



Compliance Alert 2021-03

To: All PCS Registered Representatives, Support Staff, Home Office Personnel
Date: August 12, 2021
Re: **Alternative Investments**

Private Client Services (PCS) is issuing this Compliance Alert to provide guidance related to transactions and holding of alternative investments, specifically private placements, and other non-traded investments.

The PCS Written Supervisory Procedures and Representative Compliance Manual have been updated with new language. This is not an update to firm policy but has been added to provide clearer guidance related to these transactions:

This broker dealer is currently limiting any participation by registered representatives in private placements to pre-approved 1031 and REIT transactions. Any Private Placement must receive pre-approval from the Compliance Department prior to any application being completed.

The pre-approval requirement applies to new purchases as well as any additions to current positions held within an account through PCS. Pre-approvals are limited in size, purpose and to other special situations when deemed appropriate by the Compliance Department.

Private Placement alternative investments carry a much higher level of risk to investors and require a much higher level of review prior to approval. Additionally, broker dealers have seen a much greater number of customer complaints and class action litigation related to these types of investments. PCS has always had a very conservative view of these types of investments and has only ever allowed transactions in private placements on an exception basis. PCS has no desire or intention of actively participating in these investments, and as such does not approve or allow any active retail communication (advertising) or solicitation of these investments.

PCS has made a policy change related to the transfer of previously held alternative investments into a brokerage account held through Pershing LLC. Historically PCS has approved these investments to be moved via ACAT transfer into a brokerage account, however these investments will no longer be accepted into brokerage account held at Pershing LLC. This policy change is designed to limit exposure to these holdings as well as any future litigation and customer complaint activity.

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If you have a customer who holds assets at another broker dealer and wishes to move those assets to PCS, and some of those assets are alternative investments, then the account will have to be moved via a Partial ACAT or non-ACAT transfer*, and the alternative investments will need to either remain at the prior firm or be moved to the issuer if possible. If you submit a full ACAT transfer for this account it will be rejected, which means none of the assets will transfer.

Please note that this policy change also relates to the onboarding of new registered person's customer accounts and should be communicated during the onboarding process for any representative who has alternative investment holdings.

For customer accounts that currently have alternative investment holdings, the holdings can remain within the current brokerage account, but no additional holdings or contributions may be made to the account.

For further reference please see the Private Placements – Unregistered Securities section of the Compliance Manual located on the Advisor Resource Center or contact the Compliance Department compliance@pcsbd.net.

*Representative is responsible for any fees related to non-ACAT transfers.

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