

August 26, 2008

*VIA ELECTRONIC MAIL*

The Honorable Christopher Cox  
Chairman  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

**Re: Proposed Amendments to Form ADV, Part 2**

Dear Chairman Cox:

On behalf of the Investment Adviser Association (IAA),<sup>1</sup> I am writing to follow up on our recent meeting regarding the Commission's proposed amendments to Form ADV, Part 2.<sup>2</sup> We greatly appreciate your taking the time to meet with us on this important issue.

As noted during our conversation, we strongly support the goals of the proposal and urge the Commission to complete work on it prior to the end of the year. We believe there is a window of opportunity in the coming months during which the Commission can and should finalize all aspects of this important proposal.

Form ADV is the core disclosure document for every registered adviser. We agree with your assessment that the current format of Form ADV is outdated and difficult for clients to read and understand.<sup>3</sup> We strongly support the objective of revising Part 2 to provide clients with plain English information about key aspects of an adviser's business practices. In light of the compelling investor protection benefits the proposal will achieve, we believe it would be unfortunate to miss this opportunity to conclude work on the proposal.

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<sup>1</sup> The Investment Adviser Association is a not-for-profit association that represents the interests of SEC-registered investment advisory firms. Founded in 1937, the IAA's membership today is comprised of more than 500 firms that collectively manage in excess of \$9 trillion for a wide variety of institutional and individual clients. For more information, please see [www.investmentadviser.org](http://www.investmentadviser.org).

<sup>2</sup> *Amendments to Form ADV*, Rel. Nos. IA-2711, 34-57419; File No. S7-10-00 (Mar. 3, 2008), available at <http://www.sec.gov/rules/proposed/2008/ia-2711.pdf>.

<sup>3</sup> Chairman Cox's remarks, *Amendments to Form ADV Open Meeting*, Washington, DC (Feb. 13, 2008), available at <http://sec.gov/news/speech.shtml#chair>.

As noted in our comment letter,<sup>4</sup> there has been significant progress since the original proposal to revise Part 2 was issued. In our letter, we raised three primary concerns regarding the proposal. Specifically, our comments focused on the length and density of the brochure, the brochure supplement, and delivery of the brochure and supplement. As we mentioned, based on our recent meeting with Commission staff, we are pleased that the staff appears willing to consider alternatives on each of these points, and we are confident that all outstanding issues in the pending proposal can be addressed satisfactorily in order to achieve its broad and laudable objectives:

- (1) **Length of the brochure.** A flexible narrative brochure written in plain English that is not overly long or complex will significantly improve disclosure to clients and prospective clients. In particular, we encourage the Commission to consider our suggestion to eliminate disclosure that is not likely to be particularly meaningful to clients, and to clarify the instructions to reflect that advisers have flexibility with respect to the content of the brochure and order of disclosure.
- (2) **Brochure supplement.** The IAA supports the brochure supplement and the Commission's desire to enable clients to assess the background and experience of the investment advisory personnel who have responsibility for investment advice that clients receive. We suggest revisions of both the supplement delivery requirements, so that the supplement is primarily delivered to retail clients, not institutional clients,<sup>5</sup> and the supplement disclosure requirements, in order to address complexities that may arise when investment advice is provided by a team of supervised persons.
- (3) **Delivery of the brochure and the brochure supplement.** Electronic delivery, coupled with Internet access, will help to ensure that clients can be provided with current, updated information about the advisory firm in a cost-effective manner. The IAA supports electronic delivery of a summary of material changes along with an electronic link to the adviser's Form ADV, Part 2 or information regarding how to access the complete updated Part 2.<sup>6</sup> We would also support instructions to the form confirming that consent to electronic delivery can be received electronically and that electronic delivery

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<sup>4</sup> Letter regarding *Release Nos. IA-2711; 34-57419; File No. S7-10-00; Amendments to Form ADV*, from Karen Barr, IAA General Counsel, and Valerie Baruch, IAA Assistant General Counsel, to Nancy M. Morris, Secretary, Securities and Exchange Commission (May 16, 2008).

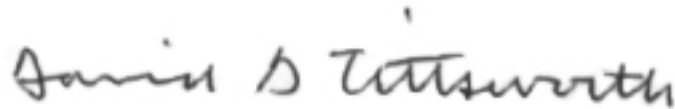
<sup>5</sup> In our comment letter, we suggested that qualified clients should be exempt from the brochure supplement delivery requirements.

<sup>6</sup> A similar approach was suggested in a recent letter from the Consumer Federation of America. *See* Letter regarding *File No. S7-10-00*, from Barbara Roper, Director of Investor Protection, to Nancy Morris, Secretary, Securities and Exchange Commission, (July 2, 2008) (“[W]e are open to alternatives to the annual delivery requirement. Specifically, we believe an approach that provided investors with a summary of material changes and the option to obtain the completed brochure might provide an acceptable approach.”)

may be implemented by attaching a document in PDF format or providing a hyperlink to the document. Such steps would help to address our concerns regarding the delivery requirements set forth in the proposal.

The IAA applauds your efforts to enhance disclosure requirements to all advisory clients and prospective clients. We stand ready to assist you and the staff to achieve the goal of finalizing Form ADV, Part 2 in the near future. I trust that you will not hesitate to contact us if we may provide additional assistance or clarification regarding these important issues.

Sincerely,

A handwritten signature in dark ink that reads "David G. Tittsworth". The signature is written in a cursive style with a prominent initial "D".

David G. Tittsworth  
Executive Director

Cc: Hon. Kathleen L. Casey  
Hon. Elisse B. Walter  
Hon. Luis A. Aguilar  
Hon. Troy A. Paredes  
Mr. Andrew J. Donohue  
Mr. Robert E. Plaze  
Mr. David W. Blass