

Enhancing Your Compliance Framework

Shelby Brown, IACCP®
Senior Compliance Consultant | **XYPN Compliance**

The Compliance Program Rule

Rule 206(4)-7 of the Investment Advisers Act of 1940

Designate a Chief Compliance Officer who is competent, knowledgeable, and empowered.

Establish policies and procedures reasonably designed to detect, prevent, and correct violations.

Review, no less than annually, the adequacy of the firm's policies and procedures to ensure they have been effectively implemented.



Establishing Written Policies and Procedures

At minimum, this should address the following practices, *to the extent they apply to your firm*:

- Portfolio Management Practices
- Accuracy of Disclosures (ADV, Advertisements, etc.)
- Proprietary & Personal Trading
- Custody & Safeguarding Client Assets
- Accurate Books and Records
- Data Security
- Trading Practices
- Marketing & Advertising
- Fee Calculation & Billing Practices
- Business Continuity / Disaster Recovery Planning



Where do I start?

Reviewing current practices to identify and address key risks

Conduct a Firm-Wide Risk Assessment

Review the **activities, affiliations, hardware and software**, types of **clients, compensation** arrangements, **services** provided, in addition to other material aspects of the firm's business and operations.

Update Policies, Disclosures, and Practices

Evaluate the need for specific **policies, procedures, and disclosures** in order to (1) **prevent violations of the Act** and (2) ensure that the firm and its reps are **safeguarding client data**. Update these areas accordingly.



Annual Compliance Program Reviews

Ensuring continued adequacy and effectiveness of the firm's policies and procedures.



Documenting your Annual Review

It is important to document which policies/procedures were reviewed and if any changes were made as a result of:

- significant changes made to the business
- the firm-wide Risk Assessment
- new/amended rules and regs



Annual Compliance Meetings

An opportunity for the CCO to present any findings from the Risk Assessment and Annual Review of policies/procedures to all staff members prior to the staff's annual attestation/certification of compliance.





Key Areas of Focus

When establishing or updating your compliance policies

- Does the updated SEC Marketing Rule apply to you? If so, are you in *full* compliance with it?
- Are you documenting the Annual Review of your Compliance Program?
- Portfolio management practices (including changes to Custodians)
- Accuracy of fee calculations & Invoicing practices
- Is the disclosure language regarding your fees and services consistent across your ADV, Agreement(s), Website, and other prospect/client facing materials?
- IAR CE requirements
- Accuracy of ESG disclosures in comparison with actual investment process/practices
- Do you have (and follow!) a Compliance Calendar?



Resources

Helpful information when establishing or reviewing your compliance policies and practices:

SEC Risk Alerts

- [Observations from Examinations of Newly-Registered Advisers](#)
- [Investment Advisers: Assessing Risks, Scoping Examinations, and Requesting Documents](#)

XYPN Blog Posts

- [Documenting your Annual Compliance Program Review](#)
- [State vs SEC Registration](#)

Kitces.com Blog Posts *(There's an entire category for Regulation and Compliance!)*

- [Conducting And Documenting An Annual Compliance Review](#)
- [Crafting An Annual Compliance Calendar For A \(Solo\) RIA](#)



XYPN Compliance

Our team of experienced specialists and consultants are prepared to assist with:

- Registering your RIA
- Development/Refinement of P&P
- Audit Preparation & Assistance
- Special Projects (ADV filings, Adding/Removing IARs, Additional State Registrations, Advertising Reviews, Ongoing Compliance Task Management)



Q & A

Comments? Concerns? Thoughts?

