

Regulation Best Interest, SEC Interpretive Guidance, and Form Client Relationship Summary FAQ

Regulation Best Interest (Reg BI) applies only to broker-dealer business conducted through Cambridge Investment Research, Inc. (Cambridge). SEC interpretive guidance applies to advisory business through Cambridge Investment Research Advisors, Inc. (CIRA) and any other SEC-registered independent registered investment advisor (IRIA). Form Client Relationship Summary (Form CRS) applies to all three.

How do I know when to deliver the Form CRS or Reg BI disclosures, or when to document using the Best Interest Analysis Form/tool?

Disclosure or Documentation Triggers		
Form CRS	Reg BI Disclosures (commission accounts only)	Best Interest Analysis
New account or Financial Planning Engagement	Accounts existing prior to initial delivery date (July 2020)	New accounts
QRP or IRA rollover/transfer	Required once per client, if not received previously: <ul style="list-style-type: none"> • Deposit/transfer in of new funds/securities • Buy/sell/hold recommendation 	Deposit/transfer in of new funds or securities
Within 30 days of request	Delivered through the terms and conditions of the Client Information and Suitability Form for new accounts after July	Buy/Sell/Hold recommendations for commission accounts

Which Form CRS do I use based on my licensing/affiliation?

Financial Professional Affiliation	Form CRS to Deliver
Cambridge only	Cambridge and CIRA
Cambridge and CIRA	Cambridge and CIRA
Cambridge and IRIA using WealthPort®	Cambridge and CIRA
CIRA only using Fidelity Clearing & Custody Solutions® (FCCS) and its broker-dealer National Financial Services LLC (NFS)/Pershing	Cambridge and CIRA
IRIA only using WealthPort	Cambridge and CIRA
Cambridge and IRIA not using WealthPort	Cambridge
CIRA only not using FCCS/NFS/Pershing	CIRA

*Financial professionals affiliated with an SEC-registered IRIA must provide the IRIA's Form CRS in addition to the forms listed above.

Reg BI and SEC Interpretive Guidance General Information

What behaviors are the regulation intended to discourage or eliminate?

The regulation is intended to ensure firms and their associated financial professionals:

1. Provide advice that is in the client's best interest
2. Do not place their interests ahead of the client's
3. Fully disclose all material facts
4. Identify, mitigate and disclose, or eliminate all conflicts of interest
5. Provide additional clarity in plain language for individuals

It is meant to assure that clients understand the fees they are paying and the services that can be provided by their financial professional, and any limitations of services. It's also meant to encourage communication and offer questions for clients to ask that can help them to make appropriate financial decisions and not be persuaded into products that are not in their best interest due to coercive sales practices.

What is considered a new service?

- Change from commission to fee or fee to commission
- Additional services under a financial planning engagement, which lists out a whole slew of services that can be checked
- Could be a change in the management strategy (active to passive)
- Advisor managed to third-party manager (TPM) or vice versa
- Platform to platform because financial professional services would change depending on the platform (TPM/FlexMAP/Clearing Firm/CAAP®1)

What types of clients/accounts are covered under Reg BI and SEC Interpretive Guidance?

- Natural person (retail investor)
 - » Individual accounts
 - » Joint accounts
 - » IRAs
 - » Retirement plan participants
- Non-professional legal representative of a natural person
 - » Trustee for a family trust
 - » POA for an individual account
- Applies to qualified and nonqualified accounts

Reg BI and SEC Interpretive Guidance General Information

<p>What types of clients/accounts are not covered?</p>	<ul style="list-style-type: none"> • Examples not considered a retail investor <ul style="list-style-type: none"> » Certain employer-sponsored retirement plans » 401(k) plan trustee seeking advice about the plan » C corporation » LLC • Business types not included <ul style="list-style-type: none"> » Fixed insurance (fixed annuities, life, health, employee benefits)
<p>How does Reg BI, SEC Interpretive Guidance, and CRS apply based on licensing?</p>	<p>Reg BI applies only to broker-dealer business. SEC Interpretive Guidance applies to advisory business. Form CRS applies to both.</p>
<p>How does the Reg BI and SEC Interpretive Guidance compare with the new CFP Board Standards?</p>	<p>The CFP Board's new standards are quite consistent with the requirements of Reg BI and the SEC Interpretive Guidance. They have also pushed back their compliance date on the new standards to align with the June 30 Reg BI compliance date.</p>
<p>How can you be held to a BI standard if you don't have every license?</p>	<p>Financial professionals do not have to show every possible option available, only recognize that licensing could be a material limitation and show options available that financial professionals can provide. If licensing is a material limitation (i.e., broker-dealer only, or Series 6 combined with being an IAR), financial professionals must disclose that material limitation of available products and services they offer a client/prospect.</p>
<p>Will there be a corresponding increase in platform fees, etc., occurring with this rollout?</p>	<p>We do not anticipate increased costs.</p>
<p>Will NTF funds still be available on platforms?</p>	<p>Advisory accounts are subject to Cambridge's share class of choice as communicated over the course of the last 12-plus months. For commission accounts, it is important to weigh multiple factors, including internal fund fees and expenses, and trading frequency to determine the best overall share class for the client.</p>
<p>Will more institutional share classes be made available now?</p>	<p>Share class of choice still exists, if there are institutional share classes from a mutual fund company available, it is likely the preferred share class on the list.</p>
<p>How does this affect conference sponsorship?</p>	<p>Firms can still receive sponsorship from partners for conference events and will disclose the conflict of interest that this practice creates.</p>
<p>Are reimbursements for Ignite travel or qualifications for Premier Club or Signature Club considered sales contests?</p>	<p>These would not be considered sales contests because the qualifications are not tied to specific product sales. However, it does create a conflict of interest and Cambridge must disclose this conflict and will implement additional supervisory policies and procedures to ensure the conflict did not cause a financial professional to provide recommendations that are not in the client's best interest.</p>

General Disclosure

<p>What will happen to the TPM 5bps fee? Is it considered a conflict of interest?</p>	<p>Cambridge will disclose the 5bps fee on TPM accounts in the CRS supplement and the ADV. The rule does not state that an investment program must be cheaper, but must be in the best interest of the client. Firms still maintain the ability to be compensated for services at the firm level.</p>
<p>Will these forms be in CLIC® with other paperwork?</p>	<p>We are looking at how we can list the form in DocuSign or DocuSpace to make sure that the CRS is at the top of the forms stack.</p>
<p>If I recommend the purchase of an individual stock, bond, mutual fund, ETF, etc. in a brokerage account and earn a commission on it, do I have to disclose this purchase? For direct business as well?</p>	<p>Yes. For a commission account (brokerage or direct) the client must receive the Reg BI disclosures and form CRS prior to, or at the time of the recommendation, and financial professionals must document why that recommendation was in the client's best interest.</p>
<p>Will documenting the conversation in my CRM be sufficient?</p>	<p>Documenting recommendations in a CRM, vault, or client file is a good start, but additional disclosures will still be necessary to adhere to the rule.</p>
<p>After a client review there is a change of investments. What forms are required?</p>	<p>It depends on account type and whether there is a commission or if it is simply a reallocation in a fee based account. If it is a commission, then the financial professional would need to do the BIA because of the purchase of a product. If it is a fee based account it would not require an updated BIA if the funds were already in the account and the financial professional is simply reallocating.</p>
<p>When recommending rollovers, do we still need to have client sign BIA, or simply give them CRS?</p>	<p>Give them CRS and fill out the BIA. Client signature is not required.</p>
<p>How are CMAP clients affected by BIA and CRS forms, etc.?</p>	<p>CMAP clients will receive the CRS and need to have the correct disclosures based on the investments. They will require the BIA when a deposit is made (rollover, transfer, etc.).</p>
<p>What is the affect here for FPE-only clients?</p>	<p>These clients will receive Form CRS, and if a financial professional recommends additional services not currently covered under the FPE, the financial professional must provide a new Form CRS prior to or at the same time as the FPE is signed.</p>
<p>What communications will be needed for existing accounts?</p>	<p>Cambridge will send the CRS for all current accounts. The BIA will be used for new recommendations to existing accounts.</p>
<p>Does a link directly to the appropriate prospectus meet requirements or do you have to mail a paper copy?</p>	<p>Prospectus delivery meets a portion of the Reg BI disclosure requirements, but additional disclosures must be provided in writing.</p>
<p>Will the Cambridge Source Office Assistant Team be trained to get these forms for financial professionals they serve?</p>	<p>Yes.</p>

General Disclosure

If I provide advice to participants in a plan through the plan-level agreement, paid out of the plan, what documentation do I need for the participants?

A plan-level agreement (408(b)(2) disclosure) to offer advice to participants would not trigger the BIA. However, when individualized advice is provided to a participant the Retirement Plan Participant Addendum would be filled out. The BIA would not be necessary unless the financial professional stands to gain from the investment advice; for instance, a self-directed brokerage account, use of a TPM within a plan for specific individuals, or a recommendation to move out of the plan would trigger the CRS delivery and BIA requirement for participants.

CRS - Terminology and Disclosures

What is the definition of “ongoing monitoring”?

The final Form CRS instructions require both broker-dealers and investment advisers to explain whether or not they monitor retail investors’ investments, including the frequency and any material limitations of that monitoring, and if so, whether or not the monitoring services are part of the firm’s standard services. The key differentiator between BD and RIA services is the written or verbal commitment to provide ongoing monitoring can only occur under the umbrella of an RIA.

Voluntary: A broker-dealer registered financial professional may only voluntarily, and without any agreement with the customer, review the holdings in a customer’s account for purposes of deciding whether to make an investment recommendation. Such monitoring is “solely incidental” and the SEC staff does not consider it to be “account monitoring.”

Agreed-upon: Only an RIA/IAR may agree to provide ongoing monitoring of a customer’s account. If you are utilizing the services of a third party manager, it will be important to understand that manager’s agreed upon and disclosed level of monitoring to the client and to clearly disclose your level and frequency of monitoring to the client as well.

Can Form CRS replace the Understanding the Differences Between Commission and Advisory Accounts brochure?

The brochure will become part of the CRS Supplement.

Since a link to Form ADV Part 2A is included in Form CRS, do we need to provide a separate ADV Part 2A to the client?

The form ADV should still be delivered separately, but will be linked in the CRS.

What “disclosure history” will be included on the CRS?

If the firm has disclosure history for any financial professionals, the firm must affirmatively state that the firm has disclosure history in the CRS. However, individual financial professional disclosures will not be listed in the CRS. Instead, the firm is required to include a link to BrokerCheck and/or Investment Advisor Public Disclosure (IAPD) where clients can access information regarding specific financial professionals associated with the firm.

CRS - Terminology and Disclosures

Can we create a supplement to the CRS that answers those questions for us individually if we submit it through AdView?	Financial professionals will not create their own supplements. Cambridge will create the supplement and make it available. If financial professionals choose to create a marketing piece describing specific services they provide, it should be submitted through AdView. Examples of service schedules and financial professional profiles can be found in the Fiduciary Process Guides on cir2.com.
When one is dually registered, is it preferable to state RR and IAR on business card? Should I have two versions of my business card and stationery?	If financial professionals are dually registered they may use multiple titles, or one title (including titles using the term advisor or adviser), if given prior approval by Cambridge compliance. Financial professionals do not need to have different versions of their materials if dually registered.
If our individual disclosure says our DBA and Cambridge are not related, how do we tell the client the individual financial professional and the DBA do not have disclosures?	The disclosures are firm-level. As a Registered Representative of Cambridge or Investment Advisor Representative of CIRA, financial professionals will be covered by those disclosures as individual services are covered by those firms. The DBA does not provide the services, the RIA and broker-dealer offer the services and must provide the disclosures.
What if some clients have both commission and managed accounts?	Clients will receive both broker-dealer and RIA disclosures according to the financial professional's licensing, not the client's account type.
Can existing letterhead keep "adviser" in the disclosures in the footer or must these be reprinted?	If you are dually registered, you may maintain "adviser" in your disclosure footer; if not, it must be removed.
If you have "Advisor" or "Adviser" in your company name and have financial professionals on the BD and CIRA side, how does this affect licensed admins?	Licensed admins should not be soliciting securities business and may use "advisor" or "adviser" if the financial professional they are supporting is properly licensed and registered to conduct advisory business. If they are held out to the public in any way it needs to note they are functioning in an administrative (clerical/ministerial) capacity.
What is the difference between "adviser" and "advisor"?	They can be used interchangeably, but there are slight differences depending on who you ask or where you look. Read more about the differences here: https://www.kitces.com/blog/financial-adviser-vs-advisor-vs-financial-planner-whats-the-difference/

CRS Initial Delivery

Will Cambridge send the CRS to clients who hold inactive fund direct accounts after June 30?	Yes, Cambridge will mail Form CRS to all current retail clients.
Are the CRS mailings by household or individual?	Each retail investor will receive it separately.
What happens when clients have multiple accounts? Will they receive one CRS for each account number or will only one be sent per client name?	Clients will receive the applicable Form CRS based on the financial professional's licensing. For instance, if you have a client with a commission account, but you are licensed as an IAR as well as a Registered Rep, we will send both the RIA and BD CRS to that client.

CRS Initial Delivery

Will the financial professional be charged for the postage on the mailing of the CRS?	No, Cambridge will send it.
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CRS Ongoing Delivery

Is Form CRS the form where “access does not equal delivery?” If so, how does putting a link in your email signature satisfy the delivery requirement?	Form CRS may be delivered electronically if your client/prospect requested information from you electronically.
Should we just include the Form CRS on everything we have docusigned just to be safe?	That is an excellent idea. If included in a DocuSign envelope, the CRS should be the first document in the packet.
Will CRS need to be submitted for a Change-of-Broker-Dealer?	Yes.
Will the CRS be available on CLIC where we will get the forms to open the accounts?	Yes.
Will there be some kind of a flag in CLIC to help us remember the CRS?	Yes.
If we are using CLIC Advisor/eMoney for a client, do we still need to deliver Form CRS?	Yes, CRS does apply to financial planning-only clients.
For delivery, if I provide notification that the Form CRS was uploaded to an eMoney vault, is that considered delivery?	Yes, if the client has requested information electronically.
If a financial professional receives an inquiry of interest for services, when does the CRS come into play?	In the RIA side the CRS is required before signing of RIA paperwork. On the broker-dealer side it is upon opening an account or a recommendation in an existing account.
If dually-registered, can we put the Form CRS on our website?	Form CRS will be available on the Cambridge website, putting it on a website alone will not satisfy delivery requirements.
Does there have to be any documentation CRS has been delivered to a new client?	You should document that the CRS was delivered. Client notes, email, a letter, or as part of the new account process would be good options.
How often is it anticipated that Cambridge changes will be made? How often will our clients receive updated Cambridge docs?	Goal is to write the documentation as broadly as possible with as much specificity as required by the rule to have the flexibility not to have to redo the form often. Supplemental disclosures or ADV will change more often.
If we do more than one account with the client over several months, are we required to deliver form CRS with every set of account paperwork?	Each new account will require the CRS to be delivered, however you are not required to submit the CRS with the paperwork. If you choose to include it as the first document in the new account paperwork, you may.
If clients aren't signing the CRS, how do we protect ourselves from delivery?	You will want to document that you have delivered it. SEC has not required a blotter, but it should be part of your process to document that you are providing the paper copy. If it is electronic, you will have that documentation.

BIA - New Accounts

When recommending rollovers, do we need to have client sign BIA, or simply give them CRS?	Give them CRS and fill out the BIA.
Will the Best Interest Analysis tool be a form that we can print off, fill out, and then submit with other account paperwork?	Yes, a PDF form version of the BIA will be available to submit with paperwork or the information can be entered into the BIA tool in CLIC for new accounts. Until we have the automated BIA prompted by additional deposits for existing accounts, the BIA form should be filled out and kept in the client's file unless CIR surveillance teams request it.
Under BIA, if you're looking for existing fees from the account that is new and being transferred to us from another financial professional/firm, how do we fill out those fees if the client themselves don't know all the fees?	The financial professional must show that a "best effort" has been made to collect the current fees. This could be reaching out to the employer to request a 404(a)(5) disclosure, the client statement, or email/call the current product company to request the current fees/costs of the account. There will be a "my client does not wish to provide current fees" selection on the form as well.
Is the BIA tool available online at this time?	No, it should be available by the June 30 compliance date. The form is currently available.
Will the best interest analysis tool need to be approved by principal in trade review?	It will be additional info to be included in CLIC that a supervisor principal will need to take into consideration prior to approving the new account, trade, etc.
Is the client's signature required on the best interest analysis tool?	No, only the financial professional's attestation.
This appears to be the same information we are documenting in the BIA form we have now. Is that accurate?	The information on the new BIA is very similar to the current BIA.

BIA - Existing Accounts

Will this replace the IRA Rollover, Annuity, Alternative Investment or Investment Exchange Disclosures?	The Best Interest Analysis will replace the IRA rollover for account opening in CLIC starting June 30. The BIA should be filled out and kept in your office starting June 30 for deposits, transfers, new services, commission recommendations, and rollovers until the new BIA tool is in place for those ongoing transactions. It will not replace the VA, AI, or IE Disclosures but those disclosures may change.
For annuitized rollovers that are already ongoing over a few years, do we need to document why rollover is in client's best interest?	BIA documentation is required on the initial decision to roll over, but subsequent deposits from an ongoing rollover would be covered under the initial BIA.
If a client has an existing rollover IRA and then rolls new money over into the same account a few years later, will I need another BIA?	Yes, the facts and circumstances of the first rollover recommendation and the second recommendation will likely have changed and both are separate recommendations so the BIA should be completed for each.
Would shifting managers within CAAP require a new BIA?	No, changing the strategist does not create a conflict for the financial professional nor firm because the account does not move, the fees do not change and the program remains the same.

BIA - Existing Accounts

How will the BIA effect fee based third-party managed accounts?	An account moving to or from a TPM would require the BIA for additional deposits or rollovers into that account. The financial professional would not need to complete the BIA for specific asset management decisions in the account.
Would an exchange within mutual fund family to another fund or a money market require a BIA?	If the account is a commission account and the financial professional receives compensation for the exchange the BIA would be required for the transaction. If it is a fee based account, the exchange would not trigger the BIA requirement.
If you change an investment strategy in an existing fee based account do you need the BIA?	Only if the change in investment strategy could cause the financial professional or firm to receive additional compensation. Otherwise the change in strategy should be documented in the client's file and the rationale, but the BIA form would not be required.
How will the BIA process work for ongoing contributions to commissionable Traditional, SEP, or SIMPLE IRAs?	For ongoing contributions to retirement accounts, Cambridge will set a minimum threshold to require the BIA consistent with the annual contribution limits for those account types. The BIA will not be required for annual contributions, but a transfer from another account above the contribution limit and the subsequent purchase into a product in that account would require the BIA.
If client does an IRA Rollover and subsequent products (annuities) are purchased, will another BIA be required?	Yes, if the recommendation to purchase the annuity was separate from the recommendation to roll over then the BIA should be completed for each recommendation. If the recommendation was to roll over in order to purchase the annuity and the rollover and purchase simply happened at different times, the BIA could show both within a single BIA.
Where do I find these 'triggers' for the BIA?	In our next phase we will build a notification system to trigger the BIA, however, at this time it will be based on the recommendations you make. We cannot give an exact location for the new system triggers yet.



1776 Pleasant Plain Road | Fairfield, Iowa 52556 | 800-777-6080

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