

## Essential Investment Adviser Information

- Proper registration of firm and representatives, and annual renewal of registration prior to December 31<sup>st</sup> of each year [see Commission Rules 830-X-3-.03 and .04; Code of Alabama 1975, Section 8-6-3(g)]
- File an audited balance sheet according to GAAP guidelines annually within 60 days of close of investment adviser's fiscal period; attached to every balance sheet or financial statement should be an oath of attestation [see Commission Rule 830-X-3-.05(3)]
- Investment adviser should maintain a minimum net capital of \$10,000 or, in the alternative, post a \$50,000 surety bond [see Commission Rules 830-X-3-.06(3) and .06(6); Code of Alabama 1975, Section 8-6-3(f)(2)]
- Investment adviser that maintains custody of customer funds or has discretionary authority over customer accounts shall post a \$50,000 surety bond in addition to maintaining the net capital requirement of \$10,000 [see Commission Rule 830-X-3-.06(4)]
- Amend ADVs and U4s within 30 days of any material change, with an exception being assets under management and number of accounts which can be updated annually [see Commission Rules 830-X-3-.03(2) and 830-X-3-.04(2)] \*Notification through CRD/IARD is acceptable
- U5s must be filed by investment adviser firm when representative's employment is terminated, within 30 days of termination date [see Commission Rule 830-X-3-.04(3)] \*Notification through CRD/IARD is acceptable
- Investment adviser named as respondent in one or more of the following actions should notify the Commission within 30 days: Criminal charges; Civil charges involving securities, breach of fiduciary trust or fraud; Administrative charges involving securities, breach of fiduciary trust or fraud; and any proceeding which could result in a denial, suspension or revocation of license, or an expulsion or bar from a membership [see Commission Rule 830-X-3-.10] \*Notification through CRD/IARD is acceptable
- Exercise diligent supervision over all securities activities of its associated persons [see Commission Rule 830-X-3-.13(1)] Please note, Commission Rule 830-X-3-.13(2) extends this requirement to single person investment advisers as well.
- Establish, maintain and enforce written procedures [see Commission Rule 830-X-3-.13(3)]

- Prompt review and written approval of the handling of customer complaints [see Commission Rule 830-X-3-.13(3)(e)]
- Review and written approval by supervisor of the opening of each new customer account [see Commission Rule 830-X-3-.13(3)(a)]
- Frequent examination of all customer accounts to prevent irregularities and abuses [see Commission Rule 830-X-3-.13(3)(b)]
- Review and written approval by supervisor of all securities transactions [see Commission Rule 830-X-3-.13(3)(c)]
- Supervisor must review and approve in writing all correspondence pertaining to solicitation or execution of all securities transactions [see Commission Rule 830-X-3-.13(3)(c)]
- Review and written approval by supervisor of delegation of discretionary authority by a client [see Commission Rule 830-X-3-.13(3)(d)]
- Prompt written approval by supervisor of each discretionary order [see Commission Rule 830-X-3-.13(3)(d)]
- Maintenance of complaint and litigation files [see Commission Rule 830-X-3-.13(3)(e)]
- Periodic inspection of each business office to ensure that the written procedures are enforced [see Commission Rule 830-X-3-.13(4)(b)]
- Make and keep current a journal or journals, including cash receipts and disbursement records and any other records of original entry forming the basis of entries in any ledger [see Commission Rule 830-X-3-.16(1)(a)]
- Make and keep current general and auxiliary ledgers (or other comparable records) reflecting assets, liabilities, reserves, capital, income and expense accounts [see Commission Rule 830-X-3-.16(1)(b)]
- Maintain memorandum of any instruction received by investment adviser from the client concerning the purchase, sale, receipt or delivery of a security, and of any modification or cancellation of any such order or instruction [see Commission Rule 830-X-3-.16(1)(c)]
- Maintain all checkbooks, bank statements, cancelled checks and cash reconciliations [see Commission Rule 830-X-3-.16(1)(d)] Note: When personal accounts are commingled with business accounts, personal information is subject to review by the Commission

- Maintain records of all bills or statements (or copies thereof) paid or unpaid, relating to the business of the investment adviser [see Commission Rule 830-X-3-.16(1)(e)]
- Maintain all trial balances, financial statements and internal audit working papers relating to the business of the investment adviser [see Commission Rule 830-X-3-.16(1)(f)]
- Correspondence file should be maintained containing originals of all written and electronic communications received and copies of all written and electronic communications sent [see Commission Rule 830-X-3-.16(1)(g)]
- Maintain a list or other record of all accounts in which the investment adviser is vested with discretionary authority [see Commission Rule 830-X-3-.16(1)(h)]
- Maintain all powers of authority (or copies thereof) and other evidences of the granting of any discretionary authority by any client [see Commission Rule 830-X-3-.16(1)(i)]
- Maintain all written agreements (or copies) entered into by the investment adviser with any client or otherwise relating to the business of the investment adviser [see Commission Rule 830-X-3-.16(1)(j)]
- Maintain an advertising file [see Commission Rule 830-X-3-.16(1)(k)]
- Maintain all records, worksheets, calculations, etc. necessary to form the basis for performance data used in advertisements [see Commission Rule 830-X-3-.16(1)(l)]
- Maintain a record of every transaction in a security in which the investment adviser or representative has, or by reason of such transaction acquires, any direct or indirect beneficial ownership [see Commission Rule 830-X-3-.16(1)(m)]
- Maintain copies of each disclosure statement(ADV Part II or brochure), initial and amended, given or offered to clients, and a record of the date each statement was given or offered to be given to a client, initially and annually thereafter [see Commission Rule 830-X-3-.16(1)(o)]
- Should investment adviser have custody of securities or funds of clients the procedure manual should include details of additional records to be maintained relating to such custody; See Commission Rules 830-X-3-.16(2) and 830-X-3-.19 for additional custody requirements
- Records should be preserved for 3 years unless otherwise prescribed by the Commission [see Commission Rule 830-X-3-.16(5)]

- Maintain partnership articles and any amendments, articles of incorporation, charters, minute books, stock certificate books of the investment adviser in the principal office and preserved until at least three years after termination of the enterprise [see Commission Rule 830-X-3-.16(6)]
- A copy of Form ADV Part II must be given to clients of the investment adviser not less than 48 hours prior to entering into any investment advisory contract or at the time of entering into such contract, of the client has the right to terminate the contract without a penalty within five calendar days [see Commission Rule 830-X-3-.17]
- Maintain current suitability records for each client [see Commission Rule 830-X-3-.12 and 830-X-3-.21(1)(a)]
- Investment adviser should notify the Commission via Form ADV within 30 days in the event of a change of the officers, partners, directors or controlling persons [see Commission Rule 830-X-3-.24] \*Notification through CRD/IARD is acceptable
- Investment adviser should notify the Commission within 30 days of any office established in Alabama, to include its address, branch managers, and method of compensation for branch managers [see Commission Rule 830-X-3-.25] \*Notification through CRD/IARD is acceptable
- Any books and records required to be maintained should be immediately accessible and the adviser should have the ability to provide a printed copy[see Commission Rule 830-X-3-.16(8)]

**The Alabama Securities Commission provides these guidelines to assist investment advisers in complying with Commission Rules. They are only guidelines and not a complete or exclusive list. Other requirements may need to be enforced. You should contact the Alabama Securities Commission with specific questions. This information is not intended as legal advice. You are encouraged to consult legal counsel prior to reliance on the information contained herein.**