

Regulation Best Interest FAQ's

1) **For Initial delivery, broker-dealers must deliver a relationship summary to each retail investor, before or at the earliest of:**

- A recommendation of an account type, a securities transaction, or an investment strategy involving securities
- Placing an order for the retail investor
- The opening of a brokerage account for the retail investor.

Dual registrants must deliver the relationship summary at the earlier of the delivery requirements for a broker-dealer or registered investment advisors, which is before or at the time the firm enters into an investment advisory contract with the retail investor, even if the agreement is oral.

2) **For ongoing delivery, firms must deliver the most recent relationship summary to a retail investor who is an existing client or customer before or at the time the firm:**

- Opens a new account that is different from the retail investor's existing account(s)
- Recommends that the retail investor roll over assets from a retirement account into a new or existing account or investment
- Recommends or provides a new brokerage or investment advisory service or investment that does not necessarily involve the opening of a new account and would not be held in an existing account.

Firms must deliver the relationship summary to a retail investor within 30 days upon retail investor's request. Firms must also deliver the relationship summary to all retail investors who are existing clients or customers when a relationship summary is updated.

3) **Will Reg BI impact how we conduct RIA business other than potentially needing an Investment Policy Statement for each account?**

Reg BI will affect RIA business; you will be required to use Tracker BI for the delivery of the IPIWM Form CRS. Also, a more formal process will be put into place to ensure accounts are being monitored as you agreed upon in the Advisory Agreement.

4) **How will Reg BI impact our 401k business? Will it make a difference if the plan is on the BD or the RIA side of the business?**

Yes, Reg BI will have an impact, and as we work through the details, we will communicate those changes.

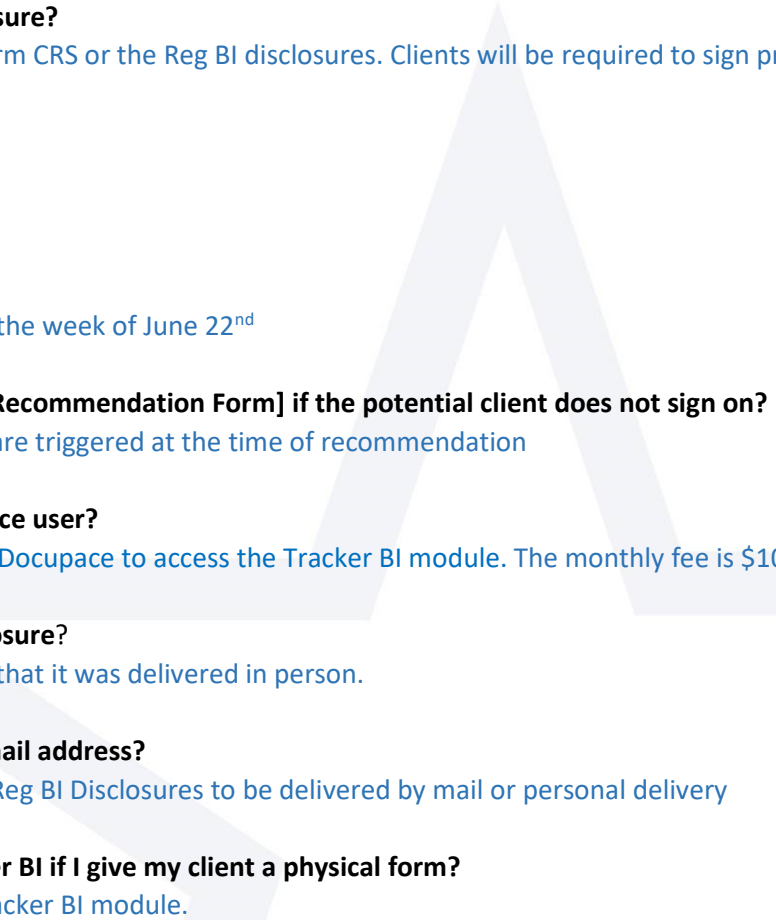
5) **We have clients that call us to purchase individual stocks. How would this apply in those instances?**

Depends on the account. For RIA accounts, you will place trades as you always would. For unsolicited trades in Brokerage accounts, you will place the trade as you always would. If the client asks you about two different stocks, you now merge into the Reg BI territory and the recommendation forms become relevant.

6) **For specific stock purchases for an existing client in an existing account, is a new form or a new entry required for every stock purchase the advisor recommends?**

Depends on the account. It is reasonable to complete a Recommendation Form when using a strategy with specific parameters in how the account will be managed.

- 7) Does an approval need to be made for every stock trade in advance?**
Trades do not need to be approved in advance
- 8) I have clients that buy their own research and make all their own investment decisions. When they want to make a trade in their account, they call me, and the trades are marked "unsolicited". Does any form need to be completed to be in compliance with Reg BI?**
As long as you never make a recommendation or give your client an opinion that influences their decision to buy, sell or hold then once the initial Reg BI disclosure is completed by the home office, I would say your obligation is met.
- 9) Does this apply to annuities?**
Reg BI applies to every security a client could buy on the BD side of the business.
- 10) Do the variable annuity sub account choices have to be approved before putting them in the VA? Do we need to do this for every buy and sell before we can buy or sell?**
Since the subaccount choices are made at the time of the VA purchase, a recommendation form does need to account for those subaccount choices. However, the VA will be reviewed and approved by a principal as normal. Going forward, as you make recommendations to change the subaccounts, then yes, a recommendation form would be required.
- 11) Would this process apply to fixed annuities, SPIAs, MYGAs, and the like, the kind that would be considered outside business, (the kind we post in Docupace but do not flag for review)?**
Reg BI does not cover those types of business.
- 12) When we are working with an existing client and the markets are moving quickly and we want to call to make a recommendation to them, do we have to file the Recommendation Form with IPI before we can even call the client?**
Recommendation forms can be uploaded after the fact. There must be recommendation form to accompany the trades for review.
- 13) We have clients (commission and fee) that call in periodically and say they need \$10k out of their account. In that account they may own 8 different securities. Do we need to have things signed, or disclosures sent, every time they call for this?**
If it is a fee-based account than nothing additional would need to be done. If it is a commission account, then a recommendation form would need to be completed if it was not stated as part of an account strategy in a previous form.
- 14) We have other clients that want us to keep 1 month, 3 months, 6 months, etc. cash always in their account to help cover their automatic distributions. Do we have to do all this every time we create cash for them, or do we do it once at the start and note that this will be an ongoing action we take within their account?**
The Form CRS & Reg BI disclosure & Recommendation Form would apply on the initial recommendation to document that it is ongoing and the strategy behind how you determine what you would liquidate.
- 15) We have clients that drop checks off or mail checks in to max out their Roth IRAs. Does this create a trigger each time where we need to call them to invest and send disclosures?**
The deposit does not create the trigger. A securities purchase creates the trigger for disclosure and recommendation form.

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- 16) Clients give me a lump sum but tell me to dollar cost average chunks of it over the next 6 months. Does that trigger a disclosure every month for those 6 months?**
Complete the Recommendation form for the strategy of the account and the DCA. The disclosure would only need to be delivered via Tracker BI upon the initial recommendation.
- 17) Does the client have to sign the disclosure?**
The client does not have to sign the Form CRS or the Reg BI disclosures. Clients will be required to sign product-specific disclosures.
- 18) When will tracker BI feature launch?**
The week of June 30th
- 19) What is on the Form CRS?**
The Form CRS will be available to view the week of June 22nd
- 20) Should I still complete a Reg BI form [Recommendation Form] if the potential client does not sign on?**
Reg BI and the recommendation form are triggered at the time of recommendation
- 21) What if we are not currently a Docupace user?**
You will receive a log in credentials for Docupace to access the Tracker BI module. The monthly fee is \$10.00
- 22) What constitutes delivery of the disclosure?**
Tracker BI or attestation via Tracker BI that it was delivered in person.
- 23) What if my client does not have an email address?**
Tracker BI tool allows the Form CRS & Reg BI Disclosures to be delivered by mail or personal delivery
- 24) Do I still need to log the form in tracker BI if I give my client a physical form?**
Yes, you will enter the date into the Tracker BI module.