



Implementing Efficient, Effective Processes to Address Regulatory Constraints Keeps Trading Firm Afloat

Challenge

In the aftermath of the financial crisis of 2008, the self-regulatory organizations of FINRA and the SEC created considerable regulatory burdens for trading firms. In fact, due to these burdens, many trading firms, especially smaller ones, could not cope with the sheer volume of regulatory requirements. Many incurred extraordinary fines and consequently went out of business.

This particular firm, the largest institutional equity brokerage firm by trading volume on the Chicago Stock Exchange, was experiencing tremendous pressure in the hyper-intensified oversight environment created by regulators. With commissions trending to zero, and trading firms in general becoming more and more commoditized, keeping the firm afloat and profitable had become more challenging. Managing expenses was of paramount importance.

The firm was facing two options: expand headcount in its Compliance department, or implement a more efficient way to manage the continuous flow of requests from regulators.

The mandate from the firm's CEO: Find a solution to ensure that regulatory requirements were being met without adversely impacting the firm's net revenue or operating budget.

Solution

To handle the extraordinary amount of time-sensitive and urgent requests from regulators, the choice was either to hire new compliance employees or automate processes.

After performing a deep-dive analysis into the firm's process flow and gaining an understanding of regulatory requirements, a highly-scalable, automated and cloud-based technology solution was developed and implemented.

Most of the repetitive quarterly and annual reporting requirements were automated, including: policy affirmations, employee disclosures, gifts, entertainment, political contributions, marketing review, customer complaints, employee FINRA license renewals, insider trading and employee trading surveillance.

This solution freed up the Chief Compliance Officer to focus on more strategic projects, such as one-off requests and surprise audits from SEC and FINRA. It also freed up the Compliance staff to manage risk, not paper.

Impact on Business

This trading firm was able to handle the additional regulatory requirements more effectively, and most importantly, without impacting its bottom line. As a result:

- ✓ The need to hire additional compliance FTEs was eliminated.
- ✓ Revenue retained = \$500,000 annually.
- ✓ The business kept afloat and it's still operating today. Without these automated processes it's doubtful this business would still be in existence today.

For more information, please visit www.saltaresolutions.com or contact:

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