

## Memo to Clients 2022 – Annual Reminders

February 4, 2022

This Memorandum is intended to remind you of certain U.S. annual requirements that may be applicable to your business and is divided into five sections. All investment advisers (whether or not registered with the Securities and Exchange Commission (the “SEC”)) should review Section I. In addition to Section I, advisers should also review sections II to V, as applicable. This Memorandum does not address annual requirements imposed at the state level.

### I. Requirements Applicable to All Advisers

#### A. Securities Exchange Act of 1934 Filings.

1. Schedule 13G, Schedule 13D and Section 16 Filings. The filing due date for annual amendments to Schedule 13G is February 14, 2022. In addition to this annual amendment filing obligation, investment advisers may also have initial filing or amendment obligations throughout the year relating to Schedule 13G, Schedule 13D and Section 16 filings.
2. Form 13F. The quarterly filing due dates for Form 13F are February 14, 2022 for the fourth quarter of 2021, May 16, 2022 for the first quarter of 2022, August 15, 2022 for the second quarter of 2022 and November 14, 2022 for the third quarter of 2022.
3. Form 13H. The filing due date for annual amendments to Form 13H is February 14, 2022. In addition to this annual amendment filing obligation, investment advisers may also have initial filing or amendment obligations throughout the year relating to Form 13H.

- B. Privacy Notice. Except as provided below, each investment adviser is required to provide its clients with an annual privacy notice describing the adviser’s policies regarding its disclosure of clients’ non-public personal information. The annual notice must be provided at least once in any period of 12 consecutive months. The privacy notice must disclose the types of information the adviser collects and shares with others and the procedures the adviser has implemented to safeguard that information. If an adviser discloses non-public personal information about its clients to third parties (other than to affiliates and certain service providers), the adviser must also provide an “opt-out” notice, giving the client the opportunity

to request that the adviser not disclose the information to such third parties. If an adviser has not changed its policies and practices regarding disclosure of non-public personal information since its most recent privacy notice provided to its clients, and provides non-public personal information only in accordance with the permitted disclosure provisions of Regulation S-P, the adviser may be able to take advantage of an exception to the annual privacy notice requirement and not send the annual notice (see our client alert entitled “New Exception to Annual Privacy Notice Requirement” dated December 2015 (which is available on our [website](#))). An adviser seeking to take advantage of the exception should revise its privacy policies and procedures accordingly. In addition to the annual privacy notice, advisers should review whether they have any additional obligations under applicable state privacy laws. For example, the California Consumer Privacy Act became effective January 1, 2020 (see our client alert entitled “Overview of the California Consumer Privacy Act” dated December 31, 2019 (which is available on our [website](#))).

- C. **New Issue Eligibility.** An investment adviser may wish to consider obtaining an annual verification of each client’s new issue eligibility status, including both “restricted person” and “covered person” status. Amendments to FINRA Rules 5130 and 5131 became effective on January 1, 2020, which among other things, expanded certain categories of persons and entities that are eligible to fully participate in the profits and losses attributable to new issues. Accordingly, investment advisers should consider: (i) updating their clients’ subscription agreements to reflect the amendments; (ii) notifying existing fund investors of the amendments; and (iii) sending to existing fund investors an updated new issues questionnaire for their completion, if they have not done so already.
  
- D. **Contractual Obligations.** Many counterparty agreements, investor side letters and other documents executed by private funds or investment advisers contain periodic notice, reporting or other requirements. We recommend that an adviser review all such documents carefully and comply accordingly.
  
- E. **ERISA.**
  - 1. **ESG Regulations.** The U.S. Department of Labor (“DOL”) announced on March 10, 2021 that it would not enforce the prior administration’s regulations regarding “Financial Factors in Selecting Plan Investments” or “Fiduciary Duties Regarding Proxy Voting and Shareholder Rights” (collectively the “ESG and Proxy Voting Regulations”) nor otherwise pursue enforcement actions based on any failure to comply with those regulations in respect of an investment, an investment course of action or the exercise of shareholder rights. This non-enforcement policy will remain effective until further guidance is published (see our client alert entitled “DOL Provides Enforcement Policy Statement Regarding The Recent Final Regulations on ESG Investments and Proxy Voting” dated March 16, 2021 (which is available on our [website](#))). On October 14, 2021, the DOL proposed a new regulation titled “Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights” (the “Proposed Regulation”). The Proposed Regulation would replace the ESG and Proxy Voting Regulations (see our client alert entitled “DOL Proposes a Regulation Regarding ESG Investing and Proxy Voting” dated November 9, 2021 (which is available on our [website](#))). The Proposed Regulation is subject to comment and potential revision prior to finalization. Investment advisers managing a separate account for an ERISA plan client or managing a private investment fund that holds plan assets or is open to ERISA plan investors should keep an eye out for future Client Alerts regarding the final regulation.

- 2. Form 5500 Disclosure.** Upon the request of an ERISA plan client or investor, an investment adviser may be required to provide such client or investor with certain information relating to ERISA plan assets managed by the investment adviser or invested in the investment adviser's funds, whether or not the fund is subject to ERISA. This information is required to enable ERISA plan clients and investors to file their annual Forms 5500 with the DOL. For a plan with a fiscal year ending December 31, 2021, the plan's Form 5500 is due by July 31, 2022 (unless an extension is obtained).

An ERISA plan client or investor will likely request an investment adviser to provide information to be included by the client or investor on Schedule C of Form 5500 and, to the extent applicable, Schedule H of Form 5500. With respect to Schedule C, an investment adviser would provide information regarding the direct and indirect compensation received by the investment adviser from the plan during the plan's preceding fiscal year. Our client alert entitled "U.S. Department of Labor Form 5500 Schedule C Reporting" dated January 2012 (which is available on our [website](#)) explains these reporting obligations and provides model responses an investment adviser can use to meet an ERISA client's or investor's reporting needs. Schedule H is only applicable with respect to ERISA plan asset funds, and an investment adviser to a plan assets fund would provide information regarding the plan's pro rata interest in the fund's portfolio investments as of the end of the fund's most recently completed fiscal year. To the extent that an adviser manages a master-feeder structure where only the feeder fund is subject to ERISA, the Schedule H reporting requirement would not extend to the master fund's portfolio and would instead only reflect the feeder fund's interest in the master fund.

- 3. ERISA Section 408(b)(2) Disclosure.** An investment adviser managing a separate account for an ERISA plan client or managing an ERISA plan asset fund is required to provide its ERISA plan clients or investors with certain prospective disclosures of the direct and indirect compensation to be received by the investment adviser with respect to plan assets. This compensation disclosure is in addition to the retrospective Schedule C compensation disclosure described in Section E.2 above. Our client alert entitled "New ERISA Section 408(b)(2) Regulation" dated February 2012 (which is available on our [website](#)) explains these disclosure requirements and provides a model disclosure guide that an investment adviser can use as a template when preparing the disclosure. Since an investment adviser is required to update ERISA plans with changes to the disclosure information, the investment adviser should, at least annually, review the information included in its disclosure guide(s) to determine whether any updates are necessary.
- 4. Section 404(a) Disclosure.** If (i) an investment adviser has an ERISA plan client or investor that is a participant-directed individual account plan, and (ii) the participant of such plan has selected the investment adviser or the investment adviser's fund as an investment alternative that is specifically identified as an investment option under the plan (compared to a selection through a "brokerage window" or "self-directed brokerage account"), the ERISA plan client or investor may request the adviser to provide certain quarterly and annual fund-related information, including information regarding performance, expenses and fees.
- 5. VCOC/REOC Certifications.** In the limited partnership agreement of a fund that operates as a "venture capital operating company" ("VCOC") or a "real estate operating company" ("REOC") under ERISA, the general partner has usually agreed to deliver to

ERISA investors an annual certification regarding the fund's VCOC or REOC status. Both VCOCs and REOCs must retain documents sufficient to demonstrate compliance with the requirements. Past investigations by the Department of Labor requested items such as airline, hotel and other expense receipts to demonstrate attendance at the meetings of the Board of Directors and on-site inspections.

**F. Private Offering Exemption Filings.**

1. **SEC Form D.** An annual amendment to a private fund's Form D must be filed electronically with the SEC for each private fund that (i) relies upon Rule 506 under Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), as a "safe harbor" under the Securities Act's Section 4(a)(2) private offering exemption from securities registration and (ii) makes a continuous offering. In addition to the annual amendment, updates to a Form D filing may be required if there are certain changes to the information included in the filing, e.g., the name or address of the issuer or the persons receiving sales compensation. A fund's annual amendment filing is due on or before the anniversary of its initial Form D filing, or if an amendment has been made to its initial Form D filing, on or before the anniversary of the most recently filed amendment. We recommend that investment advisers promptly notify us of all sales and any changes to the information included in the fund's Form D so that we can prepare and file the appropriate amendments within the required timeframe.

2. **State Blue Sky Notice Filings.** A state blue sky notice filing is generally a one-time filing made at the time of the first sale by a private fund (whether a U.S. or non-U.S. private fund) in a state to any U.S. taxable or U.S. tax-exempt investor. There are, however, certain states that have an annual renewal requirement. In addition, an amendment to a state blue sky notice filing may be required when a private fund files a Form D amendment with the SEC. We recommend that an investment adviser inform us, within 3 calendar days of a subscription, of all sales that have taken place in any state, as the initial filing with a particular state is required to be made within 15 calendar days after the first sale by a fund in that state. Many states impose substantial penalties for late filings. Depending on the state in which a filing is required, the filing may be mailed or submitted electronically via the Electronic Filing Depository ("EFD"). Most states currently allow and prefer that filings be made via EFD. Blue sky notice filings generally consist of a filing fee and a copy of the fund's Form D filing.

G. **Rule 506(d).** Rule 506(d) under Regulation D of the Securities Act disqualifies securities offerings involving specified bad actors from reliance on the Rule 506 offering exemptions. We recommend that an investment adviser to a private fund that is currently relying on one of those exemptions ensure that the private fund is taking reasonable steps on an annual basis and more frequently as necessary to comply with Rule 506(d). These steps may include using questionnaires and representations to (i) identify the fund's "covered persons" as specified in Rule 506(d), and (ii) determine whether any covered person has had a disqualifying event as specified by Rule 506(d).

H. **TIC and BEA Reporting Requirements.** An investment adviser, its affiliates and/or its advisory clients that engage in cross-border transactions may have an obligation to periodically file one or more Treasury International Capital ("TIC") forms with the Federal Reserve Bank of New York, which collects the TIC forms on behalf of the U.S. Treasury Department, and/or Bureau of Economic Analysis ("BEA") forms with the BEA, an agency of the U.S. Commerce

Department. Specifically, the U.S. Treasury Department's TIC reporting system collects data on cross-border portfolio investments (e.g., a U.S. feeder fund's holdings of shares in an offshore master fund) and financial flows (e.g., a U.S. entity's claim against, or a liability to, a non-U.S. counterparty) between U.S. residents and foreign residents. Further, the BEA reporting system collects data on cross-border direct investments (i.e., ownership or control, directly or indirectly, of 10 percent or more of the voting securities or equivalent interest in an operating company) and cross-border payments for financial services provided by, or provided to, a U.S. financial services provider (e.g., management fees paid by an offshore private fund to a U.S. investment adviser). The TIC and BEA forms vary in terms of reporting thresholds, deadlines and frequency. For example, TIC Form SHC, a form required to be filed every five years by U.S. residents that (i) have investments in foreign portfolio securities in excess of \$200 million (measured as of the end of 2021) (e.g., a U.S. feeder fund's investment in an offshore master fund), or (ii) are contacted by the Federal Reserve, is due on March 4, 2022.

## II. Requirements Applicable to SEC Registered Advisers and Exempt Reporting Advisers

- A. **Form ADV Annual Amendment and Delivery.** In addition to any interim required amendments, each registered investment adviser and each exempt reporting adviser<sup>1</sup> must update its Form ADV within 90 days of its fiscal year-end. For an adviser with a fiscal year ending December 31, the annual updating amendment must be filed by March 31, 2022.

Each registered investment adviser and exempt reporting adviser must file all amendments to Part 1A of Form ADV with the SEC electronically through the IARD. In addition, each registered investment adviser must file all amendments to Part 2A of Form ADV (the "brochure") with the SEC electronically through the IARD and also deliver Part 2A (or provide a summary of material changes to Part 2A with an offer to provide the Part 2A) to its advisory clients. While Part 2B (the "brochure supplement") is not required to be filed electronically, a registered investment adviser must complete and deliver one or more "brochure supplement[s]" to its advisory clients, as appropriate. We recommend that a registered investment adviser with private fund clients deliver the adviser's "brochure" and "brochure supplement[s]" to all investors in the private funds, as appropriate. An adviser must deposit the appropriate filing fee into its IARD account prior to submitting the annual amendment filing. Additionally, SEC-registered investment advisers that have "retail investors" are reminded of their obligation to file Part 3 of Form ADV (the "relationship summary") with the SEC.<sup>2</sup>

- B. **State Filings.** A registered investment adviser and an exempt reporting adviser may be required to make a state notice filing or report in any state in which an adviser operates or has a specified number of clients. Notice filings may be made on Form ADV by checking the relevant box in Part 1A and depositing the appropriate state fee(s) into the adviser's IARD account (which, in the case of annual renewal fees, are typically due in December). Further, an exempt reporting adviser may be required to register as an investment adviser in a particular state. As notice filing and investment adviser registration requirements differ from

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<sup>1</sup> An investment adviser exempt from registration pursuant to the private fund adviser exemption or the venture capital adviser exemption (each, an "exempt reporting adviser") must complete and file with the SEC a "Report by Exempt Reporting Advisers" comprising a limited subset of items on Form ADV Part 1A.

<sup>2</sup> A retail investor is defined as "a natural person, or the legal representative of such natural person, who seeks to receive or receives services primarily for personal, family or household purposes." A registered investment adviser is not required to deliver a relationship summary to retail investors in pooled investment vehicles, such as hedge funds, private equity funds and venture capital funds, unless the adviser has a separate basis for delivering a relationship summary to these investors, such as separately managed account arrangements. Part 3 of Form ADV does not apply to exempt reporting advisers.

state to state, each adviser should check the requirements for any relevant state in which it operates or has clients (or investors, in certain circumstances).

### III. Requirements Applicable to SEC Registered Advisers

- A. Compliance Policies and Procedures. Each SEC registered adviser is required to perform an annual review of its compliance policies and procedures. The annual review must assess the adequacy of the compliance policies and procedures and the effectiveness of their implementation. The SEC has indicated that, in conducting its annual review, a registered adviser should consider any compliance matters that arose during the previous year, any changes in the business activities of the adviser or its affiliates, and any changes in the Investment Advisers Act of 1940, as amended (the “Advisers Act”), or applicable regulations that may suggest a need to revise the adviser’s policies and procedures. In determining the adequacy of an annual review, the SEC has indicated that it will consider a number of factors, including: the person(s) conducting the review, the scope and duration of the review and the adviser’s findings and recommendations resulting from the review.

We recommend that an adviser document the findings and recommendations resulting from the review. Upon completion of the annual review, the adviser’s compliance manual should be updated to reflect suggested improvements and/or regulatory changes. In connection with the annual review, each registered adviser should perform all other annual reviews required by its compliance manual (e.g., a review of its business continuity and disaster recovery plan).

- B. Audited Financial Statements and Surprise Exams. A registered adviser that is deemed to have custody of the assets of a private investment fund or other pooled investment vehicle (a “Fund”) is not required to comply with certain obligations under Rule 206(4)-2 of the Advisers Act (the “Custody Rule”) if the Fund is subject to audit at least annually and distributes its audited financial statements to all investors in the Fund within 120 days of the end of the Fund’s fiscal year (180 days under SEC staff guidance in the case of a fund of funds and 260 days in the case of a fund of fund-of-funds). The financial statements must be prepared in accordance with U.S. generally accepted accounting principles by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. For a Fund with a fiscal year that ended December 31, 2021, the annual audited financial statements must be sent to investors by April 30, 2022 (June 29, 2022 for a fund of funds).

A registered adviser that is deemed to have custody of client funds and securities must engage an independent public accountant to verify such client assets by actual examination (surprise exam) at least once each calendar year; provided, however, that the adviser does not have to comply with the surprise exam requirement with respect to certain client accounts, such as the account of a private fund client that provides its investors with annual audited financial statements in accordance with the discussion above.

- C. Form PF. A registered adviser with at least \$150 million in regulatory assets under management attributable to private funds (each, a “Reporting Adviser”)<sup>3</sup> must periodically file Form PF through FINRA’s PFRD system. The level and frequency of an adviser’s Form PF reporting obligation will vary depending on the amount and type of private fund regulatory assets managed by such adviser. Reporting Advisers with at least \$1.5 billion in regulatory assets under management attributable to hedge funds as of the last day of any month-end in

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<sup>3</sup> This Section III.C does not include reporting obligations relating to liquidity funds and their advisers

the third quarter of 2021 must file Form PF by March 1, 2022 and must subsequently file Form PF within 60 days after the end of each quarter thereafter (assuming such Reporting Adviser's regulatory assets under management attributable to hedge funds has not decreased below \$1.5 billion).<sup>4</sup> All other Reporting Advisers must file Form PF by April 30, 2022 (for a Reporting Adviser with a fiscal year-end of December 31, 2021).

#### IV. Requirements Applicable to Advisers that Trade Futures, Commodities, Certain Swaps and Other Commodity Interests

##### A. Commodity Pool Operators ("CPOs")

1. **Exempt CPOs.** A CPO that filed an exemption with respect to a commodity pool under Commodity Futures Trading Commission ("CFTC") Rule 4.5 or Rule 4.13 (e.g., Rule 4.13(a)(3)) prior to December 1, 2021 is required to affirm such filing electronically by March 1, 2022. If an exemption was filed on or after December 1, 2021, then the CPO is not required to submit an affirmation in 2022.
2. **Registered CPOs. Annual Report:** A registered CPO is required to distribute an annual report, certified by an independent public accountant, to each investor in a pool by March 31, 2022 (for a pool with a fiscal year-end of December 31). A registered CPO must also electronically file a copy of the annual report with the National Futures Association (the "NFA") by such date. A CPO may request an extension prior to the original due date.
  - i. **Periodic Reports:** A registered CPO is required to distribute periodic reports to each investor in a pool. A CPO relying on Rule 4.7 or Rule 4.12(b) is required to distribute each periodic report within 30 calendar days after the end of each quarter. All other CPOs are required to distribute each periodic report within 30 calendar days after the end of each month. The report for the final reporting period of the pool's fiscal year does not have to be distributed if the investors in the pool receive an annual report (as discussed above) within 45 days of the end of the fiscal year.
  - ii. **Form CPO-PQR:** A registered CPO is required to electronically file Form CPO-PQR<sup>5</sup> within 60 days of each quarter-end. The filing dates for 2022 are March 1, 2022, May 30, 2022, August 29, 2022 and November 29, 2022.

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<sup>4</sup> If an adviser manages additional private funds that were not included on its most recent Form ADV filing or has ceased providing advisory services to funds that were previously reported on its most recent Form ADV filing and the adviser needs to file its Form PF by March 1, 2022, then the adviser should consider filing its annual amendment for Form ADV prior to March 1, 2022 in order to avoid the need to file both an other than annual amendment prior to March 1, 2022 and an annual amendment by March 31, 2022.

<sup>5</sup> While the CFTC and the NFA each have a Form CPO-PQR and a Form CTA-PR (discussed below), the online filing system has been streamlined to allow a single Form CPO-PQR or Form CTA-PR filing, as applicable, to satisfy both the CFTC's and the NFA's filing requirements. The CFTC and NFA forms have been combined for purposes of the deadlines discussed herein.

- iii. **Annual Questionnaire:** A CPO is required to electronically submit to the NFA an annual questionnaire with basic information about the CPO and its related entities.
- iv. **Compliance Review:** A CPO is required to perform an annual review of its operations using the self-examination questionnaire prescribed by the NFA and available on the NFA's website. Following the review, the CPO is required to sign a written attestation (in a form prescribed by the NFA) representing that it has performed the review. In addition, NFA members are required to conduct training for their employees on at least an annual basis regarding information security (see our client alert entitled "NFA Information Systems Security Program and CPO Internal Controls System Requirements" dated February 2019 (which is available [here](#))).
- v. **Bylaw 1101:** A CPO of a pool with investors that themselves are either (i) pools that are exempt under CFTC Rule 4.5 or Rule 4.13 or (ii) commodity trading advisors that are exempt under CFTC Rule 4.14(a)(8), should confirm promptly after the beginning of each calendar year that each such investor has affirmed its exemption, claimed another exemption, or properly registered with the CFTC and became a NFA member.

### B. Commodity Trading Advisors ("CTAs").

1. **Exempt CTAs.** A CTA that filed an exemption under CFTC Rule 4.14(a)(8) prior to December 1, 2021 must affirm such filing electronically by March 1, 2022. If an exemption was filed on or after December 1, 2021, then the CTA is not required to submit an affirmation in 2022.
2. **Registered CTAs.** A registered CTA must electronically file Form CTA-PR within 45 days of the close of each calendar quarter. The filing dates for 2022 are February 14, 2022, May 16, 2022, August 15, 2022 and November 14, 2022. A registered CTA must also submit an annual questionnaire and perform an annual compliance review in the same manner as a registered CPO as described in "Annual Questionnaire" and "Compliance Review" in Section IV.A.2 above. Additionally, registered CTAs should confirm the Bylaw 1101 status of each client in the same manner as a registered CPO as described in "Bylaw 1101" in Section IV.A.2 above.

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If you have any questions concerning any of these requirements, or if you need assistance with your filings or other documents discussed herein, please contact your primary attorney in the Investment Management Group at Seward & Kissel.