

Securities Industry News

Bridging the Gap Between IT & Compliance

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Bridging the Gap Between IT & Compliance

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From Source to Solution of Issues

- For long, IT was considered a source of compliance issues
 - Uncertain application of federal securities laws & SRO rules to IT systems and online dealings
 - Many IT systems were not designed to accommodate emerging regulatory demands
 - Email & IM review and retention
 - Capacity
 - IT was isolated from Legal & Compliance staffs in many shops

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From Source to Solution of Issues

- Now IT considered a key solution to many compliance issues
 - Reflected in rise in IT spending in the industry
 - IT solutions are now viewed as critical to address:
 - Burgeoning regulatory requests for email & other information
 - Mutual fund breakpoint monitoring & disclosure issues
 - Account approval process, including AML
 - Fraud surveillance
 - Active management of operational risk
 - Branch office recordkeeping

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Bridging the Gap

- New needs have spawned new cooperation between IT and Legal & Compliance
 - This demands that each side understand each others' "world" to design and implement systems that work
 - Legal & Compliance staffs need to understand IT system design features that may limit flexibility down the road
 - IT staffs need to understand
 - The need for flexibility to accommodate rule changes
 - Compliance rules for IT solutions, including
 - » Recordkeeping requirements for electronic storage
 - » Needs for prompt screening and production of records sought by regulators

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Bridging the Gap

- Proposed SEC rules will impose substantial IT and compliance burdens
 - Measured in millions of hours and dollars
 - SEC estimates that proposed Rule 15c2-2 will cost 18.7 million hours & \$100 million in outside vendor fees industry wide
- Firms that successfully bring together IT and compliance can promote savings and more effective compliance solutions

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