

## *IAA Participates in SEC Cybersecurity Roundtable*

The SEC announced on February 14 that its staff would host a public roundtable on March 26 to discuss cybersecurity issues and challenges. IAA Executive Director David Tittsworth was asked to participate in this roundtable, which would provide a forum to discuss cybersecurity threats and best practices. An update on the roundtable will be provided in the May *IAA Newsletter*.

In the press release announcing the roundtable, the SEC noted that the growing interest in cybersecurity across financial markets and other sectors has raised questions about how various market participants can effectively manage cybersecurity threats, as well as how threats and incidents are disclosed.

The notice of roundtable discussion states that panelists would discuss the cybersecurity landscape and cybersecurity issues faced by exchanges and other key market systems, broker-dealers, investment advisers, transfer

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— *David Tittsworth,*  
*IAA Executive Director*

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agents, and public companies. Panelists also would be invited to discuss industry and public-private sector co-

ordination efforts relating to assessing and responding to cybersecurity issues. The notice is available at <http://www.sec.gov/rules/other/2014/33-9562.pdf>.

“In preparing for the roundtable, we have spoken with several of our member firms representing a broad range of business models,” Tittsworth said. “It is clear that the types of cybersecurity threats vary depending on a firm’s clientele and business practices. I commend the SEC for highlighting these issues in a public forum and look forward to working with our membership and other parties to raise awareness of evolving cybersecurity threats and best practices for managing risks associated with these threats.”

A great deal of attention has been focused on cybersecurity in recent months. As reported in the March *IAA Newsletter*, at the SEC’s Compliance Outreach Program on January 30, the

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# IAA Executive SPOTLIGHT

*Jonathan Roberts, CFA, CIC, is Chief Compliance Officer, Senior Vice President and a Member of Klingenstein, Fields & Co., located in New York City. Nearly thirty years ago he and his wife, Lisa, moved to a small suburban town north of the city, where they raised their two children, now in their mid-20s. Roberts is an officer with the IAA Board of Governors, where he has served since 2009, and currently chairs the IAA Government Relations Committee.*

## **IAA: Share with us a little about your growing up years.**

**Roberts:** I grew up in suburban New York City. My father was a salesman in the industrial coatings industry, and my mother was an English and reading teacher at Hofstra University, which operated a county-wide diagnostic center for the public schools. I attended public school through 9th grade and then went to boarding school at Phillips Exeter Academy in New Hampshire. Exeter was academically intense and molded my character in other important ways. I was a good runner and was elected captain of the cross-country and track teams. My greatest sports accomplishments were finishing second in the New England prep school 1-mile and X-Country championships in both my junior and senior years. I'm still very involved with the school and have many friends with whom I stay in touch.

## **IAA: You have a degree in psychology from Brown. What prompted you to pursue that field of study?**

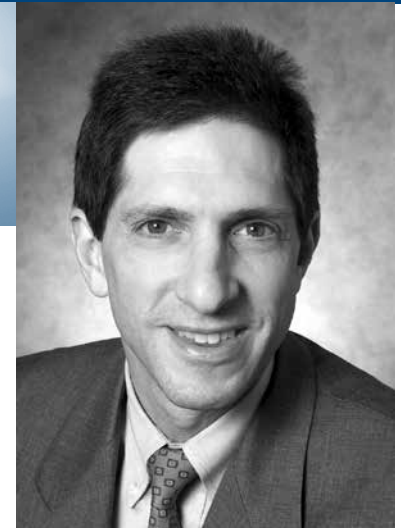
**Roberts:** It was an interesting topic to me and Brown's psych department, at the time, had an experimental, sci-

entific focus. Their core research involved sensory psychology and trying to understand the biological basis for brain activity related to vision, taste, and perception. It wasn't until my senior year that I took both business and computer science courses, which I also found fascinating. I was already most of the way through the requirements for a psychology degree, so it didn't make sense to start over, but I followed these interests later.

I also spent my junior year in Paris. Studying in Paris was great—it opened me up to a broader world, both in language and culture, as well as a different approach to academics. Speaking French was a requirement, and though I had studied the language throughout high school and college, I discovered first-hand that you really learn the language when you are dependent on it!

## **IAA: What came after college?**

**Roberts:** I moved to Boston after college and got a job selling fax machines for Exxon Enterprises. It was an emerging technology at the time. After almost two years I realized my success depended less on my product, and my ability to sell it, and more on the financial characteristics of the customers. I decided to enroll in New York University's MBA program to get a better understanding of the driving factors. My course of study concentrated on finance and international business. NYU was a great experience and a terrific school. Many of the professors, in addition to teaching courses, worked full-time in business, as did many fellow students. Leaders from both the financial and the corporate worlds regularly came to



Jon Roberts started with Klingenstein, Fields & Co. as an associate portfolio manager and has been with the firm through its early mergers and transitions since 1986. This is the tenth year that he and the firm have been active with the IAA.

speaking at NYU to share their knowledge. It was a special opportunity to study in a program that attracted leaders with such an international perspective. Most important to my future, I met my wife Lisa at NYU.

## **IAA: How did you get started in the investment advisory field?**

**Roberts:** After NYU, I worked as an analyst for an investment partnership—a hedge fund in today's terms. There were just two principals and I was their analyst. We focused on relatively small companies and developed concentrated portfolios that held around 20 stocks at a time. My role was to do intensive research and make sure the partners fully understood the companies and industries so they could make good investment decisions. After five years I joined Wertheim & Co., a traditional Wall Street investment partnership, as a portfolio manager and analyst in the internal RIA that managed the partners' personal assets. I've worked with the same core group of people ever since.

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Within a few years the firm was sold to the British bank, Schroders, and Fred Klingenstein, now our Chairman Emeritus, along with Co-Chairman Ken Fields, formed Klingenstein, Fields & Co. as a separate investment advisory firm.

**IAA: How would you characterize your firm in terms of both business focus and philosophy?**

**Roberts:** We are a registered investment adviser, with no other conflicting lines of business. We manage assets for wealthy individuals and their families and other entities that they create, including their trusts and foundations that flow from those individual relationships, rather than any direct institutional business. We focus on long-term investing to prudently manage capital for our clients in a way that helps maintain and increase their standard of living over the very long-term. We serve our clients as their trusted advisor, so the relationships go much deeper than just portfolio management.

**IAA: You currently chair the IAA Government Affairs Committee. What is your motivation for being involved in this way?**

**Roberts:** I first got involved with the IAA shortly after the compliance rules were put in place in 2004 and my firm was trying to put all the pieces in place. Though we were not a member, I called the Association with some specific questions and spoke with [IAA General Counsel] Karen Barr, who was very generous with her time. Her answers were very helpful to our firm and we soon joined the IAA. I then got involved working with [IAA VP for Government Affairs] Neil Simon to tell our story on Capitol Hill, and discovered in many cases that our Representatives and their staff had a very limited understanding of the nature and function of the investment adviser industry.

I think we've made a lot of progress over the past six or seven years. It's been a great opportunity to help educate our elected officials and their staffers. But it's also been a privilege to champion a cause of righteousness and truth on Capitol Hill, which is a rare thing. We're not just pushing for our industry's narrow interests; the IAA advocates what we believe is best for the nation's economy and for investors as a whole. The very nature of our business as advisers relies on the trust of our clients. They have to be willing to trust us or we have no role. That trust was very badly shaken by the series of events in the middle of this past decade, even though very little of that actually had to do with investment advisers. So, that's one way of saying I've come to believe that vigorous enforcement of existing rules and regulations, and frequent examinations, are important to us and how we position ourselves as trusted advisers, to rebuild that confidence. It's a heavy price to pay.

**IAA: Outside of your professional world, you're also involved with charitable work.**

**Roberts:** It's important to give back. I've been very blessed with the opportunities that I've had. Many of the problems that limit people from fulfilling their destiny can be solved. One of the organizations that I support as an Advisory Council member is GlobalGiving.org. It's a "philanthropy 2.0" Internet-mediated way to connect donors with worthwhile projects that have been vetted and verified. It was one of the leading organizations that funneled money to on-the-ground organizations in Japan after the earthquake, and to Haiti before that. There are several thousand projects on that website, both in the U.S. and overseas, which develop relationships with their donors through this platform. It's a small organization that was started by

people from the World Bank who got frustrated with very large projects and their limited impact on people's lives.

I also serve as a board member of the Rosenthal Jewish Community Center in Pleasantville, N.Y., which offers a wide range of community based programs. Last year, the opportunity to open a new location of Sunrise Day Camp in Pearl River, N.Y. came to us from a sister JCC agency that had already been operating one in Long Island, N.Y. and another in Israel. This was such an important project that we had to sign on and commit to build it. Sunrise is a summer-long day camp dedicated to serving children with cancer and their siblings. This camp provides an opportunity for these children to just be kids and it's completely free to their families. JCCs know how to run day camps because they've been doing it forever! This specialized day camp presented an opportunity to provide an extraordinarily valuable service to families in crisis. Some of the struggles are financial, but there's much more that it does for families who have a child with cancer; it gives the families both reprieve and support. Of course, the other side of that effort is that we have to raise enough money to run the camp each year, without any revenue generated directly from the campers. You may want to visit the [www.globalgiving.org](http://www.globalgiving.org) website, and you can learn about Sunrise Day Camp—Pearl River at [www.rosenthaljcc.org/c-sunrisecamp/sunrise-day-camp/](http://www.rosenthaljcc.org/c-sunrisecamp/sunrise-day-camp/).

**IAA: Looking ahead what are some of the issues that advisers will need to address?**

**Roberts:** Certainly, as recently addressed at the IAA Compliance Conference, cybersecurity is a big concern. Another issue is navigating the inevitable end of the bull market in bonds.

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Interest rates have been going down for 30 years, yet investors' desire for cash income is a powerful force. Generational shifts are also an issue. Few advisers truly understand how to work with Millennials. I'm now less reliant on my firm's pedigree and history, and more focused on the benefits that we can provide an individual at the moment. It's a fair assumption that younger investors talking with you have already checked you out on the Internet or through personal contacts, or they wouldn't have bothered to talk with you in the first place. They've done their background research and they'll mostly want to talk about features and benefits.

**IAA: Would you say investment advisers are adapting to new uses of technology fairly well, or is that an area of concern?**

**Roberts:** Advisers are becoming more aware of their need to adapt new technologies. Yes, they're using all the communication tools—text messages, emails, always on 24/7 with their smart phones—but those are the realities of doing business today. However, I don't think most advisers have adequately

integrated the technology of the future into their operations. For example, I recently received a solicitation from a firm that was offering an online mediated investment management platform that implied, "You should join us or we're going to make you irrelevant." While it may not extend to the ultra-high net worth sector, ways are emerging that enable investment services to be delivered more efficiently and at a lower cost. More importantly, it's the manner in which younger people want to interact—they may not really want to talk with an adviser every six or eight weeks, or have to call someone to request a wire transfer. The younger generation of investors is comfortable with technology and they don't necessarily want or expect handholding.

**IAA: You've certainly observed many changes in the industry. What impact have these changes had on how an advisory firm operates?**

**Roberts:** I started out as an equities analyst, researching industries and visiting companies and factories to focus on making good investment decisions for clients, which is really the core of

the investment adviser's role. It's the main event around which we build a package of advisory services. When we first set up this firm, one of my partners and I took care of the compliance issues with some outside support. We would look at the issues and take care of the details, but we were still able to spend most of our time working with our clients and their investments. With the SEC's compliance rules mandate, which was implemented 10 years ago, I was named Chief Compliance Officer. Compliance had already become more complicated and I had been spending much more time on those issues. Ever since, the requirements have continued to ramp up progressively. The cumulative weight of compliance requirements is overwhelming to many organizations, particularly the smaller ones. When Congress does a cost-benefit analysis of a particular rule, no one ever looks at the sum of all of those rules, so it's a real challenge. And that's one of the reasons I'm excited about being involved in the IAA and the opportunities and resources that it provides to help advisory firms be the best they can be. ■

## *IAA Submits Comment Letter to CFTC Regarding Applicability of Cross-Border Requirements to Swap Transactions Involving Non-U.S. Counterparties*

On March 10, the IAA submitted a comment letter to the CFTC regarding the applicability of its transactional level requirements to U.S. activities of non-U.S. CFTC-registered swap dealers. The CFTC sought public input to address industry concerns regarding the advisory its staff had issued on November 14, 2013. According to the CFTC staff, non-U.S. swap dealers (whether affiliates

or not of a U.S. person) that regularly use personnel or agents located in the U.S. to "arrange, negotiate, or execute swaps with non-U.S. persons" would be required to comply with the CFTC regulations applicable on a transaction-by-transaction basis. The CFTC staff further stated that such requirements would apply to transactions that are booked in a non-U.S. branch of a non-U.S. swap

dealer. Notably, substituted compliance with comparable regulations of foreign countries would not be permissible for these transactions under the staff advisory. The CFTC is considering whether to adopt these staff interpretations of its cross-border rules.

The IAA letter expresses the concern shared by other commenters that

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