SEC Rules on Deck for 2024: Part II

As Q1 closes out, we continue to pay attention to the regulatory forecast for the rest of the year. As advisers continue to focus on their clients, they must also pay attention, as many rules are poised to be introduced this spring and fall. This is a continuation of our first blog post on the topic, New SEC Rules on Deck for 2024:Part I.

Here are more SEC rules on the deck for 2024:

Form PF: The SEC added to the quarterly reporting requirements a mandate that all private equity advisers must now file event-based reports within 60 days of an event such as adviser-led secondary transactions, a change in the status of the General Partner, or the termination of an investment period of an investment fund.

Investment Adviser Outsourcing: In late 2022, the SEC proposed a rule that would limit an investment adviser's ability to hire third parties without first meeting due diligence requirements, including: initial research on the vendor, thorough understanding of the vendor's security protocols and continuity plan, risk management policies, and history of any security breaches.

Internet-based Investment Adviser Exemption: In 2023, the SEC proposed a rule that will allow advisers who operate via the internet (internet investment advisers) to register with the SEC. This initiative shows an acknowledgement of the evolution of the finance sector and the growing presence of internet-based investment platforms. This amendment will allow for a streamlined process and remove the unnecessary burden of complex registration for those operating primarily via digital channels.

Electronic Filing: The SEC has proposed a bigger transition towards electronic filing in its ongoing effort to meet technology trends. This will help to modernize the regulatory process by phasing out paper filings, which are still used today. In doing so, the SEC can further create efficient procedural processes and enhance data accuracy and accessibility.

Broker-Dealer Daily Computation: The SEC has proposed a significant change to the existing rule governing reporting requirements for broker-dealers. Currently, broker-dealers must provide weekly reports of net cash owed to clients or other broker-dealers. However, the new proposal aims to change this from weekly to *daily reporting, which* will help reduce the risks associated with delayed reporting.

Expansion of the Custody Rule

This is a proposal to expand the custody rule, furthering the protection of investors from losses due to fraud. If implemented, it will extend the existing rule to include all assets under the IA's custody, including real estate, written options, derivative contracts, and others. The proposal also incorporates the concept of 'discretionary authority,' as defined under the rule, and now requires an agreement between custodians and IAs over the protection of clients' assets under custody.

2024 will see ongoing rulemaking as the SEC remains committed to promoting integrity, transparency, and the protection of investors. If you have any questions regarding proposed and passed regulations

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and how they might affect your compliance program, feel free to contact our legal and regulatory counsel team at 619.298.2880 or email info@jackolg.com.