

Implementing a secure, document capture solution with auditable fax communications for SEC 17(a) compliance

The Challenge

Many financial institutions are daunted with compliance requirements and the need to properly handle broker communications. This large, global financial institution (the Client), ranking in the top 10 of investment banks and providing customers with investment banking, private banking, and asset management services, was faced with this challenge. The Client was looking for a solution to specifically address its compliance requirements pertaining to those mandated by the Security and Exchange Act of 1934 (specifically its record keeping requirements of Section 17(a)).

The Client's IT risk and compliance department determined that the transmission of documents to and from fax machines and other applications did not comply with SEC 17(a) monitoring and record-keeping obligations. SEC 17(a) requires companies to store records regarding all securities transactions and communications between broker/dealers and their customers. The Client had already invested in technology and processes to address these regulatory requirements for communications via e-mail, instant messenger (IM), and telephone, but had yet to address these requirements for document communications via fax.

Their use of standard fax machines distributed and freely available throughout the organization, posed the risk for documents to be unsecurely sent or abandoned at the device with virtually no

broker/dealer accountability or audibility. There was also no means document capture to provide readily searchable and accessible documents for future retrieval.

Clearly, this problem needed to be addressed immediately to conform to SEC 17(a) requirements. Failure to do so could lead to significant fines, damage the Client's reputation, and potentially impact future business as other financial institutions had already experienced.

The Client needed to:

- Achieve SEC 17(a) compliance
- Secure fax communications
- Obtain electronic and paper document origination
- Integrate with enterprise and archive solutions
- Encompass easy and simultaneous document routing
- Produce readily accessible transaction records
- Implement distributed availability throughout the organization

Existing Infrastructure

Like most organizations today, the Client also faced challenges with having disparate fax infrastructures throughout the organization. They shared traditional fax machines in different locations throughout the office where employees would send and receive paper faxes. They also had a digital fax infrastructure with a broad user base. The digital fax technology, Fax Sr., licensed from Omtool, allowed users to send electronic documents from their desktop to the desired fax destinations, and receive incoming faxes as TIFF image files attached to e-mail messages. Certain trading systems and other back office applications also used Fax Sr. to send faxes digitally through the fax server.

Additionally, the Client employed a variety of external fax service vendors to send faxes. However, between these three disparate systems, none of the fax traffic was being tracked or monitored, let alone digitally archived. Naturally, when the Client sought to improve its fax-based communications, they turned to Omtool as their incumbent and trusted provider to handle **all the paper**.

The Client needed an infrastructure that would deliver the following functionality:

- Consolidate fax traffic to and from all sources through a single IT-controlled infrastructure
- Enable all users and systems to use the new infrastructure with a solution that is easy-to-use and easy-to-integrate
- Archive copies of all internal, external, inbound, and outbound faxes, into their existing enterprise e-mail archiving system from Symantec (Enterprise Vault) and integrate with compliance monitoring activities

Implementing Enterprise-Wide Compliance

The adoption of the AccuRoute® document capture platform with integrated fax, now allows users to send secure documents and faxes in the following ways:

- For a document that exists in electronic format (such as a PDF or Word document), the user can simply create an e-mail message and address it to a fax number instead of an e-mail address.
- For a document that exists in paper format, the user can use the AccuRoute desktop application to create a Routing Sheet that includes a distribution list of recipients, as well as their fax numbers and/or email addresses. The brokers simply walk to one of the newly distributed network-connected MFPs, load their document into the document feeder with the Routing Sheet on top, and press a single button.
- All incoming faxes will be received on the AccuRoute Server and forwarded via e-mail to the appropriate e-mail address on the corporate Microsoft® Exchange Server. Each user in the firm has an individual incoming fax phone number. When a fax is received on the users number, it is forwarded to that user's e-mail address. Faxes are received as e-mail messages with the faxed document included as a TIFF file attachment.

In order to achieve a comprehensive solution, additional products were needed to integrate with and/or adopt. The network-connected MFPs that were used to replace the traditional fax machines were one important element of this solution. In this case, the Client selected the HP® 4345 MFPs. The rationale behind selecting these HP devices over other options was the ability to integrate seamlessly with the AccuRoute platform.

Compliant Fax Communications



The Result

With the innovative technology of companies like Omtool, HP, and Symantec™, the Client was able to implement a complete end-to-end communication system that conformed to the compliance requirements of SEC 17(a) and related governing bodies. The Client is now recognized as being the only 100% fax compliant financial institution in accordance with SEC 17(a). When presenting to the SEC, the legal and compliance team was applauded for this accomplishment.

The new approach increased end user productivity through the standardization of processes in a central, consistent, enterprise-wide system, with a common user experience. Therefore, training and use became simple and universal. Receiving a fax via e-mail was more secure, efficient, and convenient than receiving a paper fax.

On the outbound side, it was more efficient to send paper faxes from network-connected MFPs with one-button simplicity rather than creating fax cover sheets manually, printing them, and faxing them manually from a traditional fax machine. Omtool's solution also increased productivity for compliance and record keeping, making it possible for the infrastructure to retain records, rather than putting the responsibility on the individual end user and their business units.

"We now have the claim of being the only 100% fax compliant financial institution in accordance with SEC 17 (a). Our legal and compliance team was applauded by the SEC for our work and ingenuity."

Core Engineer for Digital Fax Solutions,
Worldwide Investment Bank

Summary

The Client now realizes the benefits of:

1. 100% compliance with SEC 17(a) for fax communications – avoiding potential yet significant fines, reputation damage, and potential disbarment of brokers
2. Consolidated IT infrastructure and the elimination of traditional fax machines – delivering a tangible return on investment
3. A document routing solution that can be extended to many document workflows with multiple distributions, archiving, and security
4. Increased productivity through highly available and distributed document scanning devices (primarily used for fax)
5. Significant cost savings through the reduction of traditional fax machines, mail, overnight express, courier, etc. for secure distribution of paper documents
6. Reduced costs associated with filing, maintaining, and accessing paper documents that are readily accessible in their electronic format

Omttool, Ltd.

Your trusted partner for document process automation solutions. For more information, please visit our website or contact one of our solutions specialists:

www.omtool.com

Corporate Headquarters
Omttool, Ltd.
6 Riverside Drive
Andover, MA 01810

t. 978.327.5700
f. 978.659.1300
sales 800.886.7845

European Headquarters
Omttool Europe, Ltd.
25 Southampton Buildings
London WC2A 1AL UK

t. +44 0 203.043.8580
f. +44 0 203.043.8581
email: salesuk@omtool.com