

BY **Kate Demet**

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# *To Protect and Serve*

At RMB we pride ourselves on providing a high level of client service, and one of the most important ways we can do this is to protect our clients' interests by complying with industry rules and regulations. Client security is the crux of many regulations, especially as it relates to sensitive personal information that could put your identity or assets at risk. The element of protection also comes into play in a variety of other ways you may not expect: when we use conservative assumptions in retirement projections; when we construct asset allocation models that are designed to weather market fluctuations; and when we engage other trusted advisors to help us counsel you on minimizing your insurable risks, managing your tax exposure, or designating trustees and powers of attorney. Furthermore, it is embedded in the compliance protocol that governs tasks we perform for clients each and every day. This article will highlight some of the ways we focus on safeguarding our clients from a variety of potential threats.

## ***What Is Compliance?***

In a simple sense, compliance is about following the rules. And as a firm in a highly regulated industry, there are an abundance of rules we must follow. According to *Forbes*, financial services and health care are the two industries with the greatest challenges in today's regulatory environment.<sup>1</sup> In fact, since July 2010 more than 200 new rules have been introduced by 14 of the agencies that have a role in regulating the U.S. financial services industry.<sup>2</sup>

It's important to emphasize that we are enthusiastically proactive about doing right by our clients. This is truly the philosophic foundation of our firm – it's not merely a reaction to demands imposed upon us by external governing bodies. Having the resources and agility to interpret, execute, and document our compliance with the increasing pace and scope of industry regulations is a cost of doing business. And we believe this is money well spent, as the cost of noncompliance is exponentially larger and fraught with more pervasive negative consequences – especially for our clients, whom, again, we are wholly committed to protecting.

## ***How Do We Comply?***

Our compliance and middle office employees work closely together to develop and refine the policies and procedures for a wide variety of activities, including opening and closing accounts, transferring funds, trading, and billing, among many others. This includes systems of checks and balances that require additional time and effort but are necessary security precautions. We always aim to make the process as easy as possible for you, but we ask that you understand we cannot sacrifice rigor for convenience; we would not be fulfilling our role as a fiduciary if we did.

We dedicate significant time to educating our employees about the principles behind and details within our policies and procedures, and employees submit quarterly attestations to verify that they understand and abide

by our compliance requirements. This vigilance has helped us protect clients from instances of potential fraud, as advisors and associates have readily identified several phishing scams, which are among the most pervasive cybersecurity threats.<sup>3</sup> On multiple occasions we have thwarted hackers' attempts to access client assets by observing our policy of obtaining either verbal confirmation or a client signature for any money movement requests.

Given the complex nature of the work we do on your behalf, we make every effort to be explanatory and transparent. The documents that govern our relationship with you – such as the Investment Policy Statement (IPS) and Investment Management Agreement (IMA) – typically include an extraordinary amount of disclosure and fine print. While it may seem like extraneous legalese, it relays information that is important for you to understand. So we aim to distill those concepts into plain English because we believe better-informed clients are easier to protect.

To enumerate each of the steps we take in our effort to safeguard our clients' interests would require much more space than is allotted for this article. Our intention is to assure you that we have a keen appreciation of: the trust you've placed in us; the rapidly changing regulatory environment and our responsibility to adapt and comply; and the additional demands (and potential delays) that may impact you. If you have any questions about our compliance practices and additional security measures, please do not hesitate to ask your advisory service team. Thank you for your confidence. ■

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- <sup>1</sup> Kasia Moreno, "Regulatory Environment Has More Impact on Business Than the Economy, Say U.S. CEOs," accessed 11/8/15, *Forbes*, <http://www.forbes.com/sites/forbesinsights/2014/08/12/regulatory-environment-has-more-impact-on-business-than-the-economy-say-u-s-ceos/>.
  - <sup>2</sup> David M. Gallagher, "Statement on the Aggregate Impact of Financial Services Regulations," U.S. Securities & Exchange Commission, last modified June 2015, accessed 11/8/15, <http://www.sec.gov/news/statement/aggregate-impact-of-financial-services-regulation.html>.
  - <sup>3</sup> Travis Hessman, "Phones, Phishing and Practical CyberSecurity: Lessons from 2015 Data Breach Investigation Report," *IndustryWeek*, accessed 11/8/15, <http://www.industryweek.com/technology/phones-phishing-and-practical-cybersecurity-lessons-2015-data-breach-investigation-report?page=1>.

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#### Index Descriptions

- The S&P 500 is widely regarded as the best single gauge of the U.S. equity market. It includes 500 leading companies in leading industries of the U.S. economy. The S&P 500 focuses on the large-cap segment of the market and covers approximately 75% of U.S. equities.
- The MSCI China Index captures large- and mid-cap representation across China H shares, B shares, red chips, and P chips. With 143 constituents, the index covers about 85% of this China equity universe.

An investment cannot be made directly into an index. The index data assumes reinvestment of all income and does not account for fees, taxes, or transaction costs. The investment strategy and types of securities held by the comparison index may be substantially different from the investment strategy and types of securities held by your account or private fund.

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