

THIS MONTH IN COMPLIANCE

CRD, IARD Availability in December

SEC RISK ALERTS: Observations from OCIE’s Examinations, IA Compliance Programs

MONTHLY COMPLIANCE TASKS

Please be sure to check your SmartRIA CCO portal to keep up with your monthly Compliance tasks.

If SmartRIA is not working for you, please refer to the CCO Report Card for a one-page summary of compliance tasks for the month.

DATE	STATUS	COMMENT
Thursday, Dec. 24	Available	Please note that the FINRA Gateway Call Center will be available on an abbreviated schedule from 8 a.m. to 1 p.m. ET.
Saturday, Dec. 26	Limited (8 a.m. – 6 p.m., ET)	Last day to submit form filings prior to year-end. CRD, IARD, and PFRD are available from 8 a.m. to 6 p.m. ET.
Sunday, Dec. 27	Unavailable	CRD, IARD and PFRD are unavailable due to Final Statement and renewals processing.
Monday, Dec. 28 – Thursday, Dec. 31	Query-only	CRD, IARD and PFRD are available for system query and the creation of pending filings. On Dec. 31, please note that the FINRA Gateway Call Center will be available on an abbreviated schedule from 8 a.m. to 3 p.m. ET.

YEAR END CHECKLIST

- Tailoring of the 206(4)- 7 Annual Review – Review and Document Compliance Program Review (Refer to November 2020 TMR and November 19th SEC Risk Alert)
- Funded of the IARD Registration Fees for 2021 (Refer to Firm’s Renewal Statement sent by CRP week of Nov 16th)
- Conducted Risk Assessment (Are all Firm conflicts reported on ADV, addressed in Agreement?) (Refer to TMIC in June, July, August 2020)
- Update Firm’s Policies and Procedures Manual (Refer to October 2020 TMR)
- Reviewed Business Continuity Plan (BCP) with any updates and changes to remote office due to 2020 events, document testing of the Plan (Refer to May 2020 TMIC)
- Reviewed Cybersecurity Plan and testing of the Cybersecurity Plan Review in 2020 (include the strength of remote access protocols, the security levels of personal computers and home wireless connections, results of Penetration and Phishing tests) (Refer to May 2020 TMR)
- Reviewed Due Diligence conducted on Third Party vendors, maintain list, and updated as necessary (Refer to October 2020 TMIC)
- Conducted training via Annual Compliance Meeting (Code of Ethics, Annual Employee Acknowledgements and Certifications) (Refer to November 2020 TMIC)
- Confirm Advertising File contains materials used in 2020, Review business presentations, commentaries, websites, social media sites, and other marketing materials for all necessary disclosures, ensure all materials have been approved through Compliance and employees are using the most current versions (Refer to May 2020 TMR)
- Obtain all Form U-4 updates and review and Form ADV Part 2Bs, as applicable- confirmed that information is accurate. (Refer to May 2020 TMR)

SEC RISK ALERTS ISSUED IN NOVEMBER

Observations from OCIE's Examinations of Investment Advisers: Supervision, Compliance And Multiple Branch Offices

On November 9, 2020, the SEC issued a Risk Alert summarizing the observations from a series of examinations that focused on SEC-registered investment advisers operating from numerous branch offices and with operations geographically dispersed from the adviser's principal or main office ("Multi-Branch Initiative" or "Initiative"). This Initiative focused on, among other things, the assessment of the compliance and supervisory practices relating to advisory personnel working within the advisers' branch offices. The Multi-Branch Initiative focused on certain practices of advisers in the following areas:

- **COMPLIANCE PROGRAMS AND SUPERVISION** - The staff focused on advisers' compliance programs in both their main offices and branch offices, as well as on the oversight by the main offices of advisory services provided through branch offices.
- **INVESTMENT ADVICE** - The staff evaluated the processes by which firms' supervised persons located in branch offices provided investment advice to advisory clients, including the formulation of investment recommendations and the management of client portfolios.

The Alert is full of best practices and a good review of some of the procedures for portfolio management and testing of supervision within firms. [Click here to access and review the full Risk Alert](#)

OCIE's Observations: Investment Adviser Compliance Programs

On November 19, 2020, the OCIE issued a Risk Alert related to Rule 206(4)-7 (the "Compliance Rule"). Under the Compliance Rule, it is unlawful for an investment adviser to provide investment advice unless the adviser has adopted and implemented written policies and procedures reasonably designed to prevent violation of the Advisers Act by the adviser or any of its supervised persons. Each adviser should adopt policies and procedures that take into consideration the nature of that firm's operations. The policies and procedures should be designed to prevent violations from occurring, detect violations that have occurred, and correct promptly any violations that have occurred. **The Compliance Rule also requires each adviser to review its policies and procedures no less frequently than annually to determine their adequacy and the effectiveness of their implementation. The review should consider any compliance matters that arose during the previous year, any changes in the business activities of the adviser or its affiliates, and any changes in the Advisers Act or applicable regulations that might suggest a need to revise the policies or procedures.** Although the Compliance Rule requires only annual reviews, advisers should consider the need for interim reviews in response to significant compliance events, changes in business arrangements, and regulatory developments. Finally, the Compliance Rule requires each adviser to designate a chief CCO to administer its compliance policies and procedures. The CCO should be competent and knowledgeable and should be empowered with full responsibility and authority to develop and enforce appropriate policies and procedures for the firm. Below are examples of notable deficiencies or weaknesses identified by OCIE staff in connection with the Compliance Rule:

- Inadequate Compliance Resources.
- Insufficient Authority of CCOs
- Annual Review Deficiencies.
- Implementing Actions Required by Written Policies and Procedures.
- Maintaining Accurate and Complete Information in Policies and Procedures.
- Maintaining or Establishing Reasonably Designed Written Policies and Procedures.

This Alert addresses important reminders such as devoting firm resources on information technology, staff and training, compliance programs. CCOs were also observed by OCIE that lacked sufficient authority within the adviser to develop and enforce appropriate policies and procedures for the adviser.

[Click here to access and review the Full Risk Alert](#)