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Rattling of the Earth persuades some advisers to test their BCPs anew

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The recent earthquakes in southern California jolted even long-time residents used to a sometimes unsteady ground.

"It was like a rolling motion. It made you dizzy," says **Teri McCasland**, CCO at **SFE Investment Counsel** (\$327M in AUM) in Los Angeles, of the July 4th quake that struck 130 miles away.

"It was rocking" for a good 20 seconds "like you're in your rocking chair," says **Nick Mamaril**, CCO at **Oakwood Capital Management** (\$783M in AUM) in Los Angeles, of the even larger quake that shook the area July 5.

Shaking loose an inspiration

CCO **Jane Couperus** of **Bolthouse Investments** (\$360M in AUM) in Bakersfield, Calif., was on vacation when the quakes struck so she missed all the action that fortunately didn't result in any serious injuries. But her colleagues spoke of the shaking even though its epicenter was two hours away. The experience has Couperus pledging to contact her compliance consultant about doing a new test of the firm's BCP.

Mamaril tested his firm's BCP plan last year but he intends to do so again given the recent shaking. He'll wait until September when staff summer vacations are over.

McCasland seeks to test her firm's BCP twice a year. A real incident tested its plan just last month when a transformer blew and knocked out power to downtown Los Angeles, silencing the adviser's phones and causing lights and computers to go dark. The firm's phone line transferred to an employee's cell until power was restored a few hours later.

"We let mother nature do some testing" for us, says a CCO at an advisory firm just outside of New York City. Sometimes, the weather forces staff to work from home. The adviser also maintains a "hot room" in its office complex, a place for staff to retreat to should power cease in headquarters – as happened recently.

IT also will test the firm's BCP at times during the year and document the results. For instance, IT may take down the firm's e-mail system to test if communications are being captured by backup technology.

Nothing like preparation

The value of testing your BCP can be seen in the experiences of one adviser. **Cindi Hill** of **Hill Compliance Advisors** in San Diego encouraged a client to test its BCP. In doing so, the advisory firm learned it would take three weeks to receive a vital cable the firm would have needed to download its backup data. In an emergency, that firm "would have been in a world of hurt," says Hill. Fortunately, the test cured any such scenario.

The part of Michigan where **Executive Wealth Management** (\$820M in AUM) is located occasionally experiences tornadoes, so the community holds drills. CCO **Kyrstin Ritsema** times some of her BCP tests to these drills.

"We do rotate the testing" among the firm's four offices, she says. Besides the community-prompted drills, Ritsema launches BCP tests when she conducts branch visits. It could be as simple as transferring phone calls to another office or shutting down the internet. The exercises give her an opportunity to "see how quickly people can comply and get the issue" resolved, she notes. She'll also quiz staff to demonstrate how they would obtain the firm's BCP.

A modest BCP test used by **Seabridge Investment Advisors** (\$407M in AUM) in Summit, N.J., is to confirm that emergency phone numbers to reach key utility providers in an emergency are current, says **Rose Ann DeHaven**, compliance officer.

Testing on a Saturday

Another New York CCO would annually direct a few key employees and a supervisor to meet at an off-site location on a Saturday and test their ability to "bring up all of the systems to see how long it took to get into each

application" needed to work from the location. The adviser's IT person would document the test and produce a report containing recommendations for improving the plan.

Hill recommends you use your CRM to document your BCP testing. Maintain sub-folders to quickly find the documentation "because that's what" OCIE examiners will ask for, she notes.

Manoj "Tito" Pombra, president of **Core Compliance & Legal Services**, survived the deadly 1989 Earthquake in San Francisco. Experience has taught him to recommend advisers test switching to their backup servers at least twice a year. It's best to maintain your backups 100-200 miles away, he suggests.

It's also wise to have a backup location where staff can work that's at least 50 miles away. In some cases, you may wish to encourage staff to take their work laptops home daily. Pombra tells of a Florida firm that learned this lesson after a hurricane ravaged its offices, destroying all of its computers.

"We are prepared as best as we can," says Mamari. His firm's compliance P&Ps describe who is responsible for what in an emergency. The firm has an agreement with another adviser 30 miles away that staff could work there if necessary – and vice versa.

A second option for Oakwood is the firm's software provider, which houses the adviser's servers. The provider invites Mamari's staff to work at its location when necessary. Such was the case when the adviser moved into new offices only to find the phone company hadn't yet finished its installation. The alternative site worked perfectly. It's even designed for the adviser to meet clients there.

Plan to communicate with clients

The BCP at **Liberty Partners Capital Management** (\$100M in AUM) in Bakersfield, Calif., [discloses](#) to clients how to contact the advisory firm should an emergency prevent normal communications. "[W]e will transfer our operations to a site outside of the affected area, and recover and resume business as soon as possible," the firm discloses. "If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our customer's prompt access to their funds and securities."

SFE's McCasland notes all staff maintain "an Earthquake kit." Hers contains a battery-powered radio, heavy leather gloves in case of broken glass, sneakers, socks, sweat clothes and a first aid kit. The firm keeps a month's supply of water on hand. She's prepared to take cover under her heavy desk should the Big One strike. If possible, staff are directed to make their way to the center of the building where the elevators are because it would be "the safest place to be," she notes.

Never rush outside amidst the concrete jungle in an Earthquake, she warns. You could be killed by falling debris.

She adds that the firm's located in a 20-year-old building that rests on buried rollers designed to safely rock with a quake's swaying – at least one that doesn't exceed 8.2 on the Richter scale.

Chmiel/Rattling Earth/Getty Images Plus

The information contained herein was current as of the publication date.

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