

**GUIDANCE**  
**WRITTEN SUPERVISORY PROCEDURES**  
**FOR**  
**MINNESOTA INVESTMENT ADVISERS**  
(September 2021)

Minnesota Investment Advisers, whether registered or required to be registered, must develop, maintain and enforce written supervisory procedures (WSPs) reasonably designed to supervise the activities of its employees and investment adviser representatives. Minnesota investment advisers should ensure the WSPs are also tailored specifically to the investment adviser's business model. WSPs are included as a required book and record and are subject to review and examination.

**An investment adviser's failure to develop, maintain and enforce WSPs constitutes a violation of Minnesota law independent of any other securities law violation.**

The following information is explanatory in nature and provided as guidance. Registrants are responsible for reviewing the applicable rules and regulations to ensure compliance and if necessary, for seeking advice from experienced professionals to assist them.

WSP Development

Reasonably designed WSPs will typically address the "Who", "What" and "When" along with the document and/or procedure corroborating the policy. For example, WSPs, generally speaking, will include the following:

- Identification of the responsible supervisor (Chief Compliance Officer/CCO typically named in Form ADV, Part 1);
- The supervisory review to be conducted by the CCO (or qualified delegate);
- The timing of the supervisory review (note that "periodic" and "when necessary" are too broad); and
- Description of the record corroborating the supervisory review by the CCO (or qualified delegate).

While WSP content can vary based on the investment adviser's business model, it should first identify conflicts and other compliance factors creating risk exposure for the firm and its clients in light of its particular operations and design WSPs that address those risks. At a minimum, the WSPs should address the following described areas:

- Portfolio management processes, including allocation of investment opportunities and consistency with investor investment objectives, firm disclosures, and applicable regulatory restrictions;
- Trading practices;
- Proprietary trading of the investment adviser and personal trading of supervised persons;
- Accuracy of public disclosures made to investors, clients/prospective clients, and regulators (including account statements and advertisements);
- Safeguarding of client assets from inappropriate use;
- Recordkeeping and document retention policies (including the development, maintenance, security and protection from untimely destruction);
- Marketing advisory services;
- Processes to value client holdings and assess fees based on such valuations;

- Safeguards for the privacy and protection of client records and information; and
- Business continuity plans.

Investment Advisers must assess the effectiveness of the WSPs at least annually to determine their adequacy and effectiveness of implementation. Although an assessment is required annually, investment advisers should consider the need to conduct interim reviews in response to significant compliance events, changes in business arrangements and/or regulatory developments.

When preparing for and conducting the review, Investment Advisers should consider the following:

- Identify who will conduct the assessment;
- Identify any compliance matters that arose during the previous year;
- Consider any business changes to the investment adviser (as well as affiliates, if applicable), including potential conflicts of interest;
- Consider any legal and regulatory requirements applicable to the business at the time of the review to determine whether they might suggest a revision to the WSPs;
- Revise and amend WSPs as needed and document the annual assessment accordingly.

#### Record-keeping

WSPs should address the development of required books and records, the maintenance of such records, and the designated person responsible for each record-keeping task in a manner that secures records from unauthorized alteration or use as well as untimely destruction. The following represent a suggested listing of such records required to be maintained:

- Code of Ethics;
- Client Account records;
- Employee files;
- Financial and accounting records;
- Records related to providing investment advice and transactions in client accounts with respect to such advice;
- Records related to the investment adviser's authority to conduct business in client accounts
- Records related to performance reporting and/or advertising;
- Advertising records;
- Records related to the maintenance and delivery of written disclosure documents;
- Records related to the delivery of the investment adviser's brochure to clients and prospective clients;
- Logs of checks received and delivered;
- Logs of securities received and delivered; and
- Records documenting the annual assessment.

**Source:** This guidance is based on the applicable rules and regulations noted below. Minnesota Investment Advisers are responsible for seeking professional counsel as it relates to this guidance and its applicability to its business model.

Minnesota Statute 80A.66; Minnesota Rule 2876.4114; Minnesota Rule 2876.5023; Investment Adviser's Act of 1940 Rules 204-2 and 206(4)-7.