

Compliance Alert – 2023-04

To: All PCS Registered Representatives, Support Staff, Home Office Personnel
Date: December 8, 2023
Re: **PTE2020-02 Compliance - Rollover Form Requirement**

On October 11, 2022 Private Client Services distributed Compliance Alert 2022-07 related to PTE2020, the compensation exemption and new Rollover disclosure requirement that was implemented by the Department of Labor (See attached). As part of the new rule each firm is required to complete “look back” reviews to test the adequacy and compliance with firm policies and procedures related to the rule. PCS has completed the lookback and has identified some reminders to assist with ongoing compliance with the rollover forms.

ACAT Transfers

When transferring a retirement account (including IRA accounts) from one custodian to another there are changes in the compensation and fee structures of the old and new accounts. Due to these changes the rollover form, or IRA transfer form, must be completed and signed by the client.

Brokerage Account Subsequent Rollover Deposits

The review of account activity on the Pershing platform has identified a number of deposits into established qualified accounts where the deposit is identified as a rollover, but no rollover forms were obtained for the deposit. While it is recognized that these subsequent deposits may not get the same level of attention as a new account deposit or ACAT transfer, they still fall under the requirements of the PTE2020 rule and require the applicable rollover form be obtained.

Direct Business Rollovers and Subsequent Deposits

For directly held accounts, such as Annuity contracts and Mutual Funds knowing when to obtain the rollover form can be a little more complex. Because the client has the ability to make a deposit directly with the product provider there may be instances where you as the representative on the account is unaware of the subsequent rollover into an existing account. The DOL does not make exceptions for these situations since you will receive compensation for the new deposit. In these situations it is your responsibility as the representative on the account to identify the new deposit and reach out to the client to obtain the required form.

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How do I recognize when a new deposit has been made?

The PCS Compliance Department has developed a series of new exception reports that will be run and reviewed on a weekly basis beginning in January, 2024. If an account is identified that requires a rollover form, and the form is not of file at the firm, either your Managing Principal, or a member of the Compliance Department will reach out to you identifying the account, deposit amount, and other information for you. You can then reach out to your client to obtain the disclosure.

You can also review your commission report to see if there is an unexpected commission receipt, and review the client account to determine if a deposit has been made to a qualified account that would require the rollover form.

Is the Rollover form being considered as part of the PCS Ease of Doing Business initiative?

Yes, absolutely! In fact, PCS is working with Due Diligence Works to incorporate the PTE2020 Rollover forms with a new Regulation Best Interest module to combine the two and make it easier to submit both disclosures. The initial rollout will take place in early January and then will be integrated through Docupace during phase 2 of the rollout (Timing will depend on programming with Docupace). The new process will also include single sign on which will assist with pre-filling some of the fields on the disclosure)

If there are any questions or concerns about the requirements for the rollover forms, please refer to the attached PTE 2020 form usage chart, Compliance alert 2022-07, or contact your assigned Managing Principal or the Compliance Department (compliance@pcsbd.net).

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