

Why You Need To Document Your Compliance (And How To Do It)

Advisors wince at the prospect of an SEC or FINRA exam. The fear of the unknown is part of the apprehension. What will they look for? What if they find something? And how do we know we're in compliance?

While you can't foresee what aspect of your firm's work the regulators may choose to audit, you can be sure that your exam will begin with a document request.

The documentation and records that you keep on your firm's activities are how you know you're in compliance. And perhaps even more crucially, that paperwork is how the SEC or FINRA knows you're in compliance.

The best time to ensure your documentation is in place is before the regulators ever knock on your door. Here's how to keep your documentation in order all year round.

Educate Your Team

Your Chief Compliance Officer - or the person given that responsibility - cannot be the only person in the firm who's responsible for documenting compliance efforts. Each of your colleagues touches work that must be recorded. From their personal trading records to interactions with clients, every employee has a role in creating and maintaining compliance-related documentation.

That's why a robust compliance program begins with education. Your team must be up-to-date on what paperwork is required by regulators.

CCOs can create training modules and quizzes to test the entire team on various aspects of regulatory compliance. Running skills and drills with your team ensures everyone in your organization is aware of these documentation requirements.

Regularly Audit Your Policies and Procedures

For CCOs, it's not just about testing your team. You should be regularly testing

yourself, too. That includes internal audits of your existing policies and procedures.

Start by setting dates in your calendar to review your written compliance policies quarterly.

The SEC and FINRA regularly release risk alerts and make policy updates. Each review session of your documentation should occur with an eye toward the latest information from regulatory agencies.

Is there something the SEC or FINRA has highlighted in a recent risk alert that you notice is lacking in your documentation? It's not enough to say you're committed to improving in that area—you need to update your written policies to create a more robust framework around those areas of concern.

Once you've updated your policies and procedures, it's time to highlight those changes with your team. Any time you update your operations, run drills to get everyone up to speed.

Select the Right Compliance Tool To Maintain Your Records

Staying up-to-date on your firm's paperwork and the latest regulatory expectations can be demanding. A comprehensive compliance tool can help CCOs automate certain processes and prevent tasks from falling through the cracks.

A robust compliance tool is designed to:

- Create a secure, shared space for your entire team to access policy and procedure documents.
- Track each team member's individual paperwork around items including personal trading, gifts and entertainment, and client management.
- Establish shared checklists so the whole team has visibility into the status of compliance-related projects.
- Share risk alerts from regulatory bodies, so everyone is up on the latest expectations.
- Build out a compliance calendar to ensure the team is working toward hitting all filing deadlines.

With all this information in one secure tool, CCOs know precisely where to go if and when a document request arrives from the SEC or FINRA. There is no last-

minute scramble to hunt down paperwork stored on hard drives, in file cabinets around the office, or in folders at home.

An advanced compliance tool can eliminate some of the anxiety firm leadership feels around an exam request. While it's impossible to know when one will come, knowing that your documentation is ready and waiting to meet any regulatory request provides peace of mind.

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