

**[Form ADV, Part 3:]<sup>1</sup> Instructions to Form CRS**

**General Instructions**

Under rule 17a-14 under the Securities Exchange Act of 1934 and rule 204-5 under the Investment Advisers Act of 1940, broker-dealers registered under section 15 of the Exchange Act and investment advisers registered under section 203 of the Advisers Act are required to deliver to *retail investors* a *relationship summary* disclosing information about the firm. Read all the General Instructions as well as the particular item requirements before preparing or updating the *relationship summary*.

1. Narrative and Graphical Format.

- a. The *relationship summary* must include the required items enumerated below. The items require you to provide specific information and, in some cases, prescribe the particular wording that you must use.
- b. You must respond to each item and must provide responses in the same order as the items appear in these instructions. Unless otherwise noted, you must also present the required information within each item in the order listed.
- c. Whether in electronic or paper format, the *relationship summary* must not exceed four 8½” x 11” pages if converted to PDF format, using at least an 11 point font size and a minimum 0.75” margins on all sides.
- d. You may not include disclosure in the *relationship summary* other than disclosure that is required or permitted by these Instructions and the applicable item.
- e. If you are a *dual registrant*, present the information in Items 2 through 4 and Item 6 in a tabular format, comparing advisory services and brokerage services side-by-side. In the column discussing brokerage services, include the heading “Broker-Dealer Services” and the sub-heading “Brokerage Accounts.” In the column discussing investment advisory services, include the heading “Investment Adviser Services” and the sub-heading “Advisory Accounts.” *Dual registrants* should not complete Item 5, which must be completed by *standalone investment advisers and standalone broker-dealers*.
- f. You may use charts, graphs, tables, and other graphics or text features to explain the required information, so long as the information: (i) is responsive to and meets the requirements in these instructions (including space limitations); (ii) is not inaccurate or

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<sup>1</sup> The bracketed text will be included for Form ADV, Part 3 (17 CFR 279.1) only.

misleading; and (iii) does not, because of the nature, quantity, or manner of presentation, obscure or impede understanding of the information that must be included. When using interactive graphics or tools, you may include instructions on their use and interpretation.

g. In a *relationship summary* that is posted on your website or otherwise provided electronically, you must use hyperlinks for any document that is cross-referenced in the *relationship summary* if the document is available online. See General Instruction 8.a. You may add embedded hyperlinks within the *relationship summary* in order to supplement required disclosures, for example, links to fee schedules, conflicts disclosures, the firm's narrative brochure required by Part 2A of Form ADV, or other regulatory disclosures.

2. **Plain Language.** The items of the *relationship summary* are designed to promote effective communication between you and *retail investors*. Write your *relationship summary* in plain language, taking into consideration *retail investors'* level of financial experience. The *relationship summary* should be concise and direct. In drafting the *relationship summary*: (i) use short sentences; (ii) use definite, concrete, everyday words; (iii) use active voice; (iv) avoid legal jargon or highly technical business terms unless you clearly explain them or you believe that reasonable *retail investors* will understand them; and (v) avoid multiple negatives. You must write the *relationship summary* as if you are speaking to the *retail investor*, using "you," "us," "our firm," etc.

**Note:** The SEC's Office of Investor Education and Advocacy has published A Plain English Handbook. You may find the handbook helpful in writing your relationship summary. For a copy of this handbook, visit the SEC's website at [www.sec.gov/news/extra/handbook.htm](http://www.sec.gov/news/extra/handbook.htm) or call 1-800-732-0330.

3. **Full and Truthful Disclosure.** All information in your *relationship summary* must be true and may not omit any material facts necessary to make the disclosures required by these Instructions and the applicable item not misleading. If a statement is inapplicable to your business or would be misleading to a reasonable *retail investor*, you may omit or modify that statement.

Broker-dealers and investment advisers have disclosure and reporting obligations under state and federal law, including, but not limited to, obligations under the Exchange Act, the Advisers Act, and the respective rules thereunder. Broker-dealers are also subject to disclosure obligations under the rules of self-regulatory organizations. Delivery of this document will not necessarily satisfy the additional disclosure requirements that you have under the federal securities laws and regulations or other laws.

4. **Preserving Records.** You must maintain a copy of each version of the *relationship summary* and make it available to the SEC staff upon request. See SEC Advisers Act rule 204-2(a)(14)(i); SEC Exchange Act rule 17a-4.

5. Initial Filing and Delivery; Transition Provisions.

- a. **Initial filing.** If you are a registered investment adviser and are required to give a *relationship summary* to a *retail investor*, you must complete Form ADV, Part 3 (Form CRS) and file it electronically in a text-searchable format with the Investment Adviser Registration Depository (IARD). If you are a registered broker-dealer and are required to give a *relationship summary* to a *retail investor*, you must complete Form CRS and file it electronically in a text-searchable format with the Electronic Data Gathering, Analysis and Retrieval System (“EDGAR”).

If you do not have any *retail investors* to whom you must deliver a *relationship summary*, you are not required to prepare one.

Note to instruction 5(a): If you are a *dual registrant* and are required to give a *relationship summary* to one or more *retail investor* clients or customers of both your advisory and brokerage businesses, you must prepare only one *relationship summary* and file it on IARD and EDGAR.

Information for investment advisers on how to file with IARD is available on the Commission’s website at [www.sec.gov/iard](http://www.sec.gov/iard). Information for broker-dealers on how to file with the Commission on EDGAR is available on the Commission’s website at <https://www.sec.gov/edgar>.

- b. **Initial delivery.** You must give a *relationship summary* to each *retail investor*, if you are an investment adviser, before or at the time you enter into an investment advisory agreement with the *retail investor*, or if you are a broker-dealer, before or at the time the *retail investor* first engages your services. See SEC Advisers Act rule 204-5(b)(1) and SEC Exchange Act rule 17a-14(c)(1). You must deliver the *relationship summary* even if your agreement with the *retail investor* is oral. A *dual registrant* should deliver the *relationship summary* at the earlier of entering into an investment advisory agreement with the *retail investor* or the *retail investor* engaging the firm’s services.
- c. **Transition provisions for initial filing and delivery after the effective date of the new Form CRS requirements.**
- (i) If you are a broker-dealer, you must file your initial *relationship summary* with the Commission as required by instruction 5.a, by [INSERT DATE SIX MONTHS AFTER EFFECTIVE DATE OF RULES/FORM]. If you are an investment adviser or a *dual registrant*, you must amend your Form ADV by electronically filing with IARD your initial *relationship summary* as part of the next annual updating amendment you are required to file after [INSERT DATE SIX MONTHS AFTER EFFECTIVE DATE OF RULES/FORM].
- (ii) As of the date by which you are first required to electronically file your *relationship summary* with the Commission, you must begin to deliver your *relationship summary* to new and prospective clients and customers who are *retail investors* as

required by Instruction 5.b.

(iii) Within 30 days after the date by which you are first required to electronically file your *relationship summary* with the Commission, you must deliver your *relationship summary* to each of your existing clients and customers who are *retail investors*.

6. Updating Relationship Summary.

- a. You must update your *relationship summary* within 30 days whenever any information in the *relationship summary* becomes materially inaccurate.
- b. You must communicate any changes in the updated *relationship summary* to *retail investors* who are existing clients or customers of the firm within 30 days after the updates are required to be made and without charge. You can make the communication by delivering the amended *relationship summary* or by communicating the information in another way to the *retail investor*.
- c. You must file each amended *relationship summary* electronically with the Commission, on IARD if you are an investment adviser or *dual registrant*, and on EDGAR if you are a broker-dealer.

7. Additional Delivery Requirements to Existing Clients and Customers.

- a. You must deliver the *relationship summary* to a *retail investor* who is an existing client or customer before or at the time: (i) a new account is opened that is different from the *retail investor's* existing account(s); or (ii) changes are made to the *retail investor's* existing account(s) that would materially change the nature and scope of your relationship with the *retail investor*. For example, you must deliver a *relationship summary* before or at the time you recommend that the *retail investor* transfers from an investment advisory account to a brokerage account, transfers from a brokerage account to an investment advisory account, or moves assets from one type of account to another in a transaction not in the normal, customary or already agreed course of dealing. Whether a change would require delivery of the *relationship summary* would depend on the specific facts and circumstances.
- b. You also must deliver the *relationship summary* to a *retail investor* within 30 days upon the *retail investor's* request.

8. Electronic Posting and Manner of Delivery.

- a. You must post the current version of the *relationship summary* prominently on your public website, if you have one, in a location and format that is easily accessible for *retail investors*. If you do not have a public website, include in your *relationship summary* a toll-free number that *retail investors* may call to request documents.

- b. You may deliver the *relationship summary* electronically, including updates, consistent with SEC guidance regarding electronic delivery of documents, in particular *Use of Electronic Media by Broker-Dealers, Transfer Agents, and Investment Advisers for Delivery of Information*, which you can find at [www.sec.gov/rules/concept/33-7288.txt](http://www.sec.gov/rules/concept/33-7288.txt).
- c. If the relationship summary is delivered on paper and not as a standalone document, you should ensure that it is the first among any documents that are delivered at that time.

9. Definitions.

For purposes of this Form CRS, the following terms have the meanings ascribed to them below:

- a. **Affiliate:** Any persons directly or indirectly controlling or controlled by you or under common control with you.
- b. **Dual registrant:** A firm that is dually registered as a broker-dealer and an investment adviser and offers services to *retail investors* as both a broker-dealer and an investment adviser.
- c. **Portfolio Manager:** An investment adviser that manages investments in a *wrap fee program*.
- d. **Relationship summary:** A written disclosure statement that you must provide to *retail investors*. See Advisers Act rule 204-5; Exchange Act rule 17a-14; Form CRS.
- e. **Retail investor:** A prospective or existing client or customer who is a natural person (an individual). This term includes a trust or other similar entity that represents natural persons, even if another person is a trustee or managing agent of the trust.
- f. **Standalone investment adviser and standalone broker-dealer:** A *standalone investment adviser* is a registered investment adviser that offers services to *retail investors* and (i) is not dually registered as a broker-dealer or (ii) is dually registered as a broker-dealer but does not offer services to *retail investors* as a broker-dealer. A *standalone broker-dealer* is a registered broker-dealer that offers services to *retail investors* and (i) is not dually registered as an investment adviser or (ii) is dually registered as an investment adviser but does not offer services to *retail investors* as an investment adviser.
- g. **Wrap fee program:** An advisory program under which a specified fee or fees not based directly upon transactions in a *retail investor's* account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of *retail investor* transactions.

## [Form ADV, Part 3:] Form CRS

### Item 1: Introduction

- A. State your name, whether you are registered with the Securities and Exchange Commission as a broker-dealer, investment adviser, or both, and the date of the *relationship summary*. This information should be disclosed prominently on the first page, and can be included in the header or footer.
- B. **Standalone Broker-Dealers:** If you are a *standalone broker-dealer*, include the title “Is a Brokerage Account Right for You?” Include the following introductory paragraphs (emphasis required):

“There are different ways you can get help with your investments. You should carefully consider which types of accounts and services are right for you.

**We are a broker-dealer and provide brokerage accounts and services rather than advisory accounts and services.** This document gives you a summary of the types of services we provide and how you pay. Please ask us for more information. There are some suggested questions on page [ ].”

- C. **Standalone Investment Advisers:** If you are a *standalone investment adviser*, include the title “Is an Investment Advisory Account Right for You?” Include the following introductory paragraphs (emphasis required):

“There are different ways you can get help with your investments. You should carefully consider which types of accounts and services are right for you.

**We are an investment adviser and provide advisory accounts and services rather than brokerage accounts and services.** This document gives you a summary of the types of services we provide and how you pay. Please ask us for more information. There are some suggested questions on page [ ].”

- D. **Dual Registrants:** If you are a *dual registrant*, include the title “Which Type of Account is Right for You – Brokerage, Investment Advisory or Both?” Include the following introductory paragraphs (emphasis required):

“There are different ways you can get help with your investments. You should carefully consider which types of accounts and services are right for you.

**Depending on your needs and investment objectives, we can provide you with services in a brokerage account, investment advisory account, or both at the same time.** This document gives you a summary of the types of services we provide and how you pay. Please ask us for more information. There are some suggested questions on page [ ].”

## Item 2: Relationships and Services

- A. Include the heading “[Types of] Relationships and Services.” If you are a *standalone broker-dealer* or *standalone investment adviser*, omit the bracketed language. If you are a *dual registrant*, include the bracketed language in the heading, and include the following after the heading: “Our accounts and services fall into two categories.”
- B. **Brokerage Account Services:** If you are a broker-dealer that offers brokerage accounts to *retail investors*, summarize the principal brokerage services that you provide to *retail investors*. You must address the following, unless not applicable:
1. Include the following (emphasis required): “If you open a brokerage account, you will pay us a ***transaction-based fee***, generally referred to as a commission, every time you buy or sell an investment.”
  2. If you offer accounts in which you offer recommendations to *retail investors*, state that the *retail investor* may select investments or you may recommend investments for the *retail investor’s* account, but the *retail investor* will make the ultimate investment decision regarding the investment strategy and the purchase or sale of investments. If you only offer accounts in which you do not offer recommendations to *retail investors* (e.g., execution-only brokerage services), state that the *retail investor* will select the investments and the *retail investor* will make the ultimate investment decision regarding the investment strategy and the purchase or sale of investments.
  3. State if you offer to *retail investors* additional services, including, for example: (a) assistance with developing or executing the *retail investor’s* investment strategy (e.g., you discuss the *retail investor’s* investment goals or you design with the *retail investor* a strategy to achieve the *retail investor’s* investment goals), or (b) monitoring the performance of the *retail investor’s* account. Indicate whether these services can be offered as additional services or are part of the standard brokerage account services, and whether a retail investor will pay more for these services. If you offer monitoring (as reflected in (b) above), as part of the standard brokerage account services, indicate how frequently you monitor the performance. Briefly describe any regular communications you have with *retail investors*, including the frequency and method of the communications.

4. If you significantly limit the types of investments available to *retail investors* in any accounts, include the following: “We offer a limited selection of investments. Other firms could offer a wider range of choices, some of which might have lower costs.” You significantly limit the types of investments if, for example, you only offer one type of asset (*e.g.*, mutual funds, exchange-traded funds, or variable annuities), you only offer mutual funds or other investments sponsored or managed by you or an affiliate (*i.e.*, proprietary products), or you only offer a small number of investments. If such limits only apply to certain accounts that you offer, identify those accounts.

C. **Investment Advisory Account Services:** If you are an investment adviser that offers investment advisory accounts to *retail investors*, summarize the principal investment advisory services that you provide to *retail investors*. You must address the following, unless not applicable:

1. State the type of fee you receive as compensation if the *retail investor* opens an investment advisory account. For example, state if you charge an on-going asset-based fee based on the value of cash and investments in the advisory account, a fixed fee, or some other fee arrangement. Emphasize the type of fee in bold and italicized font. If you are a *standalone adviser*, also state how frequently you assess the fee.
2. State that you offer advice on a regular basis, or, if you do not offer advice on a regular basis, state how frequently you offer advice. State the services you offer to *retail investors* including, for example, (a) assistance with developing the *retail investor’s* investment strategy (*e.g.*, you discuss the *retail investor’s* investment goals or you design with the *retail investor* a strategy to achieve the *retail investor’s* investment goals); or (b) how frequently you monitor the *retail investor’s* accounts. Briefly describe any regular communications you have with *retail investors*, including the frequency and method of the communications.
3. State if you offer advisory accounts for which you exercise discretion (*i.e.*, discretionary accounts), accounts where you do not exercise discretion (*i.e.*, non-discretionary accounts), or both. Emphasize the type of account (discretionary and non-discretionary) in bold and italicized font. If you offer a discretionary account, state that it allows you to buy and sell investments in the *retail investor’s* account, without asking the *retail investor* in advance. If you offer a non-discretionary account, state that you give advice and the *retail investor* decides what investments to buy and sell.
4. If you significantly limit the types of investments available to *retail investors* in any accounts, include the following: “Our investment advice will cover a limited selection of investments. Other firms could provide advice on a wider range of choices, some of which might have lower costs.” You significantly limit the types of investments if, for example, you only offer one type of asset



(e.g., mutual funds, exchange-traded funds, or variable annuities), you only offer mutual funds or other investments sponsored or managed by you or an affiliate (i.e., proprietary products), or you only offer a small number of investments. If such limits only apply to certain accounts that you offer, identify those accounts.

- D. **Affiliate Services:** If you are a *standalone investment adviser or standalone broker-dealer* and have *affiliates* that offer to *retail investors* brokerage or advisory services, respectively, you may state that you provide *retail investors* with certain brokerage or advisory services of your *affiliates*, as applicable.

### Item 3: Standard of Conduct

- A. Include the heading “Our Obligations to You” and the following language after the heading: “We must abide by certain laws and regulations in our interactions with you.”
- B. **Broker-Dealers:** If you are a broker-dealer that offers brokerage accounts to *retail investors*, include the following:
1. “[We must act in your best interest and not place our interests ahead of yours when we recommend an investment or an investment strategy involving securities.] When we provide any service to you, we must treat you fairly and comply with a number of specific obligations. Unless we agree otherwise, we are not required to monitor your portfolio or investments on an ongoing basis.” Include the bracketed language only if you offer recommendations subject to Exchange Act Rule 15l-1 (“Regulation Best Interest”).
  2. “Our interests can conflict with your interests. [When we provide recommendations, we must eliminate these conflicts or tell you about them and in some cases reduce them].” Include the bracketed language only if you offer recommendations subject to Regulation Best Interest.
- C. **Investment Advisers:** If you are an investment adviser that offers investment advisory accounts to *retail investors*, include the following:
1. “We are held to a fiduciary standard that covers our entire investment advisory relationship with you. [For example, we are required to monitor your portfolio, investment strategy and investments on an ongoing basis.]” If you do not provide ongoing advice (for example, if you only provide a one-time financial plan), omit the bracketed sentence.
  2. “Our interests can conflict with your interests. We must eliminate these conflicts or tell you about them in a way you can understand, so that you can decide whether or not to agree to them.”

#### Item 4: Summary of Fees and Costs

- A. Include the heading “Fees and Costs” and the following language after the heading: “Fees and costs affect the value of your account over time. Please ask your financial professional to give you personalized information on the fees and costs that you will pay.”
- B. **Brokerage Account Fees and Costs:** If you are a broker-dealer that offers brokerage accounts to *retail investors*, summarize the principal fees and costs that *retail investors* will incur.
1. If you are a *dual registrant* include the following (emphasis required):  
“*Transaction-based fees.* You will pay us a fee every time you buy or sell an investment. This fee, commonly referred to as a commission, is based on the specific transaction and not the value of your account.” If you are a *standalone broker-dealer* include the following: “The fee you pay is based on the specific transaction and not the value of your account.”
  2. Include the following (emphasis required):
    - (a) “With stocks or exchange-traded funds, this fee is usually a separate commission. With other investments, such as bonds, this fee might be part of the price you pay for the investment (called a “*mark-up*” or “*mark down*”). With mutual funds, this fee (typically called a “*load*”) reduces the value of your investment.”
    - (b) State that some investments impose additional fees that will reduce the value of *retail investors’* investments over time and provide examples of such investments that you offer to *retail investors* (e.g., mutual funds and variable annuities). Also state that a *retail investor* could be required to pay fees when certain investments are sold (e.g., surrender charges for selling variable annuities).
  3. State whether your fees vary and are negotiable, and describe the key factors that you believe would help a reasonable *retail investor* understand the fee that he or she is likely to pay for your services (e.g., how much the *retail investor* buys or sells, what type of investment the *retail investor* buys or sells, and what kind of account the *retail investor* has with you).
  4. State, if applicable, that a *retail investor* will also pay other fees in addition to the firm’s principal fees. List other fees the *retail investor* will pay, including, but not limited to, custodian fees, account maintenance fees and account inactivity fees.
  5. Include the following: “The more transactions in your account, the more fees we charge you. We therefore have an incentive to encourage you to engage in

transactions.”

6. If you are a *dual registrant* include the following: “From a cost perspective, you may prefer a transaction-based fee if you do not trade often or if you plan to buy and hold investments for longer periods of time.”

C. **Investment Advisory Account Fees and Costs:** If you are an investment adviser that offers investment advisory accounts to *retail investors*, summarize the principal fees and costs that *retail investors* will incur. Your determination of the principal fees for investment advisory services should align with the type of fee(s) that you report in response to Form ADV Part 1A, Item 5.E. Include information about each type of fee you report that is responsive to this Item 4.C.

1. If you are a *dual registrant* include the following if you charge an asset-based fee (emphasis required): “*Asset-based fees.* You will pay an on-going fee [at the end of each quarter] based on the value of the cash and investments in your advisory account.” Replace the brackets with how frequently you assess the fee. If you charge another type of fee instead of an asset-based fee for your advisory services, briefly describe that fee and how frequently it is assessed.
2. Include the following: “The amount paid to our firm and your financial professional generally does not vary based on the type of investments we select on your behalf. [The asset-based fee reduces the value of your account and will be deducted from your account.]” Include the bracketed language if you charge an ongoing asset-based fee for your advisory accounts. If you charge another type of fee, succinctly describe how it is assessed and the impact it has on the value of the *retail investor’s* account.
3. If you provide advice to *retail investors* about investing in a *wrap fee program* (and do not also offer *retail investors* another type of advisory account), include the following (emphasis required): “We offer advisory accounts called ***wrap fee programs***. In a ***wrap fee program***, the asset-based fee will include most transaction costs and fees to a broker-dealer or bank that will hold your assets (called “*custody*”), and as a result wrap fees are typically higher than non-wrap advisory fees.” If you offer *retail investors* a *wrap fee program* as well as another type of advisory account, include the following (emphasis required): “For some advisory accounts, called ***wrap fee programs***, the asset-based fee will include most transaction costs and custody services, and as a result wrap fees are typically higher than non-wrap advisory fees.”
4. State that some investments impose additional fees that will reduce the value of *retail investors’* investments over time and provide examples of such investments that you offer to *retail investors* (e.g., mutual funds and variable annuities). Also state that a *retail investor* could be required to pay fees when certain investments are sold (e.g., surrender charges for selling variable

annuities).

5. State whether your fees vary and are negotiable, and describe the key factors that you believe would help a reasonable *retail investor* understand the fee that he or she is likely to pay for your services (e.g., the services you receive and the amount of assets in your account).
6. State, if applicable, that a *retail investor* will pay transaction-based fees when you buy and sell an investment for the *retail investor* (e.g., commissions paid to broker-dealers for buying or selling investments) in addition to the firm's principal fee it charges *retail investors* for the firm's advisory accounts. Also state, if applicable, that a *retail investor* will pay fees to a broker-dealer or bank that will hold the *retail investor's* assets and that this is called custody. List other fees the *retail investor* will pay, including, but not limited to, account maintenance services.
7. If you provide advice to *retail investors* about investing in a *wrap fee program*, include the following: "Although transaction fees are usually included in the wrap program fee, sometimes you will pay an additional transaction fee (for investments bought and sold outside the wrap fee program)."
8. If you charge an ongoing asset-based fee, include the following: "The more assets you have in the advisory account, including cash, the more you will pay us. We therefore have an incentive to increase the assets in your account in order to increase our fees. You pay our fee [insert frequency of fee (e.g., quarterly)] even if you do not buy or sell." Replace the brackets with the frequency of your fee.
9. If you provide advice to *retail investors* about investing in a *wrap fee program*, also include the following: "Paying for a wrap fee program could cost more than separately paying for advice and for transactions if there are infrequent trades in your account."
10. If you are a *dual registrant* that charges an ongoing asset-based fee, include the following: "An asset-based fee may cost more than a transaction-based fee, but you may prefer an asset-based fee if you want continuing advice or want someone to make investment decisions for you." If you provide advice to *retail investors* about investing in a *wrap fee program*, also include the following: "You may prefer a *wrap fee program* if you prefer the certainty of a [insert frequency of the wrap fee (e.g., quarterly)] fee regardless of the number of transactions you have." Replace the brackets with the frequency of the wrap fee.

**Item 5: Comparisons to be provided by *standalone investment advisers and standalone broker-dealers***

- A. If you are a *standalone investment adviser*, include the heading “Compare with Typical Brokerage Accounts,” and include the following under the heading (emphasis required): “You could also open a brokerage account with a *broker-dealer*, where you will pay a *transaction-based fee*, generally referred to as a commission, when the broker-dealer buys or sells an investment for you.” Include “Features of a typical brokerage account include:” and then include the following statements, each set off by a bullet point (except as specified below), in the following order:
1. “With a broker-dealer, you may select investments or the broker-dealer may recommend investments for your account, but the ultimate decision for your investment strategy and the purchase and sale of investments will be yours.”
  2. “A broker-dealer must act in your best interest and not place its interests ahead of yours when the broker-dealer recommends an investment or an investment strategy involving securities. When a broker-dealer provides any service to you, the broker-dealer must treat you fairly and comply with a number of specific obligations. Unless you and the broker-dealer agree otherwise, the broker-dealer is not required to monitor your portfolio or investments on an ongoing basis.”
  3. “If you were to pay a transaction-based fee in a brokerage account, the more trades in your account, the more fees the broker-dealer charges you. So it has an incentive to encourage you to trade often.”
  4. Include “You can receive advice in either type of account, but you may prefer paying:” and then present the following information in this sub-item in a tabular format, comparing a transaction-based fee and an asset-based fee side-by-side. In one column, include the following (emphasis required): “*a transaction-based fee* from a cost perspective, if you do not trade often or if you plan to buy and hold investments for longer periods of time.” In the other column, include the following (emphasis required): “*an asset-based fee* if you want continuing advice or want someone to make investment decisions for you, even though it may cost more than a transaction-based fee.”
- B. If you are a *standalone broker-dealer*, include the heading “Compare with Typical Advisory Accounts,” and include the following under the heading (emphasis required): “You could also open an advisory account with an *investment adviser*, where you will pay an ongoing *asset-based fee* that is based on the value of the cash and investments in your advisory account.” Include “Features of a typical advisory account include:” and then include the following statements, each set off by a bullet point (except as specified below), in the following order (emphasis required):

1. “Advisers provide advice on a regular basis. They discuss your investment goals, design with you a strategy to achieve your investment goals, and regularly monitor your account.”
2. “You can choose an account that allows the adviser to buy and sell investments in your account without asking you in advance (a “**discretionary account**”) or the adviser may give you advice and you decide what investments to buy and sell (a “**non-discretionary account**”).”
3. “Advisers are held to a fiduciary standard that covers the entire investment advisory relationship. For example, advisers are required to monitor your portfolio, investment strategy and investments on an ongoing basis.”
4. “If you were to pay an asset-based fee in an advisory account, you would pay the fee periodically, even if you do not buy or sell. You may also choose to work with an investment adviser who provides investment advice for an hourly fee, or provides a financial plan for a one-time fee.”
5. “For an adviser that charges an asset-based fee, the more assets you have in an advisory account, including cash, the more you will pay the adviser. So the adviser has an incentive to increase the assets in your account in order to increase its fees.”
6. Include “You can receive advice in either type of account, but you may prefer paying:” and then present the following information in this sub-item in a tabular format, comparing a transaction-based fee and an asset-based fee side-by-side. In one column, include the following (emphasis required): “**an asset-based fee** if you want continuing advice or want someone to make investment decisions for you, even though it may cost more than a transaction-based fee.” In the other column, include the following (emphasis required): “**a transaction-based fee** from a cost perspective if you do not trade often or if you plan to buy and hold investments for longer periods of time.”

## Item 6. Conflicts of Interest

- A. Include the heading, “Conflicts of Interest.” *Standalone broker-dealers* must include the following after the heading: “We benefit from our recommendations to you.” *Standalone investment advisers* must include the following after the heading: “We benefit from the advisory services we provide to you.” *Dual registrants* must include the following after the heading: “We benefit from the services we provide to you.”
- B. Briefly describe the following conflicts of interest, as they are applicable to you. If all or a portion of a conflict is inapplicable to your business, omit that conflict or portion thereof. If you are a *dual registrant* and a conflict only applies to your

brokerage accounts or to your investment advisory accounts, only include that conflict in the applicable column.

1. State that you have a financial incentive to offer or recommend the *retail investor* to invest in certain investments because (a) they are issued, sponsored or managed by you or your affiliates, (b) third parties compensate you when you recommend or sell the investments, or (c) both. Provide examples of such investments. State that your financial professionals receive additional compensation if the *retail investor* buys these investments.
2. State that you have an incentive to offer or recommend the *retail investor* to invest in certain investments because the manager or sponsor of those investments or another third party (such as an intermediary) shares with you revenue it earns on those investments. Provide examples of such investments.
3. State that you can buy investments from a *retail investor*, and sell investments to a *retail investor*, from your own accounts (called “acting as principal”). State that you can earn a profit on these trades, and that you have an incentive to encourage the *retail investor* to trade with you. If this activity is part of your investment advisory business, state that the *retail investor’s* specific approval on each such transaction is required.

**Item 7. Additional Information.**

- A. Include the heading, “Additional Information” and include the following after the heading: “We encourage you to seek out additional information.”
- B. Include the following: “We have legal and disciplinary events” if you or one of your financial professionals currently disclose, or are required to disclose, the following information:
  1. Disciplinary information in your Form ADV (Item 11 of Part 1A or Item 9 of Part 2A).
  2. Legal or disciplinary events in your Form BD (Items 11 A-K) (except to the extent such information is not released to BrokerCheck, pursuant to FINRA Rule 8312).
  3. Disclosures for any of your financial professionals in Items 14 A-M on Form U4 (Uniform Application for Securities Industry Registration or Transfer), or in Items 7(a) and 7(c)-(f) of Form U5 (Uniform Termination Notice for Securities Industry Registration) or on Form U6 (Uniform Disciplinary Action Reporting Form) (except to the extent such information is not released to BrokerCheck, pursuant to FINRA Rule 8312).

- C. Regardless of your response to Item 7.B, you must state the following: “Visit Investor.gov for a free and simple search tool to research our firm and our financial professionals.”
- D. Include the following: “To report a problem to the SEC, visit Investor.gov or call the SEC’s toll-free investor assistance line at (800) 732-0330. [To report a problem to FINRA, [ ].] If you have a problem with your investments, investment account or a financial professional, contact us in writing at [insert your primary business address].” If you are a broker-dealer or *dual registrant*, include the bracketed language. It is your responsibility to review the current telephone numbers for the SEC and FINRA no less often than annually and update as necessary.
- E. State where the *retail investor* can find additional information about your brokerage and investment advisory services.
1. If you are a broker-dealer, state that for additional information about your brokers and services, visit BrokerCheck, your website, and the *retail investor’s* account agreement. Include a link to the portion of your website that provides up-to-date information for *retail investors* and the following link to BrokerCheck: Brokercheck.Finra.org. If you do not have a public firm website, then you must include a toll-free telephone number where *retail investors* can request up-to-date information.
  2. If you are an investment adviser, state that for additional information on your investment advisory services, see your Form ADV brochure on IAPD on Investor.gov and any brochure supplement a financial professional provides. If you maintain your current Form ADV brochure on your public website, then you must state the website address. If you do not have a public firm website or if you do not maintain your current Form ADV brochure on your public website, then you must include the following link: [adviserinfo.sec.gov](http://adviserinfo.sec.gov). If you do not have a public firm website, then you also must include a toll-free telephone number where *retail investors* can request up-to-date information.

## **Item 8. Key Questions to Ask.**

Under the heading “Key Questions to Ask,” include the key questions below and the following: “Ask our financial professionals these key questions about our investment services and accounts.”

Use formatting to make the questions more noticeable and prominent (for example, by using larger font, a text box around the heading or questions, different font, or lines to offset the questions from the other sections). You may modify or omit portions of any questions that you determine are inapplicable to your business. If you are a *standalone broker-dealer* or *standalone investment adviser*, you should modify the questions below to reflect the type of account you offer to *retail investors* (e.g., advisory or brokerage account).



Advisers that provide automated advice or broker-dealers that provide services only online without a particular individual with whom a *retail investor* can discuss these questions must include a section or page on their website that answers each of the below questions and should provide a hyperlink in the *relationship summary* to that section or page. If you provide automated advice but make a financial professional available to discuss the existing account with a *retail investor*, you may wish to consider making the financial professional available to discuss these questions with the *retail investor*.

1. Given my financial situation, why should I choose an advisory account? Why should I choose a brokerage account?
2. Do the math for me. How much would I pay per year for an advisory account? How much for a typical brokerage account? What would make those fees more or less? What services will I receive for those fees?
3. What additional costs should I expect in connection with my account?
4. Tell me how you and your firm make money in connection with my account. Do you or your firm receive any payments from anyone besides me in connection with my investments?
5. What are the most common conflicts of interest in your advisory and brokerage accounts? Explain how you will address those conflicts when providing services to my account.
6. How will you choose investments to recommend for my account?
7. How often will you monitor my account's performance and offer investment advice?
8. Do you or your firm have a disciplinary history? For what type of conduct?
9. What is your relevant experience, including your licenses, education and other qualifications? Please explain what the abbreviations in your licenses are and what they mean.
10. Who is the primary contact person for my account, and is he or she a representative of an investment adviser or a broker-dealer? What can you tell me about his or her legal obligations to me? If I have concerns about how this person is treating me, who can I talk to?

In addition to the abovementioned questions, you may also include any other frequently asked questions you receive following these questions. You may not, however, exceed fourteen questions in total.