August 11, 2015

Brent J. Fields
Secretary
U. S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: File No. S7-09-15; Amendments to Form ADV and Investment Advisers Act Rules

Dear Mr. Fields:

Professional Compliance Assistance, Inc. ("PCA")[1] appreciates the opportunity to comment on the amendments to Form ADV and Investment Advisers Act Rules proposed by the U.S. Securities and Exchange Commission ("SEC"). On the whole we have no objection to changes that provide substantial benefit to investors and/or regulators. However we believe that compliance with a number of the proposed changes will be extremely difficult if not impossible for a large part of the registered investment adviser ("RIA", "adviser" or "registrant") community.

According to the 2015 Evolution Revolution report, jointly prepared by the Investment Adviser Association and National Regulatory Services, approximately 71% of SEC-registered advisers report Regulatory Assets Under Management ("RAUM") under $1 billion. This group represents approximately 3.3% of the total RAUM reported via the IARD system. Conversely 1.1% of all SEC-registered firms manage in excess of 50% of the total reported RAUM. Accordingly, regulation that is focused on the registrants in the top tier of advisers in terms of RAUM would presumably protect more investor dollars. In the following comments we express our concern regarding changes that affect all or a majority of registrants, including small firms.

In its Release, the SEC notes its understanding "that the state securities authorities intend to consider similar changes that affect advisers registered with the states, who are also required to complete Form ADV Part 1B as part of their state registrations". However in addition to Part 1B, the states have generally mandated that state-registered advisers utilize the balance of Part 1A and its Schedules. Therefore the changes the SEC proposes affect not only the 11,473 SEC-registered but also an even larger number (approximately 20,000) of state-

[1] Professional Compliance Assistance, Inc. is a compliance consulting firm that works exclusively with registered investment advisers. PCA currently serves approximately 220 RIAs, approximately half of which are SEC-registered. Of the SEC-registered adviser clients of PCA, the average RAUM is approximately $485,000,000. The overwhelming majority of these firms have fewer than ten (10) employees; we estimate the average to be six (6) employees.

registered firms. These firms are, by definition, smaller and practically speaking are more likely to have less resources, both in terms of personnel and reporting software programs. Throughout this letter our comments are meant for all RIAs that are required by any regulator to utilize Form ADV Part 1A and Schedules.

Our comments are arranged in the same order and general format as the Release.

II.A. Proposed Amendments to Form ADV

1. Information regarding separately managed accounts.
    a. Given the factors we explain below, we do not believe that advisers should be required to update information regarding separately managed accounts more often than annually. The preparation of the Annual Updating Amendment (the "AUA") is already a significant burden for many advisers, depending upon the technology available to them. In our view, increasing the frequency of reporting would cause a material increase in this burden, and in most cases would be unlikely to provide investors or regulators with helpful information. If regulators require additional information regarding separately managed accounts we believe that annual reporting of this information is sufficient. With respect to the question regarding whether advisers managing in excess of $10 billion in separately managed accounts should be required to submit semi-annual data, PCA has a small number of clients that meet this demographic. Therefore our knowledge in this area is admittedly limited. Nevertheless, we are not aware of any material benefit to regulators for semi-annual reporting, particularly if such mid-year information is reported along with the annual data report rather than on a mid-year schedule.
    b. We have no comment with respect to derivatives reporting.
    c. With respect to the proposed requirement for reporting the use of borrowings and derivatives in "separately managed accounts with a net asset value of at least $10 million", we ask that you include specific instructions as to what constitutes "an account". Specifically, is "an account" a separately discernible registration at a custodian, or would a group of similarly-registered accounts (i.e., related accounts of one family) be considered "an account"? It seems that without such specific instructions, an adviser could easily avoid reporting by breaking up large accounts into several smaller accounts, each under the $10 million threshold.

        With respect to the additional reporting for advisers managing separate accounts totaling $150 million or more in RAUM, we request that you consider raising this threshold to $500 million or $1 billion. With advances in technology, more accounts can be efficiently managed by fewer staff members. Therefore many advisers with substantial RAUM are still constrained by small staff numbers and many operate with few tools such as portfolio management software ("Management Programs"). Many custodial platforms provide reporting that is sufficient for the investors, and the RIAs have no need to purchase Management Programs that would facilitate the collection and reporting of this additional type of data. The burden to collect and report certain types of data would be excessive for many, if not most, RIAs.
    d. We strenuously object to the proposed requirement for advisers to attempt to report on "investment strategies". The overwhelming majority of the RIAs that PCA serves do not have

established and identifiable "strategies". Instead, these RIAs manage each client's portfolio in a manner specific to that client's individual needs. Those needs may encompass a combination of long equities, an element of hedging, fixed income holdings for planned withdrawals, cash management for entities (such as small businesses, estates and trusts), some commodities exposure, etc. It would be nearly impossible to accurately report RAUM in "strategies" for these firms. Because of the difficulty of doing so, these RIAs would then be vulnerable to enforcement referrals by the OCIE exam staff if the staff determined the reporting to be inaccurate. Please see (m) below.

e. Regarding the proposed reporting of asset types, in addition to the difficulty that many RIAs will have in even producing this information, PCA requests clarification in the instructions. For example, how should advisers treat balanced mutual funds?

f. We have no comment regarding the proposed requirement to report aggregate holdings in light of Section 210(c).

g. PCA believes that, given the innovative nature of the markets (i.e., new investment instruments developing over time), the request for information of this type is best reserved for the examination process, and is likely not as useful in the realm of routine reporting. In other words, the SEC will have to amend the Form ADV repeatedly over time to include future asset types. In addition, retail investors most likely have no reason to seek out this data, and institutional investors will likely request it during the RFP process.

h. PCA agrees that the term "derivatives" should be defined. The definition should include specific examples to help avoid confusion and misunderstanding. In addition, PCA suggests that the Form ADV instructions include a requirement for registrants to maintain a record regarding the methodology and logic used to determine the classification, characterization and reporting of asset types. This required record would be available to OCIE exam staff and hopefully would help stave off unnecessary enforcement actions when the OCIE staff may disagree with an RIA's assessment.

i. We have no comment regarding the appropriateness of gross notional exposures/values.

j. PCA believes that many advisers will narrow the scope of investment alternatives available to their clients as a result of increased reporting requirements. The SEC has successfully created grave concern over aggressive enforcement for minor infractions. If advisers are forced to report various new data and they have the possibility of getting it wrong, they are not likely to be inclined to take that risk, even if the use of certain additional investment alternatives might be prudent and effective investments for certain of their clients. This may or may not have a negative effect on consumers.

k. PCA believes ten percent is a reasonable threshold for reporting of custodians. However we have a question relating to this proposed requirement. Regarding Section 5.K.(3)(c), the proposed new question requests "The location(s) of the custodian's office(s) responsible for custody of the assets (city, state and country)". Please clarify whether you require only the principal place of business ("home office") of the custodian, the branch office closest to the registrant's principal place of business or the operations center that serves the registrant. For example, an adviser participating in the platform offered by Charles Schwab & Co. ("Schwab")

may be located in Atlanta, Georgia and conduct a large amount of business in one of several Atlanta branches of Schwab. However Schwab's home office is in San Francisco and the operations center serving that registrant is in Orlando, Florida. Which Schwab location(s) should be reported in order to properly answer this question?

l. With respect to the advisers that PCA serves, this information is not applicable. Therefore we suggest that this type of information gathering should be reserved for the very large advisers (i.e., those in the top 5-10% in reported RAUM), in which case regulators, institutional investors and very sophisticated investors might gain valuable insight.

m. PCA suggests that the SEC consider an additional question in Item 5. For example, Item 5.F.(4) could ask, "Do you manage separate accounts according to (a) pre-determined strategies or (b) customized strategy developed for each advisory client?". If the adviser selects (a), then the Form could instruct the adviser to provide information regarding those strategies. If the adviser selects (b), no further information would be required.

n. As described in earlier comments, in many cases the information required to answer the proposed questions is not readily available to advisers. The process to gather the information is manual and therefore subject to error. PCA believes that much of the information is only useful to regulators, and we recognize the importance of the regulation of advisers. However, requiring advisers to gather specific information once every few years for an examination is far more reasonable than being required to report it every year.

2. Additional Information Regarding Investment Advisers

   a. We have no comment regarding the proposed requirement to provide all CIK numbers.

   b. We believe that the requirement to disclose various social media sites on Part 1A would likely be helpful to regulators, but not particularly so with respect to investors. We believe that retail investors seldom utilize Part 1A for information regarding advisers, but instead rely on Part 2 disclosures and social media searches. If the goal is to assist investors, requiring such disclosures on Part 2A, 2B and Appendix 1 (perhaps on the cover page of each) would seem more appropriate.

   c. Please see comment in (b) above.

   d. We believe that requesting information on business-related social media sites of employees may be helpful, but the instructions need to clearly establish how the SEC defines "business-related". For example, if an RIA employee mentions his or her employer on a personal social media site, would that site automatically be deemed "business-related"?

   e. We have no comment with respect to the proposal to require identification of the largest 25 offices. However we would appreciate clarification regarding the treatment of home offices. Many of the RIAs served by PCA have employees and particularly owners who may work from home a significant amount of time. In these cases, books and records are generally stored "in the cloud" and clients do not meet with the employees/owners at their homes. How would RIAs be expected to define an office location in these cases?

   f. As in the case with social media site disclosure, we believe investors would be better served with this disclosure in Part 2A, 2B and Appendix 1.

g. We have a question regarding this proposal. Would the identity and/or IRS Employer Identification Number of the outsourced CCO be public information?

h. We believe that requests for information regarding third-party compliance auditors is best reserved for the exam process and RFPs of institutional investors. We see no benefit for retail investors.

i. We have no comment or concern with the proposal regarding more detailed disclosure of registrants' assets, believe the proposed requirements are clear and assume that registrants have access to this information.

Additional Information About Advisory Business

j. We agree that requiring these more precise numbers would be at least as helpful as the current ranges and that the data should be available to advisers. With respect to Section 5.K(1), the instructions to the proposed new Section require that the adviser "carve out" the RAUM for clients that are Investment Companies, Business Development Companies and Pooled Investment Vehicles (other than Investment Companies) (i.e., client types d-f) in order to define the separately managed accounts. We suggest that you reorder the table in proposed Item 5.D and move the current client types d-f to the end of the list. The remaining types a-k could then be sub-totaled for "separately managed accounts". This would provide a snapshot of the total number of clients and RAUM attributable to separately managed accounts, and may help prevent errors in other reporting calculations.

k. We have no comment regarding the proposed categories of client types.

l. In our experience, for most advisers who report a different number in Item 4 of Form ADV Part 2A vs RAUM, the difference is comprised of *additional* assets that are advised by the adviser as opposed to a *different method* of calculation. For example, a typical scenario for our clients is that the adviser will list its RAUM in Item 4, but will also identify assets under advisement. In a hypothetical example, an adviser may state, "As of 12/31/2014, we managed $500 million in discretionary assets and advised on $1.2 billion in additional assets". The calculation is not *different*, but rather includes *additional* assets. Therefore, proposed Item 5.C(1) answers could be potentially very difficult to discern or may be unintentionally misleading since, at least in PCA's experience, advisers may often have clients for which the adviser has RAUM and also provides other advisory services. The proposed question does not accurately request the information that we believe you seek.

Proposed Items 5.C and 5.J (2) appear to be related. We suggest that a clearer line of questions could be accomplished by eliminating proposed Item 5.C and amending proposed Item 5.J (2) as follows: "5.J (2) Do you have clients for whom you do not have regulatory assets under management but did provide investment advisory services during your most recently completed fiscal year? [If yes, to how many clients (for which you have no RAUM) did you provide such advisory services during that fiscal year?] 5.J. (3) Have you reported total AUM in Item 4 of Part 2A that differs from your RAUM reported in Item 5.F of Part 1A?" If the adviser answers in the affirmative, then a follow-up question could list potential reasons for the difference (e.g., assets

included in financial planning services, assets included in family office services, assets included in estate planning services, etc., as well as 'other', with a block for minimal explanatory text). We believe this line of questions would provide better information for regulators and would be easier for advisers to accurately answer.

With respect to the proposed requirement to disclose "parallel managed accounts" we have concerns regarding the subjective nature of the term "substantially" as used in the definition included in the Glossary to Proposed Form ADV. If an adviser has separately managed accounts that are managed in a manner that is based upon the same investment objective and strategy of, and invests side by side in some of the same positions as, the identified investment company or business development company that the adviser advises, but is customized according to the individual needs and preferences of each specific client, how will advisers be expected to navigate what the regulators might consider "substantially the same"?

In addition, we suggest that the definition would be substantially improved if it were edited slightly to include the word "separately", so that the definition would state, "With respect to any registered investment company or business development company, a parallel managed account is any separately managed account or other pool of assets that you advise and that pursues ...."

We believe that addition information, such as trade rotation policies, should be requested during the examination process rather than be required as part of ongoing filing obligations.

m. With respect to disclosures regarding wrap programs, the revised wording of the Item creates a question regarding the use of the term "participate". Would this include instances in which an adviser places client funds (or recommends that clients place non-discretionary assets) in one or more wrap programs sponsored by unaffiliated third parties, but in which the adviser does not serve as the sponsor or a portfolio manager in the wrap program(s)? We suggest that it may be clearer to rephrase the question as follows: (1) Do you invest or recommend that clients invest in wrap programs that are sponsored by an unaffiliated third party? (a) What is the dollar amount of your RAUM that is invested in such third party-sponsored wrap programs? (2) Do you invest or recommend that clients invest in wrap programs for which you or a related person are the sponsor? (a) What is the dollar amount of your RAUM invested in wrap programs that you or a related person sponsor? List the names of the program(s) on Section 5.I. (2) of Schedule D. (3) Do you serve as a portfolio manager for any wrap programs, sponsored by you, a related person or an unaffiliated third party? (a) What is the dollar amount of your RAUM invested in wrap programs of which you or a related person serve as a portfolio manager? List the names of the programs, their sponsors and related information in Section 5.I. (3) of Schedule D.

Currently Form ADV Part 1A does not require that advisers serving as sponsors but not as portfolio managers of wrap programs identify the programs. We believe this is an information

gap that should be filled in order to assist regulators with mapping the various activities of advisers and their related parties.

n. We believe advisers will readily have access to this information.

o. As stated above, we believe the proposal is clearly stated but that the questions can be improved.

Additional Information about Financial Industry Affiliations and Private Fund Reporting

p. Presumably the accounting firms performing the surprise examinations would supply advisers with their PCAOB registration numbers. We also presume that the CRD and CIK numbers are readily available, although admittedly there can be confusion among firms that have been in existence for many years and have gone through reorganizations, name changes, etc.[2]

q. Our concern with the proposed new question regarding the percentage of investors in a private fund that are qualified clients is two-fold. (1) Clients may have misrepresented themselves as qualified to the adviser, and (2) clients may have met the requirements for qualified clients at the time they invested in the fund but their net worth may drop over time so that they no longer meet those requirements. The adviser may not be aware of this circumstance.

3. Umbrella Registration

a. Yes, we believe the proposed umbrella registration should be adopted.

b. We believe the proposed Form ADV amendments will provide a clearer picture of the filing adviser, its relying advisers, the ownership and control of those relying advisers and other relevant information.

c. We believe that in many circumstances umbrella registration is more useful to both regulators and investors than a multitude of separate registrations for related entities.

d. In the context of advisers with which PCA is familiar, umbrella registration would appear to provide more consistent and clear information about groups of private fund advisers that operate as a single business. We note that this is a limited scope of our business.

e. The first condition (that "The filing adviser and each relying adviser advise only private funds and clients in separately managed accounts that are qualified clients (as defined in rule 205-3 under the Advisers Act) and are otherwise eligible to invest in the private funds advised by the filing adviser or a relying adviser and whose accounts pursue investment objectives and strategies that are substantially similar or otherwise related to those private funds") carves out filing advisers that may have one or more relying advisers and that has retail (not qualified) clients. This same condition was included in the ABA letter. Is there a reason that such filing advisers are carved out of the requirements? IS it the SEC's intention that if the filing adviser had retail clients, then umbrella registration is not available to its relying advisers?

f. We have no further comments regarding the proposed umbrella registration.

[2] For example, a search on the IAPD search page for names such as "Fidelity", "Morgan Stanley", or "Schwab" yields many different options for each. We frequently experience difficulty in determining which CRD number is correct in various circumstances.

4. Proposed Clarifying, Technical and Other Amendments to Form ADV
    a. We believe the proposed amendments are generally appropriate.
    b. PCA would like to take this opportunity for the SEC to consider providing additional instructions regarding several questions on Part 1A to address filing issues that we face on a regular basis. In assisting registrants with both SEC and state regulatory examinations, we frequently encounter problems with variable interpretations of the following Items:
        i. Item 5 B(5). The current question asks, "How many of the employees reported in 5.A. are licensed agents of an insurance company or agency?" While many of the employees of registrants are licensed with various state insurance commissioners, few are licensed with a specific company or agency. Some regulators require a literal interpretation of the question the way it is currently stated, while others require that registrants count all employees who are licensed in any capacity. We have had situations in which one regulator required the registrant to change this answer, and then subsequently another regulator required the registrant to change it back. It would be helpful if the question would be reworded to simply ask, "How many of the employees reported in 5.A. are licensed to sell insurance?"
        ii. Item 5.H. We request that you enhance the instructions for Item 5.H. Many advisers provide some level of financial planning to the majority of clients. This type of planning may include, without limitation, asset allocation based upon cash flow needs, insurance evaluation, and limited estate planning advice. These advisers generally do not assess a fee for these activities. Should these advisers include such clients in determining their answer to Item 5.H? Or should this answer be reserved for situations in which advisers provide more formal financial planning for a separate fee?
        iii. Item 8.G (1). In 2012 the SEC slightly amended this Item, so that it currently reads "Do you or any related person receive research or other products or services other than execution from a broker-dealer or a third party ("soft dollar benefits") in connection with client securities transactions?" The only change in 2012 included the addition of the parenthetical "soft dollar benefits". Since that time and because of that change, a few states have taken the position that an adviser's participation in the adviser platforms offered by custodians (Schwab, Fidelity, TD Ameritrade, etc.) constitutes soft dollar arrangements. We emphatically disagree but some state regulators will not be dissuaded. We have not encountered this problem with the SEC staff either in the process of registration or examination. We request some clarification in the instructions, or at least that the SEC communicate a request to NASAA to harmonize the interpretation of this question among the states.
        iv. Item 9.C.(1) and (2). For clarity and consistency, we request that the wording of these two questions be slightly reworded to state, respectively (requested changes are bold, italicized): (1) A qualified custodian(s) sends account statement at least quarterly to the investors in the pooled investment vehicle(s) you ***or your related persons*** manage and (2) An independent public accountant audits annually the pooled investment vehicle(s)

that you ***or your related persons*** manage and the audited financial statements are distributed to the investors in the pools." With the current wording, there is some confusion as to whether all four questions under Item 5C should include pooled investment vehicles managed by a related person.

v. Section 9.C. It would create some efficiency for registrants to add a box to "confirm" an independent public accountant so that existing information would be affirmed for the next filing. Section 9.C. (6) would need to be updated and should be a "completeness check" item.

c. We have no comment regarding Section 7.B.(1).

d. With respect to proposed Item 8.H.(2), we agree that additional disclosures in this area can be helpful but more clarity is needed. For example, if an employee's salary is substantially based upon revenue generated by clients the employee brings to the adviser, would registrants still answer this question in the affirmative? The Item as proposed states "...in addition to the employee's salary". We believe the Item is aimed at identifying compensation for employees geared towards business development. However in many cases multiple financial professionals together create an investment advisory firm, and each maintains his or her own "book of business" or group of clients. These individuals share expenses, support personnel, etc., but each retains his or her own revenue. Therefore, 100% of each person's "salary" would be derived from clients they bring to the firm. Would the staff anticipate an affirmative response under these circumstances?

II.B. Proposed Amendment to Investment Advisers Act Rules

1. Proposed Amendments to Books and Records Rule
    a. We believe that, in most cases, advisers do maintain these records. We have no concern with making that retention mandatory.
    b. We believe the proposed rule change is sufficient.
    c. We are concerned that the SEC appears to be linking the requirement for advisers to maintain records demonstrating the basis for the calculation of individual client account performance history to the enforcement of Rule 206(4)-1. Reports sent to individual clients are client communications, not advertising. If such a report includes model account or composite performance results, then we understand that the communication may potentially be considered an advertisement. But when an adviser merely sends a client a report of the performance of the client's own account, often accompanied by comparison to one or more relevant indices, in our view such a report should not be considered advertising.
2. Proposed Technical Amendments to Advisers Act Rules
    a. We have no comment regarding these proposed amendments.

III. Economic Analysis

Costs

a. We believe that regulators and institutional advisers will benefit from additional information reported on Form ADV Part 1A and its accompanying schedules, but that retail investors rely more

on referrals from friends and colleagues, as well as social media, in the selection of advisers. Clearly if regulation is more effective as a result of these proposed changes, all investors will ultimately benefit.

b. We believe that the incorporation of umbrella registrations will assist advisers in complying with filing requirements.

c. We believe the SEC has grossly underestimated the potential cost for many advisers, particularly smaller advisers. As stated above, a large number of advisers do not have portfolio management programs that allow them to readily produce some of the data contemplated by the proposal. These advisers would be required to (1) manually produce the information, with the cost directly correlated to the number of accounts, (2) engage a third party to produce the information, or (3) purchase software programs in order to be able to produce it internally. Such programs have a wide range of pricing levels; we estimate between $3,000 and $60,000 or more per year. In addition, the programs must be set up and maintained, resulting in additional personnel costs. We understand that regulation is vital and that it has costs associated with it; we believe the cost analysis is based upon assumptions that are not true in a large number of cases.

   Further, as stated above, we believe that a significant number of advisers may limit the scope of investment alternatives offered to clients due to the increased cost of having to parse the data on a wide range of investment alternatives for reporting purposes.

d. As explained above, we believe that the routine reporting of some of the information will create a significant burden for a large number of advisers. Historically, advisers have been required to collect and provide data to the exam staff from time to time. In some cases we see no reason for the ongoing production of some of this data with respect to recurrent filing requirements.

e. As previously stated, we believe that a significant percentage of the adviser population will change their behavior in terms of investment alternatives offered to clients in an attempt to simplify reporting so as to enhance the accuracy of reporting.

Burden Hours

Throughout the proposal, the terms "senior compliance examiner", "compliance manager", "compliance clerks" and "general clerks" are used. In most advisers that PCA serves, the work of compliance is generally carried out by the Chief Compliance Officer, with limited assistance from others. These are small firms with few human capital resources, and very few have the positions named in the proposal.

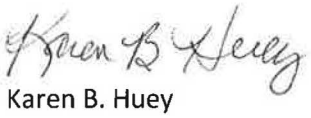
Small Entities Subject to the Rule and Rule Amendments

We have great concern for the impact on state-registered advisers. In Footnote 5 of the Release you state your understanding that "state regulators intend to consider similar changes". We have seen no indication that the states have considered any proposals relating to the topics of your proposal. In the Release, you state that "our proposed rule and Form ADV amendments would not affect most advisers that are small entities ("small advisers") because they are generally registered with one or more state securities authorities." The state securities authorities have adopted the Form ADV Part 1A as a uniform filing form. Therefore, the Form ADV changes will affect all state-registered advisers.

Finally, we suggest that compliance with the proposed changes be delayed until April 1, 2016 or later. This will allow registrants to work with the new Form ADV in light of individual updates and changes throughout calendar 2016, and would assist registrants in being better prepared for the Annual Updating Amendment, which is required for the majority of registrants in first calendar quarter of the year, for 2017.

Again we appreciate the opportunity to comment on the proposal and hope that our thoughts and observations on these important matters are helpful to the staff. We would be pleased to discuss the questions we have raised and issues we have addressed with the Commission or its staff at your convenience.

Very truly yours,



Karen B. Huey
Founder, CEO