



Utah Department of Commerce

Division of Securities

securities.utah.gov

Protecting Investors. Regulating Industry. Promoting Commerce.

Investment Adviser Workshop:

the New Form ADV Part 2, New Rules, and the IA Switch



The New Form ADV Part 2: Content & Organization

Ken Barton
Examiner



INTRODUCTION

Goals

High-Level Overview of the Organization
and Instructions for Form ADV Part 2

- Part 2A Firm Brochure
- Part 2A Appendix 1 Wrap Fee Brochure
- Part 2B Brochure Supplement



Form ADV Part 2

Adviser Obligations

- Plain-English Narrative
- You are a Fiduciary!
- Material Facts
- Conflicts of Interest
- Whole truth, nothing but truth
- Say what you do...do what you say
- Electronic filing required



Form ADV Part 2A

Firm Brochure

ITEM 1 Cover Page

- Basic info about the adviser
 - Name, Address, Contact Info
 - Website Address
 - Date of the brochure
- “Registered” ≠ “skilled” or “trained”



Form ADV Part 2A

Firm Brochure

ITEM 1 Cover Page

Model Disclosure Language:

This brochure provides information about the qualifications and business practices of [your name]. If you have questions about the contents of this brochure, please contact us at [telephone number and or e-mail]. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.



Form ADV Part 2A

Firm Brochure

ITEM 2 Material Changes

- Changes from last Annual Update
- Listed on one of the following:
 - Cover Page
 - Page Following the Cover Page
 - Separate Document



Form ADV Part 2A

Firm Brochure

ITEM 3 Table of Contents

- Detailed, easy to find information
- Same order and same headings as the Form ADV Part 2 instructions



Form ADV Part 2A

Firm Brochure

ITEM 4 Advisory Business

- Describe the Advisory Firm
 - How long in operation
 - Identify principal officers
- Describe the services offered
- How the Adviser works with Clients
- Discretionary or Non-Discretionary



Form ADV Part 2A

Firm Brochure

ITEM 5 Fees and Compensation

- Fee Schedule
- Negotiability of Fees
- Payment (Deduct Fees or Bill Clients)
- Other Fees or Expenses for Clients
- Fees Charged in Advance
- Compensation for Sales (conflicts)



Form ADV Part 2A

Firm Brochure

ITEM 6 Performance-Based Fees (and Side-by-Side Management)

- Mainly for fund management
- Note: Utah has performance-based compensation rules (R164-2-1)

ITEM 7 Types of Clients

- May use different brochures



Form ADV Part 2A

Firm Brochure

ITEM 8 Methods of Analysis, Investment Strategies & Risk of Loss

- Items 3 and 4 on old ADV Part II
- Disclose the associated risks for strategies (e.g. margin, options) or products (e.g. private placements)



Form ADV Part 2A

Firm Brochure

ITEM 9 Disciplinary Information

- Firm or Management Person
- Similar to Form U-4/U-6 for Reps
- Division already required



Form ADV Part 2A

Firm Brochure

ITEM 10 Other Financial Industry Activities and Affiliations

- Similar to Item 8 on old ADV Part II
- Adviser and Management Persons
- Outside Business Activity (OBA), other business, affiliated companies, material relationships/arrangements



Form ADV Part 2A

Firm Brochure

ITEM 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- Similar to Item 9 on old ADV Part II
- Focus on Conflicts of Interest
- More disclosure about the personal trading of firms and related persons



Form ADV Part 2A

Firm Brochure

ITEM 12 Brokerage Practices

- Item 12(B) on old ADV Part II (More)
- Emphasis on:
 - Research and Soft Dollar Benefits
 - Directed Brokerage
 - Client Referrals for selecting or recommending broker-dealers



Form ADV Part 2A

Firm Brochure

ITEM 13 Review of Accounts

- Same as Item 11 on old ADV Part II

ITEM 14 Client Referrals and Other Compensation

- Same as Item 13 on old ADV Part II



Form ADV Part 2A

Firm Brochure

ITEM 15 Custody

- Amended State Rule, New SEC Rule
- Qualified Custodian Statements
- Statements sent by Adviser

ITEM 16 Investment Discretion

- Same as Item 12(A) on old ADV Part II



Form ADV Part 2A

Firm Brochure

ITEM 17 Voting Client Securities

- Proxy Voting disclosures
- SEC Rule 206(4)-6
- Whether Clients can direct your vote



Form ADV Part 2A

Firm Brochure

ITEM 18 Financial Information

- Independently Audited balance sheet for Prepaid Fees of more than \$1,200 charged 6 months or more in advance
- Disclose any financial condition likely to impair contractual duties if the adviser has Discretion, Custody or takes Prepaid Fees
- Disclose any bankruptcies (past 10 years)



Form ADV Part 2A

Firm Brochure

ITEM 19 Requirement for State-Registered Advisers

- For executive officers or management, same info as Item 6 on the old ADV Part II
- For OBA, same as Item 7 on old ADV Part II
- Performance-based fee calculation
- Disciplinary Information
- Issuer Relationships



Form ADV Part 2A

Appendix 1

Wrap Fee Program Brochure

Wrap Fee:

A single, comprehensive fee that includes all of the administrative and management fees along with the commissions.



Form ADV Part 2A

Appendix 1

Wrap Fee Program Brochure

ITEM 1: Cover Page

ITEM 2: Material Changes

ITEM 3: Table of Contents

**ITEM 4: Services, Fees and
Compensation**



Form ADV Part 2A

Appendix 1

Wrap Fee Program Brochure

**ITEM 5: Account Requirements and
Types of Clients**

**ITEM 6: Portfolio Manager
Selection and Evaluation**

**ITEM 7: Client Information Provided
to Portfolio Managers**



Form ADV Part 2A

Appendix 1

Wrap Fee Program Brochure

**ITEM 8: Client Contact with
Portfolio Managers**

ITEM 9: Additional Information

**ITEM 10: Requirements for State-
Registered Advisers**



Form ADV Part 2B

Brochure Supplement

ITEM 1: Cover Page

- Name of Supervised Person
- Firm information
- Disclosure:

This brochure supplement provides information about [name of *supervised person*] that supplements the [name of *advisory firm*] brochure. You should have received a copy of that brochure. Please contact [service center or name and/or title of your contact person] if you did not receive [name of *advisory firm*]'s brochure or if you have any questions about the contents of this supplement.

Additional information about [name of *supervised person*] is available on the SEC's website at: www.adviserinfo.sec.gov



Form ADV Part 2B

Brochure Supplement

ITEM 2: Educational Background and Business Experience

- Similar to Item 6 on old ADV Part II

ITEM 3: Disciplinary Information

ITEM 4: Outside Business Activity

- Conflicts for Investment-Related OBA
- All other businesses (>10% time or income)



Form ADV Part 2B Brochure Supplement

ITEM 5: Additional Compensation

ITEM 6: Supervision

ITEM 7: Requirements for State-Registered Advisers



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**For more information, please call
(801) 530-6600**