

# MYTHS VS. FACTS



The SEC finalized Regulation Best Interest (Reg BI) and the Form CRS Relationship Summary (Form CRS) on June 5, 2019, making sweeping changes to the ways in which broker-dealers (BDs) may provide investment services and interact with investors. Some have criticized the rules for not being impactful or made claims that the rules will not protect investors. The following graphic details why those claims are wrong.

MYTH	FACT
<p><i>Reg BI does not strengthen the existing BD standard of conduct (FINRA Rule 2111, the suitability rule).</i></p>	<p><b>The suitability rule does not explicitly require that a BD act in an investor’s “best interest” or any of the associated new requirements under Reg BI.</b></p>
<p><i>The SEC failed to specify what it means to act in the “best interest” of investors.</i></p>	<p><b>Reg BI explains that a BD will satisfy “best interest” if it meets requirements around disclosure, care, conflicts of interest, and compliance.</b></p>
<p><i>Reg BI doesn’t require brokers to put their customer’s interest first and does not create any new investor protections.</i></p>	<p><b>Reg BI will require BDs to make extensive changes to their policies and procedures and investors will benefit from significant new protections. Some key new requirements:</b></p> <ul style="list-style-type: none"><li><i>• BDs must mitigate or eliminate conflicts of interest.</i></li><li><i>• BDs must consider the costs associated with a recommendation.</i></li><li><i>• A BD cannot use the title “advisor” or “adviser.”</i></li><li><i>• A BD must disclose comprehensive information about the type of their relationship, fees, conflicts, and other material facts.</i></li></ul>
<p><i>Reg BI can be satisfied by disclosure alone.</i></p>	<p><b>To satisfy Reg BI, a broker must fulfill all four obligations of Reg BI, including mitigating or <b>eliminating</b> any conflicts of interest.</b></p>
<p><i>States must create their own fiduciary regulations to protect investors because the SEC’s rules don’t go far enough.</i></p>	<p><b>A patchwork of differing standards across the country will decrease investor access to investment advice. One strong set of federal rules protects all investors, no matter where they live.</b></p>