

# Presentation to the SEC's Asset Management Advisory Committee

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Investment Adviser Association

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INVESTMENT ADVISER  
ASSOCIATION

# IAA Presentation

- ❖ Profile of Smaller Advisers, IAA Industry Snapshot
- ❖ Business Environment for Smaller Advisers
- ❖ Regulatory Considerations for Smaller Advisers
- ❖ Other Regulatory Challenges



# INVESTMENT ADVISER INDUSTRY SNAPSHOT 2021

*EVOLUTION REVOLUTION REIMAGINED*

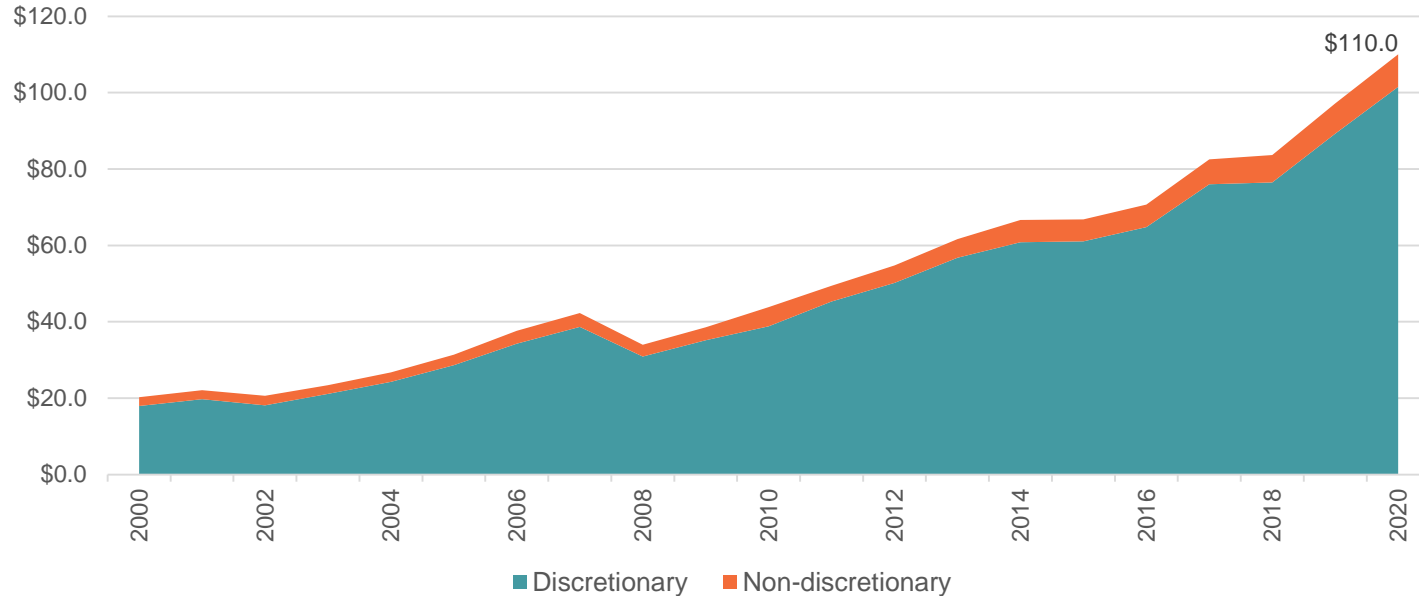
Second Edition, July 2021

**A statistical look at the almost  
14,000 SEC-registered  
investment advisers, based on  
their Form ADV filings.**

All data in this presentation is from Form ADV Part 1A unless otherwise noted.

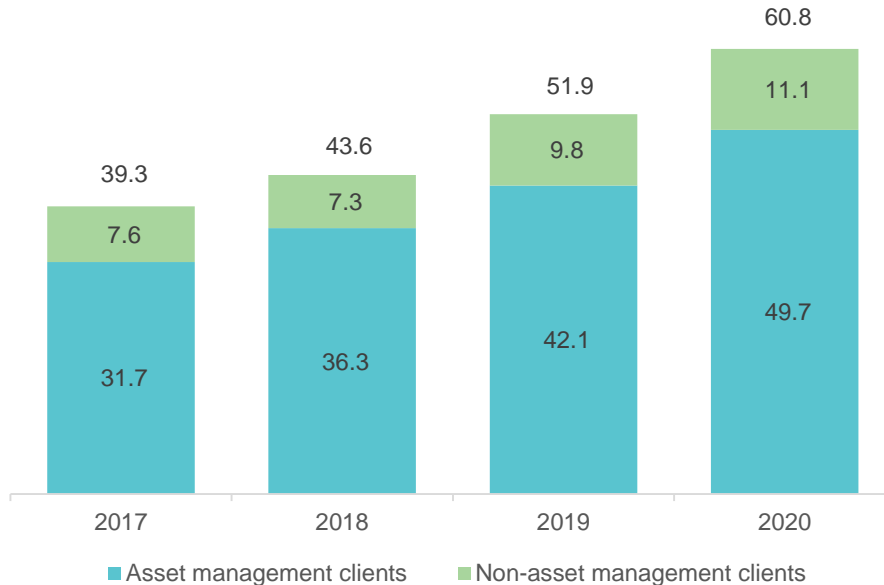
# Assets Under Management Reached a Record High in 2020

Total Industry Assets Under Management, \$ Trillions



# The Number of Clients Reached a Record High in 2020

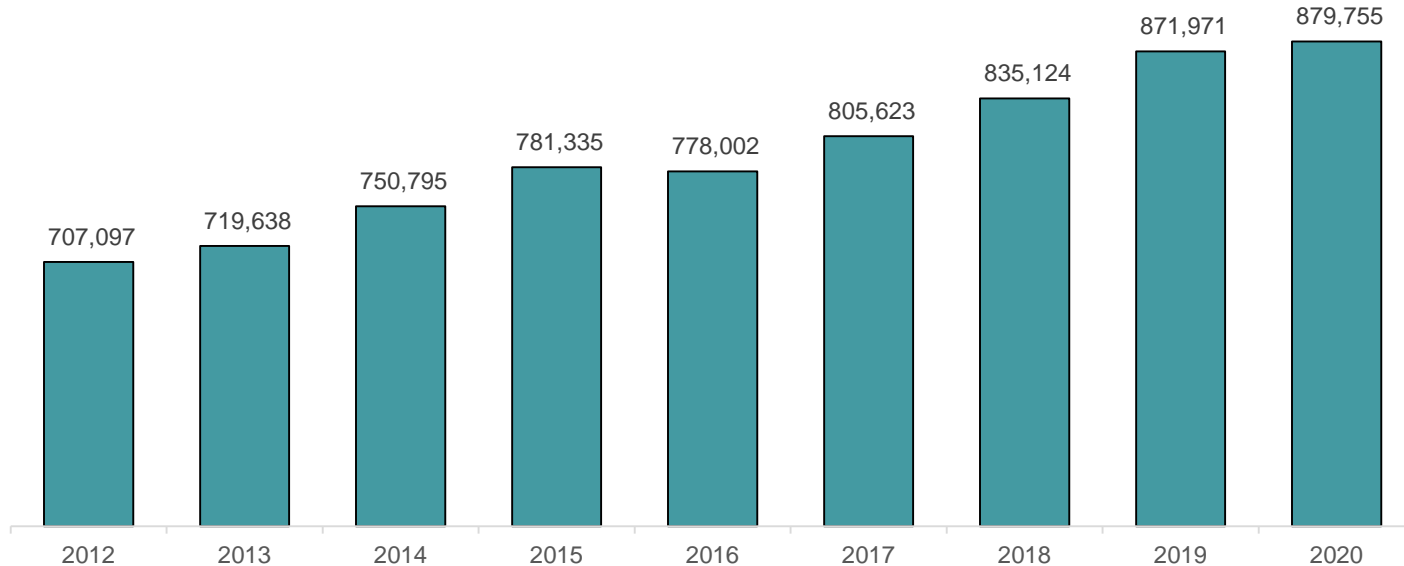
Millions



**Non-asset management clients did not use asset management services but received other types of investment advice, such as help with developing a financial plan.**

# Employment Reached a Record High in 2020

Number of Non-Clerical Employees

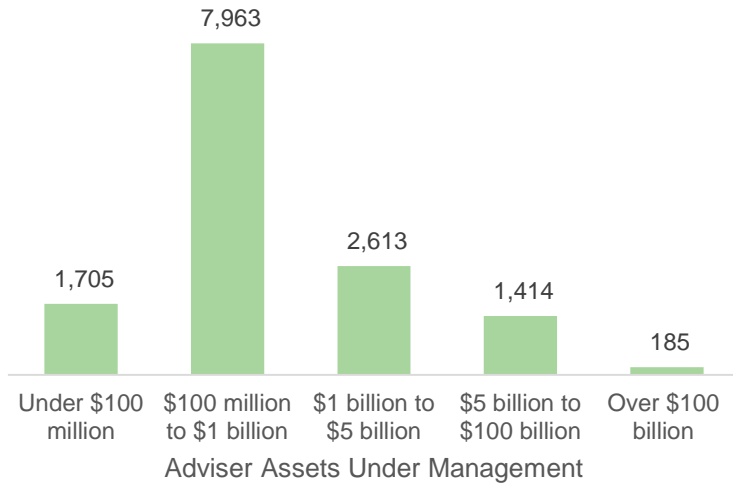


# The Small-Large Divide

2020

## Most Advisers are Smaller . . .

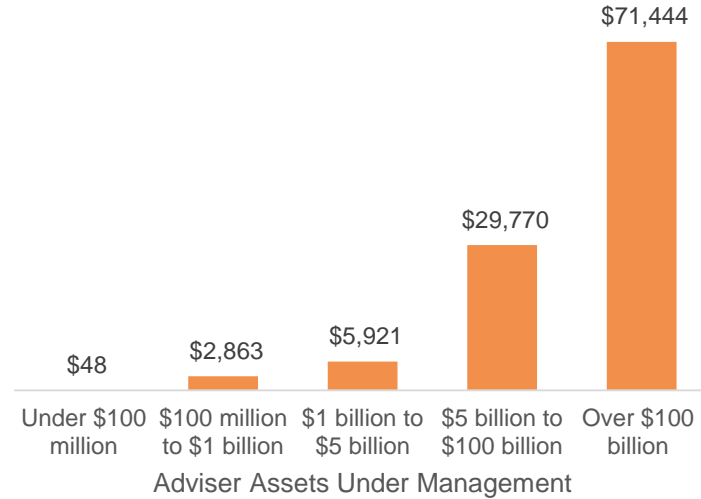
Number of Advisers



## . . . While Larger Firms Manage

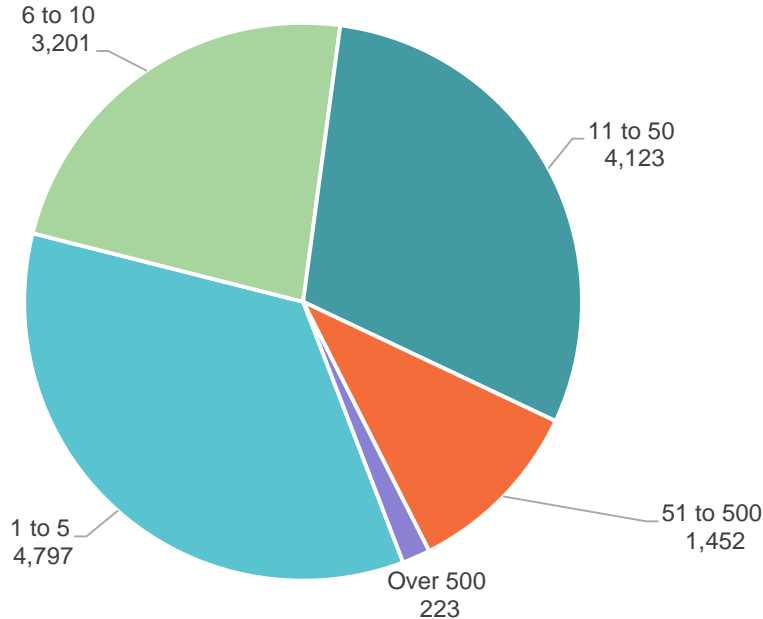
Most of the Assets

Assets, \$ Billions



# Most Advisers are Small Businesses

Number of Adviser by Number of Non-Clerical Employees, 2020



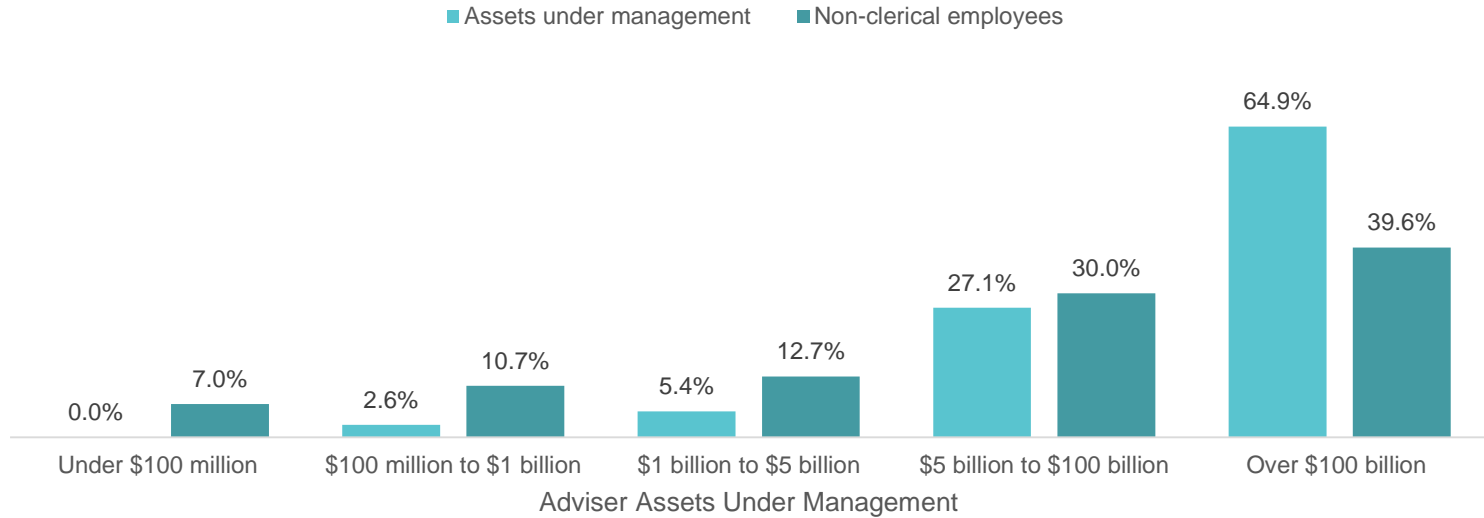
**Over 8 in 10 advisers (87.9%)  
have 50 or fewer employees.**

**The median number of  
employees is 8.**



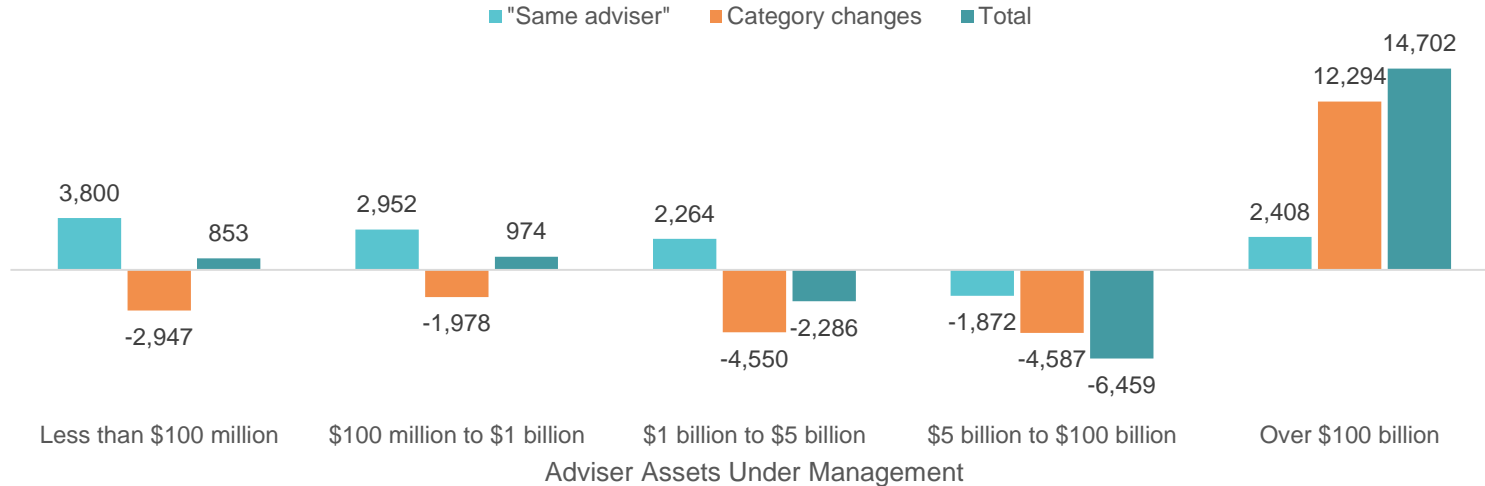
# Smaller Advisers Account for a High Proportion of Employees

Relative to Assets Managed, 2020



# Smaller Advisers Had Stronger Employment Growth

Change in Number of Non-Clerical Employees, 2020



Note: "Same advisers" are advisers that were in the size category at the beginning of the period.

# The Smaller Adviser Landscape is Dynamic

Number of Advisers, 2020

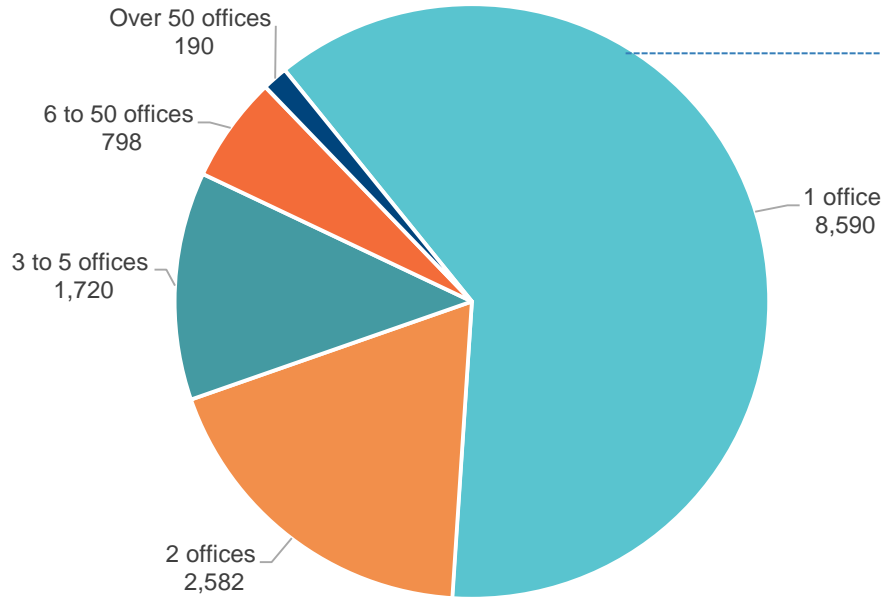
| Adviser Assets Under Management | New | Terminated | Net |
|---------------------------------|-----|------------|-----|
| Less than \$100 million         | 403 | 263        | 140 |
| \$100 million to \$1 billion    | 647 | 363        | 284 |
| \$1 billion to \$5 billion      | 58  | 93         | -35 |
| \$5 billion to \$100 billion    | 22  | 25         | -3  |
| Over \$100 billion              | 2   | 2          | 0   |

**Terminated advisers were approximately 10 years old, on average.**

Note: New and terminated advisers based on comparisons of Form ADV filings as of April 8, 2021, and as of May 25, 2020.

# Most Advisers Have 1 or 2 Offices

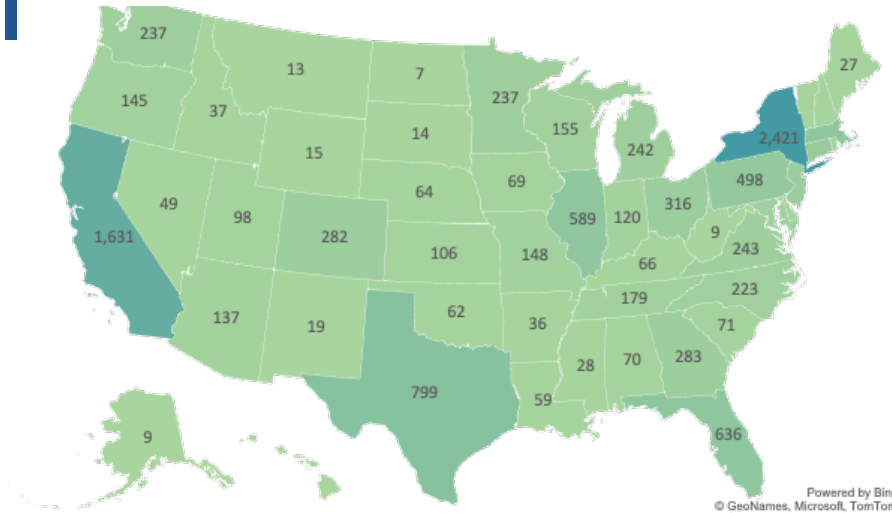
Number of Advisers by Number of Offices, 2020



**The majority of advisers (61.9%) have only 1 office.**

**Over 80% have only 1 or 2 offices.**

# Asset Management is a Main Street Profession



CT 421

DC 59

DE 39

HI 22

MA 602

MD 210

NH 59

NJ 322

PR 28

RI 48

VT 28

# Advisers Focused on Individual Investors are Small

In 2020, 4,634 advisers (33.4%) focused on individual investors.\*

On average, these firms had:

- \$355 million in assets under management
- 9 employees
- 2 offices
- 3,129 individual clients
- 2 institutional clients

Advisers managing assets for individual clients, no pooled vehicle assets, and no more than 10 institutional clients.



# Business Environment for Smaller Advisers

- Competition challenges: scalability, technology/infrastructure, M&A
- Outsourcing: costs and vendor management
- Getting attention from and having leverage over vendors
- Cybersecurity and privacy challenges
- CUSIP and benchmark licensing fees



# Regulatory Considerations for Small Advisers

- Legal definition of small entity for Reg Flex purposes
- Tailor regulations and compliance expectations to objectives of regulations and firms' size and business model
- Consider cumulative impact of regulations and compliance expectations
- Streamline disclosure requirements – Plain English





# Regulatory Challenges

- Use of proxy advisory firms
- Limited access to the bond markets
- Complexity of the Custody Rule
- Cyber/data protection
- E-delivery



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