



BEST PRACTICES

A Collection of Best Practices for:

Broker Dealer

Includes Detailed Best Practices for:

- Lines of Business
- Investment & Market Research
- Back Office Operations



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Corporate Finance

Broker Dealer

Lines of Business

- **Corporate Finance**

- Investing & Lending

- Investment Banking

- Investment Management

- Sales & Trading

Investment & Market Research

Back Office Operations

Corporate Finance deals with the sources of funding and the capital structure of corporations. Corporate finance is primarily concerned with maximizing shareholder value through long and short-term financial planning and the implementation of various investment strategies to do so. Both capital investment decisions (deciding which projects should receive investment funding, and whether equity or debt capital should be used to finance that investment) and investment banking falls under corporate finance.

Corporate Finance

Broker Dealer Best Practices

Best Practice 1-A

Establish Clear Company Goals and Use Standardized Checklists to Establish Project Categorization Criteria and Improve Business Alignments

Establish clear goals for the organization during formal strategic reviews and determine not only how the various forms of capital available to the organization (i.e., equity, debt capital, etc.) can contribute to achieving those goals, but also how to best categorize or measure the condition and performance of proposed and existing projects. Use detailed and standardized checklists to easily measure established categorization criteria (includes criteria focused on federal mandates that need to be honored, risk, public safety, cost benefit analysis and alignment of strategic goals) in order to determine which projects should be funded and which should not. Ensure that a detailed inventory of all the projects proposed and managed by the bank and/or the brokerage firm is gathered in a single, centralized database (such inventories must include detailed evaluations of the proposed projects and the conditions of all existing assets and projects) to provide ease of informational access to all authorized personnel.

Typical Practice (the Status Quo): Determine which challenges the organization is facing, whether financial or based on business goal alignment, and evaluate how to use the organization's available capital to overcome key challenges. Compile lists of current and proposed projects to discuss in formal strategic reviews which should take preference when being funded. Ensure that every business unit and/or function leader has the chance to argue for the funding of projects most relevant to them in order to increase business transparency and ensure that funding goes to the project that is most needed.

Benefits of this Best Practice: C-Suite executives and business units and/or functions should use formal strategic reviews to not only assess current state strategy and future state objectives of the organization, but to also determine the best method to categorize business projects and how the various forms of capital available to the organization (i.e., equity, debt capital, etc.) can contribute to the funding of projects and achievement of organizational goals. Clear business goals, a defined understanding of the capital that can be used and a good project evaluation process can help organizations detect overlapping project proposals up front, cut off projects with poor business cases as early as possible, and strengthen business alignment between business units and/or functions. Detailed and standardized checklists not only make it possible for business executives to easily use various criteria to categorize projects (includes criteria focused on federal mandates that need to be honored, risk, public safety, cost benefit analysis and alignment of strategic goals), but it also ensures that all projects are categorized under standardized criteria. Developing a detailed inventory of all projects proposed and managed by the bank and/or brokerage firm and placing it in a centrally located database, furthermore, reduces the cycle time necessary to locate and/access information that is pertinent to determining whether the project should be funded or not.

 **Related KPIs:** Assets Under Management (AUM), Return on Investment (ROI), Return on Assets (ROA), Assets Under Management (AUM) Growth Rate

Investing & Lending

Broker Dealer

Lines of Business

- Corporate Finance

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