

Morgan Lewis

How Managed Account Program Sponsors and Managers can Navigate the New ERISA Section 408(b)(2) Disclosure Requirements

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Webinar Series

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Agenda

- Background/History of the Rule
- Application of the Rule to Managed Account Programs
- Implementation Issues
- Question and Answer Session

Background/History of the Rule

- Disclosure condition to a Prohibited Transaction Exemption
- Reasons for the rules
- July 1, 2012 Effective Date
- Upcoming FAQs
- Covered service providers
- Compensation disclosure requirements
- Responsible to update disclosures
- Consequences of the failure to comply

Application of the Rule to Managed Account Programs

- “Covered Plan”
- Covered Services
 - RIA
 - ERISA Fiduciary
- “Covered Service Provider”
 - Program Sponsor
 - Program Manager
 - *Single contract vs. dual contract*
 - Model Provider

Application of the Rule to Managed Account Programs

- Direct Compensation
 - Wrap-fee and special unbundling rules
 - Covered service provider vs. subcontractor
- Indirect Compensation/Schedule C Guidance
 - Soft Dollars
 - Affiliated Funds/Investments
 - Gifts and Gratuities/Conferences
 - Compensation Related to Brokerage
 - *Payment for Order Flow*
 - *Float*

Implementation Issues

- Communication between Sponsor and Manager
- Timing for Existing Customers
- Disclosure documents
 - Who provides?
 - Leveraging Form ADV/Brochure
 - Updating
- Responding to Plan Inquiries
- Ramification of Non-Compliance
- FAQs

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