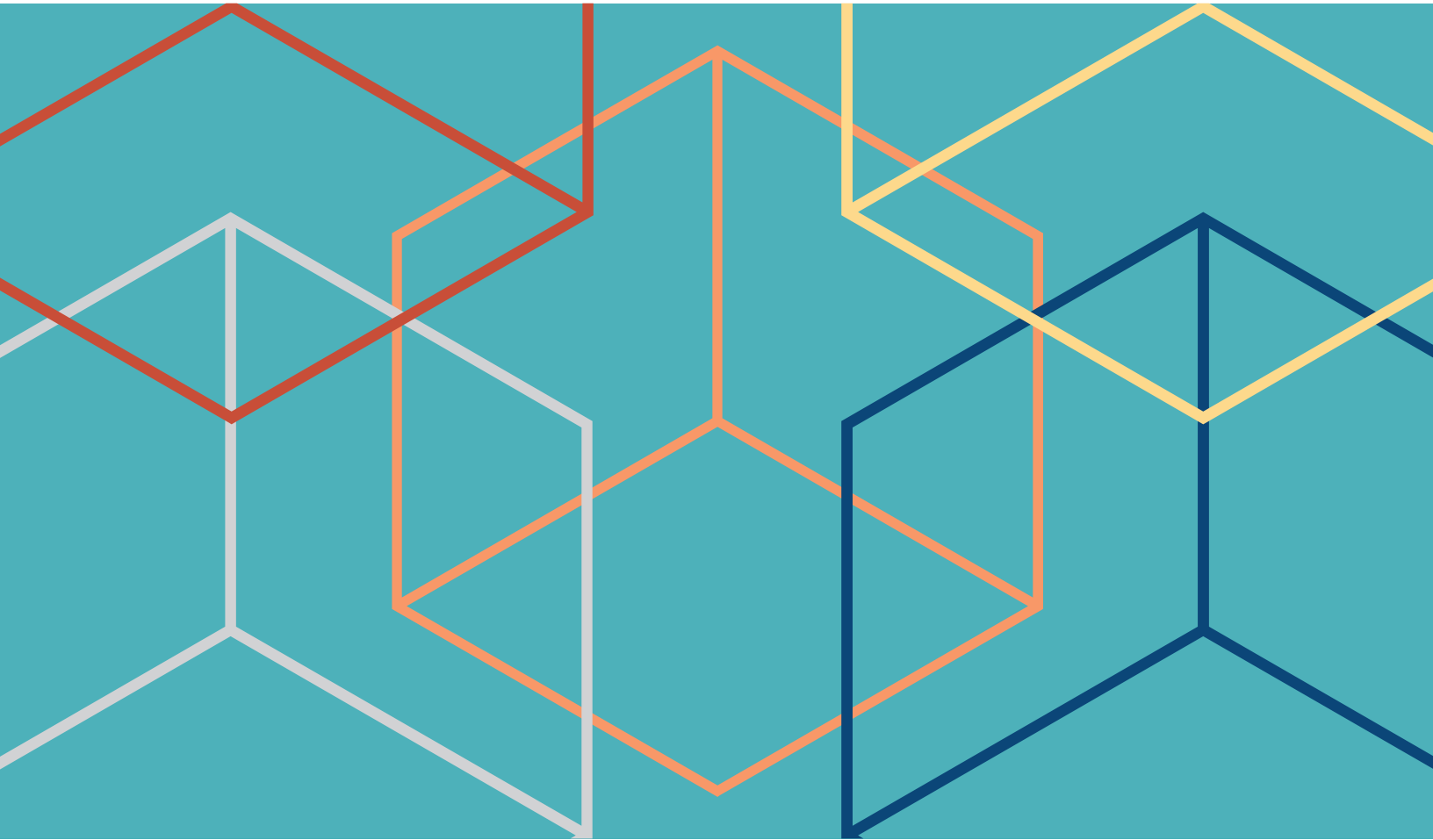


2023 YEAR IN REVIEW



INVESTMENT ADVISER
ASSOCIATION

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Letter from IAA President & CEO Karen Barr and Board of Governors Chair Alison Baur

We are proud to present the Investment Adviser Association's
2023 Year in Review.

The IAA successfully advanced the interests of investment advisers this year, serving as our members' eyes and ears in Washington. As the leading organization for fiduciary investment advisers, we worked diligently to facilitate the success of our member firms and the industry at large through powerful advocacy, essential expertise, and crucial connections focused on our members' needs.

In the face of the SEC's aggressive regulatory overreach on our community, the IAA strongly pushed back on onerous and costly

rule proposals that could impact advisers' operations, services, and, most importantly, your clients.

We brought our members together to advocate on behalf of the industry in response to this tidal wave of regulation. From custody to use of technology, from an outsourcing oversight overhaul to cybersecurity and data privacy, from fiduciary duty to preserving non-solicitation arrangements, we have advocated strongly for your interests. We have provided our

members with access to high level meetings with government officials to discuss these issues. And we have been laser-focused on educating policymakers about the cumulative impact and interconnectedness of all these regulations on your businesses.

We championed smaller firms by ensuring that policymakers acknowledge smaller firms' unique challenges and the cumulative impact of policy decisions on their businesses and their ability to serve the investing public. We provided resources and programming to ensure that all of you have the most current information at your fingertips as you navigate new policies and procedures. For example, in the face of our members' heavy lift in implementing the expansive private fund rules, we provided expert resources and created a new forum for members to share implementation and operational concerns with their peers who are working through the same issues. Similarly, we developed extensive resources on the new Marketing Rule, and our Marketing Implementation Group continued to provide a forum

for members to share interpretive and operational concerns and questions about the new rule.

We convened firm leaders in roundtables throughout the country to discuss technology, succession planning, talent management, firm culture, active and passive management, industry trends, and more. Our staff experts responded to members' individual requests for guidance, resources, and connections to peers, and convened member calls to address a myriad of issues raised. And, we have continued to reinforce the value of fiduciary advice in the media and through our meetings with key industry stakeholders.

Thank you for your membership and involvement in the IAA. The IAA is the only trade association exclusively dedicated to investment advisers and your ongoing support is crucial to our success. We look forward to working with you in the coming year.



Karen L. Barr
IAA President & CEO



Alison Baur
Chair of the IAA Board of Governors

State of the Industry

According to the IAA's 2023 annual *Investment Adviser Industry Snapshot*, the industry grew further in 2022 — by 2.1% — with 15,114 fiduciary investment advisers managing \$114.1 trillion in assets for 61.9 million clients. While assets under management declined for the first time since 2008 due to unfavorable market conditions, the investment advisory industry was resilient, with both the number of advisers and non-clerical employees climbing to a record high in 2022.

More than 91% of these advisers work in smaller firms with 100 or fewer employees, making it clear that small businesses serving individual investors are the backbone of the investment adviser community. The results of the 2023 Snapshot confirm that investors recognize the value of fiduciary advice in helping them meet their financial goals, whether planning for retirement, saving for homeownership, or funding an education.

The number of clients using asset management services increased in 2022 to a record high of 54.3 million, a gain of 2.5%. However, the



Most advisers are small businesses

In 2022, over 68% of advisers managed less than \$1B with 50 or fewer non-clerical employees.

total number of clients not using asset management services, such as clients using only financial planning services, declined in 2022 as digital advice offerings evolved and providers realigned their platforms. As a result, the total number of clients declined by 4.3%. Over the past 10 years, both the number of funds and assets under management have been increasing more rapidly for private equity funds than for hedge funds. Private equity funds now account for 44.2% of the number of private funds and 32.8% of private fund assets.

And, our survey of advisory firm compliance officers shows that implementing the SEC's Marketing Rule continued to be the industry's number one compliance concern, with 70% of survey respondents identifying it as the "hottest" compliance topic. Cybersecurity followed with 52% and Electronic Communications Surveillance, *i.e.*, monitoring for "off-channel" communications, climbed to third on compliance officers' list of hot topics, named by 35% of respondents. Other key areas noted align with the SEC's exam, enforcement, and rulemaking priorities, including:

- ESG/sustainability
- Conflicts of interest
- Fee calculation and billing/expenses
- Private funds regulation
- Digital assets
- Insider trading
- Valuation



There is growing demand for advice. The number of clients using asset management services reached a record high of 54.3 million in 2022.



Marketing Rule was the number one compliance concern cited by 70% of respondents



Powerful Advocacy

Crucial to the IAA's mission is providing powerful advocacy — in the legislative, regulatory, and public arenas — to inform and influence outcomes that serve and support our members' businesses, their clients, and the broader community of fiduciary investment advisers.

The IAA advocates strongly for a policy environment that is efficient and effective and that protects investors — both in Congress and before the many regulatory agencies whose regulations impact advisers, including the SEC, Department of Labor (DOL), Commodity Futures Trading Commission (CFTC), Federal Trade Commission (FTC), Treasury Department, and more. We also weigh in on state issues where states attempt to exceed their authority over SEC-registered advisers and their representatives.

Our policy and advocacy efforts are developed in partnership with IAA members, working through each of our committees and working groups, as well as through dedicated workstreams created for members to help shape our responses to specific policy initiatives. Our associate members are also important partners in our advocacy efforts, allowing us to benefit from one another's perspectives and expertise. We champion our members' interests through written comment letters and engagement with congressional and agency leadership

and staff, as well as numerous other channels, including public speaking, social media, and engagement with the press. And we collaborate with other organizations when we have shared interests, including through joint comment letters.

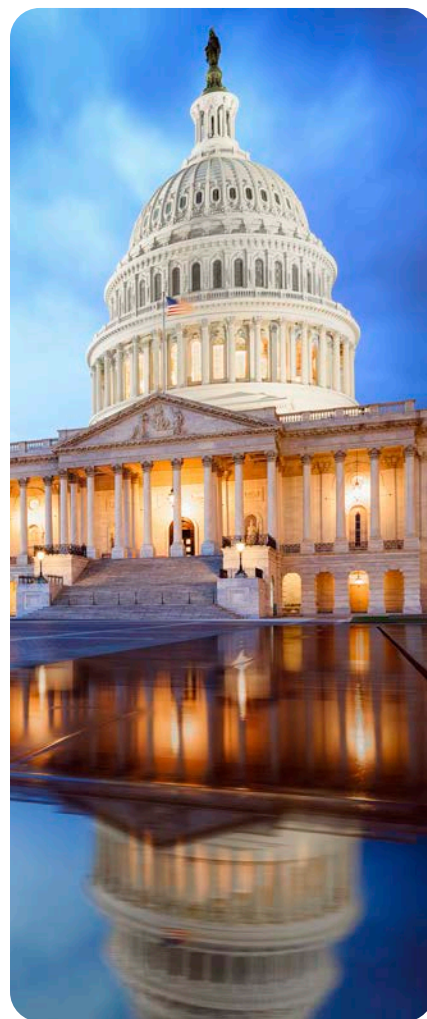
Our advocacy this past year has had demonstrable results, successfully urging inclusion — or exclusion — of important legislative provisions and driving significant changes to regulatory proposals.

The onslaught of regulatory proposals that will impact the adviser industry has persisted, with the SEC continuing to issue highly complex, consequential, and interrelated rule proposals — in aggregate thousands of pages long. The IAA submitted **20 comment letters this year**, most of them to the SEC, which underscores the scope and breadth of that agency's proposals. The IAA has repeatedly pressed the SEC to consider its rulemakings together and holistically, analyze their impact realistically, establish more reasonable compliance timetables, and provide a meaningful opportunity for the public to provide thorough feedback.

Our advocacy before the SEC this year built on several core policy themes, including:

- Preserve the long-standing principles-based approach to regulation of advisers under the fiduciary framework of the Advisers Act
- Avoid the substitution of its judgment for that of a fiduciary adviser acting in its client's best interest
- Consider and address the crushing impact of regulation on smaller advisers — which make up the bulk of the advisory profession — and the cumulative impact on advisers of all sizes
- Tailor regulatory requirements to firms of all sizes and with all kinds of business models, including considering less onerous alternatives
- Ensure that regulation is strategy and technology neutral

These themes ran through our responses to the most significant SEC rulemakings affecting advisers this past year, as well as our advocacy before Congress. We also continued to ensure that our members' concerns were heard by other Federal agencies, including the DOL, Treasury Department, CFTC, and FTC. And we opposed efforts by state regulators seeking to impose substantive regulation on SEC-registered advisers and their representatives.



Advocacy Council

Comprised of individuals at member firms, the new IAA Advocacy Council helps amplify the collective voice of investment advisers and advance the interests of their clients. The Council also helps shape programs and initiatives such as Adviser Advocacy Day and Contact Congress campaigns.

Members of the Council have expanded access to briefings and receive *Five for Friday*, a weekly newsletter on Capitol Hill activity affecting advisers and their clients. Membership offers valuable opportunities to engage with other industry and policy leaders. Members also receive communications about IAA PAC and how to participate.





Investment Advisers Heard on the Hill

More than 70 investment advisory industry professionals joined the IAA on Capitol Hill for the 2023 Adviser Advocacy Day on June 7-8.

On June 7, advisers heard from Hill policy experts who shared insights on the latest developments in the legislative and regulatory realms, including the deluge of rulemaking from the SEC, the overlap of the rules' potential compliance periods and effective dates, and how these issues can burden advisers.

U.S. Congressman French Hill (R-Ark.) then addressed the key issues before the House Financial Services Committee and Congress. He was followed by SEC Commissioner Hester Peirce, who sat down with IAA President & CEO Karen Barr to give insight into what's happening at the SEC. And that evening, journalist Jake Sherman, co-founder of *Punchbowl News*, provided a candid, up-to-the-minute walkthrough of what's happening on Capitol Hill and at the White House.

On June 8, IAA members and staff attended nearly 60 meetings across the House and Senate to advocate for issues of critical importance to the investment advisory industry. Advisers impressed upon legislators and staff how the sheer amount of recent SEC rulemakings and its cumulative impact will affect their businesses and clients. Other Advocacy Day participants focused on issue-specific topics such as ESG, small business concerns, retirement savings, and cybersecurity and privacy — all issues that are top of mind for investment advisers across the country.

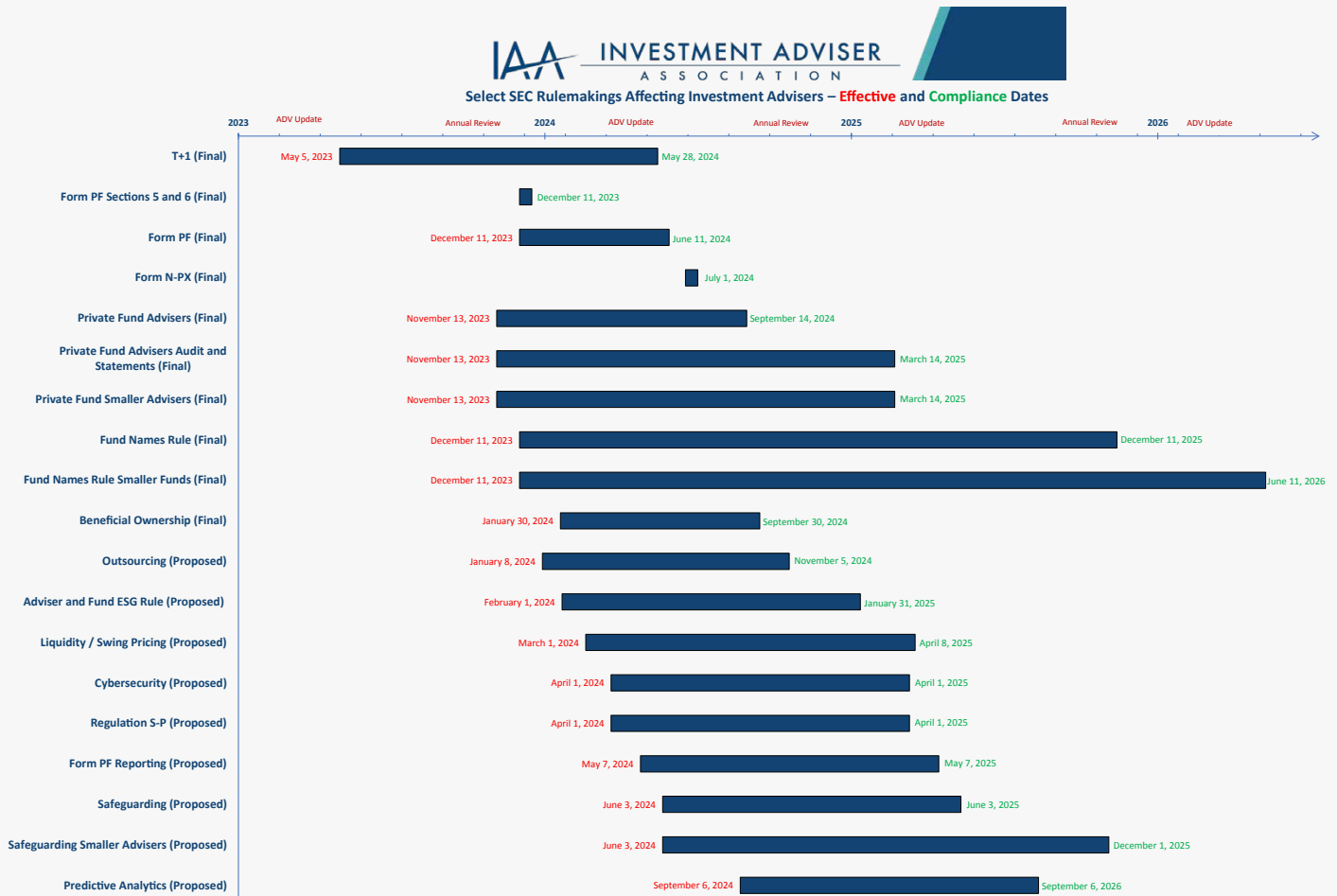


IAA members visit their congressional representatives' offices during the 2023 Adviser Advocacy Day.

Countering the Cumulative Impact of Regulation

The IAA intensified its efforts to focus the SEC’s and Congress’s attention on the interrelatedness and cumulative impacts of its aggressive rulemaking agenda, including on smaller advisers. We urged the SEC to slow its pace and conduct a holistic review of its many rule proposals affecting advisers in each of our many comment letters to and meetings with SEC leadership and staff. We called on the SEC to streamline requirements to fill regulatory gaps identified after study, and ensure new requirements are not duplicative or inconsistent. We also urged the SEC to conduct a more realistic analysis of costs and benefits, in isolation and on a cumulative basis.

To call attention to these critical issues, we submitted a **comment letter** and **developed a Gantt chart** that visually illustrates the interrelatedness of the many SEC rulemakings and enormous implementation challenges that lie ahead for advisers. We strategically used this implementation chart in advocacy to Congress to address the SEC’s failure to consider regulatory burdens realistically. And our IAA partners and associate members amplified this messaging by including the implementation chart in their conference and presentation materials.



Advocacy on Behalf of Smaller Advisers

We formally **petitioned the agency** to amend its rule defining small adviser for purposes of its analysis of the economic impact of its rules. Specifically, the petition calls for the SEC to consider advisers with 100 or fewer employees to be small businesses for purposes of its impact analysis. The IAA is also working hard to gain Senate passage of an IAA-supported bill passed in the House on a bipartisan vote and with IAA support — H.R. 2792, the “**Small Entity Update Act**” — which would require the SEC to accurately analyze the impact of its regulations on smaller advisers and consider less burdensome alternatives.

KEY ACCOMPLISHMENTS

- Urged the SEC to recognize that the adviser industry is primarily a small business industry and consider alternatives to achieve policy goals in the least burdensome way in each of our comment letters to and meetings with SEC leadership and staff
- Developed a formal rulemaking petition with assistance from the IAA’s Smaller Advisers Committee to ensure that the SEC remains focused on burdens on small advisers
- Used our Gantt chart in advocacy to Congress to highlight the regulatory burdens on smaller advisers
- Facilitated investment advisers sending nearly 350 letters to their Senators and more than 100 letters to the SEC discussing the regulatory burdens on small advisers
- Worked closely with the Smaller Advisers Committee to educate smaller IAA members on the implications of the SEC’s rulemakings on their businesses and compliance function
- Amplified messaging through speaking engagements, social media, and press opportunities

Advocacy on Advisers Act and Other Securities-Related Issues

Significant SEC Rule Proposals

Custody/Safeguarding

The SEC issued a far-reaching safeguarding proposal for investment advisers this year, which is intended to replace the current custody rule. The IAA and our members strongly support the safeguarding of client assets and believe advisers must have robust risk-based internal controls to ensure protection of those assets. But the SEC's proposal is misguided and will not effectively achieve its policy goals. The proposal sweeps into "custody" all types of assets and markets — not just securities — and all discretionary authority over a client's account. It attempts to control custodians indirectly, by making advisers responsible for the relationship between a custodian and its customer, including through entirely unrealistic requirements relating to contractual arrangements. It also calls for unnecessary and unworkable real-time asset verification and tracing of privately offered securities. The IAA is pushing back aggressively on this proposal to ensure that any final rule is more principles based and reasonably tailored to address actual risk.

KEY ACCOMPLISHMENTS

- Successfully advocated for the proposal to include staggered implementation periods to give smaller advisers more time to come into compliance
- Worked with members of the IAA's Custody Working Group to develop and recommend reasonable alternatives to the proposal
- Submitted a comprehensive (62-page) **comment letter** and a follow-up **supplemental letter**, calling on the SEC to make substantial changes to its proposal
- Held several productive meetings with SEC leadership and staff — with participation by IAA members — to address concerns
- Met with smaller IAA member firms and staff from the Small Business Administration's Office of Advocacy to discuss the proposal's potential impacts on small advisers, leading to inclusion of our concerns in a **letter to the SEC** submitted by that Office
- Participated in expert panels to provide analyses of the proposal



Oversight of Outsourcing to Service Providers

The SEC recently proposed sweeping new rules that would require investment advisers to follow specific and broad due diligence and monitoring requirements before they can outsource certain functions. An adviser’s fiduciary duty already requires it to oversee its service providers in a way that fits its particular business models and risks, making the proposal unnecessary. If the SEC sees gaps in how advisers oversee their service providers, we have urged it instead to propose guidance for public feedback to help advisers improve their oversight processes, while allowing them to preserve and leverage their existing infrastructure as much as possible. We worked closely with our members to develop and recommend a more tailored and less disruptive approach, should the SEC decide to move forward with this proposal despite our strong objections. To that end, we submitted three comment letters, two this past year (in [April](#) and [October](#)), and [one](#) in December 2022.



Technology/Predictive Data Analytics

In one of its most far-reaching proposals to date, the SEC is looking to impose a new confusing, unnecessary, and unworkable framework for how advisers address conflicts arising from their use of technology. This proposal covers a wide range of technologies, from artificial intelligence and machine learning to behavioral “nudges” to more traditional technology that advisers have used for years to support their businesses and enhance their relationships with their clients, such as financial planning and portfolio management software. The IAA strongly objects to this proposal. The fiduciary duty clearly and comprehensively addresses adviser conflicts, and technology does not present unique issues relating to conflicts that cannot be fully addressed under the fiduciary duty. If adopted, this new framework would damage and likely supplant management of conflicts under the fiduciary duty. It would also be virtually impossible to implement. We have urged the SEC to rethink its approach and called for withdrawal of the proposal. We believe that the SEC should instead study the risks and promise of emerging technology in consultation with the public, and, if it then identifies gaps in regulation, consider the least disruptive and onerous way to address them.

KEY ACCOMPLISHMENTS

- Worked with the IAA’s Digital Advisers Committee and established a new dedicated member workstream to help develop our advocacy position
- Submitted a [detailed comment letter](#) opposing the proposal
- Met with SEC leadership and staff numerous times regarding our concerns with the proposal
- Amplified our concerns through media outreach and speaking engagements



Cybersecurity and Data Privacy

The IAA strongly supports robust cybersecurity policies and procedures and data privacy safeguards. We have engaged vigorously with the SEC to improve its recent proposals in both of these areas. In particular, we put forth several recommendations to make required reporting of cybersecurity incidents less onerous, including by excluding smaller advisers from these requirements, removing requirements to negotiate contracts or assurances with service providers, limiting data breach notification obligations to breaches involving sensitive, rather than all, customer information, allowing firms flexibility to tailor their policies and procedures and incident response programs to their businesses and risks, and ensuring that any required public disclosure does not overwhelm investors or create a roadmap for bad actors looking to breach advisers' systems.

KEY ACCOMPLISHMENTS

- Worked with the IAA's Cybersecurity/Data Privacy Compliance Forum to develop recommendations on the SEC's [data privacy proposal](#)
- Responded to the SEC's reopening of the comment period for its cybersecurity proposal by [calling on the SEC](#) to consider the interrelationships among this and other open rulemakings
- Urged the SEC to consider the data [previously provided](#) by the IAA on the costs of the cybersecurity proposal
- Advocated in meetings with SEC leadership and staff for the SEC to exclude smaller firms from onerous reporting requirements



ESG/Sustainable Investing

The IAA's advocacy before the SEC, DOL, and Congress supports policies that facilitate — but do not mandate — sustainable investing. We support and continued to advocate this past year for consistent and comparable corporate disclosures relating to sustainability to assist advisers in their investment decision-making. We also believe that advisers and funds should (and are already required to) clearly articulate their investment strategies so that investors understand their philosophy and can make informed investment decisions. While we believe that a new rule is thus unnecessary, our advocacy this past year continued to focus on the breadth of the proposal and lack of a materiality standard. We believe this could obscure rather than clarify salient information for investors, and that the overemphasis on ESG factors could be misleading.



Regulating Advisers as Dealers

The SEC's 2022 proposal to expand what it means to be acting as a "dealer" and having to register and be regulated as such could capture many investment advisers and their clients. The IAA strongly opposes dealer registration for SEC-registered advisers and their clients under any circumstances. Following meetings with SEC leadership and staff, we submitted a supplemental comment letter reiterating our general objections to the proposal and explaining in greater detail how the proposal could capture certain ordinary course fiduciary activity we did not believe the SEC intended to capture. We offered recommendations in this letter for how the SEC could amend the proposal to exclude this activity.

Significant Rules Finalized in 2023 and Other Securities Law Issues

Private Fund Advisers

The SEC's private fund advisers rulemaking package, adopted in August 2023, creates a new framework for the regulation of private fund advisers. The final rules were changed substantially from the proposal, reflecting strong IAA advocacy. Most importantly, the final rules eliminated proposed prohibitions on private fund advisers, adopting instead limitations and disclosure obligations. The SEC also adopted significant amendments to the form that private fund advisers must file with the SEC (Form PF). These amendments responded to IAA advocacy to modify the events that trigger a filing and improve reporting deadlines and thresholds.

KEY ACCOMPLISHMENTS

- IAA advocacy was cited over 50 times in the final private fund advisers rules release and over 25 times in the final Form PF rule release
- Successfully advocated for removal or modification of the most burdensome and unworkable aspects of both sets of final rules
- Met with SEC leadership and staff to explain the potential impacts of the proposed rules and discuss more effective alternatives
- Worked with the IAA's Private Equity Fund Advisers Committee to help develop our advocacy and identify interpretive issues that may benefit from additional IAA advocacy
- Established dedicated Private Fund Advisers and Form PF Implementation Groups to explain and provide members with expert insights into the rules and share operational approaches and challenges

Reporting of Beneficial Ownership

Having information about who has significant holdings in public companies helps investors make informed decisions about their own investments. The SEC finalized rules in 2023 to modernize and drastically accelerate the rules relating to public reporting of these holdings, which are triggered by ownership of more than 5% of a public company's stock. The final rules incorporated five of the seven timing-related changes advocated for by the IAA. Importantly, the final rules were also consistent with the IAA's recommendations on cash-settled derivative securities and the definition of a "group." For example, the IAA strongly opposed the overbroad definition of "group," arguing that it could result in inadvertent group formation and chill shareholder engagement. The SEC did not adopt these proposed amendments, instead leaving existing standards for group formation in place, including guidance on their application. We believe that the modifications to the proposal reflect a better balance between the SEC's goal of transparency while giving advisers sufficient time and limiting operational burdens. The final rules cite the IAA's advocacy 80 times.

KEY ACCOMPLISHMENTS

Filing	IAA Recommendation Adopted by SEC
Schedule 13D Initial	✓
Schedule 13D Amendment	✓
Schedule 13G Initial <i>QIIs and Exempt Investors</i>	✓
Schedule 13G Initial <i>Passive Investors</i>	✓
Schedule 13G Amendment <i>All Schedule 13G Filers</i>	✓



Shortening the Settlement Cycle/T+1

The SEC finalized a rule in 2023 to shorten the standard settlement cycle for most securities transactions from two business days after the trade date (T+2) to one business day after the trade date (T+1). The IAA filed two comment letters on this proposal, supporting accelerating the settlement date with some recommended changes to address IAA member concerns. An important change for which we successfully advocated was that the final rule will allow advisers to rely on third parties to satisfy new obligations for advisers to make and keep certain trading records. The final rule cites the IAA's advocacy over 25 times. We recently met with members and SEC staff to explain and suggest ways the staff can address challenges members are facing as they work to implement the new rule.



Redefining "Accredited Investor"

The IAA has long advocated to Congress and the SEC that the definition of accredited investor be expanded to provide greater opportunities for retail clients to invest in private offerings. We believe this would be best accomplished — while providing an appropriate level of investor protection — by deeming as accredited a retail investor whose assets are managed by a fiduciary investment adviser.

For this reason, the IAA supported inclusion of language making clients of investment advisers "accredited investors" in Financial Services Committee Chairman Patrick McHenry's 40-page "Expanding Access to Capital Act" that was approved by the Committee and likely to be considered soon by the full House.



Oversight of Investment Advisers/Opposing an SRO

Effective oversight of investment advisers is crucial to the integrity of the industry and the markets, and the IAA strongly supports appropriate Congressional funding to ensure that the SEC's examination function remains robust. We believe that regulatory oversight is inherently a government function and so oppose the creation of a self-regulatory organization (SRO) for advisers. By their very nature, SROs lack accountability and they also face substantial conflicts. We were invited to share these views at a March 2023 meeting of the SEC's Investor Advisory Committee, in which the IAA's Karen Barr participated. This Committee advises the SEC on how best to protect investors and promote investor confidence in the integrity of the markets. The IAA's views were reflected in the Committee's draft recommendations to the SEC, which call for adequate funding of the SEC's examination function and reject the creation of an SRO for advisers.

Other Federal Advocacy

Advocacy Related to Retirement

DOL “Investment Advice” Proposal

The IAA strongly supports the goal of ensuring that clients receive investment advice that is in their best interest, including related to their retirement savings. The DOL recently issued new proposed rules to amend the definition of “investment advice” under the retirement laws, which is explicitly intended to capture broker-dealer and insurance activities and would apply when a financial service provider gives investment advice for a fee to retirement plan participants, individual retirement account (IRA) owners, and others. While the proposal is not directed primarily at discretionary investment advisers, it raised several issues for advisers. We submitted a **comment letter** to offer recommendations to address these issues, which included, for example, confirming that “hire me” conversations and legally required distributions are not captured as “investment advice.” We will engage on this proposal with the DOL in the coming year.

SECURE Act 2.0

In early December, the House Ways and Means Committee and Senate Health, Education, Labor and Pensions (HELP) Committee released identical discussion draft “technical corrections” legislation that would amend several problematic SECURE Act 2.0 provisions before they take effect next year.

The long-awaited legislation corrects a major drafting error in the Act’s catch-up contributions provision, a correction the IAA **strongly supported**. SECURE 2.0 requires those contributions to be made as post-tax Roth deferrals for workers who earn \$145,000 or more per year. However, the elimination of a sub-paragraph in the bill would have inadvertently prevented any participants from being able to make catch-up contributions beginning January 1. The IRS issued guidance in August to delay the catch-up provision from taking effect until 2026. Once finalized, the legislation will likely be attached to a tax package that is expected to be considered by Congress in 2024.

Treasury Department: Anti-Money Laundering

In a major victory for investment advisers, the 4,400-page FY 2023 National Defense Authorization Act enacted in December 2022 did not include House-passed ENABLERS Act provisions that would have imposed broad anti-money laundering (AML) provisions on investment advisers.

The ENABLERS Act provision dropped from the bill would have required financial intermediaries, *including investment advisers*, to (i) report suspicious activity, (ii) have a documented AML program, (iii) establish customer due diligence controls, and (iv) identify and verify their clients. Had they been enacted, these provisions would have required the Treasury Department to issue rules to implement the Act by December 31, 2023.

In 2023, the Treasury Department continued to assess AML and other illicit financing risk in the U.S. financial system to determine whether there are material gaps in AML regulation. The IAA had several discussions in 2023 with officials from Treasury's Office of Terrorist Financing and Financial Crimes to explain how advisers manage AML risk and why we do not believe that advisers in fact provide a significant risk channel and urge that any policy decisions be narrowly targeted to actual risk. Officials from this office participated in an in-person meeting of the IAA's Legal and Regulatory Committee to describe their work in this area.

FTC: Non-Compete and Non-Solicitation Clauses


The IAA **responded to a proposal** by the FTC to prohibit most non-compete clauses in employment arrangements. We strongly support protecting the interests of employees and their ability to continue to work in their field after leaving their employment. But the FTC's proposal overlooks the important and legitimate business purpose that reasonable non-compete, non-solicit, and non-disclosure arrangements play in the investment adviser industry. Our advocacy highlights our concerns that the potential impacts of the proposal would result in unintended consequences for investment adviser employers, employees, and clients. We will continue to engage on this proposal in the coming year.

CFTC: CPOs and CTAs

We worked with members of the IAA's CFTC Committee to develop a **response to a proposal** by the CFTC to amend the regulations that cover commodity pool operators (CPOs) and commodity trading advisors (CTAs). We strongly opposed imposing additional and unnecessary disclosure and reporting requirements that would negatively impact IAA members that are CPOs or CTAs. We will continue to advocate for these members as the CFTC considers its proposal.

Advocacy on State Issues

Federal Preemption of State Regulation of Advisers



After a long-running debate over the role of state and federal securities regulation, in 1996 Congress enacted a statute referred to as NSMIA to simplify the landscape for regulation of advisers by clearly dividing authority over advisers between the federal government and the states. Under NSMIA, states were preempted, *i.e.*, prohibited, from imposing substantive regulation on SEC-registered advisers or their advisory representatives. NSMIA provided narrow exceptions — SEC-registered advisers would need to notice file in certain states and the states retained the limited authority to “license, register or otherwise qualify” an advisory representative with a place of business located within a state. The IAA’s advocacy was instrumental in the adoption of NSMIA and we have monitored and successfully challenged efforts by states over the years to extend their authority over SEC-registered advisers and their representatives.

In 2023, Missouri adopted and Wyoming proposed regulations requiring specific disclosures and consents before advisers (and broker-dealers) can recommend or sell a product where the recommendation incorporates ESG factors. These regulations do not cover SEC-registered advisers because the laws of both states exclude those advisers from the state definition of “investment adviser,” but the regulations do apply to these advisers’ representatives. We believe that these regulations are contrary to NSMIA preemption and have [filed a comment letter](#) in Wyoming to that effect.

A lawsuit has been filed challenging the Missouri regulations on several grounds, including both adviser and broker-dealer preemption. The Missouri attorney general argues that federal preemption under NSMIA for advisers is far narrower than has been understood by the industry and regulators since 1996, and that Missouri is not preempted from imposing its new regulations on the advisory representatives of SEC-registered advisers. The IAA emphatically disagrees and, because of the importance of the issue and the enormous implications of a potential adverse decision in this case, the IAA intends, with the court’s permission, to file a “friend of the court” brief (also known as an “amicus” brief) explaining our position on adviser preemption under NSMIA. Because of our close involvement in the development of NSMIA and our over 85 years of representing the interests of fiduciary advisers, the IAA is uniquely positioned to assist the court in its consideration of this issue.

Active Managers Council

The **Active Managers Council** has engaged with policymakers, published seven major papers on the value of active management, curated research, developed content, published letters to the editors in major publications, responded to negative articles, and actively engaged with press. The Council has made significant progress in balancing the narrative on active and passive management in the media — and with policymakers. For example:

- Instrumental in eliminating provision favoring index funds from potential retirement bill
- Successfully lobbied against provisions limiting investor choice in Build Back Better Act
- Successfully urged DOL not to favor passive investments in fiduciary proposals

The Council's communications efforts are also bearing fruit, with positive media sentiment on active outpacing negative significantly in the last quarter and the Council website being a top search return from Google to the question "What is active management?"

The Council has developed materials to support our members' efforts as active ETFs grow:

- Created a guide for Council staff and members on responses to questions from the media on active ETFs
- Organized a webinar to discuss the latest developments in active ETFs, moderated by Hannah Glover of *Ignites* and featuring panelists Dan Muzzarelli of Franklin Templeton, Eric Pollackov of Invesco, and Jim Erceg of Harbor Capital

ACTIVE
MANAGERS COUNCIL
INVESTMENT ADVISER ASSOCIATION



Essential Expertise

Engagement, Information & Education

The IAA provides a valuable suite of services to keep members current on issues affecting the investment adviser profession so they can remain competitive, serve their clients, comply with regulation, and build their businesses. In addition to our annual Adviser Advocacy Day, Leadership Forum, Investment Adviser Compliance Conference, and Compliance Workshops and Executive Roundtables, the IAA offers webinars, publications, online resources, and surveys covering a wide range of business practice, compliance, and regulatory issues. And we provide numerous networking opportunities through regional roundtables, committees, working groups, and online communities for members to share information, exchange ideas, and build enriching professional relationships.

Conferences and Education

The IAA has a long history of bringing member firms together for high-value programming focused on discussing important industry topics and trends and providing opportunities for peers to share best practices.

Investment Adviser Compliance Conference

The IAA's 2023 Investment Adviser Compliance Conference was held in Washington, D.C., in March. The conference covered a wide range of topics, including the new Marketing Rule; conflicts of interest; recordkeeping and off-channel communications; SEC exams; technology; diversity, equity, and inclusion (DEI); DOL fiduciary; private equity funds; cybersecurity; digital assets; trading; ESG; ethics; and much more.

Attendees heard a keynote discussion between SEC Commissioner Mark T. Uyeda and IAA President & CEO, Karen Barr. SEC Division of Investment Management Director William A. Birdthistle joined IAA General Counsel Gail Bernstein for an intriguing fireside chat. Other representatives from the SEC included Natasha Greiner, co-deputy director of the Division of Examinations, and Corey Schuster, co-chief of the Division of Enforcement's Asset Management Unit, among others. The speaker roster comprised nearly 80 industry experts.



Midwest Leadership Forum

This year, we took a regional approach to our annual leadership conference geared toward C-level executives with a half-day agenda in Chicago on September 27.

Meeting highlights included:

- A luncheon with featured speaker Jonathan Feldman, a people and organization expert at Boston Consulting Group
- A firm leadership panel sharing perspectives on the changing advisory landscape and associated opportunities
- Positioning for the future: strategies for managing across an increasingly diverse multi-generational workforce
- Attendee-favorite peer breakouts: roundtable sessions of members from like-sized firms discussing their key priorities, challenges, and initiatives



Compliance Workshops and Regional Compliance Roundtables

We were thrilled to meet our members again this year at both the Compliance Workshops and roundtables across the country.

2023 marked the 27th anniversary of the IAA's popular fall Compliance Workshops, an education program that the IAA initiated in 1997. The Compliance Workshops were held both virtually and in person in three cities. The agenda focused on practical tips to help attendees prepare for SEC examinations and the deluge of upcoming regulatory changes. Each workshop was followed by an optional,

informal peer-to-peer discussion facilitated by one of the IAA's lawyers.

The IAA hosted six regional compliance roundtables exclusive to members in Atlanta, Austin, Denver, Los Angeles, Philadelphia, and San Francisco. The roundtables offered an opportunity to get to know local SEC exams staff in a small group setting and offered a facilitated discussion about regulatory and compliance challenges and practical ideas. More than 150 members participated in the roundtables across the country.



Webinars

The IAA's live and recorded webinars are free to IAA members and associate members. In 2023, the IAA presented 11 webinars and briefings on legal, regulatory, and business topics such as the policy landscape for advisers; diversity, equity, and inclusion; SEC exams; artificial intelligence; the IAA's Active Managers Council; active ETFs; and pay-to-play. Almost 1,000 individuals, both IAA members and non-members, attended the live webinars.

Professional Development for Compliance Professionals

The IAA continues its co-sponsorship of the Investment Adviser Certified Compliance Professional® (IACCP®) Program and related Investment Adviser Core Compliance Program (IA Core) with NRS, a COMPLY company. In 2023, we enrolled 152 IACCP candidates and 67 IA Core. Additionally, 92 compliance professionals finished the IACCP program to become IACCP designees, and 55 finished the IA Core program.



In addition, the IAA continues to offer continuing education credit to our members as a benefit of membership. We typically submit applications for continuing legal education (CLE) accreditation to over a dozen states for several of our conferences and workshops. We also submit applications to the CFP Board, NASBA CPE, and IACCP.

Business Practices Programming

The IAA's business practices agenda, aimed at senior executives from member firms, is built around member input on topics of common interest that influence the successful management of their firms. 2023 programming focused broadly on themes of talent and technology. We kicked off the year in February with an in-person mini career fair in collaboration with Boston University's Questrom School of Business exclusively for IAA members. Approximately 150 students attended and were able to engage in discussions with representatives from member firms of varying size about our industry and the wide array of opportunities it represents.

Over the course of the year, our Executive Roundtables — invitation-only forums for small groups of executives to build relationships and hear from subject matter experts on timely business issues —



Students and firm representatives speak at the IAA career fair.

featured topics including managing the multi-generational advisory office and leveraging technology to fuel growth and gain efficiencies. In response to keen member interest in the rapidly evolving field of artificial intelligence, we offered a webinar on legal considerations for advisers' use of AI and potential business applications for the technology.

Diversity, Equity, and Inclusion

As part of our ongoing support of members' efforts to promote diversity, equity, and inclusion (DEI) in their firms and in our industry, the IAA's growing DEI Committee convened throughout the year to share best practices, hear from expert speakers, and discuss opportunities to advance our work together. Among the year's highlights:



Pamela Gibbs, director of the SEC Office of Minority and Women Inclusion, speaks at the 2023 Compliance Conference.

- We hosted two well-attended webinars: Building an Inclusive Investment Industry, featuring prominent DEI consultant Ritu Bhasin; and Charting the Course to DEI, an advisory firm case study with ACA Group
- SEC Office of Minority and Women Inclusion (OMWI) Director Pamela Gibbs appeared on the main stage of our annual Compliance Conference to share thoughts on DEI best practices with the several hundred attendees of the event
- Representatives from a leading global asset manager member, the Student Freedom Initiative, and the IAA were welcomed at Bowie State University, a historically Black university in Bowie, Maryland, for a student gathering to inform plans for a collaboration between the university and our member and to provide students with an introduction to the investment advisory industry

Human Resources Working Group

This group, open to representatives with responsibility for human resources and related functions within their firms, continued to grow throughout the year, and provided members with a forum for discussion of an array of talent-related matters, including post-pandemic work models, pipeline/hiring challenges, and creative training and development solutions.





Communications

Surveys & Publications

The IAA publishes two major surveys each year that document and track important trends in the investment adviser industry — the Investment Adviser Industry Snapshot and the Investment Management Compliance Testing Survey. Details of the findings from the latest of these surveys are available in the State of the Industry section of this publication.

IAA Today

The IAA’s official newsletter, *IAA Today*, has always served as a key component of our communications with members — providing timely information about significant legal, regulatory, and compliance developments, business practice issues, and IAA events. Our weekly online edition of *IAA Today* and consistently updated website bring important news straight to members’ inboxes.



Member Alerts, Updates, and Social Media

In 2023, the IAA issued timely member alerts, updates, and social media posts to inform members immediately of significant new developments that could have an impact on their businesses.

The IAA’s YouTube Channel offers more than 200 videos addressing compliance and business topics — including presentations by SEC officials and breakout sessions at the IAA’s conferences.

In 2023, we focused significantly on developing short videos to provide our members with insight on key issues, such as background and expert takes on SEC proposals and legislative briefings; important information regarding member benefits; and IAA programs, such as our DEI series. As a result, we are seeing significant traction on our social media.



Crucial Connections

Convening and Networking

The IAA creates opportunities for member engagement through over two dozen formal Committees, Working Groups, and Forums, and several additional ad hoc workstreams established to address specific projects, such as helping us develop our advocacy on a rule proposal. While many of these groups focus on regulatory, compliance, operational, or other business functions or issues and others on more specific topics, all of them provide powerful venues for members with shared interests to discuss common challenges and form relationships with their professional peers.

For example, our CCO/Compliance Officer Forum provides members the ability to discuss compliance best practices and challenges with their peers on topics ranging from compliance program implementation to establishing and maintaining a good compliance culture, to outsourcing, consolidation, shared services agreements, preparing for and navigating an exam, and more.

Regulatory and Compliance Resources

Members look to the IAA to help them understand and implement new rules, agency guidance, risk alerts, enforcement actions, and other agency pronouncements. To this end, we develop and provide extensive resources through our committees and working groups, webinars, member calls and alerts, and our educational programming.

Our full deployment of these resources was again evident throughout 2023 as advisers continued to work on their understanding of and compliance with the Advisers Act Marketing Rule, the most significant regulatory development for investment advisers in years. Compliance with this rule was required beginning on November 4, 2022, but myriad interpretive and operational issues remain.

The IAA's Marketing Implementation Group, which had over 400 members in 2023, continued to provide a forum for members to share interpretive and operational concerns and questions about the new rule, meeting every two weeks to provide a forum for members to talk through and share how they are addressing various challenges posed by the rule. In addition, we held regular calls with IAA associate member experts to focus on specific interpretive and implementation issues under the new rule and answer questions submitted by members. We will continue to hold regular MIG meetings and field member questions to assist members as they continue to implement and refine their compliance programs.

In addition to holding regular meetings of the IAA's Private Equity Fund Advisers Committee,



following final adoption of the package of private fund adviser and Form PF rules, we established two new implementation groups to focus on these rules. These groups held regular calls, to which we welcomed associate member experts to assist with members' understanding of the rules. We are developing additional resources and will continue to enhance our support of IAA members that manage private funds.

We assisted members with their implementation efforts more generally throughout 2023 by continuing to build a robust online resource library and presenting webinars on and devoting our compliance workshops and conference sessions to the many key regulatory challenges facing advisers. Members of the IAA's legal team fielded a wide range of individual member questions on regulatory and compliance issues and will continue to provide that valuable member benefit in 2024.

IAA Associate Member Directory

In 2023, the IAA launched a new **Associate Member Directory** featuring our community of service providers and business partners to advisers. This improved directory highlights our associate members through listing their

services and featured content, so advisers can discover providers that will match their needs. Members can connect with providers directly through the directory or use their listed contact information.



Find Your Business Partner
**Search the Associate
Member Directory**



PARTNERS & SPONSORS

The IAA continued to work closely with our two strategic partners, ACA Group and SS&C Advent, to engage with advisers through various programs during 2023. We collaborate with these industry leaders to enhance services offered to IAA members. Additionally, the IAA is again proud to recognize NRS, a COMPLY company, and the Digital Assets Council of Financial Professionals for their participation as Educational Partners in 2023.

We also launched **IAA Access**, our online sponsorship platform that allows associate members and members to browse partnerships, sponsorships, and advertising opportunities and secure those that fit their goals.

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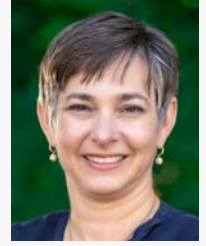
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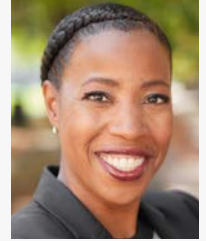
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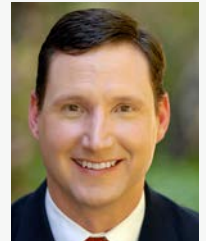
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