

# Morgan Lewis

## SEC Form CRS Schematic Templates for Broker-Dealers *Revised and Updated as of August 27, 2019*

We created the following schematic template to help broker-dealers begin to conceptualize and draft SEC Form CRS relationship summaries for their businesses.

**NOTE:** As business models vary significantly among firms, your disclosures will have to reflect your business in a fair and not misleading manner. Accordingly, this template is not intended as a substitute for the Form CRS instructions and SEC guidance; please think of this as a starting point. You will need to draft and review your own disclosures with your own legal counsel and other advisors and we are here to help.

Please note the following:

- Form CRS instructions are shown in *italics*
- SEC required language is set off in **{brackets and bolded}**
- Optional disclosures are set off in [brackets]
- Language that the SEC requires to be emphasized is in ***bold italics***

Please contact any of the Morgan Lewis attorneys listed below if you have any questions or comments about these templates or Form CRS's requirements.

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[Introduction]	<p><i>Insert name of firm</i> is registered with the Securities and Exchange Commission (SEC) as a broker-dealer [and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC)]. Brokerage and investment advisory services and fees differ and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at Investor.gov/CRS, which also provides educational materials about broker-dealers, investment advisers, and investing.</p>
<b>{What investment services and advice can you provide me?}</b>	<p>We offer brokerage services to retail investors, including buying and selling securities.</p> <p><i>Describe other principal services and any material limitations on such services, including with respect to whether recommendations and investment monitoring are offered (and if so with what frequency and limitations and whether included as part of standard services), investment authority (may, but not required, to state whether you accept limited discretionary authority), limitations on investment offerings, and account/investment minimums. You make the ultimate decision regarding the purchase or sale of investments.</i></p> <p><b>For additional information</b>, please see [cross references to Regulation Best Interest Disclosures and other applicable documents. Also consider disclosure in your ERISA 408(b)(2) disclosure and any work you may have done on the now vacated ERISA/IRA Best Interest Contract Exemption].</p> <p><b>Conversation Starters.</b> Ask your financial professional—</p> <ul style="list-style-type: none"> <li>• <b>{Given my financial situation, should I choose a brokerage service? Why or why not?}</b></li> <li>• <b>How will you choose investments to recommend to me?</b></li> <li>• <b>What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?}</b></li> </ul>
<b>{What fees will I pay?}</b>	<p><i>Summarize the principal fees and costs that retail investors will incur for brokerage services, including how frequently they are assessed and the conflicts of interest they create. Describe transaction-based fees and consider including a statement that you will be charged more when there are more trades in your account, and that the firm therefore has an incentive to encourage you to trade often.</i></p> <p><i>Describe other fees and costs related to your brokerage services and investments, including examples of the most common fees and costs (e.g., custodian fees, account maintenance fees, fees related to mutual funds and variable annuities, and other transactional and product level fees).</i></p> <p><b>{You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.}</b></p> <p><b>For additional information</b>, please see [cross references to Regulation Best Interest Disclosures and other applicable documents. Also consider disclosure on your ERISA 408(b)(2) disclosure and any work you may have done on the now vacated ERISA/IRA Best Interest Contract Exemption].</p> <p><b>Conversation Starter.</b> Ask your financial professional—</p> <ul style="list-style-type: none"> <li>• <b>{Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?}</b></li> </ul>
<b>{What are your legal obligations to me when providing</b>	<p><b><i>{When we provide you with a recommendation, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the</i></b></p>

<p><b>recommendations? How else does your firm make money and what conflicts of interest do you have?}</b></p>	<p><b>recommendations we provide you. Here are some examples to help you understand what this means.}</b></p> <p><i>As applicable, summarize the following other ways the firm and its affiliates make money from brokerage services provided to retail investors and explain the incentives. If none apply, summarize at least one other material conflict.</i></p> <ul style="list-style-type: none"> <li>• <i>Proprietary products</i></li> <li>• <i>Third-party payments</i></li> <li>• <i>Revenue sharing</i></li> <li>• <i>Principal trading</i></li> </ul> <p><b>Conversation Starter.</b> Ask your financial professional—</p> <ul style="list-style-type: none"> <li>• <b>{How might your conflicts of interest affect me, and how will you address them?}</b></li> </ul> <p><b>For additional information</b>, please see [cross references to Regulation Best Interest Disclosures and other applicable documents].</p>
<p><b>{How do your financial professionals make money?}</b></p>	<p><i>Summarize how the firm’s financial professionals are compensated, including cash and non-cash compensation, and the conflicts of interest those payments create. Include whether financial professionals are compensated based on factors such as the amount of client assets they service, the time and complexity required to meet a client’s needs, the product sold, product sales commissions, or revenue the firm earns from the financial professional’s recommendations.</i></p>
<p><b>{Do you or your financial professionals have legal or disciplinary history?}</b></p>	<p><i>State {Yes} or {No} as applicable. Firms must state “yes” if they or any of their financial professionals currently disclose or are required to disclose disciplinary or legal information in a Form ADV (Item 11 of Part 1A or Item 9 of Part 2A) or Form BD (Items 11A-K) (unless not released to BrokerCheck) or Items 14 A-M on Form U4, Items 7A or 7C-F of Form U5, or on Form U6 (unless not released to BrokerCheck).</i></p> <p>Visit <a href="http://Investor.gov/CRS">Investor.gov/CRS</a> for a free and simple search tool to research us and our financial professionals.</p> <p><b>Conversation Starter.</b> Ask your financial professional—</p> <ul style="list-style-type: none"> <li>• <b>{As a financial professional, do you have any disciplinary history? For what type of conduct?}</b></li> </ul>
<p>[Additional Information]</p>	<p><b>For additional information about our services</b>, [include appropriate cross-references]. If you would like additional, up-to-date information or a copy of this disclosure, please call [Include a telephone number where retail investors can request up-to-date information and a copy of Form CRS].</p> <p><b>Conversation Starter.</b> Ask your financial professional—</p> <ul style="list-style-type: none"> <li>• <b>{Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?}</b></li> </ul>