

## CAMBRIDGE FINANCIAL PROFESSIONAL TRANSITION AND CLIENT PRIVACY GUIDE

### Introduction

Cambridge (including Cambridge Investment Research, Inc. and Cambridge Investment Research Advisors, Inc.) is providing this Cambridge Financial Professional Transition and Client Privacy Guide ("this Guide") to facilitate the transition of registered representatives and investment advisor representatives (collectively, "financial professionals") and client accounts to Cambridge in accordance with applicable laws, rules, and regulations.

This Guide is designed to help financial professionals navigate the complexities of privacy, contractual, and regulatory obligations as they prepare and execute a transition plan. This Guide does not address every potential situation; instead, it attempts to address common issues and questions that may arise during the transition process.

As a general matter, Cambridge expects financial professionals to understand and comply with their current firm's policies, including its privacy policy, and any contractual or other obligations they may owe their current firm. Financial professionals are responsible for ensuring their transition activities are consistent with these policies and obligations and should consult with an attorney regarding their unique circumstances and their rights and obligations in the context of a potential transition to Cambridge.

***The following guidance is for general information purposes only and does not constitute legal advice. You should consult your attorney in order to ensure you understand and act in accordance with any rights and obligations you may have in connection with your transition.***

### Client Solicitation

Generally, your ability to solicit clients to move their accounts is governed by any contracts you may have with your current firm (collectively, your "representative agreements"). You should carefully review the terms of your representative agreements and consult legal counsel to help you understand your rights and obligations thereunder in the context of your specific situation and applicable state law. You are responsible for complying with the enforceable terms of your representative agreements.

If your representative agreements prohibit you from soliciting clients or impose other restrictions on your activities you are not necessarily precluded from moving your clients to another firm. The scope of such restrictions differs from contract to contract, and the interpretation and enforceability of such provisions varies by state.

For example, you may be permitted to solicit a subset of your clients (such as those you brought with you to the firm). Additionally, you may be permitted to accept an account from a client who proactively contacts you (without solicitation). You should consult legal counsel to determine the scope of the provisions and your ability to solicit certain clients or accept non-solicited accounts.

Even if your representative agreements do not specifically prohibit solicitation, they may contain contractual limitations on your right to retain client information or use it for a particular purpose. Thus, you should carefully review your representative agreements regarding any limitations on the retention or use of client information.

## Client Information

### What Information Can I Retain?

Your ability to retain client information is governed by your representative agreements and your current firm's privacy policy and other policies and procedures. For example, some companies restrict or prohibit the retention or use of "trade secrets" or "confidential information" as defined in agreements or internal policies, and such information may include client lists or other client information. Additionally, as set forth in further detail below, a firm's privacy policy may prohibit you from retaining client information if you leave the firm. Again, you are responsible for ensuring that your retention and use of client or other information is consistent with all policies, procedures, and contractual commitments to or of your current firm.

Some financial professionals store client information in CRM systems or other systems. The location in which you store client information typically will not impact whether you have the right to retain it if you leave your firm. You may only retain client information if you have the right to do so pursuant to your representative agreements and your firm's policies and procedures, regardless of the method by which it is kept.

### What Information Can I Use to Solicit Clients?

Similar to your ability to solicit clients or retain client information, the information you may use to solicit clients is governed by the terms of your representative agreements and your current firm's policies and procedures.

Generally, assuming you are permitted to solicit clients, you may use non-public personal information properly in your possession, as well as publicly available information (such as information available in phone directories, social media, or other publicly available sources) to solicit clients.

### Protocol for Broker Recruiting

As noted above, your ability to retain client information and to solicit clients is governed, in part, by your representative agreements. If your representative agreements restrict these activities, the Protocol for Broker Recruiting ("the Protocol") may provide an exception to these restrictions.

The Protocol was created to further clients' privacy and freedom of choice in connection with the movement of their financial professionals between firms. [Click here](#) to review the Protocol.

Cambridge is a member of the Protocol for Broker Recruiting. Generally, if your current firm is also a member of the Protocol, and you comply with the Protocol's terms, you may retain the Protocol Information (as detailed below) and use the Protocol Information to solicit your clients, even if your representative agreements restrict you from doing so.<sup>1</sup> [Click here](#) to review your firm's membership status.

If the Protocol applies to you and you comply with its terms<sup>2</sup>, you may be able to retain the following information:

1) client name, 2) address, 3) phone number, 4) email address, and 5) account title of the clients that you serviced while at the firm ("the Protocol Information"). Notwithstanding the foregoing, your ability to retain Protocol Information still may be limited by your firm's Protocol membership notice or your firm's privacy policy.

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<sup>1</sup>If your current firm has limited the application of the Protocol as part of its Protocol membership notice, the Protocol may not apply to your particular situation or different guidelines may apply.

<sup>2</sup>Terms of the Protocol include but are not limited to the following: (1) you may retain only the Protocol Information and are prohibited from taking any other documents or information; (2) your resignation must be in writing delivered to local branch management; and (3) your resignation shall include a copy of the Client Information you are taking, plus the account numbers for the clients serviced by you.

The Protocol may not apply to you, even if your current firm is a member. For example, if neither your representative agreements nor your current firm's policies restrict the information you may retain or your solicitation of clients, the Protocol will likely not apply.

You are responsible for determining whether the Protocol applies to your situation, and, if applicable, complying with its terms.

## Client Privacy

You should review your current firm's privacy policies and procedures as well as your representative agreements to determine your clients' privacy rights and your obligations with respect to the handling of client information. It's important to note that even if you are permitted to retain client information following your departure from your current firm, *you may not share such information with a third party without client permission.*

Notwithstanding the foregoing, generally, you may share non-personal client information with third parties unless your current firm's privacy policy, policies and procedures, or your representative agreements prohibit such sharing. Non-personal information includes aggregate information such as assets under management, general client demographics, or other information that is not personal to the client or that identifies the client.

You are responsible for confirming that you are authorized to share client information, personal or otherwise, with a third party.

### Sharing Information with Third Parties

The Securities and Exchange Commission's Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Information generally prohibits the disclosure of customer non-public personal information to a third party unless the customer receives proper notice and an opportunity to opt out of such sharing. Thus, prior to sharing your clients' information with a third party, you should ensure that you have your clients' permission to do so, either via your current firm's privacy policy or otherwise.

For example, if you choose to utilize Docupace to facilitate your transition to a new firm, you should obtain each client's consent prior to sharing the client's information with Docupace. If you join Cambridge, you should keep a log documenting all clients who have provided written or verbal consent to share their information, and should save all written communications indicating client consent. After you join Cambridge, you will be expected to provide a copy of the log to Cambridge within one hundred twenty (120) days of joining.

### Sharing Information with Cambridge

You should not share personal client information with Cambridge prior to joining Cambridge. After you join Cambridge, you should only share personal client information with Cambridge if the client has consented to the sharing of their information with Cambridge. Subject to any contractual restrictions in your representative agreements, if your firm's privacy policy explicitly allows the firm to share information with you and your new firm in the event of your departure, you should be able to share your client's information with Cambridge once you become affiliated with Cambridge.<sup>3</sup> If your firm's privacy policy states that it does not share information with non-affiliated third parties (or does not explicitly allow information to be shared with your new firm), you may not retain client information or share it with Cambridge at any time, unless you have client consent to do so.

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<sup>3</sup>Depending on where the clients reside, they may have the right to opt-out of such sharing or have the right to affirmatively opt-in to such sharing. It is your responsibility to ensure that you have a record of clients who have opted-out (or, as applicable, failed to opt-in) to sharing, and that you do not improperly retain their personal client information or share it with Cambridge without their express permission.

Cambridge will accept aggregate account information designed to assist us with developing an appropriate transition plan. For example, Cambridge may request information regarding the number and types of accounts, general client make-up, assets under management or advisement, and other information. However, such aggregate information should not include personal client information.

### Activities Prior to Departing Your Firm

Your obligations to your current firm may vary depending on your representative agreements, your relationship with the firm, and applicable law. You should consult with your attorney to ensure you understand and comply with any obligations you may owe your current firm.

If you are associated with an independent firm (i.e., you are an independent contractor), you should review your representative agreements and your firm's policies and procedures to determine whether the firm considers the clients to be yours and allows you to freely solicit and service clients if you leave. In cases where you can confirm your right to continue to solicit and service clients if you leave the firm, you may be free to discuss with your clients moving to another firm and/or seek permission to share their information with Docupace (or a similar provider) prior to departing your current firm. However, you should not share client personal information with Cambridge prior to joining Cambridge.

If you are a W-2 employee of a firm, you should be careful to honor any duty of loyalty you may owe your employer unless or until you leave, and not engage in any form of "unfair competition." Generally, employees are entitled to "prepare to compete" but cannot actually compete against their employer while they remain employed. For example, you may be entitled to make plans for what you will do as soon as you depart your firm. However, you should not solicit your clients to leave, retain information you are not entitled to (emailing yourself client information for example), hold or otherwise delay business or transactions, or otherwise overtly act against the interest of your employer prior to terminating employment with the firm. The "unfair competition" and "employee duty" laws and their interpretations differ from state to state. However, to ensure you are not violating your clients' privacy rights or your obligations to your employer, you should generally not use Docupace or a similar third-party system, or otherwise share personal client information with any third party, while you remain associated with your firm.

Regardless of your relationship with or obligations to your current firm or clients, consistent with applicable regulatory standards, information you provide clients and prospective clients should be complete, accurate, and not misleading.

### Activities After Departing Your Firm and Joining Cambridge

Subject to your representative agreements and any other obligations you may owe your current firm, once you join Cambridge, you can share client information with Cambridge, as long as the client has consented to such sharing. You may also use any information you are allowed to have in your possession to complete Cambridge account paperwork.



For questions, contact your Business Development Director.

**1776 Pleasant Plain Road | Fairfield, Iowa 52556 | 877-688-2369**

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