Compliance Solutions

SEC REGULATED FIRMS

- INVESTMENT ADVISORS
- HEDGE FUNDS
- PRIVATE EQUITY

SEC Requirements and Global Relay Solutions for Electronic Communications Recordkeeping & Supervision

Archiving the financial services world

SEC Registration Requirements under Dodd Frank
Investment Advisor SEC Rule 204-2
Investment Advisor SEC Rule 206(4)-7
WELCOME AND THANK YOU for your interest in Global Relay’s messaging compliance services for SEC Regulated Investment Advisors, Hedge Funds and Private Equity Funds. We are confident that you will find that our compliance solutions exceed your expectations.

COMPLIANCE is more than just the preservation of records to ensure that your firm can survive regulatory, audit and evidentiary scrutiny. It’s a matter of Reputation, Integrity and Control. The stakes are high and they are tied to the prosperity of your firm.

The compliance burden should no longer be thought of as solely a back office or IT matter. It should involve pro-active decision-making on the part of senior management to choose a high quality compliance solution to efficiently retain, protect, manage and ensure authenticity of records and to implement safeguards and internal supervisory controls against inadequate data management practices. Selecting a message archiving solution should be thought of as an investment in your firm’s future, both in terms of risk reduction and overall firm image.

GLOBAL RELAY’S TECHNOLOGY SOLUTIONS reflect “best practices” standards that have become the benchmark for message management and compliance. Our Investment Advisor technologies, Global Relay Archive and the Compliance Reviewer, are specifically engineered to provide a total regulatory and legal compliance solution for firms subject to the regulatory compliance requirements of the SEC, FINRA and SROs such as CHX and CBOE. Noteworthy in this respect is that Global Relay has the exclusive honor of being selected as the Message Archiving vendor for FINRA’s Compliance Resource Provider Program. Global Relay’s services provide reliable, cost-effective and scalable message management and compliance solutions that:

○ are implemented within hours, with no software or hardware requirements or other capital outlays
○ are continuously and seamlessly updated to meet current technological, legal and regulatory needs
○ provide end-user tools, including mobile apps for iPhone, iPad, Blackberry and Android

As the developer, owner and operator of our technology, we have provided message archiving solutions since 1999 without a single incident of data loss. Each year, we engage KPMG to perform independent testing and validation upon our business, operational and security controls and report upon findings. KPMG also conducts independent security penetration testing procedures on our Internet-facing systems and applications. This comprehensive third party validation, available upon request, is unique in the hosted messaging industry.

Further, our Investment Advisor compliance solutions are more than best-of-breed technology. We are a dedicated team of professionals with the highest synergy of business, technical and legal expertise. With 24x7x365 IT support, full-time, in-house compliance lawyers, and professional Audit & eDiscovery and Data Services teams, we help our customers on a daily basis troubleshoot and resolve key IT and business issues, as well as play a mission critical role in your equation to achieving corporate excellence. We will provide your firm with a superior balance of technology, service, support, training, and affordability to efficiently assist you in meeting regulatory, audit, corporate governance, discovery requests and other business needs.

YOUR COMPLIANCE SOLUTION will be tailored, without extra cost, to fit the needs of your firm, whether it is an independent business with outsourced email or a single server environment, or a multinational enterprise with disparate email and messaging systems (i.e. multiple servers/multiple platforms).

Call Global Relay at +1.866.484.6630 or visit us at www.globalrelay.com, and let us demonstrate how our best-of-class solutions will make the difference in winning you as a customer.

Yours truly,

Shannon Rogers
President & General Counsel
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For more information
Please refer to the following Global Relay publications:
  ○ Global Relay Services Guide: a complete overview of all Global Relay compliance, message archiving, support, and professional services.
  ○ Global Relay Compliance Solutions Guidebooks: additional publications detailing how Global Relay addresses the message archiving and compliance needs of:
    ○ Broker-Dealers (FINRA & SEC)
    ○ CFTC Regulated Firms
    ○ FCA (UK) Regulated Firms
    ○ Canadian Financial Firms (IIROC & MFDA)
    ○ Health Care (HIPAA)
    ○ Public Companies (Sarbanes-Oxley)
    ○ Enterprises

Available upon request
  ○ KPMG Report on Global Relay’s Business, Operational and Security Controls: provides assurances and transparency into the high standards of Global Relay’s internal controls, and how these truly differentiate Global Relay
  ○ SOC reports on Global Relay’s two mirrored east/west coast data centers

Also refer to the following SEC documents, which can be found online:
  ○ The Investment Advisor’s Act of 1940: http://www.sec.gov/about/laws/iaa40.pdf
SERVICES

At-A-Glance

**Global Relay Archive**
Securely captures and preserves email, instant messaging (AOL, MSN, Yahoo!, GoogleTalk), mobile messaging, Bloomberg, Thomson Reuters, CME/Pivot, ICE/YellowJacket, social media (LinkedIn, Twitter, Facebook), web pages and more. Check with Global Relay if you need to archive a message type that is not listed here.

**Compliance Reviewer**
Complete message supervisory system that is configured to enforce and monitor your supervisory policies and procedures.

**Audit and eDiscovery**
Solutions are readily accessible within Global Relay Archive, providing efficient online tools for collaboration, case management and responses to legal data requests.

**Global Relay Search**
Provides users with 24/7 “anywhere access” to their messages via blackberry, iPhone, iPad, Android, Outlook and the Web.

**Global Relay Message**
Global Relay’s flagship messaging and unified collaboration communications service, designed to address the messaging, federation, compliance, privacy and security needs of firms in regulated industries. Global Relay Message is currently in beta.

Global Relay services are presented in three “pillars”:

**message**
- **Global Relay Message**
  Secure, fully compliant messaging platform
- **Email Services**
  Secure email with spam and virus filtering, shared calendars and contacts
- **Continuity Email**
- **Message Hub**
  Federate your Microsoft OCS/Lync with Thomson Reuters Messaging

**archive**
- In-house, Hosted Exchange, Zimbra, Notes, Google Apps and more
- **Bloomberg chatter Yammer**
- **Thomson Reuters**

**search**
- Access messages anytime, anywhere
- Search across all message types
- Easily Reply, Reply All, Forward and Recover messages
- SAML enabled
The Dodd-Frank Act

Significance of Rules
On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act into law, bringing sweeping changes to the way the American financial industry is regulated.

Specifically, the Dodd Frank Act eliminates the exemption of “private advisors” from SEC registration found in the Investment Advisors Act of 1940. Many Private Equity Funds and Hedge Funds are affected by these changes. The deadline for SEC or state registration for firms that fall under the new rules mandated by Dodd-Frank was March 30, 2012.

Now that many Private Equity Funds and Hedge Funds have Investment Advisor status, they are subject to SEC requirements for recordkeeping and monitoring of electronic communications. Non-compliance with these regulations may result in regulatory disciplinary action, costly penalties and a loss of goodwill and reputation.

The Dodd Frank Act requires advisors with over $25m AUM to register with either their state or the SEC.
- Advisors with between $25m and $100m AUM must register with their state.
- Advisors with over $100m in AUM must register with the SEC, unless they are advising only private funds — in which case, they must register if they have more than $150m AUM.
- Non-US Advisors may have certain limited exemptions from registering with the SEC and should review the rules carefully to determine their status.

In This Publication
This booklet describes how Global Relay assists firms registered as Investment Advisors (including registered Private Equity Funds and Hedge Funds) in meeting SEC requirements for the recordkeeping and supervision of electronic messages.
SUMMARY OF REQUIREMENTS

Recordkeeping

Significance of Rules
Regulators do not tolerate inadequate recordkeeping. In response to the explosive growth of email, instant messaging, text messaging, social media and other electronic messages as principle business communication tools, the SEC has adopted amendments to Part 275 — Rule 204-2 under the Investment Advisors Act, which identifies records relating to investment advisory business that must be stored electronically and imposes requirements regarding the preservation, accessibility and retention periods of all such records. These requirements are designed to protect investors from misrepresentation and fraud and to prevent record tampering.

Who Must Comply
Investment Advisors, including Hedge Funds and Private Equity Funds, registered or required to be registered under section 203 of the Investment Advisors Act. The majority of state-registered Advisors have similar compliance regulations. Note, that Rule 204-2(a) requires preservation of records relating to a firm’s “investment advisory business”, which should include the preservation of all electronic communications of a firm’s registered Advisors, as well as those of all associated persons to the business.

Requirements
Under Rule 204-2 firms must:
- preserve all SEC-mandated records (incoming, outgoing, internal) regarding the Advisor’s business
- store electronic records on tamperproof media
- retain records in an easily accessible place for a 5 year retention term from the end of the fiscal year during which the last entry was made
- retain records in an appropriate office of the Advisor for the first two years of the retention term
- arrange and index electronic records for easy search, retrieval and access
- “promptly” furnish records to regulators (defined as within 24 hours); online access meets this requirement
- provide legible, true, and complete copies and printouts of records to regulators
- provide regulators with means to access, view and print records
- store original and duplicate copies of records in separate locations
- establish and maintain procedures to protect records from loss, alteration or destruction, and to limit record access to authorized personnel and regulators
- ensure electronic reproduction of a hard copy record is complete, true and legible
- implement an annual review system and ensure the ability to store review results (cross-referenced with Rule 206(4)-7)

Repercussions of Non-Compliance
Increasingly, SEC investigations focus on business records, and on stricter enforcement of recordkeeping rules. Firms cannot afford to have a lackadaisical attitude toward message management, as the consequences of non-compliance include internal and/or regulatory disciplinary actions, costly penalties, civil liability, damaged corporate reputation and loss of goodwill and clients.

Global Relay’s Archive Solution
Global Relay engineered Global Relay Archive technology to provide SEC regulated firms with a highly scalable message archiving and compliance system designed to comply with Rule 204-2 of the Investment Advisors Act. Global Relay Archive captures and archives authentic and complete records of all electronic communications of a firm in a secure but accessible system.
SUMMARY OF REQUIREMENTS

Supervision

Significance of Rules
It is unlawful for Investment Advisors to provide investment advice to clients unless they implement internal supervisory compliance controls for electronic communications pursuant to Rule 206(4)-7 under the Investment Advisors Act. Advisors are required to establish, maintain and enforce written supervisory policies and procedures in order to detect and prevent compliance violations, including the misuse of non-public material information. Controls designed to protect investors from misrepresentation and fraud via electronic communications are mandated as part of these supervisory policies and procedures.

Who Must Comply
Investment Advisors, including Hedge Funds and Private Equity Funds, registered or required to be registered under section 203 of the Investment Advisors Act. The majority of state-registered Advisors have similar compliance regulations. Note, that Rule 206(4)-7(a) requires implementation of internal controls to prevent violations by the Advisor and its “supervised persons,” which includes “any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an Investment Advisor, or other person who provides investment advice on behalf of the Investment Advisor and is subject to the supervision and control of the Investment Advisor”.

Requirements
In connection with the supervisory compliance controls of Rule 206(4)-7 and corresponding SEC Final Rule Release IA-2204, firms must:
- implement internal compliance controls designed to detect and prevent regulatory violations
- establish supervisory policies and procedures for all business-related communications with clients, including: 1) methods of detecting and addressing regulatory violations in electronic communications and 2) restricting such communications if they cannot be adequately archived and supervised
- implement safeguards to protect the privacy of client records and information
- monitor the accuracy of disclosures made to investors, clients, and regulators, including account statements and advertisements
- implement controls for the accurate creation and maintenance of required records in a manner that secures them from unauthorized alteration or use and protects them from untimely destruction
- review annually the firm’s written supervisory policies and procedures to ensure compliance
- designate a chief compliance officer to administer the supervisory compliance systems
- implement an annual review system and ensure the ability to store review results (cross-referenced with Rule 202-4)

Repercussions of Non-Compliance
The repercussions of non-compliance include internal and/or regulatory disciplinary actions, costly penalties, damaged corporate image, and loss of goodwill. Advisors may also be denied eligibility to advise or be precluded from serving in other capacities.

Global Relay’s Supervisory Solution
Compliance Reviewer is engineered to provide Investment Advisors with a turn-key supervisory system with advanced monitoring, filtering, audit, and eDiscovery tools. It provides a flexible, easy-to-use, multi-tier supervisory system that can mirror the reporting structure of any size firm, no matter how complex. Firms can supervise all electronic communications, including email, instant messages, Bloomberg, Thomson Reuters, social media, and mobile messaging in a single unified platform.
Global Relay Archive is specifically engineered in accordance with the Securities and Exchange Commission (SEC) Part 275 - Rule 204-2 — Books and Records to be Maintained by Investment Advisors under the Investment Advisors Act of 1940 and the corresponding Release No. IA-1945 Final Rule: Electronic Recordkeeping by Investment Companies and Investment Advisors to provide recordkeeping solutions for the incoming, outgoing and internal electronic messages of an Advisor’s business. The requirements are met as follows:

<table>
<thead>
<tr>
<th>Rule 204-2 Compliance Requirement</th>
<th>Global Relay’s Compliance Solutions</th>
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<tbody>
<tr>
<td>Every investment advisor registered or required to be registered under section 203 of the Act</td>
<td>Types of Electronic Communication – Global Relay Archive captures and archives all of an Advisor’s</td>
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<tr>
<td>shall make and keep true, accurate and current the following books and records relating to its</td>
<td>incoming, internal and outgoing electronic communications. This ensures compliance with paragraph (a)</td>
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<td>investment advisory business:</td>
<td>of Rule 202-4, which requires Advisors to preserve records relating to their “investment advisory</td>
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<td>business”, including “originals of all written communications received and copies of all written</td>
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<td>communications sent.” Global Relay Archive securely captures, indexes and archives all major message</td>
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<td>types used in finance. See Global Relay Archive: Controls and Features, Section 1 for a complete list</td>
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<td>of supported message types.</td>
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**Other Important Items to Note:**

**Social Media** – Global Relay Archive for Social Media supports LinkedIn, Twitter and Facebook and is designed for compliance, automatically capturing and archiving social media communications in long-term tamperproof storage. In January of 2012, the SEC released a Risk Alert on Investment Advisor use of social media that confirmed that communications via social media that relate to “investment advisory business” fall under SEC Rule 204-2. It is the content of the communication that determines whether it must be retained. Investment Advisors must therefore retain social media content if it “contains information that satisfies an Investment Advisor’s recordkeeping obligations under the Advisors Act.”

**Mobile Messaging** – Text and PIN messages related to a firm’s investment advisory business must be captured and preserved alongside email and other electronic communications. Global Relay Mobile Device Management for Compliance is a state-of-the-art archiving, supervision, and eDiscovery solution for smartphones that captures text/SMS, PIN, call logs, location information, and more directly from the mobile device. It currently supports Blackberry and Android and is ready to support iOS when Apple publishes the necessary API access.

**Websites** – Global Relay Archive for Web preserves websites, blogs, and forums and accurately replicates complex interactive elements like Flash, Javascript/AJAX, video and audio, ensuring that Investment Advisors can capture these important elements of their investment advisory business.

**Legacy Data** – Global Relay can import firms’ existing messaging data into Global Relay Archive, integrating this legacy data with all new messages going forward. Global Relay performs all conversion, quality assurance, import and reconciliation of legacy data in the migration to Global Relay Archive, providing a clean and defensible chain of custody. Firms simply provide their legacy data in an agreed upon standard mail format.

**Users** – Again, Rule 202-4(a) requires Advisors to preserve records relating to their “investment advisory business.” The industry interpretation of this phrase suggests inclusion of not only records of representatives, but also of all associated persons to the business.

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<tr>
<th>Rule 204-2 Compliance Requirement</th>
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<tr>
<td>Preserve Accurate Records (a)</td>
<td>Spam – The industry interpretation of “relating to its investment advisory business” appears to exclude spam. Global Relay Archive can filter spam from search results in the event it makes it past a firm’s mail server filtering solution. As well, Global Relay offers optional Anti-Spam &amp; Virus Hosted Email Filtering that can either tag spam so it is not displayed in users’ inboxes, or quarantine it for review prior to it being deleted (or redirected to the User).</td>
</tr>
<tr>
<td>Storage Period and Access Books &amp; Records (e)(1) Corporate Records (e)(2) Published Materials (e)(3)</td>
<td>Encryption – Global Relay Archive uses end-to-end encryption to protect the privacy and confidentiality of customer data. The encryption (and decryption process is transparent to Users.</td>
</tr>
<tr>
<td>Preservation - Global Relay Archive is a cloud-based archiving system for the long-term preservation of, access to, and retrieval of electronic communications. All messages are preserved in Global Relay’s two mirrored SOC audited data centers for the length of the retention period specified by the Investment Advisor firm, ensuring compliance preservation periods are met. Messages are preserved in a non-writeable, non-erasable format with write-verification. Retention - The SEC requires Advisors to retain books and records for five years from the end of the fiscal year during which the last entry was made. Typically, Global Relay will provide a six year retention term to ensure every message is retained for the minimum retention term. Access - Under Rule 204-2(e)(1), similar to Rule 204(e)(3) below, Advisors must maintain and preserve in an “easily accessible place,” all books and records listed in paragraphs (a) to (c) of Rule 204-2. Following best practice standards, Global Relay Archive provides “easily accessible” real-time online access to messages anytime, anywhere. Corporate Records - Similarly, the electronic corporate records referred to in this Rule 204-2(e)(2) can be preserved in Global Relay Archive for the corporate life of the firm. Following industry standards, real-time access to such records should be provided for at least two years. If requested, such messages can be preserved for a lifetime corporate record upon dissolution of the firm. Appropriate Office Requirement - Rule 204-2(e)(1) requires Investment Advisors to preserve records in an “appropriate office of the investment advisor” for two years. This language was established before cloud computing and electronic data storage became mainstream. Its spirit was to address the requirement of maintaining the actual physical paper record in an appropriate office of the adviser. Today, it has become well accepted practice for advisors to engage Software-as-a-Service (SaaS) providers to assist with the record retention function. As far back as 1995, the SEC clarified that this provision does not require investment advisors to physically store electronically records at their particular local office as long as the records are readily accessible from the office. Global Relay Archive provides immediate online access to archived messages anytime, anywhere.</td>
<td></td>
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Rule 204-2 | Compliance Requirement | Global Relay’s Compliance Solutions
---|---|---
Electronic Storage Media General (g)(1) | The records required to be maintained and preserved pursuant to this part may be maintained and preserved for the required time by an investment advisor on: (i) “Micrographic media”, including microfilm, microfiche, or any similar medium; or (ii) “Electronic storage media”, including any digital storage medium or system that meets the terms of this section. | In order to fulfill its oversight responsibilities, the SEC must be confident that the integrity of an Advisor’s records is being preserved and that these records are continually accessible. Global Relay Archive uses electronic storage media that more than satisfies the applicable conditions set forth in paragraph (g)(i) of SEC Rule 202-4 (described in more detail in Global Relay’s solution for paragraph (g)(3) (i) below).

Electronic Record Index & Retrieval (g)(2)(i) | The investment advisor must arrange and index the records in a way that permits easy location, access, and retrieval of any particular record. | Indexing - All messages are full-text indexed with complete metadata, including Subject, From, To, Cc, Bcc, Distribution Lists, and more. There are also some unique but useful metadata fields such as X-headers and IP address. Global Relay Archive supports full text indexing for the majority of captured attachments, including metadata from image files. All attachments which can be converted to text can be full-text indexed.

Message Availability - Messages can be retrieved and viewed immediately online using advanced search and eDiscovery tools. See 3(a)(iii) of Compliance Reviewer: Controls and Features for details on search functionality. Users can access Global Relay Archive via web browser, Outlook plug-in, and proprietary mobile apps for iPhone, iPad, Blackberry and Android.

Time Limit to Fulfill Request (g)(2)(ii) | The investment advisor must provide promptly any of the following (items (g)(2)(ii)(A)-(C) below) that the Commission (by its examiners or other representatives) may request: | Records are to be provided “promptly” following a SEC request. While the “promptly” standard imposes no specific time limit, the SEC expects that in most cases Advisors could, and therefore will be required to, furnish records immediately or within a few hours of request. Only in unusual circumstances would an Advisor be permitted to delay furnishing electronically stored records for more than 24 hours. All messages in Global Relay Archive can be retrieved and viewed immediately online using advanced search and eDiscovery tools.

Online Auditor Access – Global Relay Archive has a special user role for audit purposes called the “Ghost Reviewer.” Global Relay can set up an account for a third party auditor or regulator which only gives that party access to a customer defined subset of messages (e.g. a folder set up for the audit). The auditor or regulator can then review all of the messages online without his or her actions showing up in the audit trail. Attorney-client privileged, restricted, and personal messages can be blocked to prevent viewing by auditors and regulators. Use of the Ghost Reviewer is dependent on the discretion of the individual auditor or regulator.

Data Export – Firms can export archived data to a standards-based format (e.g. PST, EML). All data can be made available via secure FTP transfer, DVD, or hard drive. Global Relay’s professional Audit & eDiscovery team has a 24-hour turnaround time for data exported for audits or litigation.

Verified Electronic Records (g)(2)(ii)(A) | The investment advisor must provide promptly a legible, true, and complete copy of the record in the medium and format in which it is stored that the Commission may request. | All messages stored within Global Relay Archive are captured automatically, with no user intervention. All such records are stored in their original format. Global Relay Archive automatically verifies the quality and accuracy of the storage media recording process as electronic communications and attachments are written to tamperproof storage. The accuracy and completeness of the write-verification recording processes is ensured through data comparison. As messages are processed, Global Relay Archive automatically compares the post-processed message with the original message before the original message is deleted. Global Relay Archive also uses a 30-day buffer as an added level of redundancy in the write-verification process.

See Global Relay Archive: Controls and Features, Section 2 for a complete description of the archiving process and controls. Note also that all of Global Relay's internal business, operational, and security controls, including the message processing procedures that ensure that all archived data is quality, accurate and complete, are annually validated by KPMG. The KPMG Report can be provided upon request.
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<tr>
<td>Record Print Outs &amp; Logs (g)(2)(ii)B</td>
<td>The investment advisor must provide promptly a legible, true, and complete printout of the record that the Commission may request.</td>
<td>Again, all messages can be retrieved and viewed immediately online using advanced search and eDiscovery tools. Messages may also be printed, forwarded, downloaded to EML, and/or restored to users’ inboxes.</td>
</tr>
<tr>
<td>eRecord Access (g)(2)(ii)C</td>
<td>The investment advisor must provide promptly means to access, view, and print the records that the Commission may request.</td>
<td>Access to view, print and download messages is done through Global Relay Archive’s secure, user-friendly interface accessible by authorized personnel from anywhere in the world. Authorized users are able to easily conduct searches across all message types using structured queries based on various search parameters (all, date, date range, To, From, Cc, Bcc, Distribution List, Subject, keywords contained within a message or attachment, attachment file name or any part of or combination of the preceding). Global Relay Archive provides online auditor access (see paragraph (g)(2)(ii) for details) and is also able to export data to any media requested by the SEC.</td>
</tr>
<tr>
<td>Duplicate Copies (g)(2)(iii)</td>
<td>Separately store, for the time required for preservation of the original record, a duplicate copy of the record on any medium allowed by this section.</td>
<td>Global Relay Archive ensures all messages are copied to tamperproof storage using write-verification. As an added benefit, by separately storing the duplicate copies, further disaster recovery steps are implemented.</td>
</tr>
<tr>
<td>Indelible Storage Media (g)(3)(i)</td>
<td>In the case of records on electronic storage media, the investment advisor must establish and maintain procedures to maintain and preserve the records, so as to reasonably safeguard them from loss, alteration, or destruction.</td>
<td>“Best practices” standards dictate the use of tamperproof storage and redundant backup systems in order to properly safeguard electronic records against loss, tampering or destruction. Global Relay Archive preserves a quality, accurate and complete copy of all messages, including attachments, eliminating the risks associated with lost, altered, destroyed or deleted messages.</td>
</tr>
<tr>
<td>Limited Access (g)(3)(ii)</td>
<td>In the case of records on electronic storage media, the investment advisor must establish and maintain procedures to limit access to the records to properly authorized personnel and the Commission (including its examiners and other representatives).</td>
<td>Global Relay is a “roles-based” system. Administrators, auditors and supervisory reviewers can be assigned online access privileges on a corporate-wide or parameter-specific basis. All information stored within Global Relay Archive can be made promptly available to the SEC, either online or by exporting the data to a standards-based format.</td>
</tr>
<tr>
<td>Convert Originals to Electronic Storage Media (g)(3)(iii)</td>
<td>In the case of records on electronic storage media, the investment advisor must establish and maintain procedures to reasonably ensure that any reproduction of a non-electronic original record on electronic storage media is complete, true, and legible when retrieved.</td>
<td>All messages stored in Global Relay Archive are captured automatically, with no user intervention. As stated above, all such records are stored in their original format and the quality and accuracy of the recording process is automatically verified as messages and attachments are processed and stored in Global Relay’s two mirrored east/west coast SOC audited data centers.</td>
</tr>
<tr>
<td>SEC Rule 17a-3 &amp; 17a-4 (h)(1)</td>
<td>Any book or other record made, kept, maintained and preserved in compliance with SEC Rule 17a-3 and Rule 17a-4, which is substantially the same as the book or other record required to be made, kept, maintained and preserved under this section, shall be deemed to be made, kept maintained and preserved in compliance with this section.</td>
<td>Global Relay’s technology was specifically engineered to meet the more stringent electronic recordkeeping requirements of SEC Rules 17a-3 and 17a-4 imposed by the SEC on Broker-Dealers. Accordingly, all records preserved in Global Relay Archive are compliant with SEC Rule 204-2. Note, that under Release No. IA-2204 Final Rule: Compliance Programs of Investment Companies and Investment Advisors, Investment Advisors who are also registered as Broker-Dealers are not required to segregate their Investment Advisor compliance policies and procedures from their Broker-Dealer compliance policies and procedures.</td>
</tr>
<tr>
<td>One Record (h)(2)</td>
<td>A record made and kept pursuant to any provision of this Rule 204-2(a), which contains all the information required under any other provision of paragraph (a) of this section, need not be maintained in duplicate in order to meet the requirements of the other provision in this Rule 204-2.</td>
<td>Duplication of records required to be preserved under more than one provision of paragraph (a) of Rule 204-2 is irrelevant with respect to electronic records, as Global Relay Archive automatically captures a copy of every message, consolidating them into a unified, secure archive in Global Relay’s mirrored SOC audited data centers. The simple search and retrieval process provides rapid access to each message stored within the unified Archive, even if the original message has been deleted.</td>
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COMPLIANCE PROCEDURES AND PRACTICES

SEC Rule 206(4)-7 Solution

Global Relay Archive and Compliance Reviewer are specifically engineered in accordance with SEC Part 275 - Rule 206(4)-7 — Compliance Procedures and Practices under the Investment Advisors Act of 1940 and the corresponding Release No. IA-2204 Final Rule: Compliance Programs of Investment Companies and Investment Advisors. Our technology provides Investment Advisors with a turnkey internal compliance system for electronic communications and records in accordance with the firm’s written supervisory policies and procedures that is designed to prevent and detect violations under the Act. The requirements are met as follows:

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<th>Compliance Requirement</th>
<th>Global Relay’s Compliance Solutions</th>
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<tr>
<td>General Application of Compliance Procedures &amp; Practices</td>
<td>If you are an investment advisor registered or required to be registered under section 203 of the Investment Advisors Act of 1940 (15 U.S.C. 80b-3), it shall be unlawful within the meaning of section 206 of the Act (15 U.S.C. 80b-6) for you to provide investment advice to clients unless you:</td>
<td>All Investment Advisor firms under the jurisdiction of the SEC (“Advisors”) must adopt adequate compliance policies and procedures that satisfy the requirements in Rule 206(4)-7. Global Relay’s Compliance Reviewer allows firms of any nature, size and structure to develop, implement and maintain a rules-based supervisory system to monitor the electronic communications of associated persons. Global Relay’s Training team assists firms with developing and implementing supervision policies within Global Relay Archive that are designed to achieve compliance with applicable laws and regulations.</td>
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<tr>
<td>Implement Policies and Procedures (a)</td>
<td>Policies and procedures. Adopt and implement written policies and procedures reasonably designed to prevent violation, by you and your supervised persons, of the Act and the rules that the Commission has adopted under the Act. Note, that “supervised person” is defined in SEC Rule 202(a)(25) of the Advisors Act as “any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment advisor, or other person who provides investment advice on behalf of the investment advisor and is subject to the supervision and control of the investment advisor”.</td>
<td>Each Advisor must establish written supervisory procedures and a system for applying the procedures, which may reasonably be expected to prevent and detect any violations of federal securities laws, and rules and orders thereunder. In response to the explosive growth of electronic messages as principal business communication tools, a major focus of implementing internal supervisory compliance controls is for Advisors to establish procedures designed to protect investors from misrepresentation and fraud via electronic communications and to prevent record tampering. Industry standards dictate that a recitation of the SEC rules or a laundry list of “thou shalt nots” will no longer satisfy SEC requirements such as SEC Rule 206(4)-7. Procedures which are designed to help the Advisor’s designated “supervisor” prevent and detect violations of the law by “supervised persons,” must not only be outlined, but also implemented on a regular and ongoing basis. Global Relay Archive and Compliance Reviewer incorporate archiving and monitoring technology developed to meet current best practices standards of the securities industry in the implementation of supervisory compliance system controls relating to electronic records of Advisors. See the subsequent section on the Compliance Reviewer: Controls and Features, as well as the Global Relay Services Guide, for details on Compliance Reviewer’s functionality and features.</td>
</tr>
<tr>
<td>Annual Review (b)</td>
<td>Annual review. Review, no less frequently than annually, the adequacy of the policies and procedures established pursuant to this section and the effectiveness of their implementation.</td>
<td>Global Relay’s Compliance Reviewer technology has a reporting module with the ability to monitor, track and provide statistics on an Advisor’s monitoring and surveillance activities to ensure effective implementation and compliance, as well as for audits and periodic re-evaluation by the Advisor. The Advisor’s compliance personnel may view the results of supervisory reviews and the auditing of reviews to ensure the executed reviews comply with the policy goals of the Advisor. An annual review may be performed by the Advisor with the assistance of Global Relay’s in-house legal counsel to ensure that the Advisor maintains best practices compliance in connection with SEC regulations. Moreover, Global Relay’s technology is updated as required to ensure that compliance requirements are met for new and amended rules as they are introduced.</td>
</tr>
<tr>
<td>Rule 206(4)-7 Compliance Requirement</td>
<td>Global Relay’s Compliance Solutions</td>
<td></td>
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<tr>
<td>------------------------------------</td>
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<tr>
<td><strong>Chief Compliance Officer (c)</strong></td>
<td>Usually, the Chief Compliance Officer, who is designated with the responsibility of administering the supervisory compliance policies, will be appointed as the Advisor’s Super Reviewer/Reviewer with respect to Compliance Reviewer. This monitoring system applies customized security rules to govern multi-tier access rights and action privileges of authorized persons, such as the CCO or other compliance department staff. For details, refer to the Global Relay Services Guide.</td>
<td></td>
</tr>
</tbody>
</table>
| Chief compliance officer. Designate an individual (who is a supervised person) responsible for administering the policies and procedures that you adopt under paragraph (a) of this section.  
(See definition of “supervised person” in Section 206(4)-7(b) above). | Typically, within a small Advisory firm, one Reviewer can monitor all electronic communications. The Reviewer in this case is often the business owner, the partner, chief compliance officer or other supervised person specifically charged with overseeing compliance. For growing, complex or large Advisory firms, the Administrator may establish multiple User Groups (Group 1, 2, 3 etc.) to organize Users into appropriate departments, divisions, business units, management teams or offices. A multi-tiered supervisory review system may be adopted consisting of multiple Reviewers and Super Reviewers. In this case, the Super Reviewer has all access and review capabilities of the Reviewer, as well as firm-wide access to all electronic communications (unless specifically restricted) to carry out the second level review. |

**Release No. IA-2204**  
**Final Rule: Compliance Programs of Investment Companies and Investment Advisors**  
**Nature of Firm.** The Release states that each Advisor should adopt policies and procedures that take into consideration the nature of that firm’s operations.  
**Key Considerations.** Rule 206(4)-7 requires Advisors to consider their fiduciary and regulatory obligations under the Advisors Act and to formalize policies and procedures to address them.  
**Policy Elements.** Release No. IA-2204 does not enumerate specific elements that Advisors must include in their policies and procedures as Advisors are too varied in their operations for the rules to impose a single set of universally applicable required elements. The relevant elements, at a minimum, that the SEC expects an Advisor’s policies and procedures to address include:  
  - controls to monitor the accuracy of disclosures made to investors, clients, and regulators, including account statements and advertisements  
  - controls for the accurate creation of required records and their maintenance in a manner that secures them from unauthorized alteration or use and protects them from untimely destruction;  
  - safeguards for the privacy protection of client records and information.  
**Nature of Firm** - Global Relay’s legal and IT departments are tightly integrated to ensure that actual deployment strategies for an Investment Advisor of any nature, size, structure and customer base satisfy compliance requirements.  
**Key Considerations** - Prevention and detection of violations under the Advisors Act are key objectives of an Advisor’s compliance policies and procedures.  
Global Relay Archive and Compliance Reviewer help facilitate an electronically centralized, comprehensive, internal compliance program to aid the Advisor in its first line of defense regarding investor protection. Global Relay’s technology standards more than address the SEC Investment Advisor regulatory and fiduciary obligations, as they were originally engineered to meet the more stringent SEC compliance requirements mandated for Broker-Dealers.  
**Policy Elements** - Advanced surveillance and review functions of Compliance Reviewer enable efficient audit, review, monitoring and retrieval of archived messages in order to efficiently and effectively meet internal, corporate governance, subpoena, and discovery requests and disclosures.  
With dual AES and RSA encryption of all messages, and duplicate tamperproof storage with write verification, Global Relay Archive ensures the integrity and authenticity of messages with auditable and evidentiary-quality copies, mitigating the risks and liability associated with inadequate, lost, altered, destroyed or dormant records. In addition to being securely stored, the electronic records are legally and confidentially protected, ensuring privacy.  
Note, please refer to Global Relay’s SEC Rule 204-2 Solution - Books and Records to Be Maintained by Investment Advisors. For more details on how Global Relay Archive meets SEC recordkeeping requirements.
Global Relay Archive

Global Relay Archive is an enterprise-class cloud-hosted electronic message archiving, supervision and eDiscovery solution that addresses the demands of regulatory compliance, litigation, internal and external audits, business continuity, data management, storage and security. Global Relay Archive is developed, owned and operated in-house by Global Relay. It securely captures and archives all major types of electronic messages and stores them in a unified archive with federated search capabilities, allowing firms to search, view, review and manage all messages from a single inbox.

1. Message Types
Global Relay Archive securely captures and archives all of a firm’s incoming, internal and outgoing electronic communications, including all major message types used in finance:

- Email
- Public Instant Messaging (AIM, MSN, Yahoo!, GoogleTalk)
- Social Media (LinkedIn, Twitter, Facebook)
- BlackBerry and Android Messaging (Text/SMS, PIN, Call logs)
- Bloomberg Messaging (Instant Bloomberg, Bloomberg Mail)
- Thomson Reuters Messaging (Eikon, Thomson Reuters Messenger)
- Microsoft Lync/OCS
- CME (Pivot)
- ICE (YellowJacket)
- FactSet
- Jabber/XMPP
- Cisco WebEx
- LivePerson
- OpenFire
- Web
- Chatter (Salesforce)
- Yammer
- Global Relay Message

Global Relay Archive may support message types not listed here. Please contact Global Relay to determine whether a specific message type is supported.

a. Global Relay Archive for Email – captures email and attachments from virtually all email platforms, including Exchange, Lotus Notes/Domino, Office 365, Google Apps, and more. Email is envelope journaled and delivered to Global Relay Archive via IMAP or SMTP. Email is archived with complete metadata, including BCC and Distribution Lists (both the Distribution List address and the List’s individual members).

b. Global Relay Archive for Instant Messaging (IM) – supports all major public instant messaging platforms, including AIM, GoogleTalk, and Yahoo!, as well as enterprise platforms such as Microsoft Lync/OCS and Global Relay Message, Global Relay’s compliant enterprise messaging, collaboration and trading platform designed for the financial sector.

c. Global Relay Archive for Market Data – supports IM platforms tied to market data systems, including CME/ Pivot, ICE, and FactSet, as well as Bloomberg® and Thomson Reuters messaging (see sections (f) & (g)).

d. Global Relay Archive for Social Media – supports LinkedIn, Twitter and Facebook, automatically capturing and archiving social media communications in context on long-term tamperproof storage. Features of note include:
i. Rich interface display – When viewing social media communications inside Global Relay Archive, messages appear in their original format – preserving all metadata, photos, formatting and links (as opposed to plain text without context).

ii. Redline view – Compliance Officers love this: When changes are made to a social media page, such as changes in Profile information, Global Relay Archive shows a unique “redline” view that pinpoints exactly what text was altered, added or removed on social media pages (not static screenshots without tracked changes).

Note that Global Relay also offers plug-ins for archiving of enterprise social media platforms such as Yammer and Chatter (Salesforce).

e. Global Relay Mobile Device Management for Compliance – captures SMS, PIN, call logs, and location information directly from mobile phones. The solution currently supports Blackberry (BES and non-BES) and Android. It is ready to support iOS when Apple publishes the necessary API access.

f. Global Relay Archive for Bloomberg – enables Bloomberg® Messages to be automatically downloaded from the Bloomberg® FTP site and consolidated in Global Relay Archive, while retaining complete and searchable metadata.

g. Global Relay Archive for Thomson Reuters – enables the compliant use of Eikon and Thomson Reuters Messenger by logging user-generated content such as instant messages, chat room conversations and more, along with complete metadata. Global Relay is the exclusive integrated archive partner for Thomson Reuters worldwide.

h. Global Relay Archive for Web – preserves websites, social media and forums while accurately replicating complex interactive elements like Flash, Javascript/AJAX, video and audio, ensuring that firms can capture these important elements of their business.

2. Archiving Process and Controls

a. Preservation & Access – Global Relay Archive is a message archiving system for long-term preservation, access and retrieval of electronic communications. It employs retention scheduling to manage the lifecycle of messages, ensuring compliance preservation periods are met. Following best practice standards, Global Relay Archive provides “readily available” online access to messages for the length of a firm’s specified retention period. All messages are preserved on tamperproof storage in Global Relay’s two mirrored east/west coast SOC audited data centers.

b. Write-Verification – All messages stored within Global Relay Archive are forwarded directly from a firm’s email server, messaging platform or social media site with no user intervention and preserved in their original format. With complete metadata Global Relay Archive automatically verifies the quality and accuracy of the storage media recording process through data comparison. As messages are processed, Global Relay Archive automatically compares the post-processed message with the original message before the original message is deleted. Global Relay Archive also has a 30 day buffer as an added level of redundancy in the write-verification process.

c. Message Capture – Global Relay Archive uses envelope journaling to capture and archive all incoming, internal, outgoing messages, including attachments, on a domain-wide or selective basis. Global Relay uses proprietary convertors, APIs, and SMTP/IMAP to capture and archive other message types, including IM, social media, and more.
d. Message Unification – Global Relay Archive securely and automatically captures a wide variety of message types (See Section 1 for a detailed list), converts them into EML using Global Relay developed proprietary converters, and integrates them into a unified, searchable Archive. An overview of the technologies used to process specific message types is shown below:

A Unified Archive for any Message Type

![Diagram of message unification process]

e. Message Indexing – All messages are full-text indexed with complete metadata, including Subject, From, To, Cc, Bcc, Distribution Lists, and more. There are also some unique but useful metadata fields such as X-headers and IP address. Global Relay supports full-text indexing for the majority of captured attachments, including metadata from image files. All attachments which can be converted to text can be full-text indexed.

f. Message Retention – Global Relay Archive employs retention scheduling to manage the lifecycle of electronic messages, audit trails and indices, ensuring compliance requirements are met. Retention terms in Global Relay Archive are defined by each firm’s Records Retention Schedules, typically ranging from 3, 5, 7, or 10+ years. Data can also be retained indefinitely for as long as a firm remains a paying customer. Note that retention terms can be extended for data that is part of one or more Legal Holds.

g. Message Availability – Authorized users (including reviewers, regulators and lawyers) can access archived data 24x7x365 via web browser, Outlook, and proprietary mobile apps for iPhone, iPad, Blackberry and Android. Messages can also be printed, forwarded, downloaded as EML and recovered to a user’s inbox. Features of note include:
i. **Advanced Search Features** – Proprietary search technology allows authorized users to conduct searches using structured queries based on any combination of various search parameters (all, date, date range, To, From, Cc, Bcc, Distribution List, Subject, keywords contained within a message or attachment, X-Header, alias, attachment file name, events, etc.). As well, Global Relay Archive supports Boolean (AND, OR, NOT), wildcard, word stemming, relational/proximity searching, events and exclusion filtering, tags, labels, priorities, and compound queries. Searching can be done across the entire Archive or across specific folders, groups and/or users, as well as across all message types or a specified subset of types.

ii. **Message Export** – Firms may export archived data to a standards-based format (e.g. PST, EML). All data held can be made available via FTP transfer, DVD and/or hard drive. Global Relay assists with approximately 30 ongoing data demands on a daily basis and 20-40 regulatory audits per week. We have a 24-hour turnaround time for data exported for audits or litigation. Messages can be extracted by type, custodian and/or date. All exports include complete metadata such as BCC and Distribution Lists.

iii. **Online Access** – Global Relay Archive has a special user role for audit purposes called the “Ghost Reviewer.” Upon the direction of a firm, Global Relay can set up an account for a third party auditor or regulator which gives that party access to a defined subset of messages (e.g. a folder set up for the audit). The auditor or regulator can then review all of the messages online without his or her actions showing up in the audit trail. Use of the Ghost Reviewer is dependent on the discretion of the individual regulator or examiner.

iv. **Personal Archive** – Global Relay Search provides anytime, anywhere access to archived messages via web browser, Outlook plug-in, and mobile apps for iPhone, iPad, BlackBerry and Android. All users in a firm can have real-time access to a personal Archive of their own historical messages that includes every message type in the firm’s Archive. Powerful search functionality enables users to retrieve and restore any message in seconds.

### 3. eDiscovery

Global Relay Archive captures messages for proactive ‘litigation readiness’ and provides tools for internal and external counsel and other stakeholders to conduct eDiscovery across a firm’s electronic messages.

a. **Categorization, Evaluation & Case Management** – Search results can be iteratively calculated, conducted, refined and saved to achieve relevant subsets, then placed in online “case folders” to segregate and label data relating to an audit or legal action. Reviewers involved in eDiscovery can access the case folders in order to participate in review workflows and evaluate information for relevance. Items can be tagged as responsive, non-responsive, using priorities, reviewer-defined labels, and wizards.

b. **Collaboration** – Global Relay Archive provides collaborative tools for legal in-house and external counsel to conduct reviews. External counsel can be given online access to specific data related to a case in order to participate in review workflows. This external access can be disabled quickly and easily when it is no longer required.

c. **Privileged & Confidential Information** – Authorized users can mark messages as attorney/client privileged, personal, or restricted. One marked, these messages are easily identifiable and can be excluded from any production of data. Firms can also set up customized rules to automatically scan and flag data as privileged, personal or restricted on ingestion.

d. **Legal Holds** – Firms can enforce Legal Holds by users, groups of users, cases and/or across their entire Archive independent of corporate retention policies.

e. **Complete Metadata** – Global Relay has a particular strength in capturing and preserving the complete and unique metadata associated with each message type used in finance. This extensive metadata, which is dropped by many other archiving systems, is leveraged to provide advanced search capabilities. For example, Global Relay preserves all BCC and Distribution List data for archived emails.
4. Security Controls

a. Encryption – Global Relay Archive has end-to-end encryption to protect the privacy and confidentiality of archived data. TLS/SSL encryption is employed to ensure the privacy and security of data in transit. Data at rest is protected using dual AES and RSA encryption algorithms. The encryption (and decryption) process is transparent to users. Each incoming message is AES encrypted with a unique, randomly generated encryption key. Each message’s AES encryption key is then encrypted with a 2048 bit RSA public key. THE RSA public key is then encrypted with a passphrase-encrypted private key. All three keys are kept in separate stores. The encryption (and decryption) process is transparent to users.

b. Audit trails – All user actions on a message are logged in an unalterable audit trail, which documents the full lifecycle of every message (e.g. when it was imported, the retention term set, by whom it was viewed and when, etc.). Audit trails are retained for the life the message to which they relate. They are appended to each message and can be viewed by authorized users.

c. Back-Up and Disaster Recovery – Global Relay’s systems operate out of two mirrored east/west coast SOC audited data centers. All archived data is replicated in near real time between these data centers such that there are multiple copies of each message preserved in geographically dispersed locations. In the event the primary data center is lost, the flow of data fails over to the secondary data center. Individual components of the service can also be failed over to the secondary data center. KPMG has conducted systems and controls testing on Global Relay’s core systems, networks and internal controls to demonstrate the redundancy and security of the systems.
CONTROLS AND FEATURES

Compliance Reviewer

All electronic messages deemed to be official business records should be subject to the provisions of an Investment Advisor’s electronic records management and supervisory review policies and procedures. As discussed in Global Relay’s Technical Solution to SEC Rule 206 (6)-7, Global Relay Archive’s integrated Compliance Reviewer offers extremely robust supervision and review tools that can be customized to meet any firm’s unique supervisory requirements.

1. Overview of Compliance System Controls and Features

Once an Investment Advisor’s written supervisory compliance policies and procedures for electronic messaging have been established, Global Relay Archive and Compliance Reviewer can simplify enforcement of these policies by enabling the firm to:

a. Implement Procedures – Cost effectively implement procedures to detect and prevent compliance violations through a rules-based system in accordance with the firm’s written supervisory policies. This may include multi-tier Reviewers and Super Reviewers, if applicable, and customized surveillance and monitoring privileges and capabilities to match each Investment Advisor’s policies regarding review and use of electronic messaging.

b. Archive Messages – In accordance with SEC Rule 204-2 and the Investment Advisor’s compliance policies established to prevent violations, all messages, attachments and associated indexes are serialized, time-date stamped and preserved on tamperproof storage using write verification. All messages are stored in Global Relay’s two mirrored east/west coast SOC audited Data Centers. This eliminates the risks associated with lost, tampered, modified or deleted messages. Global Relay Archive automatically preserves all messages, attachments and indexes in their original format. Messages are easily searchable and retrievable through a secure web browser, Outlook, and mobile apps for BlackBerry, iPad, iPhone and Android. The easy-to-use interface allows authorized Users to conduct searches using structured queries based on various search parameters.

c. Set Record Retention Schedules – Global Relay Archive employs retention scheduling to manage the lifecycle of messages, audit trails and indices ensuring compliance preservation requirements and supervisory policies are met. Following best practice standards, Global Relay Archive is able to provide “easily accessible” real-time access to messages for the entire length of the retention term. Note, that retention terms can be extended for data that is part of a Legal Hold.

d. Electronically Supervise – Compliance Reviewer enables an Investment Advisor’s designated Compliance Officer(s), other Reviewers, Super Reviewers and Administrator(s) to supervise firm employees by using various review configurations to review any user’s messages via any secure web browser. For details, refer to Section 2 - Compliance Monitoring System.

e. Review & Document – A simple icon based system allows reviewers to assign tags to messages to document review (e.g. Reviewed, Non-compliant, Escalated, Closed, etc.). A comment field allows reviewers to add a predefined or issue specific comment. As well, the date of the reviewer’s action and his or her username are recorded. A first level reviewer may escalate any non-compliant message to a senior compliance officer for further evaluation.

f. Schedule Review Time Frames – A schedule for automatic message flagging and review may be implemented and customized to enforce policy time deadlines for review. Senior compliance personnel can schedule supervision reports to run automatically at specified intervals (e.g. weekly) to ensure junior reviewers are completing reviews within appropriate time frames.
g. Review Workflow Tools - Global Relay provides a variety of workflow tools for reviewers, including:

i. Review Button – A “Review” button on the home screen takes reviewers directly to a list of all messages they are required to review.

ii. Compliance Dashboard – The Compliance Dashboard is an intuitive interface that facilitates management of the compliance workflow, providing statistics and calculations on all messages that must be reviewed, have been reviewed and have been flagged with “action needed” as well as which messages a Reviewer has viewed but not taken action on, escalated messages, and more.

h. Train Employees – Investment Advisors must train registered and approved persons in firm policies and procedures governing compliance and supervision, as well as conduct follow-up reviews to ensure that policies and procedures are properly implemented and followed. Global Relay will assist in this process by providing support for employee education and training with respect to Global Relay Archive and Compliance Reviewer. The intuitive user interface is simple, virtually eliminating any learning curve. An audit trail of all Reviewer actions, whether the employee is having a training session or is carrying out an actual review, is automatically logged and available, if required for proof of training.

i. Document Activity – During the lifecycle of a message, all actions (viewing, replying, forwarding, downloading, flagging, notation, review) by any User, Reviewer, Super Reviewer, Administrator or the system itself associated with the message are logged in an unalterable audit trail that is available online with the associated message. Global Relay Archive’s detailed logs provide a full audit trail verifying the integrity of the message. They may be forwarded, downloaded or printed, for internal or SEC inspection purposes. Compliance-related messages may also be organized into Reviewer or Administrator defined folders. The Compliance Reviewer also includes advanced on-demand and scheduled reporting features - allowing compliance officers to gain clear insight into message compliance within the firm and provide reports to the regulators when required.

2. Compliance Monitoring System
An Investment Advisor may establish a highly scalable, multi-tier surveillance and monitoring structure for one or more domains, which may include one or more Administrators, Reviewers and Super Reviewers, each with defined access privileges depending on review level. The Administrator has the ability to set up the Investment Advisor’s users and assigns them to User Groups. A User Group may be set up for each separate business unit or division. The Administrator appoints Reviewers to monitor specific User Groups, and one or more partners, directors or officers may be appointed as Super Reviewers to assist Reviewers and be charged with overall responsibility for ensuring compliance. The names of persons who wrote, reviewed and approved correspondence are readily ascertainable from message metadata and audit trails. A Reviewer has access to the electronic messages of his/her assigned User Group(s) in order to carry out the first level review. By assigning a Reviewer specific users to monitor, an Investment Advisor can ensure that only those employees with a business need to access specific messages have the ability to do so. Reviewer actions include the ability to annotate and escalate a reviewed message to a superior or Super Reviewer.

3. Preventing and Detecting Compliance Violations
Once the Investment Advisor’s written supervisory compliance policies and procedures have been established, the Compliance Reviewer’s rule-based system can be employed to monitor message activity and enforce adherence to such policies and procedures. The Compliance Reviewer enables the review, monitoring and retrieval of all electronic messages stored in Global Relay Archive in one unified platform, and therefore has the ability to monitor, detect and flag for review messages that may contain prohibitions set forth in the Investment Advisor’s policies.
a. Flagging for review – Messages of any User may be flagged for review by any combination of the following methods:

i. General Flagging Rules – General Flagging Rules are a list of keywords and phrases that flag messages across a firm’s Archive. Specific phrases can be excluded from flagging (e.g. “guarantee” might be included in a flagging lexicon but the phrase “does not guarantee” can be excluded). Messages can also be excluded by Sender, Recipient, Subject, Message Direction, Group, Folder and Header Line. Global Relay Archive can calculate the number of hits by each keyword/phrase to ensure effective lexicon use.

ii. Advanced Flagging Rules – Advanced Flagging Rules allow firms to create multiple specialized flagging rules tailored to meet the unique supervision requirements of different groups or departments. Firms can apply different flagging rules to each review group (e.g. traders vs. research analysts), create very specialized keyword matching conditions that include Boolean logic as well as proximity, phrase and wildcard operators, prioritize each rule to ensure messages are flagged for the right reason, and more.


iv. Random Sampling – Random sampling percentages can be set by group or message direction. A random sampling percentage can also be added to any Advanced Flagging Rule to reduce the number of messages flagged for review.

b. Supervisory Review & Evaluation – An Investment Advisor may establish a flexible and scalable multi-tier review system, consisting of authorized Reviewers and Super Reviewer(s). Reviewers and Super Reviewers, via an intuitive user interface, can instantaneously retrieve for review any flagged message. Using a simple icon based system, a Reviewer is then able to evaluate and select the appropriate action icon to log the status of the message (as “Flagged for Review”, “No Action Taken,” “Reviewed”, “Non-compliant”, “Escalated”). If monitoring large numbers of registered representatives, a first level Reviewer may escalate any non-compliant message to a Super Reviewer for further evaluation.

c. Explanatory Evaluation Comments – In addition to marking the message status, a predefined or issue specific comment may accompany all non-compliant and/or escalated messages. For compliance purposes, an Investment Advisor is able to create a predefined comment list that may include prohibitions set out in the Investment Advisor’s compliance policies (e.g.: “False or Misleading Information”; “Unjustified Promise of Results”; “Unwarranted Conclusions”; “Future Forecast”; “Inadequate Description of Risks”; “Abusive Content”; or “Detrimental to Public Interest”).

d. Examples – Specific examples of messages that may be flagged for review include:

i. Electronic Correspondence – Reviewers and Super Reviewers are able to specifically review samples of all email, IM and social media messages from each individual registered representative. Such sampling may specify each registered representative’s username in order to ensure capturing some of his or her public correspondence. Messages of an Investment Advisor that include recommendations to a customer may also be flagged for review by customer name, keywords or phrases.

ii. Customer Complaints – Firms can use Compliance Reviewer’ flagging rules to identify any customer complaints that may require handling.

e. Transparency – An Investment Advisor’s supervisory policies and procedures should maintain transparency and disclose to its employees and representatives that all electronic messages are being archived. Proper notice and updates should be given to employees to ensure that such employees are fully informed of electronic message retention, monitoring, supervisory review, usage and archive policies being undertaken and upheld within the Investment Advisor.