



Utah Department of Commerce

Division of Securities

securities.utah.gov

Protecting Investors. Regulating Industry. Promoting Commerce.

Investment Adviser Workshop:

the New Form ADV Part 2, New Rules, and the IA Switch



Rewriting the ADV in Plain English

Richard Jaramillo

Examiner



Rewriting in Plain English ADV Guidelines

- Effective Communication
- Level of Financial Sophistication
- Use Short Sentences
- Definite, concrete, everyday words
- Active Voice
- Tables or Bullet Lists for Complex Material
- Avoid Legal Jargon or Highly Technical Terms
- Avoid Multiple Negatives



Rewriting in Plain English SEC Guidelines

- *A Plain English Handbook*
- Plain English ≠ deleting complex information
- Analyze and Organize before drafting
- Use words economically
- Know your audience
 - Multiple Brochures, if needed



Rewriting in Plain English SEC Guidelines

WORKING FROM OLD ADV

- Read & Outline the old document (Schedule F)
 - Question whether clients will understand
- Meet to resolve questions if outsourcing
 - Cannot outsource understanding
- Identify any defined terms or references
 - Use sparingly but consistently



Rewriting in Plain English SEC Guidelines

COMMON PROBLEMS

- Long Sentences
- Passive Voice
- Weak Verbs
- Superfluous Words
- Legal and Financial Jargon
- Abstract Words
- Unnecessary Details
- Unreadable Design and Layout



Rewriting in Plain English Division Guidelines

WRITING THE NEW DOCUMENT

- The instructions give the broad organization and headings to be used
- May still need subheadings and organization within a given Item on Form ADV Part 2
 - Item 4 – Advisory Business
 - Item 5 – Fees and Compensation
 - Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss
 - Item 10 – Other Financial Industry Activities and Affiliations
 - Item 12 – Brokerage Practices



Rewriting in Plain English Division Guidelines

WRITING THE NEW DOCUMENT

- Make the paragraph the unit of composition
 - Length should determine whether to divide into separate topics / paragraphs
- Use definite, specific, concrete language
- Consistent tense of verbs
 - Simple tense
 - Past, Present, Future tense



Rewriting in Plain English Division Guidelines

MOST CONCERNING DISCLOSURES

- **Item 4 – *Advisory Business***
 - Clearly describing what the Adviser does
 - Touting and puffery
- **Item 5 – *Fees and Compensation***
 - Complicated compensation formulas
 - Understanding “reasonable” advisory fees



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MOST CONCERNING DISCLOSURES

- **Item 8 – *Methods of Analysis, Investment Strategies, and Risk of Loss***
 - Don't be afraid to disclose risk
- **Item 10 – *Other Financial Industry Activities and Affiliations***
 - Other, Outside, or Affiliated businesses
 - Describe the relationships or arrangements
 - Conflicts need to be disclosed



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**For more information, please call
(801) 530-6600**