



## Special Alert

April 10, 2020

# OCIE Risk Alerts: Have You Implemented Regulation BI and Form CRS?



In an April 7, 2020 [press release](#), the SEC Office of Inspections and Examinations (OCIE) issued two risk alerts. The first, involving examinations, focuses on compliance with Regulation Best Interest, and the second focuses on compliance with Form CRS. OCIE has released these two risk alerts to give investment advisers and broker-dealers advance notice as to what they can expect, in terms of scope and substance, during initial exams for compliance with the two initiatives. The key takeaway from these risk alerts is that during the initial examination period, OCIE will be looking to see whether firms have made a good faith effort and taken reasonable steps to implement Regulation Best Interest and Form CRS, as applicable. In conducting examinations, OCIE will take into account disruptions caused by the coronavirus and COVID-19 on a firm-specific basis.

The risk alerts provide a useful summary of some of the major aspects of compliance OCIE will be looking at when conducting initial examinations, which are expected to take place within the first year following implementation. Promulgated under the Exchange Act, Regulation Best Interest requires broker-dealers and any associated persons to act in the best interest of retail investor clients while providing financial services, and not place its own interests ahead of the retail investor client. To meet this standard, broker-dealers must comply with four basic requirements: a disclosure obligation, a care obligation, a conflict of interest obligation, and a compliance obligation. Form CRS, enacted under both the Exchange Act and the Advisers

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Act, requires investment advisers and broker-dealers to create and file a concise customer relationship summary (Form CRS), which provides information about the firm. Investment advisers and broker-dealers must also post the relationship summary on the firms' public website and make delivery to each of its retail investor clients. The delivery requirement entails the following: an initial delivery to all retail investor clients by July 30, 2020; delivery to all "new" retail investor clients beginning July 1, 2020; delivery to individual retail investor clients upon the occurrence of specific events related to that retail investor client; and delivery to all retail investor clients upon the amendment of a firm's Form CRS.

**As a reminder, June 30, 2020 is the compliance deadline for Regulation BI and filing deadline for firms' initial Form CRS. As referenced above, firms will have 30 days after the filing deadline to complete the initial delivery of Form CRS to all of their current retail investor clients.**

It is important firms take the remaining time before the deadline to assess their procedural and operational readiness for meeting the requirements of Regulation Best Interest and Form CRS. Please call or email us with any questions or concerns regarding Regulation Best Interest or Form CRS.

#### Links:

[OCIE Risk Alert: Examinations that Focus on Compliance with Regulation Best Interest](#)

[OCIE Risk Alert: Examinations that Focus on Compliance with Form CRS](#)

## Questions? Contact the DCS Team

Dinsmore Compliance Services (DCS), an affiliate of Dinsmore & Shohl LLP, offers compliance solutions for investment managers and municipal advisers. DCS will help you develop and maintain high-quality compliance programs customized to your particular business demands and operational realities. We offer these services, all as an affiliate of a coast-to-coast, full-service law firm.

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