

Insights

HEADS UP! YOUR FORM CRS GRACE PERIOD HAS ENDED: THE SEC DROPS THE HAMMER ON 27 FIRMS FOR COMPLIANCE FAILURES WITH FORM CRS FILING AND DELIVERY REQUIREMENTS

Jul 28, 2021

In case you were wondering if you can still push off finalizing your Form CRS filing, posting it on your website and delivering it to clients, the SEC has read your mind and answered loudly: no more! On Monday, the SEC announced that 21 investment advisers and 6 broker-dealers are on the receiving end of regulatory penalties ranging from \$10,000 - \$97,523 following their failure to comply with Form CRS and its related rules including Regulation Best Interest ("Reg BI").

In June 2019, the SEC adopted a requirement for investment advisers and broker-dealers to file and deliver Customer Relationship Summary Forms ("Form CRS") to their retail investors. The **Form CRS** requires specific information about the firm to be provided in a format that is easily read and written in plain English. SEC guidelines for the form can be found [here](#). The elements that firms are required to communicate to their retail investors include information about relationships and services, fees, costs, conflicts, standard of conduct, disciplinary history, and additional information. For each section, the SEC proposes conversation starters to assist in the relationship communication with the retail investor.

The "grace period" for compliance ran for a year with the SEC requiring firms to prominently post their Form CRS on their website, file it with the SEC, and start delivering it to its existing retail investors by July 30, 2020. Following reminders from regulators (including direct outreach emails to Chief Compliance Officers), and following the passage of a year since the deadline, 27 firms had still taken no action to comply. In conjunction with Monday's announcement, the SEC's new Director of Enforcement, Gurbir S. Grewal, stated "Today's cases reinforce the importance of meeting those obligations and providing retail investors with information that is intended to help them understand their relationships with their securities industry professionals." The SEC press release can be found [here](#).

In short, it is past time to ensure your financial services firm has met the requirements regarding Form CRS and Reg BI. Please contact one of the listed authors of this Client Alert or your usual

Bryan Cave Leighton Paisner contact if you have any questions or need assistance with Reg BI, Form CRS, or other matters of concern with securities compliance and enforcement.

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