



CONVERGENCE
OPTIMAL PERFORMANCE

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Compliance Alert.....The ADV Filing Countdown is on.....Only 21 days remaining.....

We want you to file high quality Form ADVs and in the spirit of sharing want to give you a few simple tips on avoiding some of the mistakes that signal a sub-optimal compliance culture....and you know what that means.... and who may find it sufficient reason to visit you.

1) Not naming your Key Control Executives in Part 1A, Schedule A

- a. Every Adviser has one or more staff performing the role of its CEO, CFO, COO and CCO duties, yet not all Advisers disclose them in Schedule A. Disclose them, even if one person performs all the roles. The SEC instructions specifically define these roles as key

2) Inconsistent Answers and Disclosures in Parts 1A and Part 2A

- a. We see big gaps between how Advisers answer questions in Part 1A and explain in Part 2A. Fee and Expense disclosures are the two areas in need of improvement. For example, when you disclose in Part 1A Section 7B the use of a third-party Fund Administrator, clearly and concisely disclose the expense in Part 2A, Item 5 “Fees and Expenses.” Many questions in Part 1A carry these types of implicit expense disclosure requirements. Failure to disclose expenses has caused heartache for many Advisers.

3) Inaccurate Numbers within Part 1A

- a. No easier way to letting everyone know that you have ineffective quality control process in place to catch what we call “doozies” before filing your ADV. Take doozie #1, where the sum of the Private Fund Assets disclosed in Section 7B is materially higher than the Total RAUM disclosed in Item 5, and 100% of the Adviser’s clients are private funds! Come on all, this is a bunny....

4) Failure to file interim Form ADV Updates

- a. One of my personal favorites is “I file annually because it’s required, and after all, the SEC does not define a material change anyway?” Well, mon ami, we study the interim filings of the 18,000 SEC and 22,000 State filers and the data does a nice job of defining what all other Advisers, called the market, think is material enough to make an interim update. So, if you care to know, give us a call to know what the market thinks, otherwise, “viva la difference!” Good luck telling it to the judge.

5) Inconsistent data and disclosures across Forms-ADV, D, 13F - D - G, 3 & 4.

- a. When filing different forms, try and be consistent with the little things. For example, Mr. Smith calls himself the CEO in his ADV, the CFO in his Form D filing, the COO in his 13F filings and the CCO in his Form 3 and 4.

Creating quality regulatory filings is a team sport and really a game of relative measurement, meaning how do your filings look compared to other Advisers that are of your size, strategy, filing type and complexity? In fact, organizations who play the team sport have quality filings across all filings. And this is no accident. Convergence analytics can help you do a better job.

To discuss your compliance digital footprint please contact Adam Safi asafi@convergenceinc.com to arrange a free consultation