



Research You Can Rely On

Due Diligence on Third Party Broker Dealers

Drawing from experience and regulatory guidance, the following are elements of a comprehensive due diligence process tailored for the oversight of third party broker dealer:

- Corporate background documentation including a review of company history, key personnel, recent events, and business prospects. An analysis of corporate affiliates is essential.
- Regulatory review of Form BD (if appropriate and Form ADV, BrokerCheck for history of regulatory sanctions against the firm and/or its principals.
- Financial analysis drawing upon audited statements, a review of operating results, and capital adequacy.
- Analysis of firm's compliance manual and program, written OSJ supervisory procedures, anti-money laundering procedures, KYC process, compliance with Bank Secrecy Act, Fair Lending, Privacy Policy, and other consumer protection laws and regulations.
- Internal controls and procedures—SOC-1 review and interpretation.
- Corporate insurance coverage—fidelity bonding, errors and omissions coverages, etc.
- Business Continuity Program.
- Reliance on third party technology, clearing and asset management platforms.
- Corporate Governance: Code of Ethics, material policies, committee structure.
- Adequacy of training and knowledge sharing.
- Execution reporting/order routing policy.
- Products/Services:
 - Product/manager selection process
 - Depth of offerings
 - Product/investment philosophy
 - Proprietary initiatives/conflicts
 - Competencies and “gap analysis”
 - Performance
- Client-facing, Advisor-facing, and middle and back office technology.
- Summary findings and risk assessment.



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Kehrer Bielan and its predecessors have published an annual review of the largest third party broker dealers since 2006, and have consulted for dozens of banks and credit unions on the selection of TPMs. *The Annual TPM Report* is a useful companion to the firm's due diligence on individual third party BDs, providing detailed information on all the major "TPMs."

[Click here to read more about the TPM Report.](#)

Kehrer Bielan's due diligence on third party broker dealers is directed by Jonathan Gabriel, a principal of the firm who has extensive experience with banking, securities, and insurance regulations. After a career in banking, he was chief operating officer of the largest third party broker dealer. Subsequently he has conducted due diligence for banks on turnkey asset management platforms, insurance companies, and third party broker dealers, and conducted credit analyses on hundreds of bond issuers for banks. Jon has started several broker dealers and has broad experience in assisting banks with regulators at the intersection of banking and securities.

KBR&C provides the financial advice industry with insights based on a melding of research and experience in managing the delivery of investment, insurance, and wealth management services. The firm provides performance assessment and benchmarking, human resource management and development, due diligence, consumer insights, and interpretation of industry trends through its original research, unbiased consulting, and peer study groups.