

THOUGHT LEADERSHIP

LEGAL UPDATES

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Amendments to Form ADV Adopted

On July 21, 2010, the Securities and Exchange Commission adopted amendments to Part II of Form ADV and related rules under the Investment Advisers Act of 1940 that require registered investment advisers to deliver to clients and prospective clients, a brochure written in plain English. The amendments were designed to “require advisers to provide clients and prospective clients with clear, current, and more meaningful disclosure of the business practices, conflicts of interest, and background of investment advisers and their advisory personnel.” The changes were originally proposed on March 3, 2008 and were based on similar amendments proposed in 2000.

The amendments expand the relevant content to be disclosed in the brochures and improve the format in which it is presented. Access to the information is also enhanced by requirements that advisers electronically file the brochures for posting on the SEC’s website. The new rules replace the “check-the-box” format for Part 2 with a narrative disclosure that organizes information in a consistent, uniform manner and will include information about the adviser’s business practices, fees, conflicts of interest and disciplinary information. The amendments also require registered advisers to deliver brochure “supplements” to new and prospective clients to provide resume-like information about the individuals at the advisory firm who will provide services to the clients.

Under the new rules, advisers must give each client an annual summary of material changes to the brochure and either deliver or offer to deliver a complete updated brochure.

The amended rules and forms will go into effect 60 days after publication in the Federal Register. Most investment advisers will likely begin distributing and publicly posting new brochures in the first quarter of 2011.

What This Means to You

Investment advisers should prepare to modify their materials based upon the requirements.

Contact Info

If you have any questions about this or other investment management matters, please contact your Husch Blackwell Sanders attorney.

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