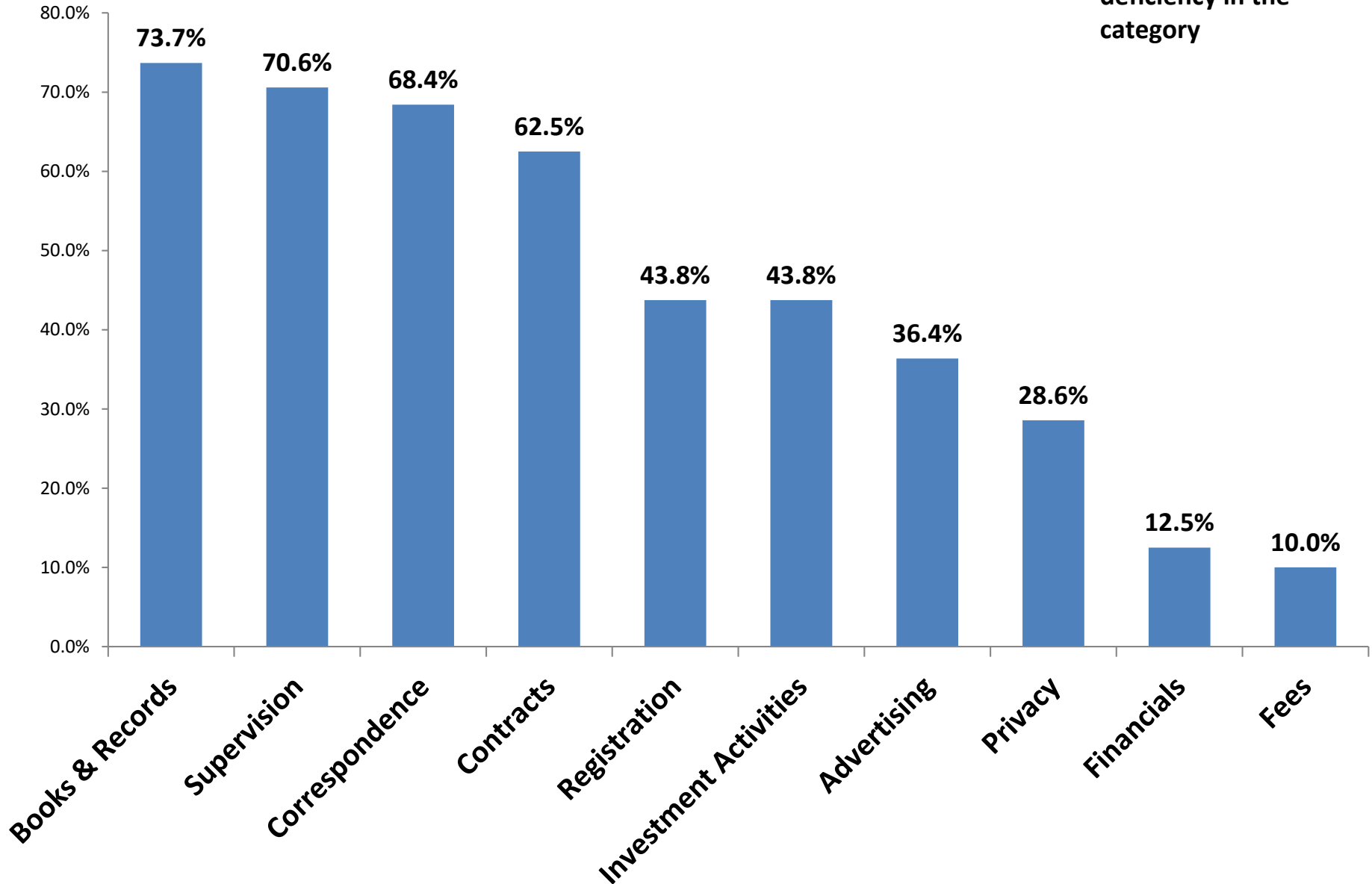
Percent of exams
noting at least one
deficiency in the
category



Top 10 Categories – Canada

Canadian Advisers with AUM >0

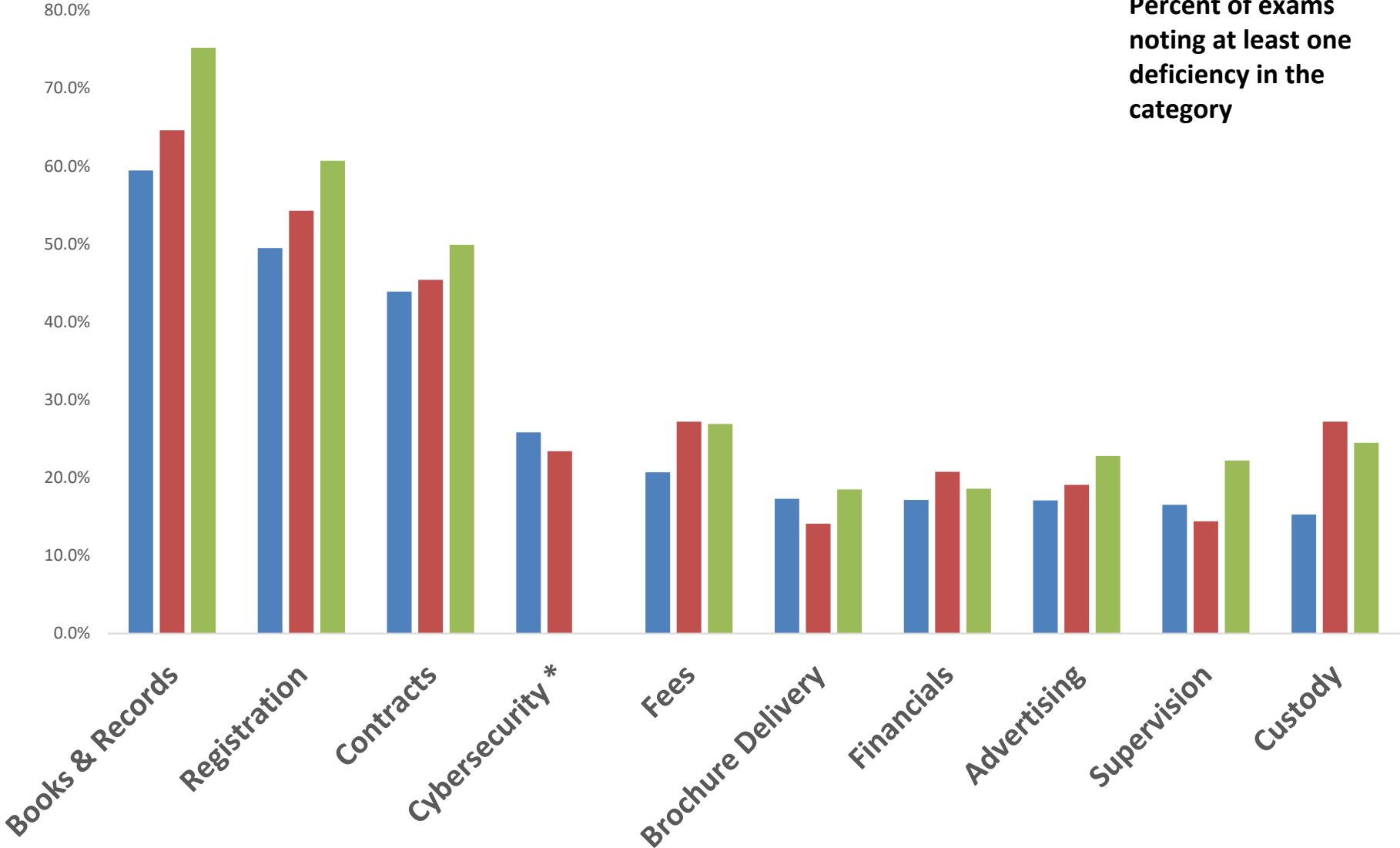
Percent of exams
noting at least one
deficiency in the
category



Comparison 2019, 2017 and 2015 Deficiencies

US Advisers with AUM >0

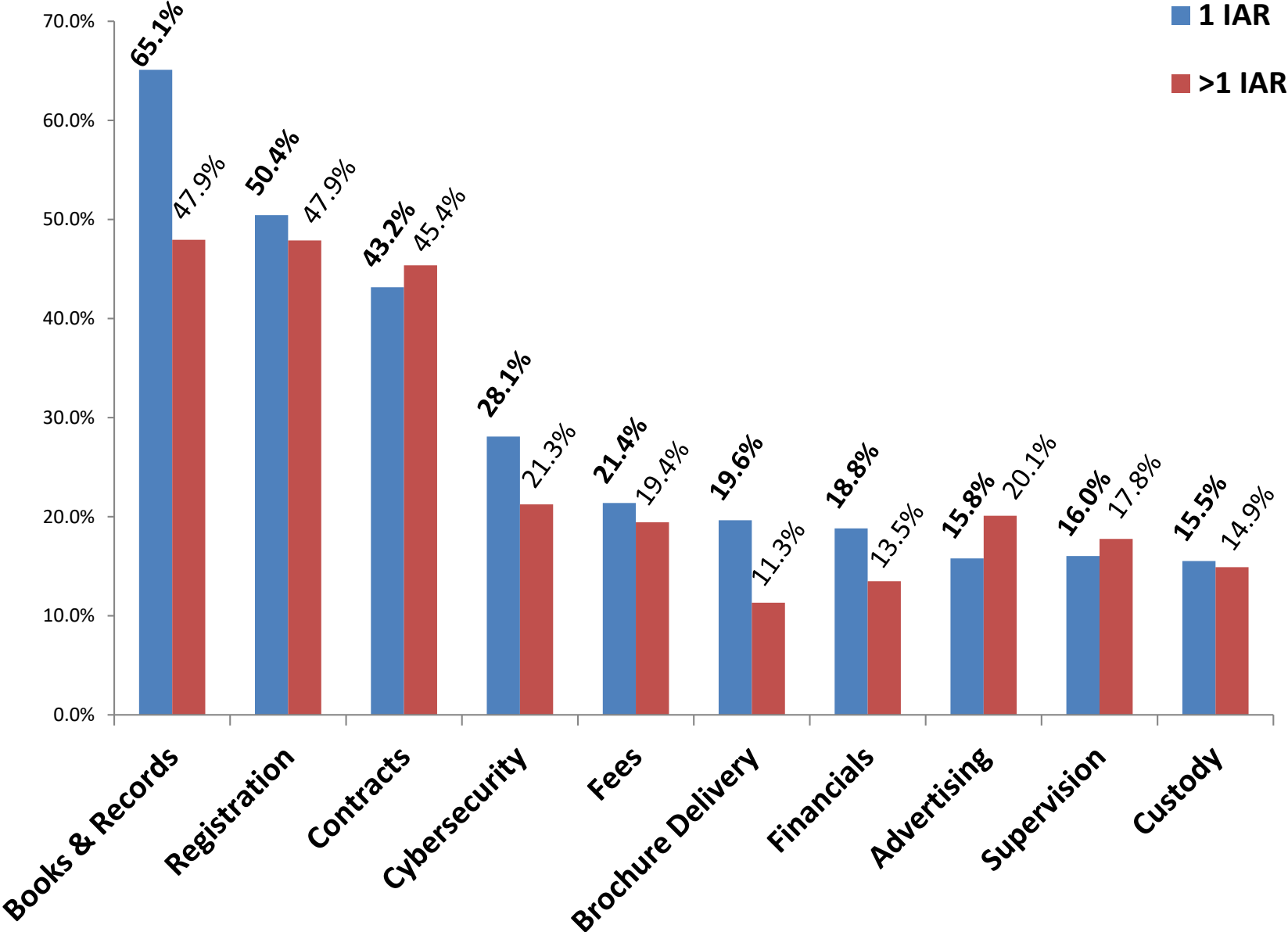
**Percent of exams
noting at least one
deficiency in the
category**



*No Cybersecurity
Category in 2015

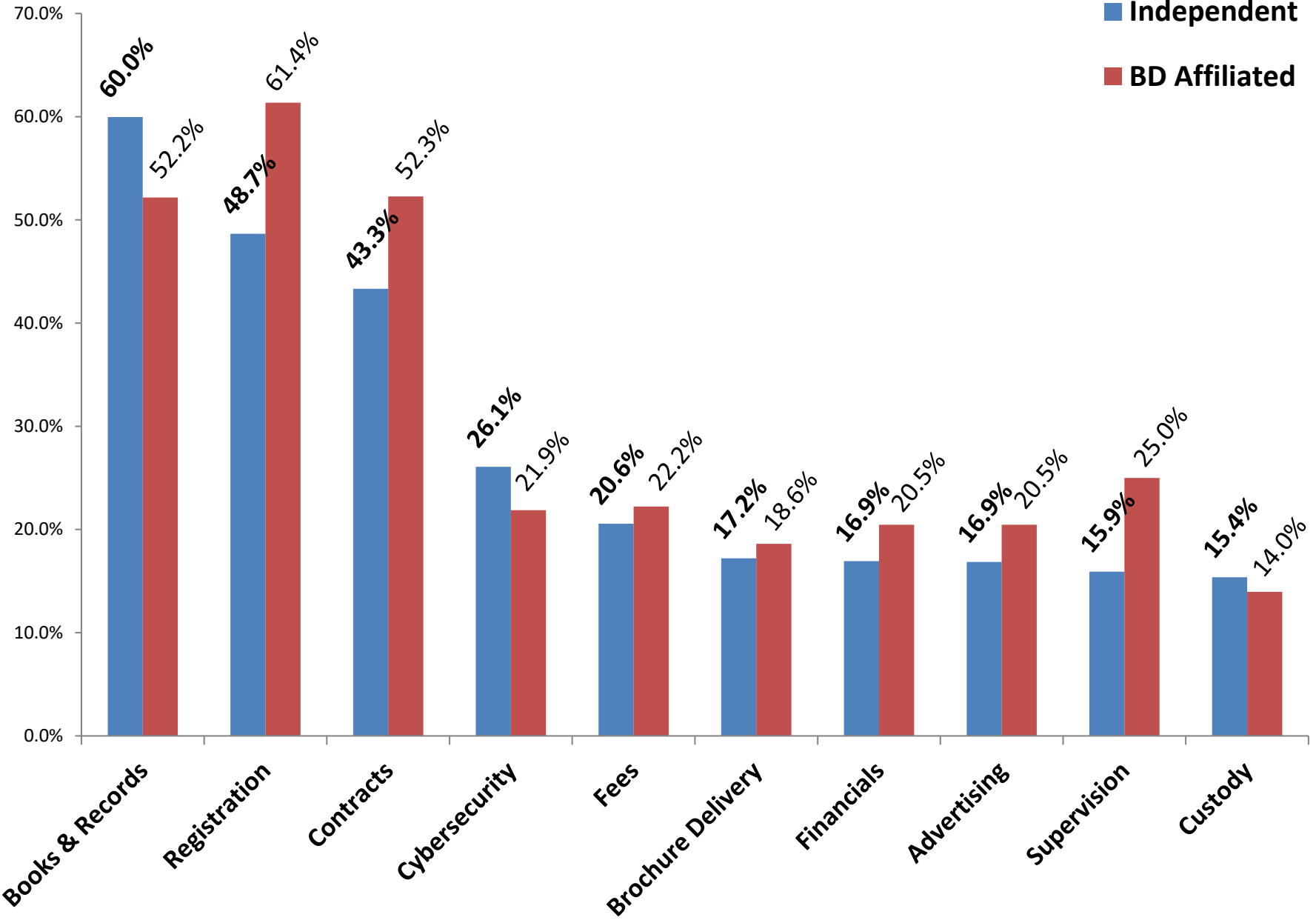
■ 2019 ■ 2017 ■ 2015

1 IAR vs. >1 IAR

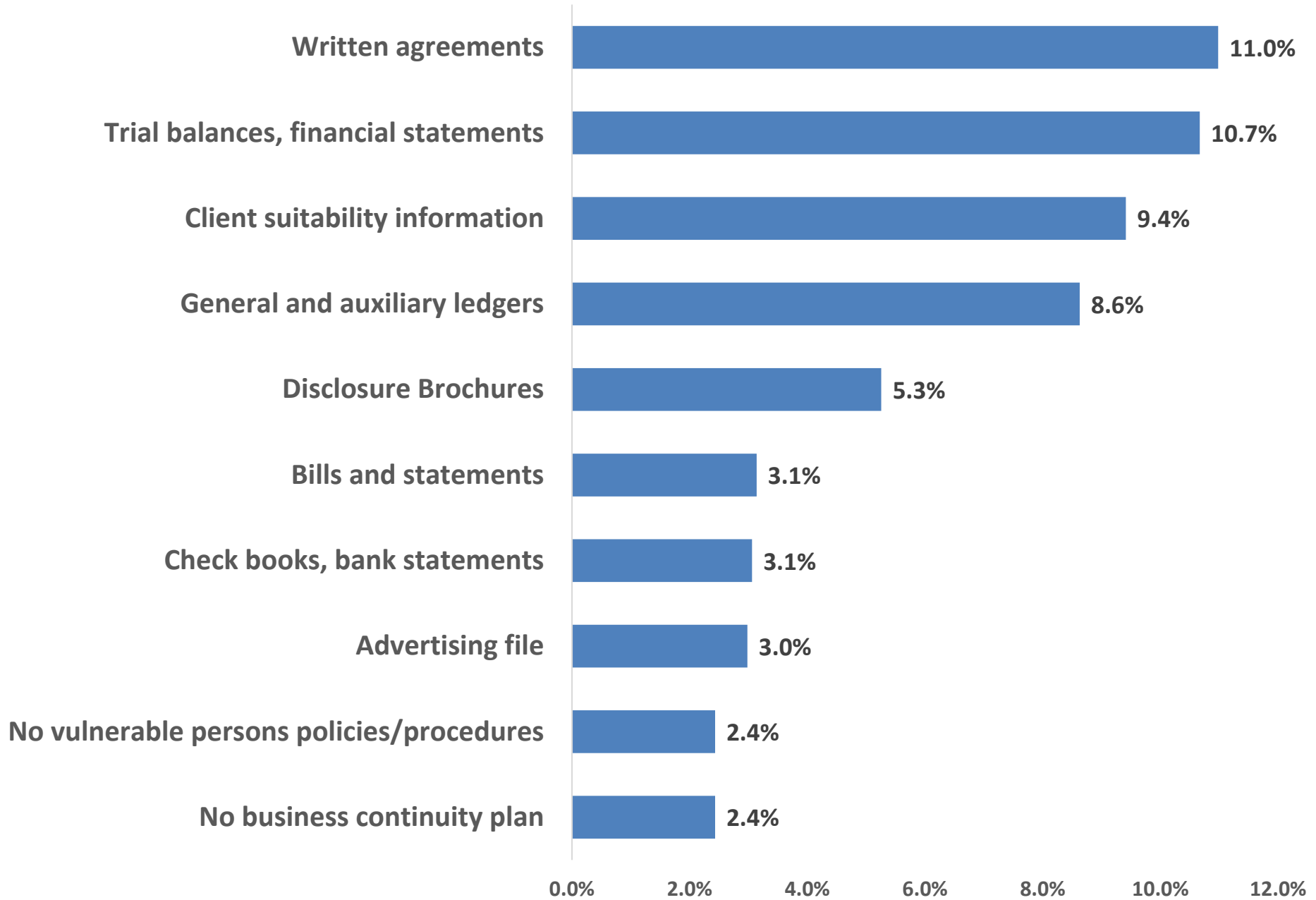


Independent IAs vs. BD Affiliated IAs

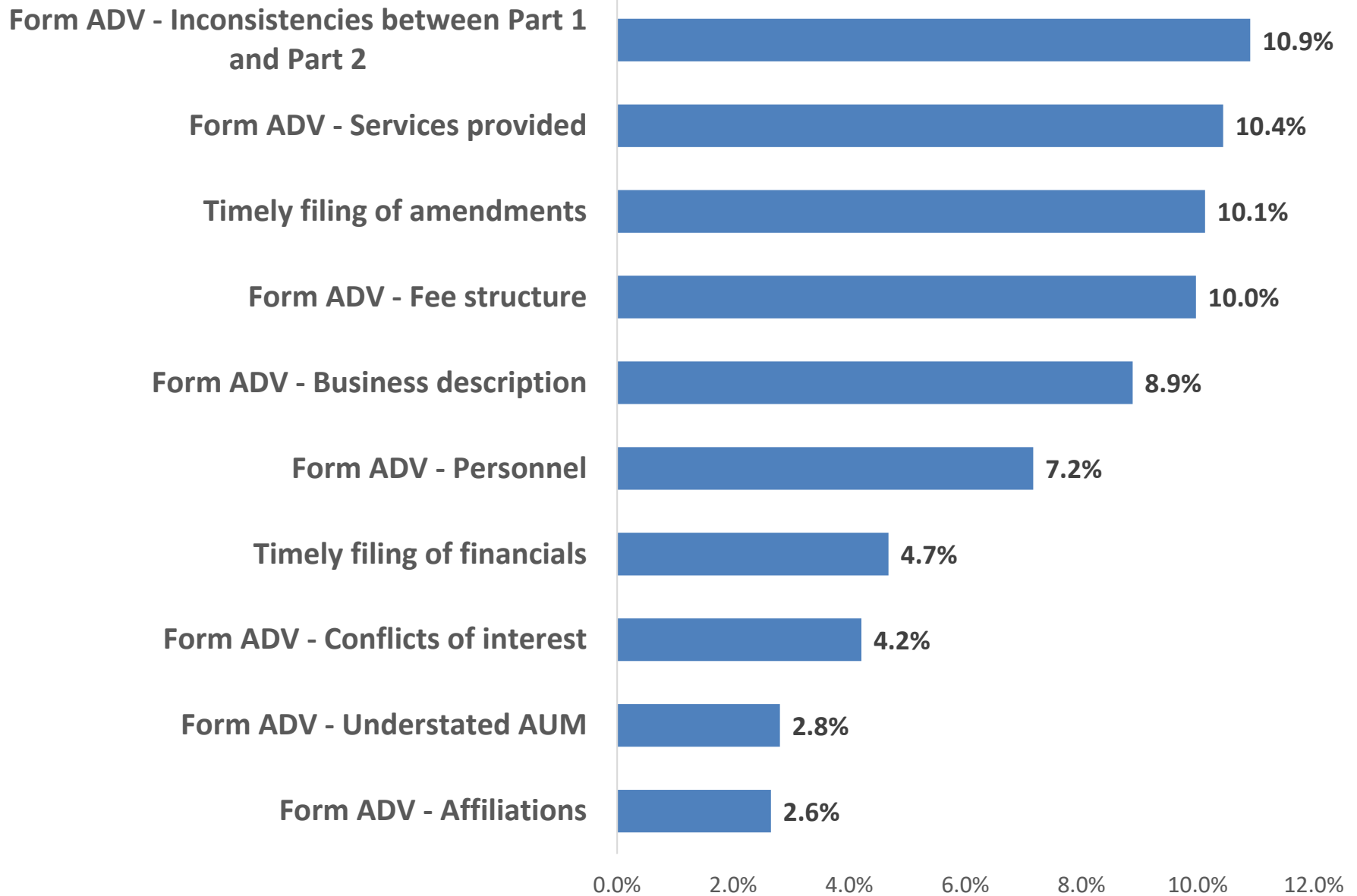
■ Independent
■ BD Affiliated



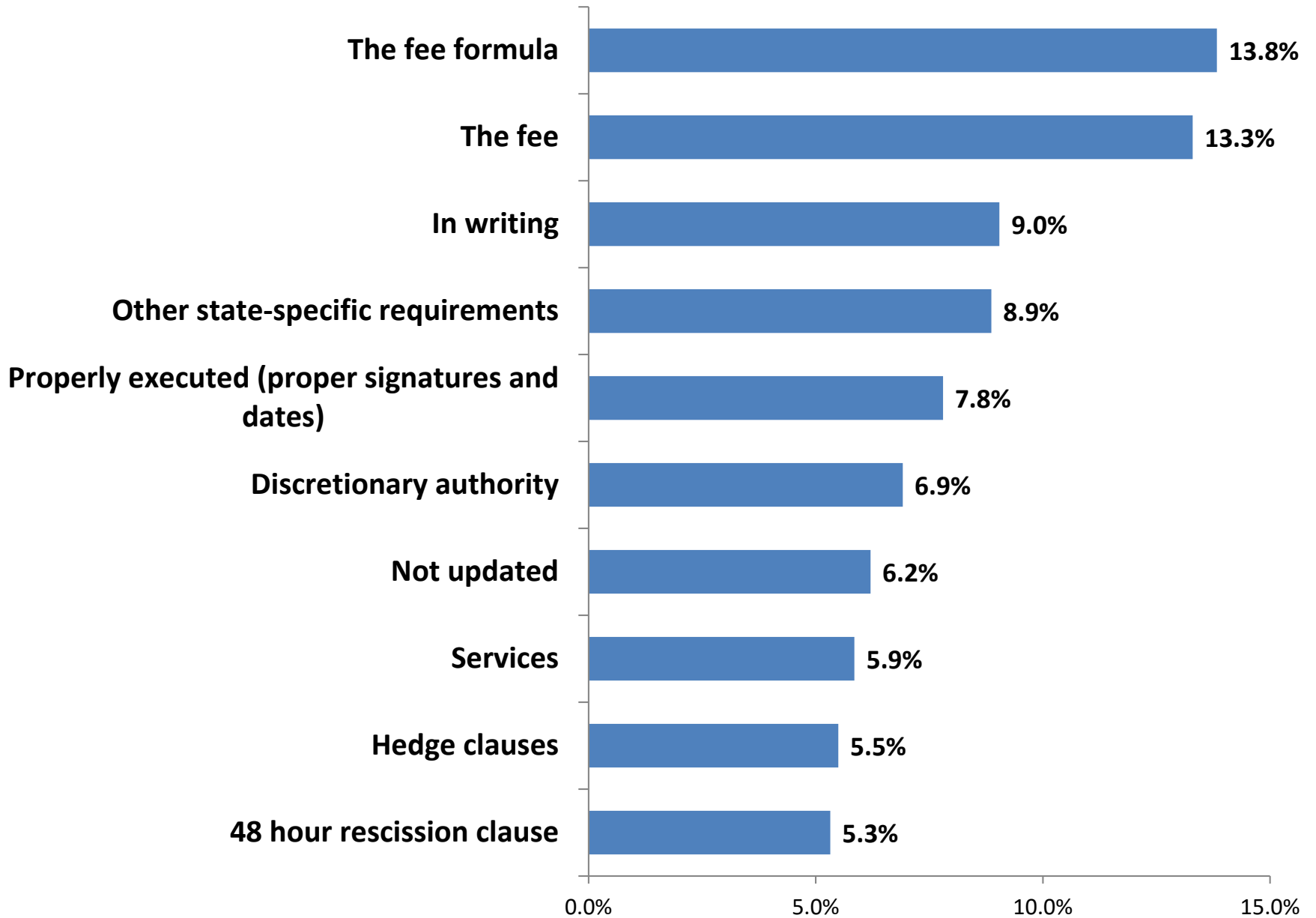
Books and Records



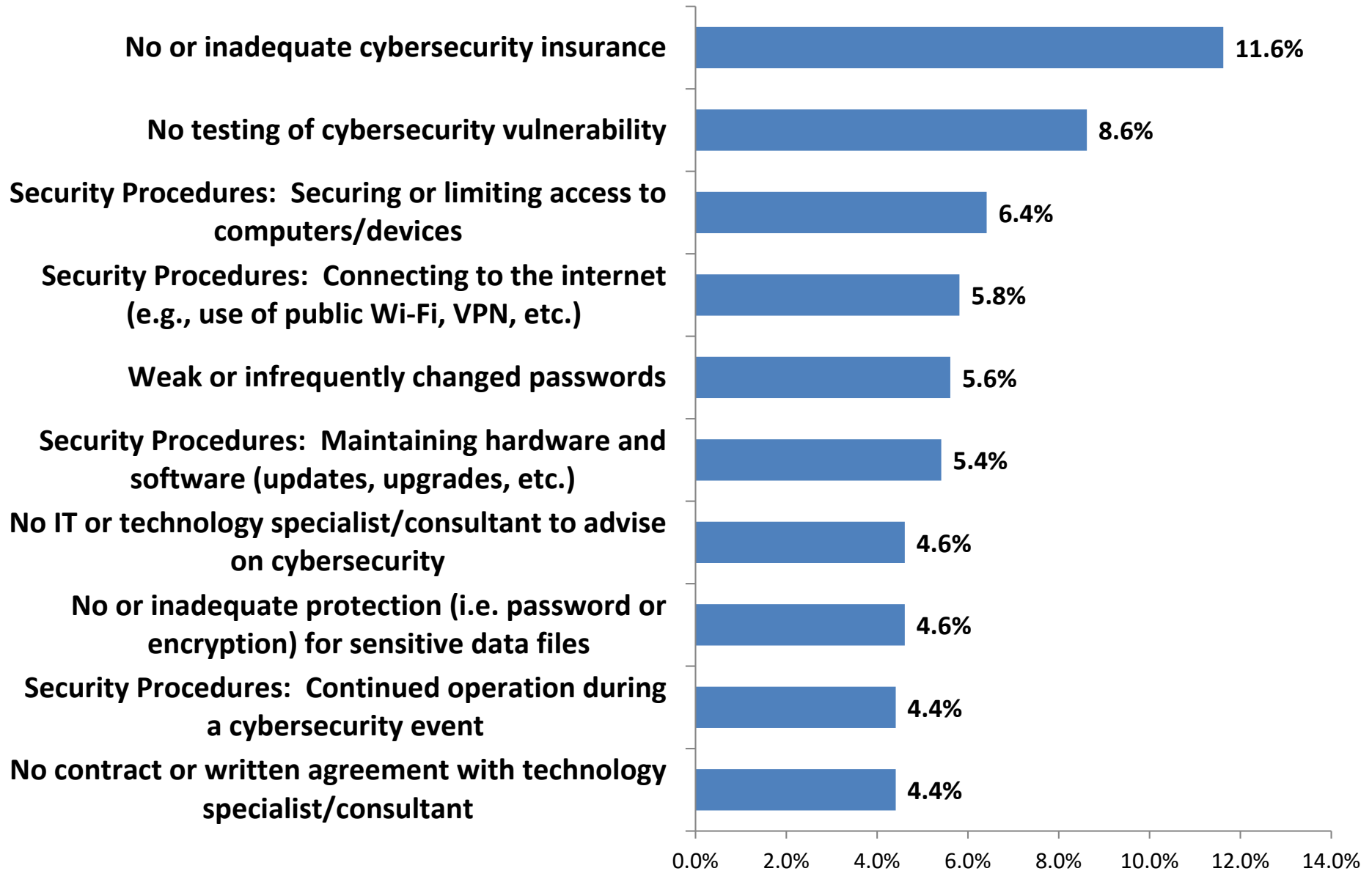
Registration



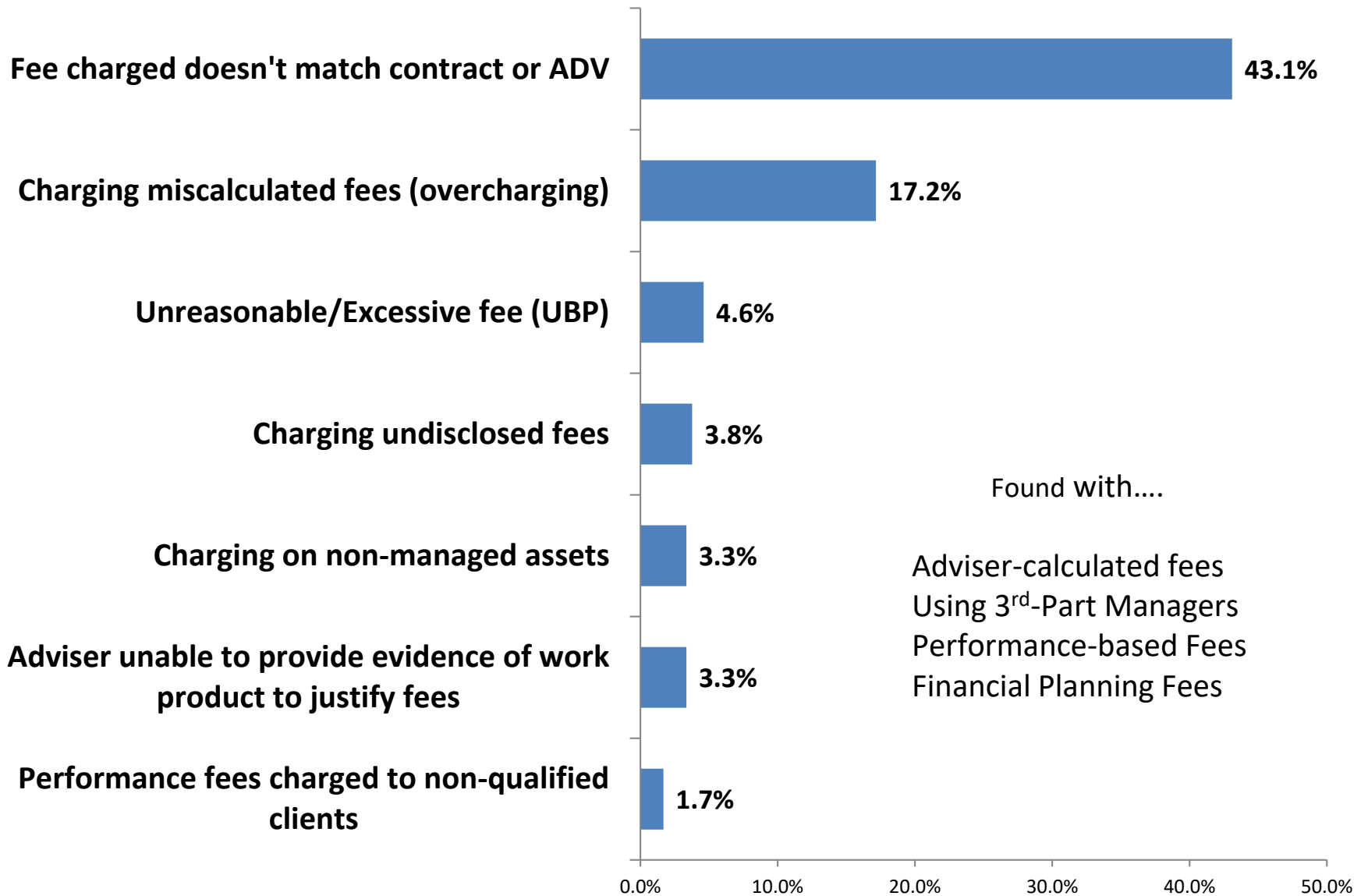
Contracts



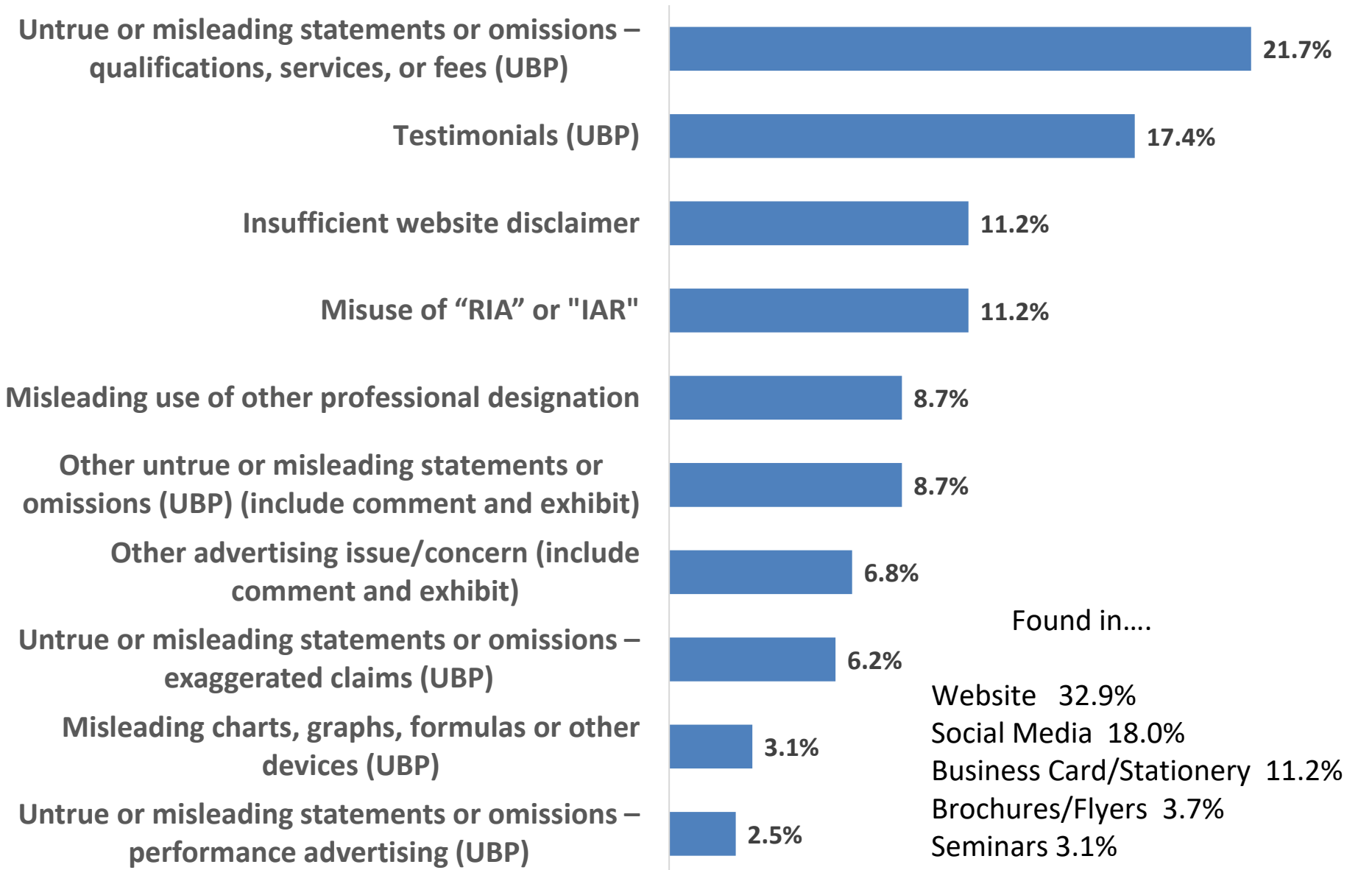
Cybersecurity



Fees



Advertising

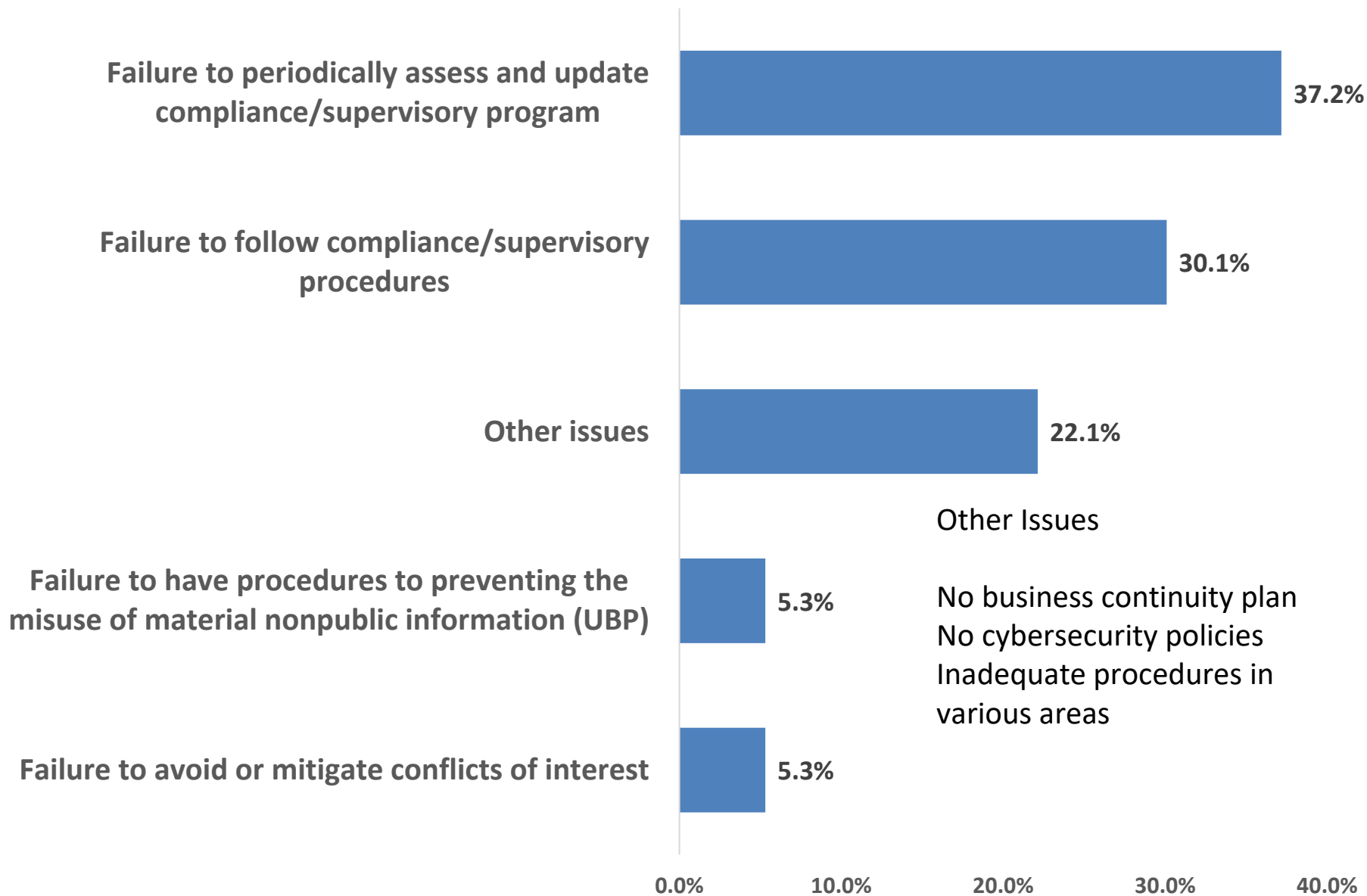


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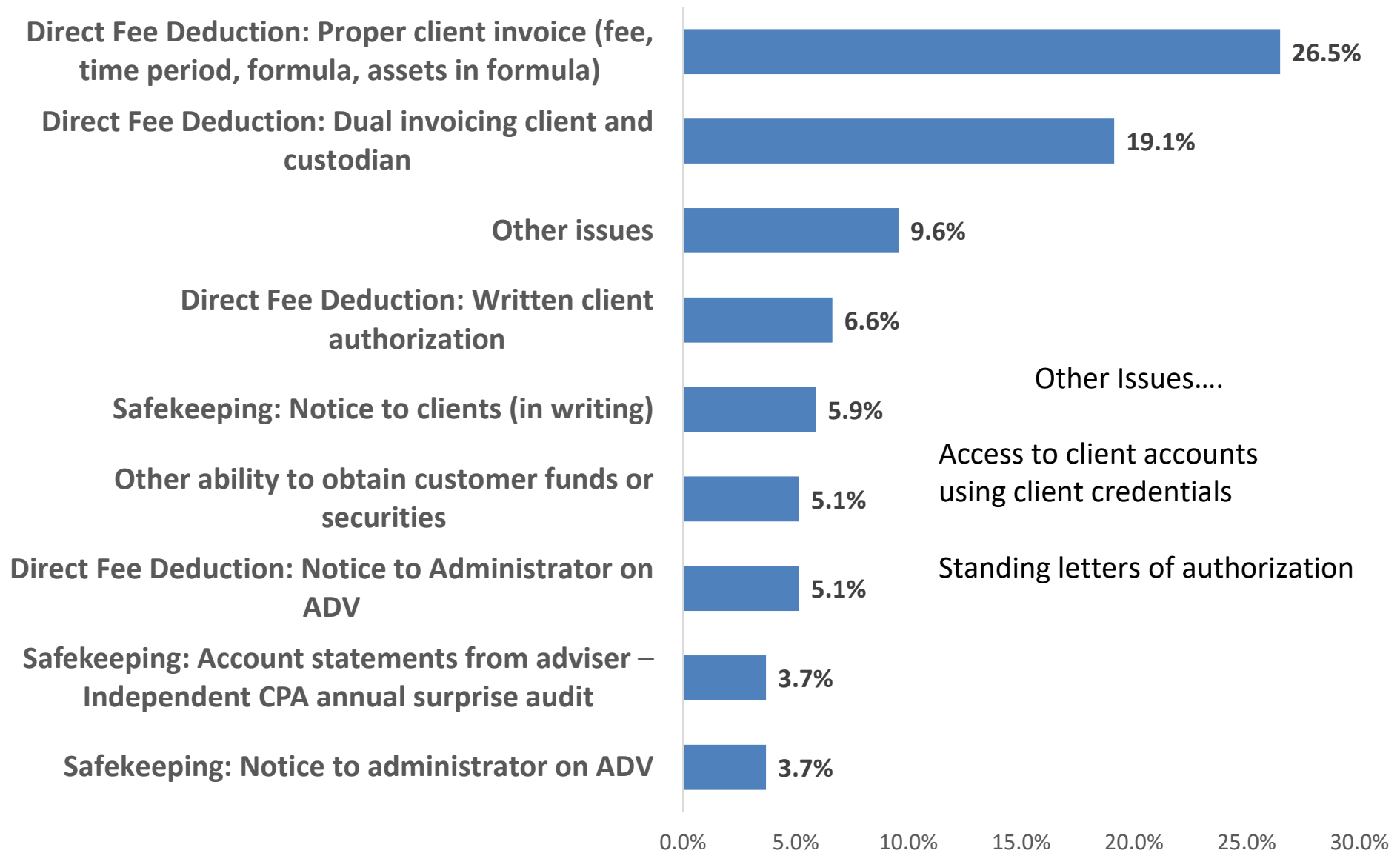
Website	32.9%
Social Media	18.0%
Business Card/Stationery	11.2%
Brochures/Flyers	3.7%
Seminars	3.1%

0.0% 5.0% 10.0% 15.0% 20.0% 25.0%

Supervision



Custody



Best Practices for Investment Advisers

- Review and revise Form ADV and disclosure brochure annually to reflect current and accurate information.
- Review and update all contracts.
- 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.
- Prepare a written compliance and supervisory procedures manual relevant to the type of business to include business continuity plan and information security policies/procedures.

Best Practices for Investment Advisers cont.

- Prepare and distribute a privacy policy initially and annually.
- Keep accurate and current financials. File timely with the jurisdiction. Maintain surety bond if required.
- Calculate and document fees correctly in accordance with contracts and ADV.
- Review all advertisements, including website and performance advertising, for accuracy.
- Implement appropriate custody safeguards, especially for direct fee deduction.
- Review solicitor agreements, disclosure, and delivery procedures.