2021 YEAR IN REVIEW

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We are proud to present the Investment Adviser Association’s 2021 Year in Review. This year – with the active involvement of our members – the IAA has successfully advanced the interests of investment advisers in the regulatory and legislative arenas and promoted the value of fiduciary advice to investors, policymakers, and the public. As the leading organization for fiduciary investment advisers, we are laser focused on promoting the success of our member firms and the industry at large through essential expertise, crucial connections, and powerful advocacy unique to advisers’ needs.

This year has been marked by many new initiatives, resources, and advocacy successes to provide value to your firm. We detail those activities throughout this report. We want to highlight just a few of them here.

Following SEC adoption of a new, modernized Investment Adviser Marketing Rule in December 2020 – the result of years of IAA advocacy urging a major overhaul of the long-outdated and highly restrictive Advertising Rule – we created a wide range of online resources, a webinar series, and conference sessions to explain and explore the significant elements of the new rule, the new opportunities it creates, and the new requirements it imposes. We will be adding to those resources throughout the implementation period – firms must come into full compliance by November 4, 2022. No fewer than four general and breakout sessions will be devoted to the Marketing Rule – now the hottest topic for adviser compliance professionals – at our 2022 Compliance Conference in March.

To promote Diversity, Equity & Inclusion as a value for our industry – and to help foster significant progress toward achieving that goal – the IAA has created online resources to educate members and help them build a more equitable future for their businesses, their employees, and their clients. Those resources include a step-by-step practical guide to creating – or enhancing – DEI programs. On Capitol Hill, we publicly lent our support to legislation that would facilitate the ability to measure and make meaningful progress in this area.

As the COVID-19 pandemic and its disruptions dragged into a second year, the IAA took the lead in helping our members navigate the uncertain waters with expanded web resources and regular member calls.

With your help, we successfully advocated for the removal of provisions in the Build Back Better reconciliation bill that would have limited the investments you could consider for IRA accounts.

We launched a new website with an enhanced look and feel, better navigability, valuable resources, and a focus on our members as fiduciaries.

We reimagined our annual Evolution/Revolution report as our first Investment Adviser Industry Snapshot 2021 with a new...
look, more data, more charts, and more analysis. This report has already been cited extensively by the SEC’s Asset Management Advisory Committee in its recommendations for better addressing the needs of smaller advisory firms.

We brought member firm CEOs together virtually to discuss succession planning, industry trends, return-to-office, firm culture, and more.

As you’ll see in this report, tax issues, ESG, regulatory modernization, strong retirement policies, appropriate regulatory treatment of smaller advisers, a level playing field for all types of investment strategies, including both active and passive management – all of these and more have been and remain top IAA priorities.

This has been a momentous year in so many respects. We look forward to working with you in the coming year to strengthen our already trusted voice in critical policy arenas and to provide enhanced services and resources that will be of even greater value to you. As always, we welcome – and encourage – your participation and feedback.

Karen L. Barr  
IAA President & CEO

Yvette Garcia  
Chair, IAA Board
Defying the challenges posed by the COVID-19 pandemic, the investment adviser industry has continued to experience record-breaking growth. As documented in our Investment Adviser Industry Snapshot 2021, close to 14,000 SEC-registered investment advisers are managing $110 trillion in assets for 60.8 million clients – underscoring investment advisers’ crucial value to investors, the economy, and capital markets.

And our survey of advisory firm compliance officers shows that implementing the SEC’s new Marketing Rule has become the industry’s number one compliance concern.
The Advisory Industry by the Numbers

The Investment Adviser Industry Snapshot 2021 – our newly reimagined Evolution/Revolution with more data, more charts, and more analysis – is based on data reported by advisory firms to the SEC each April. Our 2021 report contains data on nearly 14,000 SEC-registered investment advisory firms. In every key metric, our industry showed solid growth – demonstrating that investors continue to recognize the value of fiduciary advice and are increasingly turning to investment advisers to help them achieve their goals and navigate their financial futures.

The key findings in our 2021 report:

• **The investment adviser industry continues to experience record growth.** The number of SEC-registered advisers, the number of clients they served, the assets they managed and the number of people they employed all reached record highs in 2020. Approximately 14,000 SEC-registered advisers have employed over 879,000 non-clerical employees who are managing $110 trillion in assets.

• **Individual investor demand for advice is surging.** While all client segments have grown over the past three years, growth in both the number and assets of individual clients has been exceptionally strong, with the number of individual investors growing by 38% over the past two years.

• **Growth has been strongest for the largest advisers.** Advisers with over $100 billion in assets have experienced gains in assets of 14 percent-plus annually over the past five years, far ahead of smaller advisers.
• **Compensation structures have become increasingly flexible.** Over the past 20 years, advisers have become more likely to offer fixed fees and hourly fees in addition to asset-based fees.

• **Advisers are on the move.** Compared to 2019, adviser offices were more likely to be in southern states and less likely to be in traditional financial centers.

### Compliance Challenges and Concerns

In our 2021 Investment Adviser Compliance Testing Survey, **Advertising/Marketing** was identified by 58 percent of survey respondents as the “hottest” compliance topic – up 33 percentage points from last year. **Cybersecurity** followed with 53 percent. Now that it’s become a top priority for the SEC, **Climate Change/ESG** climbed to third in compliance officers’ list of hot topics, named by 45 percent of respondents (up from 14 percent last year). Rounding out the five hottest topics were COVID-specific **Business Continuity Plan** concerns (17 percent) and **Digital Assets** (17 percent).

The brightest spot in the survey findings regarded the **Impact of COVID-19**. While the pandemic continues to disrupt businesses, and firms have had to address a host of new concerns and issues related to their risk assessments and compliance programs, the industry by and large appears
to be passing the test. No survey respondents reported material compliance violations as a result of the pandemic – evidence of strong compliance programs and effective business continuity plans.

The vast majority of firms (82 percent) reported no increase in personal trading violations. With respect to the breakdown of employees teleworking, a majority of firms had all personnel working from home (62 percent). Other firms reported having only certain employees teleworking (37 percent). About a third of firms (35%) reported having the office temporarily closed.

For the first time, this year’s survey asked compliance officers to rank their priorities for regulatory and legislative action affecting investment advisers – responses which will help to guide the IAA’s advocacy efforts on Capitol Hill and with regulators. The most frequently named were:

1. Unified, Federal Data Privacy and Cybersecurity Laws
2. Sustainable Investing (ESG)
3. Custody Rule
4. Electronic Delivery
5. Form CRS
6. Proxy Voting

Our Investment Management Compliance Testing Survey – now in its 16th year – is done in partnership with IAA Strategic Partner ACA Group and IAA Associate Member Yuter Compliance Consulting. Full survey results are available online.

Our Investment Adviser Industry Snapshot 2021 – now in its 20th year, in partnership with National Regulatory Services (NRS) is also available for viewing or downloading online.
Crucial to the IAA’s mission is providing powerful advocacy – in both the legislative and regulatory arenas – to influence policy outcomes to serve and support our members’ businesses, their clients, and the broader community of fiduciary advisers.

The change in Administration in Washington in early 2021 signaled an ambitious legislative and regulatory agenda. A Congressional focus on taxes and retirement, along with regulators’ review of the past Administration’s rulemakings and adoption of their own priorities presented new opportunities and new obstacles for investment advisers in 2021. The IAA – with the assistance of member firms – devoted considerable resources to advocating before lawmakers and regulators on issues of importance to investment advisers and helping these policymakers understand our profession’s crucial importance to investors, the capital markets, and the economy.
Legislative Advocacy

As the leading voice for investment advisers on Capitol Hill, the IAA actively engaged with policymakers to promote the importance of investment advisers and the value of fiduciary advice. We continued our longstanding efforts to maintain the SEC’s primacy in investment adviser regulation and oversight against encroachment by both banking regulators and non-governmental third parties, including FINRA. And the IAA continued to educate appropriate legislators and their staffs about the unique responsibilities and fiduciary obligations that differentiate advisers from other actors in the financial services industry. We also furthered our efforts to highlight the burdens of one-size-fits-all regulation on small businesses and the cumulative impact of regulations on all businesses.

In addition to furthering these overarching policy initiatives, the IAA successfully lobbied on advisers’ behalf, both directly and by engaging members in grassroots efforts:

**Build Back Better Act.** The IAA worked successfully with allied trade associations and member firms in opposition to certain tax and retirement-related provisions that could have adversely affected advisory firms and their clients. Those provisions that would have unnecessarily and severely limited the investment choices that retirement plan sponsors and investment advisers may consider for retirement accounts were dropped from the bill as passed in November by the House of Representatives.

**Advisory Fee Deductibility.** A coalition led by the IAA and the Certified Financial Planner Board of Standards continued its effort to persuade lawmakers to restore – and expand – the deductibility of fees for professional investment and financial planning advice. That deduction was repealed in 2017 under the Tax Cuts and Jobs Act. The IAA engaged its members in a grassroots lobbying effort on this issue.

The IAA also continued to press lawmakers to extend eligibility for the 20 percent “pass-through” deduction to owners of investment advisory firms and other presently-excluded service providers.

**Retirement Legislation.** The IAA continued to advocate for passage of the bipartisan SECURE Act 2.0 legislation (H.R. 2954). Among other things, it would increase the age for required minimum distributions (RMDs) from 72 to 75, allow 403(b) plans to invest in collective investment trusts (CITs), and increase catch-up provisions. A similar bill authored by Senators Cardin and Portman (S. 1770) also includes new tax incentives for companies that offer retirement plans to employees and expands a credit for lower-income taxpayers who contribute to their retirement.

**Electronic Delivery.** The IAA has been active with a broad coalition of financial services groups in building support for electronic delivery of regulatory disclosures to clients on Capitol Hill.
**Diversity Legislation.** The IAA advocated in support of H.R. 2123, the "Diversity and Inclusion Data Accountability and Transparency Act," approved by the House Financial Services Committee. The bill would amend Sec. 342 of the Dodd-Frank Act, which established an Office of Minority and Women Inclusion (OMWI) at each of the SEC, Treasury, Federal Reserve, OCC, and NCUA. This provision has been interpreted as prohibiting these agencies from requiring regulated entities to respond to OMWI surveys on diversity. The Diversity and Inclusion Data Accountability and Transparency Act would eliminate this prohibition by adding a single sentence to Sec. 342 that would allow these agencies to require that regulated entities with more than 100 employees provide information to OMWI.

The IAA also supported the "Improving Corporate Governance Through Diversity Act of 2021" (H.R. 1277), requiring public companies to disclose diversity on their boards, as well as legislation requiring reports to Congress by federal financial regulators on the diversity of their advisory committees.

**Other Legislation.** The IAA continued to monitor and discuss with lawmakers a broad range of legislative developments including, among other things, recommendations from an SEC advisory committee regarding smaller advisers, protections for senior investors, creation of a federal privacy law, cybersecurity, SEC funding, accredited investors, and proxy advisors. Central to the IAA’s legislative advocacy efforts are regular meetings with lawmakers and their staffs, including during our annual Adviser Advocacy Day. Representatives of member firms convened virtually in 2021, received issues briefings from our Government Relations staff, and attended pre-arranged meetings with legislators and staff members to advance specific legislation and the interests of the investment advisory profession in general. They raised a wide range of important issues, including on tax, retirement, diversity, sustainable investing, cybersecurity, and the value of fiduciary advice. We expect to again convene in Washington, DC in 2022.

Detailed information about the IAA’s legislative priorities is available in the Advocacy section of the IAA website. Briefing materials are available in the Take Action Now section of the website.

**Regulatory Advocacy & Engagement**

2021 saw the IAA redouble our efforts to press our policy priorities and respond to an aggressive rulemaking agenda at the Securities and Exchange Commission (SEC), Department of Labor (DOL), and the Federal Trade Commission (FTC). We both
increased our level of regulatory engagement and continued to serve as a resource to our members on regulatory interpretive and implementation issues as well as with the ongoing challenges created by the COVID-19 pandemic.

The IAA has long pressed for and will continue to support efforts to modernize rules under the Investment Advisers Act and make regulation of investment advisers more efficient, effective, and appropriately tailored. In 2021, we engaged with regulators and policymakers prodigiously to further these objectives on several important fronts, submitting 20 comment letters on behalf of our members – including a comprehensive letter to incoming SEC Chair Gary Gensler, welcoming him to the SEC and laying out the IAA’s regulatory policy priorities – and meeting with regulators to press our members’ concerns.

Significant regulatory advocacy efforts in 2021 focused on wide-ranging topics, including ESG (Environmental, Social, and Governance) investing and climate-related risks, diversity, equity, and inclusion (DEI), the Custody Rule under the Advisers Act, the impact of regulation on smaller advisers, the DOL’s new fiduciary exemption, digital advice and digital engagement practices (DEPs), Hart-Scott-Rodino premerger filings, and more.

We also developed and provided resources to our members on the interpretation and implementation of new regulations, including with respect to the SEC’s new Marketing Rule and Form CRS.

Ongoing Efforts Related to the Pandemic

The IAA has continued throughout 2021 to hold regular member calls to discuss COVID-19-related challenges and collect relevant information to help inform and support targeted regulatory relief. The IAA also continued to develop and curate resources through its dedicated web page to keep members informed of regulatory updates and provide guidance and educational materials to assist them with business and regulatory challenges related to the pandemic.

While modernizing the delivery requirements for regulatory disclosures has long been an advocacy priority for the IAA, the pandemic and resulting work-from-home challenges underscored the need for the SEC to address the outdated paper default delivery framework. The pandemic also highlighted other areas where certain regulatory processes have proven to be severely outdated, such as requirements that firms create manual signatures for filings with the SEC. The IAA continued to press the SEC to update these frameworks, not only to address pandemic-related issues, but more broadly.
The IAA Presses Adviser Policy Priorities with New SEC Chair

Sustainable investing, proxy voting, modernization of the Custody and Pay-to-Play Rules, e-delivery, investor testing of Form CRS, appropriate regulation of smaller advisers, effective coordination with other regulators, and promotion of DE&I were among the issues the IAA asked new SEC Chair Gensler to consider as he formulated his regulatory priorities.

In a May 17 letter welcoming the Chair, we outlined critical policy issues and regulatory challenges facing the approximately 13,000 SEC-registered advisers – noting that those challenges and how they are addressed also have a substantial impact on the more than 42 million clients of these advisers. Following our letter, IAA leadership met with Gensler to discuss his priorities for the agency and the IAA’s views on these issues.

We laid out the following policy positions:

- The IAA supports policies that facilitate advisers’ ability to engage in sustainable investing, including development of a framework for issuer disclosure to inform such investing.

- The IAA supports promoting the values of diversity, equity, and inclusion at all levels of the investment adviser industry.

- The IAA believes that regulation should be strategy neutral and that advisers should have the flexibility to consider factors and pursue investment strategies that best meet their client’s specific goals. Policy should not explicitly or implicitly favor one type of investment strategy over another.

- The IAA also believes that regulation should be technology neutral in order to foster innovation and efficiency in our capital markets, while maintaining investor protection. For example, as the SEC has recognized, the use of technology by digital advisers to offer investment services does not change the fiduciary nature of their advice or the regulatory environment in which they operate.

- Smaller advisory firms face unique challenges as small businesses. The IAA recommends that the SEC consider the economic impact of regulations on smaller advisory firms more carefully, and conduct a more realistic assessment of the cumulative impact of policy and regulatory decisions on
these firms’ businesses and their ability to serve the investing public.

- The IAA supports the dedication of robust SEC resources for investment adviser oversight. The IAA believes that the SEC – an experienced and accountable government regulator – is in the best position and should continue to provide direct oversight over advisers and should be appropriately funded to do so.

We will continue to press these positions in 2022.

The New Marketing Rule – a Major Victory for Members

For over 20 years, the IAA had been urging the SEC to modernize the patchwork regulatory framework that developed in the intervening decades since adoption of the Advisers Act Advertising Rule in 1961. With a unanimous vote, the SEC adopted a new Marketing Rule in December 2020, which updates both the Advertising and Solicitation Rules in a single rule. The rule represents a comprehensive overhaul and modernizes the rules to “reflect changes in technology, the expectations of investors seeking advisory services, and the evolution of industry practices.” The new rule dramatically improves upon the existing regulatory framework, reflecting virtually all of the key recommendations the IAA has made over the years and that we made in our comprehensive comments on the
SEC’s proposal. The new rule is the **most important regulatory development** for investment advisers that engage in any sort of marketing-related activities, including via a website, social media, or email and will make it easier for advisers to communicate in ways that clients and prospective clients expect. Advisers will be required to comply with the new rule by November 4, 2022.

Beginning early in and throughout 2021, the IAA presented a series of webinars, conducted regular calls of our extremely active members-only Marketing Implementation Group, and developed **comprehensive resources** to help our members navigate these sweeping changes to the regulatory framework for marketing communications and solicitations. We have worked with members and staff of the SEC throughout 2021 to identify and obtain guidance on the myriad **interpretive issues** raised by the new rule.

**Marketing Rule and Private Fund Advisers**

Given the new Marketing Rule’s expansion to cover the marketing activities of private fund advisers, we worked closely with our **Private Equity Fund Advisers Committee** members in 2021 to analyze how the rule affects them specifically, including around the scope of the rule’s application to certain communications and some challenges around how the rule’s performance reporting provisions apply to managers of private equity funds. We will continue to focus on these issues in 2022.

**Global Investment Performance Standards (GIPS)**

A large number of our members claim compliance with GIPS, a voluntary set of global standards for presentation by investment advisers of performance information, adopted by the CFA Institute. The IAA monitors and analyzes GIPS developments with the assistance of the IAA’s **GIPS Compliance Forum**, and weighs in with the CFA Institute to obtain guidance where necessary and ensure that members’ concerns are considered before changes are made to the standards. 2021 saw the GIPS Compliance Forum focusing on the implications for GIPS of the new Marketing Rule.

**Form CRS – Relationship Summary**

A key element of the SEC’s 2019 rulemaking package on the standards of conduct for advisers and broker-dealers is the new client relationship summary – **Form CRS** – that advisers and broker-dealers have had to file with the SEC and provide to retail investors since June 2020. We have continued to work through 2021 to help our members implement the new requirement through an active **Form CRS Implementation Group**.
The IAA strongly supports policies that facilitate advisers’ ability to engage in sustainable investing and we thus continued in 2021 to call on policymakers to be strategy neutral, fostering, but not mandating, sustainable investing.
ESG Issues

ESG was a high priority for IAA members and for the SEC and other regulators in 2021 and we expect this to continue through 2022. The IAA strongly supports policies that facilitate advisers’ ability to engage in sustainable investing and we thus continued in 2021 to call on policymakers to be strategy neutral, fostering, but not mandating, sustainable investing. We strongly advocated for flexibility for advisers to consider myriad factors, including ESG factors, in investing in their clients’ best interest. As the ESG policy debate heated up with the new Administration in Washington, the IAA established a dedicated ESG Committee to help guide our advocacy efforts and provide a forum for member consideration of ESG-related policy, regulatory, and compliance issues more generally.

SEC’s Focus on ESG

With the help of this over 100-person committee, we submitted a letter to the SEC in response to a request for input on climate change disclosures by corporate issuers. We called for more consistent, comparable, and reliable disclosures of material information by corporate issuers on climate and other ESG matters to allow investment advisers to serve their clients more effectively by improving transparency for investors and facilitating apples-to-apples analysis and comparison of issuers. Our letter supported creation of a framework on climate- and other ESG-related matters by the SEC in furtherance of this goal. Following our letter, we and several IAA members met with senior SEC staff to discuss both corporate issuer disclosure and investment adviser disclosure. The SEC is poised to issue rule proposals on ESG disclosure and we intend to continue to be actively engaged with that agency on these issues.

DOL’s Focus on ESG

The DOL also focused its attention on ESG issues in 2021, looking to revisit an ESG rule adopted in the waning days of the Trump Administration, which the IAA had opposed out of concern that it would chill sustainable investments by ERISA fiduciaries by making it harder for them to consider ESG factors on behalf of plan participants and beneficiaries. Following that rulemaking, we engaged with the DOL transition team before President Biden’s inauguration to explain our concerns and asked that the new DOL leadership issue a temporary non-enforcement policy while it reconsidered the rule. The DOL did just that in March 2021 and later issued a new proposal that would reverse much of the earlier rule. The new proposal, which takes the view that climate change and other ESG factors can be financially material, conforms with many of the recommendations that the IAA made to the DOL when the 2020 rule was being considered, including that a fiduciary should be able to consider any factor that is material to the risk-return analysis. We submitted comments on this proposal in December 2021 and will continue to advocate that ERISA fiduciaries be able to continue to make investment decisions that they determine are in the best interest of plan participants and beneficiaries.
Proxy Issues

2021 was another big year for regulation of proxy voting, with the SEC and DOL both taking steps to reverse Trump Administration actions that would have made advisers’ proxy voting processes and their use of the services of proxy advisory firms more burdensome. The IAA had urged both the SEC and DOL in 2019 and 2020 not to take action that would increase the costs and burdens for advisers that vote proxies on behalf of their clients. We had also urged the SEC not to focus its efforts on proxy advisory firms, where there was no compelling evidence that there was a problem, but instead to review proxy infrastructure, which all agree has been in need of urgent attention. Although both agencies moved ahead with their rulemakings on proxy voting, their final rules were significantly modified in response to comments, including from the IAA.

SEC’s Focus on Proxy

The SEC’s proxy rule codified that advice provided by proxy advisory firms constitutes a solicitation under the Securities Exchange Act, thereby requiring an exemption from certain information and filing requirements. It also added conditions that proxy advisory firms must meet to rely on exemptions from the information and filing requirements. Following strong opposition by the IAA and others, the final rule significantly scaled back on conditions that would have diminished the independence of proxy advice, made the services of proxy advisory firms more expensive and difficult to use, and increased barriers to entry. The SEC also issued two guidance documents regarding the proxy voting responsibilities of investment advisers, the initial guidance in August 2019 and supplemental guidance in July 2020, when the agency adopted the rule discussed above. Both guidance documents were issued without the opportunity for notice and comment, and focus largely on advisers’ use of proxy advisory firms. The IAA continues to be concerned that the combined effect of the guidance documents will make it more expensive and more difficult for advisers to vote their clients’ shares and will result in some advisers declining to vote their clients’ shares. In November 2021, the SEC proposed rules that would reverse the 2020 proxy advice rule. The SEC also asked whether it should rescind or modify the 2020 guidance for advisers. As of this writing, the IAA is working on a response to this proposal.

DOL’s Focus on ESG

The DOL also acted in the proxy space in 2021. Included in its ESG proposal, discussed above, are proposed changes to the DOL’s 2020 proxy voting rule. These changes would largely reinstate the DOL’s guidance on proxy voting that was in place before the 2020 rule. As discussed above, the IAA submitted comments on this proposal.

Securities Lending and Proxy

In another proposal related to proxy voting, the SEC called for additional reporting of proxy votes by funds and institutional investment managers, including reporting “say-on-pay” votes, i.e., non-binding shareholder votes related to corporate executive compensation, as
well as information about the effect of their securities lending practices on their proxy voting. The IAA submitted comments on this proposal as well, focusing on the benefits to investors of funds’ securities lending practices. In a second 2021 proposal relating to securities lending, the SEC proposed to increase the transparency and efficiency of the securities lending market by requiring reporting of the material terms of securities lending transactions. This proposal stems from a rulemaking requirement under the Dodd-Frank Act. Comments are due in early 2022. We are working with members to determine whether to comment.

Custody

Compliance with the Advisers Act Custody Rule raises substantial challenges for advisers as its complexity and ill fit create an ever-increasing number of traps for the unwary. We continued in 2021 to advocate for a reconceptualization of this rule to facilitate advisers’ compliance and more effectively protect investors. To that end, the IAA and other groups submitted a letter to SEC staff responding to the staff’s earlier request to the IAA for input on investment adviser and custodial trading practices relating to transactions that are processed or settled on a non-delivery versus payment (non-DVP) basis. We argued that custody should not turn on how transactions are settled. Rather, where trading is authorized, risks of misappropriation can be most effectively addressed by appropriate policies, procedures, and controls that are reasonably designed to protect client assets and not by the confusing and outdated Custody Rule. We also worked with the IAA Custody Working Group and outside counsel on a more comprehensive letter to provide feedback to SEC staff as it considers recommendations to the Commission on modernizing the Custody Rule more broadly. We will continue this effort in 2022.

Digital Engagement Practices and Digital Advice

The SEC turned its attention in 2021 to digital advice and digital engagement practices by advisers and broker-dealers, putting out a request for feedback on these practices to determine whether additional regulation is needed in this space. In an October 2021 letter, the IAA suggested several general principles and recommendations for the SEC to consider as it seeks to gain a better understanding of these practices. We urged the SEC to engage in a fair and balanced assessment of the potential benefits to investors of emerging digital advice and DEPs and to continue to support the development and use of innovative DEPs and use of technology for the benefit of investors. We also cautioned the SEC to proceed carefully and deliberately prior to any potential regulatory action by considering all available data, including through public comments and investor testing, and to ensure that regulation is technology neutral. Our letter reminded the SEC that its 2019 Fiduciary Interpretation reaffirmed that digital advice, like all advice provided by investment advisers, is subject to the robust regulatory framework of the Advisers Act and we argued that no additional regulation...
of digital advisers is needed. We continue to work with members of the IAA’s Digital Advisers Committee to provide the SEC with additional input on members’ digital engagement and how digital advisers, like other advisers, are able to comply fully with their fiduciary duty.

**Regulation of Smaller Advisers**

The IAA has long advocated for a more rational approach to regulation of smaller advisers, which are small businesses by any common-sense measure. Our advocacy in 2021 culminated in our participation on a panel discussion before the SEC’s Asset Management Advisory Committee (AMAC) in September 2021 to discuss issues relating to small advisers and small funds. We shared data and conclusions from the 2021 Investment Adviser Industry Snapshot and addressed both business and regulatory issues of concern to small advisers. The panel was followed by a unanimous AMAC vote to adopt recommendations drafted by the AMAC’s Subcommittee on Small Advisers and Small Funds. The recommendations call for action by the SEC on smaller advisers and funds and directly address the IAA’s calls for:

- tailored regulation of smaller advisers,
- assessment of the cumulative impact of regulation on small businesses, and
- a more appropriate definition of small business.

The AMAC also recommended SEC action with respect to many concerns raised by the IAA, including (i) limited access to the bond markets for smaller advisers and funds; (ii) the prohibition against using electronic delivery as the default method of delivery; (iii) a lack of uniformity in the legal regime for data security; (iv) a lack of balance between regulatory expectations and available resources for deployment of cybersecurity measures; (v) a continuing “disconnect” on the use of proxy advisory services by funds and advisers “as a method of fiduciary fulfillment”; and (vi) addressing the “overreach” in the area of CUSIP licensing fees.

We will continue to press the SEC to expeditiously act on these recommendations in 2022.

**Department of Labor’s Fiduciary Exemption**

In the waning days of the Trump Administration, the DOL adopted a new exemption for investment advice fiduciaries providing non-discretionary advice and issued a temporary non-enforcement order. The exemption essentially replaces the 2016 DOL Fiduciary Rule vacated by a court in 2018. Its primary impact on fiduciary investment advisers is the requirement of disclosure and documentation related to rollover advice. Somewhat surprisingly, the new Administration allowed the exemption to become effective in February, when it also confirmed that the existing temporary non-enforcement policy would remain in
The DOL issued FAQs on the exemption in April 2021. These FAQs primarily addressed conditions for using the exemption and made clear the DOL’s intention to take further action on what constitutes fiduciary investment advice under ERISA. The IAA engaged with DOL staff to seek clarification on some of the language in the April guidance and to urge the DOL to extend the non-enforcement policy further. In a welcome announcement, the DOL extended this policy through January 31, 2022, extending a requirement to document and disclose why a rollover is in a retirement investor’s best interest further, to June 30, 2022. We worked with members throughout 2021 to help them understand and implement the new exemption, including through regular member calls dedicated to the topic, and expect to continue these efforts in 2022.

Registered Fund Issues

The IAA supports SEC initiatives to modernize the regulatory framework for mutual fund cross trading to increase potential benefits to funds and fund shareholders and in 2021 urged the SEC to promptly begin its review of the Investment Company Act Cross-Trading Rule. Unfortunately, the SEC’s 2020 Valuation Rule adversely affected the definition of “readily available market quotations” for purposes of the Cross-Trading Rule and we specifically called on the SEC to reverse this negative impact.

Federal Trade Commission

In response to concerns expressed by IAA members, the IAA called on the FTC in 2021 to withdraw a proposal that would amend the definition of “person” in the premerger notification rules under the Hart-Scott-Rodino Act. This change, if adopted, would require investment managers to aggregate acquisitions in the same issuer across all their clients for purposes of antitrust filing thresholds which, we believe, would impair the investment management process and the ability of managers to follow clients’ mandates and create value for clients. In response to a question as to whether the proposed aggregation rule changes should apply differently to index funds or certain ETFs because of their structure, we strongly argued in our comment letter that the FTC should not treat investment management clients differently for antitrust purposes based on whether they follow an index strategy. We emphasized that there is no sound policy basis for differentiating among clients on this basis and reiterated our request that the proposal be withdrawn. We intend to remain engaged with the FTC on this important proposal.

State Law Issues

The IAA continued in 2021 to monitor state regulations to ensure that they do not violate the National Securities Markets Improvement Act of 1996 (NSMIA), which provides that states may not adopt any regulations, interpretations, or guidance that would have the effect of substantively regulating
SEC-registered investment advisers. We also continued to engage with the North American Securities Administrators Association (NASAA) as it worked to create a model rule to establish a continuing education program for state-registered investment adviser representatives (IARs). Together with members, we provided feedback to NASAA on ways it could improve on the model rule and continue to engage with NASAA as it rolls out its continuing education program.

International Regulatory and Advocacy Issues

The IAA also focused in 2021 on key areas affecting investment advisers and private funds on the international front. We regularly updated members on international regulatory developments through meetings of the IAA’s International Committee, in which we discussed emerging issues relating to international compliance, regulation, and market access issues. In particular, Committee members focused in 2021 on ESG developments and issues relating to delegation of alternative investment funds in the EU.

Advocacy and Engagement in the Year Ahead

The SEC and the DOL under their new leadership followed an aggressive rulemaking agenda in 2021 and we expect to see the breakneck pace continue into 2022. These actions will likely continue to raise challenges for investment advisers, and much of the IAA’s work will relate to responding to new regulatory proposals, helping advisers implement new rules and guidance, and identifying areas for further guidance or relief.

We anticipate several notable actions taken in late 2021 or early in 2022 will demand a significant IAA response. These include proposals relating to ESG investments and disclosure, proxy voting, the use of technology by advisers, and domestic or international developments that implicate active and passive management. We also expect that data privacy regulations will continue to proliferate and we stand ready to assist our members with compliance and implementation issues.

On Capitol Hill, we anticipate a strong focus on tax and retirement issues, as well as sustainable investing, diversity and inclusion, and privacy issues. The IAA will continue to engage productively with policymakers to ensure that the policy environment for investment advisers and their clients is effective, efficient, and investor-protective.
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The IAA’s ambitious effort to change the narrative on active management – its Active Managers Council – is now in its fourth year and has logged considerable achievements in research, advocacy and communications to policymakers and the investing public.

Noteworthy AMC accomplishments during 2021 include:

**In the Media**

After 15 meetings between AMC spokespersons and reporters from top tier and key trade media, there has been an observable, positive shift in tone on the value of active management. Media outlets included *Barron’s*, *Financial Advisor*, *Institutional Investor*, *Pensions & Investments*, and *The Wall Street Journal*.

In addition, stories in influential media outlets were built on commentary from AMC spokespersons:

- *Financial Advisor*: “Active Management Leader Urges Focus On Long Term”
- *Pensions & Investments*: “Managers cautious as Japanese firms revamp governance”
- *Financial Advisor*: “ESG Investing A Form Of Active Management?”

**Webinars & Videos**

**Fiduciary Duty and Investments in DC Plans**
As part of our response to the CFA Institute’s Research Foundation’s *Guide for DC Plan Sponsors*, which misrepresents the fiduciary obligations of plan sponsors, we presented this webinar to explain clearly the obligations of plan fiduciaries. It featured experts from IAA Associate Member Goodwin Procter and was moderated by Kevin Lyman, Director, Global Thought Leadership, Invesco.

**An Active Strategy for Navigating Post-COVID Markets**
This timely webinar offered advisers a clear path forward for educating clients about the role of active investments in portfolio plans and provided practical strategies for practical conversations about investor expectations. Speakers were Natixis Advisors Portfolio Manager Jack Janasiewicz and Natixis Center for Investor Insight Executive Director Dave Goodsell.
The Power of Active Management
This series of short videos features Ravi Venkataraman, the AMC’s Steering Committee Chair and Senior Managing Director/Global Head of Investments at MFS Investment Management, and Simon Hallett, the AMC’s Research Chair and Vice Chair and Partner at Harding Loevner LP, exploring a range of topics including a new framework for evaluating active management, misconceptions about active management and misunderstood risks inherent in passive investing.

New Research
A More Balanced Narrative: Broadening the Discussion on Active Management (Part II)
This research brief summarizes themes in the recent thinking on active and passive investing. It is the seventh original piece in the AMC’s growing research library.

A dedicated group of 21 IAA member firms make up the AMC – with eight serving on the Council’s Steering Committee and 13 as-at-large members. Chairing the Steering Committee is Ravi Venkataraman, Senior Managing Director/Global Head of Investment Solutions at MFS Investment Management. Also playing leadership roles are Research Task Force Chair Simon Hallett, Vice Chair and Partner at Harding Loevner LP; Communications Task Force Chair Kristen Chambers, Global Head of Media Relations at JPMorgan Asset Management; and Policy Task Force Chairs Christine Carsman, Senior Policy Advisor at Affiliated Managers Group, Inc. and Mara Shreck, Head of Regulatory Affairs – Asset & Wealth Management at JPMorgan Asset Management.
The IAA has long taken the lead in assisting its broad membership in understanding their compliance obligations and in providing crucial guidance and information for implementing efficient and effective compliance solutions. The business and economic disruptions caused by the COVID-19 pandemic continued through 2021, and the IAA continued to support members with related compliance challenges and to work with members to determine whether there were additional issues that would benefit from regulatory relief. The IAA also focused significant resources on helping members navigate Form CRS requirements and understand the compliance implications and challenges of the SEC's new Marketing Rule.
Responding to the Pandemic

The IAA continued its multi-pronged approach to assist members with business, legal, regulatory and client relations responses to COVID-19’s disruptions and the pivot to considerations relating to returning to the office.

We continued to update the Coronavirus Response Resources section on our website, emailed frequent Member Alerts, and posted pandemic-related content frequently on IAA Today to inform members immediately of new developments. Website resources included updated regulatory relief charts; postings of regulatory guidance; links to recovery and office reopening resources; and more.

The IAA initiated regular conference calls with members to discuss in depth the operational challenges they were facing to ensure that regulators could be fully informed of the real world impact of the pandemic on advisory firms. These member calls also provided a forum for members to discuss their own pandemic-related challenges.

The IAA will continue to update its online resources and keep members informed of new developments. We will also continue to provide a regular forum for members to share their return-to-office experiences.

Conferences and Workshops

Investment Adviser Compliance Conference

The IAA’s 2021 Investment Adviser Compliance Conference was held virtually in March. The conference covered a wide range of topics, including the new Marketing Rule, SEC exams, risk management, DEI, ERISA, cybersecurity, international developments, ESG investing and implementation, ethics, and much more.

Some 570 attendees heard a keynote discussion between SEC Commissioner Hester M. Peirce and IAA President & CEO Karen Barr. Other representatives from the Securities and Exchange Commission included Sarah ten Siethoff, Acting Director, SEC Division of Investment Management, Dr. Alexander Schiller, Assistant Director of the Office of Asset Management, SEC Division of Economic and Risk Analysis, Peter Driscoll, Director, SEC Division of Examinations, Adam S. Aderton, Co-Chief, Asset Management Unit, SEC Division of Enforcement, and C. Dabney O’Riordan, Co-
Chief, Asset Management Unit, SEC Division of Enforcement. In all there were some 25 general, breakout, and optional morning sessions. The speaker roster included over 85 industry experts.

Video recordings of key sessions involving SEC speakers are available on the IAA’s YouTube Channel. Breakout sessions are now also available online.

Our 2022 Compliance Conference will once again be held in person in Washington, DC, on March 3-4.

**Compliance Workshops**

2021 marked the 25th anniversary of the IAA’s popular fall Compliance Workshops, an education program for members that the IAA initiated in 1997. The workshops were held virtually in November in light of pandemic developments. The two-day agenda concentrated on two areas of high interest for RIAs: the new Marketing Rule and ESG, as well as presentations from nine of the SEC’s regional offices.

As with all IAA virtual conferences, recordings of all sessions (except the SEC sessions) were made available to workshop attendees.
Online Compliance Resources

Our robust, members-only online Legal/Regulatory Library and associated compliance materials remained among our most utilized resources in 2021. Those resources provide extensive materials covering every major adviser compliance issue. Topic areas include IAA guidance, including any relevant compliance control; IAA webinars; templates, training materials and case studies; IAA comment letters and statements; outlines, articles and memoranda from a variety of sources; and links to selected rules, significant no-action letters, and other regulatory guidance. Those resources are available exclusively to IAA members in our online Resource Library.

The IAA also presents an annual series of compliance-related webinars. In addition to webinars relating to the new Marketing Rule and the Department of Labor’s fiduciary exemption, compliance-themed webinars in 2021 looked at issues including navigating post-COVID markets, the SEC’s focus on ESG, fiduciary duty and defined benefits plans, blockchain and digital assets, interval and tender offer funds, navigating examinations and enforcement, state lobbying regulations, IAR registration under New York’s new rules and more. Recordings of all past IAA Webinars are available free to IAA members and Associate Members on our Webinar Recordings page.

Monthly In-Depth Newsletter Compliance Columns

Each month in our online newsletter IAA Today, our Compliance Corner column – authored by leading compliance and legal professionals – takes an in-depth look at a topic of current concern. Periodically, we post additional columns and commentary by industry experts and IAA executives that are also devoted to timely compliance topics. In 2021, the columns tackled such topics as risk-based regulatory exams, risks associated with public pension plan investors, cybersecurity, the SEC’s derivatives rule, use of alternative data, advisory fees, ESG and more. All Compliance Corner columns are available online.
Committees and Working Groups

The IAA’s committees, working groups and compliance forums provide members with shared interests and challenges an opportunity to exchange information, build peer relationships, hear from experts, and help shape IAA policy and advocacy positions. A full roster of those groups – along with summaries of the business they conduct and topics they discuss – is available here on the Members Only section of the IAA website.

Employees of member firms are encouraged to participate in IAA committees, working groups and forums.

Government Relations Committee

Private Equity Fund Advisers Committee

Legal & Regulatory Committee

ESG Committee

Business Practices Committee

International Committee
A crucial component of the IAA’s mission is to offer timely, reliable information and insights that broaden our members’ perspective and help them become more effective fiduciaries. We actively cultivate a diverse and accessible community of peers and industry experts to help members expand their capabilities, their networks, and their businesses. In addition to our professional conferences, 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 executive roundtables, policy, operational, compliance committees and working groups, and online communities for members to share information, exchange ideas and build enriching professional relationships.
The IAA Leadership Conference

Designed especially for investment advisory executives, the IAA’s virtual 2021 Leadership Conference A View for the C-Suite provided a content-rich program that focused on trends that will shape how advisers do business in the future. Award-winning author and scholar John Barry (The Great Influenza) provided perspectives on the potential impact of the Coronavirus pandemic on society and the economy, while conference sessions tackled topics such as the future of the workplace, the global economy, ESG, blockchain/digital assets, active management, succession planning, M&A, and cybersecurity. The conference also featured its signature peer-led AUM discussion sessions. Attendees received recording links for all sessions to allow them the flexibility of revisiting topics of particular interest or viewing any missed content on their own schedule.

The IAA’s compliance-related conferences are outlined in the Compliance section of this 2021 Year in Review.

Business Practices Activities: Executive Roundtables and More

Executive Roundtables

The IAA’s business-focused programming includes invitation-only Executive Roundtables – forums for small groups of executives – typically 12 to 20 – to build relationships, discuss matters of common concern and to hear from experts on timely business issues.
During 2021, our Executive Roundtables were held by video conference, generally with participation by time zone — Pacific, Mountain, Central, and Eastern. We kicked off the series in February with guest speakers from global real estate firm Cushman & Wakefield in a discussion of re-imagining the advisory office post-pandemic. As an extension of that theme, the May roundtables examined the challenges of attracting staff back into physical offices after a prolonged period of remote work. The year’s final events in December featured expert speakers examining the economic and people factors involved in constructing successful succession plans.

**Diversity, Equity, and Inclusion**

The IAA and our Diversity, Equity, and Inclusion (DEI) Working Group were active throughout the year in promoting the values of DEI for our industry — and developing tools for advancing them — to IAA members. Key accomplishments during the year include:

- Establishment of a new section on the IAA website devoted to DEI resources
- Publication of *A Practical Guide to Building Diversity, Equity & Inclusion at Your Firm* — a step-by-step roadmap to establishing or enhancing workplace DEI programs compiled by the IAA’s DEI Working Group
- Collaboration with Cerulli Associates on production and release of the key findings of our DEI member survey *Driving Diversity: Opportunities for Action in the RIA Marketplace*  
- Publication of the IAA’s original research review *Diversity and Investment Performance* — which summarizes the findings of 46 studies that provide overwhelming evidence that female investors and firms owned by women perform at least as well as their male counterparts. They support a similar conclusion with respect to investments managed by minorities and minority-owned firms.
- Creation of several IAA Today newsletter articles on DEI-related topics — including an in-depth look at how an IAA member firm built a DEI program that works

To help facilitate member recruitment of and access to diverse candidates, we are actively working to establish relationships with HBCUs and other...
colleges and universities where the investment industry may be lesser known among students, as well as organizations that promote the hiring and development of diverse talent.

Webinars

One of the most popular – and effective – ways for members to stay up to date on issues affecting investment advisers is through the IAA Webinar Series. Live and recorded webinars are free to IAA Members and Associate Members. In 2021, the IAA presented more than 15 webinars and briefings on business, legal, regulatory and compliance topics. Over 3,000 individuals from member firms attended live webinars, and more than 1,400 viewed webinar recordings in 2021.

Online Newsletter, Member Alerts, and Social Media

The IAA uses several electronic platforms to provide members with notice of late-breaking developments and IAA activities.

In 2021, the IAA issued frequent Member Alert emails to inform members immediately of significant new developments, including ongoing developments with regulations, SEC exam priorities and Risk Alerts, and more.

More than 750 viewers a month visit the IAA’s YouTube Channel to watch our more than 130 videos addressing compliance and business topics – including presentations.
by SEC officials and other industry experts at IAA conferences. In 2021, IAA videos were viewed more than 9,500 times.

The IAA keeps members informed of regulatory actions, policy issues, and industry trends in its frequently updated online newsletter **IAA Today**. We also post frequently to the social media channels **LinkedIn** and **Twitter** to inform members about timely events, relevant news articles, regulatory actions and more.

**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 with **National Regulatory Services (NRS)**. To date, more than 1,000 compliance professionals have earned the IACCP designation.

In 2021, the IAA partnered with the **Digital Assets Council of Financial Professionals (DACFP)** to offer its **Certificate in Blockchain and Digital Assets** to IAA members at a discount. The certification includes 13 CE credits.
PARTNERS

The IAA established a Strategic Partnership program this year, giving our Partners opportunities to connect with IAA Members through multiple channels over the course of the year. We welcomed ACA Group as a Strategic Partner and worked closely with them to enhance programming and services for our membership. Additionally, the IAA is proud to recognize National Regulatory Services (NRS) and the Digital Assets Council of Financial Professionals (DACFP) for their participation as Educational Partners in 2021.

Strategic Partner

ACA

Educational Partners

To learn about how you can partner with the IAA please contact IAA Manager, Marketing & Partnerships Alex Ioannidis at alex.ioannidis@investmentadviser.org.
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