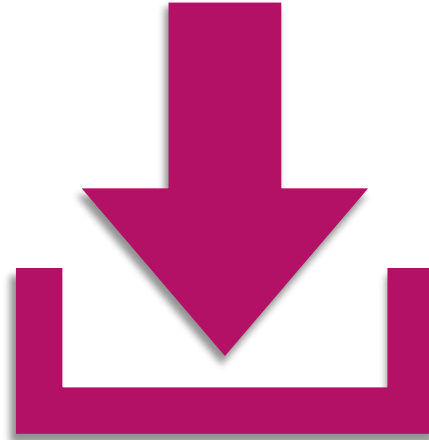


A dark, semi-transparent overlay covers a photograph of several business professionals in a meeting. They are gathered around a table, looking at documents and a laptop. One person is holding a smartphone. The overall tone is professional and collaborative.

Documenting an Investment Adviser's Annual Compliance Review

Download Our Slides

<https://www.ria-compliance-consultants.com/annual-review-in-writing>



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Please carefully review the following disclosures and limitations of this course.

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Jurisdictions Requiring IAR CE

Already Effective As Of 1/1/24:

AR; CA; CO; FL; HI; KY; MD; MI; MS; NV;
ND; OK; OR; SC; TN; VT; DC; & WI.



Effective On 1/1/25:

U.S. Virgin Islands



Investment Adviser Rep Continuing Education

This Course Is Being Submitted
to NASAA For 1 Hour of IAR CE
Under Ethics Category, But It Is
Not Yet Approved

NASAA Disclosure

NASAA does not endorse any particular provider of investment adviser representative continuing education courses. The content of this course and any views expressed are our own and do not necessarily reflect the views of NASAA or any of its member jurisdictions.



Course Requirements

- ▶ **Login** - You must be logged in during the presentation under your email address.
- ▶ **View Entire Presentation** – You are required to watch the entire live presentation the course.
- ▶ **Attendance Codes** - As you watch the presentation, you will receive two attendance codes, each containing three alphanumeric characters. Save these codes. You will need to enter the full six-character attendance code prior to accessing the final quiz.
- ▶ **Login** – You will need to login into <https://www.CE4Advisers.com> and select/purchase this course.
- ▶ **IAR Acknowledgement** – Sign the IAR CE Acknowledgement & Attestation.
- ▶ **Final Quiz** - You must complete each lesson and receive a score of **70%** on the final quiz to receive IAR CE credit (assuming the course has been approved by NASAA).

Content Questions & Technical Help

If you have questions about the content of this course or need technical help, please contact us via the email address below:

ContEd@ria-compliance-consultants.com

Your Instructor



Bryan Hill, President
RIA Compliance Consultants, Inc.

Bryan has over 29 years of experience working with investment advisers, broker-dealers and investors as a compliance consultant, attorney and executive.

bhill@ria-compliance-consultants.com

877-345-4034 x 101

Jarrood James

- ▶ Senior Vice President of RIA Compliance Consultants, Inc.
- ▶ Investment Adviser Certified Compliance Professional®
- ▶ Masters of Arts in Management

jjames@ria-compliance-consultants.com

877-345-4034 x 103



Course Overview

- ▶ Annual Review Requirement
- ▶ SEC's In Writing Amendment
- ▶ Best Practices for Documenting
- ▶ Production & Record Keeping Requirements

Limitations & Exclusions

Course Focus Is Process

Not Discussing Any Substantive Areas of Examination By Securities Regulators During Course

Conducting An Annual Review For Purposes Of Qualifying For U.S. Department Of Labor's Prohibited Transaction Exemption, PTE 2020-02, Is Outside Scope Of This Course

Regulatory Resources

- Rule 206(4)-7:
[https://www.law.cornell.edu/cfr/text/17/275.206\(4\)-7](https://www.law.cornell.edu/cfr/text/17/275.206(4)-7)
- Rule 204-2(a)(17):
<https://www.law.cornell.edu/cfr/text/17/275.204-2>
- SEC Final Rule Release: Documentation of Registered Investment Adviser Compliance Reviews (08/23/2023):
<https://www.sec.gov/files/rules/final/2023/ia-6383.pdf>
- SEC Final Rule Release: Compliance Programs of Investment Companies and Investment Advisers (12/17/2023):
<https://www.sec.gov/rules/2003/12/compliance-programs-investment-companies-and-investment-advisers>
- SEC: Examiner Oversight of "Annual" Reviews Conducted by Advisers:
https://www.sec.gov/exams/ann_review_oversight
- SEC Exam Priorities & Risk Alerts:
<https://www.sec.gov/exams>
- NASAA Model Rule For Investment Adviser Written Policies And Procedures (Adopted 11/24/2020):
<https://www.nasaa.org/wp-content/uploads/2020/07/NASAA-IA-PandP-Model-Rule-and-Sample-Compliance-Grid.pdf>
- NASAA's Investment Adviser Coordinated Exams:
<https://www.nasaa.org/69539/2023-state-investment-adviser-examination-sweep-identifies-compliance-deficiencies/>

General Requirements of SEC's Rule 206(4)-7 and NASAA Model Rule

- Adopt & Implement Written Policies and Procedures
- **Review Annually Adequacy of Policies & Procedures & Effectiveness of Implementation**
- Designate Chief Compliance Officer



SEC Amends
Rule 206(4)-7
In August 2023

Added “and document in writing” To Annual Review Requirement

Applicable To All Investment Adviser Firms Registered with the SEC

Effective For Any Annual Review Commenced After 11/13/2023

Reasons For Documenting Annual Review In Writing

Helps Investment Adviser To Consider & Address Past Compliance Matters, Business Changes and New Laws & Rules

Allows SEC To Determine Whether Investment Adviser Is Regularly Reviewing Adequacy of Policies & Procedures

Permits Clients When Conducting Due Diligence To Request Documentation of Annual Review

Annual Review
Requirement In
Rule 206(4)-7

*“...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....”*

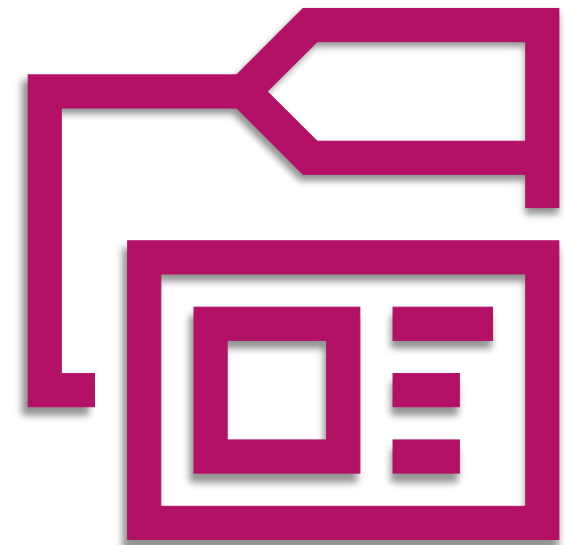


NASAA's Model Rule Investment Adviser Written Policies & Procedures

“The investment adviser must review, no less frequently than annually, the adequacy of the policies and procedures established pursuant to this section and the effectiveness of their implementation.”

Flexibility In How Annual Review Is Documented

Rule 206(4)-7 Does Not
Prescribe A Format For The
Written Documentation Of
The Annual Review



SEC's Examples of Acceptable Documentation of Annual Review

- ❑ Lengthy Written Report with Documentation Attached
- ❑ Quarterly Documentation – Aggregated at Year End
- ❑ Presentation to Board of Directors or Other Governing Body
- ❑ Short Memorandum With Findings
- ❑ Compilation of Informal Notes Throughout Year



Intended Purpose of Annual Review Requirement

To Require An Investment
Adviser To Evaluate
Periodically

- ▶ Whether Compliance Policies & Procedures Continue to Work As Designed
- ▶ Whether Changes Are Need To Assure Effectiveness

Considerations During An Annual Review

Any Compliance Matters That Arose
During Previous Year



Any Changes in Business Activities of
Investment Adviser or Its Affiliates



Any Changes to Investment Advisers Act
or State Securities Act and Regulations

Document Regulatory Materials Used In Annual Review

Keep File on Reference Material

New Statues or Rules

```
graph TD; A[New Statues or Rules] --> B[New Regulatory Guidance (e.g., Exam Priorities, Risk Alerts, Enforcement Actions)]; B --> C[Lawyer or Compliance Consultant's Newsletter Articles, Blog Posts, Webinar Slides, Continuing Education Material]; C --> D[Industry News Articles];
```

New Regulatory Guidance (e.g., Exam Priorities, Risk Alerts, Enforcement Actions)

Lawyer or Compliance Consultant's Newsletter Articles, Blog Posts, Webinar Slides, Continuing Education Material

Industry News Articles

Resources & Tools Available From Your Compliance Consultant or Law Firm



*Blog Posts, Newsletter
Articles & Regulatory
Alerts*



*Webinars & Continuing
Education Material*



*Sample Information &
Document Request List of
the Securities Regulator*



*Sample Spreadsheet of
Areas of Focus &
Documents Reviewed*



*Online Interactive
Compliance Review Tool*

Sample Log

(Firm Name) Annual Compliance Program Assessment Log
Completed _____ Chief Compliance Officer:

DESCRIPTION OF PROCESS	PERSON RESPONSIBLE	WRITTEN POLICY IN WSP YES/NO	REVIEW OF POLICY COMPLETED YES/NO	ACHIEVING INTENDED RESULTS YES/NO	NOTES REGARDING REVIEW. **IF DEFICIENT, ACTION STEPS NEEDED & DATE TO BE COMPLETED BY	PERSON RESPONSIBLE FOR ACTION STEPS	COMPLETION DATE
Distribution of WSP							
Acknowledgement of WSP/COE							
Annual Reviews							
Ongoing reviews/updates							
Recordkeeping							
E-mail Retention							
Electronic Recordkeeping							
Suitability							
AML Policy							

Documents
Typically
Reviewed
During Annual
Review

Code of Ethics

Compliance Manual

Form ADV

Examples of Documents For Your Annual Review File

Risk Inventory

Employee, Supervisor and Service Provider Questionnaires and Attestations

Supporting Documents for Reviews Conducted by Supervisors & Compliance Staff (E.G., Advertising Reviews, Email Reviews, Fee Audits, Books & Records Review, OBA Reviews)

Results Of Compliance Testing And Monitoring Conducting Throughout The Year Or During The Review Process

Reports And Checklists Used During The Review Process

Records Of Interviews Conducted With Internal Staff And External Consultants/Legal Counsel As Part Of Review Process (I.E., Notes, Email Correspondence)

Records Of Violations

Report Of Findings And Documentation Or Corrective Actions Required/Taken

Rule 204-2(a)(17)(ii) Required Books & Records

- ▶ Any Records Documenting The Investment Adviser's Annual Review Of Those Policies And Procedures Conducted Pursuant To Rule 206(4)–7(B)
- ▶ Must Maintain Such Records in Easily Accessible Plan for Not Less Than 5 Years from Fiscal Year End During Which Last Entry Was Made On Such Record

Annual Review Must Be Promptly Produced



SEC Notes In Rule Release Attorney-Client Privileged & Work Product Doctrine Have Been Improperly Asserted By Firms

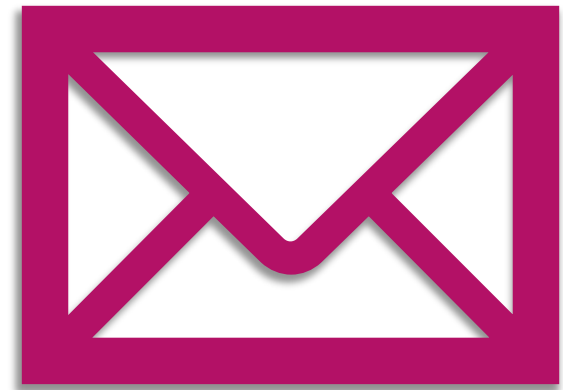


To Extent An Annual Review Is Prepared By An Attorney, Such Review Will Not Satisfy Rule 206(4)-7's Annual Review Requirement If Firm Asserts Attorney-Client Privilege or Work Product Doctrine and Fails to Provide to SEC

Questions

Please submit any question online or email with any questions about the content of this course.

ContEd@ria-compliance-consultants.com



Thank You

