

**How Have You Responded:  
Compliance and Firm Risks Associated  
with COVID-19**

Presenters:  
Michelle L. Jacko, CSCP  
Managing Partner, Jacko Law Group, PC  
CEO, Core Compliance & Legal Services, Inc.  
James L. Smith  
Sr. Consultant  
Core Compliance & Legal Services, Inc.

1

---

---

---

---

---

---

---

---

**Agenda**

- Regulatory Expectations for Disaster Preparedness
- Business Continuity – Have you Done Enough and Documented How You Responded to the Pandemic?
- Cybersecurity, Internal Controls and Supervisory Considerations for Working Remotely
- Client and Vendor Communications – Regulatory Guidance on What You Should Include
- Checklist of How to Mitigate Business and Compliance Risks Going Forward
- Q&A

April 28, 2020 JLG/Core Compliance Webinar

2

---

---

---

---

---

---

---

---

**An Overview of Regulatory Expectations for  
Disaster Preparedness**

April 28, 2020 JLG/Core Compliance Webinar

3

---

---

---

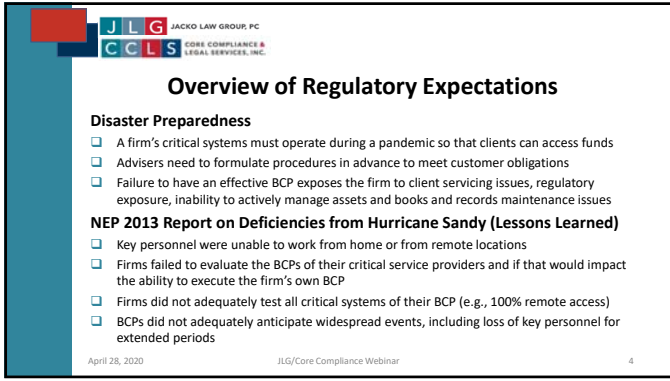
---

---

---

---

---



**J L G** JACKO LAW GROUP, PC  
**C C L S** CORE COMPLIANCE & LEGAL SERVICES, INC.

### Overview of Regulatory Expectations

**Disaster Preparedness**

- A firm's critical systems must operate during a pandemic so that clients can access funds
- Advisers need to formulate procedures in advance to meet customer obligations
- Failure to have an effective BCP exposes the firm to client servicing issues, regulatory exposure, inability to actively manage assets and books and records maintenance issues

**NEP 2013 Report on Deficiencies from Hurricane Sandy (Lessons Learned)**

- Key personnel were unable to work from home or from remote locations
- Firms failed to evaluate the BCPs of their critical service providers and if that would impact the ability to execute the firm's own BCP
- Firms did not adequately test all critical systems of their BCP (e.g., 100% remote access)
- BCPs did not adequately anticipate widespread events, including loss of key personnel for extended periods

April 28, 2020 JLG/Core Compliance Webinar 4

4

---

---

---

---

---

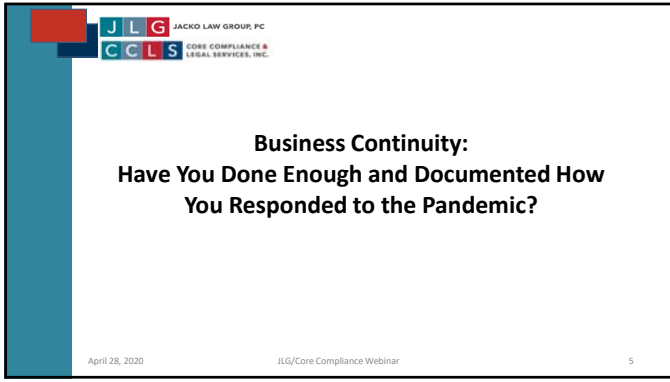
---

---

---

---

---



**J L G** JACKO LAW GROUP, PC  
**C C L S** CORE COMPLIANCE & LEGAL SERVICES, INC.

### Business Continuity: Have You Done Enough and Documented How You Responded to the Pandemic?

April 28, 2020 JLG/Core Compliance Webinar 5

5

---

---

---

---

---

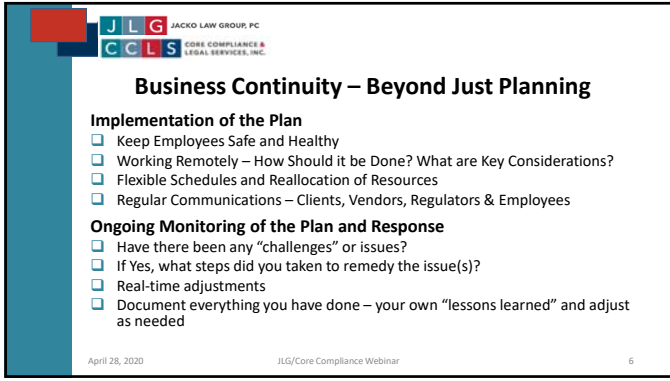
---

---

---

---

---



**J L G** JACKO LAW GROUP, PC  
**C C L S** CORE COMPLIANCE & LEGAL SERVICES, INC.

### Business Continuity – Beyond Just Planning

**Implementation of the Plan**

- Keep Employees Safe and Healthy
- Working Remotely – How Should it be Done? What are Key Considerations?
- Flexible Schedules and Reallocation of Resources
- Regular Communications – Clients, Vendors, Regulators & Employees

**Ongoing Monitoring of the Plan and Response**

- Have there been any "challenges" or issues?
- If Yes, what steps did you taken to remedy the issue(s)?
- Real-time adjustments
- Document everything you have done – your own "lessons learned" and adjust as needed

April 28, 2020 JLG/Core Compliance Webinar 6

6

---

---

---

---

---

---

---

---

---

---

**Cybersecurity, Internal Controls and Supervisory Considerations for Working Remotely**

April 28, 2020 JLG/Core Compliance Webinar 7

---

---

---

---

---

---

---

---

7

**Cybersecurity & Internal Controls**

**Your Firm's Network**

- Continually Monitor and Test Capabilities (Remote Access, Firewalls, Patches)
- Keep Software Up-to-Date; Consider Who Needs What to Function
- Passwords, Secure Wi-Fi, Multi-Factor Authentication
- Constantly Monitor for Phishing Emails, Calls or Texts

**Employees Working Remotely**

- Clarify Expectations for Remote Cyber Responsibilities (e.g., Network Access)
- Ability to host Virtual Teleconferences, as Needed – and Securely
- Using Personal Devices
- Confidentiality & Privacy

April 28, 2020 JLG/Core Compliance Webinar 8

---

---

---

---

---

---

---

---

8

**Supervision**

**Employer Responsibilities**

- Business as Usual – Communications
- Update Policies & Procedures on What Has Changed: How You are Remotely Supervising EEs/IARs
- In the Office – Social Distancing and Posting of Notices
- Regulatory Responsibilities & Reporting
- Training Reminders & Attestations – Code of Ethics/Personal Trading/Information Security/Privacy

**Employee Responsibilities**

- Business as Usual – Communication, Remote Compliance
- Notify HR –If You are Not Feeling Well
- Maintain Confidentiality of Client Information
- Ask Questions/Collaborate/Utilize Technology

April 28, 2020 JLG/Core Compliance Webinar 9

---

---

---

---

---

---

---

---

9

**Client and Vendor Communications: Regulatory Guidance on What You Should Include**

April 28, 2020 JLG/Core Compliance Webinar 10

10

---

---

---

---

---

---

---

---

**Client and Vendor Communications**

**Client Communications and Disclosures**

- Consider if Investment Management Has Changed and Communicate:
  - ❖ New risks in the marketplace
  - ❖ Greater cash positions / portfolio style drift
- Discuss How to Contact Key Personnel During "Shelter-In" Period
- Analyze Need for PPP Loan / Financial Condition Disclosure in Form ADV

**Vendor Communications and Due Diligence**

- Consider Vendor's Financial Condition and Ability to Continue Servicing Adviser
  - ❖ Consider their cyber controls for remote services, governance controls and resiliency
  - ❖ Send DDQs and carefully assess identified potential risks (e.g., when was BCP tested or has it been updated in response to COVID-19?)

April 28, 2020 JLG/Core Compliance Webinar 11

11

---

---

---

---

---

---

---

---

**Checklist of How to Mitigate Business and Compliance Risks Going Forward**

April 28, 2020 JLG/Core Compliance Webinar 12

12

---

---

---

---

---

---

---

---

**JL G** JACKO LAW GROUP, PC  
**CCL S** CORE COMPLIANCE & LEGAL SERVICES, INC.

### Checklist for Mitigating Your Business Risks

1. Consider if your BCP needs to be updated and reflect the firm's response and safeguards implemented in response to COVID-19; ensure pandemics are addressed
2. Document supervisory controls implemented during this Shelter-In phase; ensure you adequately communicated privacy and cyber safeguards to remote employees
3. Consider your written disclosures with clients; is there anything material to disclose related to changes in investment style or financial condition?
4. Continue to conduct due diligence on your vendors in compliance with your fiduciary obligations
5. Regularly communicate with clients and employees through recorded messages, websites, and VTC, providing material information, firm updates and training

**How We Can Help!**

- ☐ Conduct a Compliance Program Risk Analysis in Response to COVID-19

April 28, 2020 JLG/Core Compliance Webinar 13

13

---

---

---

---

---

---

---

---

---

---

**JL G** JACKO LAW GROUP, PC  
**CCL S** CORE COMPLIANCE & LEGAL SERVICES, INC.

### Supplemental Materials

- ☐ Recent SEC Risk Alerts
  - ✦ Providing Advance Information Regarding Inspections for Compliance with Regulation Best Interest and Form CRS (Apr. 7, 2020)
  - ✦ COVID-19 Quick Reference Guide for Investors and Market Participants (Apr. 8, 2020)
  - ✦ Division of Investment Management – Coronavirus (COVID-19) Response FAQs (Apr. 14, 2020)
- ☐ FINRA Rules & Guidance
  - ✦ Regulatory Notice 20-08: Pandemic – Related Business Continuity Planning, Guidance and Regulatory Relief (Mar. 9, 2020)
  - ✦ Fraud and Coronavirus (COVID-19) (Mar. 26, 2020)
  - ✦ COVID-19/Coronavirus/FINRA.org
- ☐ Risk Management Tip: Immediate Impacts of COVID-19 on Investment Adviser Compliance Programs, by Michelle Jacko (Mar. 20, 2020)
- ☐ Risk Management Update: Performing Due Diligence on Service Providers is Essential During the COVID-19 Pandemic, by Kurt Nunez (Apr. 23, 2020)

All links are provided on the JLG and Core Compliance Website under COVID-19 Resources and will be provided at the end of the webinar.

April 28, 2020 JLG/Core Compliance Webinar 14

14

---

---

---

---

---

---

---

---

---

---

**JL G** JACKO LAW GROUP, PC  
**CCL S** CORE COMPLIANCE & LEGAL SERVICES, INC.

### Questions? Let us know how we can help!

**Michelle L. Jacko, CSCP**  
Managing Partner, Jacko Law Group, PC  
[michelle.jacko@jackolaw.com](mailto:michelle.jacko@jackolaw.com)  
CEO, Core Compliance & Legal Services, Inc.  
[michelle.jacko@corecls.com](mailto:michelle.jacko@corecls.com)

**Jim Smith**  
Sr. Consultant, Core Compliance & Legal Services, Inc.  
[james.smith@corecls.com](mailto:james.smith@corecls.com)

**Jacko Law Group, PC**  
Core Compliance & Legal Services, Inc.  
1350 Columbia St. Suite 300  
San Diego, CA 92101  
(619) 298-2880  
[www.jackolaw.com](http://www.jackolaw.com)  
[www.corecls.com](http://www.corecls.com)

**Core Compliance & Legal Services, Inc.**  
San Diego, CA (619) 278-0020  
Los Angeles, CA (213) 330-0537  
San Francisco, CA (415) 228-6909  
NEW: Denver, CO  
[www.corecls.com](http://www.corecls.com)

April 28, 2020 JLG/CCLSL Webinar 15

15

---

---

---

---

---

---

---

---

---

---