

Compliant cloud communications: A guide for investment advisors



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Introduction



Investment advisories stand at a pivotal point in their evolution.

Investor expectations are changing, team workflows are evolving, and communication channels are proliferating rapidly. In this time of disruption, one of the chief concerns in the minds of investment advisors is risk management and compliance.

Operating in a heavily regulated industry, investment advisors are well aware of how quickly they can become entangled in legal issues, time-consuming audits, and money-draining client restitution claims if they should fail to adhere strictly to regulatory mandates.

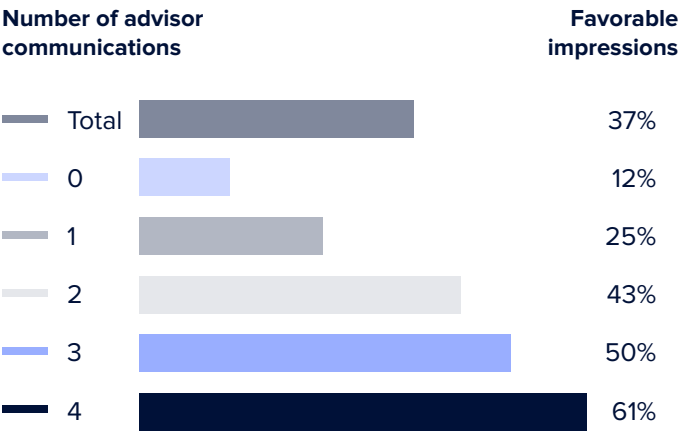
This guide is designed to help you explore the benefits of a cloud communications platform to meet compliance standards, streamline your risk management efforts, and strengthen your advisory in the process.

A look at communications for investment advisors



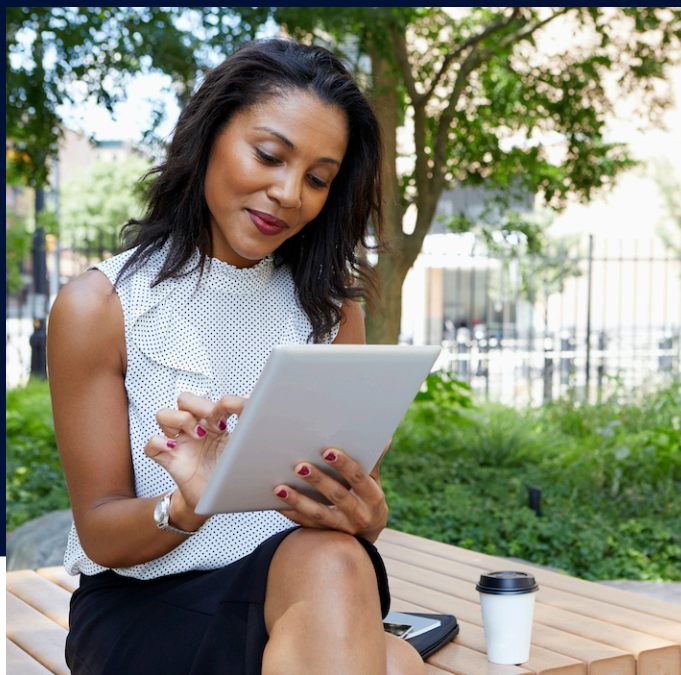
The life of an investment advisor centers around communication, from solicitation of new clients to capital calls that support client retention, from social media messaging to mid-office team collaborative chat.

The frequency and effectiveness of communication between investment advisors and investors is a determining factor in the long-term strength of the investor/advisor relationship. According to research from [Spectrem](#), 60 percent of investors have switched advisors at some point, and the number one reason given for that switch is “lack of contact.” In another [Spectrum research study](#), the frequency of communication played a huge role in the percentage of favorable impressions of financial advisors reported by investors, as the chart below reveals:



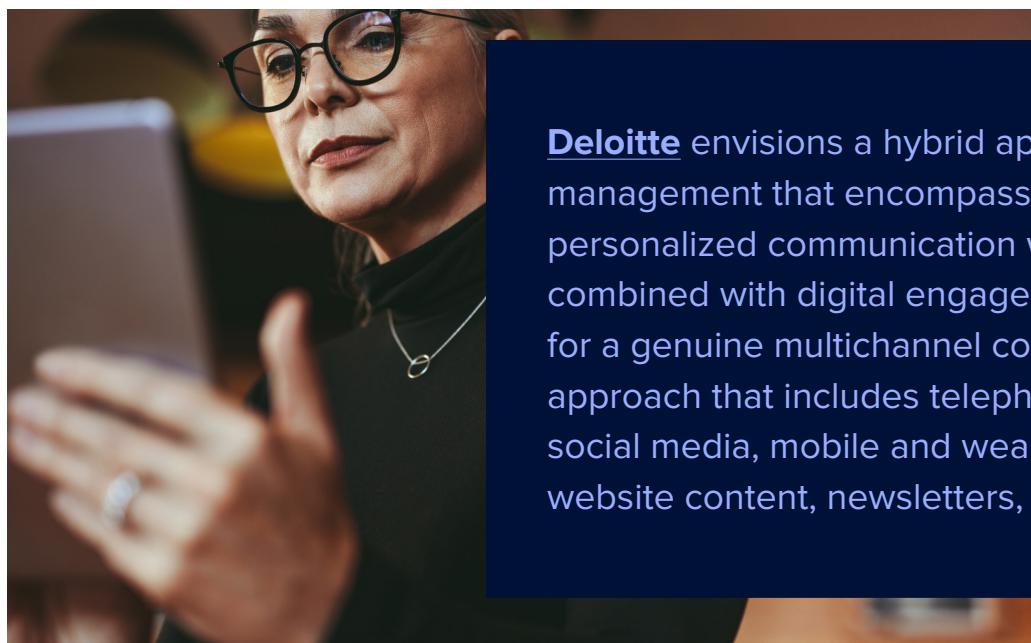
It’s clear that communication matters.

The move to digital channels for communication

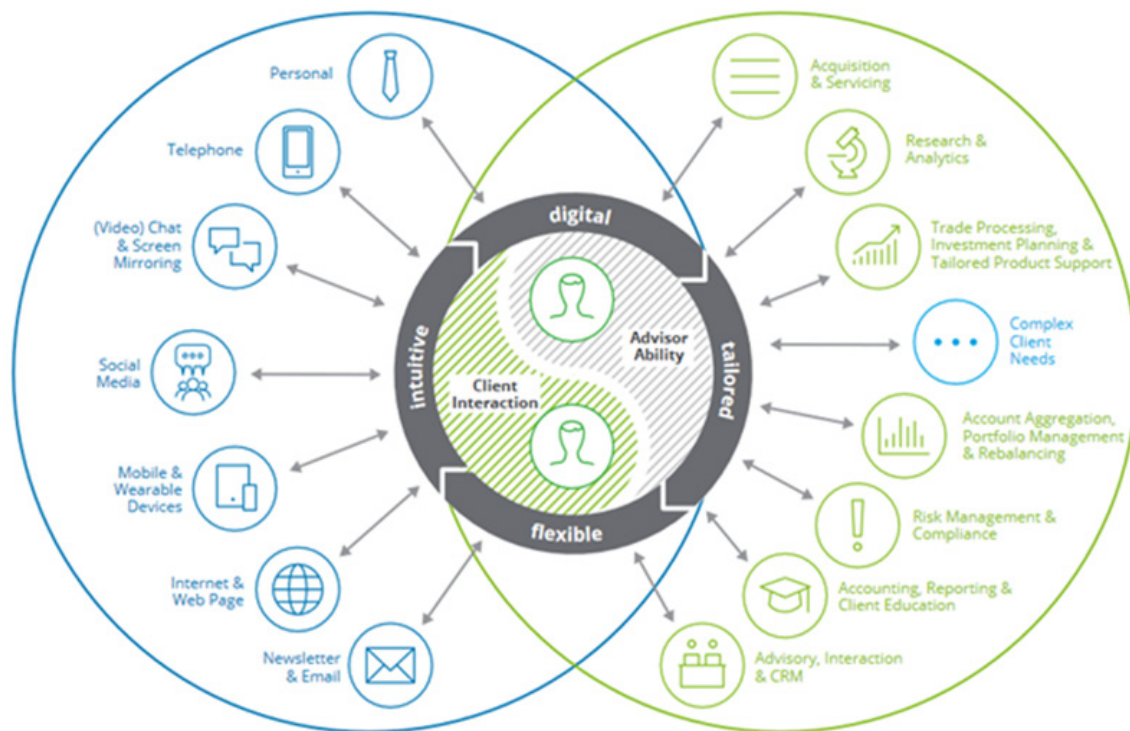


Communication may have always been the backbone of an investment advisor's job, but communication channels have definitely changed. Business was once face-to-face, albeit over an office desk or restaurant menu.

Today, however, that is no longer the case. A global pandemic that led to unprecedented social distancing, the increasing dependence on multichannel communication, and a relentless move toward digital transformation have combined into a perfect storm of sorts to bring investment advisories more fully into the 21st Century with a clear imperative to move to digital communication strategies—strategies that include leveraging cloud technologies.

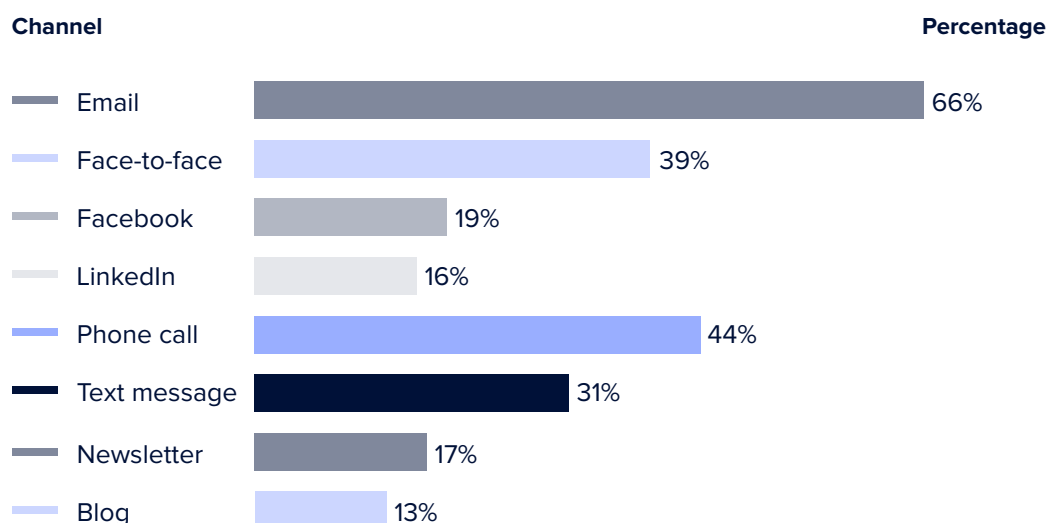


Deloitte envisions a hybrid approach to wealth management that encompasses tailored, personalized communication with clients combined with digital engagement strategies for a genuine multichannel communication approach that includes telephony, video, chat, social media, mobile and wearable devices, website content, newsletters, and email.



(Source: [Deloitte](#))

Much of Deloitte's vision is already a reality. According to research from [YCharts](#), investors express interest in receiving information regarding perspectives on the market and economy, saving and planning tips, and other financial how-to's via the following channels:



However, this move to digital communication channels leads to some concerns for investment advisories, especially in the areas of risk management and compliance.

The challenges of digital communications compliance



One of the chief concerns as investment advisories move to the cloud is the level of security that can be achieved in a cloud environment. Is it possible to achieve regulatory compliance in the cloud?

Then, there are other compliance concerns, such as:

- The possibility of reputational damage in the event of data breach or non-compliance with Investor Protection Rules
- The possibility of heavy fines and penalties for non-compliance
- The difficulty of remaining compliant while collaborating with distributed teams
- Onboarding clients remotely while following all applicable regulatory requirements
- Constantly evolving regulatory standards that require additional surveillance and impact client communications and records retention
- The proliferation of applications, devices, and communication channels to be managed and accounted for in the advisory's compliance program policies and procedures
- Lack of visibility and transparency into client communication across all channels and at every touchpoint

These are just some of the sticking points for investment advisors as they consider cloud communications platforms or apps. Understandably, it makes sense to carefully explore the regulatory landscape and see where cloud communications might fit into a well-designed compliance strategy.

An overview of communications compliance requirements



As part of the financial services industry, investment advisories are subject to a wide range of compliance requirements and guidelines from regulatory bodies, including the U.S. Securities and Exchange Commission (SEC), the Federal Financial Institutions Examination Council (FFIEC), the Financial Industry Regulatory Authority (FINRA), and the Commodity Futures Trading Commission (CFTC). Then there are a host of individual laws such as Dodd-Frank, the Sarbanes-Oxley Act of 2002, and privacy regulations such as GDPR and CCPA.

Though this guide is not designed to be an all-inclusive look at every regulation pertaining to communications compliance globally, here are some common compliance mandates that impact the day-to-day processes of investment advisories, along with links to additional resources you can access for more information.

Investment advisor [compliance programs](#):

This SEC rule requires investment advisories to create, maintain, review, and revise formal written compliance policies and procedures. Compliance with this rule includes maintaining a clear procedure for compliance review and audit purposes.

Client disclosure statements and Form ADV:

The regulations regarding Form ADV require advisors to file the form with the SEC and state securities authorities, provide plain English disclosures of the advisor's business practices, fees, conflicts of interest, and disciplinary information. The third part of the form requires the advisor to prepare a brief plain English summary about the types of services the advisor offers, the fees and costs clients will have to pay for those services, the conflicts of interest the advisor may have, the required standard of conduct, any legal and disciplinary history pertaining to the advisor, key questions to ask the advisor, and references to where clients can find more detailed information about the advisor and the services offered.

Code of ethics:

This set of regulations requires advisors to adopt, maintain, and enforce a formal written code of ethics that includes, at a minimum, required standards of business conduct, provisions that compel supervised employees to comply with securities law, provisions that require the reporting of personal securities holdings of all access persons, provisions requiring the reporting of any violations of the code of ethics, and provisions requiring the written acknowledgement of receipt of the code of ethics for all interested parties.

Regulation S-P:

Under the Books and Records Rule (204-2), investment advisors are required to make and keep copies of all written communications regarding recommendations, advice, etc. Under current application, [electronic messaging](#) falls under this regulation as a written communication, making it important for advisors to ensure that text messages and SMS are recorded and archived appropriately to remain compliant.

Regulation best interest rule:

Regulation Best Interest Rule, or Reg BI, establishes a "best interest" standard of conduct for broker-dealers and associated persons when they make a recommendation to a retail customer of any securities transaction or investment strategy involving securities, including recommendations of types of accounts. The SEC also adopted new rules and forms to require broker-dealers and investment advisors to provide a brief relationship summary, [Form CRS](#), to retail investors.

Reg BI went into effect officially on June 30, 2020, which means that advisory firms should already have policies in place to handle its four core obligations of disclosure, care, conflict of interest, and compliance.

— Commenting on what the passing of the implementation date means for firms, [Meredith Cordisco of FINRA's Office of General Counsel](#) observes:



“It means that firms need to be in compliance with Reg BI to the extent that they make recommendations to retail customers. And what that means practically is they should have updated their policies and procedures to account for Reg BI. They should have made system changes to the extent necessary to account for the new standard..., and they should have trained their reps...For Form CRS it means that firms have to have filed it, they have or they should be in the process of delivering that Form CRS to their retail customers, and they should have policies and procedures and systems in place to deliver it going forward when the triggers are met and also to evidence that delivery”

Social media advertising rule:

The amended advertising rule requires advisors to standardize certain parts of a performance presentation to help investors evaluate and compare investment opportunities and includes tailored requirements for certain types of performance presentations. Advertisements that include third-party ratings are required to include specific disclosures to prevent them from being misleading. The rule also permits the use of testimonials and endorsements from social media, which include traditional referral and solicitation activity on social media platforms, subject to certain conditions.

Network storage-use of third-party security features:

Under Regulation S-P, advisors must adopt written policies that address administration, technical, and physical safeguards for the protection of customer records and information. Under Regulation S-ID, advisors must develop and implement a written identity theft prevention program that is designed to detect, prevent, and mitigate identity theft in connection with the opening of a covered account or any existing covered account.

Privacy and opt-out notices:

Under Regulation S-P, advisors must provide a clear and conspicuous notice to their customers that accurately reflects their privacy policies and practices generally no later than when they establish a customer relationship and annually thereafter and deliver a clear and conspicuous notice to their customers that accurately explains the right to opt out of some disclosures of non-public personal information about the customer to nonaffiliated third parties.

Multi-branch initiative:

For investment advisories operating via multiple branch locations, compliance can be more complicated than usual. Every branch must comply with one set of written policies and procedures per the Investment Adviser Compliance Program Rule and must maintain auditable records across the entire multi-branch ecosystem. In the real world, branches may,unintentionally “branch off” from the standardized policy of a head office, creating their own workflows and policies that may fail to meet the standards for compliance.

How cloud communications solutions help ensure compliance



Given the complexities of the few regulations reviewed here, the question is, how can cloud communications platforms help investment advisories achieve and maintain compliance and security?

Network security:

Contrary to a common misconception, cloud technology is not inherently more prone to security vulnerabilities. The reality is that cloud service providers have good reason to do everything

within their power to secure their environment, including providing 24/7 security monitoring and response and 99.999% uptime. Their business depends on it.

Their business depends on it. For that reason [Gartner](#) notes:

“The cloud business model provides huge market incentives for cloud service providers to place a higher priority on security than is typical for end-user organizations.”

Further, cloud providers and advisories can work together to ensure that any network storage solution to be used is configured according to all applicable SEC and FINRA standards. Working with

a cloud provider that is knowledgeable in the financial services industry is a wise choice as such a vendor is aware of the regulations that apply.

Compliance program documentation and disclosure standardization:

An integrated cloud communications platform or app enables advisories to standardize disclosures across all communications channels and maintain auditable records of all disclosure documentation. Some communications

platforms also allow for automation of disclosure distribution, saving time for busy advisors and ensuring that no required disclosures are inadvertently missed.

Records retention and surveillance:

Because an integrated cloud communications platform maintains all communications channels including telephony, texts, voice messages, video chats, chatbots interactions, and social media messages sent

via the communications platform, all communications can be captured, recorded, stored securely, and archived appropriately in compliance with SEC and FINRA guidelines, including Regulation S-P, Regulation S-ID, and Reg BI.

Multi-branch compliance support:

An integrated cloud communications platform or app that spans all branch locations can act as a central source of truth for compliance purposes, unifying communications, standardizing disclosures and compliance processes, and streamlining workflows. A unified

communications platform helps to prevent any tendency of branch offices to deviate from established corporate compliance policies by standardizing workflows and consolidating records across the entire investment advisory ecosystem.

Integration with value-added APIs:

Another way that a cloud communications platform or app may reduce risk, improve security, and result in increased compliance is by integrating with APIs that use advanced technology like AI and machine learning. For example, an open

communications platform combined with an AI-powered API that uses multi-factor authentication may enable investment advisories to lessen the incidence of credential stuffing, a growing concern according to a [recent OCIE Risk Alert](#).

Security and compliance with RingCentral's communications solutions



RingCentral's cloud communications platform for financial services gives investment advisors what they need to make collaborative communication seamless, secure, and compliant.

Here are some of the [security and compliance](#) benefits RingCentral clients enjoy:

- Messaging, video, and voice communications safeguarded across all endpoints and locations
- Call recordings, call logs, faxes, SMS, MMS, audio and web conferencing, and team messaging communications compliant with applicable SEC cybersecurity controls
- [ISO/IEC 27001 certified](#)
- Transport Layer Security (TLS) and Secure Real-Time Transport Protocol (SRTP) encryption between all endpoints for secure transmission of all communications
- Seven layers of security across the physical, network, host, data, application, and business processes of RingCentral, as well as the enterprise level of your organization

Read more about RingCentral's secure cloud communications in the whitepaper entitled [RingCentral: Secure Cloud Communications and Collaboration](#).

About RingCentral

RingCentral offers investment advisors security, compliance, and exceptional communications and collaboration abilities in one platform.

[Request a demo today](#) to see it in action.

Learn more about RingCentral for investment advisors at ringcentral.com/trusted_advisors.

For more information, please contact a sales representative.

Visit us at

ringcentral.com/financial-services

or call 844-569-2989.

RingCentral, Inc. (NYSE: RNG) is a leading provider of cloud Message Video Phone™ (MVP™), customer engagement, and contact center solutions for businesses worldwide. More flexible and cost-effective than legacy on-premises PBX and video conferencing systems that it replaces, RingCentral empowers modern mobile and distributed workforces to communicate, collaborate, and connect via any mode, any device, and any location. RingCentral's open platform integrates with leading third-party business applications and enables customers to easily customize business workflows. RingCentral is headquartered in Belmont, California, and has offices around the world.



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