

TRANSITION FROM SEC TO STATE REGISTRATION

Section 410 of the Dodd-Frank Act will require approximately 3,200 mid-sized investment adviser firms to switch from federal to state regulation. All registered investment advisers must determine their Regulatory Assets Under Management ("RAUM") between January 1, 2012 and March 30, 2012. Any SEC registered adviser whose RAUM is below \$90 million must register with their applicable State Regulatory Authority(ies), unless they comply with other provisions authorizing continued SEC registration. If your firm falls into this category, it is important that you educate yourself on the necessary steps you must take to accomplish the transition and the different regulatory requirements that apply to your firm.

Many firms believe that the transition to State registration is just a "flip of the switch" through IARD. However, the differences in the regulatory requirements between the SEC and the state regulatory authorities are significant, and should not be taken lightly. For example, state regulatory authorities each have their own view on "sufficient" ADV disclosures, and regulations that sometimes differ from the SEC in the areas of custody, financial dealing with clients (i.e., loaning money to or from clients), contract provisions, and net capital requirements, to name a few. In addition, state regulators are strongly suggesting that firms begin the transition process as early as November, 2011 to avoid getting caught in the rush of applications that are expected to occur during the first half of 2012. RRS can help with the transition, and compliance with state regulations. Call us to find out how we can help with the following.

Consultation – RRS can explain the impact to your firm (e.g., ADV Brochure, procedures, agreements, etc.), and help determine the most appropriate course of action.

IARD Filings – RRS can prepare and file an amendment to Form ADV indicating eligibility or ineligibility for continued SEC registration. RRS can prepare and file other applicable amendments to your Form ADV Parts 1A and 1B and supervised persons' Form U4 filings through the IARD system.

Form ADV Part 2 – RRS can work with you to amend all applicable sections of your Form ADV Part 2/Disclosure Brochure (i.e., 2A, 2B, Appendix 1) for compliance with state requirements or practices.

Financial Requirements – RRS can provide assistance with the review and filing of your financial statements and/or bonding requirements to demonstrate compliance with applicable State financial requirements.

Follow-Up with SEC or State Jurisdictions – RRS can file any applicable state registration application packages and follow-up with the applicable state jurisdictions to prepare and facilitate responses to any additional inquiries.

Form ADV-W – RRS can prepare and file your ADV-W to terminate registration with the SEC.

Advisory Agreements – RRS can review your advisory arrangements for compliance with state regulatory requirements, although contractual arrangements should be reviewed by a qualified attorney.

Marketing Materials – RRS can review your advertising and sales literature for compliance with applicable state requirements.

Privacy Policy – RRS can review your Privacy Policy for compliance with state requirements.

Business Continuity Plan – RRS can review your Business Continuity Plan for compliance with state requirements.

Compliance Program - RRS can work with you to amend your compliance program and code of ethics, including internal controls and written policies and procedures for compliance with state requirements.

Recordkeeping System – RRS can help you set up a recordkeeping system to create and maintain all required records.

ABOUT RRS

RRS provides comprehensive compliance and operational consulting and support services to investment advisers, private funds, broker-dealers and investment companies. Specializing in compliance audits, written supervisory procedures and internal controls, registration services, and ongoing compliance support services, RRS provides the experience and insight to meet all your compliance needs. RRS' staff and partners are former regulators and compliance professionals who have extensive experience with SEC, FINRA, MSRB, NYSE and state rules and regulations.

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