

Thursday TIP

Foreign Accounts

Part of the ongoing work behind the scenes is a review of rules and alignment of rules across all Broker Dealers within the Advisor Group for consistency. One of the rules that have been updated pertains to foreign accounts. The previous rule required a US Power of Attorney on an account for anyone living abroad for 6 months or more at a time. The new rule prohibits the establishment of accounts for U.S. citizens living permanently abroad.

There are a couple of keys to identify whether an account is allowed or prohibited.

-  Does the U.S. citizen maintain a U.S. residential AND mailing address that will be used as addresses on the new account paperwork?
-  Does the U.S. citizen reside at a U.S. residential address the majority of the year (e.g. 6 months or more)?
-  Does the U.S. citizen occasionally travel abroad for business or personal reasons, but only intermittently and not for extended months or indefinitely?

If you can say YES to these three questions, then you can set up the account.

-  Is the U.S. citizen a member of the military, assigned to a US Embassy, or a contractor with the Defense Department? If so, they will have an Armed Forces Post Office (APO) or Fleet Post Office (FPO) address which can be used for an account's legal address.

If you can say YES to this question, then you can set up the account.

Note: As a FP you will need to request the appropriate jurisdiction, same as you would have to request any state you had a client residing in. However, an APO or FPO jurisdiction cannot be requested through the Securities License Request tool within Business Center. You will need to send an email to LicensingNewRequests@saionline.com

-  Is the prospective client a non-U.S. citizen?
-  Do they have a Permanent Resident Card?
-  Do they maintain a primary U.S. residential and mailing address and are able to provide documentation evidencing their U.S. residence?

If you can say YES to these three questions, then you can set up the account.

-  Has an existing client informed you they are going to be moving abroad permanently?

If so, you can no longer be broker of record on the account when they move.

Note: For brokerage accounts, the client will need to find another company who supports accounts for U.S. citizens living permanently abroad and work with them to transfer their assets to the new company.

For direct held accounts, the client will either need to find another FP with another firm who can support the account, or you will need to request the sponsor company remove you as the broker of record and close the client registration at SAI.

However, if the client has an account that can be converted to the Ladenburg Thalmann Robo Advisor \$ymbil you can still receive compensation from that stream because you are acting as a solicitor, not an FP. (see *7/19/2018-RoboAdvisor in archived Thursday Tips*). If they convert their account to \$ymbil, you cannot engage with them while they're living permanently abroad. If they return to the U.S. to live permanently, in essence redomicile back to the U.S., you can then engage them in becoming a client once again.

Alternately, if the current account is non-qualified, the client may consider reallocating the assets to a U.S.-based trust with U.S. trustee. Your client would then become the U.S. trustee, not the grantor of the assets to the trust. This may be an option for high net worth clients, but is not necessarily a solution for all cases.

 Does your client have a beneficiary who is a non-U.S. citizen?

If so, when the client dies, you will need to work with Rep Relations on paperwork procedures to distribute the inherited assets to the non-U.S. citizen. In some cases, the clearing firm may not require an account be established to distribute the decedent assets. The Rep Relations Center will help us determine the appropriate options if such a situation occurs.