

Designated Third Party Service

Satisfy Requirements of SEC Rule 17a-4 and CFTC Rule 1.31

With the enactment of the Dodd-Frank Act, the financial regulatory landscape is in a state of flux with new rules promulgated every month. The objective of these rules is to increase transparency and to ultimately reduce systemic risk to capital markets. This increased focus on transparency has resulted in greater emphasis by regulators on record keeping requirements including those detailed in SEC Rule 17a-4 and CFTC Rule 1.31.

Challenge

Both SEC Rule 17a-4 and CFTC Rule 1.31 provide specific details around how electronic data is to be stored. These rules also require organizations to retain a designated third party who can independently access, download and deliver electronically stored records to regulatory authorities:

SEC Rule 17a-4(f)(3)(vii) states every member, broker, or dealer exclusively using electronic storage media for some or all of its record preservation must designate at least one third party who has access to and the ability to download information from the member's, broker's, or dealer's electronic storage media.

CFTC Rule 1.31(b)(4) states any person who uses only electronic storage media to preserve some or all of its required records shall, prior to the media's use, enter into an arrangement with at least one third party technical consultant who has access to, and the ability to download, information from the electronic storage media.

Failure to satisfy these rules can lead to failed audits and subsequent penalties. For those financial institutions that prefer to manage their data in-house, as opposed to hosting their data with an outside company, it is necessary to engage a dependable, independent third party with technical IT knowledge and experience to carry out its duties under these requirements.

Solution

Through its Designated Third Party (D3P) service, Globanet assists financial institutions in meeting the SEC and CFTC requirements and helps ensure compliance integrity. Globanet's detailed methodology involves analyzing your IT environment and attesting your compliance to SEC, FINRA and/or the CFTC. The result is peace of mind and assurance that your firm has satisfied these regulatory mandates.

Success Story: Top-Tier Mutual Fund

A large financial institution wished to address the SEC's designated third party requirement without hosting their data with an outside hosting firm. Their legal, IT and compliance departments all had needs and concerns around this initiative. Globanet analyzed the client's IT environment and established a plan for gaining onsite access to the client's facilities. Globanet then filed a Letter of Undertaking with FINRA, ensuring the client met its compliance obligation. Globanet also developed a roadmap to transition access from "physical" to "remote" access in order to minimize operational disruptions in the case of an SEC request. Globanet delivered peace of mind by addressing the different concerns of legal, IT and compliance, while assisting the client in complying with the SEC requirement.



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About Globanet

Globanet is a leading developer and reseller of archiving, data migration and eDiscovery solutions worldwide. Founded in 1996, the company is a pioneer of intelligent information governance, and has developed a portfolio of software and services to help organizations manage data from creation to expiry. Globanet's proprietary solutions include the Globanet Merge1 message capture platform and Globanet Migrate data migration software. A Veritas Platinum Partner with Master Specialization in Archiving and eDiscovery, its professional services team has extensive experience with industry-leading Enterprise Vault and Clearwell. Globanet is also a proud Microsoft Silver Software Development Partner. Globanet's broad range of services include policy and solution design, installation and configuration, data migration, custom add-ons and project-based eDiscovery consulting.

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