

May 25, 2018

*Via Electronic Filing*

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**Re: Proposed Form CRS; Proposed Regulation Best Interest; Notice of  
Proposed Commission Interpretation Regarding Standard of  
Conduct for Investment Advisers**

Dear Mr. Fields:

The Investment Adviser Association<sup>1</sup> shares the Commission's goals of enhancing the quality and clarity of investors' relationships with investment advisers and broker-dealers<sup>2</sup> and commends the Commission for its efforts to address this complex but important investor protection issue. We write to request that the Commission make public the results of its investor testing in connection with its proposed package of rulemakings and interpretation relating to the standards of conduct for investment advisers and broker-dealers,<sup>3</sup> and that it extend the comment period on the proposals so that any comments can incorporate the results of the investor testing.

We are pleased that, in approving this comprehensive package of proposals, the Commission emphasized the importance of obtaining input from commenters on all aspects of the package. We especially applaud the Commission for its commitment to conduct investor

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<sup>1</sup> The IAA is a not-for-profit association dedicated to advancing the interests of SEC-registered investment advisers. The IAA's more than 640 member firms manage more than \$20 trillion in assets for a wide variety of individual and institutional clients, including pension plans, trusts, mutual funds, private funds, endowments, foundations, and corporations. For more information, please visit our website: [www.investmentadviser.org](http://www.investmentadviser.org).

<sup>2</sup> Since its founding in 1937, the IAA has been the leading voice in promoting high standards of fiduciary and ethical responsibility for the investment advisory profession. See IAA Standards of Practice, available at <https://www.investmentadviser.org/about/standards-practice-duty>.

<sup>3</sup> *Form CRS Relationship Summary; Amendments to Form ADV; Required Disclosures in Retail Communications and Restrictions on the use of Certain Names or Titles*, SEC Rel. IA-4888 (Apr. 18, 2018) ("Proposing Release"); *Proposed Commission Interpretation Regarding Standard of Conduct for Investment Advisers; Request for Comment on Enhancing Investment Adviser Regulation*, SEC Rel. IA-4889 (Apr. 18, 2018); *Regulation Best Interest*, SEC Rel. 34-83062 (Apr. 18, 2018).

testing on the efficacy of proposed Form CRS. Because it is not at all clear that the results of investor testing will be received and made public by the Commission sufficiently before the comment due date of August 7, 2018 to permit analysis and comment, we respectfully request that the Commission extend the due date to provide enough time for commenters to fully consider and incorporate the results.

The proposals are intended to: (1) strengthen the standard of conduct for broker-dealers (Regulation Best Interest); (2) reaffirm the fiduciary duty principles to which investment advisers are already subject (Interpretive Guidance); (3) enhance investor understanding by requiring both investment advisers and broker-dealers to deliver a relationship summary (Form CRS) to retail investors; and (4) reduce investor confusion, including through new disclosures under Regulation Best Interest and by restricting the use of certain titles by broker-dealers. Taken as a whole, the proposals are intended to be a comprehensive and consistent set of principles and disclosures for investment advisers and broker-dealers relating to retail investors.

A core component of this “package deal” is a brief relationship summary document – proposed Form CRS. Form CRS is meant to work in tandem with Regulation Best Interest and the principles outlined in the proposed Interpretive Guidance to enhance investor understanding regarding the relationships and services being offered, the costs associated with those services, and the applicable standard of conduct. The proposals are thus intended to complement one another as several elements of a layered approach to disclosure.<sup>4</sup>

It is critically important to get the investor testing right. It is also critically important to provide commenters with the opportunity to integrate the results of the investor testing in their comments. First, in order for the testing to be “right,” it must be designed to ascertain not only whether investors find proposed Form CRS useful and easy to follow, but, even more importantly, whether the form as proposed provides investors with an accurate and balanced understanding of the information it is intended to convey.<sup>5</sup> For instance, it would be important to know whether the investor understood what the term “fiduciary” as used in proposed Form CRS means. Similarly, it would be important to know whether the investor understood what the term “disciplinary events” may encompass.<sup>6</sup> The Commission also may want to consider including

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<sup>4</sup> See Regulation Best Interest Proposal, *supra* note 24, at section II.D.1 (noting that the relationship summary would reflect initial layers of disclosure, and the disclosure obligation of proposed Regulation Best Interest would reflect more specific and additional, detailed layers of disclosure). Moreover, as noted by the Commission, certain of the required statements in Form CRS assume adoption of Regulation Best Interest. See, *e.g.*, Proposing Release, at footnote 120.

<sup>5</sup> While we commend the Commission for providing a short-form questionnaire to encourage feedback directly from investors, we are concerned that the answers to the questions will not necessarily reflect whether the investor accurately understood the information.

<sup>6</sup> In this regard, we support including in the Commission’s investor testing the questions listed in the May 21, 2018 letter to Chairman Clayton from several organizations, including the Consumer Federation of America.

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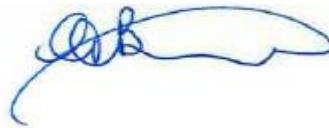
alternative forms of disclosure in its investor testing to ascertain whether alternatives may be more effective in achieving increased investor understanding.

Second, because the retail investor's ability to understand the proposed Form CRS disclosures is so central to the package of proposals, it is vital that the results of the testing be made available for public consideration. They will be needed to inform public comment, both on the efficacy of the proposed disclosures and on the impact of the results on the package as a whole. For these reasons, we are requesting that the Commission extend the comment period to allow for sufficient time after publication of the results for commenters to incorporate them into their comments and be in a position to provide the Commission with more informed and constructive comments on its proposed package.

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The IAA remains committed to working with the Commission to move this important investor protective initiative forward and appreciates the Commission's consideration of our request. Please contact Sanjay Lamba, IAA Assistant General Counsel, or me at (202) 293-4222 if you would like to discuss this request or have any questions.

Respectfully submitted,



Gail C. Bernstein  
General Counsel

cc: The Honorable Walter J. Clayton, Chairman  
The Honorable Kara M. Stein, Commissioner  
The Honorable Michael S. Piwowar, Commissioner  
The Honorable Robert J. Jackson Jr., Commissioner  
The Honorable Hester M. Peirce, Commissioner  
Dalia Blass, Director, Division of Investment Management  
Brett Redfearn, Director, Division of Trading and Markets