



# Harbor Implementation “2” of Regulation Best Interest

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May 28, 2020

# Topics We Will Cover

1. Advisory vs BD

2. Recommendations/Education

3. Disclosure Obligation- FAQs

4. Conversation Starters

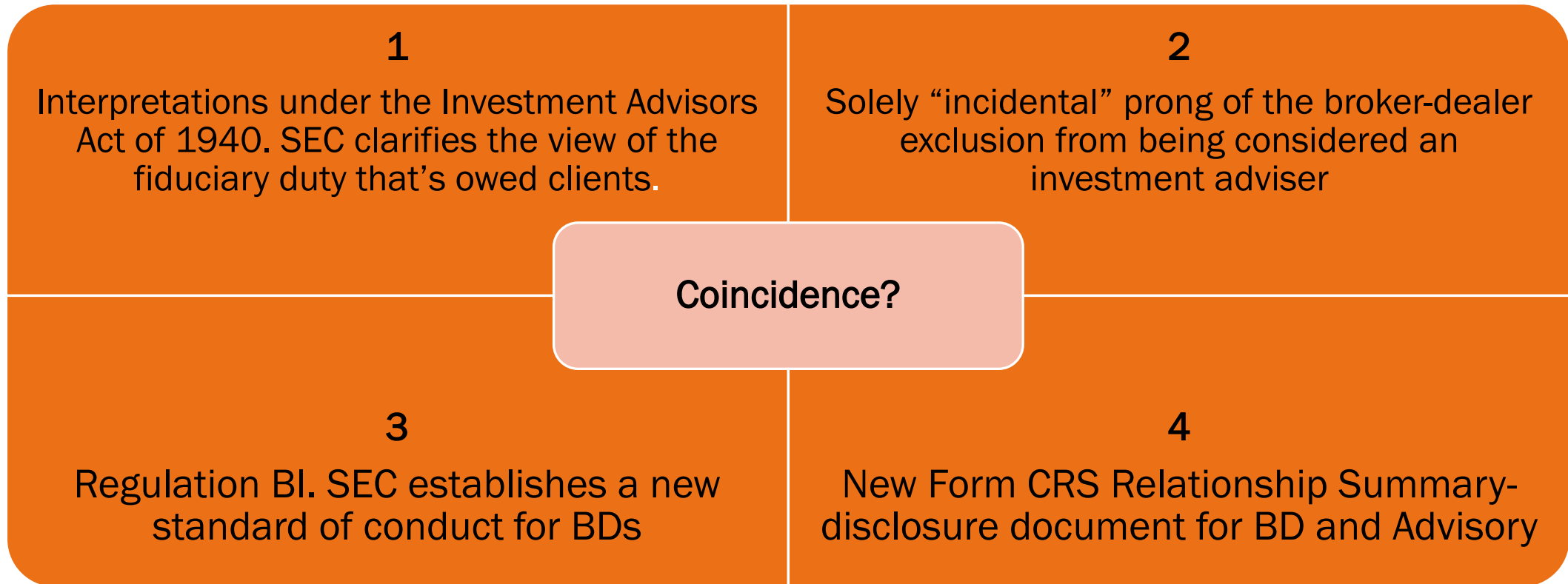
5. Care/Fiduciary Obligations

6. Documentation Resources

7. Q&A (Email [tbeaman@harborfs.com](mailto:tbeaman@harborfs.com))

# June 5, 2019 SEC Issued 4 New Rules/Interpretations

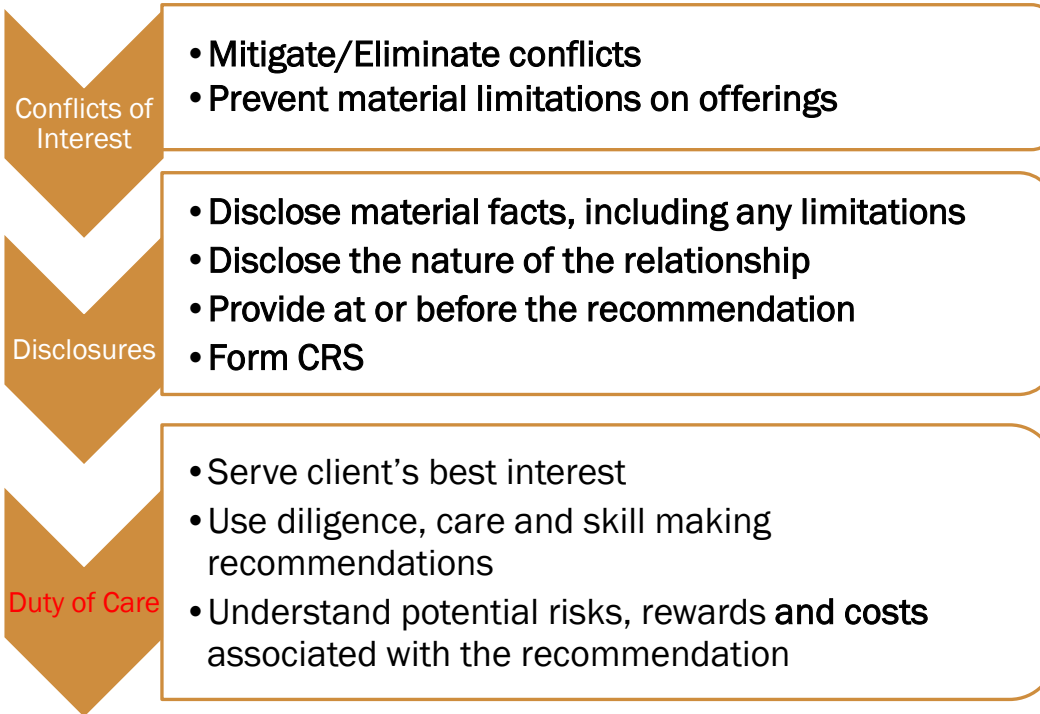
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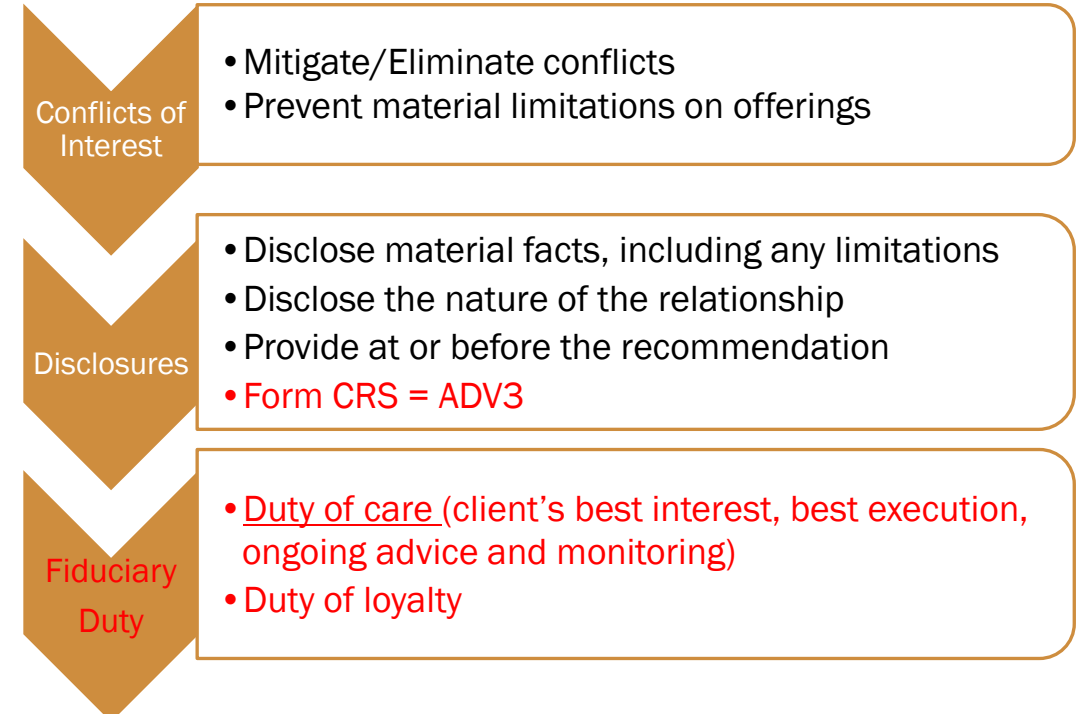
# Adviser VS Broker

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## BROKER-UNDER REG BI



## ADVISER UNDER ADVISERS ACT OF 1940



If I move all my accounts to advisory, do I have less obligations?

# Recent Industry-Advisory Policy Changes

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1. New discretionary platform parameters (formalized rep approval, **mandatory strategy assignments, increased accountability, adherence to investment process**, asset restrictions, concentration restrictions, margin/option restrictions, etc)
2. Discontinuance of conflicting Advisory Platforms
3. Mandatory dual licensing
4. Enhanced record keeping and supervisory reviews
5. Enhanced policies and procedures

# Recommendation/ Education

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TRIGGER (REMEMBER DOL?)

# What is a Recommendation

## Factors considered in determining whether a recommendation has taken place:

- The communication “reasonably could be viewed as a ‘*call to action*”
- Account recommendations *include recommendations of account types, as well as recommendations to roll over or transfer assets* from one type of account to another.
- An investment strategy recommendation includes a *recommendation to use a bond ladder, day trading, margin strategy, irrespective of whether the recommendation mentions particular securities*
- The *more tailored the communication* to a specific customer or a targeted group of customers about a security(ies), *the greater likelihood that it will be viewed as a recommendation.*



## General Financial and Investment Information

- Basic investment concepts, such as risk and return, diversification, dollar cost averaging, compounded return, and tax deferred investment;
- Historic differences in return of asset classes (e.g. equities, bonds, or cash) based on standard market indices;
- Effects of inflation;
- Estimates of future retirement income needs, and
- Assessment of a customer's investment profile;

# Education



## Employer-sponsored retirement plans

- Descriptive information about the employer-sponsored plan
- Participation in the plan
- Benefits of plan participation
- Investment options available under the plan;

(Anticipate new Department of Labor “DOL” Fiduciary Rule)

# Education



## Asset Allocation Strategies

- Descriptive information of an allocation strategy based on generally accepted investment theory;
- Accompanied by disclosures of all material facts;
- Assumptions that may affect a reasonable investor's assessment of the asset allocation strategy;
- Interactive investment materials that incorporate the above.

Education

Retail Investor



Prior to "Call to Action" Account Recommendation

New Account or Account Type

Rollover

Transfer from one type to another



Digital Form HF019 CRS- tool meets record keeping rule, option to delivery electronically, automatically, with investor consent.



Alternative delivery by mail or hand delivery requires:

Digital Form HF019 CRS to record delivery

Follow documentation instructions

Present prominently (on top) if with other docs

# Form CRS Delivery FAQ

# How Do I Explain?

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# Introducing Form CRS and Supplement Disclosures to a Prospect- sample script

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“By our next meeting I will design some recommendations, which you may decide to act upon. Before making any decisions, I want you to have the details needed to make informed choices, and with that in mind, I would like to send you a set of Harbor’s disclosures.

The SEC now requires that all financial professionals deliver certain disclosures before making any recommendation to a prospective client. The disclosures provide information on what it means to work with me and Harbor, including the types of relationships and services offered to clients. They also address fees and costs, conflicts, as well as some conversation starters that you may want to discuss with me.

May I send these by email for you to review?” (Use Digital Form HF019 CRS to enter client email and auto delivery Form CRS to client)

Form CRS-

“Conversation Starters”

### Conversation Starter #1

- a. Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?
- b. How will you choose investments to recommend to me?
- c. What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?

**See Harbor’s recommended talking points on the internal web site under Reg BI – “Harbor Rep Guide- Client Disclosure Discussion Points”**

# Form CRS-

# “Conversation Starters”

## Conversation Starter #2

- a. Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go towards fees and costs, and how much will be invested for me?

See Harbor’s recommended talking points on the internal web site under Reg BI – “Harbor Rep Guide- Client Disclosure Discussion Points”

Form CRS-

“Conversation Starters”

Conversation Starter #3

- a. How might your conflicts of interest affect me, and how will you address them?

See Harbor’s recommended talking points on the internal web site under Reg BI – “Harbor Rep Guide- Client Disclosure Discussion Points”

Form CRS-

“Conversation Starters”

Conversation Starter #4

- a. As a financial professional, do you have any disciplinary history? For what type of conduct?

See Harbor’s recommended talking points on the internal web site under Reg BI – “Harbor Rep Guide- Client Disclosure Discussion Points”

# Form CRS- “Conversation Starters”

## Conversation Starter #5

- a. Who is my primary contact person?
- b. Is he or she a representative of an investment adviser or a broker/dealer?
- c. Who can I talk to if I have concerns about how this person is treating me?

**See Harbor’s recommended talking points on the internal web site under Reg BI – “Harbor Rep Guide- Client Disclosure Discussion Points”**

# Care Obligation

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1

## Recommendations

Every recommendation must be in the investor's best interest.



2

## Your Process

Ensure you are leveraging a repeatable, documentable process for each investment recommendation.



3

## Document

Evidence your rationale for providing advice through enhanced documentation in RJ CRM.

What information is important to document for my “Care” obligation?

We know Reg BI will impose duties on registered representatives that *exceed the current suitability standard* for retail brokerage clients as follows:

- Explicitly requires that recommendations be made in the client’s best interest
- Explicitly requires that costs be considered when making a recommendation.
- Requires a RR to consider “reasonably available alternatives” when making a recommendation.

Remember, duty of care currently exists for advisory clients.

# Care Obligation- Key Considerations

## Reasonable Diligence, Care and Skill

- Can less costly, complex, or risky products available achieve the objectives of the product?
- What market or performance factors determine the investor's return?
- What are the risks specific to retail customers? If the product was designed mainly to generate yield, does the yield justify the risk to principal?
- What costs and fees for the retail customer are associated with the product? Why are they appropriate? Are all the costs transparent? How do they compare to comparable products offered?
- What financial incentives are associated with the product?
- How liquid is the product? Is there a secondary market?
- Generally, consider the security's objectives, characteristics, liquidity, volatility, and likely performance in a variety of market and economic conditions.



## Product Catalog

Product Catalog provides the ability to search, screen, list, compare and review investment products to support your recommendations

### Core Features

- Access to a variety of in-depth analytical data including historical performance and risk.
- Launch a book-wide security search from a product's Detail page, through integration with Client Center.
- Efficiently screen products by selected attributes with the ability to save screens for future use.
- Compare products side-by-side in a list view to support **“consideration of reasonably available alternatives”** and cost comparisons.
- Create custom and exportable product lists and groups.
- Access Global Morningstar Fund, Raymond James Equity and Mutual Fund Analyst research.
- Provides transparency across team members.
- View Option Chain data.
- View and print client-approved fact sheets.

\* Click **“Product Catalog”** hyperlink to access more information

Tool: Efficiently analyze and compare financial product data from 21 sources

# Care Obligation- Key Considerations


## IRAs and Employer Plans- additional factors in comparison of existing account to the IRA offered

- Fees and expenses; level of service available;
- Available investment options\*; ability to take penalty-free withdrawals;
- Application of required minimum distributions;
- Protection from creditors and legal judgments; holdings of employer stock;
- Any special features of the existing account.

\*Do not rely on an IRA having “more investment options” as the basis for recommending a rollover.

[HF189](#)

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 <b>HARBOR</b> FINANCIAL	11 N. Water Street Ste 21290 Mobile, AL 36602 (251) 650-0840 Fax (251) 281-2007	<input type="text" value="HF189"/>	<input type="text"/>
		Form #	Account #
		<input type="text"/>	<input type="text"/>
		Branch #	FA #

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### Fiduciary Due Diligence Form

Client Name:

#### I. SELECT TYPE OF TRANSFER/ROLLOVER

(Examples of transfers excluded from fiduciary advice: Harbor B/D Direct transfer to Harbor B/D Brokerage custodied at clearing firm; Transfers within same advisory platform-i.e. Freedom to Freedom; Transitioning FAs in first three months at Harbor who are required to follow FINRA Rule 2273 Education disclosure)

- a **Transitioning Harbor B/D to Harbor Fee-based Advisory Account or Vice Versa**
- b **Transitioning Fee-based Advisory Account to new Fee-based Advisory Account platform, i.e. Freedom to Opportunity**
- c **IRA Transfer (1235CF NOT required)**
- d **Rollover from an ERISA Plan or Outside (Non-Harbor) IRA Account (1235CF required)**

IRA Rollover Education Checklist recommended. See HF189 Worksheet attached.

Has the client completed form 1235CF Rollover Election Certification?  Yes  No

#### II. SUITABILITY

- A. Account Value \$
- B. Client Age
- C. Client Liquid Net Worth \$

\* Click "HF189" hyperlink to access form

# Tool: Rollover Due Diligence

# Care Obligation- Key Considerations

Advisory and BD

The “Care Obligation” applies to both the Fiduciary Rule as well as Reg BI!



11 N. Water Street  
Ste. 21200  
Mobile, AL 36682  
(251) 670-0800  
Fax (251) 261-2007

HF011-AOM Form #	<input type="text"/> Account #
<input type="text"/> Branch #	<input type="text"/> T.A.#

**Enhanced Due Diligence**  
**For use with accounts opened in AOM**

**Purpose & Scope:** The purpose of this form is to collect client KYC data and attributes not currently captured in Account Onboarding and Maintenance (AOM).

**SAMPLE ASSESSMENT STATEMENT**

- After discussing the following with my client and addressing any questions regarding the differences between fee-based and commission-based relationships, it was determined that a fee-based relationship is in their best interest.

**Tool: Account Choice Assessments**

A screenshot of the RJ CRM Education Library page. The page has a dark blue header with the RJ NET logo, a welcome message for Terri Beaman, and a search bar. Below the header is a navigation menu with categories: PRACTICE INTELLIGENCE, RESEARCH & PLANNING, EDUCATION & DEVELOPMENT, and RESOURCES & SUPPORT. The current page is "RJ CRM – Education Library". A left sidebar contains links for Overview, Education Library, General FAQs, Workflows, and Workflow FAQs. The main content area includes a description of the educational resources, a "Jump to" section with links to Getting Started, Tips and Daily Best Practices, Recorded Courses, Instructor-Led Courses, and Educational Resources. Below this is a section for "LATEST ENHANCEMENTS" with a link to "RJ CRM Enhancements". On the right, there are sections for "CONTACT US" (with email CRMServices@raymondjames.com) and "SEE ALSO" (with links to General FAQs, Workflow FAQs, Client Center, Advanced Search, Touchpoint Management, and Client Profile Report Sample).

**RJ CRM**  
Overview  
Education Library  
General FAQs  
Workflows  
Workflow FAQs

## RJ CRM – Education Library

The educational resources on this page can help you leverage the RJ CRM application for developing, improving, and retaining relationships with clients.

Jump to: [Getting Started](#) | [Tips and Daily Best Practices](#) | [Recorded Courses](#) | [Instructor-Led Courses](#) | [Educational Resources](#)

Accessed directly from Client Center, RJ CRM provides integrated contact management tools for tracking activities and other information tied to your clients, prospects, and other types of contacts in an effective manner. This integration provides a readily accessible record of all communications.

### LATEST ENHANCEMENTS

We present new enhancements to the application based on your feedback. To find out what's new, review the release notes:

- [RJ CRM Enhancements](#)

### CONTACT US

For RJ CRM support, feedback, and how-to questions, email:  
[CRMServices@raymondjames.com](mailto:CRMServices@raymondjames.com)

### SEE ALSO

- [RJ CRM – General FAQs](#)
- [RJ CRM – Workflow FAQs](#)
- [Client Center](#)
- [Advanced Search](#)
- [Touchpoint Management](#)
- [Client Profile Report Sample](#)

\* Click "RJ CRM" hyperlink to access more information

# Tool: "Care" Support Notes

# Using RJ CRM to Document

## Update

- Add prospects and direct clients to consolidate
- COB auto-sync for RJ custodied accounts

## Search

- Easily search CRM records using Advanced Search attributes

## Attach

- Conveniently attach supplemental materials from other applications, such as Product Catalog and Portfolio Management.
- Include product research/comparisons, client report packages and account analysis

The logo for Advisor Mobile is a large, downward-pointing chevron shape in a brownish-gold color. Inside the chevron, the words "Advisor" and "Mobile" are stacked vertically in a blue, sans-serif font. Both words are underlined.

## Advisor Mobile

Advisor Mobile provides quick and easy access to client, prospect and account info from the app on your iPhone and iPad.

Updates auto-sync to Client Center and RJ CRM

**To dictate a note:**

1. Tap the Note icon in the Client Banner
2. Enter a Subject for the note, then tap Write your note... to begin the message.
3. On the keyboard that appears, tap the Microphone icon to dictate a note up to 60-seconds long.
4. Multiple 60-second notes can be added to a single note entry.

**\* Click "Advisor Mobile" hyperlink to access more information**

# Tool: Dictate notes while on the go

# CRM Training Resources

## Your recommendations and rationale obligation:

Ensure you are leveraging a repeatable, documentable process for each investment recommendation, and evidence the rationale for providing advice to clients using RJ CRM.

### RJ CRM provides:

Centralized technology for heightened supervision requirements  
Full integration with client records/transactions

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## REG BI TRAINING RESOURCES

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1. **Harbor Reg BI Zoom Meeting 5-14-20**
2. **Quest Reg BI-Ch.1** (For internal use only)
3. **Harbor Compliance Meeting 9-13-19**
4. **RJ CRM Training**
  - RJ CRM Getting Started WebX
  - RJ CRM Intro to Workflow WebX
  - RJ CRM Outlook and Activities WebX
5. **Additional RJ CRM training**- RJ Advisor Access required
  - [Advanced Search How To Guide](#) (PDF)
  - [RJ CRM 103 Advanced Search Overview](#) (6 min.)
  - [Saving Searches](#) (1:10 min)
  - [Modifying Searches](#) (00:43 min)
  - [Creating Multi-Contact Tasks](#) (00:42 min)

# Biggest Challenges for Some Producers

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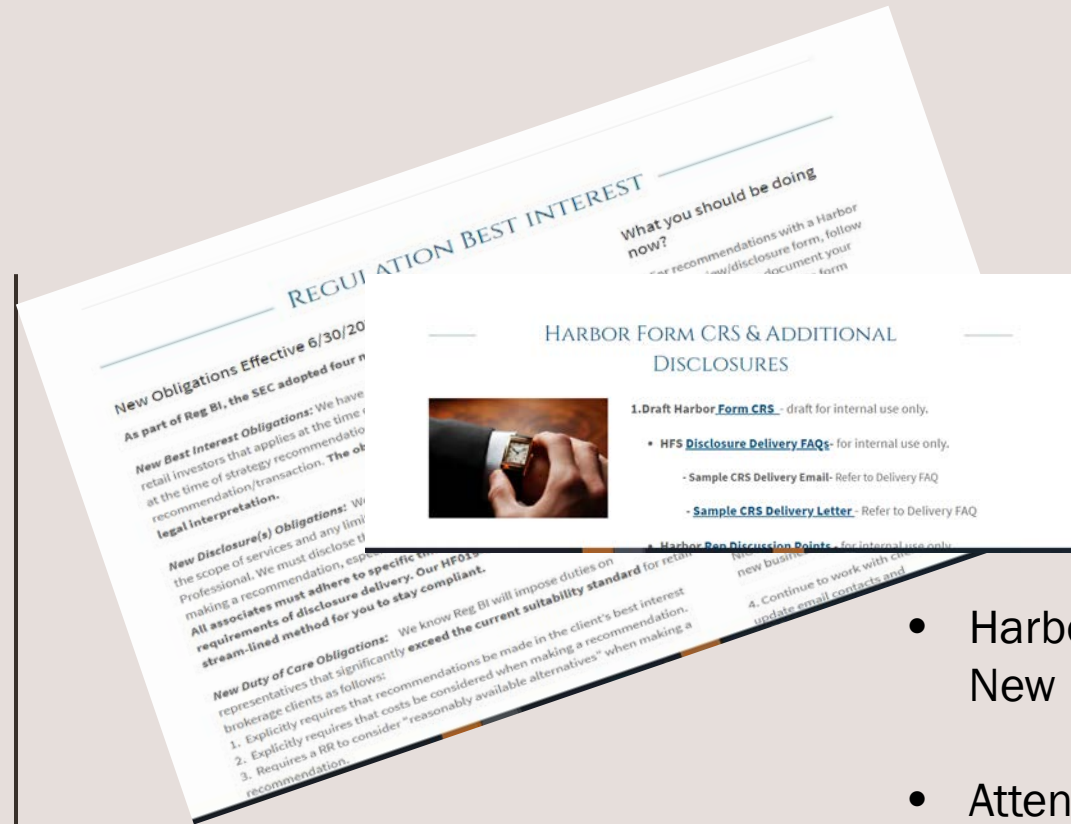
- A. Changing documentation from notepads and moving into electronic format
- B. Creating repeatable processes
- C. Assuming this does not apply to your business model**
- D. Not embracing new technology
- E. Resisting change and/or reacting out of fear of the unknown

# What should I be doing now?

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Follow	For recommendations with a Harbor specific review/disclosure form, follow form instructions to document your recommendation. <b>Anticipate form revisions. Anticipate account/product policy updates.</b>
Train and Use	For recommendations without a Harbor Form, start using RJ CRM to contemporaneously document your considerations and verbal disclosures to clients. RJ CRM will be mandatory as of 6/30/20. Start CRM Training now. Anticipate including costs and alternatives as standard considerations.
Continue	Continue to work with clients to update investment profiles (missing or outdated information). Anticipate NIGOs (not-in-good-order) rejections of new business with missing data.
Develop	Develop a repeatable business process that establishes consistency in your practice and demonstrates actions you take in clients' best interest on a regular basis.
Practice	Role play /practice your introduction of disclosures and Conversation Starter questions. Exercise key consideration in your recommendation process. Practice documenting contemporaneous notes in RJ CRM.

# How can I access Harbor Reg BI information?



- Harborfs1.com  
New – Reg BI tab
- Attend Meetings  
and read notices
- Ask Compliance

# Q&A

Email your questions to [tbeaman@harborfs.com](mailto:tbeaman@harborfs.com)