

The Road to Reg BI:

THE 4 COMPONENTS OF REG BI

The SEC's Regulation Best Interest (Reg BI), which becomes effective on June 30, 2020, imposes a new standard for brokerage accounts, beyond existing suitability obligations.

There are four key components of Reg BI:



Duty of Care

You must act in the best interest of the retail customer when making a recommendation in a brokerage account without placing your financial or other interests ahead of the customer.



Disclosure

Broker/dealers and RIAs are required to deliver a two- to four-page Customer Relationship Summary (Form CRS) to new and existing advisory and brokerage customers. Broker/dealers also will need to deliver a new disclosure similar to Form ADV that discloses services, fees, compensation, and conflicts. In addition, brokerage-only representatives will no longer be able to use the term financial "advisor" in DBA names, titles, and marketing materials.



Conflict of Interest

Firms are required to identify, mitigate, eliminate, and/or disclose conflicts of interest.



Compliance

Firms must establish, maintain, and enforce written policies and procedures to achieve compliance with Reg BI.