

GRACE FOR REGULATION BEST INTEREST REG BI



La Meer Inc.

A Regulatory Technology company for Financial Institutions

www.lameerinc.com

info@lameerinc.com

Reg BI requirements



On June 5th 2019, SEC adopted the Best Interest Standard regulation Reg BI for Broker-dealer / Investment Advisory firms

The regulation has five principal areas, and can be broken down as follows:

- A **“best interest” standard** comprising four obligations for broker-dealers when providing recommendations to retail customers (Regulation Best Interest or Reg BI);
- A **required client relationship summary disclosure (Form CRS)** for both broker-dealers and investment advisers;
- An interpretation of the federal fiduciary standard for investment advisers that would **reaffirm their fiduciary obligations**; and
- An interpretation clarifying that broker-dealers that provide advisory services are not considered to be investment advisers when such services are “solely incidental” to the conduct of their business.

Reg BI and Form CRS had a compliance date of June 30, 2020 and have gone into implementation from then

Reg BI mandates four Compliance Obligations

Disclosure Obligation - before and at the time of recommendation acceptance and if there are any changes in conditions due to new conflicts or changes

Duty of Care Obligation – exercising reasonable due diligence, care and skill in making recommendations

Conflict of interest Obligation – Establishing policies and procedures to identify and address conflict of interest

Compliance Obligation – Establishing policies and procedure to monitor compliance with Reg BI

Disclosure Obligation

Broker-dealers are required to provide Form CRS, which is in a question and answer format, to clients.

Disclosures must contain

- Summary of fees, Costs, Conflicts, Standards of conduct
- Link to SEC's Investor.gov Site
- Should distribute these to clients before a recommendation of an account type, a securities transaction, or an investment strategy involving securities or placing an order for the retail investor.
- Should also go out prior to the opening of a brokerage account for the retail investor.

Investment advisers

- Disclosures should be distributed prior to or at the time of entering into the advisory contract.

Dual registrants

- Should use the earliest of the deadlines imposed under requirements for BDs and RIAs.

Firms must provide additional disclosures when they:

- Open a new account that is different from the retail investor's existing account(s);
- Recommend that the retail investor roll over assets from a retirement account into a new or existing account or investment; or recommend or provide a new brokerage or investment advisory service
- or investment that does not necessarily involve the opening of a new account and would not be held in an existing account (e.g., securities sold through a “check and application” process).

Duty of Care and Loyalty Obligation

- **Full and Fair Disclosure** - Sufficiently information specific so Client is able to understand and make informed decision, related to the choice of products chosen for the client, Fees, Risks and Conflicts of interest

It is inadequate to

- Disclose to clients without describing how the advisor is managing the conflicts of interest
- Saying conflicts without providing detailed description

Reg BI requirements Continued...

Duty of Care Obligation

Firms will have an obligation to provide

- Reasonable “diligence, care, and skill” to satisfy three obligations: reasonable-basis, customer-specific and quantitative.
- Additionally, firms must evaluate reasonably available alternatives, however broker-dealers
- Care obligation covers recommendations concerning rollovers and account choice (e.g., brokerage or advisory), as well as those to take a retirement plan distribution for purposes of opening a securities trading account.
- Provide Advice in the Best Interest of Client
- Seek best execution
- Provide advice and monitoring to ensure that the obligations are continuously met

What this means

- Keeping track of the risk profile of the client, client objectives, and funding needs to build portfolio that is suitable
- Choosing products that clearly prove that product returns, fees, expenses are right for client as well as compare it against other possible products and explain how the defined portfolio is in the best interest
- Disclosing material facts and conflicts of interest in the choices made
- Generating the Form CRS and send it to the client with the specifics of the client’s portfolio
- Explain the choices made to client and get their consent
- Conduct Trade Monitoring to understand the trades being done on behalf of the clients match synch with the client’s objectives
- Portfolio is reviewed periodically to ensure the current portfolio still is within the client’s defined objectives and is still performing per the expectations
- That best execution is monitored for prices and conflicts



Conflicts of Interest Obligation

- Reg BI allows firms to sell proprietary products, including initial public offerings, and continue to receive payments from third parties for shelf space – as long as they disclose conflicts of interest.
- For example, in instances where a registered representative holds a limited license (e.g., only to sell mutual funds), but the firm offers a full suite of products, the representative may need to disclose this to their customers

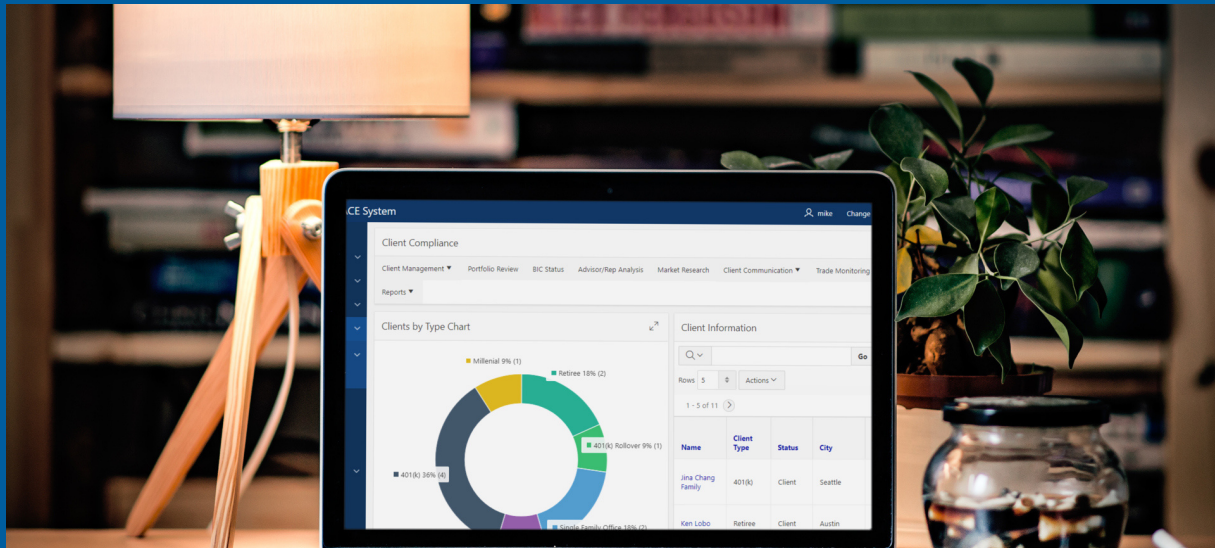
What this means

- All fees received for third party activities are documented and understood
- Monitoring of all Outside activities of the Organization and the Registered Reps and Advisors to ensure none of these are creating conflicts in the products and services being offered to the client
- Monitoring Rep Registrations and U4
- Conducting Background verification of Reps / Advisors to ensure no criminal violations, debts / liens, adverse media, court cases exist in their backgrounds

Compliance Obligation

The compliance obligation requires firms to maintain policies and procedures to ensure compliance with Reg BI. It is important to note, this obligation provides an opportunity for the SEC and FINRA to bring enforcement actions for compliance failures without the existence of underlying violations of Reg BI. Therefore, firms should carefully develop Reg BI policies and procedures with a view towards how they will demonstrate that they have met the best interest standard – including documenting all written and oral disclosures to clients.

How GRACE Helps you meet Reg BI requirements



Address Reg BI through GRACE 's Integrated approach to End-to-End Client Management

GRACE is a Web based / tablet enabled / mobile integrated system to manage the end-to-end life cycle management of the client through a single system and meet all the requirements of Reg BI from where ever they are.

GRACE offers the Compliance Portal for the Compliance group to set up the tone at the top with Policies and Procedures, Forms for Online Attestation, Online Training , Pre-approval and reporting forms for Advisors, Registered Representatives and staff to report online for pre-trade approvals, gifts, political donations, outside activities, their U4s. This enables the Compliance staff establish and monitor compliance in the organization.

GRACE Compliance Portal functions for Product Shelf Management, creating curated set of products that suit the risk profiles of the clients of the firm, flexible client risk questionnaires, risk scoring mechanism, conflicts management, and disclosures to clients help set the tone for the Care Obligation

The Client Management Portal helps advisors, registered reps, client management staff use them gather household, financial and other information of their clients, build the client risk profile and portfolio preferences . It helps choose product recommendations and alternates from the curated products to align with their risk profiles, record notes to share it with clients.

GRACE Client Management Portal can help Advisors send the chosen products and recommendation information the to clients along with relevant disclosures and Form CRS for them to have access on their Client Portals.

Clients can use their secure Client Portal from where ever they are, to share information on their objectives, financials, funding needs, preferences, receive and record their comments on the recommendations and acknowledge disclosures, as well as securely share documents with the firm . They will also be able to receive their latest portfolio, trade, holdings, fees and billing and see analytics on their portfolio

The Compliance Protal can receive Advisor/ Rep recommendations, along with Client's comments for Suitability reviews and ensure they are in the best interest of the client. Account opening, client due diligence, transactional monitoring, trade monitoring patterns, funds transfers, AML, online portfolio review, fees and billing and monitoring conflicts of interest through the integrated system to provide effective oversight and ensure that the portfolio continues to be in the best interest of the client at all times.

Easy workflows empower Advisors, Registered Reps, Compliance and Clients from a single source of truth and provides operational efficiency and transparency

GRACE FOR INTEGRATED CLIENT MANAGEMENT

Integrated by Design, Modular by Nature



GRACE Integrated Client Management, a mobile, web based tablet enabled end-to-end integrated, state of the art tool, that connects the client, the client management teams and the compliance back office is specifically built to address the wealth management industry requirements per Reg BI requirements to offer transparency, operational efficiency, regulatory compliance and superior customer service

Organizations have many spot solutions which they use. Managing the client data to get a comprehensive 360 degree view of the client and be efficient in your client management operations is a big challenge that many organizations face, despite a lot of money being spent on integrating spot solutions. The streamlined end-to-end single system approach of GRACE is the a great way to bring efficiency to the client management process.

About GRACE Technology

The GRACE platform is built on an industry-standard Oracle stack, and can be deployed on-premise (where Oracle is available), in the cloud, and in private/hybrid certified cloud environments, Our cloud-based offering is available in multiple jurisdictions including the United States, Canada, UK, Switzerland and throughout the European Union ensuring that data remains within the customer jurisdiction to meet regulatory and end-customer needs. Data privacy, data protection, security, reliability and availability are taken seriously and have been designed into the product from the ground-up.

The GRACE platform is modular to allow firms to create an extensible custom product suite with the right features to meet the immediate business goals, while at the same time allowing for additional functionality to be easily switched-on through configuration as business needs change. The platform is ready to use from day one, reducing costs and increasing value in the organisation to create an immediate return on investment.

GRACE INTEGRATED CLIENT MANAGEMENT

Policies and Procedures

Set up and manage the Policies and Written Supervisory procedures, review with business groups and release a final version

Attestation

Set up and manage attestation templates on codes of conduct and send it out to user groups and get their attestations online

Training

Set up online training, send it out to user groups, monitor the status of training, score their success rates, send reminders and ensure everyone is trained,

Product Governance

Set up the products being offered by the firm with their asset class, fees, costs, expenses, load, risks, redemption clauses and other information and continuously ensure products which are not in clients best interest are moved out

Client Risk Profile

Set up flexible questionnaires to identify client profiles to allow client management personnel to score clients for their risk

Define model portfolios with asset classes and products and identify alternates that can be offered by the client facing personnel to clients from their Advisor Portal

Conflicts Monitoring

Keep track and build inventory of all the clients whether it in the business, third parties, service providers, with product manufacturers or staff, advisors and registered reps. Manage their elimination, mitigation where possible and include them in disclosures where needed

Disclosures Management

Manage the creation, review and release of disclosures, including conflicts, disciplinary history information where relevant and make latest available to client management group to share with clients, send them thru email, provide links as well as send them to client portals for them to acknowledge receipt online and have a dashboard of status of disclosure sharing

Client Management Portal

Gather client information, Financial Info, build their Risk Profile, Investment Objectives, and preferences and restrictions clients would like to place on the portfolio.

Conduct Contact and **Client Relationship management** with communication calendars, call notes, follow up items, share disclosures and get alerts and red flags.

Define model portfolio based on client needs,, choose products and alternates and create notes on each recommendation and send to client for their review as well as to compliance for suitability for their review and manage the review to closure

Once accepted, send it for next process of account opening, KYC, AML and other due diligence, share and accept documents from clients and ensure client onboarding activities.

On an ongoing basis, watch the latest client portfolio, life events and other challenges faced by the customer, monitor new requirements and redo the portfolio periodically.

Share marketing and disclosures with clients and ensure their acknowledgement

Manage client complaints and keep clients happy.

Client Portal

Clients have their own mobile/tablet enabled / web based portal for them to interact with the advisor/ rep and the firm at all times, to share their information, preferences, and objectives at all times, view the recommendations made for them, agree/disagree and provide their comments, receive disclosures, be able to read and acknowledge them. Clients can also see their latest portfolio, holdings summary i Trades, Fees and Billing and interact with advisors any time and from anywhere to avail of superior client service

Suitability Review

The Compliance Group can receive requests for Suitability Review, look at the Client's risk profile, planned portfolio composition, see their comments and notes and ensure the products characteristics suggested are in their best interest in terms of risks, returns, fees, costs and other parameters, meets their objectives, and provide suitability comments. Status of each request is automatically flagged so all dashboards, emails, alerts, queries and reports will correctly reflect the information for all groups to use.

Conflicts Monitoring

Pre-trade approval requests can be sent to compliance officers as well as automated approval and rejection based on the restriction information. Approvals of gift, political contribution, outside business activity can be automatically queued up to compliance and rejected / approved based on defined business rules to prevent code of ethics violations

Trade Monitoring

Automated Trade Monitoring from feeds from Custodians / Clearing entities can be brought into the system to identify and red-flag deviations to client accepted portfolios can help identify deviations on an ongoing basis

Oversight of trading trends, concentrations, can also identify red flags, setup issue management and manage them to closure

Portfolio and Fee Review

Client Portfolios can be reviewed anytime by compliance to ensure that the suitability of products that are being used by the organization for that client still holds. Portfolio can be reviewed to ensure that there are no drifts away from the objectives of the clients. Fees charged for transactions can also be verified to make sure that unfair fees are not being charged

Powerful Dashboards

Powerful dashboards, queries, drill downs, analytics, charting can help stay on top of various activities in the client management life cycle

GRACE INTEGRATED CLIENT MANAGEMENT

SOME GRACE SCREENS

La Meer's GRACE System

Client Management

Track and Manage Clients

Client Type: All | Status: All

Call Calendar

Client Name	Call Date
Ken Lobo - Call Joanna Watson	27-JAN-2016
Jones Family - Call Jonathan Moore	21-MAR-2016
Dr Smith's Family - Call Jane Brady	01-APR-2016
Ken Lobo - Call Joanna Watson	03-APR-2016
Jina Chang Family - Call Joanna Smith	03-APR-2016
Jones Family - Call Jane Whittaker	04-APR-2016
Jina Chang Family - Call Joanna Smith	08-APR-2016
Ken Lobo - Call Casey Miller	16-APR-2016
Ken Lobo - Call Casey Miller	21-JUN-2016

By Type

Model Portfolio

Add to Portfolio	Description	Share Class	Category	Rating	Fees	Return Level	Risk Level	Each
<input type="checkbox"/>	Old Ridge Small Cap Growth A	Share Class A	Small Growth	**	Above Average	Low	Average	
<input type="checkbox"/>	PRND Commodity Real Ret Strat D		Commodities Broad Basket	***	Average	Below Average	Above Average	

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Disclosures Management

Disclosure Type: Relationships | Relationships types: Manage Disclosures | Client Wise Disclosures Status

Add New Disclosure Document

Edit	Disclosure Type	Name	Description	Client	Asset Class	Created By	Create Date	Status	Document	Security	Staff	Advisor
<input type="checkbox"/>	Form CRS	Form CRS June 30, 2020	Form CRS as of June 30, 2020	0	0	Jeff Sondak - Senior Manager - Client Compliance	26-JUN-2020	Initiated	Form_CRS.pdf	0	0	0

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Send Mail to Client

Client Name: Dr Smith's Family

Disclosure:

- Form CRS June 30, 2020
- Monthly Performance Report for July 2020 for Swarthmore family
- Monthly Performance Report for Mutual Fund Investments for July 2020
- Conflict of Interest Disclosure with Trading Partner
- ID Theft Situation
- Conflicts of Interest for Selling Real Estate Investments
- Month end Report to Stock Loan and Repo Counterparties
- Client Disclosures for Dr. Smith Family
- Disclosure of Losses from Investments in Oil Fund
- Quarterly Data Privacy Disclosure June 2020
- Form ADV June 2020
- Order Handling Disclosure for Q2 2020
- Quarterly Disclosure of Form ADV
- Conflict of Interest Disclosure
- Standard disclosure to new customers for their investments in fund

As Of Date: []

E-Mail Header: []

E-Mail Content: []

How do you want to send the docs to the Client?

- Send Link to Client
- Send E-Mail with Attachments
- Send E-mail for Access in Client Portal

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Client Portal

Your Portfolio

Update Review Status	Portfolio Name	Portfolio Status	Review Status by Client	Review Date by Client	Relationship Manager
<input type="checkbox"/>	Cleantech Portfolio	Portfolio Created	Review Closed by Client	26-JUN-2020	Nancy Greenberg - Investor Relations Manager

Your Preferences / Restrictions

Edit	Restriction Name	Active Yes	Updated Date
<input type="checkbox"/>	Would like to invest in Clean Tech	Yes	23-JUN-2020
<input type="checkbox"/>	Would not like to invest in Gun Stocks	Yes	23-JUN-2020

Current Planned Allocation

Your Planned Portfolio

Asset Type	Total Invest
Equity	
Mutual Funds	
Annuities	

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Client Portal

Your Planned Portfolio

Record Year	Comments	Alternate	Security	Suggested Invest Amount	Advisor / Rep Notes	Your Approval Status	Your Notes	Morningstar Category	Morningstar Rating	Fund Returns Level	Fund Risk Level	Fees	Min. Investment	Purchase Fee	Redemption Fee
		<input type="checkbox"/>	Ameritas Life Insurance	\$20,000.00	This is a good insurance for Retirees	No	Please choose some other	Large Cap	****	-	-	0.45% mortality and expense fee	-	-	-

Alternate: **NOTES**

Alternate	Category	Rating	Share Class	Fees	Purchase Fee	12b-1 Fees	Redemption Fee	Management Fees	Operating Fees	Expense Ratio
TIAA Intelligent Variable Annuity	NOTES									

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Client Portal

Form CRS | Your Planned Portfolio for Review | Disclosures

Current Portfolio

Holdings By Quantity by Instrument

Menu

- Your Information
- Financial Planning
- Your Portfolio
- Your Documents
- Investments Report
- Request Investm...
- Request Redempt...
- Holdings Summary
- Trades Report
- Fees and Billing
- Record Complaints

THE GREAT VALUE THAT GRACE BRINGS TO YOU

Web based/tablet enabled / mobile Anytime Anywhere risk and compliance management with GRACE

HELPS YOU GROW YOUR CLIENT BASE

Web based / Mobile / Tablet enabled system can help you grow your clients and provide them the transparency and instant access through Client Portal and help your staff use information to stay connected with clients anytime, anywhere

INTEGRATED END-TO-END SOLUTION CREATES GREAT EFFICIENCY

An integrated streamlined approach to client management connecting front office, back office and clients in a single system helps you manage your clients efficiently

POWERFUL CRM INTEGRATED TO THE SYSTEM

Powerful integrated CRM to capture information as you interact with clients can be used for reference at any time to get a complete picture of client requirements

HELPS MAKE THE RIGHT RECOMMENDATIONS

The comprehensive functionality of product governance, client risk profiling and providing curated product information to advisors and reps to offer to their clients, keeping notes, sharing it with clients and suitability review by compliance from the single source of truth enables verified recommendations for clients

HAPPY AND ASSURED CLIENTS WITH TRANSPARENCY

Client Portal allows anywhere, anytime information and buy-in from clients for their portfolio decisions. Latest updates of holdings, portfolio, transactions, fees and billing and financial plan available on their mobile / tablet / web where ever they are provides them complete transparency and allows them to interact with organization's staff at all times for great customer service

NO SPEND ON INTEGRATION OF SPOT SOLUTIONS

Organizations buy spot solutions and face tough challenges to integrate, proves costly and still meet the user needs. GRACE Is already integrated

ANYTIME MONITORING OF CLIENT PORTFOLIO

Anytime and ongoing monitoring of portfolio can ensure it remains true to clients' needs

CLIENT AML AND TRANSACTION MONITORING PART OF THE PROCESS

Ensuring transaction monitoring through automated data gathering and automatic red flagging of trades based on restrictions and watchlists

SINGLE SOURCE OF TRUTH FOR CLIENT MANAGEMENT

Central place for all information on client can help enormously in efficient client service, reduce complaints and provide transparency

EASY INTEGRATION TO SOURCE SYSTEMS

Integration to Organizational source systems to bring in relevant data into a single system through automated process to focus on risk management and compliance instead of data gathering

ESTABLISH CULTURE OF COMPLIANCE

With a business as usual process through the enterprise, Culture of Risk and Compliance Management becomes institutionalized across the organization

GREAT BENEFITS FROM SINGLE SOURCE OF TRUTH

Organizations suffer when key risk and compliance staff leave. Information is scattered and are could be lost. The central repository of documents, data and processes enables continuity. Data on clients can be leveraged to offer better products, services and customer satisfaction to grow customer base

REGULATORY EXAMINATIONS CAN BE HANDLED WITH CONFIDENCE

GRACE becomes live proof of good risk management practice in the organization and saves enormous amount of money in data gathering and report creation process, provide comprehensive oversight and avoid fines

GRACE INTEGRATED CLIENT MANAGEMENT



La Meer Inc.

A Risk and Compliance Management company built by
Financial Market Specialists for Financial Markets

La Meer Inc. founded in 2010 is a Silicon Valley firm that offers the GRACE Suite of products that address various aspects of risk management from Operational risk, Client management, Compliance management, KYC, AML, IT Risk and Vendor Risk ,Operational Due Diligence that address world wide regulations.

The La Meer Team comprises of people with deep subject matter knowledge and technology expertise from their extensive experience in building and implementing complex systems like the Bombay Stock Exchange On-line trading, Credit Data warehouse, Derivatives Technologies, Integrated treasury,Corporate and Private banking areas from their experiences for major corporations like Citibank, Silicon Valley Bank, and CMC Limited.

GRACE offers comprehensive functionality specifically built for to address regulatory needs in the financial segments of Banking, Asset Management, Capital Markets and Institutional investments. Build on the market leading Oracle stack, requirements around availability, reliability, redundancy, resilience, data protection and data privacy are all inherent in the platform. GRACE's modular architecture allows firms to have the benefits of a custom solution, delivered through configuration of the modules needed to suit their own requirements.

For more information on the product features please look at our website, or to arrange a demo feel free to call or email one of our team.

La Meer Inc. A Risk and Compliance Solutions company for Financial Markets. www.lameerinc.com
Contact us at US : +1 (408) 740-7205 UK/EU at :+44 (0)20 7442 5242
Canada : +1 416-800-9231 or at info@lameerinc.com