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Secretary
Securities and Exchange Commission
100 F Street, NE
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August 11, 2015

RE: Proposed Rule Amendments: Amendments to Form ADV and Investment Advisers Act Rules
SEC File Number S7-09-15
Release No. IA-4091

To Whom It May Concern:

This comment letter is submitted on behalf of National Regulatory Services, ("NRS"), a Division of Accuity. NRS is the nation's leading compliance consulting and registration firm founded in Lakeville, CT in 1983. NRS provides compliance and consulting services, compliance solutions, national conferences, seminars and the NRS Certified Compliance Professional certificate program to approximately 6000 investment advisers, ranging from small state-registered advisers to the largest global investment management complexes, private fund managers and other financial firms.

The proposed Form ADV amendments presented in IA Release IA-4091 (the "Release") will require investment advisers to provide additional identifying information as well as additional information about their separately managed account business. Also included is an amendment to incorporate "umbrella registration" for private fund advisers, and various clarifying and technical amendments to Adviser Act rules. While these amendments are more limited than recent Form ADV amendments, they will require investment advisers to report additional information on their separately managed accounts, as well as other detailed information about wrap fee programs, social media websites, and private fund reporting. NRS commends the Division of Investment Management of the Securities and Exchange Commission, ("Commission") for again undertaking to address reporting and disclosure practices in an effort to obtain more specific information about advisers and their clients. We understand that Form ADV data is used by the Commission to prepare for and conduct its risk-based examination program and to monitor important industry trends.

In our 32 years of providing compliance services, NRS has learned that clarity and precision in the regulatory environment is an essential element of effective compliance. Investment advisers, broker-dealers and other financial institutions need to clearly understand the expectations of the regulator as well as the obligations of the regulated. This is the theme that underlies our comments below.

NRS continually interacts with investment advisers of all sizes through our conferences, seminars, and client relationships. Many small and mid-sized SEC-registered advisers have developed the impression that they are disproportionately affected by the cost of complying with new regulations and, frankly, we agree. We appreciate the Commission's consideration of thresholds for compliance with certain proposed changes and urge the Commission to weigh the benefits of increasing regulatory burdens and disclosures against the costs and time necessary for the industry to meet such burdens.

NRS appreciates the opportunity to comment on the Commission's proposed amendments to Form ADV and to the Investment Advisers Act. Our comments are presented in the order presented in the Release.

A. PROPOSED AMENDMENTS TO FORM ADV

1. Information Regarding Separately Managed Accounts

NRS supports the Commission's desire to obtain more specific information about advisers' separately managed accounts (advisory accounts other than those that are pooled investment vehicles). The reporting requirements for advisers to private funds were significantly enhanced in connection with the Dodd-Frank Wall Street Reform and Consumer Protections Act ("Dodd-Frank Act"). Therefore it is understandable that the Commission would want to improve the amount and quality of information it collects on separately managed accounts to better its ability to readily identify and address emerging concerns in this fast growing segment of the financial services industry.

- Annual Updating of Separately Managed Account Information

Based upon our experience assisting advisers with updating Form ADV, NRS does not believe advisers should be required to update information on separately managed accounts ("SMA") more frequently than annually. The Commission's requirement and industry practice has been to update client and regulatory assets under management information on an annual basis as part of the required annual updating amendment filing. NRS believes that more frequent reporting would not provide the Commission with additional beneficial or meaningful information and would be burdensome on advisers and the industry. Additionally, NRS does not believe advisers should be required to update information on separately managed accounts any time advisers file an other-than-annual amendment filing for the same reasons stated above. Furthermore, despite their sophistication and increased resources, NRS does not believe it is appropriate for the Commission to require

semi-annual reporting for advisers that manage at least $10 billion in separately managed accounts as the complexity of reporting will scale significantly as the number of SMA accounts increases.

NRS most strongly urges the Commission to require no more frequent than annual reporting for all advisers, no matter the size of the adviser or their SMA business. The collection, analysis and verification of the required data will be time consuming and, in our opinion, more frequent reporting will not create regulatory benefits that will outweigh the increased compliance burden; the costs of which are likely to be passed on to SMA investors.

- Understanding Derivatives in Separately Managed Accounts

NRS supports and believes that annual data points are sufficient to assess derivative and other SMA information and further believes that more frequent data points would not be meaningful and would be burdensome on all advisers and the industry as a whole.

NRS does recommend that the Commission clarify by explicitly stating its intent regarding whether or not advisers that invest SMA-client assets in mutual funds, ETFs and other pooled investment vehicles that use derivatives would be required to report the use of derivatives in these holdings. While the proposed rules are silent on the topic, NRS believes that advisers' due diligence procedures, initially or on an on-going basis, of these investments do not currently collect the relevant data, and aggregation of the required information from these investments will be extremely difficult.

- Thresholds of Assets Under Management

As noted above, NRS does not see the utility of updating SMA information more than annually. Requiring an update to SMA information with other-than-annual filings will likely have the result of discouraging advisers from making such filings on a timely basis.

If, however, the Commission decides that knowing the amount of SMA assets managed by advisers with more than $10 billion in RAUM in six-month increments would be beneficial, NRS does not see the value of having these advisers file six-month-old data with their annual filings. If the Commission believes this information is vital, it should be reported contemporaneously rather than held.

Advisers with less than $150M under management in SMAs generally have, in NRS' experience, far fewer resources to allocate to compliance tasks, including regulatory filings, and would be adversely affected by the costs of special or semi-annual reporting and NRS agrees with exempting them from this reporting.

- Investment Strategies in SMAs

One of the benefits SMAs have over pooled investments is that SMAs allow for tailoring and customizing investment strategies to the needs of the individual client. Indeed, this is one of the hallmarks of SMAs[1].

While some advisers may closely follow a model in managing SMAs, many others do not. Those that do follow models often will deviate from the model to meet a client's needs and requests. Those that do not follow a model may develop client-specific strategies that resist ready classification. Moreover, creative strategies are being created regularly.

Attempting to shoehorn these diverse strategies into certain defined categories would be confusing, leading to over / under or incorrect reporting. The result would be data of marginal value that would be gathered through a process that would be burdensome on all advisers, especially large advisers with numerous strategies.

- Disclosure of Aggregate SMA Information

The Commission already collects substantial information in Form ADV. Allocation of regulatory assets under management among types of clients is disclosed in Part 1A. Narrative disclosures about types of clients, investment strategies and risk factors appear in Part 2A. All of this information is available to the Commission, industry and public.

NRS does not believe more reporting in the aggregate would be meaningful either in risk monitoring or data analysis. Further, gathering this information, no matter how frequently it is reported, would be time consuming, expensive and burdensome for advisers with little benefit to the Commission or the investing public.

- Effect of Disclosure of SMA Information on Advisers' Business

NRS does not believe that at this time, the disclosure of information about SMAs would meaningfully affect or influence an adviser's business decisions. Advisers currently are required to track, analyze and disclose much information about their clients, investment strategies and regulatory assets under management in Form ADV, Parts 1 and 2.

[1] See Exchange Act Release No. 34-22172, 1985 WL 634795, June 20, 1985

- Custodian Information

With the recent collapse of Bear Stearns and Lehman Brothers fresh in our memories, we believe that it is important that the Commission be able to quickly identify which advisers' clients may be most affected by problems at a custodian. We suggest that the Commission consider whether or not a percentage of RAUM is an appropriate threshold. The proposed threshold is relative in nature and relies on the size of the adviser and the number of custodians they employ to determine if this protective reporting measure is required. NRS believes that an absolute account value may be a more meaningful trigger for this requirement.

- Information about Use of Securities Lending and Repurchase Agreements

In NRS' experience, these practices are not widely used by advisers of SMAs. Moreover, securities lending is typically engaged in by large institutions, which may reserve the decision to lend securities to themselves with little or no consultation with the many sub-advisers they use. If the Commission believes that the use of these practices brings sufficient risk to require additional scrutiny, NRS suggests that the Commission (a) require this only of advisers who themselves recommend such programs and (b) establish a threshold (such as a percentage of RAUM and/or as a total dollar amount) at which reporting would be required.

2. Additional Information Regarding Investment Advisers

Additional Identifying Information

- Social Media Addresses

While advisers change websites infrequently, social media identities, by their nature, may be added and deleted in a matter of minutes, and may change many times over the course of a year. Keeping these addresses current would require a host of other-than-annual amendments to Form ADV, imposing a burden on advisory firms. Moreover, most (if not all) of these identities can be readily located (by consumers and regulators alike) through search engines within social media sites or others such as Google and Bing. We believe this information would only be marginally useful at best while imposing substantial burdens on advisers.

In a later question the Commission asks if it would be useful to collect personal social media addresses used by an adviser's employees. NRS believes this would be burdensome, overly intrusive and would not result in the collection of significant information. NRS believes there may be state statutes which may

restrict employers from collecting or accessing such personal employee information, thereby creating a dilemma for advisers. As noted above, searches are an effective way to determine if an employee is conducting business on a personal site.

- Branch Office Information

This proposal, if enacted, would seem to have an unlikely result. Assume that a small adviser has 10 branch offices and a large adviser has 50 branch offices. The small adviser would need to report information for branch office #7, with RAUM of $10 million, but the large adviser would not have to report information for branch office #30, with RAUM of $100 million. This suggests that the activities at the branch of the smaller adviser are somehow of greater interest to the Commission than those of the branch of the larger adviser. Perhaps a more equitable way to obtain the information the Commission wants is to require all advisers to (a) continue to provide information about the five largest branch offices, (b) report the total number of branch offices, and (c) require additional information only for those branch offices above a certain threshold of RAUM, or which engage in certain enumerated practices of interest to the Commission.

In a later question the Commission asks if additional information about an adviser's branch offices would be helpful to investors. As each branch's products and services should be disclosed in Form ADV Part 2A, and information about the individual(s) providing advice to the client are disclosed in Part 2B, NRS believes the investor has sufficient information about a branch and the people in it, and therefore additional required disclosures are not meaningful or helpful, yet are burdensome to advisers.

- Disclosure of Outside CCO Activities

While information about a CCO's outside activity is important, NRS thinks it is unfair to require an adviser to provide that information, as the adviser may not have access to all material information needed to answer that question. What if the adviser has hired a firm rather than an individual? What if the CCO-for-hire is acting as such for 10 or more advisers? Perhaps some form of independent attestation by the CCO or the CCO's firm would be more effective.

- Providing a Range of an Adviser's Own Assets

Given the wide variety of business models used by firms with over $1 billion of their own assets, NRS does not understand how this would provide significant information to the Commission.

- Use of Third-Party Compliance Auditors

NRS needs more specific information about the type of data the Commission would propose to collect before commenting on the value of adding this information. It is unclear to NRS, as a provider of third-party compliance audits, how its identity of a non-binding professional adviser provides any probative value to the Commission when it has made clear on numerous occasions that the adviser is always responsible for its own actions and decisions.

Additional Information About Advisory Business

- Amendments to Item 5

NRS believes that requiring more precise numbers of clients and regulatory assets under management will assist the Commission in its risk-based examination approach by facilitating its analysis of the data necessary to determine the scale and greatest concentration of assets by client type. The information needed to calculate these numbers should be readily available to advisers, as it is normally already being collected in a precise form in order to determine the proper range to report and, as such, should not result in a demonstrable increase in time or resources.

- Regulatory Assets Under Management

In NRS' experience, there is confusion among advisers regarding the correct calculation of regulatory assets under management. Much of the confusion stems from the definition of "continuous and regular supervisory or management services." The current Form ADV Instructions for Part 1A, Item 5.f. provide some general criteria to help identify those advisory services that do not receive continuous and regular supervisory or management services. To avoid inaccurate information regarding the number of clients for whom advisers provide advisory services but do not have regulatory assets under management, NRS recommends that a clarifying definition be added to the Form ADV Instructions for Part 1A should such a requirement be adopted.

- Wrap Fee Programs

In NRS' experience, most wrap sponsors do not have discretionary authority over independent portfolio managers in their programs and, therefore, do not include assets managed by independent portfolio managers in their RAUM.

NRS suggests requesting that wrap sponsors provide the combined RAUM for themselves and any independent portfolio managers.

It may be helpful to ask wrap fee sponsors whether they require the use of a particular custodian, and, if they do, to provide information about that custodian. While the assets in any one wrap fee program may not exceed 10% of any one portfolio manager's RAUM, knowing that the custodian is used across the wrap platform may be helpful to the Commission if it needs to identify advisers using a particular custodian.

3. Umbrella Registration

The Commission has also proposed amendments to Form ADV, Part 1 and the creation of a new Schedule R to provide a framework for umbrella registration by private fund advisers and related relying advisers in a control relationship and to gather information regarding such relying advisers. As NRS understands the proposal, these changes are designed to, among other things, provide the Commission and others, including investors, with additional and more consistent data regarding private fund advisers that operate as a single business, codify the concept of umbrella registration and simplify its process.

In general, NRS supports the amendments providing for umbrella registration. Since Commission staff offered an accommodation for certain relying advisers in its 2012 letter to the American Bar Association[1] and set forth the framework upon which umbrella registration is based, NRS has fielded many questions from private fund advisers seeking clarification of this guidance. As noted by the Commission in its 2012 letter, Form ADV was not originally designed to combine information about separately formed advisers that conduct different advisory businesses, even if those advisers are related to each other because of a control relationship. The Commission's proposed amendments satisfactorily speak to these inquiries and offer clarity.

NRS does not agree with limiting applicability of the umbrella registration to only those relying advisers that are themselves eligible to register with the SEC. NRS' experience with groups of private fund advisers operating as a single business include many advisers related to SEC registered advisers that advise or sub-advise, in conjunction with the SEC-registered adviser, a percentage of a private fund's assets, which total less than $100 million in regulatory assets under management. Requiring these advisers to separately register with one or more states when they otherwise operate as a single business in conjunction with an adviser registered or registering with the Commission seems counterproductive to the stated goals of providing a clearer picture of groups of private fund advisers that operate as a single business.

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http://www.sec.gov/divisions/investment/noaction/2012/aba011812.htm

B. PROPOSED AMENDMENTS TO INVESTMENT ADVISERS ACT RULES

1. Proposed Amendments to Books and Records Rule

The Commission has proposed to change rule 204-2(a)(6) to require all advisers to maintain supporting records of performance claims made in advertisements and in reports to clients.

NRS notes that the proposal is silent on rule 204-2(e)(3)(i), which states:

> Books and records required to be made under the provisions of paragraphs (a)(11) and (a)(16) of this rule shall be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the investment adviser, from the end of the fiscal year during which the investment adviser last published or otherwise disseminated, directly or indirectly, the notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication. (Emphasis added).

If by "other communication" the Commission means any written communication covered by amended rule 204-2(a)(7), then as of the date this rule becomes effective, an adviser must maintain backup for all performance claims more than five years old. This may provide problems for advisers who have been acting in compliance with the rule as it currently exists.

Take, for example, an adviser that has typically provided performance since account inception in quarterly reports to its clients but has discarded backup records after five years because the adviser does not advertise performance data. Under the proposed rule, this adviser may be required to only report five years performance or risk being out of compliance. NRS is concerned that this would not benefit the client and could put the adviser at a competitive disadvantage with other advisers who have maintained backup data.

NRS notes that advisers who advertise performance data typically keep backup records for all clients in compliance with rule 204-2(e)(3)(1). However, in our experience, many advisers do not advertise performance at all due to the substantial compliance issues involved. It seems unfair to penalize these advisers by making them suddenly unable to provide reports their clients have come to expect.

NRS recommends that advisers who can demonstrate that they (a) have regularly provided performance data more than five years old as of the date of the Release be permitted to continue to provide data for five years before that date without having to obtain backup. By "grandfathering" these existing advisers, the Commission can ensure that clients continue to receive the data on which they rely.

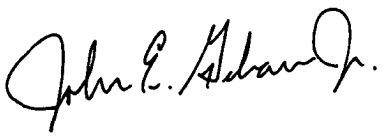
2. Proposed Technical Amendments to Advisers Act Rules

NRS sees no benefit in keeping any of the provisions the Commission proposes to remove.

Finally, we want to comment on the Commission's estimate that the proposed amendments will take a typical adviser three hours to complete. As a firm that prepares, amends and reviews hundreds of ADVs each year, we believe that this estimate is completely unrealistic and extremely low, and that the burden to advisers may be considerably more than projected. We will be happy to review the time needed to complete each of the proposed changes with the Commission at any time.

If we may assist further or provide additional information or background on our comments, please let us know. We at NRS would certainly look forward to assisting the Commission in this very important area affecting the entire industry.

Sincerely,



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