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FINANCIAL SERVICES
FIRMS AND INDEPENDENT
FINANCIAL ADVISORS

VIA ELECTRONIC MAIL

December 7, 2018

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: File No. S7-07-18 Regulation Best Interest; File No. S7-08-18 Form CRS Relationship Summary

Dear Secretary Fields:

On November 7, 2018, the U.S. Securities and Exchange Commission's (SEC) Office of the Investor Advocate published a report on investor testing conducted by the RAND Corporation (RAND Report).¹ The investor testing gathered feedback on a sample Relationship Summary (Form CRS) issued in April 2018 as part of a package of proposed rulemakings and interpretations designed to enhance the quality and transparency of investors' relationships with investment advisers and broker-dealers (Proposed Regulation Best Interest).²

The Financial Services Institute³ (FSI) commends the SEC for undertaking investor testing as a part of the rulemaking process. The results of this investor testing underscore the need for concise, effective disclosures to help investors make decisions about working with a financial professional. While the results of this investor testing further show that Form CRS is not a perfect relationship disclosure document, if indeed such a thing exists, we offer the following constructive feedback and encourage the SEC to review the Proposed Regulation Best Interest's effectiveness after it has been finalized. Implementing a clear, workable standard of care for financial professionals is critically important to FSI and its members. While Form CRS is an important part

¹ RAND for the U.S. Securities and Exchange Commission, Research Report: Investor Testing of Form CRS Relationship Summary, November 2018 available at: <https://www.sec.gov/about/offices/investorad/investor-testing-form-crs-relationship-summary.pdf>

² U.S. Securities and Exchange Commission, Proposed Regulation Best Interest ("Proposed Regulation Best Interest"), 83 Fed. Reg. 21574 (May 9, 2018) available at: <https://www.sec.gov/rules/proposed/2018/34-83062.pdf>; Proposed Interpretation Regarding Standard of Conduct for Investment Advisers; Request for Comment on Enhancing Investment Adviser Regulation, 83 Fed. Reg. 21203 (May 9, 2018) available at: <https://www.sec.gov/rules/proposed/2018/ia-4889.pdf>; Form CRS Relationship Summary; Amendments to Form ADV ("Proposed Form CRS"); Required Disclosures in Retail Communications and Restrictions on the use of Certain Names or Titles, 83 Fed. Reg. 21416 (May 9, 2018) available at: <https://www.sec.gov/rules/proposed/2018/34-83063.pdf>.

³ The Financial Services Institute (FSI) is an advocacy association comprised of members from the independent financial services industry, and is the only organization advocating solely on behalf of independent financial advisors and independent financial services firms. Since 2004, through advocacy, education and public awareness, FSI has been working to create a healthier regulatory environment for these members so they can provide affordable, objective financial advice to hard-working Main Street Americans.

of that effort, disclosure effectiveness is an area of ongoing research and imperfections in the rule can be revised and corrected with the benefit of experience.

1. Two-Tiered Disclosure Regime

As discussed in our previous comments,⁴ FSI supports a layered approach to disclosure, providing key information up front in a concise, easy to read format, which links to more detailed and current disclosures on the company's website. We believe the Form CRS matches many of the aspects of the two-tiered disclosure regime that we have supported for the past several years. We agree that brief disclosure is more effective than a long-form narrative and support requiring the use of "plain-language" principles in the relationship summary. However, we believe that some of the prescribed disclosure language is highly problematic, will add to investor confusion, and would negatively impact their client relationships.

2. Rand Report Findings

The RAND Report's survey responses were generally positive with regard to the format and content of the Form CRS, but the more detailed responses indicate that respondents did not fully absorb the information. While nearly 90 percent of respondents said the Form CRS would help them make more informed decisions about investment accounts and services, participants expressed confusion about the differences between types of accounts and financial professionals. Further, a majority of respondents said the Form CRS was too long, calling the "Fees and Costs" section overwhelming, but also requesting more detail about possible fees for the client.

The Form CRS can be simplified to ensure that it provides investors with the information that is most critical to their decision-making at the point in time when that information is most useful, can be delivered most efficiently. We encourage the SEC to continue investor testing of Form CRS after the final rule is in place to determine whether the final format is achieving its intended purpose or if further adjustments need to be made. We suggest the final rule provide that the SEC will perform a review of the effectiveness of Form CRS within the first five years following the rule's effective date.

3. Financial Advisor Input is Critical

FSI encourages the SEC to involve financial professionals in the investor testing process. FSI's financial advisor members work directly with investors daily and can provide valuable input about the conversations they have and the information their clients are most concerned with. The greatest benefit of the Form CRS will come in the conversations it facilitates between the client and their financial professionals. Financial professionals who will use and who have extensive insight into what works with clients are a critical source of input that the SEC should not overlook.

⁴ Letter from David T. Bellaire, Executive Vice President & General Counsel, Financial Services Institute, to Brent J. Fields, Secretary, U.S. Securities and Exchange Commission (August 7, 2018) (commenting on Regulation Best Interest; Proposed Commission Interpretation Regarding Standard of Conduct for Investment Advisers; Request for Comment on Enhancing Investment Adviser Regulation; Form CRS Relationship Summary; Amendments to Form ADV; Required Disclosures in Retail Communications and Restrictions on the use of Certain Names or Titles) available at: <https://www.sec.gov/comments/s7-07-18/s70718-4181966-172528.pdf>

4. Conclusion

FSI is committed to constructive engagement in the regulatory process and welcome the opportunity to work with the SEC on this and other important regulatory efforts. Thank you for considering FSI's comments. Should you have any questions, please contact me at (██████████)██████████.

Respectfully submitted,

A handwritten signature in blue ink that reads "Robin Traxler". The signature is written in a cursive style with a large, sweeping initial "R" and a long horizontal line extending from the end of the name.

Senior Vice President, Policy & Deputy General Counsel