

Designated 3rd Party Service

An IT Compliance Solution for Financial Institutions



Satisfy an Essential Compliance Requirement of SEC Rule 17a-4



Overview

Financial institutions subject to Securities Exchange Commission (SEC) Rule 17a-4 are required to meet strict regulations that govern electronic data storage, retention, and IT processes. A specific requirement of Rule 17a-4 states that...

"...every member, broker or dealer exclusively using electronic storage media for some or all of its record preservation" must have **an arrangement with a third party** who can provide the SEC with access to a broker-dealer's records upon request.

This provision is designed to ensure that electronic records are always accessible to regulators.

Challenge

Failure to satisfy the requirements of this rule can lead to penalties and other non-compliance measures against the financial institution.

Financial institutions that prefer to retain and house their own data (as opposed to 'hosting' their data with an outside firm) must engage a dependable independent third party with technical IT knowledge and experience to carry out its duties under this SEC requirement.

Solution

Through its Designated 3rd Party service, Globanet assist financial institutions in meeting the 17a-4 requirement above, and helps ensure compliance integrity.

Globanet's detailed methodology involves analyzing your IT environment and asserting your compliance to the SEC (see sidebar). The result is peace of mind and assurance that your firm has satisfied this essential requirement of SEC Rule 17a-4.

SUCCESS STORY

*Top-Tier Mutual Fund
(available for reference)*

Large financial institution wished to address the SEC's independent 3rd party requirement **without hosting** their data with an outside hosting firm. Legal, IT, and Compliance departments all had needs and concerns around this initiative.

Globanet analyzed the Client's IT environment and established a plan for gaining on-site access to Client's facilities. Globanet then filed Letter of Undertaking with the SEC, ensuring Client met its compliance obligation.

Globanet also developed a roadmap to transition access from 'physical' to 'remote' in order to minimize operational disruptions in the case of an SEC request. Globanet delivered peace of mind by addressing the different concerns of Legal, IT, and Compliance, while assisting Client in complying with the SEC requirement.

ABOUT GLOBANET

As a pioneer in email archiving and compliance since 2000, Globanet has successfully acted as the Designated 3rd Party for numerous financial institutions.

Our comprehensive environmental plans not only satisfy the independent 3rd party requirement, but also help uncover system and configuration issues in advance of an audit. We are committed to being your trustworthy partner in fulfilling your independent 3rd party requirements.

Solution Deliverables

As part of our Designated 3rd Party compliance service, Globanet will work with your IT staff either on-site or remotely to:

- Develop a comprehensive environment plan detailing our access to your electronic records
- Test our procedures to demonstrate and confirm easy record retrieval
- File a Letter of Undertaking with the SEC, NASD, and / or other regulatory bodies
- Update your environment plan and test download procedures twice annually



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