

Summary of Private Fund Advisers Final Rules

I. Applicable to all private fund advisers

Rule Name	Key Points	Compliance Timetable [All compliance dates run from publication of the Final Rules in the Federal Register]	Text of Provisions
<p>New rule 211(h)(1)-1</p> <p>(Definitions)</p>	<p>Definitions for purposes of other new rules.</p>	<p>60 days</p>	<p>§ 275.211(h)(1)-1: Definitions.</p> <p>Adviser clawback; Adviser-led secondary transaction; Committed capital; Control; Covered portfolio investment; Distribute; Election form; Fairness opinion; Fund-level subscription facilities; Gross IRR; Gross MOIC; Illiquid fund; Independent opinion provider; Internal rate of return; Liquid fund; Multiple of invested capital; Net IRR; Net MOIC; Performance-based compensation; Portfolio investment; Portfolio investment compensation; Related person; Reporting period; Securitized asset fund; Similar pool of assets; Statement of contributions or distributions; Substantially similar pool of assets; Unfunded capital commitments; Valuation opinion</p> <p><i>[Note: substance of the definitions is omitted]</i></p>
<p>New rule 211(h)(2)-1</p> <p>(The Restricted Activities Rule)</p>	<p>Restricted all private fund advisers (other than securitized asset funds they advise) from:</p> <ul style="list-style-type: none"> • Prohibited activities: ○ charging or allocating to the private fund fees or expenses related to an 	<p>Advisers with \$1.5 billion or more in private fund assets under management (“larger private fund advisers”):</p> <ul style="list-style-type: none"> • 12 months 	<p>§ 275.211(h)(2)-1: Private fund adviser restricted activities.</p> <p>(a) An investment adviser to a private fund (other than a securitized asset fund) may not, directly or indirectly, do the following with respect to the private fund, or any investor in that private fund:</p>

	<p>investigation of the adviser or its related persons that results or has resulted in a court or governmental authority imposing a sanction for a violation of the Advisers Act or rules thereunder [Not grandfathered]</p> <ul style="list-style-type: none"> • Activities subject to investor written consent: <i>(Note: from at least a majority in interest held by <u>unrelated</u> private fund investors; LPAC approval does not suffice)</i> ○ Charging to the private fund fees or expenses associated with an investigation of the adviser or its related persons by any governmental or regulatory authority (unless the investigation results in sanctions for violating the Advisers Act or rules thereunder). ○ Borrowing money, securities, or other private fund assets, or receiving a loan or an extension of credit, from a private fund client. <p>[Grandfather Provision: The above two restrictions that require investor consent do not apply to existing contractual agreements that were entered into prior to the compliance date nor agreements governing private funds that had</p>	<p>Advisers with less than \$1.5 billion in private fund assets under management (“smaller private fund advisers”):</p> <ul style="list-style-type: none"> • 18 months 	<p>(1) Charge or allocate to the private fund fees or expenses associated with an investigation of the adviser or its related persons by any governmental or regulatory authority, unless the investment adviser requests each investor of the private fund to consent to, and obtains written consent from at least a majority in interest of the private fund’s investors that are not related persons of the adviser for, such charge or allocation; provided, however, that the investment adviser may not charge or allocate to the private fund fees or expenses related to an investigation that results or has resulted in a court or governmental authority imposing a sanction for a violation of the Investment Advisers Act of 1940 or the rules promulgated thereunder; (2) Charge or allocate to the private fund any regulatory or compliance fees or expenses, or fees or expenses associated with an examination, of the adviser or its related persons, unless the investment adviser distributes a written notice of any such fees or expenses, and the dollar amount thereof, to the investors of such private fund client in writing within 45 days after the end of the fiscal quarter in which the charge occurs; (3) Reduce the amount of an adviser clawback by actual, potential, or hypothetical taxes applicable to the adviser, its related persons, or their respective owners or interest holders, unless the investment adviser distributes a written notice to the investors of such private fund client that sets forth the aggregate dollar amounts of the adviser clawback before and after any reduction for actual, potential,</p>
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	<p>commenced operations as of the compliance date, in each case, if the rule would require the parties to amend such agreements.]</p> <ul style="list-style-type: none"> • Activities subject to prior written investor notice and a “fair and equitable” qualifier <p>○ Charging or allocating fees or expenses related to a portfolio investment or potential portfolio investment on a non-pro rata basis among multiple advised private funds or other clients. [Not grandfathered]</p> <ul style="list-style-type: none"> • Activities subject to post written investor notice (within 45 days after the end of the relevant fiscal quarter) <p>○ Charging or allocating to the private fund any regulatory or compliance fees or expenses, or fees or expenses associated with an examination, of the adviser or its related persons.</p> <p>○ Reducing the amount of an adviser clawback by actual, potential, or hypothetical taxes. [Not grandfathered]</p>		<p>or hypothetical taxes within 45 days after the end of the fiscal quarter in which the adviser clawback occurs;</p> <p>(4) Charge or allocate fees or expenses related to a portfolio investment (or potential portfolio investment) on a non-pro rata basis when multiple private funds and other clients advised by the adviser or its related persons (other than a securitized asset fund) have invested (or propose to invest) in the same portfolio investment, unless (i) the non-pro rata charge or allocation is fair and equitable under the circumstances and (ii) prior to charging or allocating such fees or expenses to a private fund client, the investment adviser distributes to each investor of the private fund a written notice of the non-pro rata charge or allocation and a description of how it is fair and equitable under the circumstances; and</p> <p>(5) Borrow money, securities, or other private fund assets, or receive a loan or an extension of credit, from a private fund client, unless the adviser: (i) distributes to each investor a written description of the material terms of, and requests each investor to consent to, such borrowing, loan, or extension of credit; and (ii) obtains written consent from at least a majority in interest of the private fund’s investors that are not related persons of the adviser.</p> <p>(b) Paragraphs (a)(1) and (a)(5) of this section shall not apply with respect to contractual agreements governing a private fund (and, with respect to paragraph (a)(5), contractual agreements governing a borrowing, loan, or extension of credit entered into by a private fund) that has commenced</p>
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<p>New rule 211(h)(2)-3</p> <p>(The Preferential Treatment Rule)</p>	<p>Prohibited all private fund advisers (other than with respect to securitized asset funds they advise) from:</p> <ul style="list-style-type: none"> • Granting an investor in the private fund or in a similar pool of assets the ability to redeem its interest on terms that the adviser reasonably expects to have a material, negative effect on other investors in that private fund or in a similar pool of assets, except: <ul style="list-style-type: none"> (i) if such redemption is required by applicable law to which the investor, the fund or any similar pool of assets is subject; or 	<p>Larger private fund advisers:</p> <ul style="list-style-type: none"> • 12 months <p>Smaller private fund advisers:</p> <ul style="list-style-type: none"> • 18 months 	<p>§ 275.211(h)(2)-3: Preferential treatment.</p> <p>(a) An investment adviser to a private fund (other than a securitized asset fund) may not, directly or indirectly, do the following with respect to the private fund, or any investor in that private fund:</p> <p>(1) Grant an investor in the private fund or in a similar pool of assets the ability to redeem its interest on terms that the adviser reasonably expects to have a material, negative effect on other investors in that private fund or in a similar pool of assets, except:</p> <p>(i) If such ability to redeem is required by the applicable laws, rules, regulations, or orders of any relevant foreign or U.S. Government, State, or political subdivision to which the investor, the private fund, or any similar pool of assets is subject; or</p> <p>(ii) If the investment adviser has offered the same redemption ability to all other existing investors,</p>

	<p>(ii) The adviser has offered the same redemption terms to all other existing investors and will continue to offer to all future investors, in such fund or similar pool of assets.</p> <ul style="list-style-type: none"> • Providing a private fund investor with portfolio holding or exposure information if the adviser reasonably expects providing such information would have a material, negative effect on other investors in that private fund or in a similar pool of assets, except: if the adviser offers such information right to all other existing investors in the private fund and any similar pool of assets at the same time or substantially the same time. <p>[Grandfather provision: The above restrictions on preferential redemption and information treatments do not apply to existing contractual agreements that were entered into prior to the compliance date nor agreements governing private funds that had commenced operations</p>		<p>and will continue to offer such redemption ability to all future investors, in the private fund and any similar pool of assets;</p> <p>(2) Provide information regarding the portfolio holdings or exposures of the private fund, or of a similar pool of assets, to any investor in the private fund if the adviser reasonably expects that providing the information would have a material, negative effect on other investors in that private fund or in a similar pool of assets, except if the investment adviser offers such information to all other existing investors in the private fund and any similar pool of assets at the same time or substantially the same time.</p> <p>(b) An investment adviser to a private fund (other than a securitized asset fund) may not, directly or indirectly, provide any preferential treatment to any investor in the private fund unless the adviser provides written notices as follows:</p> <p>(1) Advance written notice for prospective investors in a private fund. The investment adviser shall provide to each prospective investor in the private fund, prior to the investor’s investment in the private fund, a written notice that provides specific information regarding any preferential treatment related to any material economic terms that the adviser or its related persons provide to other investors in the same private fund.</p> <p>(2) Written notice for current investors in a private fund. The investment adviser shall distribute to current investors:</p> <p>(i) For an illiquid fund, as soon as reasonably practicable following the end of the private fund’s</p>
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	<p>as of the compliance date, in each case, if the rule would require the parties to amend such agreements.]</p> <ul style="list-style-type: none"> • Providing any preferential treatment to any private fund investor unless the adviser provides written notices as follows: <ul style="list-style-type: none"> (i) Advance written notice regarding preferential treatment related to any material economic terms, for prospective investors in the same private fund. (ii) Written notice of all preferential terms for current investors in the same private fund as follows: <ul style="list-style-type: none"> ○ For an illiquid fund, as soon as reasonably practicable following the end of the private fund’s fundraising period, ○ For a liquid fund, as soon as reasonably practicable following the investor’s investment in the private fund, and ○ On at least an annual basis, any preferential treatment since the last written notice. <p>[Not grandfathered]</p>		<p>fundraising period, written disclosure of all preferential treatment the adviser or its related persons has provided to other investors in the same private fund;</p> <p>(ii) For a liquid fund, as soon as reasonably practicable following the investor’s investment in the private fund, written disclosure of all preferential treatment the adviser or its related persons has provided to other investors in the same private fund; and</p> <p>(iii) On at least an annual basis, a written notice that provides specific information regarding any preferential treatment provided by the adviser or its related persons to other investors in the same private fund since the last written notice provided in accordance with this section, if any.</p> <p>(c) For purposes of this section, defined terms shall have the meanings set forth in § 275.211(h)(1)-1.</p> <p>(d) Paragraph (a) of this section shall not apply with respect to contractual agreements governing a private fund that has commenced operations as of the compliance date and that were entered into in writing prior to the compliance date if paragraph (a) would require the parties to amend such governing agreements.</p>
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II. Applicable to SEC-registered advisers (“RIAs”) to private funds

Rule Name	Key Points	Compliance Timetable [All compliance dates run from publication of the Final Rules in the Federal Register]	Full Text of Provisions
<p>New rule 211(h)(1)-2</p> <p>(The Quarterly Statement Rule)</p>	<p>Required any RIA of a private fund (other than a securitized asset fund) that has at least two full fiscal quarters of operating results to prepare and distribute a quarterly statement to private fund investors that includes the following standardized disclosures regarding the cost of investing in the private fund and the private fund’s performance during the reporting period:</p> <ul style="list-style-type: none"> • A fund table, with accounting of all fees allocated or paid to the RIA and its related persons, all fund expenses, and any offsets or rebates carried forward • A portfolio investment table, with accounting of all portfolio investment compensation allocated or paid to the RIA and its related persons 	<p>All RIAs to Private Funds:</p> <ul style="list-style-type: none"> • 18 months 	<p>§ 275. 211(h)(1)-2: Private fund quarterly statements.</p> <p>(a) <i>Quarterly statements.</i> As a means reasonably designed to prevent such acts, practices, and courses of business as are fraudulent, deceptive, or manipulative, an investment adviser that is registered or required to be registered under section 203 of the Investment Advisers Act of 1940 shall prepare a quarterly statement that complies with paragraphs (a) through (g) of this section for any private fund (other than a securitized asset fund) that it advises, directly or indirectly, that has at least two full fiscal quarters of operating results, and distribute the quarterly statement to the private fund’s investors, if such private fund is not a fund of funds, within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the private fund and 90 days after the end of each fiscal year of the private fund and, if such private fund is a fund of funds, within 75 days after the end of the first three fiscal quarters of each fiscal year and 120 days after the end of each fiscal year, in either case, unless such a quarterly statement is prepared and distributed by another person.</p> <p>(b) <i>Fund table.</i> The quarterly statement must include a table for the private fund that discloses, at</p>

	<ul style="list-style-type: none"> • Calculation methodologies and cross-references to specific sections of the private fund’s organizational and offering documents • Performance <ul style="list-style-type: none"> ○ For a liquid fund: <ul style="list-style-type: none"> A. Annual net total returns B. Average annual net total returns C. Cumulative net total return ○ For an illiquid fund: <ul style="list-style-type: none"> A. Gross IRR and gross MOIC for the fund as well as for the realized and unrealized portions of the fund’s portfolio; Net IRR and net MOIC for the fund B. A statement of contributions and distributions for the fund • Date through which the performance information covers • Criteria used and assumptions made in calculating the performance • Consolidated reporting to cover similar pools of assets 		<p>a minimum, the following information, presented both before and after the application of any offsets, rebates, or waivers for the information required by paragraphs (b)(1) and (2) of this section:</p> <p>(1) A detailed accounting of all compensation, fees, and other amounts allocated or paid to the investment adviser or any of its related persons by the private fund during the reporting period, with separate line items for each category of allocation or payment reflecting the total dollar amount, including, but not limited to, management, advisory, sub-advisory, or similar fees or payments, and performance-based compensation;</p> <p>(2) A detailed accounting of all fees and expenses allocated to or paid by the private fund during the reporting period (other than those listed in paragraph (b)(1) of this section), with separate line items for each category of fee or expense reflecting the total dollar amount, including, but not limited to, organizational, accounting, legal, administration, audit, tax, due diligence, and travel fees and expenses; and</p> <p>(3) The amount of any offsets or rebates carried forward during the reporting period to subsequent periods to reduce future payments or allocations to the adviser or its related persons.</p> <p>(c) Portfolio investment table. The quarterly statement must include a separate table for the private fund’s covered portfolio investments that discloses, at a minimum, the following information for each covered portfolio investment: a detailed accounting of all portfolio investment compensation allocated or paid to the investment</p>
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			<p>(or, to the extent quarter-end numbers are not available at the time the adviser distributes the quarterly statement, through the most recent practicable date) and computed with and without the impact of any fund-level subscription facilities:</p> <p>(1) Gross IRR and gross MOIC for the illiquid fund;</p> <p>(2) Net IRR and net MOIC for the illiquid fund; and</p> <p>(3) Gross IRR and gross MOIC for the realized and unrealized portions of the illiquid fund's portfolio, with the realized and unrealized performance shown separately. (B) A statement of contributions and distributions for the illiquid fund.</p> <p>(iii) Other matters. The quarterly statement must include the date as of which the performance information is current through and prominent disclosure of the criteria used and assumptions made in calculating the performance.</p> <p>(f) Consolidated reporting. To the extent doing so would provide more meaningful information to the private fund's investors and would not be misleading, the adviser must consolidate the reporting required by paragraphs (a) through (e) of this section to cover similar pools of assets.</p> <p>(g) Format and content. The quarterly statement must use clear, concise, plain English and be presented in a format that facilitates review from one quarterly statement to the next.</p> <p>(h) Definitions. For purposes of this section, defined terms shall have the meanings set forth in § 275.211(h)(1)-1.</p>
New rule 206(4)-10	Required RIAs to have their private fund clients (other than securitized asset funds) undergo at least	All RIAs to Private Funds: <ul style="list-style-type: none"> • 18 months 	§ 275.206(4)-10: Private fund adviser audits. (a) As a means reasonably designed to prevent such acts, practices, and courses of business as are

<p>(The Private Fund Audit Rule)</p>	<p>annually and upon liquidation a financial statement audit that meets the requirements under the “audit provision” of the Custody Rule.</p> <ul style="list-style-type: none"> • Audit by an independent public accountant registered with and subject to inspection by the Public Company Accounting Oversight Board (United States) (“PCAOB”) • Audit in accordance with either the standards of the PCAOB or U.S. generally accepted auditing standards (“U.S. GAAS”) • Audited financial statements prepared in accordance with GAAP • Annual audited financials distributed to all investors within 120 days (180 days for a fund of funds) of the end of fiscal year and final audited financials distributed promptly after the completion of audit • An RIA is prohibited from providing investment advice to a private fund with which it is not in a control relationship (e.g., a sub- 		<p>fraudulent, deceptive, or manipulative, an investment adviser that is registered or required to be registered under section 203 of the Investment Advisers Act of 1940 shall cause each private fund that it advises (other than a securitized asset fund), directly or indirectly, to undergo a financial statement audit (as defined in § 210.1-02(d) of this chapter (rule 1-02(d) of Regulation S-X)) that meets the requirements of paragraphs (b)(4)(i) through (b)(4)(iii) of § 275.206(4)-2(b)(4) and shall cause audited financial statements to be delivered in accordance with § 275.206(4)-2(c), if the private fund does not otherwise undergo such an audit;</p> <p>(b) For a private fund (other than a securitized asset fund) that the adviser does not control and is neither controlled by nor under common control with, the adviser is prohibited from providing investment advice, directly or indirectly, to the private fund if the adviser fails to take all reasonable steps to cause the private fund to undergo a financial statement audit that meets the requirements of § 275.206(4)-2(b)(4) and to cause audited financial statements to be delivered in accordance with § 275.206(4)-2(c), if the private fund does not otherwise undergo such an audit; and</p> <p>(c) For purposes of this section, defined terms shall have the meanings set forth in § 275.206(4)-2(d), except for the term securitized asset fund, which shall have the meaning set forth in § 275.211(h)(1)-1.</p>
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	advised fund), without taking all reasonable steps to cause the fund undergo a financial statement audit meeting the above requirements		
<p>New rule 211(h)(2)-2</p> <p>(The Adviser-Led Secondaries Rule)</p>	<p>Required an RIA conducting an adviser-led secondary transaction with respect to any private fund that it advises (other than a securitized asset fund) to, prior to the due date of the election form via which the RIA requests private fund investors to make a binding election to participate in such transaction:</p> <ol style="list-style-type: none"> (1) Obtain, and distribute to private fund investors, a fairness opinion or valuation opinion from an independent opinion provider; and (2) Prepare, and distribute to private fund investors, a written summary of any material business relationships the RIA or any of its related persons has, or has had within the past two years, with the independent opinion provider. 	<p>Larger RIAs to Private Funds:</p> <ul style="list-style-type: none"> • 12 months <p>Smaller RIAs to Private Funds:</p> <ul style="list-style-type: none"> • 18 months 	<p>§ 275.211(h)(2)-2: Adviser-led secondaries.</p> <p>(a) As a means reasonably designed to prevent fraudulent, deceptive, or manipulative acts, practices, or courses of business within the meaning of section 206(4) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-6(4)), an investment adviser that is registered or required to be registered under section 203 of the Act (15 U.S.C. 80b-3) conducting an adviser-led secondary transaction with respect to any private fund that it advises (other than a securitized asset fund) shall comply with paragraphs (a)(1) and (a)(2) of this section. The investment adviser shall:</p> <ol style="list-style-type: none"> (1) Obtain, and distribute to investors in the private fund, a fairness opinion or valuation opinion from an independent opinion provider; and (2) Prepare, and distribute to investors in the private fund, a written summary of any material business relationships the adviser or any of its related persons has, or has had within the two-year period immediately prior to the issuance of the fairness opinion or valuation opinion, with the independent opinion provider; <p>in each case, prior to the due date of the election form in respect of the adviser-led secondary transaction.</p>

<p>Amendments to rule 204-2</p> <p>(The Recordkeeping Rule)</p>	<p>Amended the Recordkeeping Rule to require RIAs to private funds to make and keep records relating to:</p> <ul style="list-style-type: none"> • quarterly statements and determination of liquid fund versus illiquid fund status required under rule 211(h)(1)-2, • financial statement audits performed under rule 206(4)-10, • fairness opinions or valuation opinions required under rule 211(h)(2)-2, • notices of preferential treatment required under rule 211(h)(2)-3, and • notifications, consents or other documents distributed or received required under 211(h)(2)-1 with respect to restricted activities. 	<p>All RIAs to Private Funds:</p> <ul style="list-style-type: none"> • Refer to the 12-month or 18-month transition periods of the applicable new rules. 	<p>(b) For purposes of this section, defined terms shall have the meanings set forth in § 275.211(h)(1)-1.</p> <p>§ 275.204-2 Books and records to be maintained by investment advisers.</p> <p>(a)</p> <p>(7)(v) Any notice required pursuant to § 275.211(h)(2)-3 as well as a record of each addressee and the corresponding date(s) sent.</p> <p>(20) (i) A copy of any quarterly statement distributed pursuant to § 275.211(h)(1)-2, along with a record of each addressee and the corresponding date(s) sent; and (ii) All records evidencing the calculation method for all expenses, payments, allocations, rebates, offsets, waivers, and performance listed on any statement delivered pursuant to § 275.211(h)(1)-2.</p> <p>(21) For each private fund client:</p> <p>(i) A copy of any audited financial statements prepared and distributed pursuant to § 275.206(4)-10, along with a record of each addressee and the corresponding date(s) sent; or (ii) A record documenting steps taken by the adviser to cause a private fund client that the adviser does not control, is not controlled by, and with which it is not under common control to undergo a financial statement audit pursuant to § 275.206(4)-10.</p> <p>(22) Documentation substantiating the adviser’s determination that a private fund client is a liquid fund or an illiquid fund pursuant to § 275.211(h)(1)-2.</p> <p>(23) A copy of any fairness opinion or valuation opinion and material business relationship summary distributed pursuant to § 275.211(h)(2)-2,</p>
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III. Applicable to all RIAs (regardless of whether they advise private funds)

Rule Name	Key Points	Compliance Timetable [All compliance dates run from publication of the Final Rules in the Federal Register]	Full Text of Provisions
<p>Amendment to rule 206(4)-(7)(b)</p> <p>(The Compliance Rule)</p>	<p>Amended the Compliance Rule to require all RIAs to document the annual review of their compliance policies and procedures in writing.</p>	<p>All RIAs:</p> <ul style="list-style-type: none"> • 60 days 	<p>§ 275.206(4)-7: Compliance procedures and practices.</p> <p>(b) <i>Annual review.</i> Review and document in writing, no less frequently than annually, the adequacy of the policies and procedures established pursuant to this section and the effectiveness of their implementation; and</p>