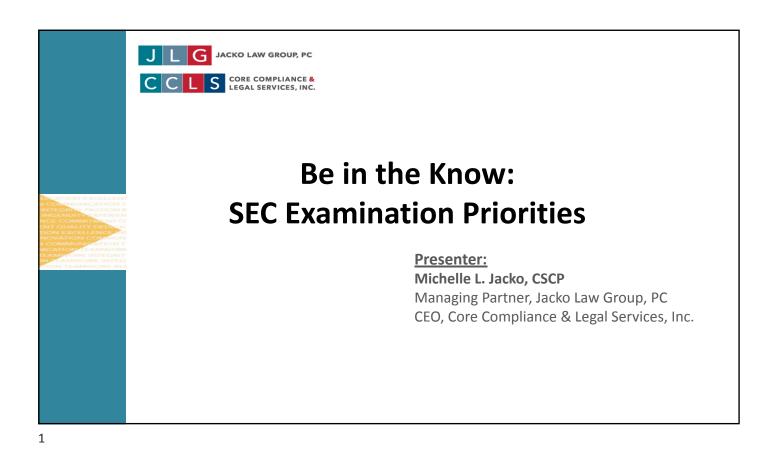
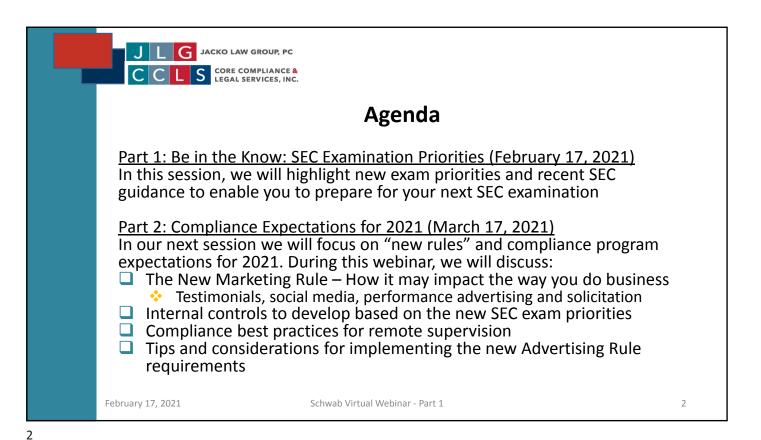
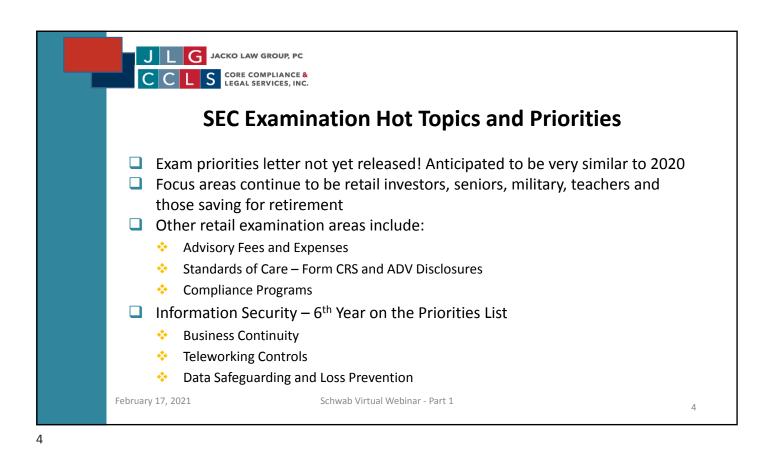
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- In the Spotlight: Advisory Fees and Expenses Focus Areas
 - How are client assets valued and by whom (e.g., as of the last day of the calendar quarter as calculated by the qualified custodian)?
 - Does the adviser aggregate accounts by household?
 - How is a household defined (e.g., by all persons living at the same residential address or by relational definition – husband/wife/partner and minor offspring)?
 - What is the process for reimbursing terminated and deceased client accounts?
 - Does the firm disclose additional expenses that it may impose on clients (e.g., an additional client reporting fee)?
 - Does the adviser document exceptions for fees charged differently than the published tiered fee schedule where and how?
 - How do IARs present the concept of fee aggregation and related conflicts of interest to clients?

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- Standards of Care: Form CRS & ADV Disclosures Focus Areas
 - Have you promptly delivered Form CRS when:
 - Opening a new retail investor account;
 - Opening a new account for an existing retail investor that is different from the retail investor's existing account;
 - Recommending a R/O of assets from a retirement account into a new or existing account;
 - Making a new investment recommendation or providing a new advisory service that would not be held in an existing account (such as a direct-sold mutual fund through a "check and app" process)?
 - Does your Form CRS describe your fees and costs, how financial professionals are compensated, conflicts of interest and whether the firm or its financial professionals have disciplinary history?

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- Business Continuity Plan Examination Focus Areas
 - What are your capabilities of and safeguards for working remotely?
 - How were client portfolios invested (i.e., was there style drift)?
 - Have client investment behaviors change and if so, how did the adviser respond?
 - What was the frequency and type of communications during COVID-19, particularly related to teleworking and how to reach firm personnel?
 - How robust are the firm's policies and procedures for current business operations and teleworking?
 - What technology challenges did the firm face during COVID-19?

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- ☐ Teleworking and Remote Supervision Exam Focus Areas:
 - How did the firm assess risks of employees working remotely
 - Were teleworking policies developed to address remote responsibilities (e.g., privacy safeguards and protections at home, network/remote access, firewall security, etc.)
 - What were the security measures taken for virtual teleconferences, books and record maintenance and safeguarding client and company data
 - What updates to Policies & Procedures occurred during COVID-19 (e.g., how you are remotely supervising EEs/IARs)

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Risk Management Tip #1 – Review Your Supervisory Structure

Have You Modified Your Supervisory Structures?

- ☐ We are in a virtual world have you developed new protocols for:
 - Conducting branch office exams?
 - Supervising marketing and sales activities?
 - Implementing and using compliance technologies to survey activities?
 - Conducting Annual Reviews, Risk Assessments and Mock SEC Exams without physically being in the office?

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Risk Management Tip #2 – How to Prepare for an SEC Exam During a Pandemic

Correspondent Regulatory Examinations

- ☐ First impressions mean everything
 - Embrace video teleconferencing; voices alone do not necessarily convey sincerity and genuineness
 - Utilize a PowerPoint presentation to introduce the firm and its compliance program
 - Demonstrate systems when it makes sense
- Exams Heavily Focus on Document Production
 - Take time to double-check all submissions for accuracy
 - Spend time reviewing your response to COVID-19 as a firm and document what you did and when; be able to demonstrate heightened controls

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Select COVID-19 Compliance Risks and Considerations for Investment Advisers

Risk Alert (Aug. 12, 2020)

- ☐ The **Need to Protect Investor Assets** by picking up checks daily, taking additional steps to identify clients for disbursements and making sure a trusted contact is in place
- **Supervision of Personnel** and the need to modify P&Ps for working remotely (such as for monitoring recommended securities that have heightened risks or inability to do onsite due diligence visits)
- Fees, Expenses and Financial Transactions should be evaluated with enhanced monitoring for sales practice concerns (such as taking loans from clients, inaccurately calculating tiered fees and not refunding prepaid fees for terminated accounts)

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Select COVID-19 Compliance Risks and Considerations for Investment Advisers

Risk Alert (Aug. 12, 2020)

- Re-evaluate **Business Continuity**, make changes to related policies and procedures, and provide disclosures to investors if their operations are materially impacted, as appropriate; and document steps taken in response to COVID
- Protection of Sensitive Information where firms pay particular attention to the risks regarding access to systems, investor data protection, and cybersecurity

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Observations from OCIE's Exams: Supervision, Compliance & Multiple Branch Offices

Risk Alert (Nov. 9, 2020)

- Oversight and Supervision of Supervised Persons and disclosure of disciplinary events
- Advertisements, particularly of branches under a DBA with omission of disclosures, superlatives or unsupported claims
- ☐ Code of Ethics and complying with reporting and other requirements
- 50% of the examined advisers had issues related to portfolio management and oversight of investment decisions, disclosure of conflicts and trading allocation issues

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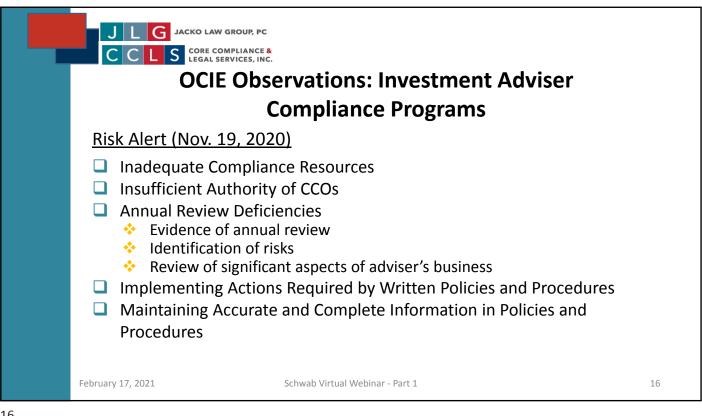
Working Remotely and Modified Supervisory Structures

Risk Alert (Nov. 9, 2020)

- Geographic dispersed personnel could be challenged because of different practices or disparate ways of communicating compared to the main office
 - According to the *Risk Alert*, 50% of advisers with multiple branches had inaccurate (outdated) or inadequately implemented policies and procedures (P&Ps)
 - Custody issues included commingling of assets, serving as TTEE for client accounts and receiving and depositing client checks with the client's custodian
 - Fee and expense issues included not identifying and remediating instances of undisclosed fees charged to clients (e.g., misapplied tiered fee structures)

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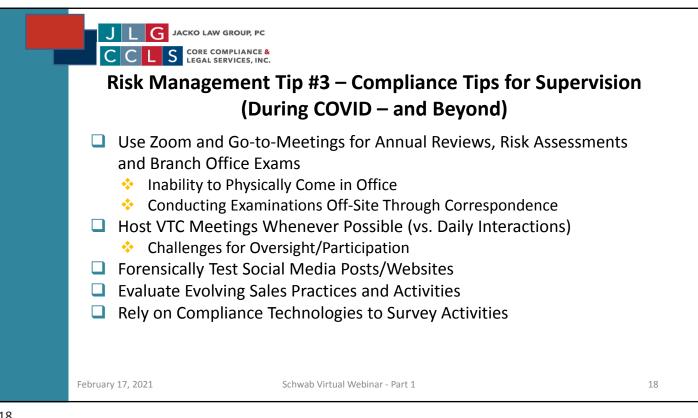
OCIE Observations: Investment Adviser Compliance Programs

Risk Alert (Nov. 19, 2020)

- Maintaining or Establishing Reasonably Designed Written Policies and Procedures
 - Portfolio management and trading practices
 - Safeguards for client privacy
 - Marketing
 - Required books and records
 - Safeguarding of client assets
 - Disclosures
 - Business continuity plans
 - Advisory fees and valuation

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Looking Ahead: The SEC's New Marketing Rule

A Quick History – 60 Years in Coming!

- ☐ The New IA Advertising Rule provides modernization of an antiquated rule that dates back to 1961
 - It is meant to provide consolidated and clear guidance and support the change to a principles-based regulation
 - It also modifies the definition of "advertisement" to be more evergreen in light of ever-changing electronic media and mobile communications
- Amendments create a single rule and will replace the current advertising and cash solicitation rules
 - The SEC will withdraw certain no-action letters and other guidance addressing these rules, as they will no longer provide or are incorporated into the final rule (to be available on the SEC website)
- Related amendments are made to Form ADV and the books and records rule

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Questions? Let us know how we can help!



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