

RIA Compliance Consultants



New/Basic CCO Training

Strategic Alliance Members



Bridge Financial Technology

Automation-focused software designed to streamline back office functions.



Unitifi

Modern solution for financial professionals to fulfill their fiduciary responsibility to know and understand their client.



Lockton Affinity, LLC

Insurance Solutions for member based organizations.

The determination to use the services or products of a Strategic Alliance member is an important decision and should not be based solely upon a member's participation in our Strategic Alliance Program. RIA Compliance Consultants is not affiliated with these Strategic Alliance members, does not control or supervise the services or products of the Strategic Alliance member and reference to these Strategic Alliance members does not mean that RIA Compliance Consultants has performed any level of due diligence on the Strategic Alliance member's services or products. As with any service provider, clients are urged to perform their own due diligence on the Strategic Alliance members listed on this page. Each registered investment adviser should perform its own independent investigation and evaluation to make sure that the Strategic Alliance member is the best fit for its firm.

2021 RIA Compliance Connection

Presentation Disclosures

- Although the sponsor of this presentation, RIA Compliance Consultants, Inc. (“Sponsor”), is an affiliate of a law firm and Sponsor may have an individual on its staff that is also licensed as an attorney providing legal services in a completely separate capacity, Sponsor is **not** a law firm and does **not** provide legal services or legal advice. A consulting relationship with Sponsor does not provide the same protections as an attorney-client relationship.
- This presentation is offered for educational purposes only and should not be considered an engagement with Presenter or Sponsor. This presentation should not be considered a comprehensive review or analysis of the topics discussed today. These materials are not a substitute for consulting with an attorney or compliance consultant in a one-on-one context whereby all the facts of your situation can be considered in their entirety.
- Despite efforts to be accurate and current, this presentation may contain out-of-date information. Additionally, Presenter and Sponsor will not be under an obligation to advise you of any subsequent changes.
- Information provided during this presentation is provided "as is" without warranty of any kind, either express or implied, including, without limitation, warranties and merchantability, fitness for a particular purpose, or non-infringement. Presenter and Sponsor assume no liability or responsibility for any errors or omissions in the content of the presentation.



2021 RIA Compliance Connection

Presentation Disclosures

- Information provided during this presentation relates solely to the Investment Advisers Act of 1940 and the rules thereunder and, at times, we may reference similar state securities rules and regulations specific to registration as an investment adviser. Certain circumstances or arrangements you may have may warrant you to consider other regulations that may apply including, but not limited to: the Investment Company Act of 1940; the Securities Act of 1933; the Securities Exchange Act of 1934; ERISA and other Department of Labor regulations; federal or state laws and regulations and self-regulatory (e.g., FINRA) rules for broker-dealers and registered representatives/securities agents of broker-dealers; and state insurance rules and regulations. The Sponsor of this presentation does not provide any advice or consulting services outside the scope of the Investment Advisers Act of 1940 or similar investment adviser state securities rules and regulations. If you need advice regarding any other rules or regulations, the Sponsor recommends that you consult with an attorney or consultant that specializes in those specific rules or regulations.
- There is no guarantee or promise that concepts, opinions and/or recommendations discussed will be favorably received by any particular court, arbitration panel or securities regulator or result in a certain outcome.
- To the extent that you provide RCC with your email address, it will be added to RCC's electronic newsletter mailing list regarding compliance issues for investment advisers. You may opt out at any time by calling RCC at 877-345-4034 or clicking at any time the "unsubscribe" link on the electronic newsletter.
- Communication with today's webinar presenter is not protected by attorney-client privilege. Please keep questions during this seminar in a hypothetical form. This seminar session and/or the presentation materials may be recorded, copied and/or shared with third parties and/or posted to our public website.

Agenda

1. Who should be CCO and Qualifications
2. CCO Responsibilities
3. CCO Training
4. CCO Liability and Risks
5. Discussion of CCO Challenges
6. Resources

Who Should Be Named CCO?

Rule 206(4)-7 creates the requirement for the Chief Compliance Officer (“CCO”) role and should be used as the basis for determining and developing the CCO’s responsibilities when acting in this capacity.

- No specified qualifications (e.g., exams, years of experience)
- Rule 206(4)-7 simply states, “Designate an individual (who is a supervised person) responsible for administering the policies and procedures that you adopt under paragraph (a) of this section.”

Who Should Be Named CCO?

- SEC Final Rule Release for Compliance Programs of Investment Companies and Investment Advisers states that an adviser's CCO should be:
 - **Competent and knowledgeable** regarding the Investment Advisers Act of 1940 ("Advisers Act");
 - **Empowered** with full responsibility and authority to develop and enforce appropriate policies and procedures for the firm; and
 - **In a position of sufficient seniority and authority** within the organization to compel others to adhere to the compliance policies and procedures.

CCO Responsibilities

- Understand the investment advisor rules and regulation of your governing authority (e.g. SEC Investment Advisers Act of 1940 and the rules thereunder).
- Have a clear understanding of the adviser firm's business model and operations.
- Conducting a risk analysis and determining all real and potential risks and conflicts of interest.
- At a minimum, oversee the development, implementation, maintenance, and enforcement of the firm's written compliance policies and procedures and Code of Ethics.

CCO Responsibilities

- Conducting an annual compliance review and make sure that the firm's compliance program is effectively addressing potential areas of risk within the firm and that the policies and procedures are being implemented effectively.
- Counsel senior management and supervisory personnel regarding implementing appropriate supervisory actions and, when applicable, appropriate corrective actions.
- Keeping current on regulatory requirements and changes and revise and update the policies and procedures as necessary.

What DON'T I Know? – Having an appreciation and understanding for what you don't know and when to rely on the knowledge or expertise of others and where the firm has competency gaps.

CCO Training

How do I get the training I need to perform the CCO duties?

- 1) RCC website resources – Sample Forms, Webinars, Newsletters or Ask
- 2) Set up automatic SEC and State Emails
- 3) Set aside time to read – Risk Alerts, Exam Priorities, State and SEC Websites News, FAQs
- 4) Compliance Designations - IACCP
- 5) Regulatory Reviews by RCC
- 6) Training Available by Third-Party Service Providers
- 7) Talk to your regulators

CCO Liabilities and Risks

Notable compliance issues identified by the SEC's Office of Compliance Inspections and Examinations related to Rule 206(4)-7

1. Inadequate Compliance Resources

Do you feel that you have adequate staff, tools/technology and knowledge to be an effective CCO?

Do you have other roles in addition to your CCO responsibilities?

Can you dedicate the necessary time to perform your duties as CCO?

2. Insufficient Authority

As CCO, do you have access to all critical firm information, such as trading exception reports, advisory agreements and business operations.

Does senior management consult with you on matters that may have potential compliance implications?

CCO Liabilities and Risks

3. Annual Reviews

Do you perform an annual review of the effectiveness of your compliance program and document it?

Does you perform regular reviews of the high-risk areas and the policies surrounding them, such as fee calculation, cybersecurity, key service providers (third-party managers) or your conflicts of interest?

4. Implementing Actions Required By Your Policies and Procedures

What training does your firm provide to employees?

As CCO do you utilize a compliance calendar or checklist to keep track of your tasks? Is it working?

CCO Liabilities and Risks

5. Maintaining Accurate and Complete Compliance Manuals

When compliance issues arise during the year, do you review the current policies surrounding the issue to ensure they are reasonable and effective to prevent violations?

Do you know what is in your compliance manual? Have you read the entire compliance manual to understand your CCO responsibilities as stated in the compliance manual?

Did a third-party draft your compliance manual for you?

CCO Discussion of Challenges

What is the biggest challenge you currently face as the CCO?

What are the tasks that consistently do not get done daily/weekly/monthly/quarterly/annually?

Does the CCO delegate compliance tasks to other individuals? How do you determine what tasks should be delegated and what tasks should not?

What tools does your firm use to keep track of your CCO responsibilities? Does your firm utilize the RCC Annual Compliance Calendar Checklist?

Does your firm utilize third-party software to help with compliance tasks?

Does your firm outsource compliance? Do you understand the risks associated with outsourcing?

2021 SEC Exam Priorities

The Importance of Compliance

The SEC continues to believe it is important to emphasize that compliance programs, CCOs and other compliance staff play critically important roles at firms. Indeed, culture and tone from the top are key. In the course of conducting thousands of examinations of many different types of firms, the hallmarks of effective compliance become apparent. One such hallmark includes compliance's active engagement in most facets of firm operations and early involvement in important business developments, such as product innovation and new services. Another is a knowledgeable and empowered CCO with full responsibility, authority, and resources to develop and enforce policies and procedures of the firm.

Resources

SEC Risk Alert – OCIE Observations - November 19, 2020

https://www.sec.gov/files/Risk%20Alert%20IA%20Compliance%20Programs_0.pdf

2021 SEC Exam Priorities – March 3, 2021

<https://www.sec.gov/files/2021-exam-priorities.pdf>

SEC Risk Alert – Observations from OCIE’s Examinations of Investment Advisers – Supervision, Compliance and Multiple Branch Offices - November 9, 2020

<https://www.sec.gov/ocie/announcements/risk-alert-multi-branch>

November 19, 2020 Speech, “The Role of the CCO – Empowered, Senior and With Authority” by Peter Driscoll, former Director of the Office of Compliance Inspections and Examinations

<https://www.sec.gov/news/speech/driscoll-role-cco-2020-11-19>

RCC Sample Form – CCO – Annual Compliance Calendar Checklist

RCC Sample Form – Determining Who to Designate as CCO Checklist

RCC Webinar April 27, 2017 – Understanding the Role of the Chief Compliance Officer

Strategic Alliance Members



Bridge Financial Technology

Automation-focused software designed to streamline back office functions.



Unitifi

Modern solution for financial professionals to fulfill their fiduciary responsibility to know and understand their client.



Lockton Affinity, LLC

Insurance Solutions for member based organizations.

The determination to use the services or products of a Strategic Alliance member is an important decision and should not be based solely upon a member's participation in our Strategic Alliance Program. RIA Compliance Consultants is not affiliated with these Strategic Alliance members, does not control or supervise the services or products of the Strategic Alliance member and reference to these Strategic Alliance members does not mean that RIA Compliance Consultants has performed any level of due diligence on the Strategic Alliance member's services or products. As with any service provider, clients are urged to perform their own due diligence on the Strategic Alliance members listed on this page. Each registered investment adviser should perform its own independent investigation and evaluation to make sure that the Strategic Alliance member is the best fit for its firm.

Connect With Us

www.ria-compliance-consultants.com

www.Facebook.com/riacompliance

www.YouTube.com/riacompliance

www.linkedin.com/company/ria-compliance-consultants-inc