

How to Draft the New Form ADV Part 2

As any adviser that has begun to draft its new form ADV Part 2 knows, it is no easy task. The requirements for the new disclosure document veer off the well-worn path advisers have tread for years. Transitioning to plain English and enhanced disclosures make this task difficult. To add to this, there are no tested best practices to which advisers can refer to meet their new ADV Part 2 obligations.

To navigate this new territory, Vista360 suggests advisers consider the following 5-step approach in drafting ADV Part 2:

1. Start with a Road Map outlining business practices and conflicts you should disclose. The Road Map linked [here](#) is an excerpt of the full version of the document we use in drafting disclosure brochures for our clients. Organizing your thoughts following this format will:
 - Provide a higher level and more meaningful review of your intended disclosures.
 - Provide an efficient tool for others in the firm to review your disclosures.
 - Provide reasonable assurance that you will not exclude any required disclosures, and will also help organize your disclosures to avoid duplication.
2. Once you've identified the business practices and conflicts you need to disclose, use the Road Map to draft the actual disclosures for your ADV Part 2:
 - Refer to our [Form ADV Part 2A template](#) for assistance in drafting your brochure.
 - Use plain English in drafting the brochure. See our [Plain English Outline](#) for an overview of writing in plain English.
3. Avoid the following temptations:
 - Do not copy and paste all of your existing ADV language into a new template document. Use this strategy sparingly, as many of the items in the new form are not a direct translation of the items in the current form. Although tempting in its relative ease and convenience, this practice could potentially result in: (1) disclosures that are out of place and hard to follow; (2) the accidental exclusion of required disclosures; and (3) a document that does not meet the plain English requirements. Many (if not most) current brochures are not written in plain English, and it is often more time consuming to revise existing verbiage into plain English than simply redrafting, building off the disclosures identified in your Road Map.
 - Do not copy and paste extensive sections of your prospectus or private fund offering memorandums into your brochure. We recommend you include concepts from these documents into the Part 2 brochure as appropriate and liberally refer investors/shareholders to these documents. Copying entire sections will bog down the document and will not provide justice to the disclosure.

4. Remember the following helpful guidance from the SEC:
 - Your brochure should be concise and direct. Avoid stating what business practices in which you *may* engage; rather, indicate you engage in a practice with regard to some (but not all) types of clients.
 - Do not include so much information that the required information is obscured.
 - The point of this disclosure is to satisfy your fiduciary duty to your clients by providing them with sufficient information about your business practices and conflicts of interest. You may have to disclose information not specifically required by the new ADV Part 2 (such as your valuation practices); while drafting, always be considering what material conflicts of interest are present in your firm.

5. Give yourself time!! Start this process now, allowing sufficient time for others in the firm to review.

Please contact us if you would like to discuss how we may assist in drafting your ADV Part 2.