

Cloud Compliance: Your First Step Toward a More Effective Solution

In the mid 80's at a time when many small mom and pop businesses were just starting to apply computers in their operations, Apple came out with an endearing commercial.

Two older gentlemen who owned a fish and tackle shop were struggling over set up instructions for a new PC they had just purchased. They had difficulty understanding words like "port" and understanding instructions for installing the software.

Finally, in the last scene, their administrative assistant popped her head in the office while the two fellows were still struggling. It was obviously night time by then, as seen through the window of the office. She told them she needed to go home and then pointed out, "*at this stage, your computer is going to put us all out of business*". The men look up, dumbfounded.

Thirty years later, technology has advanced to such a stage that most businesses no longer require expensive in-house hardware or software. They just need a fast internet connection to plug into computing power available on the web.

Physical servers with installed software are now kept in giant football field sized mega data centres throughout the world, and operated by companies such as Amazon, Google and Microsoft. Their computing power is available for rent by the month, week, day or even the minute depending on need. This trend, referred to as cloud computing, is now being applied by many global companies.

Cloud computing allows operating companies to avoid the three greatest technology costs and challenges:

- the costs of regularly administering internal hardware and software
- the costs of running a business with obsolete internal hardware and software; and
- the cost of regularly updating obsolete internal hardware and software.

If one replaces the words "*internal hardware and software*" in the above, sentence with "*Compliance Policies, Procedures, Forms, Logs and Operating Protocol*", it perfectly encapsulates the cost of compliance for independent firms.

The biggest compliance costs are:

- the costs of regularly administering compliance policies, procedures, forms, logs and operating protocol
- the costs of running a business with obsolete compliance policies, procedures, forms, logs and operating protocol
- the costs of regularly updating obsolete compliance policies, procedures, forms, logs and operating protocol

Registered firms often mistakenly assume there is a point in time when “compliance is under control”. This could be when their registration is complete, compliance manual updated, or when they pass their most recent regulatory review. However, this assumption is as true as expecting that windows 97 is the last application program you will ever need.

The effectiveness of a firm’s Compliance Structure will naturally drift due to changes in regulation, the business, staffing, regulatory focus, and industry changes.

Over the last few years, Ara Compliance Support has watched with amazement as cloud computing has gained in popularity with such established corporate names as Northrop Grumman, Bechtel and Eli Lilly.

We recognized that independent registered firms needed a cloud solution for compliance just as there is cloud solution for technology.

Our first step was a simple but important one. We changed our name from “Ara Compliance Services” to “Ara Compliance Support”.

We then reviewed what we believe were the “best in class” compliance practices and created an offering built around four core compliance elements.

- keeping the Compliance Structure current with changes to regulation, best practices and business need.
- insuring effective ongoing compliance through on-site visits, task lists and training.
- providing an ongoing “help desk” for registration and compliance matters.
- Serving as an “ambassador” to the regulators on registrant related matters.

We regularly review and update our service the same way as cloud computing service providers need to regularly keep their hardware and software fresh.

We also decided to limit the types of clients to whom the service would be offered. Compliance encompasses a wide pool of topics such that it is not possible for consultants to provide an effective service for too many different types of clients, business situations and needs. There is just too much to know and learn.

Hence we decided to limit our offering only to registrants at the securities commission level involved in one of four types of businesses:

- Businesses that primarily manage securities on a discretionary basis
- Businesses that primarily manage client relationships (i.e. financial planners, family offices, etc.)
- Businesses that primarily create alternative asset funds (i.e. mortgage funds, flow through funds, etc.)
- Businesses that raise capital for junior issuers

The program has become increasingly popular over the past couple of years. Ara Compliance Support now provides “cloud compliance” services to 25 independent Exempt Market Dealers, Portfolio Managers and Investment Fund Managers.

If you would like to learn more about the Ara Compliance ongoing support program please contact us at info@aracompliance.com.