

MEETING REGULATOR REQUIREMENTS

How to Demonstrate Supervision,
Evidence Books & Records Across the Business



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| INTRODUCTION

Most financial services firms in business today understand the importance of tailoring and implementing compliance, supervising over policies and procedures designed to protect investors, as well as lowering company risk. However, it is not enough to simply have a solid procedural framework in place.

If your firm cannot demonstrate its supervisory efforts, and provide hard evidence to prove supervisors and the compliance department are meeting their regulatory obligations, firm leaders will likely have a difficult time convincing the regulators that you're meeting your requirements.

The threshold step for firms evaluating their own compliance is conducting a thorough risk analysis by inventorying relevant rules and regulations. Once you know your firm's risks and obligations, you can leverage regulatory technologies created specifically to help you meet those obligations. Today's compliance technology solutions provide a simple, yet extremely effective, means of documenting supervision and compliance efforts.

WHAT'S THE RISK?

The SEC and FINRA routinely call out firms for failing to maintain required records, retaining records that are inaccurate or incomplete, and for general record-keeping inconsistencies.

If you don't take documentation seriously, you run the risk of regulatory action – even if your compliance program is otherwise sound.

Becoming the focus of regulatory scrutiny is not on any firm's list of goals. Even if the infraction seems minor in the grander scheme of things, it can lead to damaging publicity and could potentially impact clients' and third parties' perceptions of your firm.

Negative publicity and potential fines or sanctions aside, having weak or scattered documentation can also make regulatory exams and inquiries more stressful and time-consuming than they need to be, simply because compliance and supervisory staff are forced to scramble, looking for and trying to assemble documentation stored in multiple systems and locations, and often in formats that aren't easily compatible with other books and records documentation.

KNOW YOUR OBLIGATIONS

Each regulator has its own list of required books and records and its own expectations for how firms supervise their associated persons and operations. Before you can conduct a books and records review or supervision risk analysis, you need to know what your obligations are.

As a first step, create an inventory of the rules that apply to your firm's business. What products and services do you offer? For each product and service, go to the applicable regulators' rulebooks to determine what type of documentation you need to maintain.

For some firms, the list of regulators and requirements starts and stops with the SEC. For others, FINRA rules also come into play. Still others are bound to comply with CFTC, OCC, FCA, and other regulatory requirements. Once you understand the targets you need to hit, you can evaluate how well you're meeting your obligations.

BOOKS AND RECORDS OBLIGATIONS CHECKLIST

- ☐ Create inventory of rules for your firm
- ☐ Regulation rulebooks for your products and services
 - ☐ SEC requirements
 - ☐ FINRA requirements
 - ☐ CFTC requirements
 - ☐ OCC requirements
 - ☐ FCA requirements
 - ☐ Other_____

SHOW YOUR WORK— IS YOUR FIRM PREPARED?

If your compliance program is built around excel spreadsheets, homegrown databases, paper records, or some combination of the aforementioned, evidencing compliance with your supervisory obligations and books and records requirements will likely be an uphill battle.

If the regulators ask for documentation of supervisory review of employee certifications for a specific time period or want to see evidence of approval/denial activities for trade

preclearance requests, what will you give them? If you aren't prepared to answer right away or if your answer has been "the spreadsheet on so-and-so's hard drive," it's time to explore how RegTech can help you shore up your supervision and documentation efforts.

Implementing regulatory compliance technology not only helps firms show their work; it also enables real-time report generation for audits and exams.

Is your firm prepared to evidence its compliance and supervisory efforts?

Don't leave the demonstration of your firm's supervisory efforts and books and records compliance to chance – be prepared when the regulators come calling. By understanding your obligations, inventorying your risks, and implementing RegTech to help you automate the supervision and documentation process, you can lower your firm's risk.

THE COMPLYSCI SOLUTION

The ComplySci Platform can help ensure authorized firm personnel always have ready access to the documentation your firm needs, in a format that is clear, user-friendly, and up-to-date.

The ComplySci Platform gives firms a simple, intuitive platform to document supervision and compliance related to a variety of common requirements, including:

- ✓ Periodic certifications
- ✓ Trade surveillance
- ✓ Case management
- ✓ Gifts and entertainment
- ✓ Conflicts of interest
- ✓ Political contributions
- ✓ Best execution
- ✓ Portfolio suitability
- ✓ And more!



ComplySci is a leading provider of technology solutions that help compliance organizations identify, monitor, manage and report on conflicts of interest arising from employee activities, including personal trading, gifts and entertainment, political contributions, outside business affiliations, and other code of ethics violations. Founded in 2003 by early pioneers in the development of automated compliance management solutions, ComplySci is now trusted by over 1,100 customers, including some of the world's largest financial institutions. Compliance Officers rely on ComplySci's scalable and sophisticated platform to stay ahead of risk.

**To learn more about ComplySci,
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