

JAN 29 2021

**INDIANA SECRETARY OF STATE
SECURITIES DIVISION**

**INDIANA
SECRETARY OF STATE**

**STATEMENT OF POLICY REGARDING BROKER-DEALER
BRANCH OFFICE EXAMINATIONS IN 2021**

The Indiana Secretary of State and Securities Commissioner (“Commissioner”) have determined that it is appropriate and in the public interest to issue this Statement of Policy regarding temporary relief from the requirement for a registered broker-dealer to conduct an in-person compliance examination of all branch offices located in Indiana during calendar year 2021.

BACKGROUND AND DISCUSSION

710 Ind. Admin. Code 4-7-6(d)(9) provides that a broker-dealer must conduct an annual compliance examination of all branch offices located in Indiana. The Securities Division (“Division”) has interpreted this regulation to mandate on-site examinations of branch offices. Failure to conduct an annual compliance examination of a branch office is treated as a violation of the Indiana Uniform Securities Act, Ind. Code 23-19, *et seq.* (“IUSA”) and rules promulgated thereunder and accordingly may subject a registered broker-dealer who fails to satisfy the requirements of the regulation to disciplinary action.

On July 13, 2020, the Commissioner issued a *Statement of Policy Regarding Temporary Relief from Branch Examination Regulation*. This policy provided that the Division would refrain from initiating an administrative action for a broker-dealer’s failure to conduct an on-site compliance examination of any branch office located in Indiana during calendar year 2020. This temporary relief has not been extended and, accordingly, expired on December 31, 2020. After this date, a broker-dealer registered in Indiana was required to resume its compliance examination programs in order to comply with the regulation.

The Commissioner acknowledges that operational disruptions caused by the pandemic have continued into 2021, potentially impeding a broker-dealer’s ability to safely conduct on-site compliance examinations of branch offices. Accordingly, the Commissioner is issuing this Statement of Policy regarding the branch office examination requirement for calendar year 2021.

POLICY

For the reasons outlined above, during calendar year 2021, a broker-dealer registered in Indiana may satisfy the requirements of 710 IAC 4-7-6(d)(9) by conducting branch office examinations remotely using means such as video conferencing and digital file sharing. The Commissioner encourages broker-dealers with the means to safely complete on-site compliance examinations to continue to do so.

As with an on-site examination, in order to satisfy the requirements of 710 IAC 4-7-6(d)(9), remote compliance examinations must be structured to uncover any practices which might threaten a broker-dealer’s ability to safeguard customer funds and securities, reveal any improper maintenance of books and records, and ensure that appropriate supervision of firm personnel is

conducted at each branch office. Accordingly, any remote examination must involve evaluation, review, and discussion with an appropriate number of branch office employees to allow the broker-dealer to monitor compliance with applicable regulations and firm policies. A firm should be prepared to provide information to the Division upon request regarding the firm's remote compliance examination program.

For purposes of 710 IAC 4-7-6(d)(9), any firm performing an "unannounced" remote examination should take reasonable steps to prevent or limit advanced warning of the examination in order to avoid opportunity for concealment of noncompliance prior to commencement of the examination.

Unless otherwise extended by the Commissioner, the temporary relief outlined in this Statement of Policy will expire December 31, 2021. Firms will be required to fully satisfy the requirements of 710 IAC 4-7-6(d)(9) for calendar year 2022.

DATED in Indianapolis, Indiana this 29th day of January, 2021.



CONNIE LAWSON
SECRETARY OF STATE

A handwritten signature in black ink, appearing to read "Alex Glass", written over the printed name of the Commissioner.

ALEX GLASS
SECURITIES COMMISSIONER