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# Overview of Fiduciary Training for Compliance Officers

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Education required for protection against  
fiduciary breaches and for opportunity to  
acquire fiduciary assets.

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## Summary

Fiduciary Training for Compliance Officers is an online education program designed to upgrade compliance procedures to keep pace with the new realities in which firms are arbitrarily held to a fiduciary standard in arbitration and to take advantage of the public pressure to act in a fiduciary capacity that presents increasing business opportunities.

### Fiduciary Training for Compliance Officers addresses...

- Defense against the number one FINRA arbitration claim of "breach of fiduciary duty".
- Revenue retention while switching to a fiduciary protocol.
- Strategy to retain existing business model while operating in a fiduciary capacity.
- Promoting the fiduciary role as a competitive advantage.
- Positioning to win more 401(k) business.
- Protecting the firm from fiduciary liability.
- Supervision of fiduciary practices.

### How to use Fiduciary Training for Compliance Officers

Fiduciary Training for Compliance Officers can be used in its generic form to introduce the subject to a firm.

Stakeholders who take the generic training find that many fiduciary myths are busted and unseen opportunities revealed. The training informs stakeholders' decision making... leading to a meaningful course of action for the firm.

The Fiduciary Training for Compliance Officers can then be customized to reflect the firm's decisions, integrated with other education and delivered as part of the firm's required training.

### Source of Training Syllabus

The generic Fiduciary Training for Compliance Officers is provided by the [Fiduciary Standards Board](#) (FSB). FSB is a non-profit organization with the purpose of promulgating fiduciary standards. FSB is the sponsoring organization of the Registered Fiduciary (RF™) that identifies those professionals who maintain a fiduciary standard of care in all dealings with the public.

### Cost

The cost of generic Fiduciary Training for Compliance Officers is \$675 per person, with volume pricing available.

Firms may also obtain a license to modify the content for broader internal or unlimited use.

### Contact

For further information e-mail DALBAR at [FiduciaryComplianceTraining@DALBAR.com](mailto:FiduciaryComplianceTraining@DALBAR.com) or Call 617-723-6400

## Introduction

For most firms, fiduciary compliance is a subset of the general compliance required by FINRA regulations. As such, fiduciary compliance has only had modest attention and many firms are unprepared to take on the challenge of full fiduciary responsibility.

The result of this unpreparedness is that “breach of fiduciary duty” has vaulted to the top of FINRA’s complaint list and there has been no adequate defense.

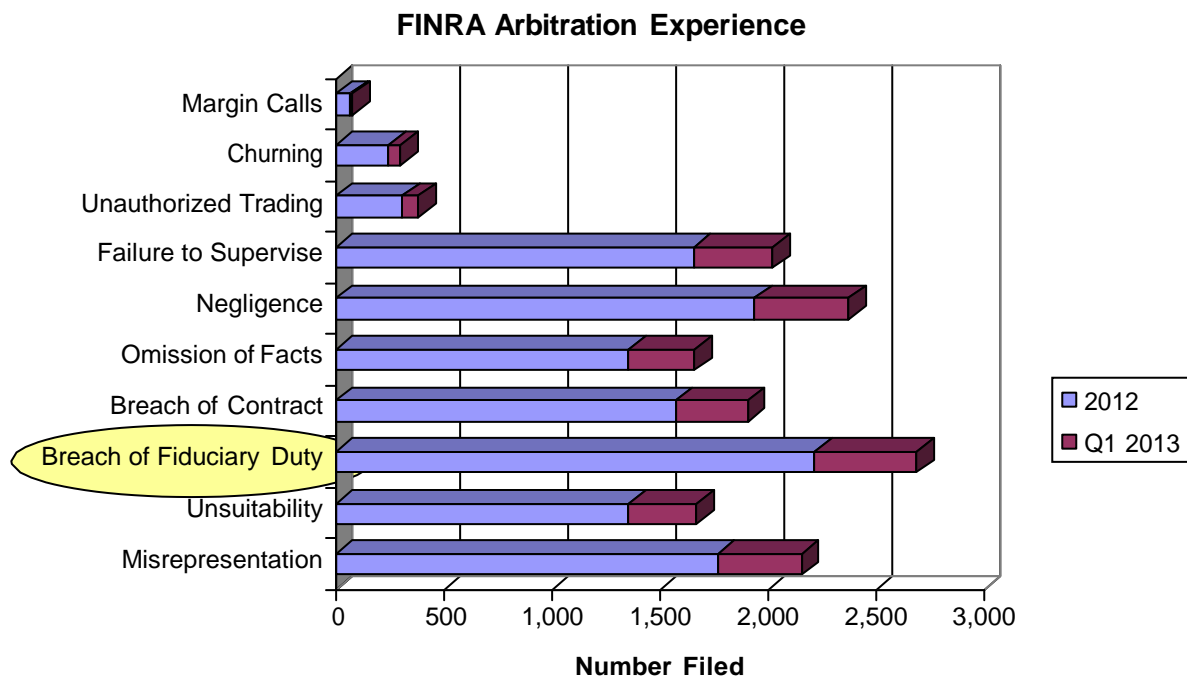
- Claims of not being a fiduciary have fallen on deaf ears at arbitration panels.
- Presenting client agreements that explicitly deny fiduciary responsibility are categorically ignored by panels.
- Penalties are assessed even as the shouts of fiduciary denials continue.

Unpreparedness has also led firms to wage an expensive battle with regulators who seek to expand the scope of fiduciary coverage to include all advisors with 401(k) business, all IRAs and ultimately all retail business. So far, this battle has been won, but it is unlikely that the defense of the status quo will withstand the next onslaught.

Implementing a fiduciary protocol today will answer these threats and position a firm to handle the challenges that are certain to emerge in the near future.

Being prepared with a fiduciary protocol has the added advantage of being able to pursue clients that require or prefer to work with a fiduciary and retain reps that break away to the freedom of fiduciary client relationships.

Fiduciary Training for Compliance Officers addresses these issues and prepares a firm for the future that is certain to have an increasing fiduciary component.



## Starting with Legal and Compliance Officers

Advisors in the field have recognized the need for the fiduciary moniker to win business and have invented a myriad of ways to present themselves as fiduciaries while their firms vehemently deny that responsibility. Whether the solution was developing an outside business activity (OBA) or through undisclosed communication or merely acting as a fiduciary, advisors have gone without much supervision... primarily because compliance officers have not had a protocol in place that enables fiduciary activity and that protects the firm.

Legal and Compliance officers should be the starting point for a firm's fiduciary policies. It is only this way that a firm can thrive in the changing environment and there can be adequate protection from liability.

Fiduciary Training for Compliance Officers in its generic form provides legal and compliance officers with the basic tools and understanding necessary to develop policies and practices for the firm.

## Program Content

The Fiduciary Training for Compliance Officers presents a compliance protocol that can be adopted as is or modified to fit the needs of the firm. The training describes policies and practices that are designed to retain existing business, protect the firm from fiduciary liability, comply with present and expected fiduciary regulations and provide a marketing advantage.

The training consists of a preface, introduction and five modules:

- **Preface:** Provides a historical context of where the fiduciary movement fits in the evolution of the investment business. A brief overview of the fiduciary protocol is then presented
- **Introduction:** Gives a more in-depth understanding of how and why the role of the compliance officer must change in a full fiduciary environment. Course objectives are defined with a course summary.
- **Module 1 – The Certain Uncertainty:** Examines the trend toward fiduciary standards and explains why the only doubt is specifically who will be required to have an explicit fiduciary status. This module introduces fiduciary business models and oversight and shows a contrast with current oversight practices.
- **Module 2 – Fiduciary Risks & Liabilities:** Presents both theoretical and practical risks under both a non-fiduciary and a fiduciary business model. The methods in which the fiduciary protocol mitigates risks is covered together with limitations that a fiduciary protocol imposes on business activities.
- **Module 3 – The View from the Field:** Explains what advisors will need to prosper in a fiduciary protected environment. This includes new practices that must be used and will be monitored for compliance.
- **Module 4 – Revenue Neutral Transition:** Describes how revenue from current clients is retained under a fiduciary protocol and potentially increased. The foundational principle of the Gartenberg ruling that is the accepted definition of “excessive” advisory fees is explained.
- **Module 5 – Overseeing a Fiduciary Practice:** Gives the compliance officer a roadmap of what will be required to exercise control over fiduciary practices and protect the firm from fiduciary liability.

Each module opens with a set of learning objectives and ends with an open book quiz.

## Enrollment

Individual enrollment is available online at [www.FiduciaryStandardsBoard.org](http://www.FiduciaryStandardsBoard.org). The individual enrollment fee is \$675.

For group enrollment please contact DALBAR with the number of people in the group and the time frame over which the training will take place.

Other options are to obtain a license agreement to make the training material available for customization and use on the firm’s computer network (Intranet). DALBAR is available to make the desired modifications for a service fee. A license agreement gives the firm the right to unlimited use for a specific period of time on its internal network.

## Extended Service Offerings

The Fiduciary Training for Compliance Officers is supported by DALBAR through services that facilitate the implementation of a customized fiduciary protocol. These services include:

- **Planning**... DALBAR senior executives will work with your firm to develop and refine the approach to a fiduciary protocol.
- **Training**... Fiduciary training for practitioners is available for various specialty areas, such as high net worth clients, ERISA/401(k), Foundations and Endowments, etc.
- **Certification**... DALBAR certifications include the [Registered Fiduciary \(RF™\)](#), [ERISA 3\(38\) Manager](#), [ERISA 3\(21\) Adviser](#), etc.
- **Audits**... DALBAR conducts audits required under [ERISA 408\(g\)](#).
- **Materials**... DALBAR makes available a variety of documents that are helpful in establishing a fiduciary protocol.

## About FSB

### Not-for-profit Institution

- FSB provides intellectual property to qualified organizations seeking to advance the use of fiduciary standards.
- FSB was established in 2000 under its former name, the Foundation for Fiduciary Studies.

### FSB Mission

- Develop and maintain up-to-date fiduciary standards; and
- Communicate the value of fiduciary relationships to the public at large.

### FSB and RF™

FSB is the sponsoring organization of the [Registered Fiduciary \(RF™\)](#) that identifies those professionals who maintain a fiduciary standard of care in all dealings with the public.

## Fiduciary Compliance Training Q&A

### 1. Why is fiduciary compliance training necessary?

FINRA reports that since 2009, "Breach of Fiduciary Duty" has been the most frequent complaint in arbitration cases. This is because it has been a winning argument for plaintiffs and the defense has been ineffective.

Fiduciary compliance training provides protection against such cases and prepares the firm for the expected fiduciary regulation.

Fiduciary compliance training establishes a path to retaining and increasing current revenues under a fiduciary protocol.

### 2. Are you prepared for the eventuality of fiduciary requirements? (DOL for ERISA Plans, IRS for IRAs, SEC for Broker/Dealers retail business)

The transition to a fiduciary standard is a disorderly process and no one has any idea which will come first and which will follow:

- The labor department and IRS are driven to assign a fiduciary label to anyone giving investment advice to employer sponsored or individual retirement plans. A proper process must be in place in the field and at the home office to prevent a business disruption when this occurs.
- The SEC is re-committed to bringing a uniform fiduciary standard to all retail business (under Dodd-Frank). The specifics of the uniform standard remain uncertain, but two things are certain... first is that some form of change will come and second is that the change will disrupt business unless you are ahead of the curve.

FSB Training will provide the experience of operating a small part of the business before wholesale changes need to take place.

### 3. Do you have training in place to satisfy existing regulations on your RIA obligations?

FSB Training will upgrade your compliance with existing RIAs. The RIA business needs protection from fiduciary liability... Arbitration fines and litigation of fiduciary breaches are escalating and need the protection of prudent practices in the field and in the compliance area.

FSB Training will educate financial advisors and compliance officers in the prudent practices that answer fiduciary breach claims quickly and easily.

### 4. Can you show regulators that you have controls in place to evaluate and provide oversight for Fiduciary requirements?

As more regulators make their presence felt, FSB will prepare you to answer the questions they will ask and to demonstrate the fiduciary practices you employ and oversee.

The labor department, IRS and SEC are all adding enforcement staff and developing new audit procedures.

## **5. When are these requirements effective?**

The regulations are still being built and no one knows when they will be fully adopted.

You have a choice of waiting until each regulation takes effect and reshapes your retail business or get ahead of the curve with FSB and lead the industry to a better solution.

## **6. Are your compliance officers trained?**

FSB brings fiduciary training to compliance officers...

Understanding and managing fiduciary practices is the only way to protect the firm and its advisors from fiduciary liability.

FSB Training will show compliance officers where current practices expose the firm and how better protection can lead to even higher compensation!

Compliance officers will fear the fiduciary way of doing business until the FSB Training shows how to supervise in a fiduciary environment.

## **7. Why now?**

No one has to start a fiduciary protocol right now.

Only the smart ones will start to prepare right now.

Changing to a fiduciary protocol is best done in small steps... starting with only a pilot program, the change process can be perfected on a small scale before scrambling to catch up with regulations.

## **8. Are the revisions to your back office being prepared now?**

FSB Training will help to identify the back office changes that will be necessary to support a fiduciary protocol while maintaining revenue streams.

Back office systems and operations will have to reclassify commissions, 12b-1 fees and other incentive compensation into level streams of income that are consistent with fiduciary practices.

Look to FSB Training for the answers that will preserve the compensation structure while maintaining fiduciary standards.

## **9. Can you use the fiduciary requirements for a competitive advantage?**

Retail clients clamor for fiduciaries.

Once clients understand that a fiduciary must be on their side... by law, they will accept good intentions as an alternative.

Firms utilizing FSB Training develop a protocol that protects the firm while also permitting bold promotion of the superior fiduciary relationship.

Promoting the fiduciary relationship attracts new clients as well as secures existing ones.



**10. Do you have an overall comprehensive plan in place to train your compliance folks, revise your back office to comply, provide the required supervision, and to begin the process of changing the mindset of the field?**

FSB Training is a comprehensive process that ...

- Upgrades the compliance team to a deeper understanding and practice of a fiduciary protocol.
- Identifies required back office changes
- Enables enhancements to marketing and promotion.
- Implement effective supervision of fiduciary practices.
- Provide the field with a powerful new weapon... a fiduciary protocol.

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