

WHO SERVICES/PROTECTS THEM

1) BFWM – Does or provides the following to meet fiduciary obligations:

- Financials – Prepare Monthly GAAP Balance Sheet and Profit/Loss statements.
 - Reviewed monthly by CCO (1), entries checked by third-party accountant. TD sundry/firm checking/IAR TD non-discretionary accounts monitored.
 - Amounts paid to IAR/ticket charges reviewed by CCO during billing audit (1). Those calculating IAR payouts cannot release funds without approval from someone not calculating payout or receiving it. List of those calculating/releasing available.
- Policies and Procedures Manual – available on firm website, updated at least annually, (1)
- Privacy Policy – available on firm website,
- Form ADV 1a and 2a – available on firm website, updated as needed, use compliance consultant to verify proper and timely disclosures. (1)
- Code of Ethics – Firm Website,
- Cybersecurity (1) Use outside technology consultant
- Business Continuity Plan – Firm Website
- Engaged outside Compliance Consultant – RIA in a Box. Provides over 7 monthly/quarterly compliance calendar to do items, templates for firm documents, facilitates firm in State and new IAR registrations. Have unlimited access via email or phone experienced consultant for any compliance related questions. (7)
- Control Person Training – provide Control persons ongoing training relevant to securing clients – cybersecurity, elder client, AML are examples of available topics, verify completion (1). May recognize Cetera training in this area.

2) Chief Compliance Officer/Compliance Committee – Implements and oversees BFWM's compliance activities listed herein.

- a. **Expand Compliance knowledge** – attends compliance conference, vendor visits (Orion) when needed.
- b. Will provide written annual report to owners assessing compliance risks.
- c. Conduct Branch physical audits as needed. Visit Rochester branch every two months.
- d. Committee will convene quarterly to discuss Compliance Program. Member list available.

3) IARS – RIA in a Box – Provides New Employee Checklist – 16 Items – insures new IAR meets SEC requirements.

RIA in a Box – Each IAR logs into RIA in a Box website and attests to reading BFWM critical document

CCO Onboarding Spreadsheet/Binder – Used by CCO to verify/monitor the following:

- 3050 Letter,

- IAR Agreement,
- ADV 2b, - also on RIA in a Box website designated for BFWM
- Attestations, - also on RIA in a Box website designated for BFWM
- FINRA Report,
- OBAs,
- Email Disclosure,
- Personal Accounts,
- Social Media (Linked In, Facebook, website),
- TD depository account number,
- TD rep code by method of charging and
- Personal accounts to be tracked.
- Background checks if warranted.

BFWM Compliance/Service Forms used to meet fiduciary obligations to clients – See attached or PAP.

Ongoing OBAs/Marketing – See PAP for details, physical archive and/or electronic with RIA in a Box.

Personal account activity – tracked quarterly – hard copy/electronic records.

- 4) Other Control Persons** – Onboarding spreadsheet – Personal accounts tracked quarterly
- 5) Solicitors** – Solicitor's agreement, Due diligence file if necessary
- 6) Vendors** – Privacy Policy, Cybersecurity, BCP, Price/Service advantage to Client (1) by using each vendor.

Vendors Listed in Policies and Procedures Manual:

- Technology
- Accounting
- TD Ameritrade
- Albridge
- Smarsh
- Orion
- RIA in a Box
- Docupace

COMMUNICATING WITH CLIENTS

- 1) **Social Media** – CCO approves websites/LinkedIn/Facebook. LinkedIn content monitored through Smarsh weekly. Checked initially and at least annually for changes. (1)
- 2) **Written Correspondance** – Monthly Survey Monkey Survey – hard copies forwarded to CCO. (1)
- 3) **Email** – Monitored weekly through Cetera’s Smarsh system. Per Smarsh, BFWM will be able to retrieve archived emails should relationship with Cetera change.
- 4) **Reports** – Orion/Albridge/Other – forensic audit for accuracy (1), IAR maintains copy. Issues with required information and disclosures in reports discussed with compliance consultant.
- 5) **Marketing Material** – RIA in a Box/Ad submittal form – CCO and or RIA in a Box review – physical/electronic approved copy retained.
- 6) **Events** – sponsor funds – CCO pre-approval of materials, presentations, IAR retain attendee list.
- 7) **Individual Meetings** – Gifts (Quarterly Survey Monkey Survey/log), annual review form, document material recommendations or significant change in client profile in client file. (1)
- 8) **Firm Disclosure Documents** – ADV1/ADV 2A, wrap brochure, privacy policy, code of ethics, BCP. Edit history available at RIA in a Box, current docs at firm website, brightftr.com. Reviewed also by compliance consultant and/or firm attorney.
- 9) **Financial Plan** – Copy of plan presented to client in Docupace

CHARGING CLIENTS FEES

- 1) **Billing Process** – Outlined in Word doc – “billing process 6-2-17”, in Financials folder. Nine step billing process for first month of each quarter.
- 2) **Investment Advisory Contract** – details advisory fee schedule charged to client and how trading costs are paid. Investment Policy Statement needed for complete IAC. May be submitted in hardcopy or electronic form. To submit electronically, prior firm training required. Updated version on firm website. CCO will sample 10% of each IAR’s billed client each quarter for accuracy. See below for audit process. IAC processing – New IACs sent to Rochester office for processing. IAC checked for required initials/signatures/IPS. When sufficient, scanned into Docupace for record retention. Physical copy retained for 60 days, then securely destroyed.
- 3) **Flow of Payment** – Client fee schedule entered in Orion, Orion generates electronic file of client invoices based on TD data feed of account values. BFWM sends Orion file to TD so client accounts can be debited. Debited amounts aggregated in BFWM TD sundry account. Billed amounts transferred to BFWM M&T business checking account. Each IAR’s owed advisory fees transferred from BFWM M&T account to IAR’s non-discretionary TD account, minus firm fees and trading costs, if applicable.
- 4) **CCO Payment Audit Process** – (1)
 - a. Review Docupace for account docs – check initials (TPMM or BFWM) (Discretionary or non-discretionary) (Rec’d Disclosure Docs)(Wrap/non-wrap), fee schedule, IPS, ID verification. Watch for different fee schedules for same types of clients.
 - b. Go into TD – see amount actually billed client
 - c. Go into Orion – verify fee schedule matches IAC, review payables summary report to verify fee calculations. Verify matches debited amount from TD account.
 - d. Email IAR to see if any assets were to be excluded from billing.
- 5) **Orion Pre-bill checklist** – 32 total audits required by Orion before billing – Delegated to Jeff/Lourdes – CCO reviews quarterly
 - a. 16 Portfolio Audits
 - b. 9 Billing Audits
 - c. 3 Product Audits
 - d. 4 Options/Settings Audits
- 6) **Consulting/Financial Plan** – Confirm that check amount matches contract, that plan/consulting actually provided. (1)

WHAT THEY HOLD/HOW FUNDED

- 1) **BFWM Portfolios** – 9 portfolios managed by BFWM Investment Policy Committee based in Rochester and others managed out of the Illinois office. Goals range from income, capital appreciation and socially-responsible, with primary goal of reducing risk through asset allocation. Review IPC weekly meeting minutes. Best execution, share class review, investment selection process, rebalancing, trade error remedies, suggestions of trading cost option based on account size for benefit of client are focuses of IPC. A hypothetical rebalancing through software tool is done first to identify errors. Accounts may be at TD or Cetera (Pershing). To purchase portfolios, IAR submits completed checklist designated which portfolio, amount to be invested, etc.
- 2) **Third-Party Money Managers** – Client usage directed in IAC. Firm approval subject to due diligence (ADV 2a, program information, performance, regulatory history, privacy policy, selling agreement/subadvisor agreement). Set up google search for name recognition. Review relationship annually. (1)
- 3) **Alternative Investments** – i.e. non-traded securities. IAR due diligence maintained in client file.
- 4) **IAR Managed** – Sample accounts periodically for: best pricing, share class costs, fees, investment suitability, activity, cash concentration. (1)
- 5) **Variable Annuities** – Review trade activity, firm selling agreements and product information
- 6) **Paper Securities** – process outlined in PAP and monitored through monthly surveys emailed to IARs. (1)
- 7) **Checks** – process outlined in PAP and monitored through monthly surveys emailed to IARs.

RISK ASSESSMENTS

<u>Risk</u>	<u>Risk Level</u>
Catching all client trades for monitoring (<i>Orion -Portfolio Audit app</i>)	Red
Compare actual account allocation to IPS	Red
Control Person Trade Activity – Principal/Agency Trades (<i>Manual monitoring – consider Orion/3rd party</i>)	Yellow
TPMM/Vendor – SOC 2 Testing (<i>Ask each service provider</i>)	Yellow
Wrap fees – correct rep codes (<i>Audit accounts</i>)	Yellow
Non-wrap – ticket vs. ABP – client verification (<i>Put on IAC</i>)	Red
Calling Tree (<i>Completing</i>)	Red
Client Fee Charging Process (<i>Jeff's schedule</i>)	Yellow
Create Audit Response Team (<i>Created, need sample audit letter</i>)	Red
Share Class Review – non - BFWM portfolio accounts (<i>Audit each</i>)	Red
Internal Billing Process – funds paid to service providers/IARs (<i>Jeff/Lourdes</i>)	Red
Control Person Training – (<i>Use Cetera training/keep certificates</i>)	Yellow
Info access – control persons with proper client info access (<i>Review Orion</i>)	Yellow
Elder Abuse escalation policy (<i>Create</i>)	Yellow
Appropriate E&O coverage (<i>Keith is reviewing</i>)	Yellow
Cash/Security Concentrated/Trading Activity Levels (<i>Audit</i>)	Yellow
Cybersecurity/Forensic (<i>Engage 3rd party</i>)	Yellow
Physical Security of Client Files (<i>Review Roch Process</i>)	Yellow

Expect all to be completed by end of year except SOC2 Testing and Cybersecurity/Forensic, will be completed during regular reviews or when funds allow.

RISK ASSESSMENTS

<u>Risk</u>	<u>Risk Level</u>
Compare actual account allocation to IPS	Yellow
<i>Have begun reviews using Orion/Docupace for IAC, Jeff beginning scoring of IPS, changed to yellow on 11/7/17 from red</i>	
TPMM/Vendor – SOC 2 Testing (<i>Ask each service provider</i>)	Yellow
<i>Will ask each vendor during annual review in 2018</i>	
Wrap fees – correct rep codes (<i>Audit accounts</i>)	Yellow
Non-wrap – ticket vs. ABP – client verification (<i>Put on IAC</i>)	Red
Share Class Review – non - BFWM portfolio accounts	Yellow
<i>Have begun reviews, use Orion to find accounts, TD for available funds and Orion to search for other accounts with same security, change to Yellow from Red 11/7/17</i>	
Control Person Training – (<i>Use Cetera training/keep certificates</i>)	Yellow
<i>(Per email from consultant can use Cetera training, attest via survey)</i>	
Info access – control persons with proper client info access	Yellow
<i>(Have listing from Orion/TD, awaiting Docupace)</i>	
Elder Abuse escalation policy (<i>Create</i>)	Yellow
Appropriate E&O coverage (<i>Keith is reviewing</i>)	Yellow
Cybersecurity/Forensic (<i>Engage 3rd party</i>)	Yellow
Physical Security of Client Files (<i>Review Roch Process</i>)	Yellow
Expect all to be completed by end of year except SOC2 Testing and Cybersecurity/Forensic, will be completed during regular reviews or when funds allow.	

ADDRESSED RISKS

Catching all client trades for monitoring (*Orion -Portfolio Audit app*) Red

Orion has capacity to capture all trades of rep, even outside of TD, see "Trade Blotter Review Process" for specifics. Change to Green 11/7/17

Control Person Trade Activity – Principal/Agency Trades Yellow

Manual monitoring – consider Orion/3rd party – Change to green 11/7/17

Calling Tree (***Completed – change to Green 11/7/17***) Red

Client Fee Charging Process Yellow

Work flow process outlined by Jeff in "Quarter End Process Checklist" Change to Green 11/7/17.

Internal Billing Process – funds paid to service providers/IARs Red

(See Client Fee Charging Process Checklist also used here, those creating bills cannot distr \$) Change to green 11/7/17.

Cash/Security Concentrated/Trading Activity Levels (*Audit*) Yellow

(Orion Data Inquiry 5587 – need to determine levels – change to green 11/7/17)

Create Audit Response Team (***Created, need sample audit letter***) Red

Change to Green 11/7/17