

## SEC RISK ALERT SUMMARY CHECKLIST - REG BI AND FORM CRS

### DISCLOSURE OBLIGATION (BROKER-DEALER)

<b>Requirements</b>	<p>The Disclosure Obligation requires a Broker-Dealer, prior to or at the time of making a recommendation, to provide a retail customer, in writing, full and fair disclosure of:</p> <ul style="list-style-type: none"> <li>all material facts relating to the scope and terms of the relationship with the retail customer; and</li> <li>all material facts relating to conflicts of interest that are associated with the recommendation.</li> </ul>
<b>Examination Assessment Focus</b>	<p>How the Broker-Dealer met the requirement to disclose material facts relating to the scope and terms of the relationship, including:</p> <ul style="list-style-type: none"> <li>the capacity in which a recommendation is being made;</li> <li>material fees and costs associated with transactions, holdings, and accounts; and</li> <li>material limitations on the securities/investment strategies that may be recommended.</li> </ul>
<b>Records to be Maintained</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Schedule of fees and charges</li> <li><input type="checkbox"/> Disclosures of fees and charges, including those regarding the fees/costs related to services and investments that the retail customer will directly and indirectly incur</li> <li><input type="checkbox"/> Compensation methods for registered representatives</li> <li><input type="checkbox"/> Compensation associated with recommendations</li> <li><input type="checkbox"/> Sources and types of compensation (e.g., fees, expenses)</li> <li><input type="checkbox"/> Related conflicts (e.g., proprietary products, shelf space)</li> <li><input type="checkbox"/> Disclosures relating to account monitoring</li> <li><input type="checkbox"/> Disclosures on material limitations of account(s) or services</li> <li><input type="checkbox"/> List of proprietary products sold to retail customers</li> </ul>

### CARE OBLIGATION (BROKER-DEALER)

<b>Requirements</b>	<p>The Care Obligation requires a Broker-Dealer to exercise reasonable diligence, care, and skill when making a recommendation to a retail customer. The Broker-Dealer must understand potential risks, rewards, and costs associated with the recommendation. The Broker-Dealer must then consider these factors in light of the retail customer's investment profile and make a recommendation that is in the retail customer's best interest.</p>
<b>Examination Assessment Focus</b>	<ul style="list-style-type: none"> <li>Broker-Dealer policies and procedures</li> <li>Broker-Dealer books and records</li> </ul>
<b>Records to be Maintained</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Information collected from retail customer to develop an investment profile (e.g., forms, correspondence, agreements)</li> <li><input type="checkbox"/> Broker-Dealer processes and procedures relating to the review and approval that investment recommendations are in the retail customer's best interest</li> <li><input type="checkbox"/> Processes for establishing, understanding, and implementing the scope of reasonably available alternatives</li> <li><input type="checkbox"/> Broker-Dealer's processes or procedures relating to factors the Broker-Dealer considers in assessing the potential risks, rewards and costs of recommendations</li> <li><input type="checkbox"/> Any process or procedure designed to ensure financial professionals do not place the financial or other interest of the Broker-Dealer or financial professional ahead of the interest of the retail customer</li> <li><input type="checkbox"/> Processes relating to "significant" investment decisions (e.g., rollovers, account recommendations)</li> <li><input type="checkbox"/> Procedures relating to how the Broker-Dealer has a reasonable basis to believe such investment strategies are in the retail customer's best interest</li> <li><input type="checkbox"/> Processes and procedures relating to recommendations relating to complex products</li> <li><input type="checkbox"/> Processes and procedures relating to the review and approval that recommendations of complex products are in the retail customer's best interest</li> </ul>

## CONFLICT OF INTEREST OBLIGATION (BROKER-DEALER)

<b>Requirements</b>	The Conflict of Interest Obligation requires a Broker-Dealer to establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with its recommendations to retail customers.
<b>Examination Assessment Focus</b>	<ul style="list-style-type: none"> <li>• Broker-Dealer policies and procedures</li> </ul>
<b>Records to be Maintained</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Policies and procedures relating to conflicts that create an incentive for a financial professional to place its interest or the interest of the Broker-Dealer or investment adviser ahead of the interest of the retail customer</li> <li><input type="checkbox"/> Policies and procedures relating to any material limitations (e.g., limited product menu, third-party arrangements) on securities or strategies that may be recommended to a retail customer</li> <li><input type="checkbox"/> Broker-Dealer's policies and procedures relating to the elimination of the following practices which would be based on the sale of specific securities or types of securities within a limited period of time: <ul style="list-style-type: none"> <li><input type="checkbox"/> sales contests</li> <li><input type="checkbox"/> sales quotas</li> <li><input type="checkbox"/> bonuses</li> </ul> </li> <li><input type="checkbox"/> Non-cash compensation</li> <li><input type="checkbox"/> Policies and procedures establishing a structure for identifying any conflicts that the Broker-Dealer or its associated persons may face</li> <li><input type="checkbox"/> Documentation identifying all conflicts associated with recommendations</li> <li><input type="checkbox"/> Policies and procedures that recreate a structure to identify and assess conflicts in the Broker-Dealer's business as it evolves</li> <li><input type="checkbox"/> Policies and procedures relating to the disclosure of conflicts and what conflicts are disclosed</li> <li><input type="checkbox"/> Policies and procedures reasonably designed to mitigate or eliminate conflicts, and what conflicts are mitigated or eliminated</li> </ul>

## COMPLIANCE OBLIGATION (BROKER-DEALER)

<b>Requirements</b>	The Compliance Obligation requires a Broker-Dealer to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest as a whole.
<b>Examination Assessment Focus</b>	<ul style="list-style-type: none"> <li>• Broker-Dealer policies and procedures</li> <li>• Training and continuing education</li> <li>• Rule 3120</li> <li>• Compliance and supervisory program reviews &amp; testing</li> </ul>
<b>Records to be Maintained</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Policies and procedures relating to Reg BI</li> <li><input type="checkbox"/> Documentation relating to the evaluation of any controls relating to Reg BI</li> <li><input type="checkbox"/> Evidence of remediation of noncompliance of any policies or procedures relating to Reg BI</li> <li><input type="checkbox"/> Documentation and evidence of any training provided to associated persons relating to Reg BI</li> <li><input type="checkbox"/> Documentation evidencing any periodic reviews and testing performed as part of the Broker-Dealer's policies and procedures</li> </ul>

## FORM CRS (BROKER-DEALER AND INVESTMENT ADVISER)

<b>Requirements</b>	<p>Form CRS requires firms to deliver to retail investors a client relationship summary that provides information about the firm. Firms can satisfy the initial delivery requirement with respect to their existing retail investor clients or customers by including Form CRS with the mailing of their June 2020 quarterly account statements. Firms must file their relationship summaries with the SEC, through either the Investment Adviser Registration Depository (“IARD”) for Investment Advisers and dual registrants, or, the Central Registration Depository (“Web CRD®”) system for Broker-Dealers. Firms must also post their Form CRS on their website by June 30, 2020.</p> <p>The initial delivery must be made to retail investors by July 30, 2020. After July 30, 2020 delivery must be made on or before the time of the opening of a new account, entering a new advisory agreement, placing an order (Broker-Dealers only), a recommendation of a rollover, and/or a recommendation of a new brokerage or advisory service or strategy.</p>
<b>Examination Assessment Focus</b>	<p>Initial examinations of firms with retail investors conducted after June 30, 2020 may include an assessment relating to Form CRS. See below for examples of the areas the SEC may focus on during examinations. Examinations will also focus on information contained within Form CRS to ensure it is truthful and accurate, and formatted properly.</p>
<b>Records to be Maintained</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Documentation evidencing the review and filing, including any amendments, with the Commission</li> <li><input type="checkbox"/> Documentation evidencing the publishing of Form CRS on the Firm’s website</li> <li><input type="checkbox"/> Policies and procedures relating to the process for delivery of Form CRS to existing and new retail investors</li> <li><input type="checkbox"/> Policies and procedures that address the required delivery process and requirements</li> <li><input type="checkbox"/> Evidence of the delivery (including dates of delivery) of Form CRS being provided to retail investors</li> <li><input type="checkbox"/> Policies and procedures relating to the review, updating and filing of Form CRS, including how the Firm highlights changes to retail investors</li> <li><input type="checkbox"/> Policies and procedures relating to the creation and maintenance of books and records that evidence compliance with applicable delivery and recordkeeping requirements</li> </ul>

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