

## How to Comply with the DOL

As was by the U.S. Secretary of Labor, the DOL's interim fiduciary rules will become applicable starting June 9th. The interim rules will remain in effect until January 1, 2018, at which time the permanent rules are scheduled to go into effect.

During the interim period, a producer making any purchase recommendation using IRA or qualified plan funds will be subject to the "Impartial Conduct Standard." The standard has three requirements.

The producer:

1. Must act in client's best interest, which requires that fiduciary duties of prudence, diligence and loyalty be observed.
2. Cannot make any misleading statements; and
3. Can receive only up to reasonable compensation.

It is critical for a producer to be able to prove that they conducted a sales transaction in accordance with Impartial Conduct Standards, and this requires that they have a thorough, well-documented process which shows that relevant information was collected, analyzed, and otherwise used to formulate a best interest recommendation.

Such records must be maintained for a minimum of 6 years.

A producer should identify software or other tools which will assist them in fulfilling these requirements. An additional requirement during the interim period is that with each affected sale the producer must provide a Prohibited Transactions Exemption 84-24 (PTE 84-24) written disclosure to the applicant disclosing:

- (1) the nature of the agency relationship the producer has with the company whose product they are selling;
- (2) the compensation which the producer will receive for the transaction;
- (3) surrender charges and any other fees associated with the new contract; and
- (4) any conflicts of interest the producer may have in proposing the purchase.

The producer should give the disclosure to the applicant, have them sign a copy to acknowledge receipt, and retain a signed copy in the client's file. As of right now carriers do not require that a producer submit the disclosure to the Company with the application.

The producer should retain the disclosure in their client file for a minimum of 6 years.