



COMPLIANCE UPDATE

Position Titles for Employees of Registered Investment Advisers

Investment advisers often have questions about what titles can be given to employees or used on business cards and whether there are any prohibited titles that may not be used. We have put together this fact sheet to address items firms may want to consider regarding position titles for certain employees.

Organizational Structure

The organizing documents of your firm should establish certain legal roles and titles within your organization. Here are some standard organizational titles:

- Corporation – President; Vice President; Chief Financial Officer; Chief Executive Officer; Secretary
- LLC – Manager; Member; Managing Member
- Other Titles – Director; Principal; Chief Compliance Officer

Note: Generally, officers should be using titles consistent with their organizational structure as certain states do not permit officers to use titles that are not applicable to the firm's structure. We often see these roles confused, with officers using titles applicable to the wrong organizational structure, such as President of a Limited Liability Company (LLC) or Partner of a Corporation or LLC. However, it may be argued that according to some state laws, other titles can be used if specified in writing in the organization's formation documents.

Individuals Providing Advice

There is great latitude in the titles that can be used for individuals providing advice. One title that may not be used, however, is Registered Investment Adviser, which describes the firm itself, not the individual. Of course, this prohibition does not apply when the individual *is* the firm, in the case of sole proprietors.

Suggested Titles:

- Investment Adviser Representative (IAR); Portfolio Manager; Financial Adviser; Financial Consultant; Investment Analyst

Solicitors & Marketing Persons

Titles for solicitors and individuals with marketing responsibilities can be problematic. Some state securities regulators require solicitors to be registered as IARs, while others make a distinction and allow exceptions to registration and/or examination requirements. Advisers should not give employees a title that implies they provide investment advice to clients if they in fact do not provide advice, as

this may trigger licensing requirements.

Suggested Titles:

- Solicitor; Business Development; Client Relationship Manager; Marketing Specialist

Other Considerations

- Advisers should be careful when using titles such as Director or Manager for employees who do not have management authority or control over the firm, as regulators may question whether these persons are “Control Persons” who would need to be reported on Form ADV.
- Regulators are increasingly focusing on titles or designations that imply specific expertise or specialization, such as titles mentioning senior citizens. Be sure you have documentation to support the legitimacy of the employee’s specialized knowledge and the credibility of the organization granting any credentials you tout. The NASAA has a model rule (www.nasaa.org/content/Files/Senior_Model_Rule_Adopted.pdf) regarding senior-specific designations, and some states have adopted the model rule or similar regulations.

For inquiries regarding specific titles, please contact:

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