

MEMO# 30550

January 30, 2017

White Paper: Operational Considerations of the DOL Fiduciary Rule for Accounts Held Direct-at-Fund

[30550]

January 30, 2017 TO: ICI Members
Bank, Trust and Retirement Advisory Committee
Broker/Dealer Advisory Committee
Operations Committee
Pension Operations Advisory Committee
Principal Underwriters Working Group
Small Funds Committee

Transfer Agent Advisory Committee SUBJECTS: Compliance
Operations

Transfer Agency RE: White Paper: Operational Considerations of the DOL Fiduciary Rule for Accounts Held Direct-at-Fund

We are pleased to announce the publication of a new white paper, Operational Considerations of the DOL Fiduciary Rule for Accounts Held Direct-at-Fund.

On April 6, 2016, the Department of Labor (DOL) issued a final rule defining who is a “fiduciary” under Section 3(21) of the Employee Retirement Income Security Act of 1974 and Section 4975(e)(3) of the Internal Revenue Code as a result of giving investment advice to an employee benefit plan, plan fiduciary, plan participant or beneficiary, individual retirement account (IRA), or IRA owner. As the DOL notes, the final rule treats persons who provide investment advice or recommendations for a fee or other compensation with respect to assets of a plan or IRA as fiduciaries in a wider array of advice relationships.[\[1\]](#)

In advance of the applicability date[\[2\]](#) of the final rule, funds and intermediaries should reevaluate their processes and procedures related to accounts held direct-at-fund.[\[3\]](#) In particular, funds and intermediaries should carefully consider shareholder requests to change the designated broker-dealer of record. Allowing shareholders to change their broker-dealer of record directly with the fund could have significant compliance implications for the newly designated intermediary. Funds and intermediaries also should evaluate procedures around the acceptance of new direct-at-fund accounts that have a third party designated as broker-dealer of record. Similarly, new direct-at-fund accounts established by a shareholder without the knowledge of the designated broker-dealer of record could cause significant issues for the intermediary.

The white paper, published on ICI's website, is available [here](#).

An Investment Company (ICI) working group developed this paper to serve as a guide for funds and intermediaries as they begin creating processes and procedures to address the treatment of direct-at-fund accounts after the applicability date of the final rule.

We hope you find this paper beneficial as you discuss and evaluate processes and procedures addressing the treatment of direct-at-fund accounts after the applicability date of the final rule.

Questions or comments on the paper may be directed to Joanne Kane at the ICI (joanne.kane@ici.org, 202-326-5850).

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endnotes

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

[2] The final rule was effective on June 7, 2016, but the general applicability date is April 10, 2017.

[3] For the purposes of this paper, direct-at-fund includes accounts opened by check and application with a named broker-dealer, as well as National Security Clearing Corporation (NSCC) Networking Matrix Level 0 and 4 accounts, and accounts without a matrix level assigned. Accounts opened electronically (e.g., NSCC Networking or Automated Customer Account Transfer Service [ACATS] transfer) are assumed to be acceptable to both funds and intermediaries and are not addressed in this paper.