

# THIS MONTH IN COMPLIANCE FORM CRS TRACKING, ACCREDITED INVESTOR DEFINITION, U4 UPDATES

## SEPTEMBER COMPLIANCE TASKS

### SMART RIA

Please be sure to check your SmartRIA CCO portal to keep up with your monthly Compliance tasks. **If you are not using the SmartRIA portal, please let us know so we can find you a more effective solution! Contact Sara Sparks at 303-797-0550, Ext. 3.**

### CCO CHECKLIST ATTACHED

Finding it hard to login and document your monthly tasks and review oversight on SmartRIA? We have a solution! Refer to the attached checklist- Just print it out, and work through the task reminders. Be sure to retain this checklist in your "Testing" Compliance Files.

## LET'S REVIEW FORM CRS DELIVERY TRACKING PROCESS

**Confirm and document delivery date of Form CRS to existing clients:**

- ✓ **Electronic delivery - July \_\_\_\_\_, 2020**
- ✓ **Hard Copy delivery - July \_\_\_\_\_, 2020**

➤ **Moving forward, be sure to follow the ongoing process per the language reflected in our Policies and Procedures Manual:**

Form CRS is required and must be provided when:

- A new account is opened for a new or existing client
  - ✓ **Investment Advisory Agreement has been updated to reflect confirmation of delivery!**
- A rollover is recommended from a retirement account into a new or existing account or investment
  - ✓ **Refer to the Sample Rollover Analysis Worksheet**
- A retail investor requests a copy of Form CRS (provide within 30 days)
  - ✓ **Attached is a sample LOG for your Firm's use**

## SEC UPDATE: DEFINITION OF AN ACCREDITED INVESTOR IS ENLARGED

On August 26<sup>th</sup>, the Securities and Exchange Commission expanded the pool of sophisticated investors who can purchase unregistered securities. Under the rule, *the definition of an accredited investor is enlarged to include people who have professional certifications – such as securities licenses – employees of a private fund who invest in that fund, limited liability companies and family offices with at least \$5 million in assets, Indian tribes, and spouses of accredited investors. Anyone holding Series 7, Series 65 or Series 82 securities licenses would qualify as an accredited investor. The SEC said it could add more certifications, designations or credentials in the future. Under current rules, people must have \$1 million in net worth beyond the value of a home or earn \$200,000 or more annually to qualify as accredited investors who can buy unregistered securities or private placements.*

**Stay tuned for a Policies and Procedures update next month!**

# THIS MONTH IN COMPLIANCE

## FORM CRS TRACKING, ACCREDITED INVESTOR DEFINITION, U4 UPDATES

### **CRP UPDATE: IMPORTANCE OF U4 REVIEW**

In the month of September, we remind firms of reviewing U4s and updating, if necessary. Firms should take a proactive approach on review of IARs U4s. Don't wait for the regulators to uncover internal control failures. ***Consistent training and requests*** for updates can create a proactive approach for Firms.

### **FINANCIAL DISCLOSURES**

Liens, judgments, and bankruptcies were by far the largest number of regulatory actions related to failure to disclose. Firms should help their IARs understand that parts of their financial life are not private as a Registered Person.

### **PERSONAL AND EMPLOYMENT INFORMATION**

Name changes, address changes, and employment changes need to be updated promptly. These updates must happen no later than 30 days of the event. Certain fields of the U4 are connected to the IARD and Broker Check which are the public databases used to research the background and experience of Registered Persons.

### **OUTSIDE BUSINESS ACTIVITIES**

Outside Business Activities continue to be a hot topic during regulatory exams and FINRA sweeps. Examiners review state filings and google searches to look for outside employment exceptions. A response of "I forgot" is not an acceptable excuse for not updating Form U4 with new personal and employment information. It is better to over disclose rather than leaving your fate and memory to the regulators.

### **REGULATORY AND LEGAL DISCLOSURES**

When an IAR or Firm learns of a regulatory event (compliant, arbitration, criminal case, etc.), IARs and Compliance tend to dive into resolving the issue and forget to update their U4. Don't forget that most regulatory actions or client complaints will prompt U4 updates.

### **AWARDS, RANKING LISTS, PROFESSIONAL DESIGNATIONS**

Firms need to review IARs use of Awards & Professional Designations along with their U4 Review. Ensure all Awards have proper disclosure to include the relevant selection criteria for the awards or rankings, or who created and conducted the survey and the fact that advisers paid a fee to participate in or distribute the survey results. Review of disclosures made in advisers' Form ADV Part 2B Brochure Supplements referencing employee professional designations must be conducted. All professional designations that have lapsed will need to be removed from references in advertising or disclosure documents. Attention should be given to documents to provide explanation on the minimum qualifications required to attain such designations.