

Press Release



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BNY Mellon's Pershing Affiliate Albridge Solutions Releases New Study Detailing Best Practices for Broker-Dealer Sales Oversight

JERSEY CITY, N.J., December 15, 2010 – BNY Mellon's Pershing affiliate, Albridge Solutions, announced today the availability of *Broker-Dealer Sales Practices Oversight: Secrets of Their Success*. The independent study examines the changing regulatory environment, discusses the potential impact on broker-dealers and provides guidance on best practices for improving oversight of sales practices.

The study, developed with Beacon Strategies, LLC, a research and consulting firm, reveals that regulators are aiming to implement more stringent sales practice oversight standards in the near term, including imposing higher uniform compliance standards on all broker-dealers. These standards have become a necessity for both regulators and broker-dealers in order to increase efficiencies, create clear expectations, improve communications and make compliance audits more systematic. They will also help regulators gain a deeper understanding of each firm's business model and markets.

Key findings from the study include:

- *Electronic data entry at the source* – Digitally recording client “know-your-customer” (KYC) and order information helps to centralize account data, eliminate errors, and prevent unnecessary duplication and delays that can occur when this information is paper-based and hard-copy filed. Despite these benefits, the study reveals that more than 50% of data entry for both brokerage and check-and-app business is being processed by broker-dealer home office personnel, rather than at the source.
- *Elimination of paper* – While it remains difficult to create a completely paperless environment in the securities industry, significant strides are being made to eliminate paper and paper-based processes. The study finds that 60% of broker-dealers are systematically converting paper into PDF and TIF files, and more than 30% report they are using tools to convert scanned documents into digitized data. Underlying this best practice is the realization that paper is difficult to centralize and organize and expensive to store securely.
- *Use of a centralized books and records repository* – In the past, the technology needs of some broker-dealers revolved around one application – the commission payment system – which was often retrofitted to meet any new compliance needs that emerged. As a result, client profiling has often been driven by the inconsistent requirements of different manufacturers and products. The use of a centralized books and records repository enhances compliance department control over the quality of data that is captured.
- *Reduced reliance on “one-off” compliance methods* – Consolidating information to serve the needs of compliance staffers and regulators, such as monitoring unusual sales practices or employing risk-scoring systems to gain a quantitative view of overall risk, improves efficiency and profitability. It can include making data easily accessible for purposes of running ad-hoc reports and leveraging industry experts and consultants for guidance to develop streamlined automated compliance surveillance. According to the study, just 30% of broker-dealers are using automated systems for compliance surveillance.

- *An emphasis on compliance staff productivity and expense management* – Reliance on outdated processes and legacy systems creates extra costs that are absorbed by the broker-dealer, advisor and end-client. While most broker-dealers have established methods for measuring the field in terms of gross dealer credits, asset-based fees, AUM and cross sales, they lack similar metrics for measuring how much value the compliance department or individual staffers are adding in relation to cost and productivity.

“The rapidly evolving regulatory environment will place additional resource and profitability pressures on broker-dealers,” said Gregory Pacholski, chief executive officer of Albridge Solutions. “These firms need to adopt industry leading compliance tools and integrated technology solutions to help them feel confident in being able to meet these challenges and grow their businesses.”

“Securities regulators are providing a clear sense of direction of future compliance standards that will be imposed on all broker-dealers,” said Chip Kispert, managing partner, Beacon Strategies. “Broker-dealers who fail to prepare or are lagging behind today’s best practices will quickly find themselves at a competitive disadvantage.”

To receive a copy of the study, please contact Albridge at sales@albridge.com.

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