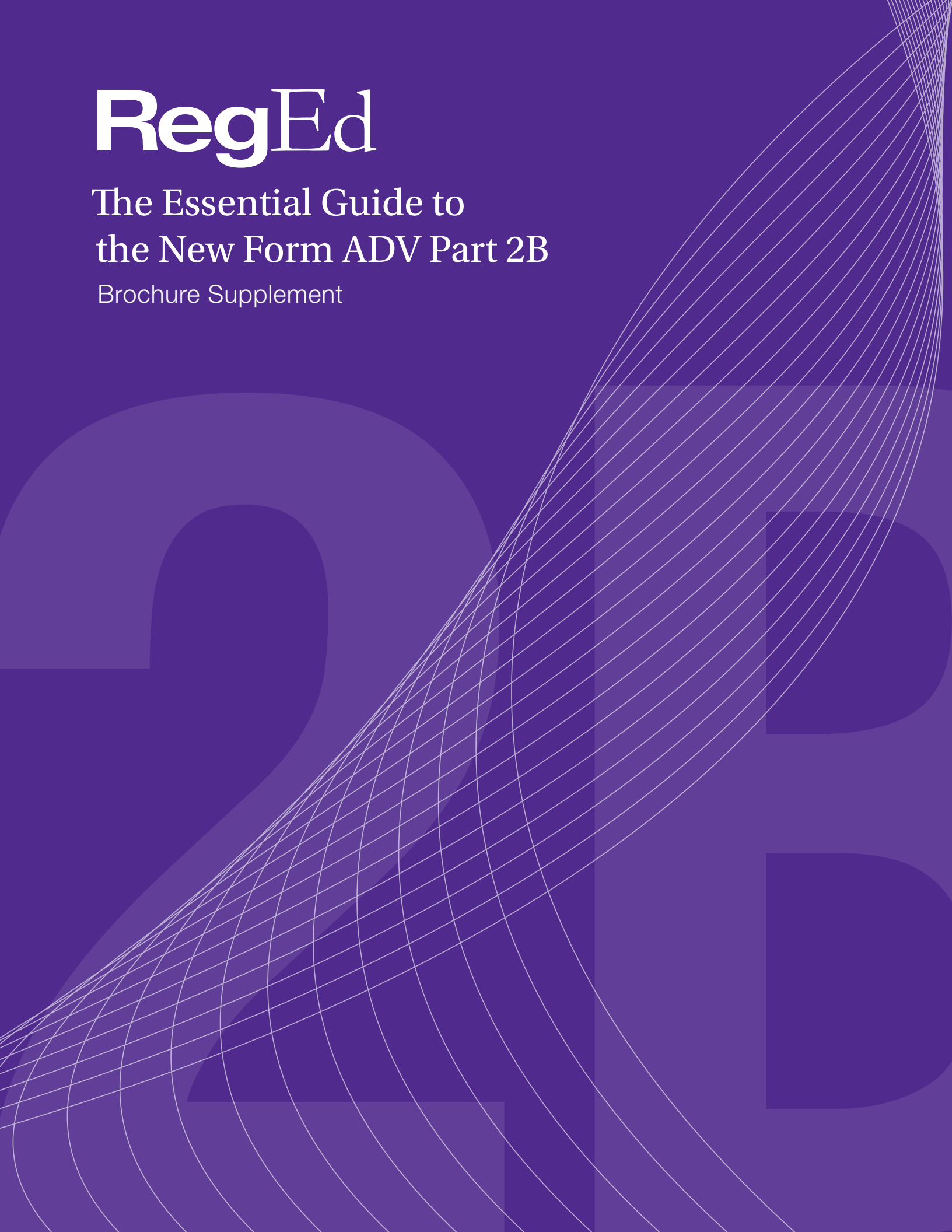


# RegEd

## The Essential Guide to the New Form ADV Part 2B

Brochure Supplement



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## The Essential Guide to the New Form ADV Part 2B

### *Brochure Supplement*

#### *What is the “brochure supplement”?*

Part 2B of Form ADV – referred to as the “brochure supplement” – contains information about certain advisory personnel on whom clients rely for investment advice. Among other things, the brochure supplement will contain information about the educational background, business experience and disciplinary history (if any) of the supervised persons who provide advisory services to the client. The brochure supplement includes information that would not necessarily be included in the firm brochure (e.g., Part 2A of the Form ADV) about supervised persons of the adviser who actually provide the investment advice and interact with the client.

#### *What is the format of the ADV Part 2B?*

The ADV Part 2B contains six items which you must address in a plain English narrative. You must respond to each item in the brochure supplement and present the information in a specified order. In addition, you must use the items as headings throughout the firm brochure.

Items appear in the Form ADV Part 2B with the following headings and in the following order:

<b>Item 1</b>	Cover Page
<b>Item 2</b>	Educational Background and Business Experience
<b>Item 3</b>	Disciplinary Information
<b>Item 4</b>	Other Business Activities
<b>Item 5</b>	Additional Compensation
<b>Item 6</b>	Supervision

#### *What is the “plain English” requirement for the ADV Part 2B?*

The items in Part 2B of Form ADV are designed to promote effective communication between you and your clients. You are required to write the brochure supplement in plain English, taking into consideration your clients’ level of financial sophistication.

The SEC has written a “plain English” handbook which can be found on the SEC web site ([www.sec.gov](http://www.sec.gov)). The handbook states: “Plain English means analyzing and deciding what information investors need to make informed decisions, before words, sentences, or paragraphs are considered. A plain English document uses words economically and at a level the audience can understand. Its sentence structure is tight. Its tone is welcoming and direct. Its design is visually appealing. A plain English document is easy to read and looks like it’s meant to be read.”

Some “plain English” drafting tips include:

- Use defined terms sparingly
- Write in the positive
- Omit superfluous words
- Use the active voice with strong verbs
- Use short sentences
- Avoid multiple negatives
- Use tables or bullets for complex material
- Provide examples
- Replace jargon and legalese with common words
- Use a serif typeface
- Use left justified, ragged right text

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### *Brochure Supplement*

#### *Do we need to file a copy of the brochure supplement?*

If you are registered or registering with the SEC, you do not need to file the brochure supplement or amendments, but must maintain copies of them. If you are registered or registering with one or more state securities authorities, you must file, through the IARD, a copy of the brochure supplement for each supervised person doing business in that state.

#### *For whom do we need to prepare a brochure supplement?*

You must prepare a brochure supplement for the following supervised persons:

- Any supervised person who formulates investment advice for a client and has direct client contact
- Any supervised person who has discretionary authority over a client's assets, even if the supervised person has no direct client contact

No supplement is required for a supervised person who has no direct client contact and has discretionary authority over a client's assets only as part of a team. In addition, if discretionary advice is provided by a team comprised of more than five supervised persons, brochure supplements need only be provided for the five supervised persons with the most significant responsibility for the day-to-day discretionary advice provided to the client.

#### *To whom must we deliver brochure supplements?*

You must deliver, to a client, the brochure supplements for each supervised person who provides advisory services to that client.

#### *Are there any exceptions to the delivery requirement?*

You are not required to deliver a brochure supplement to the following clients:

- Clients to whom you are not required to deliver a firm brochure
- Clients who receive only impersonal investment advice (even if they receive a firm brochure)
- Individuals who would be "qualified clients" of your firm

#### *May we deliver the brochure supplement electronically?*

Yes. The SEC has published interpretive guidance on delivering documents electronically which can be found on the SEC's website ([www.sec.gov](http://www.sec.gov)).

#### *When must the brochure supplement be delivered?*

You must deliver the supplement for a supervised person before, or at the time, that supervised person begins to provide advisory services to a client.

#### *When must the brochure supplement be updated?*

You must deliver an updated supplement to clients only when there is new disclosure of a disciplinary event or a material change to disciplinary information already disclosed in response to Item 3 of Part 2B. However, you must amend a brochure supplement promptly if information in it becomes materially inaccurate.

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#### *Are there any “best practices” associated with the new ADV Part 2B?*

It is early in the process, but a few trends are emerging. For larger advisory firms with multiple investment adviser representatives, ensuring the proper flow of information between the IAR and the firm’s compliance department is essential. Much the same as it is now with the ongoing requirement to keep an IAR’s Form U-4 “evergreen,” the brochure supplement must at all times accurately reflect the IAR’s current situation. To ensure compliance with the new rule, larger advisory firms must be able to document that they have requested updated information from their IARs and that the IARs have indeed transmitted such information back to the compliance department.

**RegEd offers both consulting services and an electronic solution for Form ADV Part 2B. We can assist you in establishing your compliance with this new requirement and in maintaining it, electronically, on an ongoing basis.**

**For more information call 800.334.8322 # 5407 or visit [www.reged.com](http://www.reged.com).**