



Reg BI Implementation 3 Zoom 6/11/20 Questions & Answers

1. Q: You're sending Form CRS to current clients via email as long as we have emails on them or do they have to be online and have email selected?

A: We have two sets of email authorization sources. One is RJ, the other is from our own letter from the ADV mailing. If the client is on neither, we have to mail.

2. Q: Many client households have multiple types of accounts – fee based and commission. I am assuming the standard of care would be subject at the highest level (fiduciary) as a total relationship versus liability of each individual account type?

A: Although not required under the rules to assume a fiduciary standard of care for brokerage accounts, you would meet your best interest duty of care obligation by doing so.

3. Q: Distinguish the importance between solicited and unsolicited when the client calls to request purchase and we execute the trade.

A: Solicited transactions involve a recommendation from the representative. The recommendation triggers Reg BI obligations (disclosure, duty of care, mitigating/eliminating conflicts of interest).

Unsolicited transactions do not involve a recommendation from the representative, therefore there is no trigger for Reg BI.

4. Q: If client comes in with an annuity they purchased elsewhere, and you become agent on it. Are you responsible for it like you sold it to them?

A: Best Interest obligations are triggered by your recommendations. Therefore it is a facts and circumstance evaluation. The moment you make a recommendation, that recommendation falls under Reg BI.

Good news under Reg BI: your obligations are for "that point in time" vs "ongoing", which reduces liability.

5. Q: As you and I have discussed there are three different tools that I use in stock selection as well as product catalogue. Trend Rating, Chaikin Analytic's Powerpulse and Riskalyze. I will be glad to share info. Creative One gives us access to Retirement Analyzer as an alternative to GPM, and it is free as well.

A: Thank you for the tips! Harbor will host future round table webinars to share best practices.

6. Q: So, are y'all sending out CRS n Sup to current clients, or are we?

A: Harbor will identify current clients as of 6/30/20 and deliver the firm's Form CRS and the Important Investor Information disclosures in July (date tbd).

In the future, when Form CRS is amended, Harbor will also manage disclosure delivery to current clients.

7 Q: When you were talking about being monitored more heavily if we make the same account type recommendations... Were you talking about Advisory vs. Brokerage? If so, what if all I am really doing is Advisory fee based? If someone is looking for a transactional (brokerage) type account, I have referred them elsewhere in the past.

A: Under Reg BI, your obligation is to provide full disclosure of your product/platform limitations in your business model that differ from those offered by the Firm. You accomplish this thru your Rep Disclosure either orally, or by delivery of your printed copy.

Your second obligation relates to your fiduciary duty under the Adviser's Act which requires you to recommend the advisory platform that is in the client's best interest. If you limit advisory platforms, your due diligence for each client account recommendation will require a more detailed vetting process.

8. Q: can you tell us how much stranger these times are going to get? you nailed it in New Orleans.

A: Many forces in our industry championed fiduciary rules for broker-dealers, including many state securities divisions. With RegBI, the SEC resisted those groups by increasing BD obligations to best interest standards, thus maintaining the BD option for clients. Hopefully Reg BI accomplishes the SEC's goals and the industry and retail clients that would like to continue to participate in the markets have the opportunity to do so with ethical professionals such as yourself.

9. Q: At what point does the client/consumer take responsibility for their actions, purchases, questions, investments—you get the idea.

A: Under Reg BI, we are responsible for our recommendations.

10. Q: How much more value will we be adding to our practices as we implement these new regs. Process over individual. Each practice will be allowed to develop their own unique value proposition. Distinguishes my practice from others.

A: There is absolutely an opportunity to increase the value of your practice.

Implementing process structure to meet the regulations develops consistency your current clients appreciate, builds in efficiencies to maximize your time to meet new clients, and establishes your brand. All the above maximizes the value of your book.

11. Q: When a client passes away and assets are transferred over to heirs i.e. in a Bene IRA....does the BI get triggered for the new accounts?

A: Beneficiary IRAs accounts are required to be opened to facilitate the change in ownership and are not usually based on a recommendation. If there is no recommendation, Reg BI is not triggered.

However, if, after the account is opened, you provide a transaction recommendation, you will trigger RegBI and be required to fulfill each best interest obligation. It may be a best practice to provide Form CRS disclosure delivery at the time the beneficiary IRA is established if you believe you will be retaining the client, even if you haven't made a recommendation yet.

12. Q: On hold recommendations for fee-based accts--we don't need a form anymore?

A: The HF173 is retired. Hold recommendations for fee-based accounts are an extension of on-going monitoring and fall under the fiduciary rule automatically. You are responsible for asset monitoring whether you trade or not.

13. Q: I have used CRM, and actually love it, since day 1 but there is no scanning capability--will RJ be incorporating that so we can scan in investment comparisons or notes on same?

A: The feature to transfer notes or documents to RJ CRM is an "upload." Harbor can offer a custom CRM training session for interested parties. Let us know if are interested in participating.

14. Q: I know you said ya'll were sending out the questions asked in each session with the answers---I haven't seen. Is it online?

A: Resources for Reg BI, including session Q&A's are located on our internal website (www.harborfs1.com) under the RegBI tab.

15. Q: For the classes I teach, I have always started with the caveat that nothing I present is meant to establish a fiduciary relationship with anyone in the class---everything is strictly educationally oriented. But I do go over how a bond/CD ladder works. Will I still be able to do that?

A: If you are not recommending bond/CD ladders, you have not triggered Reg BI. Educating clients and or students on the mechanics of a bond ladder would not be a recommendation.