



Special Alert

January 6, 2021

OCIE Risk Alert: Observations from Examinations of Broker-Dealers and Investment Advisers: Large Trader Obligations



On Dec. 16, 2020 OCIE issued a new Risk Alert focused on the compliance efforts of investment advisers and broker-dealers regarding Rule 13h-1 (the Rule). The Rule was enacted in order to help the SEC identify market participants that conduct significant amounts of trading activity in national market system (NMS) securities. Generally, NMS securities are exchange-listed equity securities and standardized options. The Rule requires that entities and individuals, including investment advisers, whose transactions in NMS securities reach either the daily or monthly threshold (2 million shares or \$20 million in a calendar day or \$200 million or 20 million shares in a calendar month), self-identify as Large Traders through the filing of Form 13H.

This Dinsmore Compliance Services Alert focuses upon OCIE's observations relating to investment advisers and does not address OCIE's observations relating to broker-dealers.

[NEXT](#)

In the Risk Alert, OCIE notes that investment advisers that transact in NMS securities should ensure their compliance policies and procedures appropriately address the following:

- Identifying situations that could lead the adviser to become a Large Trader, such as entering into a new discretionary client agreement which may meet the activity thresholds of the Rule. In addition, while not referenced by OCIE, advisers should also be alert to trading activity relating to model rebalances or other adviser-wide trading activity in NMS Securities. While such trading may be infrequent, such trading may reach the trading volume triggers described above.
- Timely filing of Form 13H, both annually and for any ongoing amendments, where needed.
- Ensuring that at the end of a calendar quarter, amendments to Form 13H are made if any of the information contained within becomes inaccurate. The information subject to update in Form 13H includes the following:
 - The list of broker-dealers effecting transactions in NMS securities by the investment adviser; and
 - The investment adviser's affiliates.
- Providing notice to any broker-dealers through which the investment adviser effects trades of its Large Trader Status.

LINK:

<https://www.sec.gov/ocie/announcements/risk-alert-large-trader-13h><https://www.sec.gov/ocie/announcements/risk-alert-large-trader-13h>

Questions? Contact the DCS Team

Dinsmore Compliance Services (DCS), an affiliate of Dinsmore & Shohl LLP, offers compliance solutions for investment managers and municipal advisers. DCS will help you develop and maintain high-quality compliance programs customized to your particular business demands and operational realities. We offer these services, all as an affiliate of a coast-to-coast, full-service law firm.

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