

## SEC Approves its Regulation Best Interest and Other Proposals

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On June 5, 2019, the Securities and Exchange Commission voted to adopt its proposed regulations on the conduct of broker-dealers and investment advisers, including Regulation Best Interest, Form CRS, and two interpretations of the Investment Advisers Act of 1940 concerning the fiduciary duty of investment advisers and when recommendations of broker / dealers are considered “solely incidental” to their primary duties.

Regulation Best Interest and the requirement of Form CRS will become effective 60 days after the rules are published in the Federal Register. There will be a transition period lasting until June 30, 2020, for firms to fully comply. The interpretations of the Advisers Act will become effective as soon as they are published.

On April 18, 2018, the SEC issued proposed Regulations addressing three areas: (1) Regulation Best Interest, which provides standards of conduct of broker-dealers, (2) disclosure requirements on broker-dealers and investment advisers through the Form CRS Relationship Summary, and (3) interpretations of the Investment Advisers Act of 1940, clarifying the fiduciary standard of conduct for investment advisers. In response to comments and feedback on the proposed Regulations, the SEC added and adopted a fourth piece that provides an interpretation of the “solely incidental” prong of the broker-dealer exclusion under the Advisers Act.

After the final Regulations are published in the Federal Register, we will have more information on exactly how the final Regulations differ from the proposed and how the Regulations can be implemented.

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