



YOUR BEST Interest?

Ever wonder in whose best interest your broker is working? Have you found yourself pondering what potential conflicts of interest there may be? In June of 2019 the Securities Exchange Commission (SEC) decided to mandate disclosures around these very issues by creating Regulation Best Interest (Reg BI) with mandatory implementation effective June 30, 2020. Let's briefly review what Reg BI is and why you, as an investor, should care.

First, let's begin by reviewing how financial professionals have typically been classified prior to Reg BI.

Over time, both "Brokers" and "Financial Advisers" were often referred to as "Financial Advisors" which often became very confusing for the investing client to know in which capacity they were being served. Although as a client you can be well-served by either a Broker or a Financial Adviser, it is important to understand whether you were being offered an investment that was suitable at the time of purchase or whether you were paying primarily for the advice of a fiduciary who by definition is

supposed to be putting your best interest ahead of their own on an ongoing basis.

Reg BI requires that when making a recommendation of a securities transaction or investment strategy to a retail customer, a broker must act in the retail customer's best interest without placing his/her own interests ahead of the customer's. This is referred to as the "General Obligation." The General Obligation is satisfied only if the broker complies with the following four obligations:

■ **THE DISCLOSURE OBLIGATION:** providing certain prescribed disclosures before or at the time of the recommendation about the

COMMONLY KNOWN AS:	STANDARD HELD TO:	ADVICE TO CLIENT IS:
"Broker"	Suitability Standard	Tangential to Relationship
"Financial Adviser"	Fiduciary	Primary Service Provided

recommendation and the relationship between the retail customer and the broker;

■ **THE CARE OBLIGATION:** exercising reasonable diligence, care, and skill in making the recommendation;

■ **THE CONFLICT OF INTEREST OBLIGATION:** establishing, maintaining, and enforcing policies and procedures reasonably designed to address conflicts of interest; and

■ **THE COMPLIANCE OBLIGATION:** establishing, maintaining, and enforcing policies and procedures reasonably designed to achieve compliance with Reg BI.

Brokers and Financial Advisers have different licensing requirements and are both highly regulated. In addition, it is not uncommon for a Financial Advisor to be licensed to operate in either capacity depending on what might be more applicable to you, the client. (Our firm is set up this way.) Reg BI should help clarify the responsibilities of the financial Advisor as well as of you, the client. In our opinion, this is a critical benefit.

An additional important benefit to you is that Reg BI will require that you are provided a written disclosure of potential conflicts of interest. This disclosure is known as the Client Relationship Summary (aka Form CRS). If you ever wondered whether there might be an additional incentive to your Financial Advisor to recommend a certain financial product or service, thanks to Reg BI you should now know.

Although some in the industry may complain about yet an additional regulatory requirement in an already burdensome environment, we welcome the clarity that this exercise should bring. Contact your Financial Advisor today and ask for their Form CRS, review it, then call to discuss it. If you don't like what you hear, call us!

This material is intended for informational purposes only and should not be construed as legal or tax advice and is not intended to replace the advice of a qualified attorney, tax advisor, or plan provider.

FILE# 3132881.1

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File #0709-2018