

Sample SEC Form CRS for Dual Registrants *as of November 22, 2019*

We created the following sample Form CRS to help dual registrants 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 sample 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 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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FIRM NAME is a broker-dealer and an investment adviser registered with the Securities and Exchange Commission (SEC)[and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC)][*Consider footnoting or omitting*].

- **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](https://www.investor.gov/crs), which also provides educational materials about broker-dealers, investment advisers, and investing.**

What investment services and advice can you provide me? We offer both brokerage and investment advisory services. [*Address default capacities and how capacity will be disclosed.*]

- ✓ Our **brokerage services** include buying and selling securities at your direction and providing you with investment recommendations[, research, financial tools and planning services, and investor education] from time to time or at your request. We offer mutual funds, exchange traded funds (ETFs), domestic and international equities, options, fixed income securities, certificates of deposit (CDs) and structured notes, and variable annuities. [*describe any material limitations on investment offerings, and whether there are account/investment minimums.*] Unless we separately agree in writing, we do not monitor your brokerage account and you make the ultimate decision regarding the purchase or sale of investments.
- ✓ Our **advisory services** include our asset allocation services using mutual funds and exchange traded funds (ETFs) and managed portfolios from third-party investment managers. Depending on which program you select, our asset allocation services are either “non-discretionary” or “discretionary”—meaning that either we will recommend investments to you and you will make the ultimate decision regarding the purchase or sale of investments (non-discretionary), or we will make the ultimate investment decisions without your signoff (discretionary). The third-party managers we make available to you will invest your account on a discretionary basis using mutual funds, ETFs, and other securities. All of our advisory services are offered through “wrap fee programs” (as described below) and either we or the third-party manager will monitor [*address frequency*] your advisory account and investments as part of your standard services. You must meet certain investment minimums to open an advisory account. Current account minimums for each program are described on our website at <https://www.us.firm.com/investments/products/asset-allocation/> [*Describe any material limitations on investment offerings.*]

For additional information, please see [*cross references to Regulation Best Interest Disclosures, Form ADV, Part 2A brochure (Items 4 and 7 of Part 2A or Items 4.A. and 5 of Part 2A Appendix 1) and other applicable documents. Consider referencing information posted on website*]. [Our affiliate Insurance Agency (USA) Inc. offers a variety of insurance products, including fixed and immediate annuities and life insurance, and our affiliate Bank USA, NA offers a range of bank products and services.]

Conversation Starters. Ask your financial professional—

- *Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?*
- *How will you choose investments to recommend to me?*
- *What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?*

What fees will I pay? The fees you pay depend on whether you choose brokerage services, advisory services, or both.

- ✓ For **brokerage services**, the principal fees and costs are transaction-based fees for recommendations and execution of securities trades. Depending on the investment product you select, these fees can include up-front commissions, as well as fees that are charged on an on-going basis for as long as you hold the investment (“trails”). If we buy a security from you, or sell a security to you for our own account (as “principal”), we may mark the price up or down, which is a benefit to us. Because we are compensated for transactions, ***we have an incentive to encourage you to trade more frequently*** and in greater amounts, and to trade with us as principal because we receive more revenue when you do so.

You will also pay fees for custodial or administrative services, as well as fees and expenses that are included in the expense ratios of certain of your investments, including in mutual funds, ETFs, and variable annuities.

For additional information about the fees and costs for our brokerage services, please see [cross references to commission schedule and Regulation Best Interest Disclosures].

- ✓ For **advisory services**, the principal fees and costs are the “wrap” program fee for the program you select. These fees are “asset-based” meaning that the fee is calculated as a percentage of the assets invested in your advisory account according to the fee schedule in your advisory agreement with us. This means that the more assets you invest in your account, the more you will pay in fees, and therefore ***we have an incentive to encourage you to increase your advisory account assets.***

A wrap advisory fee includes most transaction costs and fees paid to a broker-dealer or bank that has custody of your assets, and therefore is typically higher than a typical asset-based advisory fee that does not include transaction costs and fees. Our clients typically pay the advisory fee each quarter, but please see your advisory agreement for the payment frequency that applies to your account. [*confirm description aligns with response to Form ADV Part 1A, Item 5.E.*]

You may also pay miscellaneous fees that your account’s custodian may charge, including wire fees, transfer fees, bank charges and other fees, as well as fees and expenses that

are included in the expense ratios of certain of your investments, including in mutual funds and ETFs.

For additional information, please see [cross references to Form ADV, Part 2A brochure (Items 5.A., B., C., and D), advisory agreements, and other applicable documents].

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.

Conversation Starters. Ask your financial professional—

- *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?*

What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have? When we provide you with a recommendation as your broker-dealer or act as your investment adviser, 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 recommendations and investment advice we provide you. Here are some examples to help you understand what this means.

Examples of Ways We Make Money and Conflicts of Interest.

- **Proprietary Products:** We will earn higher fees, compensation, and other benefits when you invest in a product that we (or one of its affiliates) advise, manage, or sponsor, such as a mutual fund or structured CD. As such, we have an incentive to recommend (or to invest your assets in) those products over third-party products.
- **Third-Party Payments:** We receive payments from third party product sponsors and managers (or their affiliates) when we recommend or sell certain products. As such, we have an incentive to recommend (or to invest your assets in) products of third-parties that pay us over products of third parties that do not pay us, or pay us less.
- **Revenue Sharing:** Certain managers and sponsors (or their affiliates) share the revenue they earn when you invest in certain of their investment products (primarily mutual funds and variable annuities) with us. As such, we have an incentive to recommend (or to invest your assets in) products of sponsors and managers that share their revenue with us, over other products of sponsors or managers that do not share their revenue, or who share less.
- **Principal Trading:** We may buy or sell securities to you for its own account. Because we earn compensation (such as commission equivalents, mark-ups, mark-downs, and spreads) and can receive other benefits in principal transactions, we have an incentive

to trade with you on a principal basis and to recommend securities that we hold in inventory.

Conversation Starter. Ask your financial professional—

- *How might your conflicts of interest affect me, and how will you address them?*

For additional information, please see [cross references to Regulation Best Interest Disclosures, Form ADV, Part 2A brochure and other applicable documents].

How do your financial professionals make money?

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 advisory services or recommendations.

Do you or your financial professionals have legal or disciplinary history?

Yes. Visit Investor.gov/CRS for a free and simple search tool to research us and our financial professionals.

Conversation Starter. Ask your financial professional—

- *As a financial professional, do you have any disciplinary history? For what type of conduct?*

For additional information about our services, see [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].

Conversation Starter. Ask your financial professional—

- *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?*