

Separate and Wrap Accounts

US separate accounts offer individualised account management and may be offered as part of a wrap fee program. The client is the sole owner of the separate account (that is, there is no pooling). Institutional separate accounts typically charge a fee only for advisory services; in a wrap account, the customer pays one fee for advisory and brokerage services. US separate accounts are regulated solely as advisory accounts under the Investment Advisers Act of 1940 (“Advisers Act”).

Investor Profile

- Any investor can generally invest, although minimum account size for institutional separate accounts can be quite high.
- Wrap accounts are targeted to individual investors and separate accounts are targeted to institutions and high-net-worth individuals and have a high level of customisation.
- Wrap account minimums are generally lower.
- No limit on the number of clients.
- 401(k), other retirement plans and employee benefit plans can invest in the fund, subject to ERISA Plan Asset Rules.

Regulatory Reporting Requirements

- Generally, an investment adviser must provide each advisory and prospective advisory client with a written disclosure statement, which may be a copy of Part II of its Form ADV or with a written document containing at least the information required by Part II of its Form ADV.
- Sponsors of wrap fee programs are required to give each client and prospective client a written disclosure statement that contains at least the information that is required by Schedule H of Form ADV.
- There is no SEC reporting related to separate accounts.

Distribution, Advertising and Promotion

- Marketing materials used by registered investment advisers are governed by the requirements under the Advisers Act.
- Sponsors of wrap fee programs are usually broker-dealers; therefore, the marketing materials they use are regulated by FINRA conduct rules.

Fund Launch Timeline and Organiser Requirements

- There are no regulatory requirements for a registered investment adviser to launch a separate account.

- The only necessary document for the account is a management agreement.
- It can be expected that negotiation of fees, objectives, and custody could take a substantial amount of time.

Fund Operational Organisation Structure

- There is no board of directors/trustees. Terms of the relationship are established by account management agreement.

Initial and Ongoing Costs

- Costs are generally considered low, relative to registered funds.

Fees and Fee Limitations

- Separate and wrap accounts have great flexibility with respect to advisory fees charged to clients.
- Advisers can tailor fees to different clients, although different fee structures may need to be disclosed in the adviser's Form ADV.

Taxation

- Separate accounts have no tax (or legal) existence apart from their owners.

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