

A background image showing a close-up of a person's hands writing on a document with a pen. In the background, another person is holding a tablet. The scene is set in a professional office environment with soft lighting.

BerryDunn's Financial Practice Group works closely with clients to help ensure compliance with the rules and regulations that inform SEC special reporting, including Rule 206(4)-2 of the Investment Advisers Act of 1940 (the Custody Rule). We understand and follow the strict procedures necessary to evaluate and help ensure the adequacy of each client's fiduciary processes and controls.

BerryDunn is inspected and registered with the Public Company Accounting Oversight Board (PCAOB).

We perform an independent verification of client funds of which an investment adviser has custody. Surprise examinations are performed without prior notice or announcement to the investment adviser, at irregular intervals each year.

GAIN INSIGHT

The Custody Rule provides that it is a fraudulent, deceptive, or manipulative act, practice, or course of business within the meaning of Section 206(4)-2 of the Act for an investment adviser to have custody of client funds or securities unless:

- The qualified custodian maintains those funds in a separate account for each client under the client's name or in an account that contains only the client's funds under the investment adviser's name as agent or trustee for the client.
- Clients are notified promptly in writing of the qualified custodian's name, address, and the manner in which the funds are maintained.
- The investment adviser has a reasonable basis to believe the qualified custodian sends account statements at least quarterly to clients for which the investment adviser maintains funds or the investment adviser sends quarterly account statements to those clients and an independent public accountant verifies all the funds and securities by surprise examination once during each calendar year.

WHY BERRYDUNN?

With a comprehensive suite of audit and tax services, BerryDunn provides deep knowledge of complex regulatory and fiduciary obligations. As part of a surprise examination, we obtain a listing of all clients the investment adviser has custody of and perform various procedures such as:

- Reading contract provisions with qualified custodians
- Confirming balances with the qualified custodians and clients of the investment adviser as of date chosen at random
- Reviewing reconciliations of cash and securities from qualified custodians to books and records of investment advisers
- Filing a certificate on Form ADV-E with the Commission within 120 days of date chosen, stating that we have examined the funds and securities and describing the nature and extent of the examination

GAIN UNDERSTANDING

The independent verification procedures must be performed by an independent public accounting firm that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

DEFINITIONS

Custody: holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. An entity is considered to have custody if a related person holds, directly or indirectly, client funds or securities, or has any authority to obtain possession of them, in connection with advisory services provided to clients.

Related person: Any person, directly or indirectly, controlling or controlled by the entity, and any person that is under common control with the entity.



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With offices and employees located in 30+ states—
wherever you are based, we look forward to working together.

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