salesforce financial services cloud

A System of Engagement to Navigate the DoL Fiduciary Rule

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Introduction

On April 6, 2016, the U.S. Department of Labor (DOL) released a final rule and related final exemptions (sometimes referred to together as the Fiduciary Rule).[1] The Fiduciary Rule redefines who is a fiduciary to Employee Retirement Income Security Act (ERISA) plans, their sponsors and participants, and to Individual Retirement Accounts (IRAs) and IRA owners. Going forward, fiduciaries providing retirement investment advice will be required to adhere to impartial conduct standards. These standards oblige fiduciaries to make prudent investment recommendations in the client's best interest, charge only reasonable compensation, and make no misrepresentations to their clients about recommended investments.

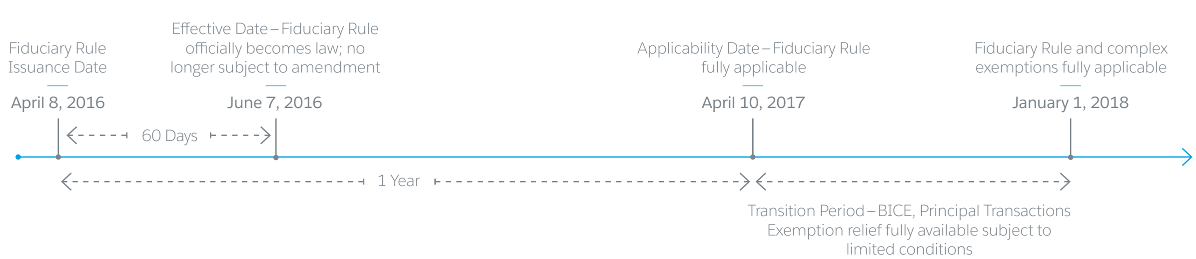
In addition, these investment-advice fiduciaries must either avoid payments that create conflicts of interest or satisfy the conditions of a prohibited transaction exemption. The exemptions allow certain broker-dealers, insurance agents, and others who act as investment advice fiduciaries to continue to receive common forms of compensation if they adhere to the impartial conduct standards. Many firms and advisors are looking to technology as part of a strategy to meet the Fiduciary Rule's challenges. In this white paper, we will outline additional aspects of the Fiduciary Rule and introduce how some features of Salesforce Financial Services Cloud might help customers make the shift.

Many types of entities and persons are affected by the Fiduciary Rule, but the primary groups affected are investment advisers, insurance agents, broker-dealers, retirement providers, and life insurance and annuity companies. Under existing rules, investment advisers are already subject to similar fiduciary obligations, while broker-dealers and insurance agents are not.

The Fiduciary Rule's many exemptions require firms and advisors to adhere to the impartial conduct standards, and to implement some mix of disclosures, policies, and procedures. A key exemption, the Best Interest Contract Exemption (referred to as the BIC Exemption, or "BICE") is intended to allow firms and advisors to continue to rely on many current compensation and fee practices if they adhere to the impartial conduct standards, and implement a number of disclosures, policies, and procedures, including:

- Acknowledgement that the firm and its advisors are fiduciaries and provide advice in the best interests of their client

IMPLEMENTATION DATES



- Policies and procedures to mitigate harmful impacts of conflicts of interest
- Disclosures about the firm's material conflicts of interest, fees, or charges paid by the retirement investor
- A statement of the types of compensation the firm and its affiliates expect to receive from third parties in connection with recommended investments
- At the investor's request, detailed disclosure of costs, fees, and other compensation associated with specific investment recommendations
- Commitment to these conditions as part of an enforceable contract when providing advice to an IRA owner

Even level-fee fiduciaries must satisfy streamlined requirements under the BIC Exemption for the recommendation of a rollover from an ERISA plan to an IRA, or from another IRA or commission-based account to a fee-based account, including a requirement to document the specific reasons for the recommendation.

These requirements will pose a challenge for any advisor, especially broker-dealers and insurance agents who were not previously subject to fiduciary standards. Initially, the burden will fall on supervising firms to determine whether an exemption or exclusion is an option for specific client or account types, determine which products the firm will allow to be distributed under an exemption, draft required disclosures, and implement the necessary policies and procedures. But ultimately, day-to-day compliance duties will fall squarely on the advisor.

According to the DOL, advisors usually can prove they have acted in a client's best interest by documenting their use of a reasonable process and their adherence to professional standards in making the recommendation and determining it was in the customer's best interest.[2] Consistent with that guidance, advisors might see significantly enhanced information-gathering requirements and detailed procedures for delivering written recommendations.

With Financial Services Cloud, firms might implement repeatable processes to support the advisor, creating visibility into what advice has been given, who is involved, how the advice was conveyed, and what actions were taken. With standardized processes and tools for engaging with clients, information is properly collected, made visible, and surfaced effectively, allowing firms and advisors to demonstrate compliance. Financial Services Cloud might make the impending shift to the Fiduciary Rule manageable by helping advisors achieve fiduciary responsibility and ease regulatory compliance obligations, while continuing to deepen client relationships and grow the business.

CHAPTER 1

Fiduciary Responsibility

Advisors providing retirement investment advice under the Fiduciary Rule will be required to carry out their duties solely in the client's best-interest.[3] In order to meet the best interest standard, a fiduciary must conduct sufficient investigation and due diligence to allow the fiduciary to make an informed investment evaluation and recommendation. At a minimum, under the best-interest standard, the fiduciary must consider the investment objective, risk tolerance, financial circumstances, and needs of the retirement investor to arrive at a well-informed recommendation. Advisors will need to gather and maintain the right data, at the right time, in a proactive and contextual way, in order to provide objective and effective advice to their clients. And because of the focus on a process, documenting decisions and the basis for those decisions allows for their verification if questioned.

GAIN A 360-DEGREE VIEW OF THE CLIENT

The Client Profile is a starting point for investment analysis, whether the standard of care is best interest or suitability. Understanding a client's investment objectives and the specific facts and circumstances of the client's finances is essential to providing sound investment advice. Financial Services Cloud can be used to help advisors know their clients, with panoramic, contextual Client Profiles all integrated into a single client view. Advisors can gather and aggregate clients' personal and financial information to create a clear customer profile, and support the advisor's fiduciary position by documenting the rationale behind each recommendation.

The Client Profile enables the advisor to obtain and analyze information needed to meet both the best-interest and suitability standards – client's date of birth, other investments, financial circumstances and needs, tax status, investment objectives or policy, investment experience, investment time horizon, liquidity needs, risk tolerance, account restrictions, and any other information the customer might disclose in connection with a recommendation. In addition to a discrete set of fields and questions that form the basis for the Client Profile, the advisor can gather and view information about a customer's overall portfolio rather than a single account – information about a spouse's account, retirement income, and more detailed information about a customer's financial condition, such as expenses, goals, and relevant household and family information. Recording supplementary information in Notes supports a nuanced understanding of the client's needs.

Advisors gain the ability to pull information from disparate sources and unify it. Beyond being an information aggregator, Financial Services Cloud brings everything into context by putting the client, and his or her best interests, at the center of the experience, and gives the advisor and the firm relevant information needed to make smart decisions while providing collaborative advice and solutions. To add more valuable information to Salesforce that is not available in Financial Services Cloud, the firm can tap into our thriving ecosystem of trusted partners. Envestnet Yodlee, Athene Group, and Informatica might be easily integrated into Financial Services Cloud, with more partners coming soon. Examples include data about held-away financial accounts and holdings from multiple custodians, legacy profiles from back-office systems, books and records, and other customer profiles derived from service history and transactions. Workflows and integrations with third-party apps and data are designed to enable information to flow proactively and within context to the advisor. This information is shared seamlessly across teams with access to Financial Services Cloud, making it easier than ever to provide a consistent experience to clients, no matter who they are engaging with.

The Financial Summary is a single snapshot of all of a client's holdings, with the ability to review individual account performance: total investments, total bank deposits, total insurance, and wallet share, as well as investment accounts, bank accounts, insurance, and more. And integration with a partner enables a view of individual transactions if diligence calls for that level of additional detail.

Advisors can build relationships beyond the client with easy mapping of relationship context. The Household Summary allows collection of information about household members, tracking of household events, and tasks and calls for each household member, and allows advisors to map centers of influence or relationships, such as an attorney, accountant, in-laws, grandparents, and any power-of-attorney agent.

STAY ON TOP OF DUE DILIGENCE

One of the fundamental characteristics of being a fiduciary is the need to conduct ongoing product due-diligence and know-your-customer reviews. Fiduciaries are expected to ensure that the advice provided continues to meet the standard of care. Due diligence activities may include periodic monitoring of the investment products that are offered and sold to customers and his or her market conditions, and assessment of whether they continue to be in the best interests of customers; periodic meetings with the client to determine whether there have been any changes in their financial situation or investment objectives; and prompt communication with customers if assumptions or expectations concerning the performance of an investment materially changes.

Financial Services Cloud may be used to help advisors continue an ongoing dialogue with clients on their goals and offers easy access to view and collaborate on the clients' objectives. This functionality enriches conversations by providing important information on life stages, such as when a client wants to buy a house or when a child is heading off to college, allowing the advisor to view these goals in context with the rest of a client's interactions, and giving advisors a comprehensive view of the relationship. In the same platform, advisors are able to create a collaborative financial plan based on life goals such as retirement, vacation home, and education in order to understand what is most important to every client. Collaborating with clients on their goals both enables a deeper connection and makes communicating productive through the Salesforce Private

Client Community. Financial Services Cloud also facilitates client communications through integration with financial-planning systems.

An advisor logging in to Financial Services Cloud is presented with the most important tasks he or she needs to complete each day. This includes the Advisor Home page, a snapshot of the advisor's book-of-business performance, and proactive alerts of key activities.

With Advisor Dashboard, advisors gain an instant snapshot into their book of business with out-of-the-box best practices (such as total clients, total AUM, total held-away assets, monthly birthdays, and household information) and custom-built advisor dashboards. Other features include the ability to see gains and losses from various accounts segmented by size, a review of daily tasks, and pending opportunities. Advisors can also review client cases that have questions or issues.

Advisors are prompted to stay on top of key tasks – whether personal or delegated – such as reviewing portfolio drifts based on rebalancing models created by a partner, and scheduling regular client check-ins and portfolio reviews to assess asset allocation and holdings. Financial Services Cloud might help drive repeatable behaviors at the advisor level which, in turn, allows firms to make information visible through analytics and dashboards. Once data is visible, it can easily be provided to internal compliance and external auditors.

Firms obtain productive insights and supercharge productivity with a smart digital assistant that proactively compiles leads and opportunities based on priorities, and tracks status.

Advisors and firms can easily pinpoint their retirement investors. The Client List view allows advisors or firms to segment their book of business based on: types of accounts, types of products, activity level, communications received, and much, much more. By segmenting the book of business based on the characteristics most important to that advisor, opportunities are able to be identified and communications with the clients are based on the most relevant interests and service models. Robust client filters allow firms to easily segment and serve each client, each client segment, the entire book of business, and many books of business at the same time.

Advisors can take quick actions, such as searching for accounts that need to be rebalanced, setting up client groups with predesignated alerts, scheduling portfolio reviews for proactive client engagement, creating new events and tasks, logging calls, and taking detailed notes.

And the to-do list compiles information from customizable fields such as calendars, tasks, and opportunities, and arranges them by priority or time, offering a single snapshot of all the critical client-facing information, compliance-related requirements, and necessary actions.

Advisors can leverage Financial Services Cloud to document the due-diligence reviews required to determine that recommendations remain in the client's best interest. Regular contacts with call records and notes on any essential facts about a customer can be tracked. With repeatable processes and tools that support and encourage information gathering, firms gain the ability to provide services, products, and advice in the future, in both the client's and the firm's best interest. Capturing information is an ongoing process, ensuring a close relationship with the client. Necessary updates can be captured in the Client Profile and Power of Attorney info as needed to meet internal expectations and to fulfill requests from external auditors. Investment strategy information can be updated when the prevailing strategy is no longer appropriate due to a change of circumstances. A series of recommended transactions can be tracked to help investment professionals determine whether they are excessive and unsuitable for the customer when taken together in light of the customer's overall investment portfolio.

With Financial Services Cloud, advisors can customize workflows for client, product, and regulatory onboarding, and quarterly reviews and compliance requirements. Through our ecosystem of partners, advisors have access to an electronic repository of product and regulatory documents, contracts, and forms. By capturing the information at the right time, electronic forms can be prepopulated at the push of a button, saving time and effort for the advisor, his or her staff, and the client. Advisors can then prepare for client calls, meetings, and reviews with ready-to-use reports, dashboards, and documents sent for electronic signature.

Financial Services Cloud is designed to serve as the hub for the rest of a firm's technical solutions. Advisors no longer need to switch from system to system. Firms can select from AppExchange partners or integrate in-house or third-party technology for financial planning, data aggregation, risk-tolerance assessment, asset allocation, model portfolio construction, portfolio management, reconciliation, and compensation management. Additionally, AppExchange solutions that allow for electronic signatures, repositories of product and regulatory documentation, KYC scoring, and other crucial processes might integrate seamlessly into Financial Services Cloud.

Advisors get easy access to the right information on prospects and clients from any mobile device. Salesforce and Financial Services Cloud are built with out-of-the-box mobile integration. They can manage and delegate tasks while on the go and from any mobile device. And they can access timely client information with notes integrated directly in the mobile app. Manual steps of typing handwritten notes on client interactions can be eliminated. Even better, by swiping right the advisor can instantly create and delegate follow-up tasks directly from Notes. Mobile dashboards bring a snapshot of the most valuable account information for always-on client engagement.

Financial Services Cloud may be used to enable collaboration across teams to virtually assemble the best minds from the advisory team to provide collaborative advice (via the Collaborate tab on the Goals Summary), with access to client information in a way that ensures everyone who touches the client is aligned with the client's goals and financial picture.

CHAPTER 2

Regulatory Compliance

Among surveyed advisors, 75% said that they expect the Fiduciary Rule might negatively impact and increase their compliance obligations.[4] Financial Services Cloud can help play an important role in easing the impact of an increasingly complex regulatory environment by helping advisors implement, record, and monitor consistent, auditable procedures.

RETAIN EVIDENCE OF FIDUCIARY ACTIVITY

The best-interest standard focuses on the process for making fiduciary decisions. According to the DOL, one way a fiduciary can limit liability and demonstrate that he or she has carried out their responsibilities properly is by documenting the processes used to carry out those fiduciary responsibilities.[5] Financial Services Cloud enables the advisor to capture decisions and the basis for those decisions, while retaining evidence of ongoing due-diligence reviews required to determine that recommendations remain in the client's best interest. Firms are able to use the same platform to track regular contacts with call records and notes on any essential facts about a client, and create an electronic record when communicating general information and investment education to evidence when a recommendation is not being made.

CREATE AND RECORD COMMUNICATIONS

Communications required by the Fiduciary Rule, such as those related to recommendations, enhanced disclosure information required by the BIC Exemption, additional requested disclosure of costs, fees and other compensation, and client consents, negative consents, or opt-outs, are simplified and recorded for future reference when using email or a custom Salesforce Private Client Community. Recommendations and client feedback can be documented in Notes.

MAINTAIN AND PROTECT RECORDS

Financial Services Cloud might be used to help meet the Fiduciary Rule's requirement to maintain records of compliance with the law for the term of the Financial Services Cloud subscription, with extended data archiving via the firm's internal system or a third-party solution. The advisor's filing system is consolidated in readily accessible form to substantiate that a recommendation was in the client's best interest, and that exemption conditions have been met. Every phone call, email, marketing campaign, account statement, online inquiry, and face-to-face interaction can be retained or documented in Notes, and maintained with other client information to create a comprehensive record of interactions with the client.

Native field encryption and Salesforce Shield's Platform Encryption help protect data at rest. With Platform Encryption, key Salesforce functionality works despite the data being encrypted, providing a stronger and more secure platform and data solution, and enabling compliant and productive work to continue. Partner apps on AppExchange can include and respect data encrypted with Platform Encryption.

SUPERVISE FIDUCIARY ACTIVITY

Documented processes can be implemented with powerful features such as workflows, email alerts, and audit trails to assist in meeting the Fiduciary Rule's enhanced monitoring and supervisory oversight requirements. Tasks can be sequentially assigned, email alerts can be generated, and management reports can be produced to support accountability, track workflow progress, and even track business metrics.

Firms gain the ability to monitor the activity of advisors without interrupting their work when they are on a single interconnected platform operating in real time. Read-only accounts simplify the monitoring of the interactions between the advisor and the client to confirm documentation and compliance with requirements. Reports and dashboards can be surfaced for additional context. Financial Services Cloud can be integrated with electronic communications supervision solutions.

Financial Services Cloud's native ability to track, report, and archive auditing for changes and updates to fields within the Client Profile, Notes, and other information can evidence timely client reviews. Extra field-audit, data-retention, and event-monitoring capabilities can be gained with Salesforce Shield and other AppExchange solutions. Field Audit Trail allows the middle and back office to go back in time and see the state and value of data on any date, at any time. It expands what is currently available with standard field-history retention, providing the ability to exceed the Fiduciary Rule's retention period with up to 10 years of audit trail data for up to 60 fields per object. Data retention policies can be defined to allow data to be deleted based on a set timeline. Shield's Event Monitoring gives visibility into what data users are accessing, from which IP address, and what actions are being taken in regards to that data. The tracking mechanism facilitates supervisory reviews, allowing one to track when someone prints a page or list view, edits or creates a record, changes ownership, refreshes a list, or even when a user exports account data.

CHAPTER 3

Profitability

Seventy-nine percent of advisors surveyed expect the Fiduciary Rule to negatively affect the costs of servicing their clients.[6] Financial Services Cloud might help maximize profitability by improving workflow efficiency, client retention, and advisor performance. The investment professional can focus on being a trusted advisor to clients, while improving operating margins with client segmentation, workflow improvements, and workflow automation. Firms can measure fiduciary activity through activity tracking. With Financial Services Cloud, it is possible to gain a sense of the bigger picture at the firm level, or drill down to find greater detail at the advisor or branch level. Product performance can be examined to assess market reaction and determine market coverage, enabling more informed product management and marketing decisions.

The scalability and functional capabilities offered by Financial Services Cloud can be used to help deliver personalized service and maintain the procedures demanded by the Fiduciary Rule.

Financial Services Cloud is transforming the client-advisor relationship by allowing firms to implement, record, and monitor business processes and procedures which satisfy the Fiduciary Rule, while empowering advisors to build deeper, 1-to-1 relationships with clients; enabling them to spend less time on administrative tasks and more time focusing on investors; and allowing them to engage collaboratively, cohesively, and compliantly with clients and their households on any device at any time.

ENDNOTES

[1] 81 Fed. Reg. 20946 (Apr. 8, 2016).

[2] "Department of Labor Finalizes Rule to Address Conflicts of Interest in Retirement Advice, Saving Middle Class Families Billions of Dollars Every Year," U.S. Department of Labor, accessed June 17, 2016, https://www.dol.gov/ebsa/newsroom/fs-conflict-of-interest.html.

[3] See e.g. ERISA § 404(a)(1)(A), (B) (often referred to as duties of loyalty and prudence).

[4] "The Economics of Change: How the DOL Fiduciary Rule Will Set Money in Motion and Alter Business Models Across the Advice Industry," *Investment News*, 11, accessed June 9, 2016, http://www.investmentnews.com/dcce/20160506/4/4/WP_SPONSORED/3403986.

[5] "Meeting Your Fiduciary Responsibilities," U.S. Department of Labor, accessed June 9, 2016, https://www.dol.gov/ebsa/publications/fiduciaryresponsibility.html.

[6] "The Economics of Change," 11.