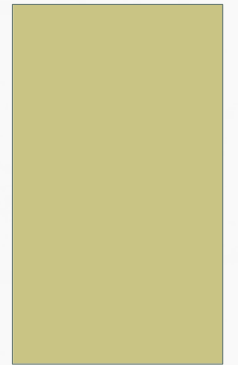


REGULATIONS AND COMPLIANCE
IN THE
AGE OF COVID-19

THIRD PARTY MARKETERS ASSOCIATION
APRIL 28, 2020



THE AGE OF COVID-19



Fraud

Fraud and Coronavirus
(COVID-19)

MARCH 26, 2020 | FINRA Staff

TODAY'S AGENDA

FINRA Regulations

- Highlights from the FINRA FAQ
- Recordkeeping
- Cyber-security
- Resources

NASAA

- Common denominators among the various states' guidance
- Resources

Regulation BI

- Wait – does this apply to me?!
- Resources and fast facts

FINRA FAQ HIGHLIGHTS

- Advertising regulation and recordkeeping
- Annual Assessment
 - August is the new April
 - Payment deferral, net capital treatment
- AML independent test
- BD Relocation:
 - Mail Processing
 - Regional Supervision
- BCP Implementation
- Branch Exam Scheduling
- Mark your calendar:
 - Fingerprints (June 30),
 - NRF (May 30 with Notification to SEC),
 - 4530 (May 31),
 - 3130 (May 31)
- Form U4, U5 late filings, U5 delivery
- Form U4 Item 14K
 - (PPP, CARES)
- Prometric Testing
 - Supervisory qualifications under 120-day rule – extended to May 31

<https://www.finra.org/rules-guidance/key-topics/covid-19>

BEST PRACTICE RECOMMENDATION

1. Record your compliance status as of March 1
2. Describe the circumstances
 - a) Personnel involved
 - b) Branches involved
 - c) Internal policy or procedure involved
3. Explain how COVID impacted the compliance status
4. If available, record the guidance you relied on in adopting a change
 - a) Firm records (BCP, WSP, AML Compliance Program, etc.)
 - b) FINRA FAQ, SEC FAQ, etc.
 - c) Communications from regulators (RMA, Member Relations, SFAC, etc.)
5. Date Range for implementation including estimated timeline for fulfillment of requirement, if not prescribed

CYBER SECURITY IN THE COVID AGE

- **Measures for Associated Persons' Office and Home Networks**

- Use a secure network connection to access your firm's work environment (e.g., through a company-provided Virtual Private Network (VPN) or through a secure firm or third-party website (which begin with "https"))
- Secure Wi-Fi connections using a stringent security protocol (g., WPA2)
- Check for and apply software updates and patches to routers on a timely basis
- Change the default user names and passwords on home networking equipment, such as Wi-Fi routers

CYBER SECURITY IN THE COVID AGE

Computers and Mobile Devices

- Check for and apply updates and patches to the operating system and any applications on a timely basis
- Install and operate anti-virus (AV) and anti-malware software
- For any files on a personal device, adhere to file storage and back-up, especially if the files contain customer personally identifiable information (PII)
- Lock your screen if you work in a shared space and plan to be away from your computer.

CYBER SECURITY IN THE COVID AGE

Prepare for (Be Aware of) Common Attacks

- Be sensitive to the growing variety of scams and attacks that fraudsters are using to exploit the current situation, such as:
 - phishing scams that reference COVID-19, the coronavirus or related matters;
 - fake, unsolicited calls from a “Helpdesk” requesting passwords or wanting to walk you through your home preparedness; and
 - malicious links in emails, online sites and unofficial download sides, especially those offering “free software”

Communicate Communicate Communicate = Train Train Train

- Increase timing and frequency of communications to associated persons
- Encourage increased timing and frequency of communications from associated persons

CYBER SECURITY IN THE COVID AGE

Network Security Controls

- Evaluate/update privileges to access sensitive systems and data.
- Provide staff with a secure connection to the work environment or sensitive applications (e.g., VPN, secure sessions remote desktop with multi-factor authentication).
- Provide staff with important IT support staff contact information (e.g., whom to call, how to contact them, when to contact them and how to handle emergency situations)

Incident Response

- Review/revise and prepare to implement the firm's incident response plan and whom to contact in the event of a cyber security incident (e.g., data breach, loss or exposure of customer PII, successful email attack, ransomware, lost or stolen mobile device).
- Confirm change management chain of command with internal or outsourced IT personnel

STATE REGULATIONS MATTER: SEE NASAA.ORG

- Quick links to all states
- [NASAA Reminds Investors to Beware of Con Artists Looking to Profit from Fear and Uncertainty](#)
- **Connecticut**
- [No Action Position Regarding Temporarily Working from Home Due to COVID-19](#)
- **Florida**
- [OFR Provides Guidance to Florida Securities Professionals Regarding COVID-19](#)
- **Georgia**
- [Order Granting Relief From Fingerprint Filing Requirements](#)

HELPFUL GUIDANCE FROM THE STATES?

[Insert State] Guidance:

The screenshot shows a website navigation bar with icons and labels for: Blog, COVID-19 Info and Guidance, Media Resources, Subscribe to Newsletter, Cybersecurity, Renew License, and Publications and Reports. Below the navigation bar is a breadcrumb trail: DOBS > Businesses > COVID-19 Information and Guidance > For Securities Enforcement-Compliance. The main heading is 'For Securities Enforcement/ Compliance' in large green font. Below the heading is a red text notice: 'The physical locations for the Department of Banking and Securities are currently closed. We are maintaining operations through electronic communication.' To the right, a grey box contains contact information: 'Contact Us', 'To file a complaint: Click here or call 1.800.PA.BANKS or (1.800.600.0007).', 'Phones are staffed from 8:00 AM - 5:00 PM, Mon- Fri.', 'For media: 717.214.4759', and 'Harrisburg mailing address: Market Square Plaza, 17 N. Second Street, Suite 1300, Harrisburg, PA 17101'.

Workarounds for state regulatory communications:

Retain a Phone log (call to request email)

Use that Stationery (provide written statement and retain a copy)

BEST PRACTICE RECOMMENDATION

1. Record your compliance status as of March 1 or prior to relocation
2. Describe the circumstances
 - a) Personnel involved
 - b) Branches involved
 - c) Internal policy or procedure involved
3. Explain how COVID impacted the compliance status
4. If available, record the guidance you relied on in adopting a change
 - a) Firm records (BCP, WSP, AML Compliance Program, etc.)
 - b) FINRA FAQ, SEC FAQ, or STATE if available
 - c) Communications from regulators (RMA, Member Relations, SFAC, etc.)
5. Commitment to State-Specific Issues
 - Firms may handle ONLY existing customers in the jurisdiction (no new customers)
 - Firms/Reps subject to state relocations may not be subject of ongoing enforcement, relevant violation
6. Date Range for implementation including estimated timeline for fulfillment of requirement, if not prescribed

REGULATION BI AND FORM CRS

- June 30 Effective Date is ON TRACK
- Regulation BI
 - Applies to BDs
 - In addition to Form CRS
- Form CRS
 - 4 page disclosure document ala Form ADV Part 2A
 - Applies to BDs and IAs

REGULATION BI

When making such a recommendation to a retail customer, the firm must act in the best interest of the retail customer at the time the recommendation is made, without placing its financial or other interest ahead of the retail customer's interests.

- A “retail customer” is a natural person, or the legal representative of such person, who:
 - receives a recommendation of any securities transaction or investment strategy involving securities from a broker-dealer; and
 - uses the recommendation primarily for personal, family, or household purposes.

REGULATION BI

When making such a recommendation to a retail customer, the firm must act in the best interest of the retail customer at the time the recommendation is made, without placing its financial or other interest ahead of the retail customer's interests.

- Determining whether a "recommendation" has taken place
 - whether the communication reasonably could be viewed as a 'call to action' and
 - reasonably would influence an investor to trade a particular security or group of securities.
 - The more individually tailored the communication to a specific customer or targeted group of customers about a security or group of securities, the greater the likelihood that the communication may be viewed as a "recommendation."

REGULATION BI

- Form CRS
 - Prescribed Content and Instructions
 - 2 page for BDs or IAs
 - 4 page for dual-registrants
 - Delivery Requirements
- Regulation BI Relationship Guide (BDs Only)
 - Content Guidance
 - Delivery Requirements

THIRD PARTY MARKETERS ASSOCIATION

- Thank you for attending our event
 - Upcoming events