



## **Bay Colony Advisors**

### **Advisor/Branch Office Compliance Guidelines**

The following is a brief summary of general compliance requirements for Investment Advisor Representatives as well as branch offices. This document should not be considered a summary or replacement of Bay Colony's Policies and Procedures + Compliance Manual. Should there are ever any compliance related questions, we encourage you to call or email the Bay Colony home office.

### **Branch Office Requirements**

The following logs, books, and records must be retained by each advisor/branch, even if there is no information in them.

1. Check ledger log
2. Client written (physically written) correspondence file
3. Stationary, business card, Website, Social Media review/approvals
4. Investment portfolio reviews per client Risk Tolerance and Investment Policies
5. Investment due-diligence file
6. Client Compliant file
7. Advertising/Marketing File with approvals
8. A summary of your investment process, portfolio philosophy/construction, and sell discipline
9. New Accounts File
10. Closed Accounts File (including fee refunds)
11. Trade Error File
12. Gift Log
13. Political Contribution Log
14. List of accounts held on the platform that are related to the advisor(s)

**General Security Requirements:** If an advisor operates an independent office, they must ensure that client files are secured in a separately locked cabinet. Efforts must be made to ensure that only the advisor has access to the client files. In addition, computers + phones must be password protected, and encrypted if they are considered portable devices. We encourage each advisor to have either a separate WIFI device strictly for business, or utilize a “guest” channel on their WIFI for visitors.

**Data Security:** Computers must maintain an up-to-date anti-virus. Do not use public Wi-Fi when transmitting sensitive data. We encourage advisors to utilize a mobile hotspot as a more secure means of transmitting sensitive data when operating remotely.

**Disaster Recovery Plan:** Each advisor, when operating an independent branch office, must have a written Disaster Recovery Plan which also must be tested annually. Bay Colony will review this plan at the annual office audit.

**Business Continuity Plan:** Each advisor/branch is required to have a written business continuity plan. This does not need to be with Bay Colony, but must be documented and on file.

## **General Advisor Requirements**

**Client Communication:** All client communication must be either written, or through the approved and archived email system. Advisors may not text message, use personal emails, social media messaging, or other means of communication to contact clients. Should a client reach out to an advisor this way, it should be forwarded to their business email, and the advisor should respond from there.

**Form U4/ADV 2b:** It is the end advisor’s sole responsibility to ensure their Form U4 and ADV 2b are always accurate. They can request these from the Bay Colony home office at any time.

**Voicemail:** Voicemail must state the advisor’s name as well as “do not leave any trade instructions, as they will not be executed”.

**Website/LinkedIn/Business Cards/Letterhead:** Any changes to an advisor’s Website, LinkedIn, Business Cards/Letterhead, or other branded materials must be pre-approved before the changes are executed.

**Outside Business Activities:** All outside business activities must be pre-approved by compliance prior to engaging in the activity. There is a specific Outside Business Activities form which must be filled out. This form will be provided on request.

**Outside Held Accounts:** If a representative holds a personal account which they have trading authority over, they must at least annually fill out a Bay Colony Form stating the account and the account number. In addition, they must send quarterly statements to the compliance department.

**Financial Planning and Consulting Services:** Advisors may provide financial planning for a fee. If the fee is a direct bill, it must be made payable to Bay Colony Advisors. Any financial plan presented to the end client must be retained by the advisor, as this is considered financial advice. Even if engaging only in financial planning for a client, an Investment Advisory agreement, as well as ADV, ADV2b must be delivered to the client.

**ERISA Annuity Rollover:** If an advisor is insurance licensed and rolling assets from an ERISA plan to an annuity, they must complete the Annuity Suitability Form. Even though this is an outside business activity, this is considered part of the Advisors Fiduciary duty to the client.

**ERISA Rollover to Bay Colony:** If an advisor rolls over assets from an ERISA plan to a managed investment account, the advisor must complete the Bay Colony Advisors Investment Rollover Form.

**ERISA Qualified Plan Advising:** When engaging as a consultant for a qualified plan, the advisor must act as a fiduciary, must sign a retirement plan service agreement, and must deliver the ADV, and ADV2b to the plan trustee(s). Annually, a 408(b)(2) notice must be delivered to the plan. Bay Colony can provide a sample of this notice.

**Cash Positions:** Advisors are not to utilize \$25k or greater cash as a position for longer than 3 months, unless accepted by the client. Alternative cash positions can be: BIL and ICSH for ultra short, or MNT, VNLA, PULS, JPST, GSY, VNLA for short term.

## **Client Based Requirements**

**Deliveries to New Client:** When a new relationship is established, the following deliveries must be made prior to investing the account: ADV, ADV 2b, Privacy Policy. In addition, the advisor must complete a pre-approved client profile form.

**Client Onboarding:** We encourage advisors to have a formal client onboarding process. Typically, we think of this process being executed in the first 90 days of the relationship. We would suggest the following topics be covered:

- A) Understanding the Fidelity Statement or other custodian statement(s)
- B) Understanding the Black Diamond reports and benchmarks established
- C) Discuss possible online access to the account should client be interested
- D) Explain the process of making check deposits correctly

- E) Explain how systematic withdrawals using Fidelity Standing Payment Instructions that can be set up if desired by client
- F) If applicable, RMD methods of distributions
- G) If applicable, Systematic investment programs for younger clients

**Client Profiling:** Each advisor is required to have written documentation signed by the client illustrating the client's risk profile/risk tolerance. The advisor should also gather data such as net worth, income needs, etc. These items will need to be documented. After the initial onboarding, the advisor should have a formal review of these items at least every 2-3 years or as the client financial circumstances are apt to change.

**Ongoing Client Reviews:** Each advisor must have an annual review with each client. These reviews should be formal and documented. Questions should be asked regarding changes in their financial situation or risk profile. At least every 2-3 years, a new updated written client profile/risk profile should be completed by the client. If the client does not wish to have an annual review, this should be documented by the advisor.

**Client Accounts:** Bay Colony allows each individual advisor to maintain their own investment selections. The advisor shall provide the investment advisory services specific to the needs of each client. Prior to investing, each client should be profiled for their risk tolerance, risk capacity, and financial circumstances/goals. This should be in the form of a pre-approved written profile.

**Elder Clients:** Should an advisor recognize or be notified of diminished capacity, immediately notify the Bay Colony home office, and document this in the CRM system. It is recommended that each advisor speak with their clients about who a trusted contact or health care advocate could be in the event diminished capacity is recognized.

**Client Restrictions:** The client may impose reasonable restrictions within their account(s), or restrict certain legacy positions from being sold. Should the advisor choose to continue to bill on these positions, then the advisor must continue to supervise these positions, and how the overall allocation of the account is affected by the legacy positions.

**Investment Policy Statements:** Bay Colony considers it a best practice for advisors to write an individually tailored Investment Policy Statement for each of their client relationships. Bay Colony provides customizable software for this via IPS AdvisorPro. Otherwise, the advisor is welcome to create their own document, but it should be pre-approved from the home office before use.

**Inter-quarter deposits/Withdrawals:** Any deposit or withdrawal in excess of \$25k into a client account should be either billed an advisory fee, or issued a fee refund.

**Outside Business Commissions:** Through an outside business activity, if you are receiving a commission from one of your existing clients of Bay Colony, you must disclose to that client that you will be receiving a commission in excess of you fees charged through Bay Colony.

## **Other BCA Policies and Requirements**

- 1) Must notify home office of any client complaints within 2 business days
- 2) Must notify home office of any regulatory visits or upon receiving any written correspondence
- 3) Clients need to be aware checks must be made payable to Fidelity Investments and that you not accept checks made out to yourself, or your DBA.
- 4) Direct fee payment checks must be made to Bay Colony Advisors. Bay Colony will then issue the check payment to the end advisor
- 5) If you have experienced a client termination you must notify the home office of the reason and the fee reimbursement calculation
- 6) No advisory services including Financial Planning can be paid directly to you or your business DBA
- 7) You must make sure a Notice Filing is not required before opening a client relationship in a state you are not currently registered in
- 8) You are not permitted to rebate a client a portion or any part of their fee. If a fee refund is required for the client, Bay Colony will help calculate this for you.
- 9) You are not permitted to share any securities compensation with any unregistered individual
- 10) You are not permitted to hold checks for over 1 business day
- 11) Private securities transactions are not permitted in client accounts
- 12) All Advisory accounts must have a signed Advisory Agreement on file
- 13) Account profiles for risk and suitability must be completed for every new account and client signatures must be obtained prior to investing client funds
- 14) All fax correspondence must be retained.
- 15) IAR(s) are not permitted to have borrowed or loaned money to any clients for any reason
- 16) If you use a professional designation a good standing "Professional Designation Form" must be submitted to the home office annually.