

2021 Investment Adviser Coordinated Exams



North American Securities Administrators Association



Exams Overview

- 1206 routine investment adviser examinations
- January 1 – July 7, 2021
- 289 IAs first time examined by the state
- 73% of examined US Advisers had AUM > 0
 - 62.8% had AUM > \$30MM
 - 37.2 % had AUM < \$30MM
 - Others were solicitors or financial planners with 0 AUM
- Most exams were conducted remotely



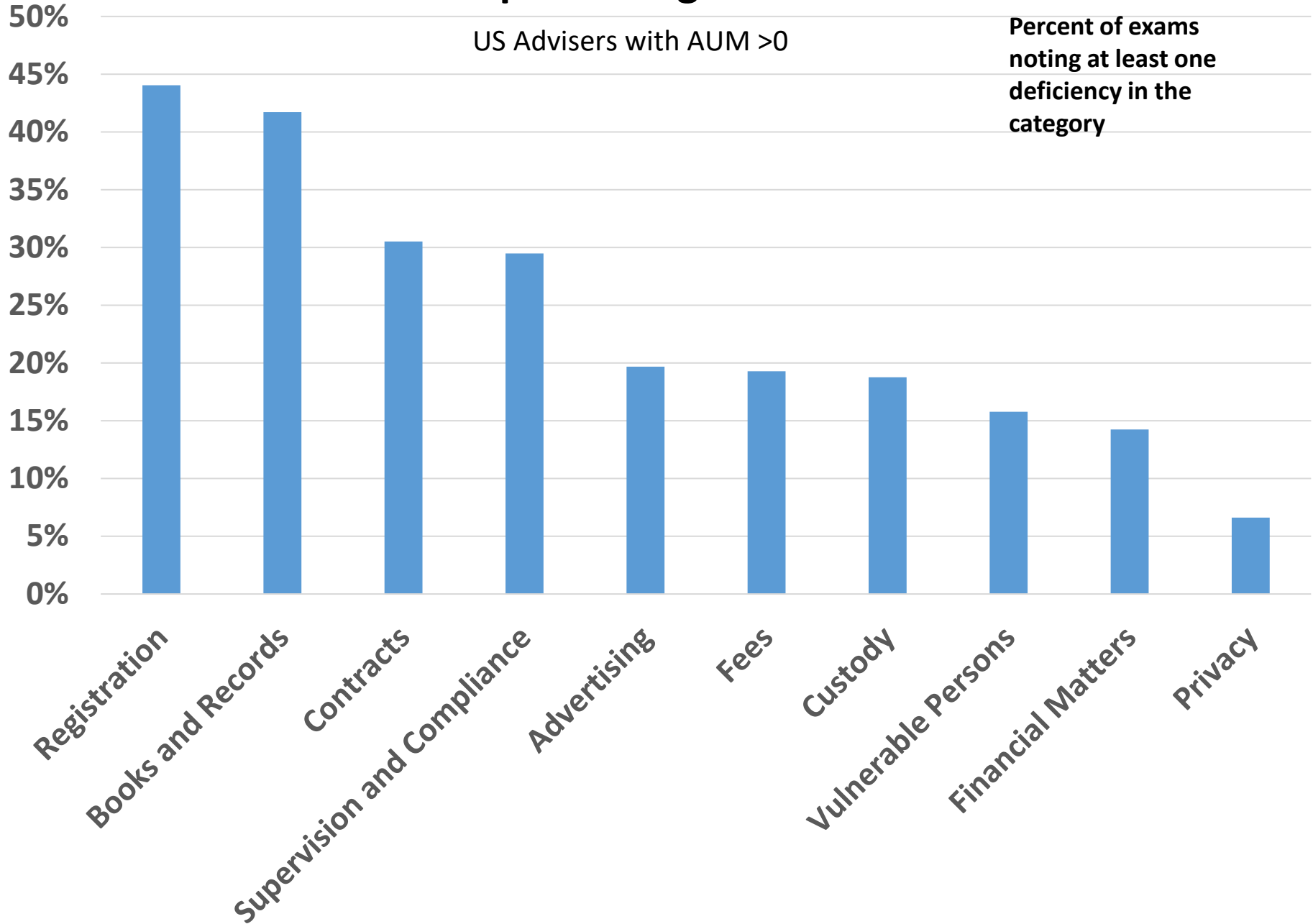
Adviser Stats

- 68.4% of advisers had 1 IAR
- 30% of advisers had > 1 IARs
- 60 IAs affiliated with a BD firm
- 23 IAs advised a pooled investment vehicle
- 177 IAs offered financial planning services
- 62 IAs solely acted as solicitors for other advisers
- 24 IAs payed solicitors for referrals

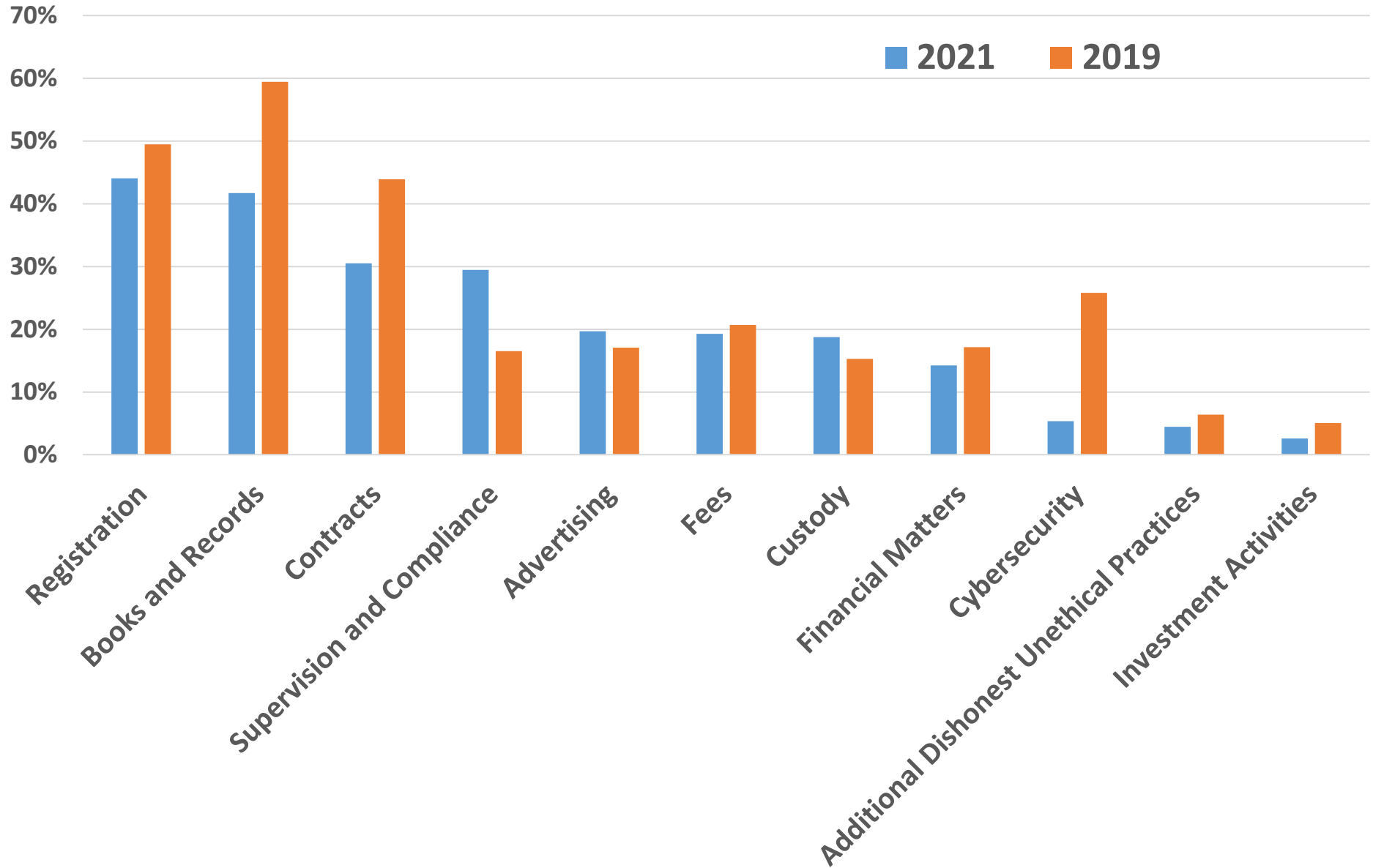
Top 10 Categories

US Advisers with AUM >0

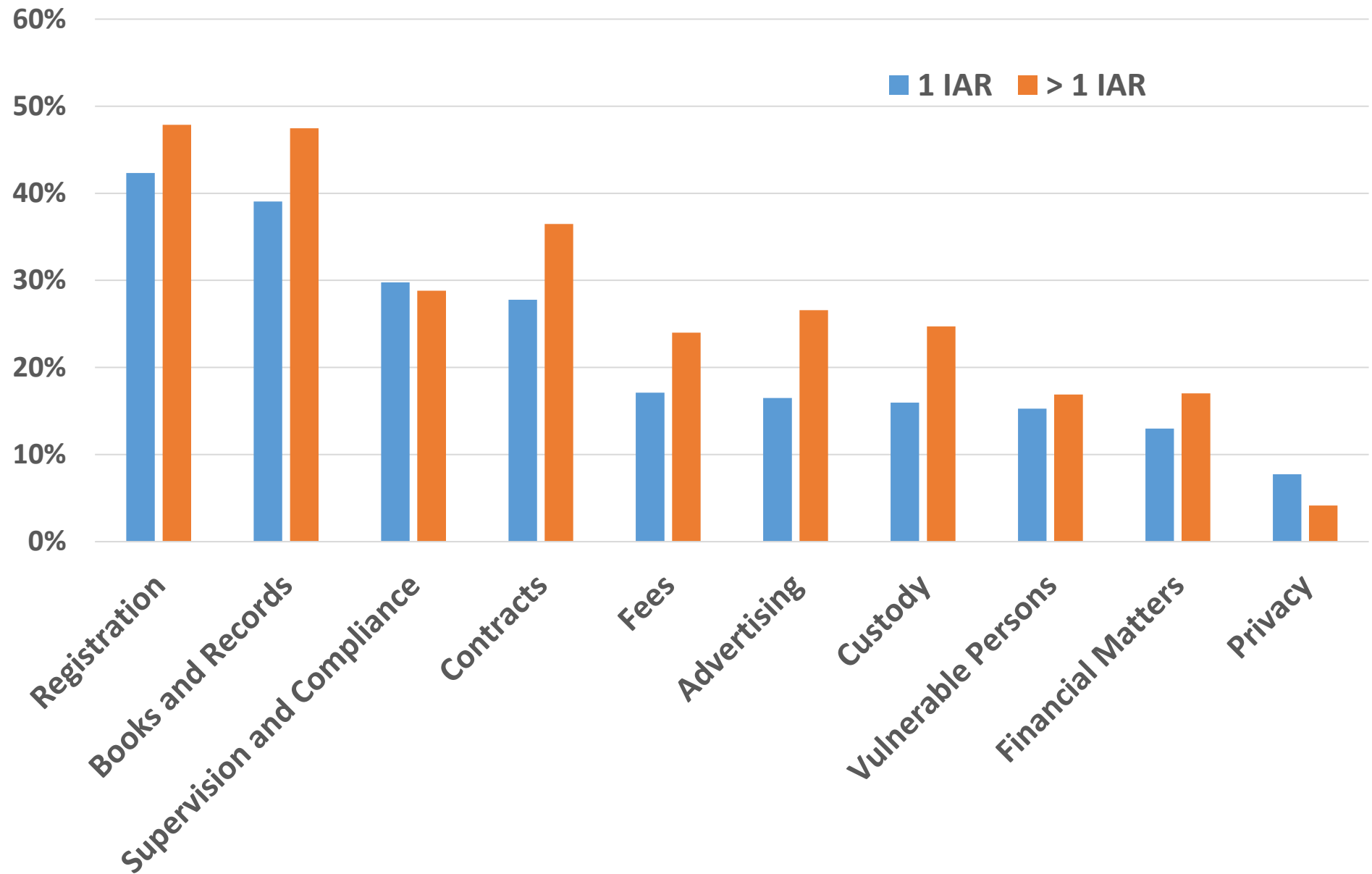
Percent of exams
noting at least one
deficiency in the
category



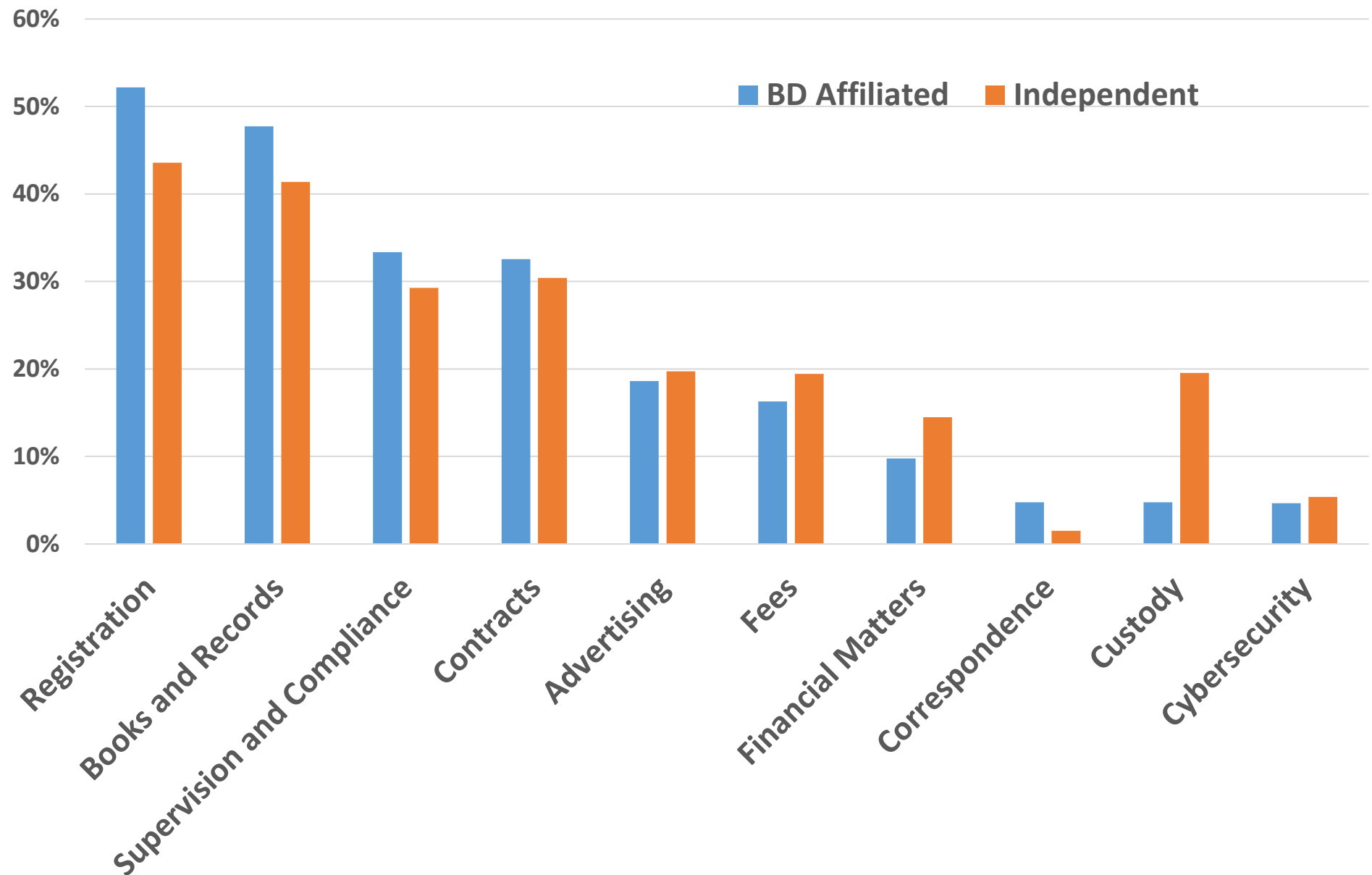
2021 vs. 2019



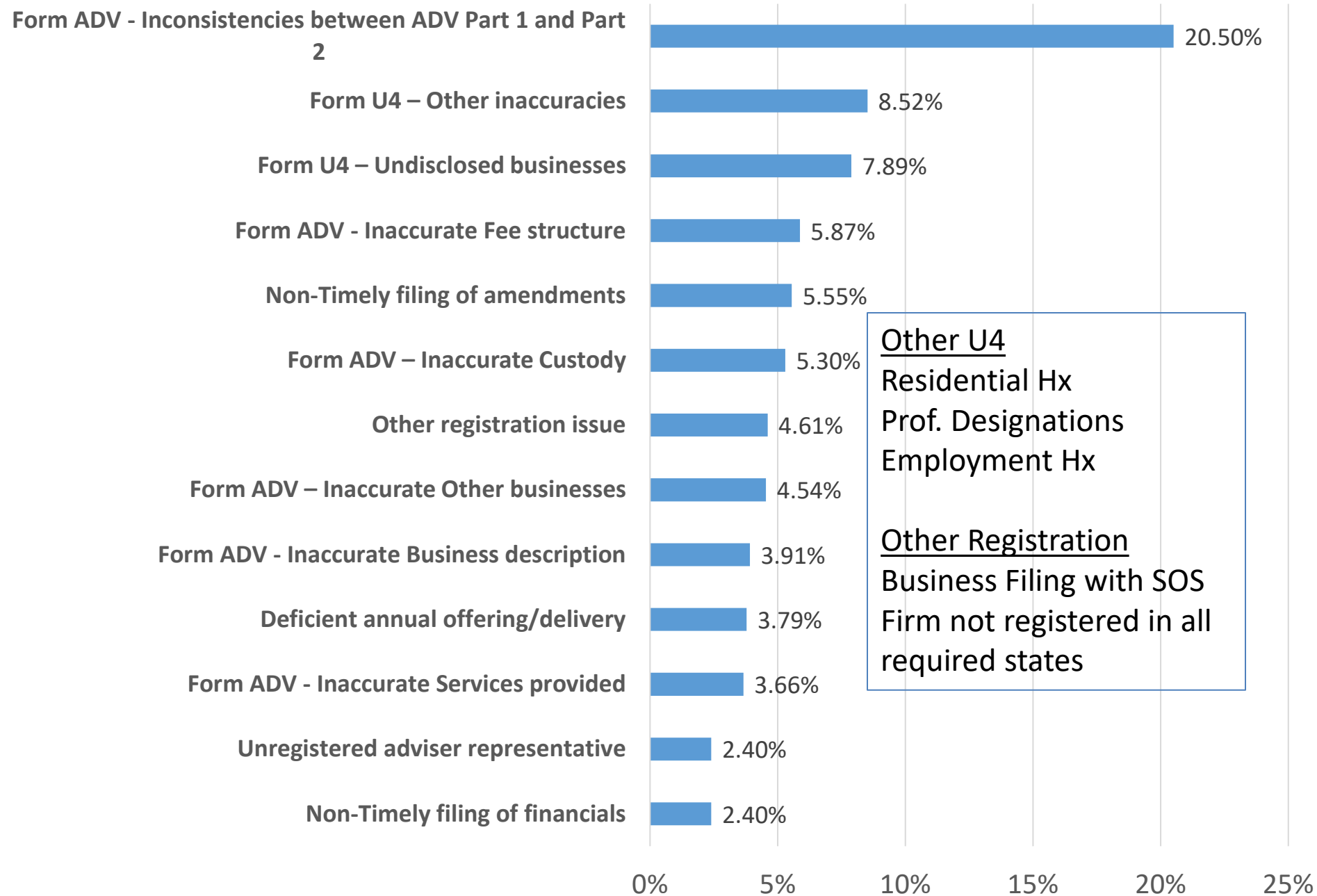
1 IAR vs. > 1 IAR



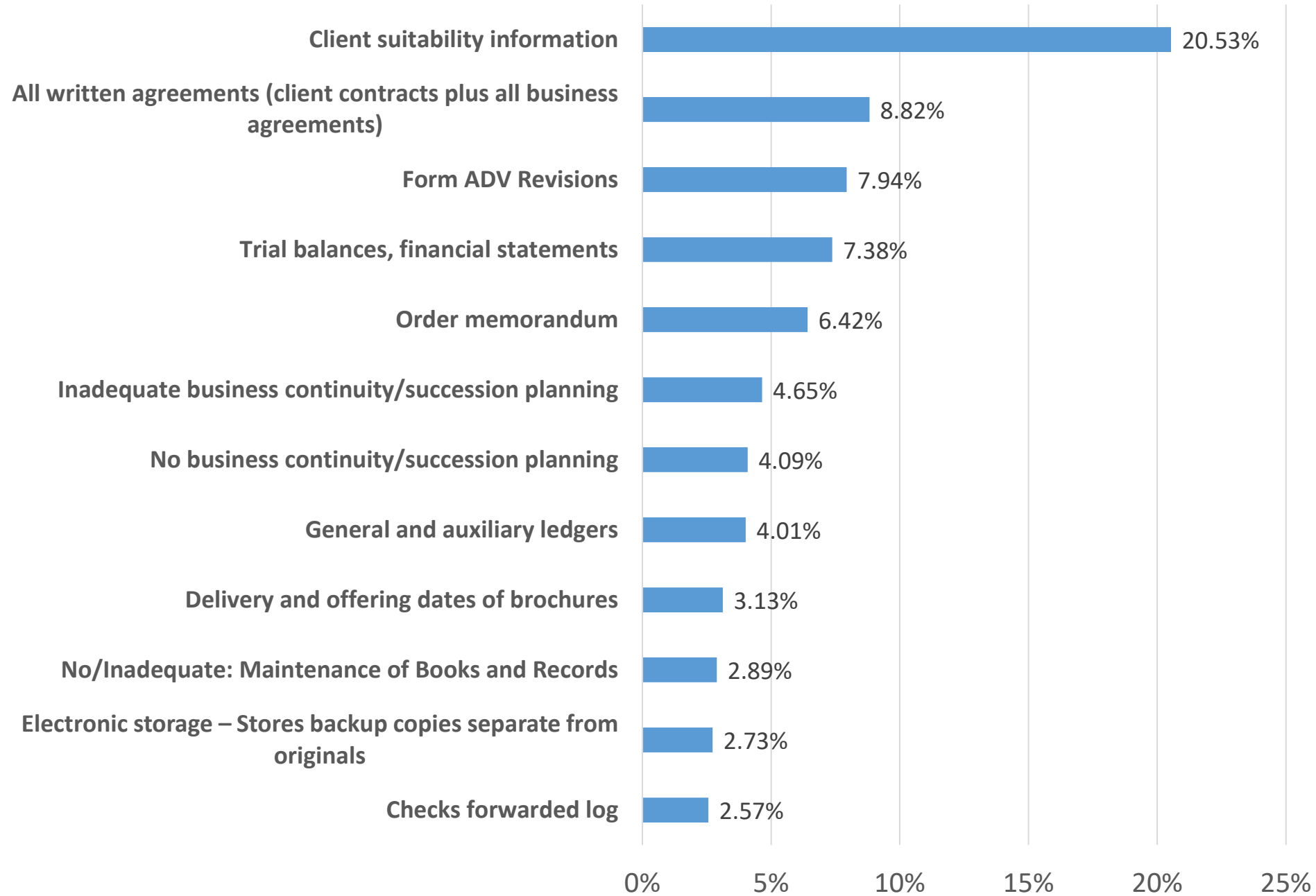
BD-Affiliated vs. Independent IA



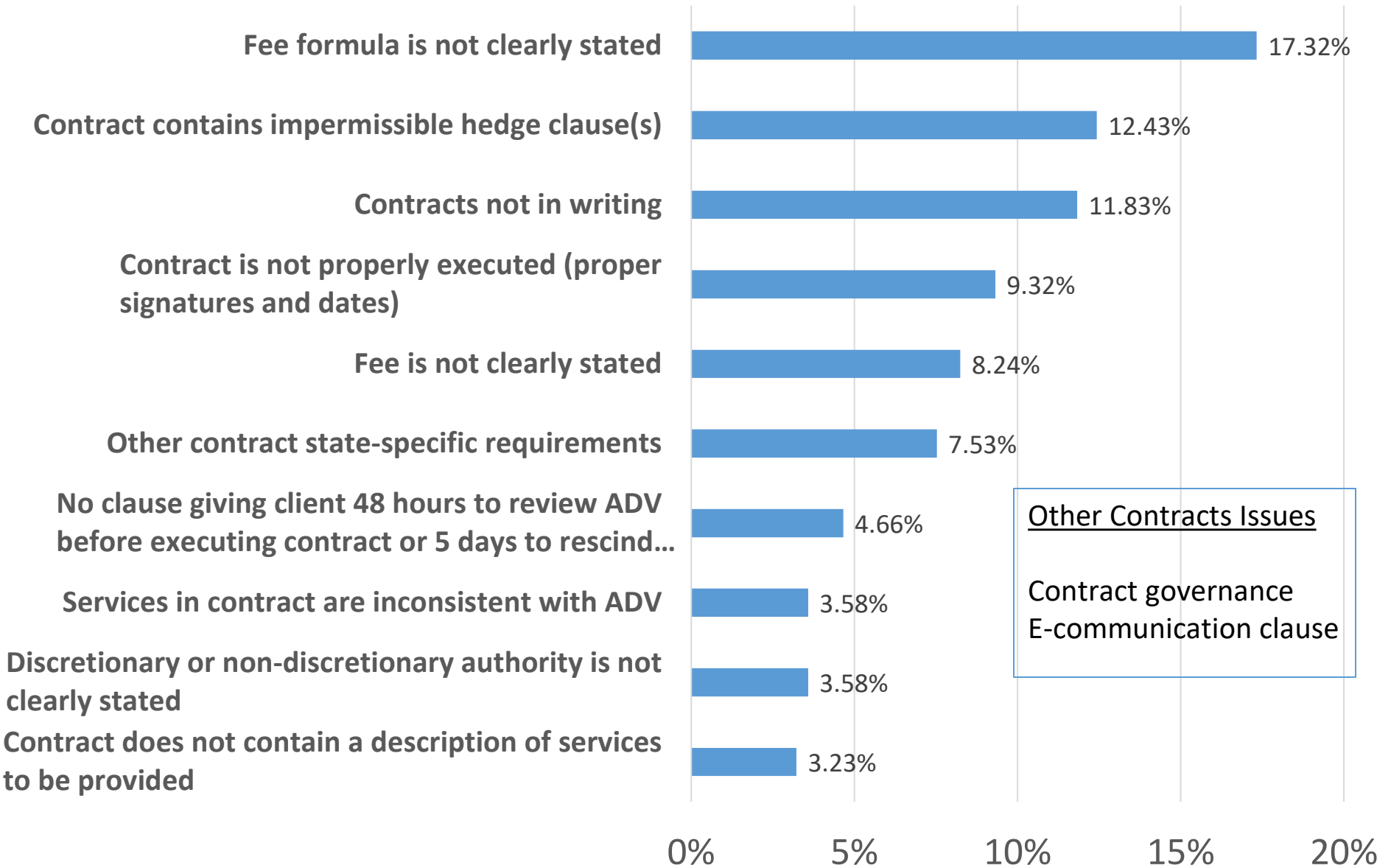
Registration



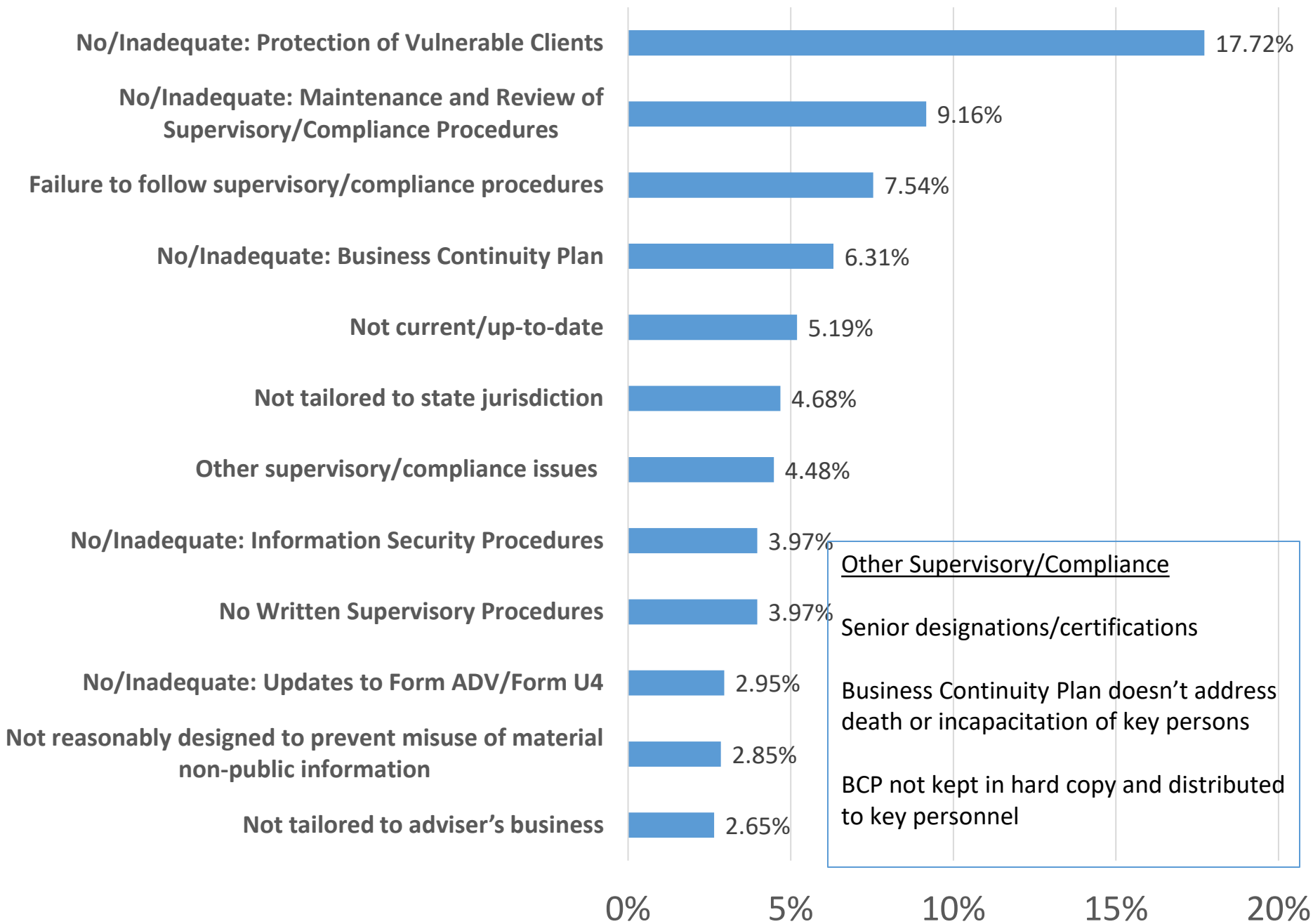
Books and Records



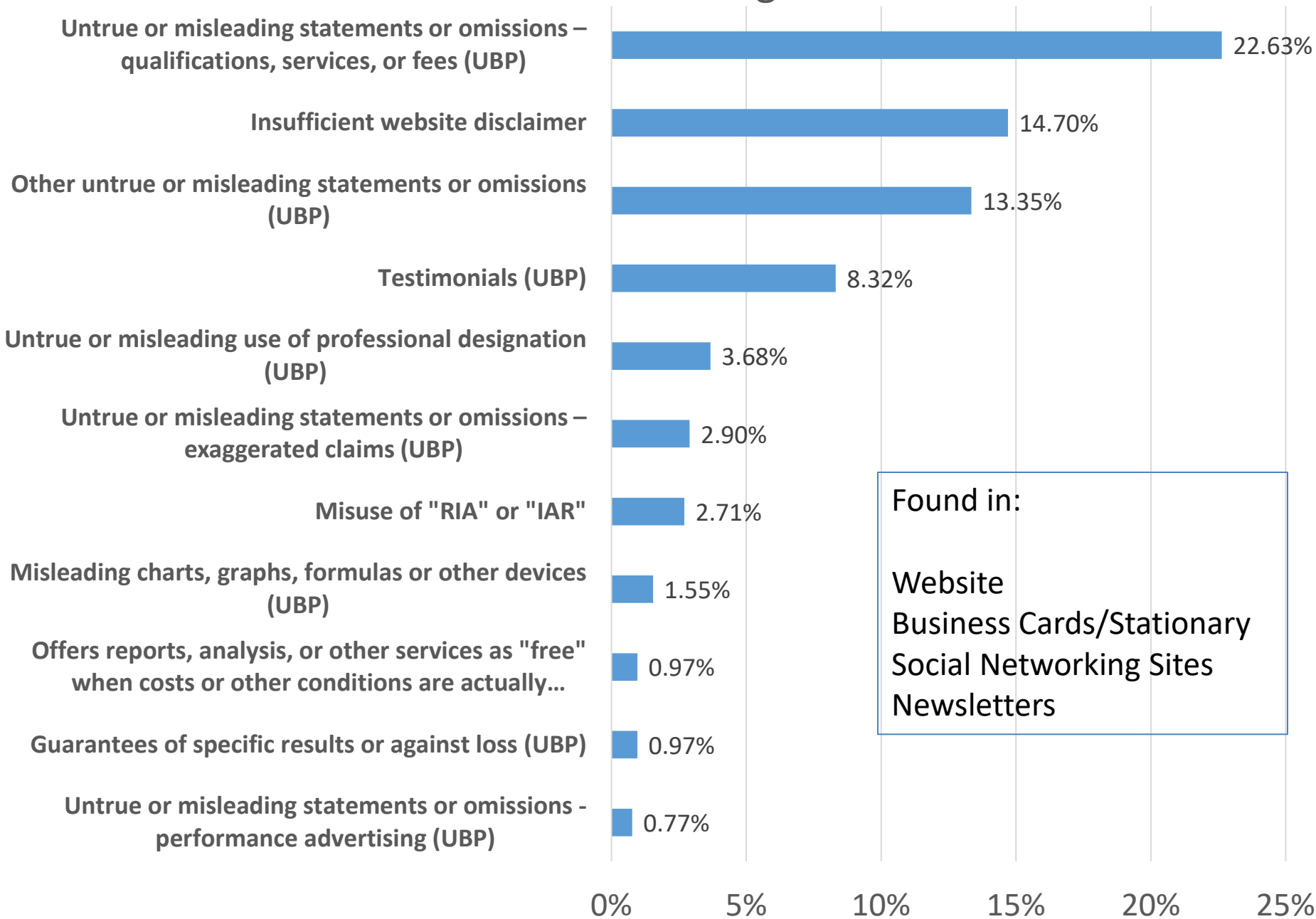
Contracts



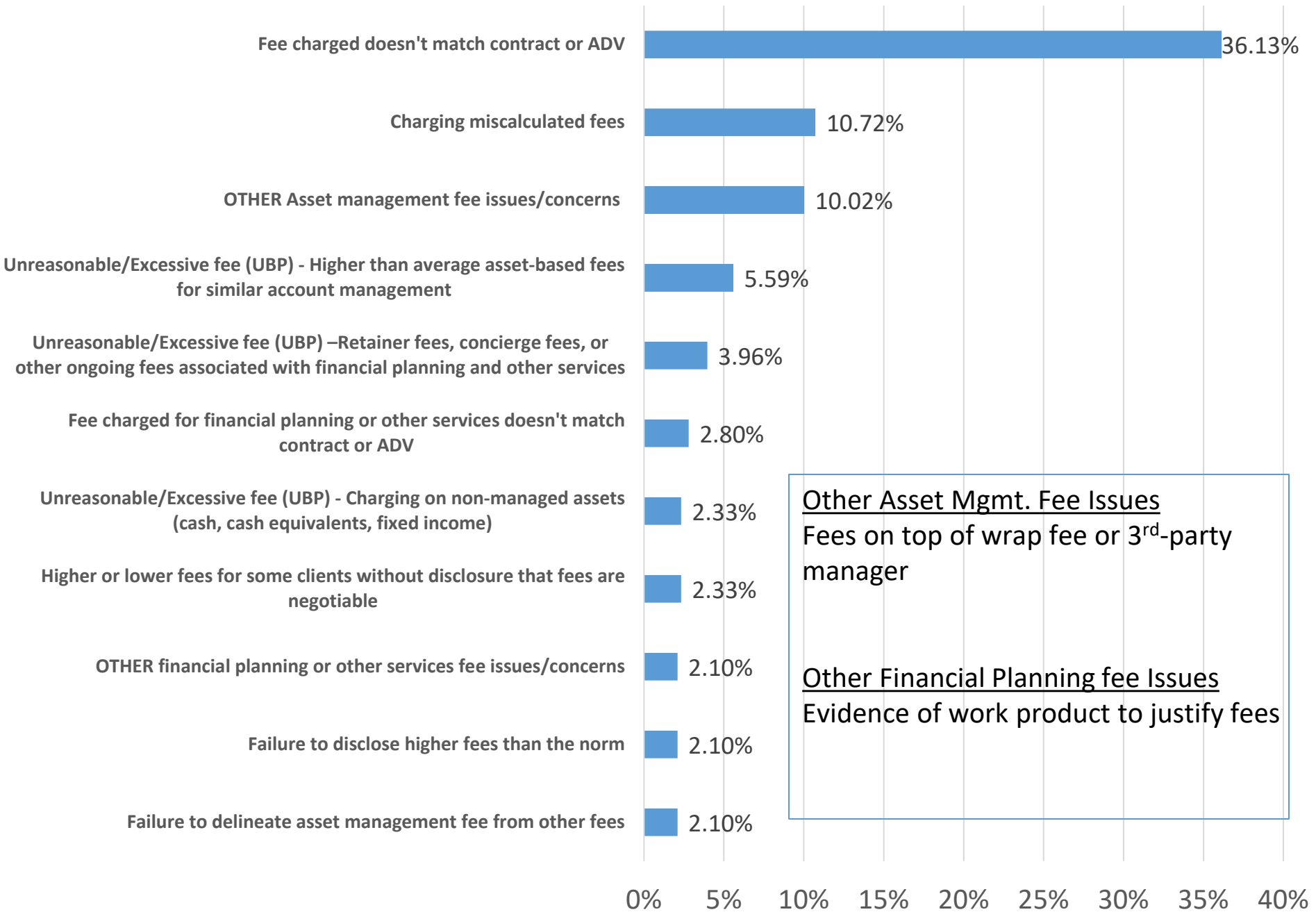
Supervision/Compliance



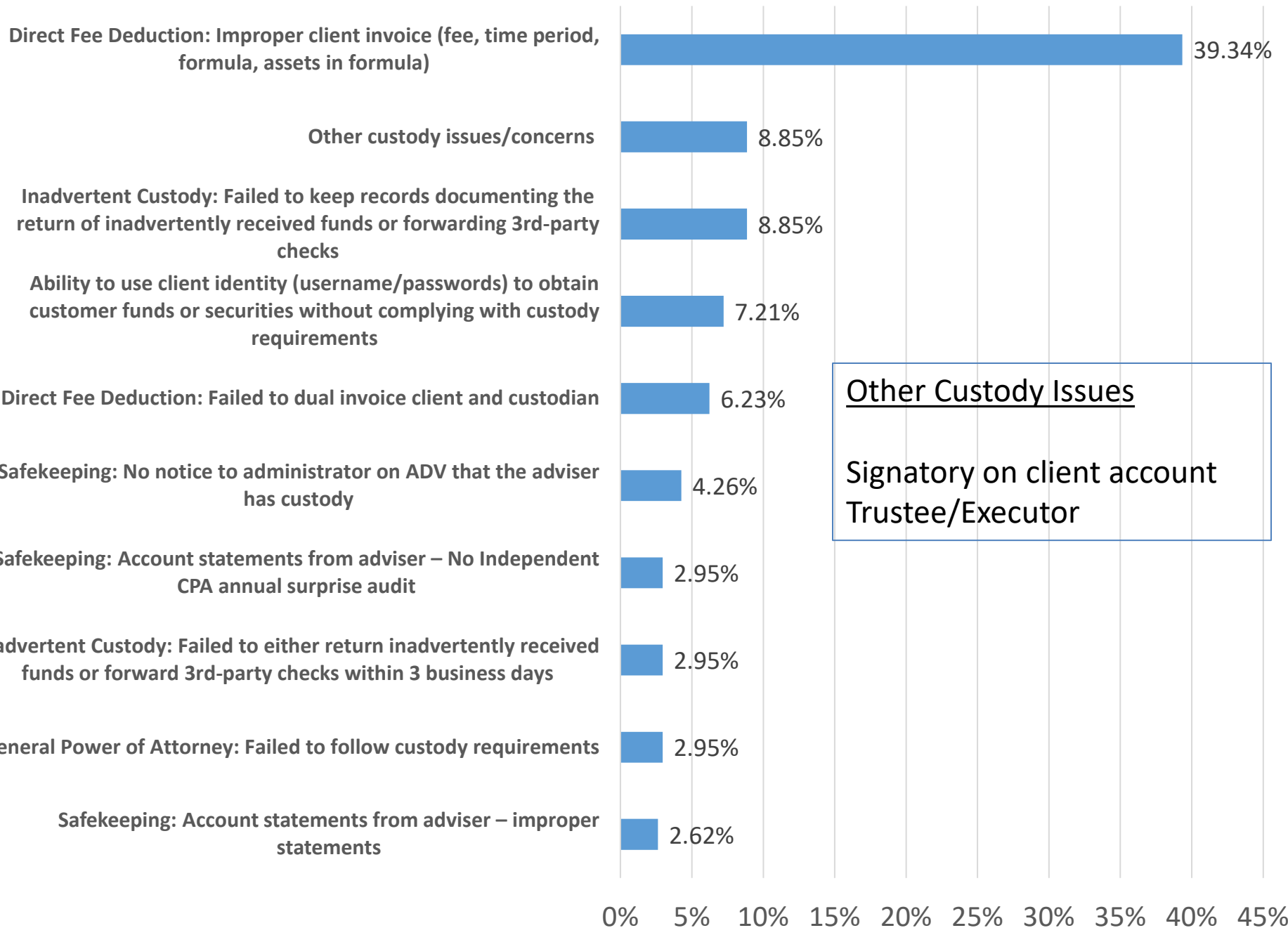
Advertising



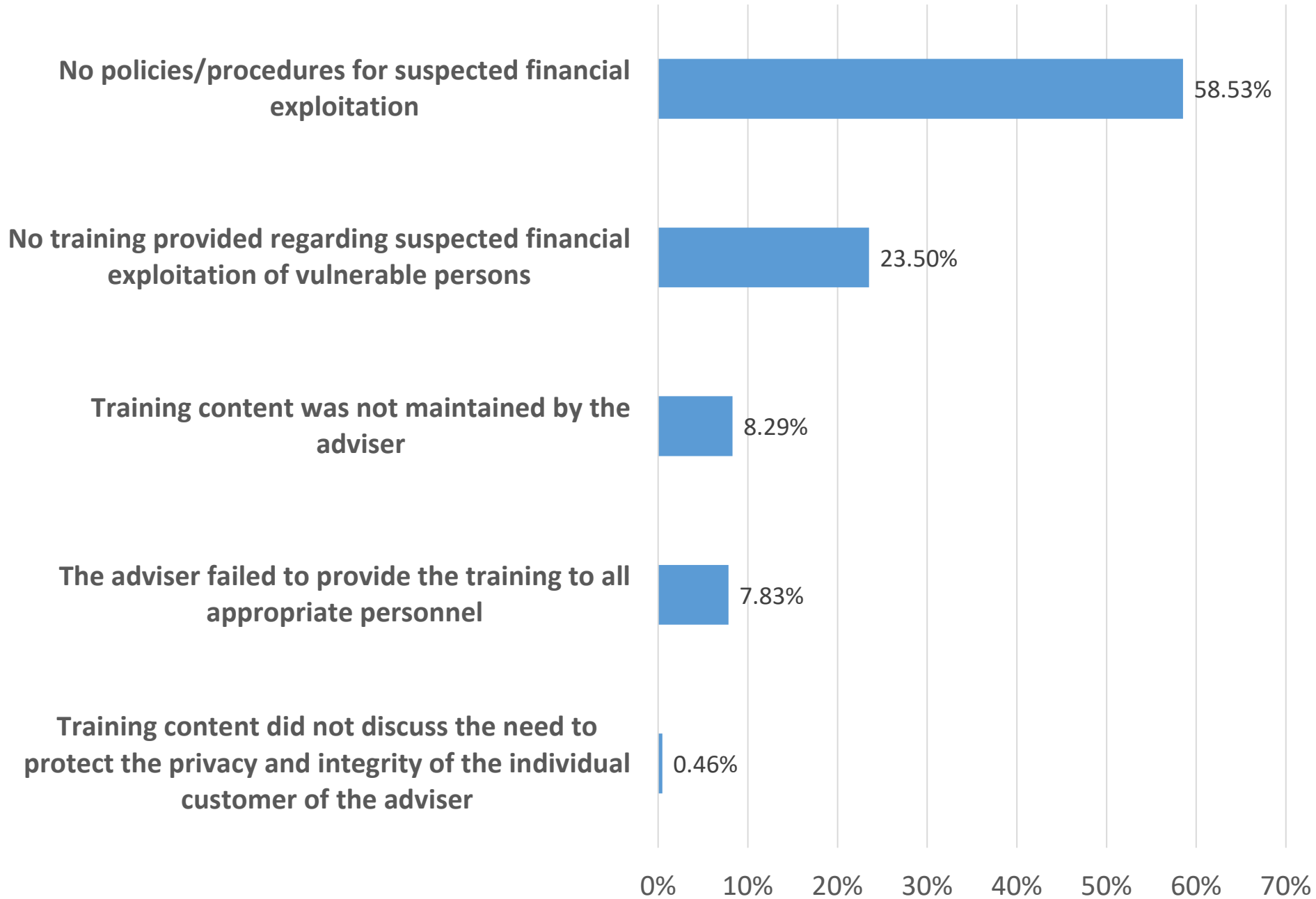
Fees



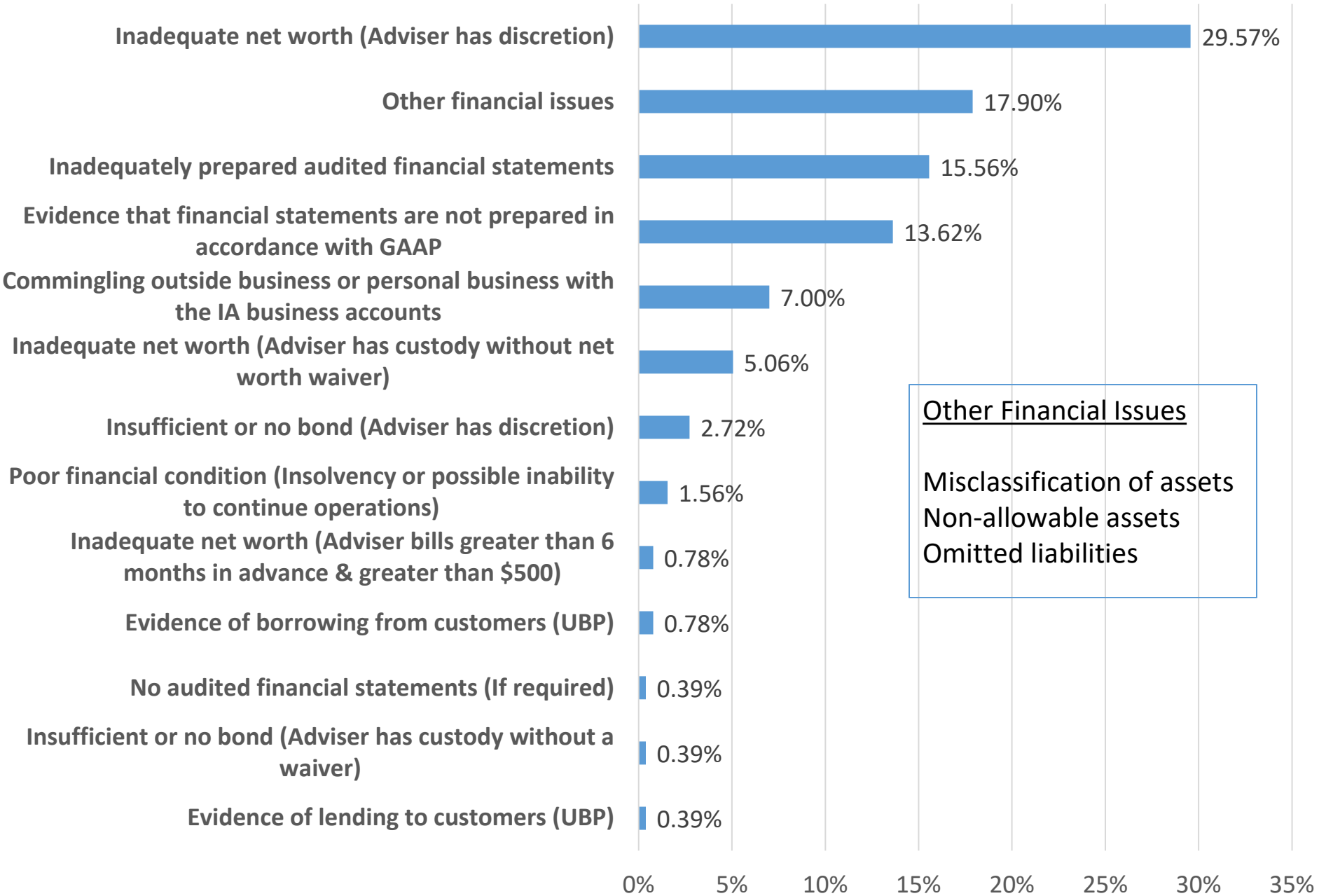
Custody



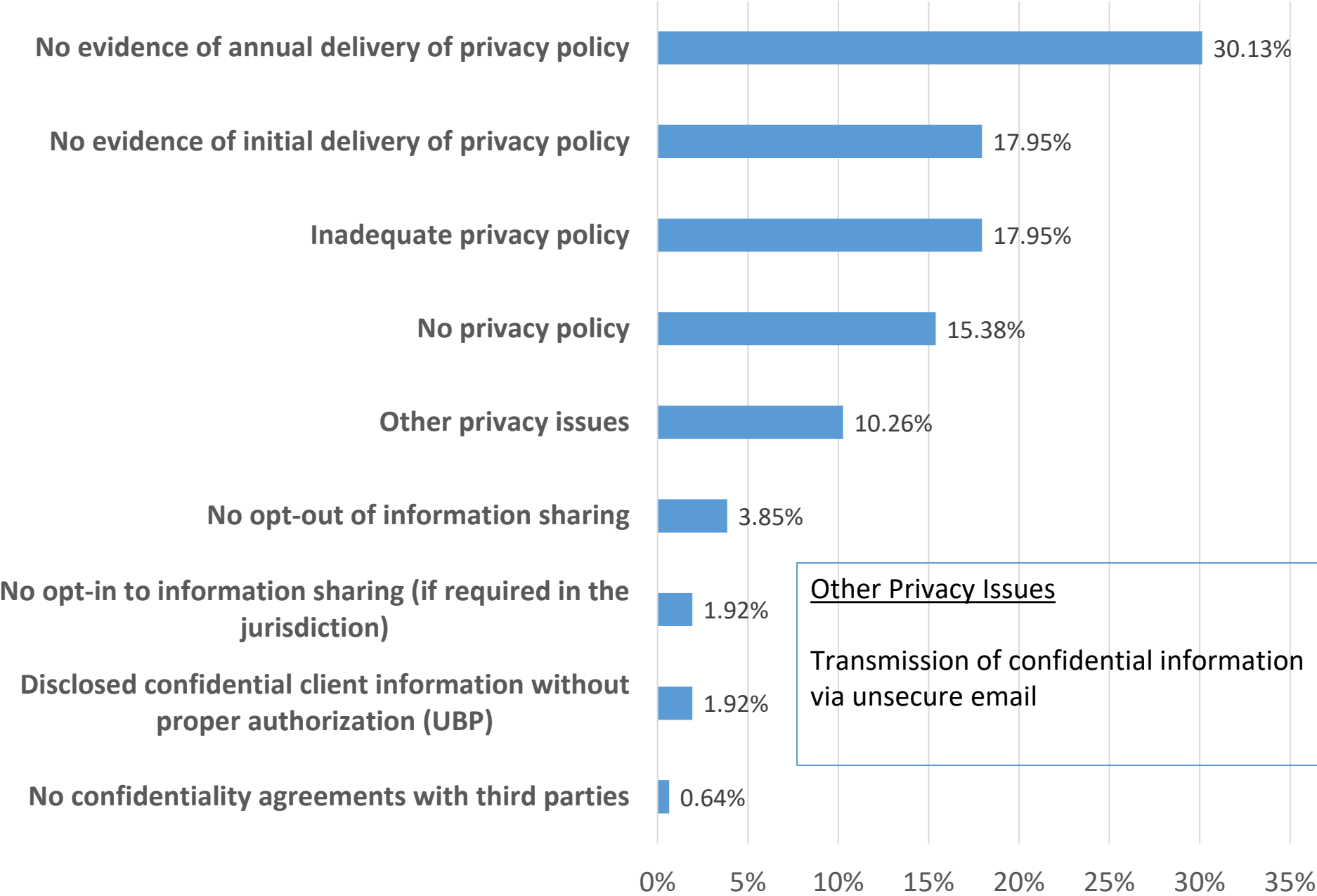
Senior/Vulnerable Persons



Financial Matters



Privacy



Other Privacy Issues
Transmission of confidential information via unsecure email

OK, so what now?



Recommendations to Investment Advisers

- Review and revise Form ADV and disclosure brochure annually to reflect current and accurate information.
- Review and update all contracts. Be aware of e-communications hedge clauses.
- 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. Maintain due diligence file for recommended products or strategy.
- Prepare a written compliance and supervisory procedures manual relevant to the type of business to include business continuity plan and information security policies/procedures. 1) Policy 2) Who 3) Does what 4) How often 5) How evidenced

Recommendations to Investment Advisers

- Prepare and distribute a privacy policy initially and annually. Be aware of confidential information transmitted via unsecure means.
- 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 social media for accuracy.
- Implement appropriate custody safeguards, especially for direct fee deduction. Prepare and send appropriate fee invoices to clients.
- Add policies/procedures for seniors/vulnerable persons to include training of personnel.

Questions/Contacts

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