



SEC Proposes Changes to Form ADV 1A Regarding Managed Accounts

Jun 11, 2015

Reading Time : **2 min**

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Additional Information on ADV 1A

The proposed revisions to ADV 1A are primarily targeted at soliciting additional information regarding separately managed accounts. Proposed information regarding separately managed accounts includes:

- information regarding “borrowings”¹ and derivative transactions and exposures entered into on behalf of separately managed accounts
- regulatory assets under management (RAUM) relating to managed accounts that are parallel to a registered investment company or business development company
- a breakdown of the types of securities for managed accounts.

The scope and frequency of reporting would be greater for advisers whose aggregate RAUM in managed accounts is at least \$10 billion.

In addition to information regarding separately managed accounts above, proposed ADV 1A would require information on:

- any custodian holding 10 percent or more of the regulatory assets under management other than those relating to borrowings and derivatives relating to separately managed accounts
- each of the adviser’s 25 largest offices (as opposed to the five largest offices)
- the total number of offices
- social media platforms for the firm

- employment or compensation of the adviser's chief compliance officer by any other person
- ranges of investment adviser proprietary assets
- CIK numbers
- the exact number of clients and RAUM (as opposed to a range) for each type of client (including additional categories of clients)
- the amount of RAUM attributable to non-U.S. clients
- the percentage of each private fund owned by qualified clients.

Umbrella Registration

In 2012, the SEC staff permitted an affiliated group of advisers to private funds that conduct a unitary enterprise to rely on the registration filing of one adviser in the group (the “filing adviser”) to register all of the other affiliated investment advisers (each, a “relying adviser”) so long as they satisfy certain conditions regarding their operation. The SEC revisions would formally incorporate into ADV 1A the concepts contained in the 2012 ABA Letter for relying advisers to private funds and parallel separately managed accounts for qualified clients who could invest in the private funds. Revised ADV 1A would include a new Schedule R, which would contain identifying information regarding each relying adviser.

The new umbrella adviser registration would not be available for certain types of investment advisers. For example, as in the 2012 ABA Letter, non-U.S. advisers would not be able to use the umbrella registration. Also, the mechanism would not be permitted for exempt reporting advisers wishing to file one consolidated report with the SEC.

Concluding Thoughts

The proposed revisions to Form ADV would collect some of the same information currently required on Form PF, but would report the information in a public manner. Also, the treatment of a “fund of one” as a private fund or a separately managed account for ADV reporting purposes is unclear.

While amending the form to accommodate the 2012 ABA Letter would certainly be welcome, it is to be hoped that the final version of the amendments will make this approach more widely available than the proposal and that there will be further clarification on how to respond to certain questions relating to an affiliated group of advisers.

¹ “Borrowings” is defined similarly to Form PF as either secured borrowings (obligations for which collateral has been posted) or unsecured borrowings. Borrowings in Form PF include any time in which credit is de facto extended, such as in derivative transactions.

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