



Compliance Alert – 2024-01

To: All PCS Registered Representatives, Support Staff, Home Office Personnel
Date: March 26, 2024
Re: **Electronic Communications**

Recently, the SEC fined sixteen firms for more than \$81 million to settle charges they failed to preserve off-channel electronic communications. The firms ranged from broker-dealers to several dual registrant and affiliated investment advisors. In two additional findings, LPL Financial and Ameriprise Financial both received fines of \$50 million each. According to the findings, messages sent through “approved communications methods” were regularly monitored and subject to review but was not the case for messages sent via other means, such as unapproved text messaging and social media apps on personal devices.

MyRepChat is the firm’s text messaging approved vendor. As attested on your annual policy certification, PCS prohibits communication with a customer related to sales, accounts, recommendations, investment advice, or any other securities related business via text message other than thru MyRepChat (unless you have received a written exception to use a similar system). Using this vendor helps PCS ensure compliance with recordkeeping and supervisory obligations since these messages are deemed written communications. This also applies to electronic business-related communications with clients/prospects conducted through a personal or non-disclosed email account that is not being archived and reviewed by the firm.

Failing to comply with this policy places PCS and yourself into regulatory harm. Failure to comply with firm policies and procedures related to electronic communications will result in disciplinary actions that may include up to termination of your affiliation with the firm. The SEC is making a bold statement to firms, that failure to supervise electronic communications, whether on an approved platform or not, will result in severe consequences, and the SEC is looking to firms to take actions to prevent and identify violations of firm policies.

As a result of these recent SEC actions, PCS will be enhancing its review of unapproved apps on personal devices in multiple ways, including the review of personal devices during the branch examination. Thank you for your continued partnership and cooperation to ensure PCS remains compliant with industry requirements.

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