Regulatory Update

January 2023

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Introduction

Happy New Year and we hope you enjoy the January 2023 Edition of the ACA Regulatory Update. This month we discuss the latest Risk Alert from the U.S. Securities and Exchange Commission's (SEC's) Division of Examinations (EXAMS) about firms failing to comply with Regulation S-ID, the Department of Labor's (DOL's) change of heart on environmental, social, and governance (ESG) for plan investments, and the SEC's rule proposals to fundamentally change the equity markets. We also explore proposed changes to the mutual fund liquidity risk management rules. In Lessons Learned, we see how the SEC punishes firms for failing to follow ESG policies and procedures. Check out the Worth Reading section for insights from other thought leaders in the industry. As always, we've provided a checklist of important dates for January.

All Firms

Risk Alert – Observations from BD and IA Compliance Examinations Related to Prevention of Identity Theft Under Regulation S-ID

by Jaqueline Hummel

EXAMS published its sixth **Risk Alert** for 2022 to let advisers and broker-dealers know how firms are failing to meet their obligations under Regulation S-ID. The SEC enacted **Regulation S-ID**, the "Identity Theft Red Flag Rule," in 2013, which requires financial institutions to implement and administer a written program designed to detect, prevent, and mitigate identity theft for customers with "covered accounts." Covered accounts are defined as:

1. an account that a financial institution or creditor offers or maintains, primarily for personal, family, or household purposes, that involves or is designed to permit multiple payments or transactions; or
2. any other account that poses a reasonably foreseeable risk to customers of identity theft.

Earlier this year, the **SEC entered settlements** with three broker-dealers for violation of Regulation S-ID, which we discuss in more detail in our **ACA Regulatory Update – October Edition**. Not surprisingly, some findings in the Risk Alert mirror those in the settlements, including firms' failing to periodically assess whether they offer or maintain covered accounts, failing to incorporate their experiences with identity theft into their programs, using boilerplate language from Regulation S-ID without tailoring the program to their business model, failing to train staff on existing procedures for identifying and responding to red flags, and failing to involve the firm's board of senior management in program oversight.

Our guidance

Broker-dealers and investment advisers should review their process for compliance with Regulations S-ID and be prepared to update their programs. Even investment advisers that do not maintain "covered accounts" should conduct and document an annual assessment to address whether Regulation S-ID applies to them.

Firms should ensure their identity theft prevention programs contain four elements:

- Identification of relevant red flags
- Detection of red flags
- Prevention and mitigation of identity theft
- Periodic updates to the program

The goal of an identity theft prevention program is to protect client and investor personal identifiable information (PII). To meet that goal, firms should:

- Limit the PII they collect and store
- Encrypt PII at rest and in transit
- Control access to PII by using multi-factor authentication
- Monitor and actively manage access to administrative/privileged accounts
- Monitor and log access to systems containing PII

Two other observations from the Risk Alert included firms' failures to update their policies and procedures based on their business model and the specific identity theft risks they face and failure to train employees to identify and act when they see suspicious activity. Firms should consider more frequent cross-functional discussions. For example, client service representatives can share their experience with potential fraudsters, and IT teams can discuss the latest social engineering attacks. The lessons learned can then be used in training so employees understand what to look for and actions to take when suspicious activity is identified.

DOL to Allow for ESG Considerations in Plan Investments

On November 22, the Department of Labor (DOL) issued the "Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights" rule that allows plan fiduciaries to take ESG factors into account when selecting retirement investments and exercising shareholder rights. The new rule undoes two rules previously issued in 2020 that required investments be made purely on "pecuniary factors," as well as establishing a prohibition on any funds, products, or model portfolios if that product included even one non-pecuniary objective.

Overview of the rule

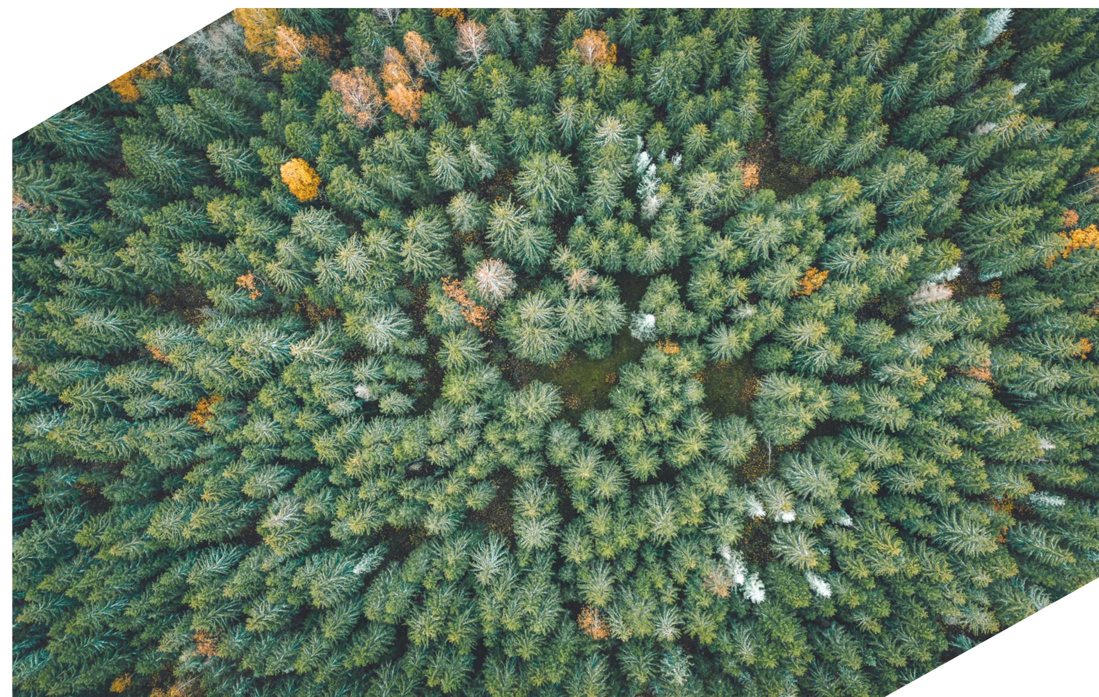
The intent of the new rule is to acknowledge the potential financial benefits that can come from ESG investment strategies and allow retirement plans to account for the realities of climate-related financial risk in investments.

The final rule contains four important updates to how fiduciaries of retirement accounts should consider ESG-related factors. Those include:

- **Clarification of Permissibility of Consideration of ESG Factors** – The rule clarifies that a fiduciary's duty of prudence must be based on factors they reasonably believe are relevant to the risk and return of an investment. Factors such as the economic effects of climate change and other ESG factors may now be considered as part of this analysis.
- **Changes to Qualified Default Investment Alternatives (QDIAs)** – The rule now applies the same standards for QDIAs as are applied to any other form of investment. Like other investments, fiduciaries must focus on relevant risk and return factors when selecting a QDIA.
- **Clarification of the Application of the Duty of Loyalty** – The rule allows a fiduciary to take a participant's non-financial preferences into account when they are providing investment options for participant-directed investment plans. It also establishes a "Tiebreaker Test," which allows fiduciaries to consider collateral benefits of an investment when the fiduciary concludes that competing investments or courses of action equally serve the financial interests of the plan. Previous rules would only allow the consideration of collateral benefits when the economic impacts of multiple competing investments were indistinguishable from each other.
- **Provisions on Shareholder Rights, Including Proxy Voting** – This modifies existing rules to ensure the fiduciary duty to manage plan assets includes the proper management of shareholder rights. This includes modifications to minimize abstention as the normal course of action, and the removal of record-keeping obligations around proxy voting that may create the misconception that proxy voting and other shareholder rights activities carry different fiduciary obligations.

Next steps

The rule will go into effect 60 days after its publication in the Federal Register, with the delayed applicability of certain proxy voting provisions for one year to allow fiduciaries to make the necessary updates to their policies and procedures.



FINRA Retiring OFAC Search Tool in the New Year

by Patrycja S. Savignano

The Financial Industry Regulatory Authority (FINRA) announced plans to retire its **OFAC search tool** on January 3, 2023. As an alternative, firms can use the U.S. Department of Treasury's free **OFAC Sanctions List Search tool**, which leverages the Specially Designated Nationals and Blocked Persons list (the "SDN List") and other sanctions lists administered by OFAC to assist firms in their compliance with sanctions programs. OFAC shares tips for using the tool on the **Sanctions List Search tool** page and in its **Frequently Asked Questions**.

Broker-Dealers

The SEC Just Keeps Giving – New Rule Proposals

by Jaqueline Hummel

The SEC's latest gift to the industry includes four separate rules affecting the equity markets. **Regulation Best Execution** is actually three rules, Proposed Rules 1100, 11101, and 1102 under the Securities Exchange Act of 1934, and applies to brokers, dealers, government securities brokers, government securities dealers, and municipal securities dealers (collectively broker-dealers). According to the **SEC's fact sheet**, the new rules will set forth a best execution standard, meaning "the broker-dealer would be required to use reasonable diligence to ascertain the best market for the security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions." Broker-dealers would also be required to "establish, maintain, and enforce written policies and procedures reasonably designed to comply with the best execution standard," including specific policies and procedures for "conflicted transactions." The proposal also requires firms to review execution quality quarterly and compare their execution to that of other brokers. Firms would also be required to review their policies annually. Proposed Regulation Best Execution appears similar to existing **FINRA Rule 5310** and **MSRB Rule G-18**.

The SEC is also proposing **new Rule 615 under Regulation NMS** (the Order Competition Rule) to enhance competition for the execution of orders of individual investors. As noted in the **SEC's press release**, "retail brokers route more than 90 percent" of their orders to a small group of off-exchange dealers known as wholesalers. "Wholesalers typically execute the marketable orders of individual investors internally, without providing any opportunity for other market participants to compete to provide better prices." The rule would require that certain retail orders be placed in fair and open "qualified auctions" before they could be executed internally by a trading center that restricts order-by-order competition.

Additionally, the SEC **proposes to amend Regulation NMS** "to adopt variable minimum pricing increments, or "tick sizes," under Rule 612 of Regulation NMS. Basically, the proposal would change the minimum price increments for NMS stocks from a full cent to sub-penny increments. According to the **SEC's Fact Sheet**, the proposal would also reduce "the access fee caps under Rule 610 of Regulation NMS in conjunction with the reduction of the minimum pricing increments and require national securities exchanges to make the amounts of all fees and rebates determinable at the time of execution."

The **SEC also proposed amendments** to update the disclosure required under Rule 605 of Regulation NMS. **The amendments** would expand the number of firms that must produce monthly quality-of-execution reports and require a new measure of execution quality, such as "average effective over quoted spread (a percentage-based metric that represents how much price improvement orders received)" and "a size improvement benchmark."

Mutual Funds

Proposed Rule: Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting

by Cari Hopfensperger

On November 2, the SEC **proposed amendments** to liquidity risk management rules applicable to registered, open-end funds. According to the proposal's **fact sheet**, the amendments are meant to incorporate the lessons learned during the volatile markets of March 2020 to "better prepare open-end management investment companies for stressed conditions and mitigate dilution of shareholders' interests." If adopted, the proposed amendments would have the following impacts:

- **Change liquidity classification requirements** applicable to registered open-end funds[1] by:
  1. Replacing the current assumption of a "Reasonably Anticipated Trade Size" (RATS) at current market conditions with a "stressed sale trade size" equivalent to 10% of each position
  2. Eliminating the "less liquid" classification (presently used for securities that can be sold within seven days but take longer to settle), instead folding those securities into the illiquid bucket
  3. Requiring funds to classify portfolio investments daily, up from the current monthly requirement
  4. Establishing a required minimum level of at least 10% of the fund's NAV highly liquid assets
- **Swing Pricing** – Open-end funds would be required to use swing pricing and implement a "hard close" in conjunction with this swing pricing, and to improve order processing more generally. In swing pricing, funds adjust their daily net asset value (NAV) for certain sizeable cash flows to pass on the related costs to those causing the in- or outflows rather than diluting the remaining shareholders' interests. Swing pricing is currently an option available to funds, but under the amendments, would become required.
- **More Frequent Fund Reporting** – Funds would be required to file Form N-PORT (with certain enhanced questions) within 30 days after month end (and it would be publicly available after 60 days). The amendments would also bring changes to Form N-CEN and N1-A.

Comments on the proposed amendments may be **submitted** until February 14, 2023.

1 Excluding money market funds (MMFs) and certain exchange traded funds (ETFs)

Private Fund Advisers

NFA Notice to Members 1-25-22: Guidance on the annual affirmation requirement for entities currently operating under an exemption from CPO or CTA registration

by Cari Hopfensperger

Firms relying on an exemption from registration with the National Futures Association (NFA) as a Commodity Pool Operator (CPO) or Commodity Trading Advisor (CTA) are reminded to complete their annual affirmation requirement by March 1, 2023. The **notice** contains an FAQ and relevant links to the NFA website to complete the affirmation.

Lessons Learned

Actions speak louder than words – SMA & Fund Adviser settles for mismatched ESG investment research activities with policies & procedures

by Jaqueline M. Hummel

The SEC has been targeting firms offering ESG funds and **caught** a large investment adviser in its sights. In this case, the firm managed a separate account strategy and two mutual funds using ESG factors. The firm adopted policies and procedures that described how the investment team would conduct research on securities before including them in its ESG products. The procedures required investment personnel to complete a questionnaire along with a materiality matrix to generate an ESG score as part of the investment process. The adviser described this investment process in its presentations to the mutual fund board and to financial intermediaries interested in distributing the funds.

Unfortunately, the adviser's investment team did not always understand or follow that process. Consequently, the SEC found that the firm had violated Rule 206(4)-7 of the Advisers Act (the "Compliance Program Rule") by failing to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act. The firm also had a pay a civil penalty in the amount of $4 million.

The public's appetite to make investments that align with their values and principles has vastly increased. The SEC has taken notice but remains wary of "greenwashing" in the investment industry. Firms that tout the use of ESG factors in their investment process should be able to show the SEC that they can "walk the walk" by having documented processes in place and that they follow them.

Blatant Disregard for Compliance - RIA & Dual-Hatted CCO Fined For Lack Of Tailored Policies And Procedures

by Andrea Penn

Since the adviser's founding in 2012, an adviser and its dual-hatted CEO/CCO **allegedly** failed to adopt and implement policies and procedures reasonably designed to prevent violations of federal securities laws. At the time of its launch, the firm adopted as its compliance manual a handbook containing standards of practice and a code of ethics published by a professional trade organization. The organization's handbook, however, did not include the required policy and procedural elements for registered investment advisers (RIAs) (or even contain any specific mention of Federal securities laws or the rules adopted thereunder). The code of ethics was missing provisions required under Rules 204-1 and 204-5 of the Advisers Act, including that supervised persons (1) abide by applicable federal securities laws, (2) report any violations of the Code of Ethics to the CCO, and (3) that access persons report personal securities transactions and holdings. The firm then failed to customize the manual and code of ethics in any way for its business – at launch or subsequently. It also failed to conduct the required annual compliance program review and to provide any compliance training to its employees. Finally, adding insult to injury, the adviser only first filed its Form CRS on March 30, 2021 (nine months after the June 30, 2020, deadline), and it did not post Form CRS in the required format on its website until May 5, 2021.

The firm and its CEO/CCO were censured and agreed to penalties totaling $100,000. The SEC noted very plainly the reason for also naming the CEO/CCO in the action was that he "caused these violations to occur." These settlement terms reflect remedial steps taken by the adviser, including appointing a new CCO, engaging an independent compliance consultant, and revising its compliance manual and code of ethics.

As the SEC has pointed out in many previous settlements, advisers should tailor their policies and procedures and Code of Ethics to their business practices. Moreover, an advisory compliance program must include testing and monitoring to ensure that policies and procedures are being followed. Finally, firms must confront the risk associated with management decisions to shortchange or "gloss over" their compliance program.

It is becoming increasingly difficult for a CEO to also act as CCO given the expansion of the compliance role and the difficulty in managing conflicts of interest. Moreover, the cost of non-compliance is increasing. In the current regulatory climate, multiple stakeholders (such as clients, regulators, intermediaries, and firms themselves) recognize the value an experienced and empowered CCO can bring to the C-suite table.

Worth Reading, Listening and Watching

- **SEC Adopts Final Rules Regarding 10b5-1 Trading Plans and Disclosure of Insider Trading Policies and Related Matters** – Foley & Lardner LLP summarize the SEC's recent amendments to Rule 10b5-1 affecting company directors and Section 16 officers, including amendments to Section 16 Forms 4 and 5.
- **Discretionary Management of IRAs: Conflicts and Prohibited Transactions** – Discretionary advisers that charge ERISA plan clients different management fee rates for different asset classes will find Fred Reish's recent post instructive.
- **Lies, Damned Lies & Statistics: How to Keep Fake Data out of Your Compliance Program** – This article by Courtney Sander for Corporate Compliance Insights offers insight to anyone considering which metrics are best suited for assessing and communicating the true effectiveness of compliance policies and procedures.
- **Staying Ahead of a Breach in Uncertain Times** - Cofense shares its trend predictions for 2023 and offers tips that firms can leverage to stay ahead of the curve.
- **California proposes to adopt NASAA Model Rule requiring IAR CE**[2]– The State of California is the latest to propose the adoption of Investment Adviser Representative (IAR) continuing education requirements as reflected in the **NASAA Model Rule**. Comments to this proposal are open until January 16, 2023. Additionally, IAR's and registered representatives of broker-dealers that are also licensed insurance agents in California should be aware of a new **requirement** to include their license number on e-mail correspondence beginning January 1, 2023.

Recent ACA thought leadership:

- Cyber Alert - **LastPass Data Breach Included Encrypted and Unencrypted User Data**
- **5 Important ESG Developments That Will Carry Into 2023**
- **Recent Rackspace Exchange Outage is Another Reminder to Firms of the Importance of Business Continuity Planning**
- **Foreign Withholding Tax Leakage and ETF Performance Implications**
- **The Global GRC Risks of Unauthorized Business Communication Channels**
- **Global Privacy Year-End Brief: What's Happening Now & What to Expect in 2023**

2 Senate Bill (SB) 1242 (Committee on Insurance, Chapter 424, Statutes of 2022) added subsection (c) to Cal. Ins. Code section 1725.5 to modernize [existing] requirements. Subsection (c) requires the specified licensees to include their license numbers on e-mails involving an activity for which a license is required so consumers can confirm that the person maintains an active license with the California Department of Insurance.

To Do Checklists for the Month of January 2023

Investment Advisers

☐ **2023 Regulatory Filings Calendar for Investment Advisers:** Download this convenient calendar and checklist to keep tabs on regulatory filing due dates and other obligations investment advisers must complete in the upcoming year.

☐ **Form 13H:** Amendments to Form 13H are due promptly if there are any changes to information for Form 13H Filers. The SEC's "Frequently Asked Questions Concerning Large Trader Reporting," response 2.5 says Form 13H Filers may file an amendment and an annual amendment together if any changes occurred during the fourth quarter to the information contained in Form 13H. Amendments are due "promptly," which we interpret as within ten days. (Note: Neither the SEC nor its staff has provided guidance on the definition of "promptly" for Form 13H.)

Recommended due date: January 10, 2023

☐ **Schedule 13G:** For those reporting persons that file Schedule 13G as a qualified institutional investor (QII)[3], amendments to Form 13G are due within ten days after any month: (1) in which ownership exceeds 10% and (2) after that, in which ownership decreases or increases by 5% or greater, as computed on the last day of the month. Note that Schedule 13G filing deadlines depend on the type of reporting person and ownership thresholds met or exceeded. For example, those who file 13G as a Passive Investor rather than a QII are subject to different filing timelines.

Due: January 10, 2023

☐ **Final Renewal Statement:** Final statements were released on January 2, 2023. Download your final renewal statement and arrange for payment of any additional fees as needed by **January 28, 2023**.

Private Fund Advisors

☐ **Form PF for Large Liquidity Fund Advisers:** Large Liquidity Fund Advisers must file Form PF with the SEC on the IARD system within 15 days of each fiscal quarter-end. For funds with a December 31 fiscal quarter end, Form PF is due **January 15, 2023**.

☐ **Blue Sky Filings (Form D):** Advisers to private funds should review fund blue sky filings and determine whether any amended or new filings are necessary. Generally, most states require a notice filing (blue sky filing) within 15 days of the first sale of interests in a fund, but state laws vary.

Due: January 15, 2023

Mutual Funds

☐ **Form N-MFP:** Form N-MFP (Monthly Schedule of Portfolio Holdings of Money Market Funds) reports information about the fund's holdings as of the last business day of the prior calendar month and must be filed no later than the fifth business day of each calendar month.

Due: January 6, 2023

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3 The categories of persons eligible to file on Schedule 13G are a qualified institutional investor under Rule 13d-1(b), a passive investor pursuant to Rule 13d-1(c), and an exempt investor pursuant to Rule 13d-1(d). Registered investment advisers are considered qualified institutional investors (QII's) and may be able to file under Section 13(g) as opposed to Section 13(d). However, Schedule 13G may only be used if the registered investment adviser holds the securities due to its ordinary course of business and not to affect change or influence control of the issuer. If a registered investment adviser intends to affect or influence control of the issuer, the more stringent Section 13(d) requirements apply.

Broker/Deakers

- [ ] **FINRA Accounting Support Fee:** Quarterly invoice to support the GASB budget. Based on the municipal securities the firm reported to the MSRB. De minimis firms (that owe less than $25) will not receive an invoice. Invoices are sent to the firm via WebCRD's E-Bill.

- [ ] **Customer Complaint Quarterly Statistical Summary:** For complaints received during the 4th quarter, 2022. FINRA Rule 4530 requires firms to submit statistical and summary information regarding complaints received during the quarter by the 15th day of the month following the calendar quarter.
  Due: January 15, 2023

- [ ] **FINRA Contact System Annual Review:** FINRA Rule 4517 requires firms to review and, if necessary, update the necessary FINRA Contact System information within the first 17 business days of each calendar year.
  Due: January 24, 2023

- [ ] **MSRB Form A-12 Annual Affirmation:** MSRB Rule A-12(k) requires each broker that is a member of the MSRB to review, update as necessary, and affirm the information in Form A-12 during the Annual Affirmation Period that begins on January 1 of each calendar year and ends 17 business days after that.
  Due: January 24, 2023

- [ ] **Quarterly FOCUS Part II/IIA Filings:** For the quarter ending December 31, 2022, the SEC requires that member firms file a FOCUS (Financial and Operational Combined Uniform Single) Report Part II or IIA every quarter. Clearing firms and firms that carry customer accounts file Part II and introducing firms file Part IIA.
  Due: January 26, 2023

- [ ] **Annual FOCUS Schedule I Filing for Period, 2022:** SEC requires all broker-dealers to submit operational information as of December 31st via the Annual FOCUS Schedule 1 Filing.
  Due: January 26, 2023.

- [ ] **Quarterly Form Custody:** SEC requires that member firms file Form Custody under Securities Exchange Act Rule 17a-5(a)(5) for the quarter ending December 31st.
  Due: January 26, 2023

- [ ] **Final Renewal Payment:** Full payment of your Final Renewal Statement is due **January 28, 2023**.

- [ ] **SIPC-7 Assessment:** For firms with a Fiscal Year-End of November 30th, SIPC members are required to file the SIPC-7 General Assessment Reconciliation Form, together with the assessment owed (less any assessment paid with the SIPC-6) within 60 days after the Fiscal Year-End.
  Due: January 30, 2023

- [ ] **SIPC-3 Certification of Exclusion from Membership:** For firms with a Fiscal Year-End of December 31st AND claiming an exclusion from SIPC Membership under Section 78ccc(a)(2)(A) of the Securities Investor Protection Act of 1970, this annual filing is due within 30 days of the beginning of each fiscal year.
  Due: January 30, 2023

- [ ] **SIPC-6 Assessment:** For firms with a Fiscal Year-End of June 30th. SIPC members are required to file for the first half of the fiscal year a SIPC-6 General Assessment Payment Form together with the assessment owed within 30 days after the period covered.
  Due: January 30, 2023

Broker/Deakers (continued)

- [ ] **Supplemental Statement of Income ("SSOI"):** For the quarter ending December 31, 2020, FINRA requires firms to submit additional, detailed information regarding the categories of revenues and expenses reported on the Statement of Income (Loss) page of the FOCUS Report Part II/IIA.
  Due: January 31, 2023

- [ ] **Supplemental Inventory Schedule ("SIS"):** For the month ending December 31st, the SIS must be filed by a firm that is required to file FOCUS Report Part II, FOCUS Report Part IIA or FOGS Report Part I, with inventory positions as of the end of the FOCUS or FOGS reporting period, unless the firm has (1) a minimum dollar net capital or liquid capital requirement of less than $100,000, or (2) inventory positions consisting only of money market mutual funds. A firm with inventory positions consisting only of money market mutual funds must affirmatively indicate through the eFOCUS system that no SIS filing is required for the reporting period.
  Due: January 31, 2023

- [ ] **Annual Reports for Fiscal Year-End November 30th:** The SEC requires that member firms submit their annual reports in electronic form. Firms must also file the report at the regional office of the SEC in which the firm has its principal place of business as well as the SEC's principal office in Washington, DC. Firms registered in Arizona, Hawaii, Louisiana, or New Hampshire may have additional filing requirements.
  Due: January 31, 2023 (Conditional 30-Day Extension may be available)

About ACA

ACA Group ("ACA") is the leading governance, risk, and compliance (GRC) advisor in financial services. We empower clients to reimagine GRC and protect and grow their business. Our innovative approach integrates advisory, managed services, and distribution solutions with our ComplianceAlpha® regulatory technology platform with the specialized expertise of former regulators and practitioners and a deep understanding of the global regulatory landscape.

For more information, visit
www.acaglobal.com

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About the Authors

Cari A. Hopfensperger

Cari A. Hopfensperger is a Director for ACA's US Regulatory Advisory Group. She has an extensive background in regulatory compliance and provides compliance consulting services to retail and institutional focused registered investment advisers, including private and registered fund managers. She works with clients to develop effective compliance programs and solve complex regulatory issues, including serving as an Outsourced CCO.

Prior to joining ACA, Cari was a managing director at Hardin Compliance Consulting, LLC, which was purchased by Foreside in June 2021. Before that, she served in various compliance and operational leadership roles for a Chicago-based registered investment adviser, including Chief Compliance Officer, head of fund services and operations. Previously, Cari managed operations and client service for a Chicago-area boutique registered investment adviser.

Cari received a B.A. in English from the University of Wisconsin-Madison and a master of business administration from Keller Graduate School of Management. She is a member of the National Society of Compliance Professionals (NSCP) and currently serves as co-chair of the NSCP Publications Committee and chair of its professional development subcommittee.

Jaqueline M. Hummel

Jaqueline M. Hummel is Director Director of Thought Leadership, Regulatory Compliance. She is a securities attorney and regulatory compliance consultant with extensive experience as an in-house attorney working in the areas of investment adviser, broker-dealer, and investment company regulation and compliance. Ms. Hummel provides compliance consulting services to registered investment advisors, working to develop effective compliance programs and solve complex regulatory issues, including serving as an Outsourced CCO.

Before joining ACA, she served as a partner at Hardin Compliance Consulting LLC, which was purchased by Foreside in June 2021. Before that, Ms. Hummel held the position of Chief Compliance Officer for PNC Capital Advisors and PNC Realty Investors, investment adviser affiliates of PNC Financial Services Group, Inc. She also served as in-house counsel for National City Corporation's investment adviser and broker-dealer affiliates where her responsibilities included being the Chief Compliance Officer for Allegiant Asset Management Company. Prior to joining National City, Ms. Hummel served many years as in-house counsel for MassMutual Financial Group, a diversified financial services organization, where she advised the investment management division, including affiliated registered investment advisers and registered investment companies.

Ms. Hummel holds the designation of Investment Adviser Certified Compliance Professional (IACCP®) from National Regulatory Services, Inc. She received a B.A. from the University of Wisconsin-Madison and a J.D. from Emory University School of Law.

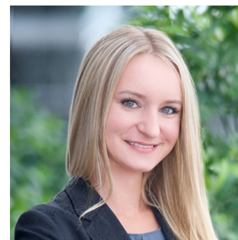
About the Authors

Andrea Penn

Andrea Penn is a Senior Principal Consultant with ACA Group where she provides regulatory advice and guidance to registered investment advisors. She also serves as an outsourced CCO. Andrea has extensive broker-dealer sales practice and supervision compliance experience relating to Global Wealth and Investment Management.

Previously, Andrea was a Vice President at Merrill Lynch and Associate Manager at UBS in both their corporate compliance departments in the New York metro region. She is also a former regulator with FINRA in New York (District 10) and conducted examinations of member firms' sales practice and supervisory compliance programs.

Andrea has a Bachelor of Arts from the University of Delaware.



Patrycja S. Savignano

Patrycja joined ACA's Broker-Dealer Service Division in February 2010 as a Compliance Analyst. She now serves as a Consultant. Patrycja's responsibilities include conducting supervisory control reviews and anti-money laundering tests, branch office inspections, and gap analyses. Patrycja also conducts due diligence reviews to assist municipal underwriters with their continuing disclosure obligations per Rule 15c2-12 under the Securities Exchange Act of 1934. Since coming to ACA, she has participated in over 100 anti-money laundering audits and supervisory control reviews. Patrycja also provides assistance with registration services such as FINRA new membership and continuing membership applications, as well as state registrations. Additionally, she helps broker-dealers develop customized policies and procedures and training plans, and she coordinates the BDCA newsletter.

Prior to joining ACA, Patrycja worked for Merrill Lynch as a Client Associate. In that role, she assisted a financial adviser team with investment-related tasks.

Patrycja earned her Bachelor of Arts degree in Economics with a minor in Spanish from New York University. She is a member the Association of Certified Anti-Money Laundering Specialists and is CAMS certified.