NCCI CONSULTING

Compliance and Procedures Manuals: Create, Review, and Update

Compliance

Broker Dealer Written Supervisory Procedures Manual

Every Broker-Dealer must develop and maintain written procedures that define the supervisory process the firm implements to comply with the securities rules and regulations of the SEC, NASD, MSRB and state(s). This compendium is known as the firm's "Written Supervisory Procedures" manual, and it must be tailored to the firm, its products, offices and supervisory personnel.

The Written Supervisory Procedures manual is a guidebook for use by supervisory personnel in performing their supervisory functions. In addition to a description of what a firm is required to do, it further defines "Who" does "What", "When" something is to be done, and "How" it is evidenced that is has been done.

The manual is not a static document. NASD rules require someone review the manual and the firm's supervisory system to determine that the system in place is still accurate and adequate, and to recommend changes as appropriate. The manual must address the business the firm conducts - no more, no less. The regulators require the firm to perform according to the conduct described in its written supervisory procedures manual. As such, the firm's manual must be specific to the firm.

NCCI reviews and revises Written Supervisory Procedures manuals to include the most current rule requirements and related procedures. We produce manuals in a "Who" does "What "When" and "How" format for easy reference and simple use. And, because of the overall structure, our manuals are easily amended when necessary.

If you need your first Written Supervisory Procedures Manual as part of your Broker-Dealer application, a new Written Supervisory Procedures manual to replace your outdated one, or specific section, NCCI offers an excellent product.

Investment Advisor Compliance Guide

The compliance manual is a guidebook for use by supervisory personnel in attempting to assure compliance with the requirements of the Investment Advisors Act of 1940, the rules and regulations arising from the Act, as well as relevant state regulations. In addition to a brief description of what a firm is required to, it further defines "Who" does "What", "When" something is to be done, and "How" you evidence you have done it.

NCCI creates, reviews and revises Compliance manuals to include the most current rule requirements and related procedures. We produce manuals in a "Who" does "What "When" and "How" format for easy reference and simple use. And, because of the overall structure, our manuals are easily amended when necessary.

If you require a Compliance Manual as part of your Investment Advisor application, NCCI offers an excellent product— complete, current, easily used, easily understood, and easily amended.

Every Investment Advisor must develop and maintain written procedures that define the supervisory process the firm implements to assure compliance regarding:

- Acting on Insider Information
- Chinese Wall procedures, if applicable
- Trade allocation
- Monitoring personal securities transactions
- Pricing and valuation procedures
- Proxy voting procedures, if applicable
- Procedures to follow in the event of errors

Your firm may elect to define and implement a compliance system beyond the minimums required. Since your firm must conduct its business in accordance with certain regulations and rules, and to assist you in internal verification of compliance, you may find it useful to place these procedures in written form.

Note, however, that whatever you put in writing and represent as your procedures must be accurate. The procedures define what you actually <u>do at your firm</u>. As you modify and redefine your procedures, so must you revise your manual. Regulators will refer to your own procedures to verify that you are in compliance.

Procedures

Operating Procedures Manual

Regulations do not currently require either a Broker Dealer or an Invetment Advisor to have an "Operating Procedures Manual" or a "Policy and Procedures Manual." Depending on its size, a firm may find one or the other useful. These manuals are different from a Written Supervisory Procedures Manual or a Compliance Guide in that the former defines each job at a firm in functional terms, while the latter defines a firm's supervisory system.

If your firm has grown such that it employs a number of operations personnel, as well as a growing list of registered professionals, it may be advisable to consider a firm specific Procedures Manual.

It establishes how your registered personnel set up accounts, what documents they need to open an account, how they are to enter orders, prepare and send communications, etc. Essentially, it describes the "back office" functions of your firm in a manner that facilitates simplified cross training or job substitution for personnel on leave, vacation or otherwise absent.

Since it describes the procedures of job functions specific to your firm, it must accurately describe what is done and what you want to be done at your firm.

NCCI has been creating firm specific Procedures Manuals since 1987. We work closely with management and staff to create a manual that describes each job function accurately and completely. Once completed, manuals may be given to any one of your associated persons as an instructional resource on how you want business processed and work performed.