

Regulation Best Interest

SEC Adopts Best Interest Standard of Conduct

Summary

This *Notice* reminds members of the Securities and Exchange Commission's (SEC's) adoption of a best interest standard of conduct for broker-dealers and a relationship summary (Form CRS) delivery obligation, and provides an SEC email address where members may submit questions about the new requirements. As more fully described below, the SEC encourages firms to actively engage with SEC staff as early as possible as questions arise when planning for implementation. Firms may send their questions by email to IABDQuestions@sec.gov. FINRA also will assist members in their implementation of the best interest standard in various ways.

Questions concerning this *Notice* may be directed to:

- ▶ James S. Wrona, Vice President and Associate General Counsel, Office of General Counsel (OGC), at (202) 728-8270 or jim.wrona@finra.org;
- ▶ Meredith Cordisco, Associate General Counsel, OGC, at (202) 728-8018 or meredith.cordisco@finra.org;
- ▶ Joseph P. Savage, Vice President and Counsel, Office of Regulatory Analysis, at (240) 386-4534 or joe.savage@finra.org; or
- ▶ Angela C. Goelzer, Vice President and Counsel, Office of Regulatory Analysis, at (202) 728-8120 or angela.goelzer@finra.org.

Discussion

On June 5, 2019, the SEC adopted Regulation Best Interest (Reg BI) under the Securities Exchange Act of 1934.¹ Reg BI establishes a “best interest” standard of conduct for broker-dealers and associated persons when they make a recommendation to a retail customer of any securities transaction or investment strategy involving securities, including recommendations of types of accounts.

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Notice Type

- ▶ Guidance

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Senior Management

Key Topics

- ▶ Best Interest Standard of Conduct

Referenced Rules

- ▶ Form CRS
- ▶ Investment Advisers Act of 1940
- ▶ Regulation Best Interest
- ▶ Securities Exchange Act of 1934

The SEC also adopted new rules and forms to require broker-dealers and investment advisers to provide a brief relationship summary (Form CRS) to retail investors.² In addition, the SEC published interpretations concerning investment advisers' standard of conduct under the Investment Advisers Act of 1940 (Advisers Act),³ and the "solely incidental" prong of the broker-dealer exclusion from the Advisers Act.⁴

The Advisers Act releases were effective on July 12, 2019. Firms must comply with Reg BI and Form CRS by **June 30, 2020**. See the following SEC resources for details:

- ▶ [SEC Release for Regulation Best Interest: The Broker-Dealer Standard of Conduct](#)
- ▶ [SEC Release for Form CRS Relationship Summary; Amendments to Form ADV](#)
- ▶ [Form CRS Instructions](#)
- ▶ [Commission Interpretation Regarding Standard of Conduct for Investment Advisers](#)
- ▶ [Commission Interpretation Regarding the Solely Incidental Prong of the Broker-Dealer Exclusion from the Definition of Investment Adviser](#)

Questions Concerning Reg BI, Form CRS and the Advisers Act Releases

A staff committee with representatives from the SEC's Division of Investment Management, Division of Trading and Markets, Division of Economic and Risk Analysis, Office of Compliance Inspections and Examinations and Office of the General Counsel was established to assist firms with planning for implementation of the new rules. Firms were encouraged to actively engage with this committee as questions arise in planning for implementation. As noted above, firms may send their questions by email to IABDQuestions@sec.gov.

FINRA Assistance to Firms

FINRA has created a [webpage](#) for Reg BI where members can obtain information about the new rules. FINRA will produce written and online content to assist firms, as appropriate. Moreover, FINRA plans to hold in-person meetings and workshops to assist firms with their implementation efforts. FINRA will announce these initiatives through various communication channels, including website announcements and emails to firms.

Endnotes

1. See Exchange Act Release No. 86031 (June 5, 2019), 84 FR 33318 (July 12, 2019).
2. See Exchange Act Release No. 86032 (June 5, 2019), 84 FR 33492 (July 12, 2019).
3. See Investment Advisers Act Release No. 5248 (June 5, 2019), 84 FR 33669 (July 12, 2019).
4. See Investment Advisers Act Release No. 5249 (June 5, 2019), 84 FR 33681 (July 12, 2019).