



Holistic Advice Requires 360 Degree Compliance

INVESTEDGE



Jeff Cowley

President at InvestEdge

Jeff has 30 years of experience in information technology and 23 years in the Fintech/Regtech sector. During his career, he has worked closely with investment management firms to help them increase operational efficiency, reduce risk, and optimize the client experience. Jeff has worked 20 years with fiduciary wealth management firms in understanding their investment processes and regulatory obligations to deliver technology solutions that address the firm's critical business issues.



Goals for Today:

- ✓ Refresh our understanding of each of the key regulatory bodies
- ✓ Regulatory trends
- ✓ Discuss what post COVID Compliance may look like and how to prepare for it
- ✓ Understanding of what Holistic Wealth Management is
- ✓ How to build a 360 Degree Compliance Program

Comply

/ kəm-ˈpli / intransitive verb / Latin - complere

To Fulfill, Accomplish, Fully Realize, Finish



The Role of the SEC

The U.S. Securities and Exchange Commission (SEC) has a three-part mission:

- Protect investors
- Maintain fair, orderly, and efficient markets
- Facilitate capital formation



SEC Priorities:

- **Recent COVID-era Experiences**
- **2019 Enforcement Actions**

The Role of FINRA

Provide Investor Protection and Promote Integrity.

FINRA touches virtually every aspect of the U.S. securities business including:

- Provide investor protection and promote market integrity
- Writing rules, examining securities firms and taking action
- Registering, informing and educating
- Bringing transparency
- Administering and resolving securities disputes



FINRA®

FINRA Priorities

Four Enforcement Priorities:

1. Customer restitution
2. Recidivist Brokers
3. Seniors and vulnerable adults
4. Ensuring integrity of markets

FINRA®



The Role of the Dept of Labor

Foster, promote, and develop the welfare of the wage earners, job seekers, and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work-related benefits and rights.



DOL Priorities

- Fiduciary Rule of 2020
- ESG Investing
- Private Equity in Plans
- Proprietary Funds in Plans
- Plan Investment Conflicts
- Open MEP/PEP follow-ups after SECURE Act

The Role of the Office of the Comptroller of the Currency

Ensure national banks and federal savings associations **operate in a safe and sound manner**, provide fair access to financial services, **treat customers fairly**, and **comply** with applicable laws and regulations



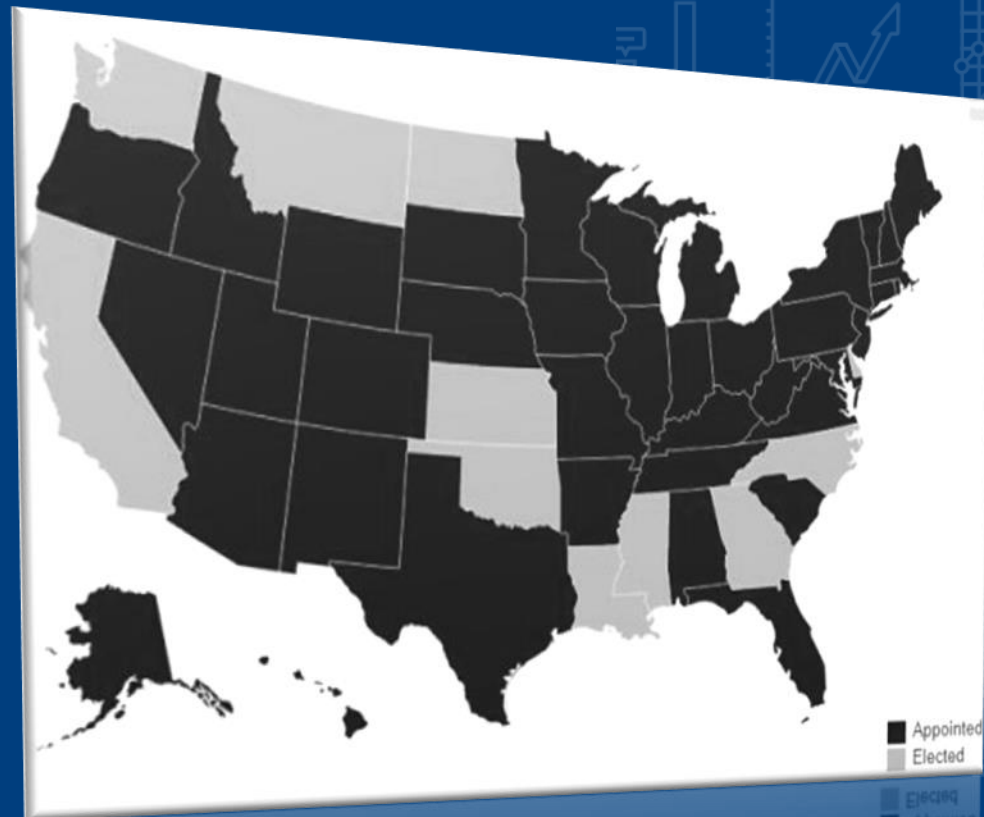
OCC Priorities

- Cybersecurity and operational resiliency
- Bank Secrecy Act/anti-money laundering (BSA/AML) compliance management
- Commercial and retail credit underwriting practices and oversight and control functions
- Impact of changing interest rate outlooks on bank activities and risk exposures
- Preparedness for the current expected credit losses (CECL) account standard, and preparation for the potential phase-out of the London Interbank Offering Rate (LIBOR)
- Technological innovation and implementation





National Association of
Insurance Commissioners



State Insurance Commissioners

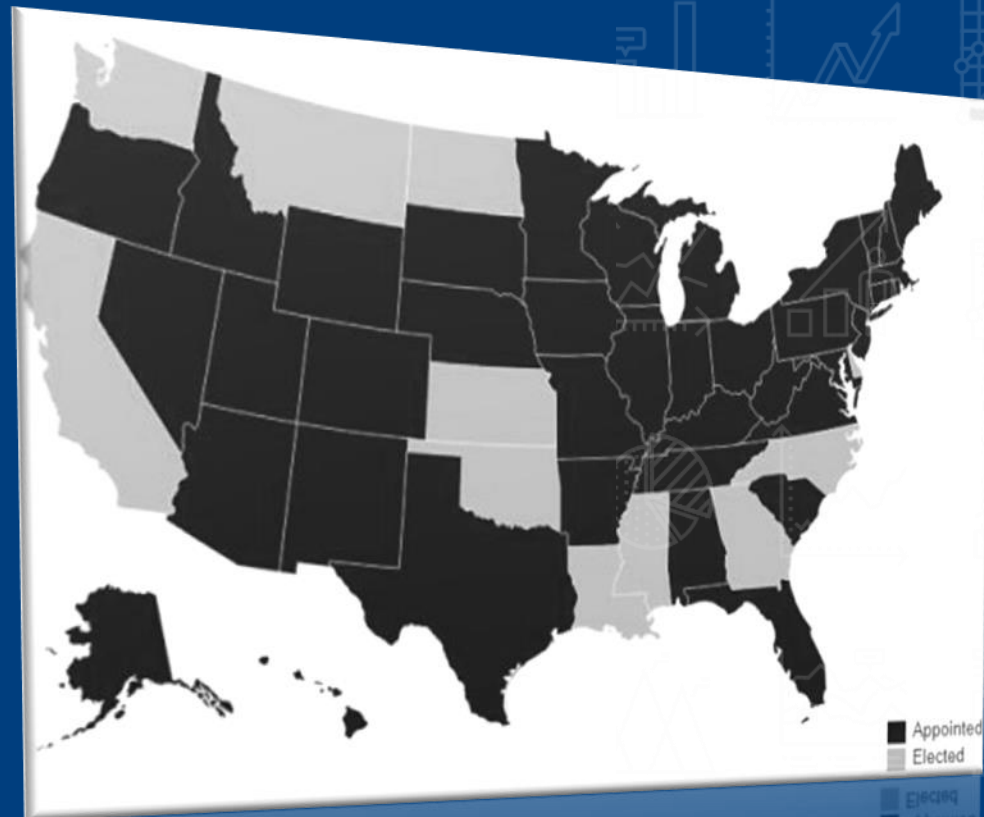
Maintain fair pricing for insurance products, protecting the solvency of insurance companies, preventing unfair practices by insurance companies, and ensuring availability of insurance coverage.



National Association of
Insurance Commissioners



State Insurance Commissioners Priorities



- **2019 launch of 3-year “State Ahead” blueprint**
- **Focused activities:**
 - Licensing uniformity
 - Long-term care insurance
 - Annuity Suitability
 - Health Insurance market stability
 - Cybersecurity

State Securities Administrators

HOW NASAA MEMBERS SERVE & PROTECT INVESTORS

Investigate investor complaints and potential cases of investment fraud

Enforce state securities laws

Examine brokerage and investment adviser firms to ensure compliance

Educate investors about their rights and providing the tools and knowledge they need to make informed financial decisions

Advocate passage of strong, sensible, and consistent state securities laws and regulations



State Securities Administrators Priorities

Arbitration Project Group continues to study the complex problem of unpaid arbitrations.

Investment Products and Services Project Group finalized the report of its survey of sales practices regarding leveraged and inverse ETFs.

NEMO & Operations Project Group focused on developing NEMO 2.0.

Market and Regulatory Policy and Review Project Group published the report on its errors and omissions insurance survey.

Variable Annuities Project Group coordinated with the NEMO & Operations Project Group to develop training.

Continuing Education Project Group continued working with FINRA, the SEC and other stakeholders on the CE Council's changes.



State Fiduciary Landscape

Connecticut

Enforceable
June 2017

New York

Enforceable
July 2018

Maryland

Introduced
in February
2020

Massachusetts

Enforceable
Sept. 2020

Iowa/Arizona

Best Interest
Standard for
sale of
annuities
enforceable in
January 2021

Nevada

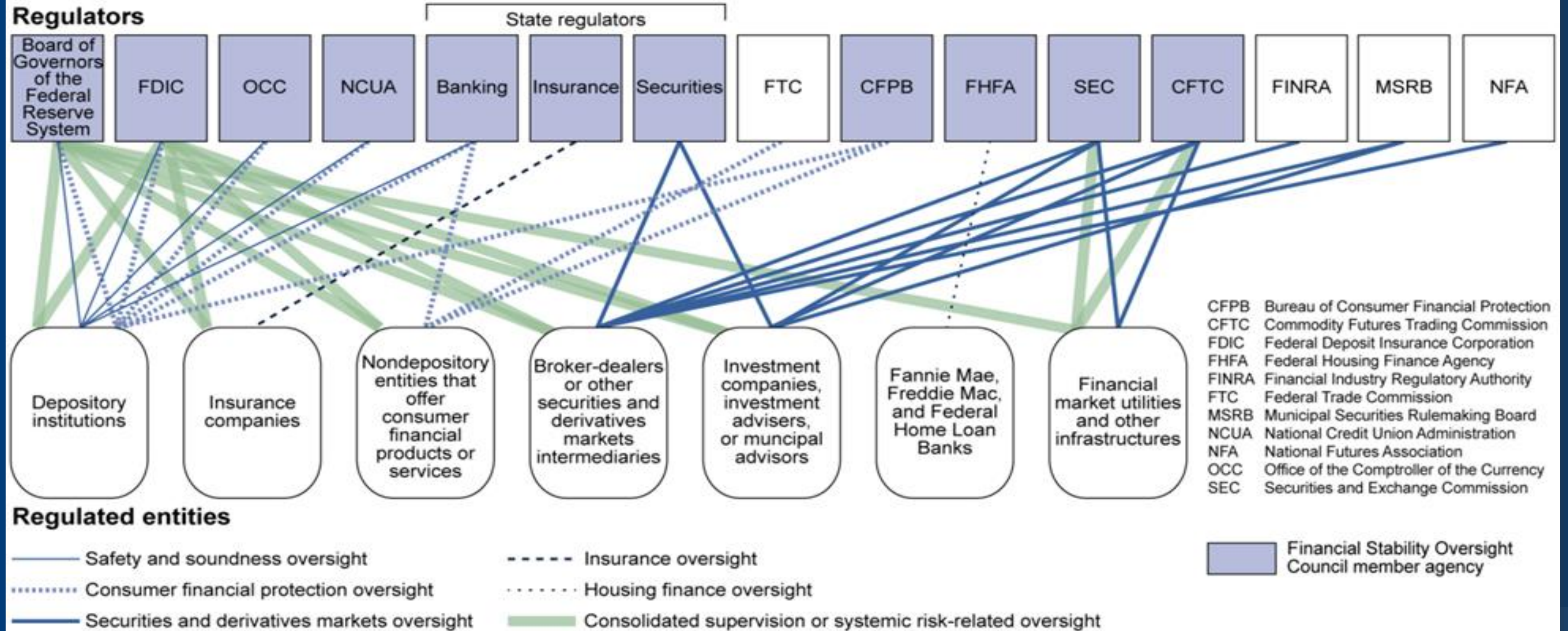
Explicit Fiduciary
duty with
explicit private
action comment
period ended.
Still awaiting
finalization.

New Jersey

In proposed
status. Final
publication on
hold due to
COVID.

“Overlap, Duplication, Fragmentation”

U.S. Financial Regulatory Structure, 2016



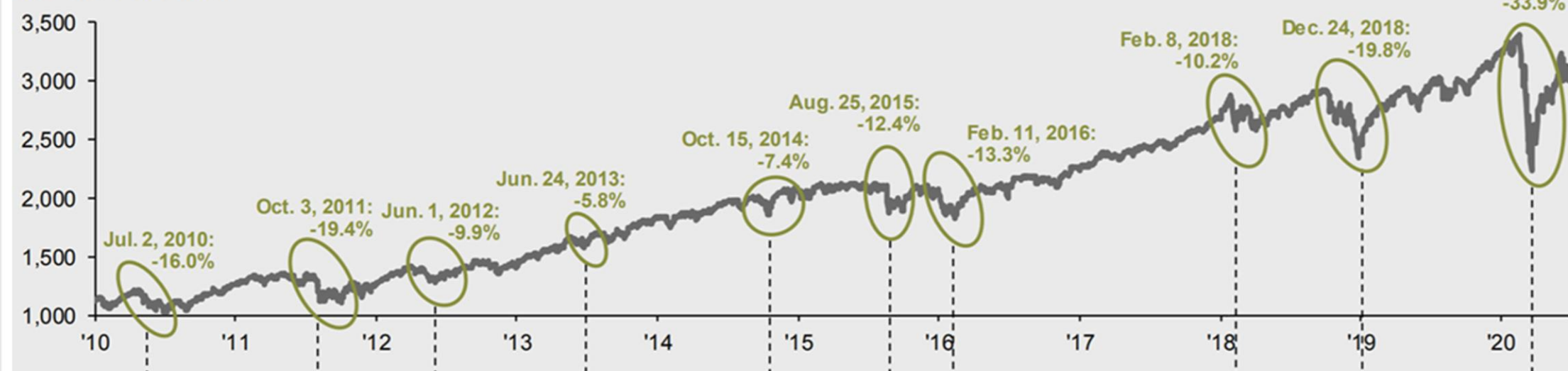
Source: GAO. | GAO-16-175

Note: This figure depicts the primary regulators in the U.S. financial regulatory structure, as well as their primary oversight responsibilities. “Regulators” generally refers to entities that have rulemaking, supervisory, and enforcement authorities over financial institutions or entities. There are additional agencies involved in regulating the financial markets and there may be other possible regulatory connections than those depicted in this figure.

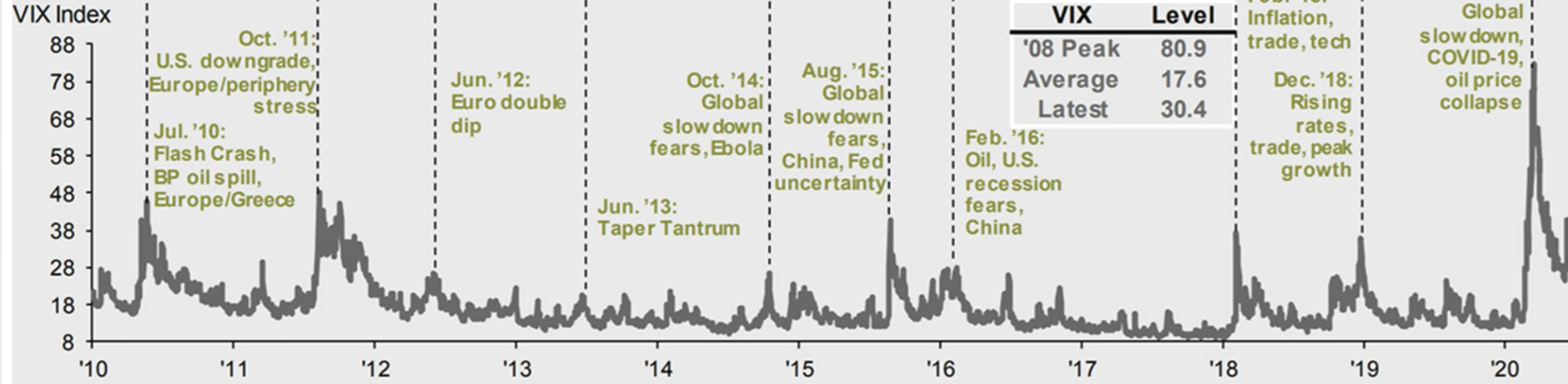
Current Investor Challenges

Major pullbacks since the Financial Crisis

S&P 500 Price index



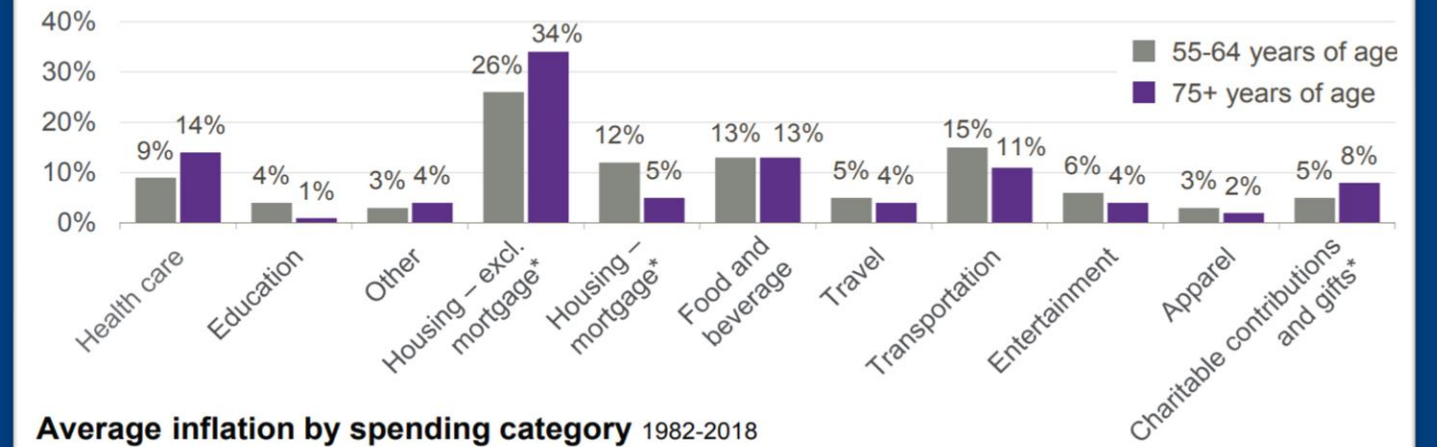
Volatility



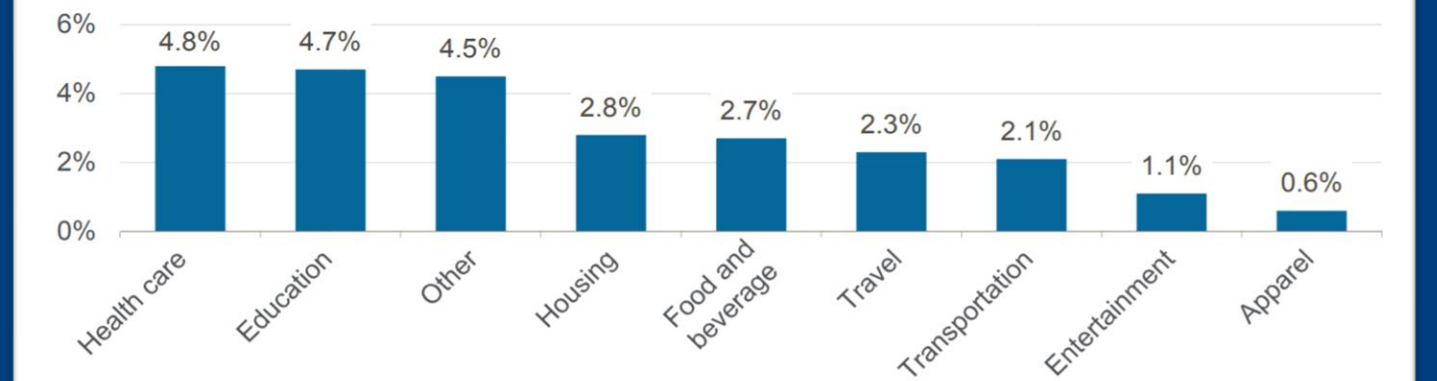
VIX	Level
'08 Peak	80.9
Average	17.6
Latest	30.4

Source: CBOE, FactSet, Standard & Poor's, J.P. Morgan Asset Management. Drawdowns are calculated as the prior peak to the lowest point. Guide to the Markets - U.S. Data are as of June 30, 2020.

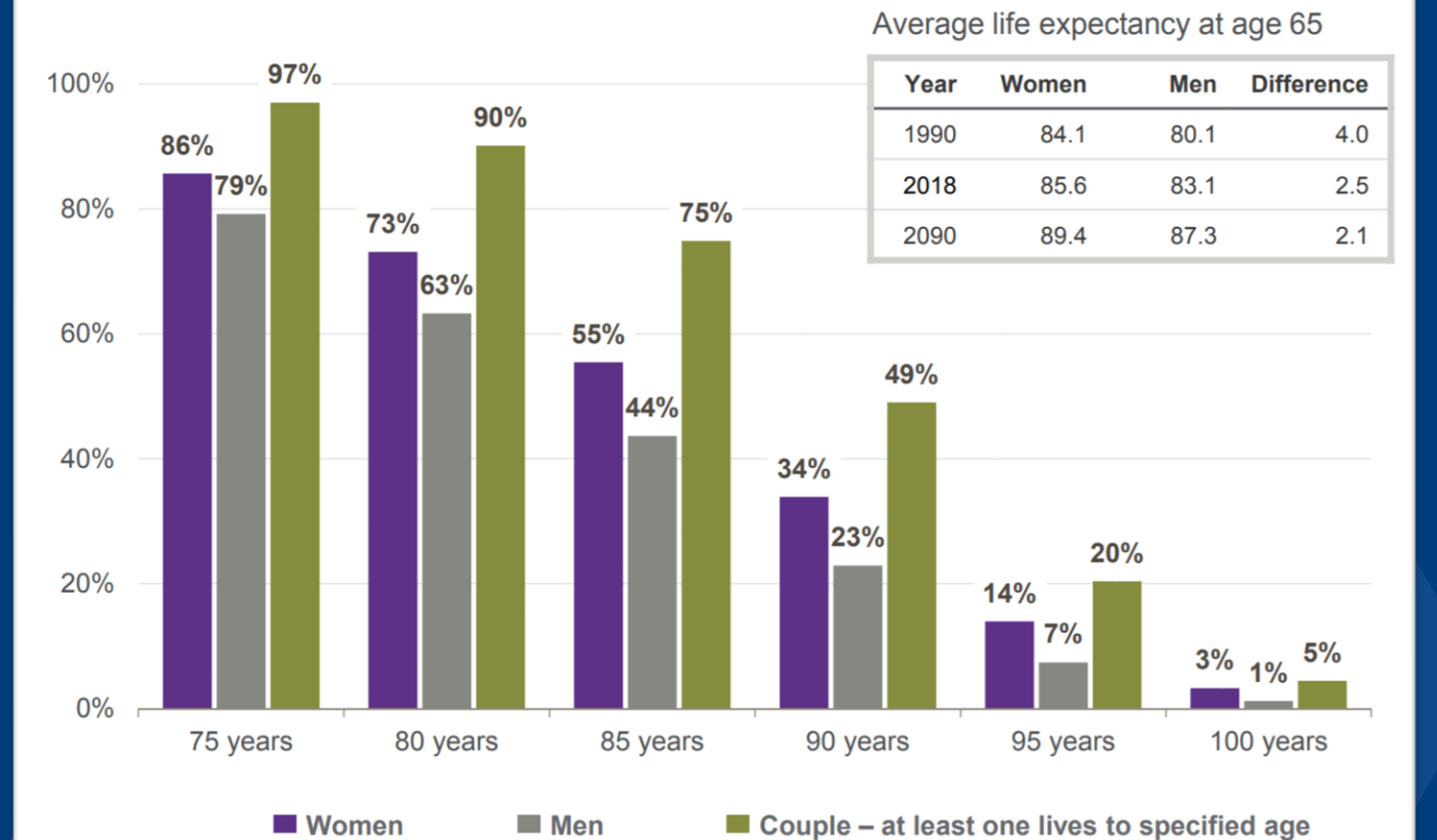
Spending by age and category



Average inflation by spending category 1982-2018



If you're 65 today, the probability of living to a specific age or beyond



Average life expectancy at age 65

Year	Women	Men	Difference
1990	84.1	80.1	4.0
2018	85.6	83.1	2.5
2090	89.4	87.3	2.1

What is Holistic Advice?

Websters definition: "relating to or concerned with wholes or complete systems rather than with the analysis of, treatment of, or dissection into parts"

- Care, skill, diligence, and prudence in the delivery of financial advice
- Multi-faceted capabilities focused on the investors complete financial picture and outcome
- Tailored product solutions
- Flexible advice models

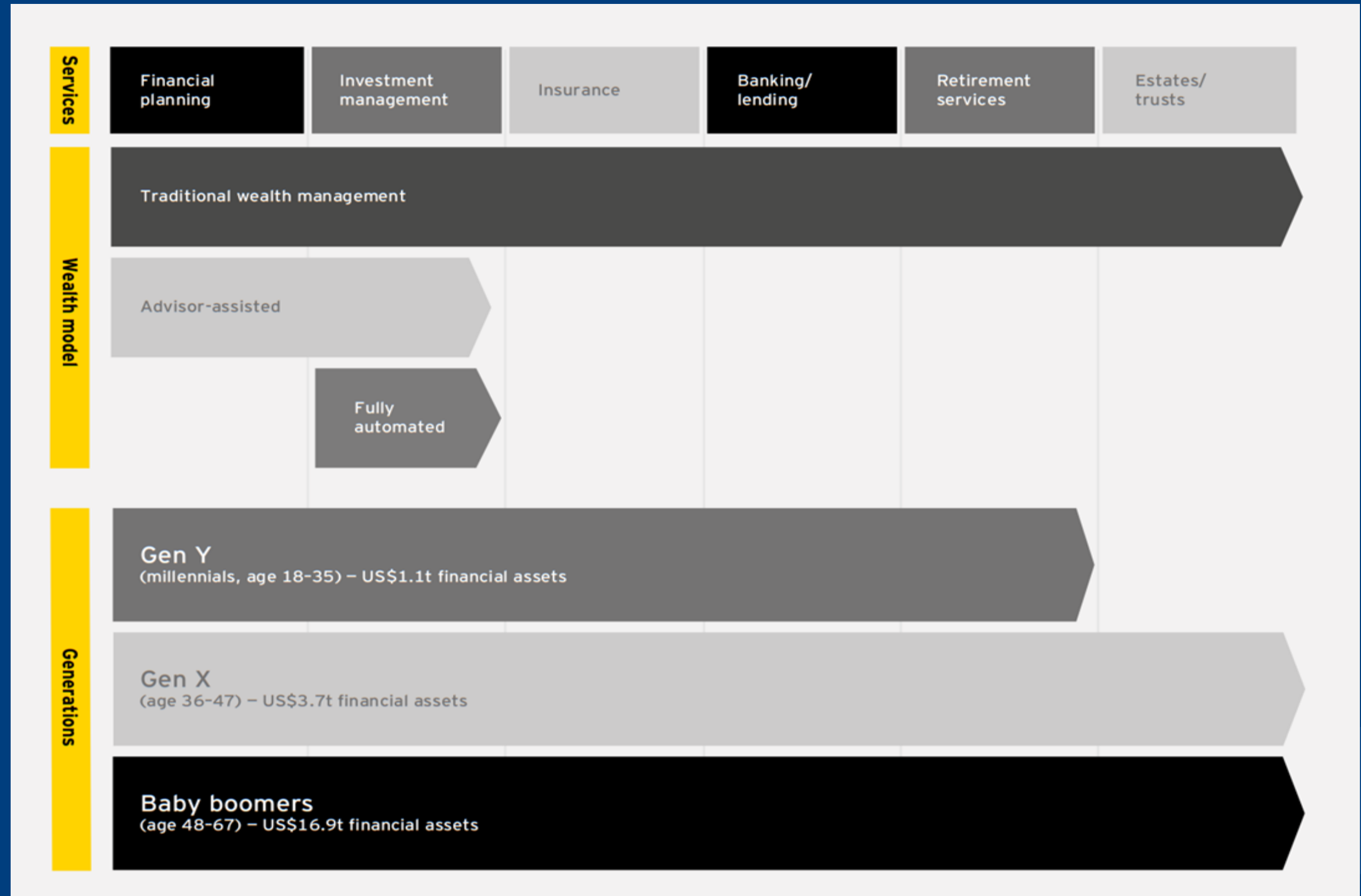
Holistic Wealth Management Is Good Business

**Greater
Wallet Share**

Greater Retention

**Greater
Profitability**

Position yourself to capture
the next generation of wealth.





Holistic Wealth Management Requires Integrated Risk Management

AKA “360 Degree Compliance”



Core Competencies of a 360 Degree Compliance Program

1. End to End visibility
2. Broad and deep data sets
3. Access to Asset and Liability data
4. Client facing co-planning and self-service integration
5. Frictionless and Integrated Advisor-Facing experience
6. Product and Service Agnostic Delivery
7. Proof points to the client



Compliance Technology Innovation

True Workflow Automation

- Support the compliance workflow and case management across users in the front, middle, and back office
- Flexible and sophisticated rules engine to surveil transactions and monitor accounts
- 360-degree view of risk and alerts across the firm
- Management reporting and artifacts designed to reduce the cost around examinations

View / Modify Account Review

Jane Goodman TUA 434444006

Assignee: Review Type: Investment Review Status: Active

Account Type: Regular Account Creation Date: 08/07/2017 Duration: 3 Month

Market Value: \$7,960,896.59 Due Date: 11/01/2018

Alerts (3/6) Comments (10) Exceptions Reports (0) Status

All Alert Statuses Status

Equity Asset Concentration Active 08/08/2013

Real Estate Holdings Active 06/13/2014

Specialty Asset /Unique Assets Active 10/03/2014

Investment Grade Bonds Reviewed 10/28/2013

Bank Stock Reviewed 08/08/2013

Non Approved Reviewed 08/06/2013

Alert Information

Alert Name: Specialty Asset /Unique Assets

Alert Description: Specialty Assets

Alert Scope: Global

Severity: 50

Date Triggered: 10/03/2014 (1277 days ago)

Date Closed:

Reviewer Information (Not yet completed)

Date Updated:

Updated By:

Current Status: Active

Account holds specialty assets and requires unique asset review[MTG002002][RE0002007][097875009]

Workload 3 item(s) selected Update Assignee All Due Dates

User	Reviews			Alerts			Assigned Alerts			Review RAG Status			Alert RAG Status		
	Total	Active	Rejected	Total	Active	Rejected	Total	Active	Rejected	R	A	G	R	A	G
Retirement Account...	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Duffy, Rob	5	4	1	24	24	0	4	4	0	0	0	0	0	0	0
Fritz, David	17	17	0	40	40	0	7	7	0	14	0	0	0	0	0

Search Tools - Reviews

Reviews Fritz, David (Me) - All Review Periods - All Review Types - All Review Status... Search

Account Info			Review Info						Alerts			Actions		
Number	Name	Market Val	Type	Groups	Status	Due Date	Assignee	Σ	✓	⚠	V	M	□	
PM-AGG1	Aggressive Mod...	\$1,100,002	Rep as PM	3	Active	2018-11-19	Fritz, David	3	3	0	👁	🔍	🗑	
PM-AGG2	Aggressive Mod...	\$1,290,863	Rep as PM	3	Active	2018-11-19	Fritz, David	3	3	0	👁	🔍	🗑	
PM-AGG3	Aggressive Mod...	\$931,423	Rep as PM	3	Active	2018-11-19	Fritz, David	3	3	0	👁	🔍	🗑	
16025	Alice@bell	\$4,149,968	RT12	2 0 0	Active	2018-08-16	Fritz, David	2	2	0	👁	🔍	🗑	
CAP1113008	Allen Inc	\$15,784,746	DL	1 1 0	Accepted	2018-07-25	Fritz, David	2	0	0	👁	🔍	🗑	
CAP1113008	Allen Inc	\$15,784,746	RT12	1 0 0	Active	2018-08-16	Fritz, David	1	1	0	👁	🔍	🗑	
16002	Allen Price	\$6,224,141	RT12	1 0 0	Active	2018-08-16	Fritz, David	1	1	0	👁	🔍	🗑	
18024	Allison Barton	\$2,520,972	RT12	1 0 0	Active	2018-08-16	Fritz, David	1	1	0	👁	🔍	🗑	
12001	Amelia Procter	\$20,315,468	RT12	1 0 0	Active	2018-08-16	Fritz, David	1	1	0	👁	🔍	🗑	

Showing 1 - 23 of 23 Reviews.

Move to Working Set