Best's News Service via Bestwire
November 27, 2017 03:49 PM

Labor Department Pushes Back Fiduciary Rule BIC Deadline to 2019

WASHINGTON - The U.S. Labor Department announced an 18-month delay in the applicability date of the fiduciary rule that applies to the Best Interest Contract Exemption and the principal transactions exemption. The deadline will move from Jan. 1, 2018, to July 1, 2019.

The DOL sided with industry representatives who have urged the DOL to delay implementation of the second and final fiduciary rule deadline. Advisers, brokers and agents will have until 2019 to comply with new rules on prohibited transaction exemptions and the BIC exemption, which allows disgruntled clients to sue in state court via class-action lawsuits.

In making the announcement, the DOL suggested it is considering further changes in the rule.

“The extension gives the department the time necessary to consider public comments and whether possible changes and alternatives to exemptions would be appropriate in light of the current comment record,” the DOL said in a statement, “and action by the Securities and Exchange Commission, state insurance commissioners and other regulators.”

Trade representatives applauded the delay.

“The fiduciary regulation has harmed small and moderate retirement savers by restricting or eliminating access to retirement products and services, creating an advice gap for those most in need of help,” American Council of Life Insurers President and Chief Executive Officer Dirk Kempthorne said in a statement. “Its bias against commission-based arrangements restricts consumer access to annuities — the only product in the marketplace providing guaranteed lifetime income.”

The first stage of the rule took effect on June 9. It expands the definition of who is a fiduciary and requires advisers to make no misleading statements and accept only reasonable compensation.

Retirement advisers would still have to comply with those parts of the rule during the interim period. However, the department said it will not pursue claims against fiduciaries working diligently and in good faith during that time.

The DOL should not have delayed final implementation of the rule, said Stephen W. Hall, legal director and securities specialist for Better Markets, a nonprofit public-interest advocate.

“Delaying the private enforcement mechanisms in the DOL’s ‘best interest’ fiduciary rule and sidelining other core provisions designed to eliminate conflicts of interest among advisers is a huge mistake,” Hall said in a statement. “It renders the rule toothless and will wind up costing millions of Americans billions of dollars, denying them a safe and secure retirement.”

(By Frank Klimko, Washington correspondent, BestWeek: Frank.Klimko@ambest.com)