

# SEC INITIATES SWEEP OF ADVISER ON T+1 COMPLIANCE

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## US Asset Management and Investment Funds Alert

By: Lance C. Dial, Kevin R. Gustafson

Over the last week, several registered investment advisers have received examination letters, issued from both the Securities and Exchange Commission's national office in Washington, D.C., and from at least one regional office, related to the shortening of the settlement cycle to T+1.<sup>1</sup> The questions and requests in these letters highlight areas advisers may want to consider with respect to their own implementation.

By way of background, the rules implementing these changes (the T+1 Rules) prohibited broker-dealers from engaging in any securities transaction that would not settle before T+1 (subject to certain exceptions) and required broker-dealers to adopt policies and procedures designed to facilitate completion of the allocation, confirmation, and affirmation process (the ACA Process) on T (trade date). The SEC also amended the recordkeeping rules applicable to RIAs to require the retention of certain communications relating to the ACA Process.

For a more detailed summary on the T+1 Rules, [see here](#).

## SEC EXAM LETTERS

In what appears to be an industry sweep examination, the SEC staff are requesting that RIAs produce details on procedures related to their trade affirmation process and the associated recordkeeping requirements. Specifically, the sweep examination requests production of the following documents relating to the T+1 settlement process: Written compliance and operational policies and procedures addressing processes or operational protocols affected by the ACA Process or securities transaction settlement cycle (generally) or the T+1 settlement and any material amendments thereto (including any procedures specifically relating to the ACA Process and associated recordkeeping requirements);

- Any assessments or tests regarding the ACA Process conducted by the RIA, including a listing of risks and conflicts associated with the RIA's trading;
- Any RIA compliance testing of the ACA Process;
- A listing of automated compliance tools associated with the RIA's trading, including the ACA Process;
- Compliance training relating to the ACA Process;
- Any compliance exceptions relating to the ACA Process; and
- Communications the RIA sent to or received from its clients relating to the ACA Process.

The examination request also requests certain other items that are not directly related to the conversion to T+1 or the ACA Process, such as a listing of potential litigation, a listing of private investments, and a listing of client custodians.

## OUR INITIAL OBSERVATIONS INCLUDE:

- The scope of these requests goes beyond the regulatory requirements for RIAs arising from the T+1 transition. For example, advisers are not specifically required to perform a compliance assessment of their ACA Process;
- Certain requests may be overbroad and implicate communications that could be subject to privilege (e.g., the compliance training);
- The “exam period” for some requests are measured from the May 2024 compliance date, yet other requests—contracts, clients, policies, compliance training, communications—reach back to 15 February 2023, the T+1 Rule's adoption date; and
- RIAs responding to this sweep exam should consider whether certain of the requests relating to processes or analyses would be required to be performed by an RIA under the T+1 Rules .
- We encourage RIAs that receive the request reach out to their contacts at the firm with any questions.

## FOOTNOTES

<sup>1</sup> Rules 15c6-1, 15c6-2 under the Securities Exchange Act of 1934. See <https://www.sec.gov/files/rules/final/2023/34-96930.pdf>.

## KEY CONTACTS



**LANCE C. DIAL**  
PARTNER

BOSTON  
+1.617.261.3241  
LANCE.DIAL@KLGATES.COM



**KEVIN R. GUSTAFSON**  
PARTNER

CHICAGO  
+1.312.807.4304  
KEVIN.GUSTAFSON@KLGATES.COM

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