

Transition Advisors: Navigating The Broker Protocol



More than a third of advisors want more control over their business when going independent or switching their broker dealer¹, but one wrong step, could cause significant legal issue to arise. When it comes to your transition, make sure you do it right.

Most broker-dealers will operate under the guidance of the Broker Protocol, a set of recruiting and transition rules established in 2004, outlining what client information registered representatives could take with them when changing broker-dealers. The Protocol came into existence to help alleviate a large number of recruiting and breakaway lawsuits. Now, it acts as a roadmap for how a broker can leave their current broker-dealer in the cleanest and most efficient manner possible.

Best Practices When Complying With The Broker Protocol

A key requirement of the Broker Protocol is that in order for the broker to be permitted to take the specified client information, both the broker-dealer he/she is leaving and the new firm must be on the Broker Protocol List. A firm interested in joining the Broker Protocol must complete and sign the Joinder Agreement and send it to Capital Forensics, Inc.

When starting the transition, properly “resigning” from your current broker dealer is a critical step in the process. The resignation letter should state the decision to resign and the effective date. Per the requirements of the Broker Protocol, it should also include a copy of the client information that you are taking

with you. Under the Protocol, departing brokers are permitted to take (1) customer names, (2) addresses, (3) phone numbers, (4) email addresses and (5) account names and then solicit those clients after the move.

Keep Your Move A Secret Until You're Ready To Launch

When complying with the Broker Protocol, it's imperative not to tell anyone you're planning to leave until the day comes. Telling your colleagues too early may cause them to accidentally spill the beans, which could lead to your broker dealer firm taking preemptive action, including the potential for immediate termination.

The Broker Protocol is clear that you may not try to solicit clients before leaving. You have to be officially employed at your new firm in order to make contact with your clients and move their accounts to your new business.

Since an average of nearly 20% of client assets choose not to follow their advisor to a new firm², every step of the process has to be carefully crafted to help ease client concerns and provide them with a smooth experience.

Losing clients due to a poor user experience can be avoidable with the right technology partner by your side.

Determine What Technology You Need to Run Your Business

As an advisor in transition, one of the biggest decisions you'll face is choosing the best advisor technology to suit your needs. Part of your decision-making process should take into account how you will onboard and implement your new technology. You'll already have a lot going on, but the setup of your technology, transferring any accounts and connecting to your custodian is critical to building an efficient business and creating an exceptional client experience.

Since over 70% of advisors changing firms cited operational matters and having to learn new technology as top challenges during the transition period¹, your technology partner should support your firm with robust and intuitive solutions to daily challenges. Your job is to make your clients' portfolios better; your

technology partner's job is to make running your own advisory firm a better experience.

The more engaged your clients are, the more they trust you. And the more they trust you, the more likely they are to become advocates for you and your firm.

Top Resources for a Smooth Transition

Advisors in transition not only have to worry about having the right infrastructure and tools to support their practice but also have to navigate several legal and regulatory restrictions during the transition process. If you are thinking of transitioning your business, Orion Advisor Tech is dedicated to empowering financial advisors with the solutions they need to start—and grow—their businesses.

Gain actionable insights from the industry's leading RIAs and receive the support, technology tools, and resources you need to map out a long-term strategy for success.

¹TD Ameritrade Institutional, "2019 Breakaway To Independence Survey." July 2019.

²Cerulli, "U.S. RIA Marketplace 2018 Designing a Framework for Independence." 2018.

0211-OAT-2/2/2022