



June 9, 2017

The Department of Labor (DOL) “Fiduciary Rule” has had several progressive changes and may have caused our clients some confusion. In an effort to keep you informed, below is the most current information in regards to the rule.

The Department of Labor had issued a final rule,‘Fiduciary’; “Conflict of Interest Rule Retirement Investment Advice,..” which was published in the Federal Register on April 8, 2016, became effective on June 7, 2016, was scheduled for an applicability date of April 10, 2017, and was subsequently delayed until June 9, 2017. The Department of Labor’s (DOL) “Fiduciary Rule” extensively indicates that an investment recommendation to investors in an ERISA Retirement Account (as defined by the DOL), as well as a recommendation to roll over to an Individual Retirement Account (IRA), would establish a Fiduciary act where an advisor or institution receives a fee or other direct or indirect compensation. These recommendations must be provided in the investor’s best interest. In addition, if the advisor or institution receives payments for making investment recommendations, a conflict of interest may arise and may constitute a Prohibited Transaction. There are specific tenets within the regulation that must be addressed to ensure that a Prohibited Transaction Exemption (PTE) is then satisfied. Two PTEs available to a Fiduciary Advisor are the (1) Best Interest Contract Exemption (BIC Exemption), and (2) Principal Transaction Exemption, which provides a limited exemption for certain principal investments.

On April 4, 2017, the DOL deferred the applicability date of the “Fiduciary Rule” until June 9, 2017. The published version of the rule was provided in the Federal Register on April 7, 2017. The DOL subsequently provided additional guidance which delayed certain aspects of the disclosure requirements until January 1, 2018. However, the Impartial Conduct Standard or Best Interest Standard is in effect as of June 9th, 2017. This Standard imposes three basic requirements on Fiduciary Advisors for retirement investors. The Fiduciary must: (1) give advice that is in the best interest of the retirement investor (as measured by prudence and loyalty standards); (2) charge no more than reasonable compensation; and (3) make no misleading statements about investment transactions, compensation, and conflicts of interest.

In general terms, Fiduciary investment advice with respect to a plan or IRA is applicable if the a Financial Advisor makes a recommendation as to the acquiring, holding, disposing of, or exchanging of securities or other investments; makes a recommendation as to how securities or other investments should be invested after the securities or other investments are rolled over, transferred or distributed from the plan/IRA; makes a recommendation as to the management of securities or other investments, including, among other things, recommendations on investment policies or strategies, portfolio composition, selection of financial providers or individuals to provide investment advice or investment management services and selection of investment account arrangements; or makes recommendations with respect to rollovers, transfers, or distributions from a plan or IRA.

The following activities, however, do not constitute recommendations that will trigger Fiduciary status: Self-Directed Transactions - the execution of securities transactions by a broker-dealer or Financial Institution without any solicitation of the transaction and without the provision of any investment advice does not result in Fiduciary status under the Final Rule. However, the Broker-Dealer or Financial Advisor cannot have any discretion or make any recommendations in connection with the transaction.

Additionally, the Fiduciary Rule and BIC Exemption also contain grandfathered relief (known as the “Exemption for Pre-Existing Transactions”) that allows Fiduciary Advisors to continue to receive compensation (including variable or level fee compensation) regardless of whether the requirements of the BIC Exemption is satisfied, provided:

- The investment advice was provided prior to June 9, 2017, and was provided pursuant to an agreement or arrangement entered into before June 9, 2017, that has not expired or come up for renewal;
- The compensation is not a result of additional amounts invested after June 9, 2017 (with limited exceptions for systematic purchase programs);
- The compensation paid to the Financial Advisor is reasonable; and
- The investment advice was in the client’s best interest.

Signature Securities Group continues to support delivering the best possible service and advice to our clients while endeavoring to act in their best interest. We must also adhere to the requirements which have been enacted by this regulation. Therefore, the DOL Fiduciary Regulation may impact your current SSG Retirement Accounts (as further defined by the DOL), any potential newly established Retirement Account Rollover, any recommendations that SSG may make, and any financial advice that SSG may provide as of the effective date June 9, 2017.

Effective June 9, 2017:

SSG Broker-Dealer Retirement Accounts as well as Retirement Variable Annuity Contracts established prior to June 9, 2017 will be “Grandfathered” as noted above. All transactions within the Broker-Dealer Account as well as any Annuity Contract will become self-directed by the client. You may contact the Signature Support Area at 1-866-Sigline Option #2 to be provided assistance with placing unsolicited transactions within the Broker-Dealer account. As always, you should contact your Annuity Contract Service provider to make any investment selection modifications or for updated service requests.

Any SSG Investment Advisory Accounts that were previously established prior to the effective date will remain in force since SSG and your Financial Advisor were already acting in a Fiduciary capacity for these accounts. For specific information regarding your Investment Advisor Account, please review the Form ADV or contact your Financial Advisor.

For potential new accounts or rollover recommendations where SSG will act as a Fiduciary, the Fiduciary must: (1) give advice that is in the best interest of the retirement investor (as measured by prudence and loyalty standards); (2) charge no more than reasonable compensation; and (3) make no misleading statements about investment transactions, compensation, and conflicts of interest.

In addition to the Registered Investment Advisor Retirement account product offerings, the other Retirement account products and services that SSG will provide after the effective date can be communicated to you by your Financial Advisor. If you have any questions regarding any products and services we provide in addition to Retirement Accounts, or have any questions regarding your Signature Securities account(s) please contact your Financial Advisor or call us at 1-866-Sigline.

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