



Mapping a Plan to Master DOL Compliance

“Innovation is the ability to see change as an opportunity—not as a threat.”

– Steve Jobs

The DOL Conflict of Interest Rule is expected to have the biggest impact on financial services since ERISA was enacted in 1974. As firms scramble to comply, four key questions rise to the surface:

- How will the DOL Conflict of Interest Rule impact their current mode of business?
- What do they need to do over the next seven months to comply by April 10, 2017 when the new standard goes into effect?
- What steps need to be taken during the transition period from April 10th to “go live” on January 1, 2018?
- And perhaps most important, how can they turn this compliance challenge into a competitive advantage?

To not only survive, but thrive in the post DOL-rule era, firms need to map out a plan to keep them focused and on track.

Breaking DOL compliance into bite-sized chunks

The timeline on the next page provides a helpful, holistic view of what tasks need to be tackled now, by April 10, 2017 when the new standard goes into effect, during the transition period up to the final ruling (April 10th through year-end), and finally what ongoing processes and checkpoints need to be implemented post-DOL after January 1, 2018.



VALIDATE



COMMUNICATE



COMPLY










Getting started

- Assess business and compensation practices
 - ✓ Impact on business
 - ✓ Required change
- Aggregate required data prior to client communications
- Determine business impact to fund lineup (i.e., status quo or use BIC exemption)
- Evaluate current sell list against fund scorecard and suitability parameters
- Identify conflicts of interest with 3rd party compensation
 - ✓ Custody Assets
 - ✓ Manage Assets (i.e., Level Comp or Separate Accounts)
- Update or define policies and procedures for advisor point-of-sale transactions re: BIC disclosure, suitability, etc.



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DOL compliance timeline

By April 10, 2017 (New standard goes into effect)	Thru December 31, 2017 (Transition period)	January 1, 2018 (Final effective date)
<ul style="list-style-type: none">  Create recordkeeping and compliance tools to adhere to and track fiduciary standards  Create and distribute fiduciary acknowledgment letter Update intranet and public websites Advisors trained on enterprise point-of-sale utilities to mitigate conflict of interest and ensure proper disclosure <ul style="list-style-type: none"> ✓ Self-service/on-demand investor communications and disclosures ✓ Suitability (mutual funds and variable annuities) ✓ Performance and fee data ✓ Prospectus delivery  Establish workflows to maintain and archive transactions 	<ul style="list-style-type: none">  Aggregate required data prior to client communications  Create and distribute fiduciary acknowledgment letters for new accounts <ul style="list-style-type: none"> ✓ BIC Disclosures (Grandfathered accounts) ✓ Additional Disclosures (i.e., Limited Menu) Proactively manage risk by analyzing and benchmarking fees against the market  Document and archive advisor recommendations for higher level of compliance Establish workflows to maintain and archive transactions 	<ul style="list-style-type: none">  Periodically re-assess fund lineup to comply with “Best Interest” intent  Manage ongoing client and regulatory communications <ul style="list-style-type: none"> ✓ More Detailed Information ✓ Limited Menu etc. Conduct ongoing reviews of client accounts for compliance and suitability Conduct periodic internal audits and establish procedures to remedy errors  Use DOL BIC contract and disclosures at account opening and point of sale

Map out a plan to stay focused and on track

1. Pre-DOL Rule: Getting Your House in Order

Timeline: Now until April 10, 2017

Two of the most urgent needs firms are wrestling with after digesting the DOL Conflict of Interest Rule center on their current business operations – specifically, an evaluation of their fund lineup and re-engineering their current process for share class conversions.

• **Sell List Analysis** – For firms who distribute funds through a distributor network, job one is looking at their current fund lineup and performing an in-house assessment of their compensation practices. Will they remain status quo or do the BIC exemption? If they are doing the BIC exemption, what data will they need to screen funds to offer the most suitable ones for their downstream investors? Many firms have echoed the need for a fund evaluation service and mutual fund scorecard ranking service to help them objectively benchmark their current lineup against the universe of over 30,000 open-end mutual fund and ETF CUSIPs.

• **Share Class Conversions** – In the post-DOL era, share class conversion has become a major concern. Firms need a simple, clear, and bullet-proof approach to assess the current share class of a fund against the most optimal classes available to convert. Tools for advisors and correspondents can provide clear paths for conversions, including documentation and archival of the recommendations.

DOL Customer Communications are a crucial new marketing touch point

Completed by April 10, 2017

- ✓ Fiduciary Acknowledgement
 - Transition letter
- ✓ Fiduciary Acknowledgement Letter
 - Level Fee
- ✓ Rollover Recommendation
- ✓ Investment Recommendation

Completed by January 1, 2018

- ✓ Website (i.e., model contracts, firm disclosure, etc.)
- ✓ Best Interest Contract
- ✓ Point of Sale Disclosure
- ✓ Detailed Disclosure
- ✓ Limited Menu

2. DOL Implementation: Advisor Point-of-Sale Tools

Timeline: January 1, 2017 thru December 31, 2017

When the time comes to implement your DOL solution, there are three key things you'll need to help advisors address simply and transparently:

- 1. 401K-to-IRA Rollovers:** What happens when a client leaves his current employer for a new job? In the pre-DOL Rule world, an advisor would help the client rollover assets into an IRA. In the post-DOL Rule world – where recommendations must be documented and potential conflicts of interest disclosed – it is no longer a simple “lift and shift.” Retirement plan subaccounts are often “I” shares which have lower fees. Moving a client into different share classes or different funds can result in higher fees which need to be clearly communicated and signed off by the client.
- 2. Mutual Fund Suitability:** Advisors in the Post-DOL Rule world need tools to simplify share class conversions, capture investor signature and firm disclosure, and create an audit trail. They also need data and tools to rank funds to ensure clarity and that fees are properly disclosed and understood. If you don't currently have this capability in-house, seek a service provider with the best ready-made solution.
- 3. Customer communications:** Complying with the DOL Rule offers an additional marketing touch point with your clients, and an opportunity to strengthen relations. The fiduciary acknowledgement letter, BIC disclosure, and updating intranet and public websites are a few things you'll need to create and refresh. Updated training materials are also critical to educate advisors on new processes for ensuring suitability, capturing signature, and archiving recommendations. Data is critical to feed these communications, preferably aggregated from a single definitive source.

3. DOL Day 2: Ongoing Compliance Management

Timeline: January 1, 2018 going forward

The clock doesn't stop once you ring in the New Year on January 1, 2018. You will need to manage and mitigate risk on an ongoing basis. You will need to be forward-thinking to establish practice management tools to build compliance and transparency into all of your customer-facing processes. Things to consider include:

- Automating calculation, reconciliation and allocation of fee payments;
- Eliminating potential conflicts of interest by automatically leveling payments to advisors;
- Simplifying tracking of third-party payments, and establishing procedures for detailed record keeping and reporting; and
- Aggregating transactional and account data from clearing firms and custodians, including held away assets.

Finally, to continuously monitor and mitigate risk, you will need to have already implemented standards and procedures to examine customer accounts and advisor activity to ensure ongoing compliance. This might include analyzing and benchmarking fees against current market trends.

By having a plan and executing on it, you can master DOL compliance and turn a compliance challenge into a competitive advantage. Once you identify your firm's goals and needs, select a trusted provider to fill in any gaps.

Broadridge DOL Solutions can help you on three fronts: DOL Fiduciary Solutions, DOL Customer Communications, and DOL Compliance Management.

For more information, visit us online at www.broadridge.com/DOLFiduciaryRule or contact your Broadridge service representative.