

# Get Your Investment Advisor Annual Compliance Checklist Ready



The end of the year is a busy time for investment advisors. In addition to caring for clients and undertaking your own strategic planning, you must carve out time for compliance.

In its November 2020 Risk Alert, the SEC's Office of Compliance Inspections and Examinations (OCIE) outlined concerns about IA compliance. OCIE staff noted that many firms do not emphasize documenting annual reviews and expressed worries about the lack of dedicated resources allocated to compliance activities.

The SEC holds firms to a high standard, and rightly so. But fortunately, you do not have to go it alone. A combination of outside expert advice and compliance management technology solutions can ensure you meet all of the SEC's compliance standards with relative ease.

Here are the six areas you should focus on before the end of the year and how the pairing of a compliance consultant team and technology solution can deliver the results you need.

## Complete Your Annual Review

All investment advisors must conduct an annual review. It's not enough to undertake the process; the assessment must also be well documented.

If you need help executing, consider asking an experienced consulting firm to provide you with a detailed checklist of all pieces you must include in your review,

from a thorough vetting of your compliance calendar to how to conduct testing of your compliance protocols.

Once you've assembled your strategy, the right software solution makes it easy to keep track of everything all in one place.

An automated, fully-integrated system will automatically track assessments of your year-long compliance efforts. Its analyses allow your team to compare month-over-month and year-over-year outcomes of your controls. Armed with a quantitative evaluation, you can focus on qualitatively measuring your performance and reduce the heavy lifting associated with manual reporting.

A technology solution also simplifies documentation. Track outputs across all your offices so your documentation is centralized and easily disseminated to internal leadership and regulatory agencies.

## **Update Investment Advisor Compliance Policies and Procedures**

The SEC releases exam priorities at the start of each year; smart firms know to tailor their policies and procedures to address the concerns highlighted by the agency.

The exam priorities are an important reminder that compliance is not just the domain of one department. It affects:

- Client relationships
- Cybersecurity
- Advertising
- Business presentations
- And more

Do your policies and procedures address potential compliance risks across geographies and teams? A compliance consultant may identify weak spots and shore up internal policies and procedures to address them before they become an issue.

Then, technology will help you implement and execute your programs. The right tool provides your entire organization with visibility into firm-wide procedures. Unified access is especially relevant for those firms with multiple locations or remote teams.

## **Undertake Compliance Reviews of All Branch Offices**

Before the year is out, you should review each branch office individually and provide detailed documentation of the entire review. These reports should include what you examined, who you interviewed, and the actions you will take based on your findings.

Investment advisors with distributed teams may benefit from partnering with a compliance consultant to tackle the legwork of assessing each location.

Compliance reviews are multi-step processes in and of themselves. Add in the complexity of undertaking reviews across multiple offices, and it's helpful to have a technological management solution to create, track and maintain comprehensive records.

## **File Your Forms**

The end of the year means lots of paperwork. From firm-wide filings to individual personnel registrations, your team should be preparing and filing, where applicable:

- Form 13F/Form 13H
- Schedule 13D/G
- Form PF
- Form D
- NFA filings
- State capital filings

- Form U-4 for registered personnel
- Form ADV-E for firms with custody that requires an annual surprise custody audit

This is by no means a comprehensive list; a consultant is well-positioned to assist in sorting through the various filings applicable to your firm.

A compliance consultant may compile a list to ensure nothing falls through the cracks, while a technology solution will document and file. The right technology includes tools designed to simplify preparing and filing for firm-wide paperwork and individual advisors' certifications.

## **Get in Compliance with DOL's Fiduciary Advice Exemption**

In December 2020, the DOL expanded its definition of ERISA and Code fiduciaries. The agency provided firms 12 months to get in compliance, and transitional relief officially ended in December 2021.

With any new rule, compliance can be complicated. If you don't have an expert in-house following the latest regulations, lean on a compliance consultant who stays abreast of all industry changes to ensure you fully comply with the exemption's conditions.

A technology solution then helps you implement the consultant's advice. The right tools make it easy to:

- Pull reports
- Complete requisite paperwork
- Educate your team about new requirements and guidelines

## **Focus on Employee Training**

While consultants are here to get you organized at the end of the year, your team

plays an outsized role in day-to-day compliance. When they have the proper education and tools to remain in compliance throughout the year, you have less to worry about come December.

Technology keeps your team up-to-date and well-trained throughout the year. The right solution:

- Keeps your filings and registrations organized, making it easier to hit deadlines.
- Guides training to address gaps found in your annual review.
- Provides your team with access to guidelines and policies.
- Allows your team to input reports on annual securities holdings, outside business activities, and gifts and entertainment.

Consider a solution with a mobile app for employees. Reducing friction in completing internal processes helps your team to remain in compliance all year long.

Sometimes, the end of the year feels like a compliance scramble. But it doesn't need to be that way. A combination of expert consultant guidance and the right technology solutions makes reporting, documenting, and filing relatively simple. With the technology to support your team all year, your firm can consistently improve compliance and maintain a year-round dedication to this crucial function.

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