

MEMO# 32068

November 27, 2019

SEC Staff Issues FAQs on Form CRS

[32068]

November 27, 2019 TO: ICI Members
Investment Company Directors
Broker/Dealer Advisory Committee
Investment Advisers Committee
Operations Committee
Pension Committee
SEC Rules Committee
Transfer Agent Advisory Committee SUBJECTS: Alternative Investments
Compliance
Disclosure
Investment Advisers
Operations RE: SEC Staff Issues FAQs on Form CRS

The SEC staff recently issued several “frequently asked questions” (FAQs) on Form CRS, which was adopted this summer as part of the SEC’s standards of conduct rulemakings.[\[1\]](#) The staff states that it expects to update the FAQ periodically with its responses to additional questions.

The first two FAQs address the format of the relationship summary. The first FAQ asks whether a firm may prepare and deliver separate relationship summaries for the different services the firm offers. The staff responds that a firm may not, but instead must prepare a single relationship summary summarizing all of the principal relationships and services the firm offers to retail investors. The staff provides examples of the types of services that would be described in a single relationship summary by an investment adviser, a broker-dealer, and a dually-registered firm. The second FAQ provides step-by-step-technical instructions on how a firm can create machine readable headings to comply with the instructions to Form CRS.

The third FAQ addresses the timing of delivery of the relationship summary to a firm’s existing retail clients or customers. The staff states that a firm may satisfy this requirement by delivering the relationship summary separately, in a bulk delivery to clients, or as part of the delivery of information that the firm already provides, such as the annual Form ADV update, account statements or other periodic reports. The staff confirms that a firm including the relationship summary with the mailing of the firm’s June 2020 quarterly account statements (which, in the question, would be mailed one week after the June 30, 2020 compliance date for Form CRS), would satisfy this requirement.[\[2\]](#)

The final FAQ asks whether an investment adviser to pooled investment vehicles, such as hedge funds, private equity funds, and venture capital funds, must deliver a relationship summary to those funds, given that investors in the funds may include “retail investors” as defined in Form CRS. The staff’s response confirms that these types of pooled investment vehicles would not meet Form CRS’s definition of “retail investor,” and therefore the firm has no obligation to deliver a relationship summary under these circumstances.^[3]

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endnotes

^[1] The FAQs, which were prepared by the staffs of the SEC’s Divisions of Investment Management and Trading and Markets, are *available at* <https://www.sec.gov/investment/form-crs-faq#delivery>. For a detailed summary of the SEC’s rulemakings, please see the attachments to ICI Memorandum No. 31815 (June 19, 2019), *available at* https://www.ici.org/my_ici/memorandum/ci.memo31815.idc.

^[2] The staff reiterates that a firm must initially deliver its relationship summary to each of its existing clients and customers who are retail investors within 30 days after the date by which it is first required to electronically file its relationship summary with the SEC. If the relationship summary is delivered in paper format as part of a package of documents, a firm must ensure that the relationship summary is the first among any documents that are delivered at that time. If the relationship summary is delivered electronically, it must be presented prominently in the electronic medium, for example, as a direct link or in the body of an email or message and must be easily accessible for retail investors.

^[3] “Retail investor” is defined, for purposes of Form CRS, as “a natural person, or the legal representative of such natural person, who seeks to receive or receives services primarily for personal, family or household purposes.”