



# Reg BI: Five things to do today

SEC Regulation Best Interest has far-reaching operational implications—and firms need to move fast. Here are five things you should do now to streamline compliance and capitalize on this regulatory change.

## 1. UNDERSTAND YOUR OBLIGATIONS.

Reg BI includes four key obligations. The Customer Relationship Summary form (“Form CRS”) adds a fifth. Firms must comply by June 30, 2020.



**Duty of Care Obligation** — Broker-dealers must have a reasonable basis to believe a recommendation is in the best interest of the investor and are also prohibited from putting their own financial interests ahead of the interests of their retail customers.



**Conflict of Interest Obligation** — Firms must establish, maintain and enforce written policies and procedures that identify, disclose or eliminate material conflicts of interest associated with recommendations to clients.



**Compliance Obligation** — In addition to the policies and procedures required by the Conflict of Interest obligation, firms must establish, maintain and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI.



**Disclosure Obligation** — Prior to or at the time of the recommendation, broker-dealers must provide retail customers with full and fair written disclosure of all material facts relating to the scope and terms of the relationship with the retail customer, including conflicts of interest. This is separate from Form CRS.

The disclosure must stipulate the following:

- Type of capacity in which the broker-dealer is acting
- Material fees and costs customers will incur
- Type and scope of services the broker-dealer will provide, including any material limitations on the securities or products recommended (e.g., limited product shelf or proprietary products only)



**Form CRS:** The Customer Relationship Summary must be provided to all clients and prospects, and must provide descriptions of:

- The services the firm offers to the client
- The kind of relationship the client has with the firm
- The standards of conduct that apply to the firm
- The principal fees and costs the investor will incur and references to more information
- Examples of ways the firm makes money
- Conflicts of interest
- Where customers and prospects can find additional information
- Questions for retail investors to ask the firm



## Together, we can define best practices.

Don't try to reinvent the wheel. Build on what others in the industry are doing. For example, FINRA recently published a handy Reg BI checklist that can help you think through the key elements of Reg BI compliance.

### 2. MAP YOUR TOUCHPOINTS.

Form CRS will represent your first tangible evidence of compliance. With a compliance date of June 30, 2020, executing it requires actions and integrations across all your operations. Be sure to identify every potential use case as you tackle the first key steps:

- Design your Form CRS.
- Deliver to existing customers, prospects and new customers.
- Define your triggers for:
  - Updates to disclosures;
  - Account changes that require delivery of an updated form.
- Determine your tracking requirements.
- Select your archival and storage strategy.
- Put your supervisory structure in place.

### 3. OPTIMIZE DATA MANAGEMENT PRACTICES.

Compliance will be assessed at the firm level. That means you'll need to take an enterprise-wide view to manage all aspects of Reg BI, now and in the future. Focus on integration, visibility, agility and enrichment as you work to aggregate and consolidate relevant data across your enterprise.

- Treat Reg BI as an opportunity to review your technology infrastructure.
- Consider ways data management and suppression technologies can reduce your costs of compliance and enable you to deliver a better customer experience.
- Explore innovations like Machine Learning and AI—they could help drive greater efficiency and help you gain a competitive edge.

### 4. DEFINE YOUR "BEST INTEREST" GUIDELINES.

Unlike the now-defunct DOL rule, Reg BI is not prescriptive. Firms need to establish their own guideposts for compliance.

- Go beyond investor costs and think about other relevant criteria that might impact recommendations.
- Review and assess compensation structures.
- Create procedures for how your firm will document best-interest analyses when making recommendations.
- Stipulate internal guidance for communicating best-interest analyses to clients.

### 5. CHOOSE A PARTNER YOU CAN TRUST.

Delivery of Form CRS to your existing retail customers is only the beginning. Plan on updates and ongoing requirements for distribution. You must prep for on-demand and asynchronous execution along with other regulatory actions and challenges that may impact compliance. Think long term as you act in the short term. Keep your finger on the pulse of regulatory changes and trends.

#### Broadridge gets you ready.

Our Consulting team brings the hands-on expertise you need to create and distribute Form CRS and implement the Reg BI solutions that best meet your needs. From operations and communications to data and technology, we'll help you turn compliance into a competitive advantage.

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**Ready to act?** Visit [broadridge.com](http://broadridge.com) or contact: Tim Slavin, Senior VP of Retirement at [timothy.slavin@broadridge.com](mailto:timothy.slavin@broadridge.com) or Jean Reilly, Vice President, Practice Lead for Broadridge Consulting Services at [jean.reilly@broadridge.com](mailto:jean.reilly@broadridge.com).

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