

This is your Release #17 (June 2020)

Investment Adviser Regulation

A Step-by-Step Guide to Compliance and the Law

Third Edition

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This seventeenth release to *Investment Adviser Regulation, Third Edition* expands its coverage of the rules and regulations affecting investment advisers. Highlights of this release include:

Chapter 4, Registration and Disclosure: The Form ADV. Discussion updated to extensively cover the succinct disclosures under five separate items required by the Form CRS relationship summary (see new section 4:4.4[B]); as well as electronic delivery of the Form CRS relationship summary (see new section 4:4.4[E]).

Chapter 12, Management of Client Portfolios. New discussion covers the standard of conduct for investment advisers under the Investment Advisers Act, including the three components of the duty of care; as well as the fiduciary duty an adviser owes its client, which may vary based on the agreed-upon scope of the relationship (see new section 12:4). New discussion reviews certain rules and related comments from the National Conference on Commissioners on the Uniform Management of Public Employee Retirement Systems Act (UMPERS), which created uniform rules governing the management of public retirement systems (see new section 12:5.3). New discussion reviews certain rules and related comments from the National Conference on Commissioners on the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which created uniform rules on the management and investment of funds and endowment expenditures for nonprofit and charitable organizations (see new section 12:5.4).

Chapter 13, Proxy Voting. Updated to include the SEC's 2019 guidance regarding the proxy voting responsibilities of investment advisers. The guidance is divided into six questions and answers, and illustrates how an adviser's proxy voting responsibilities would apply where the investment adviser has sole responsibility for voting proxies, and where the investment adviser hires a proxy advisory firm to vote for them (see section 13:2.1[B]).

Chapter 34A, Collateral Consequences for Investment Advisers & Associated Persons. Effective June 30, 2020, investment advisers that offer services to a retail investor are required to provide such investors a copy of

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their Form CRS. New discussion provides an overview of Item 4 of Form CRS, which requires disclosure of the firm's and its financial professionals' disciplinary history (see section 34A:4.3).

Chapter 35, State Regulation of Investment Advisers. New discussion covers the requirements under NASAA's adopted Model Rule on Business Continuity and Succession Planning, that every investment adviser establish, implement, and maintain written procedures relating to a Business Continuity and Succession Plan (see section 35:19.8). New discussion covers the requirements under NASAA's adopted Model Rule on Physical Security and Cybersecurity Policies and Procedures, that every investment adviser is required to establish, implement, update, and enforce written physical security and cybersecurity policies and procedures reasonably designed to ensure the confidentiality, integrity, and availability of physical and electronic records and information (see section 35:19.9), as well as the attendant privacy notification policy (see section 35:19.10).

Chapter 58, Commodity Trading Advisor Status and Regulation. New discussion of the CFTC staff advisory alerting CTAs providing advice with respect to swaps to their potential new obligations (see new section 58:5.4).

Chapter 60, Investment Adviser Use of Social Media and Related Regulations. New discussion reviews the SEC's recently proposed amendments to the Advertising Rule, as well as the implications for investment advisers' use of social media (see section 60:3.1[B]). New coverage of the OCIE examination relating to electronic messaging (see section 60:4.4). Update includes recent examples of SEC enforcement actions for violations that occurred through social media (see section 60:7).

Chapter 62A, Use of Environmental, Social, and Governance Factors by Investment Advisers: Introduction to ESG Investing. New chapter examines "environmental, social, and governance" (ESG) investing, providing a brief history of ESG investing, then reviewing industry standards applicable to ESG investing, the legal and regulatory considerations in the United States, considerations for implementing ESG principles in U.S. client mandates, and legal and regulatory considerations outside the United States.

Chapter 64, Blockchain and Digital Assets. Updated to cover the latest regulatory developments, including, among others, whether certain digital assets are securities (see section 64:6.1[A][2][c]–[f]); the trading of digital asset securities (see section 64:6.1[A][3][b]–[c]); digital asset investment products (see section 64:6.1[A][4][b]–[c]); and FINRA guidance and enforcement (see section 64:6.1[E][2]–[3]).

Chapter 8, An Investment Adviser's Fiduciary Duty, has also been updated with the latest developments.

To aid in your research, the **Table of Authorities** and **Index** have been updated.

Thank you for purchasing *Investment Adviser Regulation, Third Edition*. If you have questions about this product, or would like information on our other products, please contact customer service at info@pli.edu or at (800) 260-4PLI.

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