

Financial Services and Products ALERT

July 22, 2010

SEC Adopts Amendments to Form ADV

On July 21, 2010, the Securities and Exchange Commission (SEC) voted unanimously to adopt amendments to Part 2 of Form ADV and related rules under the Investment Advisers Act of 1940, as amended. Part 2 of Form ADV, commonly referred to as the “brochure,” is the principal disclosure document that registered investment advisers must provide to their clients and prospective clients. As a result of the adopted amendments, registered investment advisers will be required to provide their clients with narrative brochures in plain English describing various topics related to the advisory relationship that will allow clients to compare different adviser’s disclosures. Specifically, amended Part 2 of Form ADV and related rule amendments will require the following:

- **Plain English Narrative Brochure.** Narrative disclosure in the brochure presented in plain English and in a uniform, consistent manner regarding (i) the investment adviser’s business, (ii) fees and compensation, (iii) performance-based fees and side-by-side management, (iv) methods of analysis investment strategies, and risk of loss, (v) disciplinary information, (vi) codes of ethics, participation or interest in client transactions and personal trading, and (vii) brokerage practices.
- **Brochure Supplement.** A brochure supplement disclosing resume-like information about the specific employees of the investment adviser providing advice to clients, including each employee’s education, business experience, other activities, compensation, disciplinary information and contact information for the employee’s supervisor.
- **Delivery and Filing.**
 - Delivery of the brochure and brochure supplement to the client before or at the time the adviser enters into an advisory contract with the investor.
 - Delivery of the brochure supplement to the client before or at the time a specific person begins to provide advisory services to that client.
 - Delivery of interim updates to brochures or brochure supplements to the client when a material change occurs with respect to disciplinary information.
 - Delivery of annual updated brochures and brochure supplements summarizing any material changes.
 - Electronic filing of the brochures in PDF format with the SEC, which will be publicly available on the SEC’s website (brochure supplements are not filed).

This alert is published by Alston & Bird LLP to provide a summary of significant developments to our clients and friends. It is intended to be informational and does not constitute legal advice regarding any specific situation. This material may also be considered attorney advertising under court rules of certain jurisdictions.

Compliance Date

Existing registered investment advisers whose fiscal year ends on or after December 31, 2010, must include a narrative brochure with their next annual Form ADV amendment. These advisers will have an additional 60 days to deliver the narrative brochure to their clients. New investment advisers applying for registration with the SEC must comply following January 1, 2011.

The full text of the adopted amendments to Form ADV is not yet available, so the descriptions provided in this special alert are based on the SEC's press release and statements made by the Commissioners and the staff at the open meeting. Once the adopting release is made available, a more detailed advisory will follow.

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