Polar Investment Counsel Inc
Quarterly Reviews

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1Q & 2Q 2018

# Regulatory Corner

**FINRA EXAM—Fall 2018**

FINRA will be in our office again this year. Apparently, due to the diverse group of individuals we have, we are considered having high risk representatives. It is based or arrived from a computer program that looks at what percentage of reps we have in certain categories and being a small firm, like many other small firms, we get hit in almost every category and as such, apparently are going to be audited each and every stinking year. Wonderful.

Here is a link to a podcast with FINRA execs discussing the greatness of this inept program. There is no consideration for the small firms, in fact, truth be told—they want all us small "mom & pop" people gone. Less work for them? Too much to regulate? Then leave us alone! Please take a moment to listen to what they have to say ~ I don't agree with their logic or mentality here and I doubt anyone in our industry does.

FINRA PodCast—High Risk Brokers

Please be available beginning Sept 17th, Monday, in case we need anything from you. If you are going to be out of the office, we need a way to get in touch with you if need be.

## Did you know this about HTS????

**HTS System Delay**

***Please—do not kill the messenger.*** I am disappointed, but I understand, that HTS is not rolling out their new trading and client account system this summer as planned. There were issues when they began testing the independent broker-dealers commission schedules and that's when things didn't go 100% perfect. Rather than do it half-ass, due to the vast differences in what everyone in independent land gets paid, they needed to drill down farther in the programming. We are still slated to be a test pilot firm when they are ready to roll out.

In the meantime, we are working with HTS to remove certain entitlements to the existing HTS system to allow you more flexibility in using the system for routine questions that do not need a principal approval (any and all fund or money movement is strictly forbidden). A separate notice will be sent when that time comes.

This past July I attended a HTS education function and came away with some good ideas and even with the delay, we have access to several tools that can do more for you than you think. If interested, let me know.

Lastly, we are always looking around and exploring all our options in clearing relationships. All things considered, HTS is poised to offer us the best solutions for all the needs of our diverse work force. While some areas need major improvement, others are beyond what we expected. Explore some of the options available to us, you never know what might work for you!

Advisor Hub has a good review of Hilltop Securities—take a look.

## REQUIRED READINGS

**FINRA Disciplinary Actions**

**(link is to page that all are located on)**
**Monthly Actions: Jan—Jun**
**Quarterly Actions: Jan & Apr**

*****Rule 4530 Attestation*****

**READ BELOW**

**Any customer complaints?**
**Any criminal or civil activity?**
**Any bankruptcy, liens or judgements?**

**By responding to the Quarterly Review you acknowledge a negative response to the questions above. IF you have a positive response, contact the Home Office immediately.**

### *Topics of Importance*

- → Financial Exploitation
- → Trusted Contact Person
- → WSP & HO P&P Manuals
- → CIB Updates
- → Holding & Reporting Fee
- → HTS Service Center
- → Firm Audited Financials
- → HTS Reports
- → DST Reports
- → HTS Account Clean Up
- → Monthly Blotter Reminder
- → Fed Wire Reminder
- → FINRA Renewals

### *New Forms or Revised Forms*

**WSP Manual**

**HO P&P Manual**

**CIB (Customer Info Brochure)**

## Techie Talk

**Trump Pulls Gloves Off on Offensive Cyber Actions**

**How Hackers Are Targeting Initial Coin Offerings**

**Please read the above articles on cyber security and hacking. We need to be more vigilant in the protection of our cyber presence. Make sure your security program is current.**

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**FINANCIAL EXPLOITATION OF SPECIFIED ADULTS**

FINRA Rule permits members to place temporary holds on disbursements of funds or securities from the accounts of specified adults where there is a reasonable belief of financial exploitation of these customers. If you suspect that a client is being financially exploited, contact the Home Office immediately. There are specific steps we will take regarding the situation as is outlined in the WSP manual. The only person that can authorize a hold is the firm's CCO.

**TRUSTED CONTACT PERSON**

Amendments to FINRA Rule 4512 (Customer Account Information) require members to make reasonable efforts to obtain the name of and contact information of a trusted contact person ("trusted contact") for a customer's account. The CIB (Customer Information Brochure) has been updated with a disclosure regarding what is defined as a trusted contact and what we would be authorized to do. This information is not required in that the account will be opened and not restricted if the client does not provide this.

If you receive an update to add or change a trusted contact person, complete the form with client signature and send to the Home Office for processing in the HTS system.

**WSP MANUAL & HO POLICY & PROCEDURE MANUAL**

We have completed the updates for 2018 for the WSP and HO P&P manuals. Below are the significant changes to review:

WSP: 4:12 Financial Exploitation of Specified Adults
WSP: 4:13 Trusted Contact Person
WSP: 7:21 Financial Exploitation of Specified Adults
WSP: 12:3:23 Muni Customer Complaints
HO P&P: Acct Openings at Clearing Firm
HO P&P: Fed Wire Procedures
HO P&P: Communication with Clearing Firm

**CUSTOMER INFORMATION BROCHURE UPDATES**

The following sections were updated and or added. Please review and use only the Aug 2018 version going forward:

- ⇒ Financial Exploitation of Specified Adults
- ⇒ Municipal Disclosure
- ⇒ Trusted Contact Person

**HOLDING & REPORTING FEES**

Please review the Holding & Reporting Fees report in Report Distribution for a list of your accounts that were charged this fee. It used to be called the "inactivity fee". If there is not sufficient funds in your clients account to cover these fees, they need to either send a check to HTS or you can liquidate to cover. If you do not by the deadline, you will be charged those debit fees especially if they are in an IRA account. You can collect the fee from your client after the fact.

**HILLTOP SERVICE CENTER & THE LEARNING EXCHANGE**

If you haven't been out on the Learning Exchange lately, please take a moment as you will see that it is no where near the same as before! They have combined the Learning Exchange with the Service Center. The Service Center opens in an internet browser and can be kept open even if you close BrokerView. On the Home page you can see the current interest rates, trading calendars and other alerts and announcements. We strongly suggest that you view this module for the current forms and any publications that are necessary to read, such as The Hilltop View.

We remind you that there are certain functions that we do not approve for your use in the Service Center, which we previously published. We do monitor and see all requests and if we find unauthorized activity, there will be disciplinary actions. Generally, anything that doesn't involve money or fund movement, new account opening, distributions or a principal signature, you can enter a request. This means general or specific questions that would have previously sent an email for. If you are in doubt as to what you can and cannot do or who you need to send the request to, please call the Home Office.

**FIRM AUDITED FINANCIALS**

Those brokers who have clients who are financial institutions and request a copy of the firm's audited financials, you will find the 2018 copy on the compliance website. If any ask for HTS's SOC report, contact Sherry directly via email for further requirements.

**HTS REPORTS**

Please be sure to check your reports in the Report Distribution module. There have been instances of accounts that are slated for escheatment but really shouldn't be. Check your asset management reports for available cash to make that call to a client to get that money working for them. These reports are our first source of information to help us manage our clients accounts to the best of our ability. If you need any assistance, let us know.

**DST REPORTS**

If you have accounts that are held directly at a fund company (mutual funds in particular), we need you to go into DST and print monthly reports of all holdings and the account value. You then email those reports with your monthly blotter to HO.

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**HTS ACCOUNT CLEAN UP**

The firm has a "closed account" rep ID that we can use to move closed accounts away from your active accounts. Currently, we see all accounts and it is difficult to distinguish at a glance if they are open or closed. This is a firm rep ID that we use for accounts that are truly closed for a bad address and are awaiting escheatment. The account is not gone forever ~ we can if within the escheatment dates "unclose" an account if client comes to us with the information needed.

If you have any accounts that you want moved to this closed rep ID (you will not be able to access them ever again—only I can) please send a list (Excel format please) with account number and last name and I will be sure they get changed.

**MONTHLY BLOTTERS & DST VISION PRINTOUTS**

Be sure to send your monthly blotters to Sherry Abbott each month end. In your email, we remind you to include as an attachment any incoming correspondence that you may receive during the month from clients. Also, if you have accounts held away from the clearing firm and they are on DST, you need to be including a printout of current account values each month.

The Activity Log is where you should be recording activity that you do on a daily basis like; discussions with clients, clients who stop in for business, anything that is not an order (you do not need to make note of orders that you enter, we have that captured in other reporting devices). We review them and check it off our list—we do not respond back to you that we review them. If there are any issues, you will be contacted.

**FED WIRE REQUEST REMINDER**

Just a reminder that each and every fed wire request must have a wire authorization form signed by the client and the rep and the rep has to verbally verify that the client actually asked for the wire. HTS has a long form that they use. We use our own that coincides with our Compliance website submission. Please look on the Compliance site for the form for Fed Wire Authorization and use that anytime a client is asking for money to be wired. There is NO situation or circumstance where this can be forgiven. It is not a HTS policy, this is a federal banking regulation that requires it. Failure to get it, can cause the clients wire to not go out the same day they might need it or want it. The form gets scanned and emailed to Sherry and she will enter in the system.

**FINRA RENEWAL FEES**

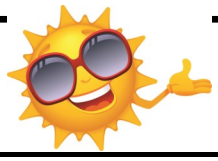
This is just around the corner so please go through your list of clients and any states you don't need, lets get rid of those registrations. Email sabbott@polarinvest1.com any states you no longer wish to be registered in.

**Alternative Investing**

***What keeps you from talking to your clients about alternatives?***
***Let us know—we can help!!***

***Featured Product:***
***Carter Validus - Concentration on data centers, hospitality suite type hotels and medical facilities. Interested? Ask us more!***

***Superfund—This fund is closing and all clients have been sent redemption forms to complete. IRA accounts will be credited the redemption fee, direct held investments will receive a check in the mail directly from Superfund.***



**Upcoming Events**
**Qtr 3 2018: Firm Website Makeover**
**Qtr 4 2018: FINRA Renewals**

**Recruiting Program**

You may be able to help us grow, reduce your overall costs and earn cash (without the responsibility of supervision) all at the same time! We have instituted a "recruiting inducement bonus program" (note: this program is not applicable to brokers who are contracted to your OSJ office). Just make the introduction and we'll take it from there! The program will pay a recruiting bonus once referral is contracted.

Please contact Mike Jordan to further discuss any situation you may be aware of – all we need is an introduction.

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