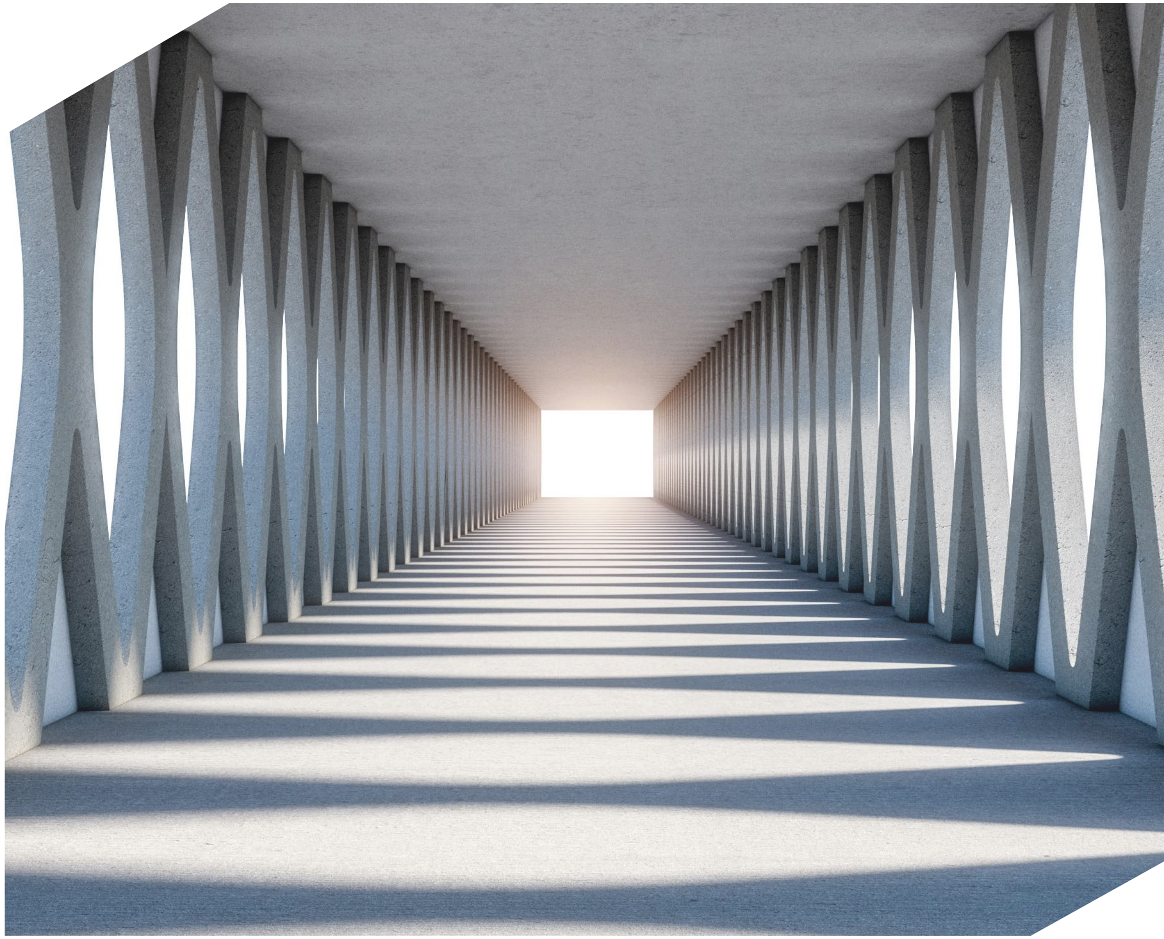
Regulatory Update

December 2022

Contents

Introduction

Welcome to the ACA Regulatory Update – December Edition. This month we review the latest regulatory updates and compliance developments impacting investment advisers, broker-dealers, private fund managers, and mutual funds. We discuss the U.S. Securities and Exchange Commission (SEC) Division of Enforcement's 2022 annual report, FINRA's recent sweep of crypto-related communications, recently adopted mutual fund rules, and address compliance concerns for real estate fund managers when interest rates rise. We also discuss lessons from recent SEC settlements for failure to supervise, improper cross and principal trades, and failure to take "reasonable steps" to confirm accredited investor status. Check out the Worth Reading section for insights from other thought leaders in the industry. As always, we've provided a checklist of important dates for December.



All Firms

Just in Time for Christmas - SEC Announces Record Year for Enforcements

by Jaqueline Hummel

The SEC's Division of Enforcement released its **2022 Annual Report** detailing its activities and results for the SEC's fiscal year ended September 30, 2022. There were 760 enforcement actions, up from 679 in 2021. The SEC received a record $6.43 billion in disgorgement and civil monetary penalties, as compared to $3.85 billion the prior year. Matters related to securities offerings, insider trading, and investment adviser/ investment companies, were the top three enforcement action categories. Unsurprisingly, the SEC touted its recent enforcement actions against large investment firms for violations of recordkeeping rules by allowing the use of off-channel communications. The Commission noted that the cumulative penalties of $1.23 billion in these cases "made clear that the fines were not just a cost of doing business." See the **full report** for more details on the Division of Enforcement's activities for the year.

760
enforcement actions

$6.42 billion
in disgorgement and civil monetary penalties

> "The SEC noted cumulative penalties of $1.23 billion for violations of recordkeeping rules by allowing use of off-channel communications."

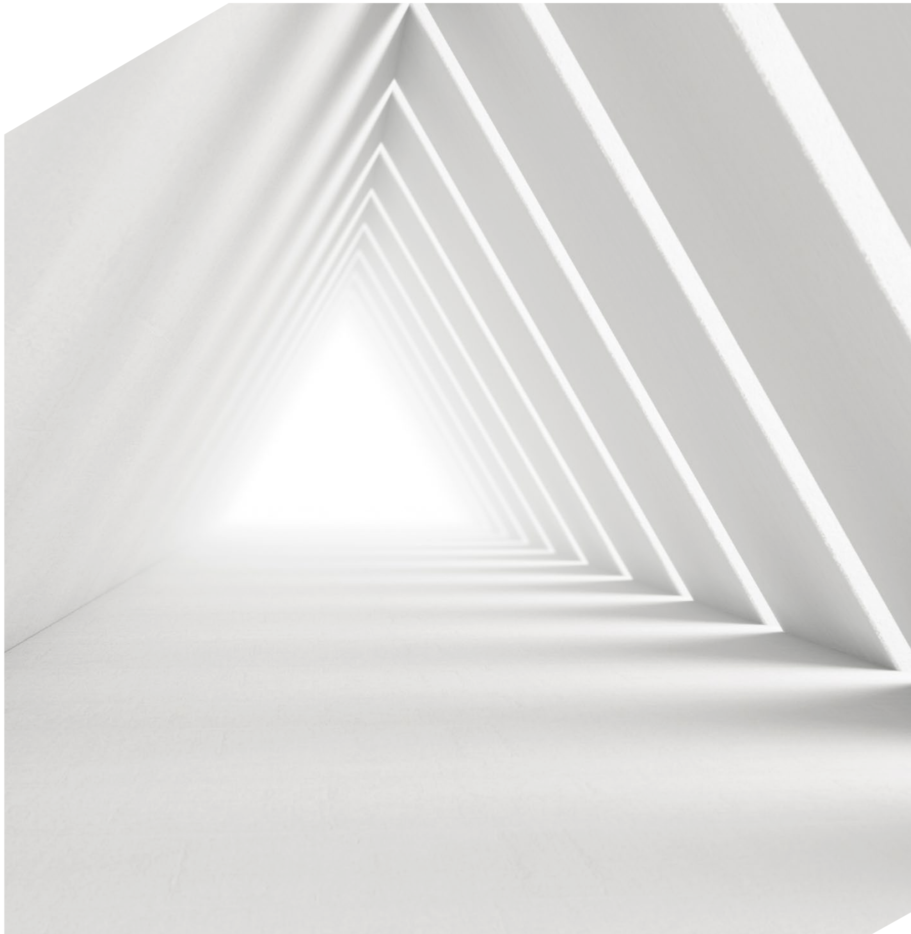
The CRD/IARD 2023 Renewal Process Continues

by Jaqueline Hummel

Preliminary Statements were made available to broker-dealers and advisers via CRD/IARD in November. If you have not done so already, you should retrieve your statement and remit payment in full ahead of the December 12 deadline. Firms are reminded of these important dates:

- **Starting October 17** – Firms can file post-dated Forms U5 and BR terminations
- **Starting November 1** – Firms can initiate post-dated Form BDW and ADV-W filings
- **December 12, 2022** – Preliminary Statements must be paid-in-full
- **December 22, 2022** – CRD/IARD System shuts down at 11:00 PM Eastern Time
- For more detailed information about the 2023 Renewal Program, including the full timeline, payment methods, helpful tips, and FAQs, check out the following:
    - FINRA Annual Renewal Overview
    - IARD Renewal Program Overview

NOTE: Failure to remit timely payments will result in late fees. Additionally, jurisdictions may automatically terminate registrations, resulting in the firm's inability to conduct securities business in those jurisdictions as of January 1, 2023.

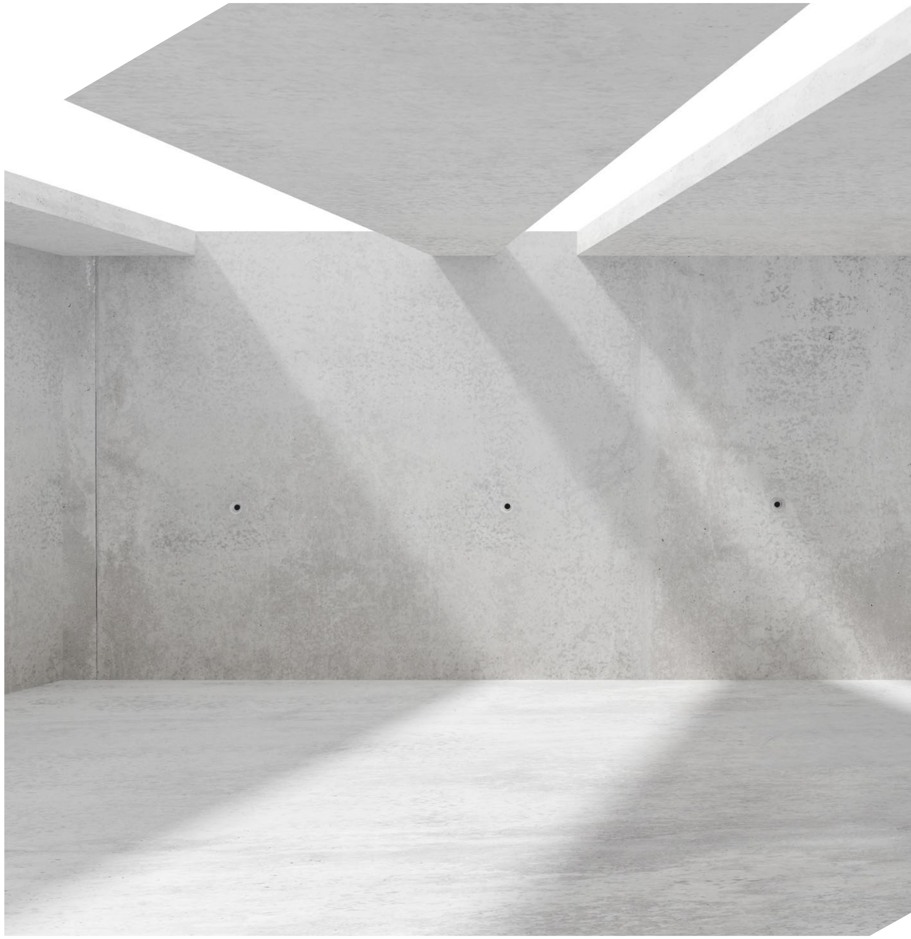


Investment Advisers

SEC's Outreach Program for Advisers and Funds

by Cari Hopfensperger

The SEC held its **National Compliance Outreach Program** on November 15, 2022. The event tackled a broad agenda, including common examination priorities and initiatives, rulemaking, enforcement actions, the new Marketing Rule, and Fiduciary Interpretation. A video recording is available on the SEC's website via the link above.



Broker-Dealers

FINRA Proposes Extending Remote Inspection Relief

by Jaqueline Hummel

FINRA submitted for immediate approval **amendments** to FINRA rule 3110 (Supervision) to allow member firms to examine branch offices remotely. The rule proposal extends the temporary relief granted under FINRA Rule 3110.07 to allow remote inspections for calendar years 2020, 2021, and 2022. The temporary relief was set to expire at the end of 2022, and FINRA filed a separate rule proposal in July that would establish a pilot program for remote inspections that is still under review.

According to FINRA, the extension "would avoid a potential lapse in the temporary relief while challenges from COVID–19 persist, provide firms regulatory continuity in meeting their inspection obligations during the remaining Commission review period of the Pilot Proposal, and allow firms time to adapt to the pilot program, if approved, and prepare for conducting on-site inspections, as applicable." FINRA proposed making the rule change effective on January 1, 2023.

Celebrate the New Year by Registering for Continuing Education Classes!

by Cari Hopfensperger

FINRA issued **Regulatory Notice 21-41** in November of 2021, and its effectiveness kicks in January 1, 2023. As a result, Broker Dealer Registered Representatives will need to complete a CE Regulatory Element training annually by December 31st in each year they are registered. ACA prepared this article to help sort through the details: **FINRA's Amendments to Continuing Education Take Effect January 1, 2023**.

FINRA Announces Sweep of Crypto-Related Retail Communications

by Cari Hopfensperger

FINRA recently **announced** a sweep review of member firms asking about their retail communications for crypto asset products and services. The targeted exam period covers the third quarter of 2022. “Crypto asset” products and services are defined as assets “issued or transferred using distributed ledger or blockchain technology, including, but not limited to, so-called “virtual currencies,” “coins,” and “tokens.” The FINRA notice contains an example document request, which includes a list of all retail communications distributed during the period relating to crypto asset products and services, related written supervisory procedures, training materials, and other internal guidance. Additionally, FINRA is interested in reviewing more than just member firms’ activities on this topic, the list also requests information about arrangements between member firms and their affiliates and their practices for distributing crypto-related retail communications.

Mutual Funds

Proxy Voting Disclosures Required by Registered Funds and Institutional Investment Managers

by Cari Hopfensperger

Originally proposed in September 2021, the SEC **adopted amendments to Form N-PX** under the Investment Company Act and rule and amendments under the Securities Exchange Act of 1934 to enhance reporting of proxy voting activities by mutual funds, ETFs, and other registered funds (Funds), as well as institutional investment managers. As a result, the **SEC asserts** it will be easier for investors to review fund proxy voting reports of their funds and compare them to other funds' voting.

Impacts to funds and their advisers: Under the new rules, reporting persons are required to categorize voting matters using fourteen broad and non-exclusive categories. Additionally, firms will need to report each voting matter on Form N-PX using the same order as they are printed on the issuer's SEC proxy card, and using language that corresponds with the SEC proxy card. Fund managers who do not vote proxies pursuant to a disclosed policy and did not vote proxies during the period will be able to indicate such, rather than providing these details about each voting matter on a ballot. In recognition of potential reporting challenges associated with issuers not subject to the SEC's proxy rules, reporting persons will only be required to provide this information for voting matters with SEC proxy cards.[1] Finally, reporting persons will be required to disclose both the total number of shares submitted for each vote along with any shares out on loan and not recalled or voted.

Impacts to institutional investment managers: In a move that fulfills a remaining requirement imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2020 (Dodd-Frank Act), Form 13(f)-filing "institutional investment managers"[2] will be required to report their say-on-pay votes[3] annually on Form N-PX if the manager uses voting power to influence a voting decision. The rule will permit joint reporting by multiple managers, or managers and funds, to avoid duplicative reporting. Similar to the above fund-related requirements, managers who do not vote proxies pursuant to a disclosed policy and did not vote proxies during the period will have less reporting obligations. However, it is worth noting that the adopting release clarifies that say-on-pay vote disclosures on Form N-PX will be required of *all* institutional investment managers subject to section 13(f) for *any* say-on-pay shareholder vote, not just for 13f listed securities above the section 13(f) de minimis level.[4]

The rules become effective July 1, 2023, and the first filings subject to the amendments are due in 2024.

While the heavy lift of these new rules will likely fall to fund administration and regulatory filing vendors, fund managers and impacted institutional investment managers will want to start planning to review their systems to confirm they can generate output needed for these new filing requirements. During this implementation period, advisers should also consider whether enhancements to their oversight of securities lending activities and proxy advisory services are warranted. Given the increased level of detail that will be disclosed on N-PX filings going forward, the increased regulatory risk associated with incomplete or inaccurate data should be considered in that review.

1 Adopting Release, page 23-27. "First, under the amendments, these requirements will only apply to proxy votes if a form of proxy in connection with a matter is subject to rule 14a-4 under the Exchange Act. That rule requires the form of proxy, or "proxy card," included in the proxy materials to clearly and impartially identify each voting matter (an "SEC proxy card")." And "Where an SEC proxy card is not available for a matter, reports on the matter will instead be required to provide a "brief identification of the matter voted on," consistent with the current requirement."

2 As defined in the Exchange Act as those managers that exercise investment discretion over securities with an aggregate value of at least $100 million.

3 The types of say-on-pay votes that managers must report are the same as the types of shareholder advisory votes section 14A of the Exchange Act requires. This includes votes on the approval of executive compensation and on the frequency of such executive compensation approval votes, as well as votes to approve "golden parachute" compensation in connection with a merger or acquisition.

4 Section 14A requires every institutional investment manager subject to section 13(f) to report how it voted on any say-on-pay shareholder vote, which would include say-on-pay votes held by issuers of securities that are not reported on Form 13F.

A Facelift for Mutual Fund & ETF Shareholder Reports - More Transparency for Fees in RIC and BDC Advertisements

by Cari Hopfensperger

In a move to improve transparency and simplicity of these documents for retail investors, the SEC is **changing its disclosure approach** to annual and semi-annual shareholder reports issued by open-end funds and ETFs. Originally proposed in 2020, funds will now be required to use a "layered approach" for these reports. Additionally, the SEC adopted amendments to rule 30e-3[5] that will require funds to provide new annual and semi-annual reports directly to the shareholder – either in hard copy or electronically when elected by the shareholder.

The amendments will modernize shareholder reports by requiring funds to:

(1) tailor reports providing concise information, highlighting key information, such as fund expenses, performance, and portfolio holdings,

(2) use graphic and text features to enhance the reading experience for retail investors,

(3) tag the information using a structured data format, and

(4) make certain in-depth information about a fund available to investors online and for delivery free of charge, as well as semi-annually on Form N-CSR, rather than in the offering documents.

In addition to updated shareholder reports, the SEC amended investment company advertising rules. Under the new rules, all registered investment companies (RICs) and business development companies (BDCs) will be required to present fee expense information in advertisements and sales literature that is reasonably current and in a manner consistent with the prospectus fee table. The amendments also address representations of fees and expenses that could be materially misleading.

The amendments will be effective 60 days after publication in the Federal Register and are subject to an 18-month transition period after the effective date. One exception to this timeline is that the amendments that address potentially misleading representations about fees and expenses will apply on the effective date.

5 Rule 30e-3 generally permits certain registered investment companies to satisfy shareholder report transmission requirements by making these reports and other materials available online and providing a notice of the reports' online availability, instead of directly providing the reports to shareholders. **https://www.sec.gov/files/33-11125-fact-sheet.pdf**

Private Fund Advisers – Focus on Real Estate

Prepare for Compliance Risks as Real Estate Markets Shift

by Kristina Staples

Shifts in the economy, such as rising interest rates, directly and indirectly, affect real estate investing. Chief Compliance Officers (CCOs) of investment advisers in this sector should be prepared for risks that can arise due to changing marketing conditions, such as a shift in the investment focus, changes in valuation and changes in typical funding sources.

Shift in investment focus: When interest rates rise, firms managing private real estate funds often look for opportunistic investment types to bolster fund performance. For example, firms able to pivot from equity investments to loans or other debt investments can shift the focus to put capital to work faster. Where the fund's governing documents allow this change, CCOs should monitor for several specific risks.

> ***Expertise*****:** Consider whether the firm has the relevant expertise to manage the shift. If key portfolio managers do not have sufficient experience originating and managing a loan portfolio, the investment adviser could quickly find itself spending more to gain that expertise or failing in its fiduciary duty in recommending investments.
>
> ***Restrictions*****:** Review fund governing documents for restrictions, such as the percentage of debt investments. The CCO should ensure that risk management personnel can monitor the makeup of the portfolio to avoid exceeding restrictions.
>
> ***Conflicts*****:** Investments in various levels of the capital stack can be advantageous, but can also present conflicts of interests. For example, conflicts can arise due to the differences in control rights between clients who own equity versus those who own debt. In addition, conflicts can be present where one fund lends to another at rates that might not be as competitive as offered by a third-party credit fund.

For advisers not looking to make the pivot into debt, valuation issues and performance reporting are likely to be high on the risk scale.

Changes in valuation, markdowns, and write-offs: As the real estate markets shift, valuation changes are inevitable. Therefore, decisions to write off investments and to "give back the keys" may be in play, but risks can arise both from taking or not taking markdowns or write-offs. The portfolio management team should document its markdown decisions and the factors underlying valuation determinations. Additionally, the CCO should review the rationale for valuations decisions and watch for situations where fees are tied to valuation. By monitoring sources and changes in key valuation inputs, the CCO will be able to bolster disclosures to describe changes in market conditions that affect valuation.

Similarly, the CCO should be aware of situations where the portfolio management team considers a write-down but does not take it because of the negative effect on performance. In the past, the SEC has been extremely critical of firms reporting artificially high-performance during fundraising.

> ***Document Review*****:** The CCO should consider reviewing any procedures in the governing documents regarding write-offs and write-downs. If additional expertise is needed, ensure that legal counsel or the relevant auditors are involved.

Changes in funding sources: When banks pull back on lending, real estate managers often turn to private lending sources. CCOs should ensure the deal and finance teams perform sufficient diligence on new sources of debt. In addition, the firm should set up a process for overseeing relationships with new lenders.

While your firm may not face any of these situations yet, now is the time to have a conversation with your real estate professionals so you are prepared to support their decisions with relevant compliance procedures, oversight, and reporting.

If you are concerned with where to start, talk to your ACA consultant. We can help you understand how to think about these and other issues so that you are prepared when the pivots occur.

Lessons Learned

Adviser and Founder Fail to Supervise Criminal IAR

by Cari Hopfensperger

In another cautionary tale of failure to supervise, the SEC **recently settled** with an adviser and its founder for failing to supervise the activities of a remote investment adviser representative (IAR), who stole over $700,000 from clients and is now serving a 20-year jail sentence. While the action reads like a laundry list of blatant compliance failures, with a whopping 86 enumerated points, there are take-aways for well-meaning firms too.

First, while the bulk of the action outlines the lack of effort by the firm to devise an appropriate supervisory approach to oversee this specific IAR with a prior disciplinary history, this was not a one-off circumstance for the firm. After receiving a prior deficiency indicating a weak supervisory structure, the firm developed a process to identify incoming IARs as high or moderate risk. In fact, over half of the firm's IARs onboarded since the process was adopted were categorized as high or moderate risk. Firms that agree to take on IARs with disciplinary histories should be prepared to respond to the related risks and regulatory scrutiny, and implement a carefully devised approach to heightened supervision program.

Second, at one point during the relevant period, the founder delegated his compliance responsibilities to another employee but then took no steps to oversee or otherwise confirm whether those compliance responsibilities were actually taking place. In reading this, we are all reminded of a couple common compliance "mantras" – "delegation does not absolve responsibility" and "trust but verify". CCO's should continuously seek efficient ways to effectively monitor the activities of their compliance program to ensure the program is running smoothly, annual report findings are resolved, etc. The effectiveness of supervisory controls is no exception. Fortunately, there have been great strides in compliance program technology that can really help CCO's tackle this challenge more affordably and efficiently.

Finally, the SEC noted in this case that on separate occasions, a compliance consultant and the firm's CCO advised the firm to implement a heightened supervision program, however, the firm failed to act. Firms that ignore the advice of compliance experts do so at their own peril. From the CCO perspective, if you "see something, say something." Reporting problems and recommendations to leadership is one of several steps a CCO can and should take to protect themselves from potential personal liability.

Self-Reporting and Remediation Help Soften the Blow

by Cari Hopfensperger

This adviser engaged in many cross and principal trades in separately managed and registered investment company trading accounts over a three-year period – 44,125 principal trades to be precise. Unfortunately, the adviser allegedly failed to make the required client disclosures or obtain the required client consent as required under the Advisers Act. During this same time, the adviser also conducted 547 cross trades between certain mutual fund clients and other firm clients, or clients of its affiliate, violating the provisions of the Investment Company Act rules on cross trading. Unsurprisingly, the SEC also **claimed** that the adviser failed to adopt and implement policies and procedures reasonably designed to prevent unlawful principal transactions.

How does this happen? Lack of subject matter expertise and overreliance on system generated output, for starters. During the relevant period, the adviser initially used a manual process to match proposed buys and sells in the same security across its client accounts and then crossed those trades through an independent third-party broker. The firm later adopted a more systematic way to match those proposed buys and sells and then crossed those trades in matching buying/selling accounts. Across both, the firm did not identify or consider client type in its matching. Consequently, cross trades were executed without any regard paid to the compliance requirements associated with crossing in registered investment company and principal accounts. All the while, the firm had policies and procedures stating that it did not conduct principal transactions and that cross trades in mutual fund accounts would comply with Investment Company Act Rule 17(a)-7, yet no testing was undertaken to confirm whether the policies and procedures were being followed. On the upside, each of the unlawful cross trades was executed at the prevailing market price and none of the trades effected through the firm's matching process was charged a commission.

Importantly, the firm's $500,000 civil penalty reflects its significant remedial efforts after identifying the violations, including:

1. Hiring a consultant to review its trading practices
2. Self-reporting the violative trades to the SEC and responding promptly and thoroughly to the SEC's requests
3. Discontinuing use of its matching tool and all cross-trading while working to resolve their failures
4. Implementing new review and monitoring procedures
5. Revising its cross-trading policies and procedures
6. Disclosing to clients the violative trading and that it had self-reported to the SEC
7. Implementing mandatory training on cross-trading and principal trades for all trading, legal, compliance, and operations employees

This is an instructive case study for a few reasons. First, it illustrates the SEC's expectation that advisers claiming to NOT engage in principal or cross transactions are testing to confirm if that is the reality. This is consistent with the SEC's guidance in its **Risk Alert on Principal and Agency Cross Trading**. Second, automating manual tasks can enhance controls and bring big operational efficiencies; however, without proper design, testing, and monitoring by experienced resources, automated tasks can magnify risk and fuel an even larger compliance problem. Finally, when a compliance issue is uncovered, firms can benefit from applying a well-crafted remediation framework to help "right the ship" going forward.

The Dangers of Using YouTube to Solicit Investors

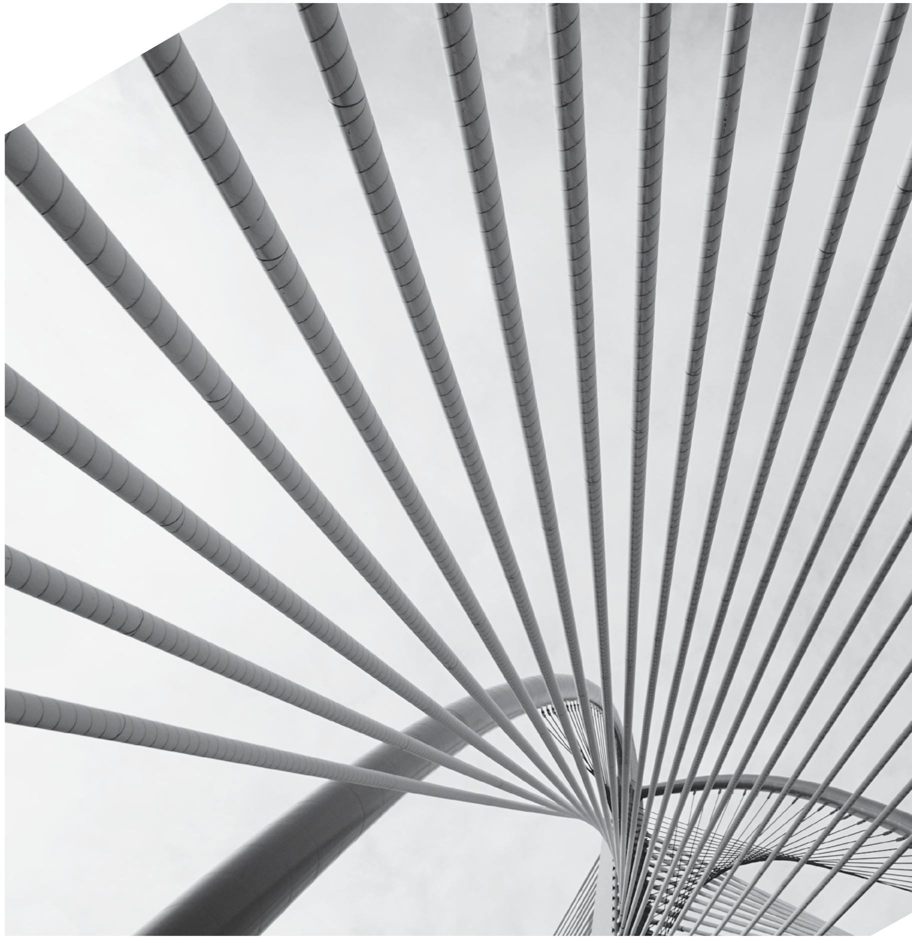
by Jaqueline Hummel

Back in 2013, the SEC made a big splash by removing the 80-year prohibition against the general solicitation and advertising or private placements by adopting **Rule 506(c)** under Regulation D of the Securities Act of 1933. Despite all the hoopla, many private fund managers did not use this exemption because it requires firms to take "reasonable steps" to verify that all investors purchasing interests are accredited. In this **settlement** with the SEC, a real estate fund manager attempted to rely on the exemption, but ended up paying $400,000 in penalties for selling interests in its fund to four unaccredited investors.

The fund's general partner, an unregistered investment adviser, used a website, YouTube videos, and a press release to promote the fund, and allowed potential investors to access the fund's private placement memorandum and subscription documents from an unrestricted website. This type of general solicitation is allowed under the Rule 506(c) exemption. More than $54 million was raised from about 140 investors. In 2021, the fund began to liquidate its holdings.

What makes this case interesting is that the SEC offers no evidence that the four unaccredited investors lost any money. The SEC's sole gripe is that the fund's general partner failed to take reasonable steps required to verify that all investors were accredited as required under the exemption. Specifically, potential investors were only required to check a box in the subscription agreement stating they were accredited, which the SEC determined was not "reasonable" to verify their status. Moreover, the general partner failed to dig deeper into entities that invested to verify their ownership and their assets.

Given the lax approach that the general partner took to verify accredited investors, the case provides little guidance on what "reasonable steps" would look like. It does, however, show that the SEC continues to bring enforcement cases even when the violation causes no investor harm.



Worth Reading, Watching, and Hearing

- **The High Price of Fighting – And Beating – The SEC Can Make Settling an Acceptable Solution**: Attorney Alan Wolper talks about the cold realities of doing battle with the SEC.
- **SEC vs State Registration & Notice Filing Logistics**: Attorney Chris Stanley of Beach Street Legal lays out the when, why, and how to register and notice file for investment advisers and their representatives in part 1 of this two-part series.
- **IA Continuing Education Resource**: The North American Securities Administrators Association (NASAA) provides a resource for investment advisers and their representatives on state continuing education requirements.
- **New Marketing Rule and Agreements with Promoters**: Attorney Richard Chen lays out what advisers should include in their agreements with promoters.
- **FINRA's First Reg BI Enforcement Action**: Attorney Alan Wolper finds FINRA applies the suitability analysis to Reg BI cases.
- **An In-Depth Look at the New Open-End Fund Shareholder Reports**: Rich Wagner, Partner at BBD walks us through the changes coming to open end fund shareholder reports under the SEC's new rule.
- **Managing Messaging Apps at a Public Company**: This Bloomberg Law Practical Guidance article, co-authored by Fried Frank attorneys, offers practical guidance on this challenge facing many firms.
- **Private Equity Giants are the Latest Targets in SEC Recordkeeping Probe**: (Subscription required) The Wall Street Journal reports that several major PE firms recently disclosed ongoing investigations by the SEC over their use of unapproved messaging apps.
- **In A Rollover Recommendation is a Securities Recommendation**: Attorney Fred Reish applies DOL, SEC, and FINRA principles to explain how a rollover recommendation is a recommendation to "sell" securities under each regulatory regime.

Recent ACA thought leadership:

- **Private Market Quarterly Update: Q3 2022**: Private fund managers should check out our compliance colleagues' latest update, with tips on the SEC's New Marketing Rule, Valuation, a Primer on Co-Investments, and Notable Enforcement Actions.
- **Hedge Funds Quarterly Update Q3, 2022**: Our compliance colleagues in the Hedge Fund group provide valuable intel on the SEC's New Marketing Rule, Proposed Form PF changes, and the Division of Examinations latest risk alert on insider trading.

To Do Checklists for the Month of December 2022

Investment Advisers

☐ **Annual Renewal Program for IARD System:** The IARD Renewal Program facilitates the annual renewal of investment adviser firms and their IA representatives' registrations with jurisdictions/states. Preliminary renewal statements for the IARD system were available on **November 7, 2022**, and are accessible only through the E-Bill System. Renewal statements reflect the registration renewal fees and annual system processing fees for all IARs and state-registered IA firms. Questions? Check out the **FAQs**.

Due date for receipt of preliminary statement payment: December 12, 2022

Private Fund Advisors

☐ **Blue Sky Filings (Form D):** Advisers to private funds should review fund blue sky filings and determine whether any amended or new filings are necessary. Generally, most states require a notice filing (blue sky filing) within 15 days of the first sale of interests in a fund, but state laws vary.

Due date: December 15, 2022

Mutual Funds

☐ **Form N-MFP:** Form N-MFP (Monthly Schedule of Portfolio Holdings of Money Market Funds) reports information about the fund's holdings as of the last business day of the prior calendar month and must be filed no later than the fifth business day of each calendar month.

Due date: December 7, 2022

Broker/Deakers

☐ **2022 Preliminary Renewal Statement is due in full**

Due date: December 12, 2022

☐ **Statement Regarding Independent Public Accountant:** Due no later than December 10th of each year, unless your engagement is continuing, providing for successive engagements.

Due date: December 10, 2022

☐ **Rule 17a-5 Monthly and Fifth FOCUS Part II/IIA Filings:** For the period ending November 30, for firms required to submit monthly FOCUS filings and those firms whose fiscal year-end is a date other than a calendar quarter.

Due date: December 23, 2022

☐ **Supplemental Inventory Schedule (SIS):** For the month ending November 30, the SIS must be filed by a firm that is required to file FOCUS Report Part II, FOCUS Report Part IIA or FOGS Report Part I, with inventory positions as of the end of the FOCUS or FOGS reporting period, unless the firm has (1) a minimum dollar net capital or liquid capital requirement of less than $100,000, or (2) inventory positions consisting only of money market mutual funds. A firm with inventory positions consisting only of money market mutual funds must affirmatively indicate through the eFOCUS system that no SIS filing is required for the reporting period.

Due date: December 29, 2022

Broker/Deakers (continued)

- [ ] **Annual Reports for Fiscal Year-End October 31, 2022:** FINRA requires that member firms submit their annual reports in electronic form. Firms must also file the report at the regional office of the SEC in which the firm has its principal place of business and the SEC's principal office in Washington, DC. Firms registered in Arizona, Hawaii, Louisiana, or New Hampshire may have additional filing requirements.

  Due date: December 30, 2022

- [ ] **SIPC-3 Certification of Exclusion from Membership:** For firms with a Fiscal Year-End of November 30 and claiming an exclusion from SIPC Membership under Section 78ccc(a)(2)(A) of the Securities Investor Protection Act of 1970, this annual filing is due within 30 days of the beginning of each fiscal year.

  Due date: December 30, 2022

- [ ] **SIPC-6 Assessment:** For firms with a Fiscal Year-End of May 31, SIPC members are required to file for the first half of the fiscal year a SIPC-6 General Assessment Payment Form together with the assessment owed within 30 days after the period covered.

  Due date: December 30, 2022

- [ ] **SIPC-7 Assessment:** For firms with a Fiscal Year-End of October 31. SIPC members are required to file the SIPC-7 General Assessment Reconciliation Form together with the assessment owed (less any assessment paid with the SIPC-6) within 60 days after fiscal year end.

  Due date: December 30, 2022

About ACA

ACA Group ("ACA") is the leading governance, risk, and compliance (GRC) advisor in financial services. We empower clients to reimagine GRC and protect and grow their business. Our innovative approach integrates advisory, managed services, and distribution solutions with our ComplianceAlpha® regulatory technology platform with the specialized expertise of former regulators and practitioners and a deep understanding of the global regulatory landscape.

For more information, visit
www.acaglobal.com

About the Authors

Jaqueline M. Hummel

Jaqueline M. Hummel is ACA's Director of Thought Leadership, Regulatory Compliance. She is a securities attorney and regulatory compliance consultant with extensive experience as an in-house attorney working in the areas of investment adviser, broker-dealer, and investment company regulation and compliance. Ms. Hummel provides compliance consulting services to registered investment advisors, working to develop effective compliance programs and solve complex regulatory issues, including serving as an Outsourced CCO.

Before joining ACA, she served as a partner at Hardin Compliance Consulting LLC, which was purchased by Foreside in June 2021. Before that, Ms. Hummel held the position of Chief Compliance Officer for PNC Capital Advisors and PNC Realty Investors, investment adviser affiliates of PNC Financial Services Group, Inc. She also served as in-house counsel for National City Corporation's investment adviser and broker-dealer affiliates where her responsibilities included being the Chief Compliance Officer for Allegiant Asset Management Company. Prior to joining National City, Ms. Hummel served many years as in-house counsel for MassMutual Financial Group, a diversified financial services organization, where she advised the investment management division, including affiliated registered investment advisers and registered investment companies.

Ms. Hummel holds the designation of Investment Adviser Certified Compliance Professional (IACCP®) from National Regulatory Services, Inc. She received a B.A. from the University of Wisconsin-Madison and a J.D. from Emory University School of Law.

.

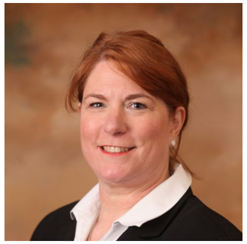
Cari A. Hopfensperger

Cari A. Hopfensperger is a Director for ACA's US Regulatory Advisory Group. She has an extensive background in regulatory compliance and provides compliance consulting services to retail and institutionalfocused registered investment advisers, including private and registered fund managers. She works with clients to develop effective compliance programs and solve complex regulatory issues, including serving as an Outsourced CCO.

Prior to joining ACA, Cari was a managing director at Hardin Compliance Consulting, LLC, which was purchased by Foreside in June 2021. Before that, she served in various compliance and operational leadership roles for a Chicago-based registered investment adviser, including Chief Compliance Officer, head of fund services and operations. Previously, Cari managed operations and client service for a Chicago-area boutique registered investment adviser.

Cari received a B.A. in English from the University of Wisconsin-Madison and a master of business administration from Keller Graduate School of Management. She is a member of the National Society of Compliance Professionals (NSCP) and currently serves as co-chair of the NSCP Publications Committee and chair of its professional development subcommittee.

About the Authors



Kristina Staples

Kristina Staples is a Managing Director at ACA Group and co-leads the real estate focus within the U.S. regulatory consulting practice. She joined ACA in June 2011 as a Senior Principal Consultant to build out ACA's SEC-related consulting practice in London. She was promoted to Managing Director in January 2015 and is primarily responsible for conducting mock inspections and providing ongoing regulatory consulting services focusing on firms managing alternative assets in private fund structures, including non-U.S. based advisers.

Kristina also assists clients in preparing for SEC examinations, developing customized policies and procedures, reviewing marketing materials, and training employees on compliance-related issues. Prior to ACA, Kristina served three years as Global Chief Compliance Officer and Vice President for JER Partners, a global private equity real estate investment manager.

Prior to JER, Kristina spent four years as a regulatory consultant at ACA. During that time, she supported investment advisers, hedge fund managers, and private equity fund managers on a variety of securities-related regulatory matters. She also assisted transfer agents and mutual funds with anti-money laundering issues. Kristina's other experience includes serving as a securities regulator with the State of Washington and as an attorney-advisor in the SEC's Office of Compliance Inspections and Examinations. In addition, she has been a financial consultant with Merrill Lynch and practiced law with a focus on business structures, real estate, and taxation.

Kristina holds a JD degree (cum laude) from the Gonzaga University School of Law and earned an LLM in Corporate Finance and Banking from the London School of Economics. Kristina works out of her home office in Scottsdale Arizona.