

Federal Reserve Board

Course Description Securities Broker Dealer Seminar

SECURITIES BROKER DEALER SEMINAR (SBD)

TYPE OF PARTICIPANT TARGETED

This course is designed as a supplementary course for safety and soundness examiners and certain other supervision staff.

COURSE OVERVIEW

This program provides an intensive analysis of the middle and back-office operation functions and requisite controls for U.S. Broker/Dealers and Registered Investment Advisers (RIA). A detailed overview of these functional building-blocks encompasses the trade lifecycle process from order execution through trade clearance and settlement. Custody and control topics include a description of stock record, margin, stock loan and asset services.

Participants will gain an understanding of the organizational infrastructure of a broker/dealer. Process flows that support these functional areas are a major focus of the program, but attention is also given to potential gaps and exposures that create Operational Risk for broker/dealers and RIA's. The program content examines the interdependencies of operation functions among entities such as investment managers, broker/dealers, introducing and clearing firms, custodians, clearing houses and depositories.

Case studies with an operational risk perspective will be used (e.g., MF Global, Peregrine Financial, Madoff, Société Générale, UBS). The course instruction will promote discussion of real-life "war stories" involving operational Key Risk Indicators (KRI's), such as concentrations, exceptions, limits trade breaks, failed trades, stock record breaks, suspense entries, DK's, and cancels/corrects. Participants will learn how these events, if not properly managed and reported, can have a negative impact on the firms, their customers and counterparties.

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COURSE OBJECTIVES

By the end of this course 3 day course, participants should be able to:

- Identify mission-critical functions within the lifecycle of a trade, from the inception of an order through settlement, as well as the follow-up required for the effective management of failed trades
- Explain the critical functions of New Account and Product reference or (static) data set-up for both broker/dealers and RIA's.
- Gain perspective on the interactions between the internal operation of a Broker/Dealer and the industry infrastructure, including confirmation/affirmation service providers, clearing houses, depositories and settlement systems.
- Evaluate Key Risk Indicators (KRI's) of operational risk and the source of the information in the firm
- Analyze metrics related to the control of trade activity, including fails, breaks, cancels/corrects, STP levels, and the cost per trade.
- Compare the roles of broker/dealers, RIA's, clearing firms, prime brokers and custodians
- Describe impact of operational risk on Corporate Action processing
- Evaluate the importance of books and records, including how a stock record is used to demonstrate possession and control of firm and client assets
- Distinguish the areas of operational support for margin and stock loan businesses within broker/dealers
- Examine the use of firm policies and procedures, internal controls and audit coverage, as well as governance
- Describe the internal operational processes of a fund manager

CLASS SIZE

Minimum class size is 20 with a maximum of 25.

INSTRUCTORS

The 3 day course is taught by a vendor.