

Form CRS



Helping You Understand the Financial Professional Relationship

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HAVE YOU RECEIVED what's known as "Form CRS" from your broker-dealer and/or registered investment advisor? If not, then sometime in July 2020, you likely will. A new requirement by the Securities and Exchange Commission (SEC), the form is designed to help you clearly understand the nature and cost of services you receive from your financial professional. You do not need to take any action with the form; it is distributed purely for informational purposes.

WHY AM I RECEIVING FORM CRS?

On June 5, 2019, the Securities and Exchange Commission (SEC) approved new regulations governing how broker-dealers and investment advisory firms work with "retail" investors (i.e., individuals who engage with a financial firm primarily for their own or their families' purposes). According to the SEC, the regulations are "designed to enhance the quality and transparency of retail investors' relationships with investment advisers and broker-dealers, bringing the legal requirements and mandated disclosures in line with reasonable investor expectations, while preserving access (in terms of choice and cost) to a variety of investment services and products."

Among the new rules was the requirement for SEC-registered broker-dealers and investment advisers to begin sending out a relationship summary document that is intended to help investors decide whether to (1) establish a relationship with the firm, (2) engage a particular firm or individual, or (3) terminate or switch a relationship or service.

The regulation states that Form CRS should be delivered to an organization's investors within 30 days of its filing with the SEC, as well as:

- At pre-sale/point-of-sale (prior to, or at the same as, a recommendation)
- For subsequent material changes to the language in Form CRS for existing accounts
- For certain account changes, such as an IRA rollover

The SEC requires the relationship summary to be concise and written in easily understandable terms.

The form must also be posted on the organization's website.

WHAT IS FORM CRS?

The SEC requires the relationship summary to be concise — no more than two to four pages, depending on the nature of the relationship — and written in easily understandable terms. Some firms may choose to send out two separate forms, one each for a broker-dealer and investment adviser relationship, if they are “dual registrants.”

Each form must provide information about certain topics organized in the following sections:

Introduction: This section includes the firm's name, whether it is registered with the SEC as a broker-dealer, an investment adviser, or both, and the date of the relationship summary.

Relationships and Services: Under the heading, “What investment services and advice can you provide me?” this section will detail the types of services offered — brokerage, investment advisory, or both — and will summarize the principal services, accounts, or investments offered as well as any material limitations on such offerings. You may also find references or links to other helpful information.

Fees, Costs, Conflicts, and Standard of Conduct: In this section, which begins with the heading, “What fees will I pay?” you will learn about the fees and costs for your brokerage or investment advisory relationship, as well as when such fees are assessed. These might include transaction-based fees, asset-based fees, and fixed fees. You can also find details about other fees, including account maintenance fees and costs associated with mutual fund or annuity investing. This section also provides details about the legal obligations of the financial professionals as well as the standards of conduct under which they operate. You will also find information about how the financial professionals make money and examples of any potential conflicts of interest.

Disciplinary History: Here you will find any legal or disciplinary information the firm is required to disclose. You will also find a link to a tool that will help you research the firm on your own.

Additional Information: In this section, you'll find contact details for up-to-date information and to request a copy of the relationship summary.

Form CRS will also help you learn about key questions to ask your financial professional, how to find more information about investing, and how to contact the SEC.

FOR MORE INFORMATION

The SEC has created a website designed to help you learn more about Form CRS, which includes a video introduction by Jay Clayton, chairman of the SEC. For more information, visit investor.gov/home/welcome-investor-gov-crs.

IMPORTANT DISCLOSURES

The information included in this document is for general, informational purposes only. It does not contain any investment advice and does not address any individual facts and circumstances. As such, it cannot be relied on as providing any investment advice. If you would like investment advice regarding your specific facts and circumstances, please contact a qualified financial advisor.

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