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SEC releases guide to help you tackle new Form CRS

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You may be alarmed when you think it took the SEC 178 pages in its [Form CRS rule](#) to help you produce a new two-page disclosure document ([IA Watch](#), June 13, 2019). Now the SEC has released [an online guide](#) – which runs several pages – that aims at the same purpose.

“It’s a fairly straightforward road map on how to prepare and what your obligations are” with new [Form CRS](#), says **Richard Kerr**, a Boston-based partner at **K&L Gates**.

The new guide largely reiterates what came out of those 178 pages in June. It reminds that new Form CRS – aka Form ADV, Part 3 for investment advisers – can be filed with the Commission beginning next May but is required to be uploaded to the SEC by June 30, 2020.

The guide alerts that the new disclosure won’t eliminate your other disclosures, such as the Form ADV brochure. The new form need only go to retail clients, must be limited to two pages (four pages for dual registrants), should be “concise and direct” and follow required formatting.

“Firms are prohibited from including disclosures in the relationship summary other than the disclosure that is required or permitted by the instructions and applicable items,” the new guide reads.

Write in plain English

The writing must be in plain English, and the new guide refers readers to the agency’s *Plain English Handbook*. We’ve also shared in the past guidance for writing in plain English ([IA Watch](#), Aug. 9, 2010 and [IA Watch](#), Oct. 4, 2010).

The new guide encourages readers to do several things, such as nudging dual registrants to prepare a single Form CRS for both their IA and B-D businesses. Same thing for affiliates. “You are encouraged but not required to use electronic and graphical formatting,” the guide continues.

“It’s repetitive but not in a bad way,” says **Michael Renetzky**, a partner with **Locke Lord** in Chicago of the new SEC guide compared with the June rule.

The guide drills down into delivery. Mark July 30 on your calendar. That’s the deadline for delivering your first Form CRS to your existing retail clients, according to the guidance. New investors after next June would have to be given the form “before or at the time the firm enters into an investment advisory contract,” the guide reads.

Should your investment advisory agreement include the client’s acknowledgement of having received your Form ADV brochure, you may wish to revise the contract to add Form ADV, Part 3, as well, advises Renetzky. He also recommends that even advisers that serve institutional clients probe whether their rosters include any retail clients ahead of the Form CRS delivery deadline.

“Broker-dealers must deliver a relationship summary to each retail investor, before or at the earliest of (i) a recommendation of an account type, a securities transaction, or an investment strategy involving securities; (ii) placing an order for the retail investor; or (iii) the opening of a brokerage account for the retail investor,” the guide states. Dual registrants must deliver the document at the earliest of either the IA or B-D requirements.

An ongoing responsibility

Delivery obligations continue when a client opens a new account, the adviser recommends a rollover or begins a new service outside of an existing account. Should a retail client request your Form CRS, you’d have to deliver it within 30 days.

The form should be updated within 30 days of becoming “materially inaccurate.” This would also trigger another delivery obligation, but you’d have a choice of passing on the entire new Form CRS or only the changes within a separate disclosure.

Your form should be “text-searchable” with “machine-readable headings,” the guide continues. The SEC suggests you could save money producing the form as a PDF “using bookmarks for the headings.”

“Start looking at it now when there’s not so much time pressure,” recommends Kerr. You could begin by listing your conflicts, producing a draft document and circulating it at your firm for feedback. Also “think about your delivery requirements and how you intend to meet them,” he adds.

The information contained herein was current as of the publication date.

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