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August 11, 2015

Mr. Brent Fields
Secretary
Securities and Exchange Commission ("Commission")
100 F Street, NE
Washington, DC 20549

RE: File Number S7-09-15;
Amendments to Form ADV and Investment Advisers Act Rules

Dear Mr. Fields:

We appreciate the opportunity to comment on the above-referenced proposal. Advisor Solutions Group, Inc. is a compliance consulting firm that assists investment advisers, including small and mid-sized advisers, with registration and ongoing compliance needs. The majority of our clients provide advisory services through separately managed accounts. We also have clients who are advisers to pooled investment vehicles, including mutual funds.

Our comments stem from our experience assisting investment advisers with preparing and filing Form ADV through the IARD. While we received comments from some of our clients regarding the proposed changes, the views expressed in this letter are the views of this firm and not necessarily those of our clients.

We support the Commission's efforts to update Form ADV and to improve the quality and usefulness of the information gathered from Form ADV filers. However, a number of advisers have expressed that some of the new requirements impose costs and burdens on filers that are not justified by the information and data that would become available. While each proposed amendment may only add an incremental cost, the Commission should recognize that rules adopted over time have a cumulative effect on the time and cost of compliance. The Commission should consider reviewing whether any current requirements could be eliminated to offset the additional burden of new requirements. Our comments in response to certain of the Commission's questions (which are reprinted below) are focused on the areas of greatest concern expressed to us by our clients with respect to the proposal.

A. Proposed Amendments to Form ADV

1. Information Regarding Separately Managed Accounts

- Advisers would be required to update separately managed account information annually. Should we require more frequent reporting, such as quarterly reporting? Should an adviser be required to update information on separately managed accounts any time the adviser files an other-than-annual amendment to Form ADV? Is it appropriate to require semi-annual data in annual reporting instead of semi-annual reporting for advisers that manage at least $10 billion in separately managed accounts? Why or why not?
    - We believe that imposing quarterly reporting of the new separately managed account information on advisers would be overly burdensome, especially for small to mid-size advisers, and would outweigh any benefit to be gained from receiving more frequent updates.
    - Advisers file other-than-annual updating amendments for a variety of reasons, many of which are completely unrelated to changes in separately managed account information. Requiring concurrent updating of such information would in many if not most cases add little or no useful information, but it would create a burden and potential source of delay in disseminating material disclosures that are typically the reason for filing the amendment in the first place.
    - Providing data on an annual basis for two points in time is still less burdensome than requiring two separate filings. The Commission would still obtain the benefit, however, of being able to monitor data changes between the two points in time.
    - With respect to the ADV question 5.K.(1)(a) & (b), we solicited adviser feedback. Some advisers responded that it would take significant time to collect this information, as they do not currently classify their securities to the same level of detail requested, and that it would take significant time researching the different securities and building a new categorization system in their portfolio accounting software. One adviser thought they might be able to outsource this work, but were concerned that it would be costly; the adviser did not seek a quote for the cost at this time. This would particularly be a burden for small and mid-sized advisers. If the data is sought, perhaps a threshold based on regulatory assets under management ("RAUM") should be established above which the reporting requirements would be imposed. Another adviser reported having the necessary data; however, it would take about one hour for this adviser to compile the data for this item alone.
- In order to better understand the use of derivatives in separately managed accounts, would we need more data points from each adviser than the annual and semi-annual proposed data points? Why or why not?
    - Firms that regularly trade derivatives are now generally subject to CFTC regulation and report information on such trading. We believe this new reporting requirement would be unduly burdensome for non-CFTC advisers and redundant for advisers who are CFTC-

regulated. A better approach would be for the CFTC to share this information with the Commission.

- Are the $10 million, $150 million and $10 billion thresholds appropriate? Why or why not? Should we require advisers that manage less than $150 million in assets under management attributable to separately managed accounts to report additional information about those accounts or report semi-annual information?
    - Because the $150 million threshold is now used as a threshold for both Form PF and exempt reporting advisers, we believe this is an appropriate threshold below which advisers should be exempt from the more burdensome reporting requirements.
- Should we ask about the investment strategies used in separately managed accounts as opposed or in addition to asset types? If so, how should we define the investment strategies so that information reported to us is meaningful? Should we use some or all of the investment strategies listed in Form PF for private funds? Is there other information about separately managed accounts that we should consider instead?
    - Based on our experience, the range used in the industry for defining investment strategies is too broad and qualitative to provide useful comparative information.
    - The investment strategies listed in the basic part of Form PF seem tailored for funds rather than separate accounts. On the other hand, the more granular descriptions required by Form PF of large funds would be burdensome if required of separate account advisers, many of whom manage far less than $150 million, let alone $1.5 billion.
- Is there any overlap among the proposed asset types? If so, which particular types? Are there any additional asset types that should be included?
    - It is not clear whether ETFs and ETNs should be classified as securities issued by registered investment companies or by the underlying asset types, such as exchange traded equities or the various bond categories.
- Would disclosure of aggregate holdings, derivatives and borrowings in separately managed accounts raise concerns, in light of Section 210(c) of the Advisers Act, regarding the identity, investments, or affairs of any clients owning those accounts when clients are not identified? If so, please explain, and address whether there are ways in which the Commission could address these concerns and still request comparable information.
    - We believe this disclosure would raise concerns. Preferably, the functionality of the system should be constructed so that such information would not be publicly displayed (as is done now with personal information such as SSNs and private residences). As an alternative, information could be collected on a separate non-public form, as is done with Form PF, but this approach would be more burdensome.
- Would the disclosure of information about separately managed accounts in the aggregate be useful for risk monitoring and data analysis purposes? Why or why not?
    - The usefulness of certain asset information may be reduced by the variety of methodologies used by separate account advisers for classifying assets.

- Are the proposed definitions related to Schedule D, Section 5.K.(1) and (2) sufficiently clear to allow advisers to provide the requested information? If not, please explain why and provide alternative definitions or suggestions. Would a definition of "derivatives" improve the reporting requirements? If so, how should that term be defined? For instance, should it be defined broadly to include instruments whose price is dependent on or derives from one or more underlying assets? Alternatively, should it be defined to mean futures and forward contracts, options, swaps, security-based swaps, combinations of the foregoing, or any similar instruments, or should it be defined in some other manner? If, so, how?
    - Because advisers use a variety of methodologies for classifying assets, we believe the comparative usefulness of this information would be of limited value.
    - It is not clear whether margin is included in the proposed definition of "borrowing." It would be helpful if examples were provided. For example, how would margin accounts, covered calls and cash secured puts be treated under this item.
    - We believe a definition of "derivatives" is essential if the data is to be meaningful.
    - Wherever possible, the same terms already defined for other regulatory purposes (e.g., in CFTC regulations) should be used.
- Would the disclosure of information about separately managed accounts affect or influence business or other decisions by advisers?
    - We believe it might influence investment decisions for a few advisers, because public disclosure of the asset classes they hold might lead some advisers to engage in "window dressing" or other inappropriate trimming in order to achieve a desired presentation.
- Is ten percent an appropriate threshold for information on custodians that serve a significant number of separately managed accounts? Should it be higher or lower? If so, why?
    - There should be clarification as to which location to report for the custodian's office; e.g., local branch office, principal office, or Form B/D main office.
    - There should be clarification as to how to report the RAUM attributable to separately managed accounts held at the custodian; e.g., dollar amount or percentage.
- Should we require advisers to report information about the use of securities lending and repurchase agreements in separately managed accounts? If so, is there specific information we should collect, and should we require information only from advisers that manage a large amount of separately managed account assets? Are securities lending arrangements and repurchase agreements used by separately managed accounts to such an extent that we should require all advisers that manage separately managed accounts to report this information?
    - In our experience, these are not common practices for most independent advisers, so a high threshold should be required before triggering the reporting requirements.

2. Additional Information Regarding Investment Advisers

Additional Identifying Information:

- Are there concerns with providing social media information for advisers? If so, please explain those concerns. Are there ways that we could address these concerns and still request comparable information?
    - Clarification should be provided as to the level of control advisers must have before requiring inclusion (e.g., "Yelp" should be excluded because advisers do not create or maintain data on such a website, but may only add business information).
- Would the proposed social media information be useful to investors? Why or why not?
    - We do not believe investors are likely to access Form ADV 1 on IAPD in order to find advisers' social media sites. Rather, investors will simply perform internet searches.
- Is there additional social media information that we should collect? Should we ask advisers whether they permit employees to have social media accounts associated with the advisers' business? And, if so, should we ask advisers to identify the number or percentage of employees that have those accounts? How burdensome would it be for advisers to report that information?
    - Some definition should be provided as to what "associated with the adviser's business" means. We do not believe it should include mere business card information, or even approved descriptions or bios, if no client interaction is permitted. It should be limited to social media accounts with full prospect or client interaction.
    - It would be very burdensome for firms to report the number, as this would not ordinarily be tracked (especially if the definition included social media sites that permit use of some company information but are not actively used to market the firm's business). This requirement could also raise other legal issues, as some states have significant employee privacy protections.
- As proposed, information would be required regarding an adviser's 25 largest offices. We selected 25 in order to balance the burden to investment advisers with providing this information with our need for information about additional offices. If instead we were to require all offices to be reported, would the burden on advisers be significant? Should we decrease the number of offices or provide another standard to identify the offices that should be reported?
    - It would be burdensome if, as the instructions suggest, this information would have to be amended promptly if it becomes inaccurate in any way. At a minimum, the instructions should require that the information only needs to be amended annually.
- In addition to the identification of outsourced chief compliance officers, should we also request information about advisers' use of third-party compliance auditors? If so, what information should we request?
    - It would be helpful to define "auditor" in this context. Firms use consultants, legal counsel, and auditors in various capacities, with widely varying services and qualifications, so this data might not be meaningful on a comparative basis.
- Are the proposed requirements clearly stated?

- As proposed, Item 5.K.(1) is confusing. By placing "(separately managed account clients)" after the reference to Item 5.D.(2)(d)-(f), the inference is that (d)-(f) relate to separately managed account clients, rather than the opposite. It would help clarify if the item in parentheses were changed to: "(i.e., do you have separately managed account clients)."
- This question, however, is superfluous. If there are any numbers reported on any of the Item 5.D.(2) rows other than (d)-(f), then the filer has already answered yes. We suggest as an alternative that IARD be programmed to recognize when a filer fills in any of those other rows with RAUM and then to require the additional schedule. This could also be accomplished by simply including a reference to the requirement to complete this additional schedule in the instructions to Item 5.D. If the intent is to keep all of the separately managed account information in Item K, then the question should be changed to state that if the filer reported RAUM in any category other than 5.D.(2)(d)-(f), the schedule should be completed.
- In addition, the instructions should clearly define separately managed accounts to include all non-pooled investment accounts. Many advisers use the term "separately managed accounts" interchangeably with wrap accounts or wrap-type programs.

<u>Additional Information About Advisory Business:</u>

- Please describe any benefits or concerns with using more precise numbers in Item 5, rather than ranges.
  - Currently, clients can fall into multiple client types in reporting, and the ADV instructions indicate that advisers should check all types that apply. Therefore, percentages can be over 100%. It is not clear how a firm would make the determination as to which category clients should be listed in so that industry data is consistent. For example, an adviser that is a sub-adviser to a mutual fund would count as clients both the fund and the other investment adviser.
  - With respect to the ADV question 5.D., we solicited adviser feedback. Some advisers expressed concern over having to provide exact counts of clients and RAUM by category rather than ranges. Advisers expressed that providing exact numbers would increase the preparation time and risk of error. One small-firm adviser estimated that it took them 10 hours to prepare the annual amendment, and this requirement would only increase the time for preparation. Another adviser estimated that initial set-up would take four hours, as the adviser would need to add an extra layer of categorization to the firm's portfolio accounting software. Because this data is already produced on a range basis, it is not clear how much more valuable the data would be under the proposed requirements.
- Is there any overlap among the categories of clients, and if so, among which particular categories? How could we address any overlaps?
  - As noted above, there would be an overlap in the case of a sub-adviser to a mutual fund, since both the fund and the other adviser would be clients.

    - There may also be an overlap in the case of a sub-adviser to a wrap-fee program, where the sub-adviser could report either the adviser or the underlying clients.
- Please describe any concerns with providing information on: (a) the number of clients for whom investment advisers provide advisory services but do not have regulatory assets under management; (b) the regulatory assets under management attributable to non-U.S. clients; or (c) parallel managed accounts. Are there other types of information advisers could report that would meet our goals?
    - The instructions for the table should specify whether an adviser should include all clients, including those for which the adviser has no RAUM.
- Would the additional information on wrap fee programs be helpful to investors and other market participants? Should any additional information be required?
    - In our experience there is a great deal of confusion about the definition of a wrap fee program. For example, if an adviser negotiates an asset based fee with a broker and pays that fee rather than the client, does that constitute a wrap fee program? The instructions should clarify the definition of a wrap fee program, perhaps with several examples and interpretive guidance.
- Are the proposed requirements clearly stated?
    - See comments above.

3. Umbrella Registration

- Should we amend Form ADV to accommodate umbrella registration? Why or why not?
    - We believe Form ADV should be so amended, in order to achieve consistency and so that ownership schedules may be separated.
    - We further believe Form ADV should be similarly amended in order to accommodate umbrella registration of exempt reporting advisers.
- Would these amendments be helpful for private fund advisers and investors?
    - These amendments would be helpful for private fund advisers; investors are probably not likely to find the amendments either helpful or harmful.
- Is umbrella registration appropriate or should we require separate registration by each adviser?
    - This is very appropriate, since the affected advisers are operated as a single business. We strongly support this proposal.
- Would umbrella registration provide more consistent and clear information about groups of private fund advisers that operate as a single business? Why or why not?
    - Yes, because the relevant information would all be located in one place; it would identify all of the entities as related; and it would make it clear that these entities are all run as a single business.
- Are there additional or different conditions we should consider for umbrella registration?
    - Yes, as noted above, we believe that umbrella filings should be allowed for exempt reporting advisers.

- Should we require that the availability of umbrella registration be expanded to include advisers with clients that are not primarily private funds, and if so, what are the legal structures that it should accommodate and are the proposed conditions sufficient to capture only single advisory businesses?
    - We support expanding the availability of umbrella registration. We suggest eliminating the first of the five conditions, which the Commission stated are indicia of a single advisory business. We consult with a number of separately registered investment advisers that, while separate legal entities, operate a single advisory business as indicated by conditions two through five. This simple change would have a significantly positive effect on reducing the compliance burden, including on a number of small firms, without any increase in risk. The addition of Schedule R would be sufficient in capturing the relevant differences in the separate legal entities. Additionally, we believe this would have a positive impact on the Commission's examination program of advisers as the Commission would have a more complete picture of an adviser's business and would be able to conduct a single examination of related advisers under a single compliance program.
- We are not proposing to make filing an umbrella registration mandatory, because we believe it is appropriate to permit advisers to file a separate Form ADV for each relying adviser if they choose to do so. Should umbrella registration be required? Should firms indicate if they could, but chose not to, rely on umbrella registration?
    - We do not believe this registration should be mandatory. We further believe it does not add any useful information to disclose whether or not an adviser chose to rely on this voluntary means of registration. Such a requirement would be confusing to the many advisers who may not even consider using it.
- Should we require more, less or different information on proposed Schedule R? What information should be added or deleted?
    - It seems unlikely that entities would have separate CRD numbers unless they were separately registered at a prior time. This information does not appear to be meaningful.
    - We believe it is helpful to have separate Schedules A & B.

4. Proposed Clarifying, Technical and Other Amendments to Form ADV

- Are the proposed amendments necessary? Should we consider different or additional amendments? If so, please specify.
    - We believe that clarification of Item 7 is very helpful with regards to individuals performing advisory functions or who are registered representatives of a broker-dealer; however, we would go further in proposing clarification of other categories that could trigger identification of individuals, such as Items 7.A (10) & (11). We suggest the instructions should clarify whether the Commission intends for firms to identify individual employees acting as attorneys or accountants, whether in the scope of their employment or as an outside business activity. We believe similar clarification should be

provided to Item 6 as well. It is our understanding that Item 6.A.(2), (12) or (13) would only be selected if the adviser was a sole proprietor acting in any of these capacities.

- Are there any ambiguities or concerns that we should address in the form, instructions or glossary?
    - In our experience, there is still significant confusion with respect to Item 9.F.; the current data is likely not meaningful as the question is answered vastly differently. The instructions the Commission sent via email to advisers on March 5, 2014 with the subject line "Form ADV, Item 9 Completion Reminder" should be incorporated into the instructions of the form. We propose the question should be restated as, "If you or your *related persons* have *custody* of *client* funds or securities (including if you have custody solely because you deduct fees from client accounts), how many *persons*~~, including, but not limited to, you and your *related persons*,~~ act as qualified custodians for your *clients* in connection with advisory services you provide to *clients*?" The instruction above that is struck through has created confusion among many advisers as to the intent of the question. In addition, we believe the inserted language underlined above would be helpful to clarify how advisers should respond to the question.
- Are the proposed amendments regarding payment for client referrals in Item 8 clear? Why or why not?
    - These proposed amendments are clear, although it would be helpful to define "purchaser representative" in Item 8.B.(2).

B. Proposed Amendments to Investment Advisers Act Rules

- Do investment advisers currently maintain these [advertising, backup for performance] records? If so, are there concerns with making these required records?
    - Generally, advisers do maintain these records, particularly any reports that are provided as a routine practice. However, the majority of the advisers who provided us with feedback expressed that they do not always maintain copies of individual account performance reports provided on an ad hoc basis (e.g., at client request during an in person meeting) and the additional requirement would be burdensome.

We appreciate the opportunity to comment on this proposal. If you have any questions or would like to request clarification, please contact me at [redacted], via e-mail, or the address above.

Sincerely,

Krista S. Zipfel, CFA
President & CEO