

This Month's Resource

Next Steps for Form CRS Compliance by June 30th (SEC FIRMS ONLY)

Last week, SEC Chairman Jay Clayton announced that Regulation Best Interest for brokers and the client relationship summary disclosure document, known as Form CRS, must be implemented by the original compliance deadline, June 30th, despite dislocations firms may be going through as a result of the COVID-19 pandemic. Clayton said the SEC expects firms to “make good faith efforts” to comply by June 30, 2020. On Tuesday, the agency released two risk alerts to offer more detail on examinations that will commence during the first year of the new rules going into force.

The [Reg BI Risk Alert](#) says the SEC Office of Compliance Inspections and Examinations will evaluate whether firms have “made reasonable progress in implementing those policies and procedures.” The [Form CRS Risk Alert](#) also emphasizes that OCIE is looking for a “good faith effort” on implementation.

Below are CRP's *Next Steps* in assisting with your Firm's implementation of the Rule by June 30th...

MAY/JUNE: WORK WITH CRP TO DRAFT AND FINALIZE YOUR FIRM'S FORM CRS

- ☑ Complete attached “FORM CRS Checklist” and return to your CRP Partner to begin
- ☑ Before June 15, 2020 – Work with your Partner at CRP to finalize your Firm's Form CRS (June 15th is CRP's internal deadline for clients to ensure compliance with the June 30th implementation deadline)
- ☑ CRP will DRAFT your Firm's Form CRS and work with you directly to finalize your firm's document
- ☑ CRP will file Form CRS (Part 3) on IARD/Firm Gateway by June 30th Deadline

JUNE: UPDATE FIRM'S POLICIES AND PROCEDURES & TRAIN YOUR EMPLOYEES

- ☑ CRP will provide SAMPLE language for your firm's Compliance Manual for Reg BI
- ☑ CRP will provide a SAMPLE “Training Memo” to assist in IAR educating and training of the new Rule

JULY:

DELIVER COPY OF FORM CRS TO CLIENTS BY JULY 30TH

- ☑ *Initial delivery of Form CRS to existing clients* must be made 30 days after the filing deadline (July 30th)
 - CRP will provide SAMPLE Cover letter language explaining the new Rule and reason for delivery of this new disclosure document.
- ☑ *Ongoing delivery of Firm CRS to new Clients* must be made upon entering into an investment advisory contract annually along with Part 2A Brochure material changes and if material updates trigger more prompt delivery of the document.
- ☑ As stated in the Rule- *FORM CRS be placed on top of your firm's disclosure packet meaning this will be in front of the Part 2A Brochure and 2B Supplements* when delivered electronically or hard copy to clients.

MUST BE POSTED TO FIRM'S WEBSITE

- ☑ FORM CRS is required to be posted prominently on the firm's public website, *if you maintain one*.
- ☑ Location and format of the posting should be easily accessible to retail investors and provide a means of facilitating access to any information that is referenced in Form CRS (e.g., hyperlinks to fee schedules, conflicts disclosures, the firm's narrative brochure or other regulatory disclosures). If Form CRS is delivered in paper format, firms may include URL addresses, QR codes, or other means of facilitating access to such information.

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ONGOING: UPDATE ANNUALLY OR AS NEEDED & MAINTAIN BOOKS AND RECORDS

UPDATES:

- Ensure your Form CRS is reflecting the most current and accurate information. Firms must update and file it's the Form CRS within 30 days after any information becomes materially inaccurate. **NOTE: Part 2A and Form CRS must maintain consistency in disclosure language.**
- Firms must communicate any changes in the updated Form CRS to existing clients within 60 days after the updates are required to be made.

BOOKS & RECORDS:

- Keep a *record of dates that Form CRS was given to a client or prospective client* who subsequently becomes a client.
- *Retain copies of each Form CRS* and each amendment.
- SEC does note firms may want to preserve any *scripts* (for conversation starters) for compliance purposes even if not required to be retained under existing recordkeeping requirements.

Because of the additional consulting time involved, this service will be billed as an additional fee from our base monthly retainer. The fee for this service (includes consulting time for drafting and customizing Form CRS, filing Form CRS, providing Policies and Procedures language and sample training memo for IARs) will be billed on the July 1st CRP Invoice. The additional fee ranges from \$1,250.00 to \$2,500.00 depending on the complexity of your services, fee structures and disciplinary.