

RIAs and Broker-Dealers Should Continue to Review and Refine their Relationship Summaries

August 4, 2020



On July 27, 2020, the SEC staff Standards of Conduct Implementation Committee (“Committee”) issued a statement regarding the new Form CRS (“Client Relationship Summary” or “relationship summary”) disclosures. The Committee is reviewing relationship summaries from a cross-section of registered investment advisors (“RIAs”) and broker-dealers to evaluate their compliance with the content and format requirements of Form CRS.

Firms had until June 30, 2020 to begin delivering their relationship summaries to new and prospective retail clients and customers, as well as to existing retail clients and customers. Firms were also required to file their relationship summaries with the SEC and post them on their public website, assuming they have one.

Results from the Committee’s initial review of firms’ relationship summaries

Generally, the relationship summaries reviewed so far demonstrate that firms have made an effort to meet the content and format requirements of Form CRS. The good news is that the Committee’s initial reviews have identified

satisfactory examples of simple and clear disclosures. The bad news is that the Committee also found relationship summaries that lacked certain disclosures or that could be clarified or otherwise improved.

The Committee stated that it will engage with firms to share best practices and provide feedback on their filings. Certain firms may need to consider ways to improve their relationship summaries. They will need to decide if they should amend them or make a broader change in their overall approach.

Along with encouraging firms to review and improve their Form CRS, the Committee urged RIAs and broker-dealers to keep familiarizing themselves with the document's requirements. To achieve those goals, firms should review the:

- Instructions to Form CRS;
- Form CRS Adopting Release;
- Frequently Asked Questions on Form CRS; and the
- Small Entity Compliance Guide.

The Committee's statement can be found [here](#).

The Committee also advised firms to review the risk alert published by the Office of Compliance Inspections and Examinations ("OCIE") on April 7, 2020.

What examiners will focus on during examinations of firms' Form CRS compliance

OCIE's April 7 risk alert discussed the planned scope and content of Form CRS compliance examinations. These initial examinations will focus on assessing whether firms have made a good faith effort to implement Form CRS, including:

- Whether the relationship summary was filed and delivered on time;
- Whether the content was complete and accurate;
- Whether the relationship summary was written in plain English and formatted in accordance with SEC instructions;
- Whether the firm implemented policies and procedures for updating the relationship summary when necessary; and
- Whether the firm's delivery records and recordkeeping policies and procedures are sufficient to evaluate its compliance with Form CRS rules.

The risk alert is available [here](#).

Takeaways

The Committee's statement sends the message that although firms have met the CRS filing deadline, they should consider whether their relationship summaries could be further enhanced. Upcoming examinations of RIAs and broker-dealers will evaluate whether firms have truly made a good faith effort to implement Form CRS, and whether they have put in place procedures to keep them updated.

As always, Foreside consultants are ready to help you improve your Form CRS, as well as develop applicable policies and procedures for your firm. The

SEC's Standards of Conduct Implementation Committee is planning to host a roundtable in the fall, during which SEC staff members will share additional comments regarding their review of firms' initial relationship summaries.

In addition, mark your calendar for September 22, 2020. Foreside speakers will discuss how you can use risk alerts and SEC guidance to improve your compliance program and policies and procedures. Stay tuned for further details.

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