



FALL | 2020



## REGULATION BEST INTEREST (REG BI)

A new set of rules that aim to increase investors' confidence became effective at the end of June. These new standards essentially replace the Department of Labor's fiduciary rule, which was struck down by the courts.

The Securities and Exchange Commission (SEC) has outlined the conduct that broker-dealers and associated persons must follow when they recommend certain securities transactions to retail clients. The new set of rules is known as Reg BI which stands for Regulation Best Interest.

The new rules establish industry-wide standards to ensure that brokers put the best interests of retail investors first. As of June 30, 2020, retail investors must now receive specific information from broker-dealers when their associates make recommendations regarding securities transactions.

Along with Regulation Best Interest, the SEC also created forms broker-dealers and investment advisers must give to new and existing clients. One of the new documents is Form CRS which stands for Client Relationship Summary. This new form will use easy-to-understand language to help retail investors evaluate the types of services they can expect and better understand the relationship between firms and clients. The form is strictly limited in page length and is designed to empower investors to make informed decisions when choosing a new broker or advisor (or continuing an existing relationship).

On a personal note, since I am dually registered as both a Registered Representative (of Valmark Securities) and Investment Advisor Representative (of Valmark Advisers), and hold my CFP® professional certification, it is required that I adhere to a fiduciary standard of care in most of my client relationships, including the sale of any securities products that emanate from a financial planning engagement. You can be sure that I have always placed, and will continue to place, the best interests of my clients before that of my own.

The bottom line is that these new rules will make the relationship between the broker, advisor, and client more transparent and understandable. In turn, they will help ensure that the people you entrust to pursue your financial objectives are in alignment with you. And that's a good thing.

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