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From The Desk Of The CEO:

Dear Stakeholders:

Why be optimistic? Without question, we are living in an unprecedented moment in history.

During the second quarter of 2020, we experienced a worldwide pandemic, record business closures and resulting unemployment. As expected, all levels of government, federal, state, and local have been engaged in dealing with the resulting affects. Because it is an election year, the politicians have been quite busy as expected.

To protect our students, it was necessary to suspend classroom education throughout the country. When summer ends, students will be anxious to return to their schools and colleges. To protect ourselves, we had to temporarily cancel most cultural programs, sporting events, and social gatherings. People are ready for a return to normalcy; we will slowly but surely do so.

Adjustments like working from home, wearing masks while in public, and avoiding contact with others has become the new normal. It is becoming “unfashionable” not to protect oneself and others. Entire segments of the economy including, travel, hospitality and the restaurant-food services industry have been devastated. Sooner rather than later, there will be tremendous turnarounds for affected business segments simply because we will not live without airlines, hotels and great restaurants.

We are just beginning to see brand-name businesses filing for bankruptcy and they will likely emerge as leaner, more efficient, and better businesses. We have seen this before in previous downturns for different reasons. It’s economics and the way business cycles sometimes end and excesses in inventories and unnecessary capacities are resolved and wrenched out of a business by the economy. America will once again demonstrate a financial resiliency and ability to handle the worst of problems. Business and professional people in all industries have been adjusting and are weathering this storm. Evidence is abundant by the financial success experienced during this time period by financial services professionals who have diligently worked from their homes building better and stronger relationships with their clients.

Americans are optimistic people and believe in the principles of capitalism and economic rewards following hard work and enterprising efforts. The very worst is probably already behind us and the future is beginning to look bright for those that look for the opportunities ahead. PCS is definitely looking ahead, and we have a lot of great things on the horizon. I encourage everyone to review the information contained in this quarterly newsletter to see what we have planned for the near future and see how we have adapted to the current business environment.

As always, we applaud your resilience, professionalism, and commitment to your clients and business and look forward to continuing to engage together in our joint efforts for success. We will begin to recognize the benefits from the sacrifices and efforts made during 2020, a year to remember.

Ernest Sampson, ChFC, CLU, AEP, CFP™

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ADMINISTRATIVE UPDATE:

Upcoming Renewals - E&O Insurance and FINRA Registrations

The Private Client Services Home Office has begun preparation for the annual renewal of registered representatives' Errors & Omissions insurance coverage. As you may have noted on your individual certificate of coverage, the Firm's Errors & Omissions insurance policy is effective from December 9th to December 9th each year. A communication with details about the renewal, including the coverage provider, will be sent out in mid-October, with payment due around the second week of November. PCS is pleased to now be able to offer credit card processing for all invoice payments effective today 8/7/2020.

PCS is required to renew FINRA, SEC, and state/jurisdiction registrations for both the Firm itself and its registered persons through the FINRA annual Renewal Program, which begins in the fourth quarter of each year. Further details on the 2021 FINRA annual renewal timeline will be forthcoming; look for additional information in early November.

New HR benefits available for Independent Financial Professionals and Staff

Private Client Services, in conjunction with OneAmerica®, a leading employee benefits provider, is excited to announce a voluntary insurance program available to registered representatives and their employees. Independent financial advisor offices with at least two employees will now be eligible to work directly with One America® to secure life, short-term, and long-term disability insurance.

OneAmerica® and their family of financial companies offer high-quality products and services with a focus on preparing for the future. Additional details on the insurance opportunities available will be emailed out in the near future; please contact Mary Wescott with questions.



Mary Wescott,
Chief Administration Officer

TRAINING AND ELECTRONIC MEDIA UPDATE:

PCS Firm Element Training

On July 1st PCS launched the 2020 Firm Element CE program. The courses and other modules can be accessed through Quest CE just like last year. Everyone associated with PCS (except interns) should have received an email inviting them to the program and providing login instructions.

The program consists of 4 mandatory parts:

1. Completion of assigned training courses (You will see them when you sign in to Quest)
2. Completion of the annual compliance meeting (Registered persons)
3. Completion of the annual compliance questionnaire (Registered persons)
4. Completion of the annual attestations. (This year there is an additional attestation for registered persons related to completion of the firm specific Regulation Best Interest Training)

The training program must be completed by October 31, 2020 so there is no rush but you may want to get it completed before the end of Summer and business starts to pick-up again in the Fall.

If you have any questions or need help accessing the portal, please do not hesitate to reach out to your Managing Principal, OSJ Manager, or to me directly at jluse@pcsb.net.



Jeremy Luse
Compliance Surveillance Officer

OPERATIONS UPDATE:

Fixed Income Specialists and Bond Desk Partnership - AAM

Private Client Services is excited to announce a partnership with Advisors Asset Management to serve as our fixed income specialists and bond desk. AAM's experience and trust in the market makes them an ideal partner of PCS for all your fixed income needs. The highlights below are just the tip of the iceberg when it comes to the solutions AAM can bring to your practice.



Ryan Armock,
Chief Operations Officer



A Proven Fixed Income & Unit Investment Trust Resource

Since 1979, AAM has been a leading resource for financial professionals, like you, providing access to the fixed income markets and Unit Investment Trusts catered to your practice.

The AAM Fixed Income Difference

- * **Full Access to the Fixed Income Markets** – In addition to having access to all major ECNs, AAM has direct feeds with major dealers as well as our own inventory.
- * **Experienced Capital Markets Team** – Take advantage of AAM's scale and infrastructure through our highly seasoned team of bond traders.
- * **Portfolio Support & Analytics** – AAM will analyze existing client statements as well as create custom fixed income portfolios for your clients and prospects.
- * **Fixed Income Insight & Expertise** – Access AAM's value-add resources and technology through your dedicated Specialist, including market insights and sales ideas.

The AAM Unit Investment Trust Difference

We believe three important factors distinguish AAM from other UIT sponsors:

1. **Experienced team and growing network of strategic relationships**
As the #2 UIT provider in the nation, AAM has a highly experienced team of professionals and over 60 active offerings. In addition to our proprietary UITs, AAM partners with select investment management firms that have a proven investment process with the potential to add value to investor portfolios.
2. **Innovation** AAM has a rich history of delivering innovative, timely UIT solutions, even in volatile market conditions, including a reinvention of fixed income UITs, the launch of a broadly diversified high-income equity portfolio, and covered call portfolios using LEAPS®.
3. **Personalized service and ongoing support** AAM has a wide array of financial tools, leading technologies, and industry expertise which sets us apart. We offer investment solutions for varying market conditions and investor objectives.

All transactions placed with AAM will process directly into your client's Pershing brokerage account with no additional requirements. Be sure to provide client account number and account rep code when placing trades to ensure proper booking.

For further information about working with AAM or to place a trade, call (888) 969-2663 or email. You may also visit the AAM website at www.aamlive.com.

PCS Back Office Technology Enhancements

In an effort to provide industry leading service, technology and tools, PCS has been working diligently over the last several months on implementing important technology initiatives. After extensive due diligence we have chosen two services that when combined, will serve as the foundation of our technology and service platform for years to come. We are pleased to announce our partnership with Docupace and Jaccomo.



Docupace is a digital operations platform designed for wealth management firms. With Docupace, your office will use paperless workflows to establish new client accounts, submit maintenance and service requests, access PCS and vendor forms electronically, implement e-signature and store and retrieve documents in a compliant manner.

Phase one implementation and configuration is complete, and a beta test group is in place. Phase one includes new account opening with electronic or wet signature capability, smart routing of documents through the new account process, Regulation BI tracking (Form CRS Delivery) and compliant electronic storage. Phase two is currently under construction with additional service and compliance document workflows, PCS form validations and additional technology integrations. Upon completion of the beta test period, we will begin rolling out this technology to all offices using a phased approach. Look for more information in the coming weeks.



Jaccomo is a secure back and front office system for financial services firms. To keep up with industry and representative demands for enhanced compliance surveillance, more sophisticated data analytics and robust commissions reporting, we are transitioning from Artisan Software's Maestro and Repertoire systems to jaccomo's jCore and jPass. With jCore, PCS will have a more comprehensive database with the ability to enhance compliance and data reporting, generate required books and records mailings and integrate with additional technology. jPass, the representative portal, will give you enhanced reporting tools, detailed active and historical commission statements, and a window into your book of business.

We have completed a significant portion of the implementation and conversion process. Testing of various functions is underway to ensure a smooth transition. Upon a successful completion of the testing process, we anticipate a firm wide conversion to take place effective the beginning of fourth quarter in conjunction with the October commission payment schedule changes. Additional details regarding training and timeline will be communicated shortly.

PCS is excited to share these announcements with you and we look forward to providing you with additional tools and technology to make your practice more efficient.

COMPLIANCE SURVEILLANCE GUIDANCE:

Branch Office Examinations during the Pandemic

Due to the ongoing COVID-19 Pandemic, FINRA has provided guidance that they understand firms may have to suspend on-site branch inspections until a later time. As a result, the Private Client Services Compliance Department has developed a virtual off-site branch inspection process so we do not fall behind in our regulatory obligations to inspect offices and their associated books and records.

Similar to an on-site inspection, the virtual inspection will require the branch to provide the same required central files as they would during an onsite inspection. The branch will receive access to a secure portal where requested files can be securely uploaded electronically for review by your examiner. Certain other items that your examiner would usually confirm while on-site, including prominent placement of required PCS FINRA/SIPC signage, security of sensitive client/branch records, and other visual items may be verified by providing photos from your office.

While certain branch offices approaching their 3 year required inspection cycles are being prioritized, other offices in areas hardest hit by the COVID-19 pandemic may also be chosen for review. Additional offices meeting other criterion may be notified in the coming weeks and months that they will also be reviewed under this new virtual inspection process.

We appreciate your cooperation and prompt attention during this new virtual environment as this is a new process for both Compliance and our branch offices. If your office is notified that they have been chosen for a virtual inspection please feel free to bring any questions or concerns to your examiner or other members of the Compliance Department.



Seth Owen
Director of Compliance

Updated Firm Disclosure Language - Regulation Best Interest

With the implementation of Regulation best Interest on June 30, 2020, PCS has updated the wording of the standard firm disclosures used by dually registered persons on business cards, letterhead and most other retail communication materials. The changes are designed to better identify the capacity that a financial professional is acting in when making recommendations to retail customers.

The changes do not require a financial professional to re-order new business cards, printed letterhead, or other materials right away, and also does not require those items to be resubmitted through MarketingPro if the disclosure language is the only change. PCS recommends using up your current stock and updating the disclosure language for the next order.

The new disclosure language should be utilized when developing new retail communications materials, ordering new business cards, letterhead, etc. The Compliance Department will be looking for the new language on submissions through MarketingPro.

The new language reads as follows:

Securities offered by Registered Representatives through Private client Services, Member FINRA/SIPC. Advisory products and services offered by Investment Advisory Representatives through [insert RIA name here], a Registered Investment Advisor. Private Client Services, [insert RIA name here], and [insert DBA if different to RIA name] are unaffiliated entities.

Please direct any questions to compliance@pcsb.net or one of the compliance team members.

FINANCE UPDATE:**New Payment Options**

PCS now has the ability to accept credit cards, debit cards and ACH payments for invoices. This functionality is currently in place and will also be available for renewal season which begins in October.

Commission Payout Schedule Change

In conjunction with the roll-out of our new back office processing system, Jaccomo, we will be changing the frequency of rep payments from weekly to bi-monthly (twice a month). The 15th and the last day of the month will be cut-off dates with payment made via ACH shortly thereafter. We anticipate this new pay schedule will take effect in October. More communication to come as we approach the roll-out!



Joe Cutsinger
Executive Director

U4 UPDATE REMINDER:**Disclosure Reminder:**

The FINRA form U4 must be updated in a timely manner (Usually within 30 days, but sometimes within 10 days) if any registered person has a disclosable event. These disclosable events include, but are not limited to, financial matters such as bankruptcy, compromise with creditors, or liens; legal matters; violations of industry rules; and other items related to outside business activities. Failure to disclose reportable items to the Home Office may result in delayed disclosure and significant late filing fees. Each late disclosure may result in as much as a \$1,575 late filing fee, which is the responsibility of the Representative to pay!

BUSINESS DEVELOPMENT UPDATE:

We'd like to welcome the following new groups to the PCS family:

- Arrow Wealth Advisors, Centennial, CO - 05/12/2020
- Adams Brown Wealth Management, Hutchinson, KS - 06/26/2020
- Keystone Financial Services, Omaha, NE - 06/30/2020
- BR Wealth Management, Boise, ID - 07/01/2020
- Brightline Financial, Rockville, MD - 07/14/2020
- Entheos Financial Planning, Spokane, WA - 07/17/2020
- Mayflower Advisors, Boston, MA - 07/17/2020
- Aspect Partners, Fairfax, VA - 07/24/2020



Steve Higdon,
Chief Development Officer

We also welcome the following groups and individuals who have joined our established partners:

- Charles Lineberry, Tom Chancellor and Jody Bluitt who all joined RFG Advisory
- Michael Hoefler who joined Plan A Wealth
- Derek Doo who joined Wealthcare Investment Partners

COMPLIANCE UPDATE:**Switch/Replacement Reminder**

While the term “switch” is generally more synonymous with buying and selling of mutual funds and “replacement” is more widely known in relation to insurance/annuity policies (i.e. 1035 exchange), both terms refer to the same concept.

A switch/replacement involves selling one commission-based packaged product (via prospectus) while purchasing another commission-based packaged product, generating a new commission, within a specified period. Private Client Services generally defines this period to be within 45 days for mutual funds but is generally longer for replacement transactions. Packaged products sold via prospectus can include Mutual Funds, Annuities, Variable Life Insurance, and Unit Investment Trusts (UITs). Private Client Services discourages switching/replacing one product for another without very sound reasons.



John Taylor-Jones
Chief Compliance Officer

All switches/replacements require both an enhanced review as well as proper disclosures including via the PCS Purchase Form, signed by the customer, which includes documentation of the rationale as to why this action benefits the customer over the existing product, and the costs associated with the transaction(s). Commission-based packaged products are generally meant to be held for longer periods of time, so moving in and out of different products frequently, while generating additional costs to the customer, immediately raises red flags. A switch or replacement should only be done in scenarios where the customer would be in a more beneficial position compared to where she/he was with the current product.

If a switch is recommended, the Financial Professional must follow the recommendation diligence process as outlined by the firm, and document the process on the Recommendation Documentation Supplement form in order to comply with Regulation Best Interest. Regulation Best Interest does not require every recommendation be made utilizing the lowest cost option, but does require the cost to be a contributing factor in the recommendation selection process.

Every insurance/annuity replacement (i.e. 1035 exchange) recommendation must include a side by side comparison of death benefit, expenses, and riders as noted on the PCS Purchase Form to determine if the replacement is in the customer’s best interest. Sales in New York must also comply with the additional disclosure requirements of that state.

If unsure as to whether a switch or replacement would truly be considered in the best interest of your customer, you should discuss it with your designated OSJ Manager or Managing Principal prior to making the recommendation.

Regulation Best Interest

With the June 30th effective date now officially in the history books, we believe a brief overview of what steps PCS has taken thus far, including specific changes in firm policies and procedures made as a result of this new regulation, to be beneficial in continued compliance in this new regulatory environment.

Regulation Best Interest (Reg BI) only applies when making an investment or account-related recommendation to a retail customer. If no recommendation is made, then the newly developed documentation (i.e. Reg BI – Recommendation Documentation Supplement) requirement as well as corresponding customer disclosures (i.e. Regulation Best Interest Disclosure) do not apply.

To make it easier to reference, PCS has compiled a central repository for all firm specific Reg BI related materials within the Advisor Resource Center. After logging onto the Advisor Resource Center, you can click on the [Recommendation Guidance](#) tab.

Among the materials included for ease of reference are as follows:

To assist in complying with all four core obligations required of Reg BI (1. Disclosure, 2. Care, 3. Conflicts of Interest and 4. Compliance), Private Client Services has developed firm specific documentation and guidance to be utilized prior to making investment and account-related recommendations. Whether the documentation is intended for internal use versus investor-facing use is specified below.

- [PCS Firm Specific Regulation Best Interest Training](#) (Internal Use)
- [Regulation Best Interest Recommendation Selection Process](#) (Internal Use)
- [Recommendation Documentation Supplement](#) (Internal Use)
- [Regulation Best Interest FAQ's](#) (Internal Use)
- [PCS Rollover Disclosure](#) (Investor)
- [Regulation Best Interest Disclosure](#) (Investor)
- [PCS Client Relationship Summary or Form CRS](#) (Investor)

PCS Firm Specific Regulation Best Interest Training

For a thorough review of all firm specific policy and procedural changes specific to your role as a financial professional with Private Client Services, reference the following training: [PCS Firm Specific Regulation Best Interest](#)

Regulation Best Interest Recommendation Selection Process

The [Regulation Best Interest Recommendation Process](#) is intended for internal use. This document breaks down what questions Financial Professionals should be considering when developing a recommendation as to the type of account as well as the investments and overall strategies to be recommended therein.

Recommendation Documentation Supplement

The [Recommendation Documentation Supplement](#) is intended for internal use. This document must be completed and signed by the Financial Professional as part of the account opening process for all accounts in order to document the rationale as to why a particular recommendation was made as to the type of account as well as the subsequent investment recommendations made therein. While the Account Selection Recommendation section on the Supplement must be completed for all accounts (i.e. Direct, Brokerage, PCS Advisory), the Investment Recommendation section is required only for direct accounts and is optional for brokerage and PCS Advisory accounts.

Regulation Best Interest FAQ's

The [Regulation Best Interest FAQ's](#) are intended for internal use and provides a brief regulatory background including an overview of what this new requirement means for you as a Financial Professional with Private Client Services. We encourage referencing this document on the ARC at least weekly as additional questions and answers are added frequently.

PCS Rollover Disclosure

The [PCS Rollover Disclosure](#) can be found under PCS Forms on the Advisor Resource Center (<https://pcsbd.net/client-access-area/forms-library/>) as well as under the Recommendation Guidance section. This disclosure explains the different options an investor may take when considering what to do with assets from a former qualified employer-sponsored retirement plan (i.e. 401k, 403b, 457b, etc) including the advantages and disadvantages of each option. This disclosure requires a client signature and must be included when opening a retirement account (i.e. IRA, ROTH IRA, etc) where the assets to be rolled over are coming from a qualified employer-sponsored retirement plan.

Regulation Best Interest Disclosure

The [Regulation Best Interest Disclosure](#) is located on the PCS public-facing website for reference with customers: https://pcsbd.net/regulation_best_interest/ as well as under Recommendation Guidance tab on the Advisor Resource Center. This document details what products and services PCS offers and any conflicts of interest that currently exist, and should be reviewed by investors prior to opening an account or engaging in securities transactions with Private Client Services.

PCS Client Relationship Summary (i.e. Form CRS)

The [PCS Client Relationship Summary](#) (i.e. Form CRS) is intended for use with retail investors and must be delivered before or at the earliest of (i) a recommendation of an account type, a securities transaction, or an investment strategy involving securities; (ii) placing an order for the retail investor; or (iii) the opening of a brokerage account for the retail investor. This form is available on the PCS public website (https://pcsbd.net/regulation_best_interest/) as well as on the Recommendation Guidance section of the Advisor Resource Center. PCS has sent a mass mailing delivering the Form CRS to all existing PCS clients by household, but all subsequent delivery must be tracked on the updated Customer Account Form or via the Docupace Reg BI Tracker module once access is provided. Once access is provided to Docupace, delivery of the PCS Client Relationship Summary must be logged within Docupace with the actual delivery of the document occurring either via email, physical mailing or in-person handout.

Forms and Transactions Checklist

As a result of the additional documentation required when submitting new business, the [Forms and Transactions Checklist](#) maintained by PCS Operations has been updated to incorporate the related Reg BI documentation required depending on the type of account to be opened. The checklist can be found via the Forms Library section on the Advisor Resource Center <https://pcsbd.net/client-access-area/forms-library/>.

If you have any questions on Regulation Best Interest, please feel free to email Compliance@pcsbd.net with your question and someone from the Compliance Department will respond to your question.