



Polar Investment Counsel Inc Quarterly Reviews

Home Office:
Thief River Falls MN
218-681-7344

3Q & 4Q 2018

Regulatory Corner



Risk and Regulators

There is no way getting away from the regulators, but it does seem that perhaps they aren't all that bad?!? After our second FINRA audit in 12 months, we had the NFA come in and audit the firm. It had been several years since a visit from them and we forgot that there are some regulators who actually aren't out to get us! The NFA—National Futures Association performed their audit with a sense of decency and were actually pleasant. They helped us with our Cyber Security policy which is a challenge for a firm's structure type such as ours. We had complied with their requests prior to the closing of their exam, so we do not anticipate any negative findings.

FINRA periodically performs enhanced civil searches on existing registered representatives and occasionally finds unpaid, unreported and even released or satisfied liens and judgments. They notify us and then we must amend your U4 with whatever pertinent information is required. Something most folks don't know is if you have any liens and you satisfy them, you have to go to the courts and get a release and have it filed. The reporting lien holder does not do it. A common misconception and proves to delay registrations at times.

We do anticipate FINRA back "visiting us" again this year ~ we shall see when!

REQUIRED READINGS

FINRA Disciplinary Actions

(link is to page that all are located on)

Monthly Actions: Jun-Dec 2018

Quarterly Actions: NONE

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

- 17A-3 Mailing
- Compliance Site Changes
- Selling Agreements
- Cybersecurity
- DST—Away Accounts
- Annual Compliance Program
- Privacy Policy

New Forms or Revised Forms

The Compliance site and most all forms has been updated. Please take a moment to review it all!



Techie Talk

The Biggest Cyber Crime Threats of 2019

A new year means a fresh start, but it doesn't mean that old threats will go away. In fact, in the world of cybersecurity things could get far worse before they get better

[more](#)

Did you know this about HTS????

HTS System Update

There are those that don't believe it but the HTS new system is on track for rolling out the end of the Summer. We are still to be one of the first correspondent firms to go live with the new system, which will mean a learning curve and some training. As mentioned previously, office and rep numbers will all change. I will be attending an education conference in June to learn more about the changes and how to work with them.

On another good note—I have been asked to participate in Mock 3 phase of the testing environment for the new system. This is something only a few firms are asked to participate in and they appreciate my candid and honest feedback. This testing phase is schedule for next month, March. It is a critical stage of the implementation of a new system. This will be the first exposure to correspondents who use it on a daily basis which is a much different view than those on the "inside".

A few reminders:

- *All new accounts must be opened by the Home Office—you send all signed new account documents via email to Sherry Abbott who will approve and establish the account number.
- *All fund movements must be processed by the Home Office—we have updated our disbursement forms to accommodate the new systems.
- *All forms are found on the HTS Service Center (formerly the Learning Exchange) - using the search function will be your new best friend.
- *All requests must be entered in the Service Center and for the most part, by the Home Office. Check with us if you have questions about what to do or not to do.



→ **17A-3 Mailing** : SEC regulations require us to verify customer information at least once every 3 years. It is that time for us again! HTS provides a very nice service to us in that they will mail out the notice to all our accounts for the price of \$1 per account. That is a bargain considering the price of a stamp is now \$.54. You will be charged for all active accounts. The mailing will be sent out in March. This is not optional - mandatory requirement.

→ **Compliance Site Changes** : The Compliance website has gone through a major “make-over”. Please take a few minutes (it will actually take you a little longer) and see all the changes.

Some of the highlights are as follows:

- We have combined and eliminated several pages to make things easier to find.
- The majority of the firm’s forms have been revised, combined and/or eliminated. If you don’t see something, contact the Home Office.
- OFAC search has been moved to the links of interest section. This is required for all new account opening and some changes.
- Compliance & Education page contains a lot of information and resources for things such as the ACC and compliance meeting.
- A link to polarinvest1.com public website where clients can logon to access their HTS account and view the CIB. Note: this site is next to get a “make-over”.

→ **Selling Agreements** : Over the years we have had many selling agreement relationships. With the ever changing landscape of ownership of companies, our selling agreement list has changed. We are in the process of updating this list to provide a better resource for investing opportunities for your clients. If you find we do not have a selling agreement with a particular company, contact the Home Office for Due Diligence procedures.



→ **Cybersecurity** : Back quite a few years ago, it was money laundering that was the big concern in the financial industry. We were required to come with means and ways to prevent such activity and to protect our customers privacy. Then came along the threats with the internet and using computer devices and we now have to deal with computer security, also known as cybersecurity or IT security, which is the protection of information systems from theft or damage to the hardware, the software, and to the information on them, as well as from disruption or misdirection of the services they provide.



Most firms have what is called “infrastructure systems” which is a mainframe computer that everyone connects to. They can secure that fairly easily with software and monitoring programs. Because we are all located in individual offices, the monitoring for cybersecurity gets a little tricky. While our email and security trading systems are secured by third party administrators, our devices are not. We must run reliable, current and up-to-date anti-virus security on our computers and other devices that we use for business and in our personal lives. Regulation requires that we keep records of such and that is why we now need to have the following reported on the ACC (annual compliance certification)

- *Computer make and model (ex: Dell Inspiron)
- *Operating system (Windows 7,8,10)
- *Antivirus software & version (ex: Norton 1.2.5)
- *Active – live updates for antivirus software

We asked for this information when the NFA was examining us and we will ask you to provide it annually. If at any time you upgrade or get a new computer, you will need to notify us immediately. Keeping our computers safe is important. Without them, we can’t do our business.

→ **DST—Away Accounts** : Accounts with mutual fund companies that are held away from HTS can be monitored via DST. If you aren’t signed up, please do so and monthly you need to provide a snapshot of the assets and valuations held away. These should be included in your monthly blotter email.



- **Annual Compliance Program** : It's the time of the season for compliance!! Our annual certification, compliance meeting and U4 review are the key elements to our compliance program. Below are the steps to completion—deadline is 4-1-19
 - Read Quarterly Review Q3 & Q4 2018 and comply with all elements of the publication
 - Review U4 snapshot / Outside Business Activity (update if necessary) sent via separate email.
 - View Firm Compliance Meeting, located on Compliance website, which is a narrated power point presentation covering areas that apply to all registered persons and firm associates. There is a short Q&A that is to be completed electronically following your viewing the meeting.
 - Complete the Annual Compliance Certification located on the Compliance website. The certification covers all the regulatory questions, attestations and verifications that we must ask you. If you have any responses that require further reporting, please use the ACC DRP (an electronic submission).
 - LOSU-Letter of Supervisory Understanding is another regulatory document that establishes the responsibilities of the individual rep and the firm. All new reps are required to complete this and at times, existing reps may be asked to complete an updated letter.
 - Annual Compliance Program Certification is the last element of the program where you say that you have read and complied with all elements of the firm's compliance program. These documents and the submissions are reviewed every year that FINRA exams us. Email the cert—keep the original.
- **Privacy Policy** : June of every year we perform the task of notifying our customers of our privacy policy. For HTS customers, it is easy—we use the statement stuffer with a notice. The firm's privacy policy is contained in the CIB that can be accessed from our public website. We need to notify the customers of held away accounts of our privacy policy and that requires you to mail or email them a standard letter advising them of where they can view the policy. We have such a letter on the Compliance website. It does not have to be customized, you just need to keep a list of all clients who were sent the letter and attest to this with your end of June Monthly Blotter submission.



requires you to mail or email them a standard letter advising them of where they can view the policy. We have such a letter on the Compliance website. It does not have to be customized, you just need to keep a list of all clients who were sent the letter and attest to this with your end of June Monthly Blotter submission.

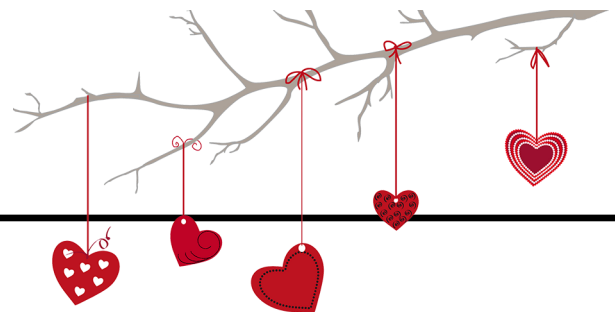
Alternative Investing - What keeps you from talking to your clients about alternatives? Let us know—we can help!!

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.

Rare Coins of New Hampshire—We have had a long standing relationship with Don Dee and there are investment opportunities in the numismatic arena. Ask us for more on this!



Upcoming Events **Qtr 1 2019: Annual Compliance Program**
Qtr 2 2019: Annual Privacy Policy Mailing

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.