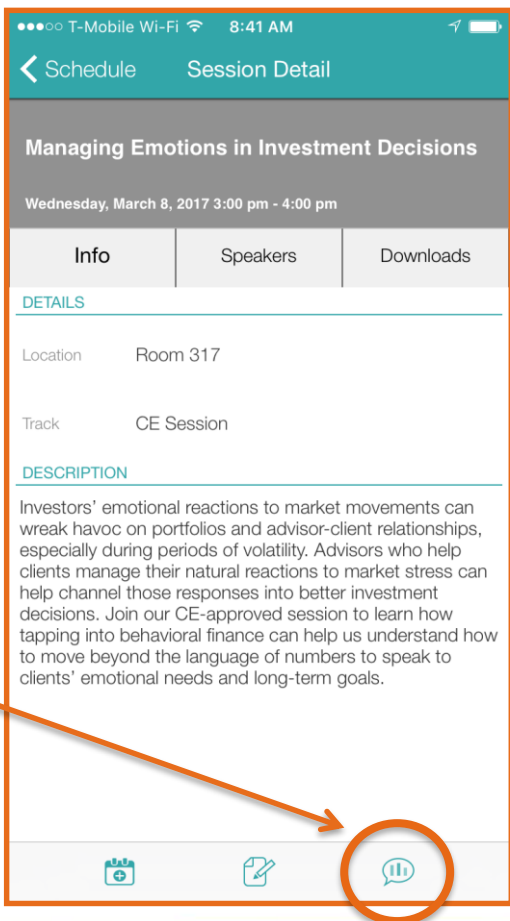


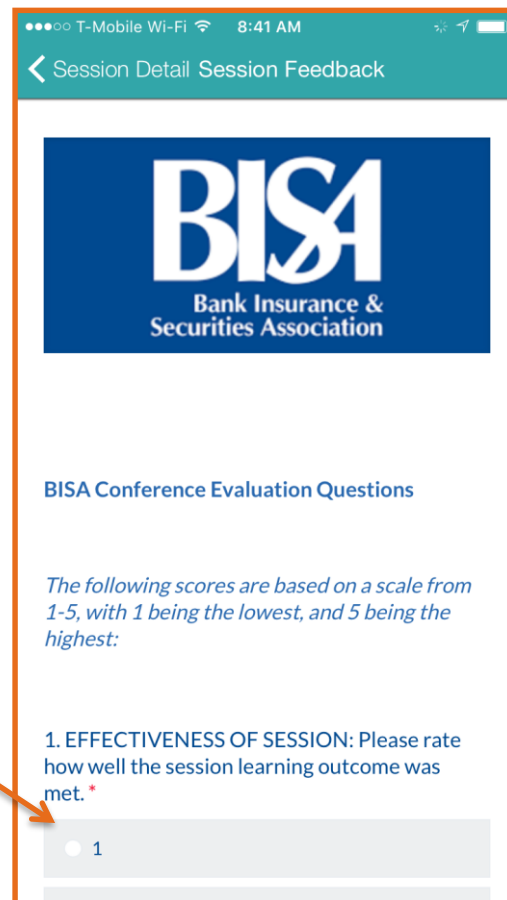
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Monitoring of Employee Conflicts

Jeffrey S. Holik, Shareholder, Shulman Rogers

Francois Cooke, Managing Director, ACA Compliance Group

Ben Marzouk, Associate, Sutherland Asbill & Brennan LLP

James Downing, Chief Compliance Officer, BMO Harris Financial Advisors



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Agenda

- Outside Business Activities and Private Securities Transactions
- Cross Selling in a Branch Environment
- SEC OCIE Branch Office Alert

Outside Business Activities and Private Securities

These topics have appeared in FINRA examination priorities letters several times, including in 2016. In 2017, FINRA will focus on notification about, and supervision of, these areas

- OBA disclosure and monitoring
- PSTs disclosure and supervision
- Ongoing follow up with employees
- Training
- Documentation of supervision

Cross Selling in a Branch Environment

- Cross-selling is the practice of marketing multiple products and services to existing customers.
- At its best, cross-selling is a good thing: A financial institution should offer multiple solutions to meet customer needs, help them better manage their finances, get better service and even pay less.
- At its worst, cross-selling can be code for bank profitability rather than meeting customer needs. When combined with a high pressure sales environment driven by aggressive employee sales goals and financial incentives, cross-selling can raise significant conflict of interest concerns.

Cross Selling in a Branch Environment

- Recent Regulatory Actions
 - CFPB
 - Massachusetts
 - OCC/FINRA
- Lessons Learned: Culture is Key
 - Beware of unrealistic goals
 - Sales contests should be a relic of the past
 - Moderate incentives
 - Effective supervision is critical

SEC OCIE Branch Office Alert

- OCIE “Multi-Branch Adviser Initiative” (Dec. 2016)
 - Supervision of IAs with multiple branch offices
 - Examination priorities:
 - > Compliance programs (e.g., policies/procedures)
 - > Advertising review/approval
 - > Fees and expenses
 - > Custody rule
 - > Investment recommendations
 - > Allocation of investment opportunities

SEC OCIE Branch Office Alert

- Continued focus on multi-branch IAs in SEC's 2017 Examination Priority letter
- Common theme = conflict of interest management
 - Compensation arrangements
 - OBAs of supervised persons
 - Centralized vs. disparate supervisory structure
 - *Robare* case
 - SEC's performance advertising cases
 - Identify, manage, and disclose

The banner features a yellow background with silhouettes of business professionals on the left and a map of Florida on the right. The text "2017 ANNUAL CONVENTION" is centered in the yellow area.

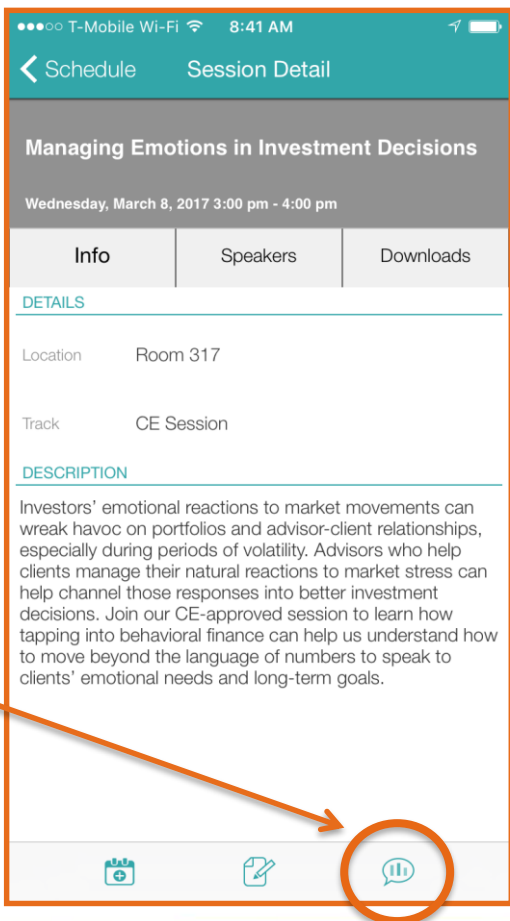
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Questions and Answers

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