

## SEC Releases Frequently Asked Questions on Form CRS

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<https://thediwire.com/sec-releases-frequently-asked-questions-on-form-crs/>

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The Securities and Exchange Commission has posted responses to frequently asked questions about Form CRS on its website and expects to update additional questions in the future. The SEC noted that the responses represent the views of the staff of the Division of Investment Management and the Division of Trading and Markets.



## Relationship Summary Format

Q: My firm offers three types of services to our retail investors. Can my firm prepare and deliver three different relationship summaries, one for each type of service that it offers?

A: No. Each broker-dealer or investment adviser must only prepare one relationship summary summarizing all of the principal relationships and services it offers to retail investors. For example, if an investment adviser offers a wrap fee program, advice to participants in a 401(k) plan, and discretionary asset management for high net worth clients, the investment adviser would be required to prepare a single relationship summary describing all of the firm's different services.

Similarly, if a broker-dealer offers a range of brokerage services to retail investors, including, for example, self-directed, full-service, and employer-sponsored retirement plan options, the broker-dealer would be required to prepare a single relationship summary describing all of the firm's different services.

To the extent a dually registered firm prepares a single relationship summary addressing both brokerage and investment advisory services (rather than two separate relationship summaries), the firm must summarize all of the principal brokerage and investment advisory relationships and services the firm offers to retail investors.

Q: How do I create machine readable headings to comply with General Instruction 7.A.(i) to Form CRS?

A: You should consult with the specifications and instructions provided by the software provider of the application that you are using to create the PDF of your relationship summary in order to determine how to make the headings machine readable. If, for example, you are using Microsoft Word and Adobe, you would complete the following steps:

Enter the text that will become the machine readable heading (e.g. "What investment services and advice can you provide me?" per Item 2.A of the Instructions to Form CRS).

Highlight this text and on the Home tab, Styles pane, select a Heading Type (e.g. Heading 1). This highlighted text is now captured as a heading in Microsoft Word. Repeat this process for each additional heading that is required, as applicable, in the Instructions to Form CRS.

Enter your disclosure responses to the relevant instruction under each heading, as applicable, that was created in Step 1 above.

Save the Microsoft Word file as a PDF file by clicking File/Save as Adobe PDF. Once saved as a PDF, view the Headings by clicking/expanding the left bookmarks icon. Each heading created in the initial Microsoft Word document (Step 1 above) will be displayed as a Bookmark in the PDF. These PDF bookmarks comply with the machine readable heading format required by the instructions to Form CRS.



## Delivery Requirements

Q: Can a firm satisfy its relationship summary delivery requirement with respect to its existing retail investor clients or customers by including the relationship summary with the mailing of its June 2020 quarterly account statements (e.g., within one week after June 30, 2020).

A: Yes. In the staff's view, a firm may deliver the relationship summary separately, in a bulk delivery to clients, or as part of the delivery of information that the firm already provides, such as the annual Form ADV update, account statements or other periodic reports.

A firm must initially deliver its relationship summary to each of its existing clients and customers who are retail investors within 30 days after the date by which it is first required to electronically file its relationship summary with the SEC.

If the relationship summary is delivered in paper format as part of a package of documents, a firm must ensure that the relationship summary is the first among any documents that are delivered at that time.

If the relationship summary is delivered electronically, it must be presented prominently in the electronic medium, for example, as a direct link or in the body of an email or message, and must be easily accessible for retail investors.

Q: My firm is an investment adviser to pooled investment vehicles, such as a hedge funds, private equity funds and venture capital funds. The investors in these funds include natural persons who may be "retail investors" as defined in Form CRS. Am I required to deliver a relationship summary to these funds?

A: An investment adviser must initially deliver a relationship summary to each retail investor before or at the time the adviser enters into an investment advisory contract with the retail investor.

"Retail investor" is defined as "a natural person, or the legal representative of such natural person, who seeks to receive or receives services primarily for personal, family or household purposes."

In the staff's view, the types of pooled investment vehicles described above would not meet this definition and a relationship summary would not be required to be delivered.

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