

Now It's Time to Focus on Form CRS

You may have completed your ADV Annual Amendment filing, but there's more.

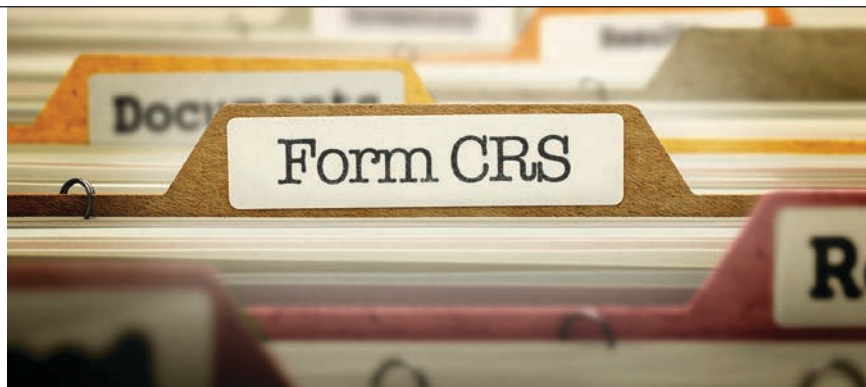
By now, many SEC-registered advisors (who are calendar-year filers) have completed their ADV Annual Amendment filing. If you reviewed and updated your Disclosure Brochure, be sure your service descriptions and related costs and fees are clear and correct and that you have identified and disclosed all conflicts of interest.

Now it is time to focus on the new Form CRS. SEC advisors have until June 30, 2020, to make their initial Form CRS filing. Yes, yet *another* document.

For some time I have felt that Form ADV is both way too long and complicated, resulting in a disclosure document that is read by few retail investors. Form CRS is intended to be a succinct (no more than two pages for most RIAs) disclosure document relaying important information about a firm to perspective and current individual clients.

Your task with the document is to simply and effectively communicate to your clients. This includes (1) services you offer as well as the associated costs and fees, (2) legal obligations to your client when you serve them as an advisor, (3) conflicts of interest, which may impact the way you can meet these legal obligations, (4) disciplinary history for your advisory firm or any of your financial professionals, (5) an explanation as to how your financial professionals are compensated, and (6) a source for your clients should they wish to seek out additional information about your firm or your financial professionals.

The good news is the work you have put into your 2020 annual amended Disclosure Brochure will pay dividends as you flesh out your initial Form CRS. The bad news is it can be incredibly difficult to distill the necessary information into a two-page document. Worse, Form CRS has required



headings, “conversation starter” questions and other content that can make it more difficult to stay within the page limit.

Filing windows for the Form CRS will open through the Investment Adviser Registration Depository for advisors on May 1, 2020. All federally registered firms generally will be required to file the initial Form CRS by June 30, 2020. With respect to investment advisors applying for registration, the SEC has stated that it “will not accept any initial application that does not include a [Form CRS]” on or after June 30, 2020.

As to timing, investment advisors must deliver Form CRS to new retail investor clients no later than when the advisor and the client enter into a contractual engagement. Delivery to existing clients will depend upon other factors, such as:

- **The initial delivery to existing clients**, which is due no later than July 30.

- **Additional deliveries to clients**, after making your initial delivery and prior to an existing client opening a new type of account: If they have a discretionary account and they want to engage you to provide a limited consulting service, you must redeliver the CRS.

- **As a best practice**, after you file your initial Form CRS, you should begin providing a copy of it to new clients

along with your form ADV. Form CRS must become part of your delivery procedures after July 30.

- **Form CRS should be updated** and filed within 30 days of it becoming materially inaccurate. Clients must be notified of the material changes in the CRS within 60 days of the filing requirement, 90 days total from the date of the material change causing the CRS to be inaccurate.

Although you have until June 30, 2020, to file your initial Form CRS filing, I encourage you to begin the drafting process as soon as possible.

[Note: The SEC said in mid-March that RIAs with filing deadlines before April 30 can request an extra 45 days to file an amendment to Form ADV or file reports on Form ADV part 1A; an extension is not guaranteed.]

In addition, it may cause the firm to be treated as a higher-risk firm, since it couldn't prepare an Annual Amendment on time. Unless absolutely necessary, we are advising firms not to request this extension.]

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