

NASAA  
REGULATION BEST  
INTEREST  
IMPLEMENTATION  
COMMITTEE

REGULATION  
BEST INTEREST:  
National  
Examination  
Initiative  
Phase One

September 2020



**NASAA**

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION

## Introduction

NASAA’s Regulation Best Interest (“Reg BI”) Implementation Committee (the “Committee”) led a coordinated national examination initiative in the first quarter of 2020. The purpose of the examination initiative was to identify a baseline of broker-dealer (“BD”) and investment adviser (“IA”) firm policies, procedures, and practices involving sales to retail investors, as those policies, procedures, and practices existed in 2018 prior to adoption and release of the final rule by the SEC (the “pre-BI period”).<sup>1</sup> Together with a second examination initiative scheduled to start in 2021 (the “post-BI period”), states will be able to evaluate key industry changes as firms seek to achieve compliance with Reg BI and the SEC’s updated interpretation of investment advisers’ fiduciary duties under the 1940 Advisers Act. This information is critical to inform states as they update their own state regulations, policies, and examination practices in light of the new federal standards.

In mid-February 2020, 34 states participating in the initiative sent examination questionnaires to more than 2,000 firms (BD and IA) operating in their jurisdictions. States were asked to distribute surveys on a 1:3 BD to IA ratio, given the larger size of the latter registrant population. Firms were given two weeks to return responses and an additional week to produce copies of applicable policies and/or forms.

The top 10 priority areas in the coordinated examination initiative included:

- Variations in the types of products sold
- Policies, procedures, and practices related to the sale of alternative or complex product types, with specific attention to private securities, non-traded Real Estate Investment Trusts (“REITs”), leveraged or inverse exchange-traded funds (“ETFs”), and variable annuities
- Policies, procedures, and practices regarding sales contests, quotas, bonuses, and the receipt of non-cash compensation
- Policies, procedures, and practices with respect to recommendations as to account type and IRA/retirement account rollovers
- Cost comparison due diligence and disclosure practices
- Compensation policies, procedures, and practices involving receipt of third-party compensation and the payment of differential compensation

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<sup>1</sup> Regulation Best Interest, SEC Rel. No. 34-86031, File No. S7-07-18 (Jun. 5, 2019), available at <https://www.sec.gov/rules/final/2019/34-86031.pdf>.

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- Policies, procedures, and practices regarding disclosure, avoidance, or mitigation of material financial conflict incentives
- Policies, procedures, and practices regarding point of sale disclosures
- Types of information collected in customer profile forms and/or suitability questionnaires
- Titles used to describe registered agents/representatives, e.g., advisor, adviser, wealth manager, or financial consultant, while operating in the capacity of a broker-dealer.

Below are the Committee's findings. Attached to this report are charts summarizing select responses from broker-dealer firms on a consolidated basis (Appendix A) and select responses from investment adviser firms on a consolidated basis (Appendix B). Questions regarding the exam initiative may be directed to the Committee Chair, Ohio Securities Commissioner Andrea Seidt at [andrea.seidt@com.ohio.gov](mailto:andrea.seidt@com.ohio.gov).

## PHASE I FINDINGS

### SURVEY SAMPLE

- 34 Participating States: Alabama, Alaska, Arkansas, California, Colorado, Connecticut, District of Columbia, Delaware, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, Rhode Island, Texas, Vermont, Washington, West Virginia, Wisconsin, and Wyoming.
- 2,068 firms completing surveys citing 2018 data:<sup>2</sup>
  - 516 BDs (approximately 15% of the registered FINRA population);<sup>3</sup>

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<sup>2</sup> On February 25, 2020, the following industry trade associations sent a joint letter to states objecting to various aspects of the examination tool as well as the timeline and requested states to suspend the examination initiative: Alternative & Direct Investment Securities Association (ADISA), American Securities Association (ASA), Financial Services Institute (FSI), Institute for Portfolio Alternatives (IPA), Insured Retirement Institute (IRI), Money Management Institute, National Association of Insurance and Financial Advisors (NAIFA), Securities Industry and Financial Markets Association (SIFMA), and the U.S. Chamber of Commerce's Center for Capital Markets Competitiveness. The Committee Chair responded to the letter the following day, that the initiative would not be suspended. While a few states agreed to short extensions on a case-by-case basis, member firms by and large complied with the state exam initiative on time and within requested parameters.

<sup>3</sup> To maximize the retail customer reach of this survey, the Committee made a conscious effort to include the top fifty largest broker-dealer firms based on number of agents/representatives, whether those firms were standalone broker-dealers or dually licensed as both broker-dealers and investment advisers.

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- 1,552 IAs (approximately 9% of the state-registered population);<sup>4</sup>
- Firms ranging in size from 1 person to >35,000 agents/representatives, approximately 360,000 registered persons in total;
- Firm revenue ranging between \$0 to nearly \$22 billion, more than \$106 billion in total;
- Retail customer base ranging from 0 (new firms) to >10 million accounts, over 68 million retail accounts in total.

## PRODUCT OFFERINGS

In 2018, prior to Reg BI, most firms were engaged in the sale of conventional securities like stocks and mutual funds in traditional asset classes like equities and fixed income. Broker-dealers offered a more diverse set of product offerings than IAs, but that menu included a number of complex and high-commission products higher on their lists. Indeed, while leveraged- and inverse-ETFs appear in the IA Top 10 list below, sold by at least 15% of IA firms, a higher percentage of BDs (25%) reported selling them outside of the BD Top 10. IAs focused more on plain vanilla products. Interestingly, almost the same percentage of IA and BD firms – 37-38% – offered no-load products to their customers. Few firms had policies and procedures governing specific product sales (26%) or used tools to assist agents/representatives and investors in comparing investment opportunities (19%).

- On a consolidated firm basis, the top 5 most common product types offered or made available to customers were: (1) mutual funds (75%); (2) equities (73%); (3) debt/fixed income (65%); (4) standard ETFs (64%); and (5) listed REITs (40%).
- The 5 product types presented in the survey that were least commonly offered or made available to customers included: (1) cryptocurrency (0.44%); (2) highly leveraged products (2%); (3) proprietary products (4%); (4) derivatives (4%); and (5) hedge funds (6%).

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<sup>4</sup> Although some federal advisers were surveyed, most states focused on state-registered firms over which they have primary authority.

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	<b>Top 10 BD Products</b>	<b>Top 10 IA Products</b>
1.	Mutual funds (66%)	Mutual funds (77%)
2.	Equities (60%)	Equities (77%)
3.	Debt/Fixed income (57%)	Debt/Fixed income (67%)
4.	Standard ETFs (52%)	Standard ETFs (67%)
5.	Municipal funds (50%)	Listed REITs (39%)
6.	Variable annuities (49%)	No-load products (37%)
7.	Listed REITs (44%)	Municipal funds (33%)
8.	Options (44%)	Options (23%)
9.	No-load products (38%)	Variable annuities (15%)
10.	UITs (37%)	Leveraged- or inverse-ETFs (15%)

### SALES OF COMPLEX PRODUCTS

NASAA has focused much of its Reg BI examination focus on complex and high-risk products, namely, private securities, variable annuities, non-traded REITs, and leverage- or inverse-ETFs, due to investor confusion and harm emanating from these products. Only a minority of firms surveyed offered or sold these products in 2018. Even with the country’s largest broker-dealers and smallest state-registered investment advisers in the survey mix, 64% of the firms surveyed did not recommend or make *any* of these products available to their customers. When they were sold, however, broker-dealers were much more likely than investment advisers to place these products.

<b>PRODUCTS</b>	<b>ALL FIRMS COMBINED</b>	<b>BD</b>	<b>IA</b>
Private securities	7%	21%	3%
Variable annuities	14%	42%	5%
Non-traded REITs	6%	18%	2%
Leveraged- or Inverse-ETFs	9%	15%	7%

## INVESTOR PROFILE QUESTIONNAIRE FORMS

One of a firm's most important tools in getting to know their customers' investment needs and objectives is the investor profile questionnaire. A large majority of firms surveyed use them, but there was a small percentage who reported *not* using them. IA questionnaires were generally more robust than BD questionnaires in collecting vital "know your customer" information, but both BDs and IAs have room to improve by collecting important information like education level and debt.

- 22% of BDs indicated they did not use investor profile questionnaires, compared to 13% of IAs.
- Top five areas covered: (1) investment objective (80%); (2) age (80%); (3) risk tolerance (79%); (4) income (78%); and time horizon (77%).
- Only 20% of the firms asked about education level; 42% asked about debt.
- BD v. IA questionnaires:
  - Investment objective – BD (72%) v. IA (83%);
  - Age – BD (72%) v. IA (82%);
  - Risk tolerance – BD (70%) v. IA (80%);
  - Income – BD (72%) v. IA (80%);
  - Time horizon – BD (69%) v. IA (79%);
  - Net worth – BD (73%) v. IA (77%);
  - Liquidity needs – BD (65%) v. IA (71%);
  - Other investments – BD (57%) v. IA (64%);
  - Education level – BD (17%) v. IA (21%);
  - Debt – BD (22%) v. IA (49%).
- The two areas where BDs gathered more information than IAs on investor profile questionnaires were in asking about years of investment experience [BD (64%) v. IA (59%)] and years of experience with specific products or asset classes [BD (60%) v. IA (51%)].

## **FEE DISCLOSURES AND ACCOUNT TYPES**

Most firms reported having policies and procedures related to fee disclosure but less than half reported providing fee disclosure at the most important point for the customer – the point-of-sale. It is unclear what level of point-of-sale disclosure, if any, will be required beyond prospectus delivery to satisfy the firm’s and the agent’s disclosure obligations under Reg BI. Firms will be expected under Reg BI to disclose whether there are lower-cost, suitable options available to their customers, whether on or outside their platforms, something most firms were not disclosing at the point of sale prior to Reg BI.

- 69% of firms had policies and procedures related to the disclosure of any fees.
- 30% of firms had policies and procedures regarding IRA/retirement account rollovers.
- 43% of firms disclose at point-of-sale the fees charged for various asset classes.
- 41% of firms disclose at point-of-sale the availability of lower-cost, suitable options on the firm’s platform.
- 35% of firms disclose at point-of-sale the availability of lower-cost, suitable options outside the firm’s platform.
- Firms fare slightly better regarding fee disclosure with respect to account type:
  - 64% of firms disclose prior to or at account opening the average fees for account type;
  - 48% of firms disclose pros and cons of selecting competing account type (e.g., brokerage v. advisory).
- While more IAs have applicable policies and procedures regarding fee disclosures as a whole (72% v. BDs at 60%), more BDs have policies and procedures applicable to IRA/retirement account rollovers (47% v. IAs at 25%) and variations in asset classes (49% v. IAs at 40%).
- IAs report greater fee disclosure at the point of sale: 40% of IAs disclosed availability of lower cost options outside the firm’s platform compared to 27% of BDs. Less than half of BDs (42%) and IAs (40%) disclose at point of sale the availability of lower cost options on the firm platform.

## COMPENSATION PRACTICES

Compensation practices vary widely from business model to business model and even from firm to firm within models. No particular account type is *ipso facto* better than any other type, and no one can say definitively what is in the best interest of any customer without first examining the facts and circumstances surrounding that customer. That said, certain compensation practices must be scrutinized closely as they create strong financial incentives (conflicts) for firms and their agents/representatives to select one account type or product over another. Sales contests and the receipt of third-party compensation are two compensation practices often discussed in this context. Reg BI prohibits sales contests based on the sales of specific securities and types of securities within a limited period of time (though the survey confirms firms are no longer engaging in this practice)<sup>5</sup> but allows product-agnostic contests and third-party compensation to continue, provided there is proper disclosure and mitigation. Based on firm survey responses, investors were more likely to find these two types of financial incentive conflicts at a BD than an IA firm.

- Virtually no firms used product-specific sales contests in 2018, the only type expressly prohibited under Reg BI. Zero IAs reported use of product-specific sales contests, quotas, or bonuses to compensate agents/representatives, compared to 2% of BDs.
- 15% of BDs did utilize sales contests, quotas, or bonuses that were not tied to a specific product in 2018 (in other words, a product-agnostic contest), a rare happening at an IA firm (only 1%).
- 18% of the BD firms accepted third-party compensation from a product manufacturer on account of sales/advice to customers, also rare at IAs (2%).
- 15% of the BD firms accepted third-party compensation from another broker-dealer, investment adviser, or other financial institution on account of sales/advice to customers, compared to only 3% of IAs.

## CONFLICTS OF INTEREST

One of the most important developments in the SEC's adoption of Reg BI is the new regulatory focus on conflict of interest disclosure and mitigation. Based on survey responses, firms on both the BD and IA side have a lot of work to do here. While all firms will now be expected to closely manage conflicts of interest, particularly those involving a financial incentive, only about half (59%) of the firms had specific policies and procedures pertaining to conflicts of interest when surveyed. Even fewer firms had tools

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<sup>5</sup> See SEC Rule 15l-1(a)(2)(iii)(D), 17 C.F.R. § 240.15l-1(a)(2)(iii)(D); Regulation Best Interest, *supra* note 1, at 351-56.



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like conflict registers (24%) to manage them and conflict committees/officers (30%) to enforce them.

- 57% of BD firms with specific conflict of interest policies and procedures, compared to 59% of IAs.
- 30% of BD firms maintained a conflicts of interest register, compared to only 22% of IAs.
- 30% of BD firms had a conflicts of interest committee or designated officer, compared to 29% of IAs.

## TITLES

In 2018, many firms allowed their agents/representatives to use the “adviser” and “advisor” titles of trust in marketing activities they undertook in their broker-dealer capacity. Reg BI places restrictions on that activity moving forward, generally requiring investment adviser representative licensure and supervision.<sup>6</sup> Alternatively, firms also used titles like “wealth manager” and “financial consultant,” terms that are not restricted under Reg BI. Investors seeking the highest standard of care will need to continue exercising caution in taking any securities professional title at face value and may avoid confusion by simply asking their investment professionals whether or not they are receiving a fiduciary standard of care.

- 29% of firms allowed agents/representatives to use the “adviser” or “advisor” title while acting in a broker-dealer capacity; 46% of those firms had no prerequisites for using such title, such as requiring IAR registration.
  - More common in BDs than IAs, nearly 40% of the BDs allowed it compared to 26% of IAs.
- 14% of firms used alternative titles like “wealth manager” or “financial consultant.”
  - Also more common in BDs than IAs, 30% of the BDs allowed it compared to 9% of IAs.

## INSURANCE

A collateral issue raised in the Reg BI releases with respect to differences in the standard of care and protections for retail investors is the extent to which registered firms carry E&O insurance for investor losses. There is little in the way of publicly reported information regarding firm practice and coverage in this area so NASAA included a few short questions to better survey the landscape. NASAA found that over half of both the

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<sup>6</sup> See Regulation Best Interest, *supra* note 1, at 155-59.

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BD *and* IA firms surveyed carried E&O insurance, even where such insurance was not a regulatory requirement. Of course, financials for firms without insurance should be closely scrutinized and regulators/investors should inquire who and what is excluded from a firm policy in the event of loss.

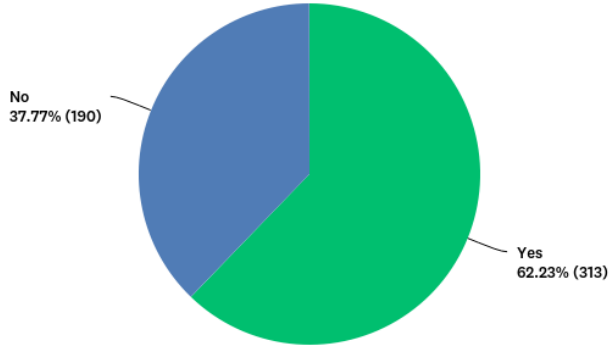
- 61% of firms carried E&O insurance – slightly more BDs (62%) than IAs (60%).
- 97% of the policies covered all registered persons at the firm:
  - BDs more likely to exclude certain individuals from coverage (7%) than IAs (2%).
- Select product exclusions from coverage included: private securities (5.5%), non-traded REITs (4%), leveraged or inverse ETFs (4%), and variable annuities (2%).

**APPENDIX A**

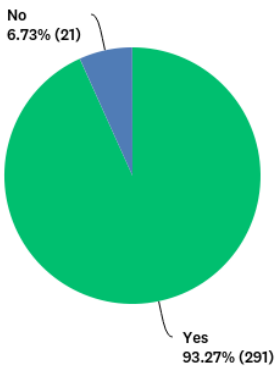
**BROKER-DEALER RESPONSES**

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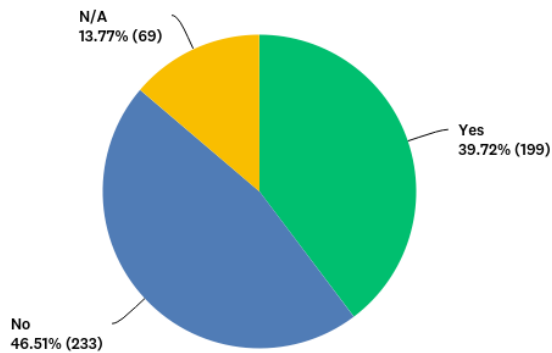
Q10 Does your firm carry E&O insurance?



Q13 Does this policy cover all registered persons?

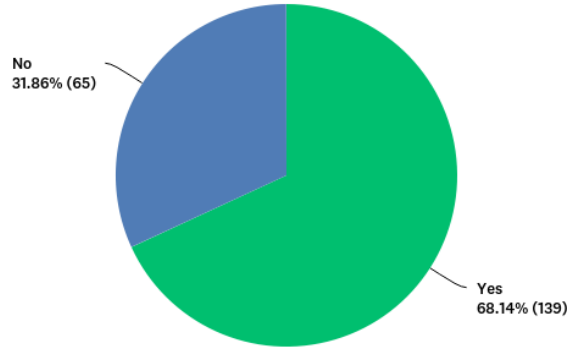


Q14 Please indicate if the firm or its registered agents/representatives use, or permit the use of, the title of "advisor" or "adviser" in marketing materials, disclosures, customer agreements, websites, or as a job title on business cards or in any form of social media to describe itself or its registered agents/representatives while operating in the capacity of a broker-dealer.

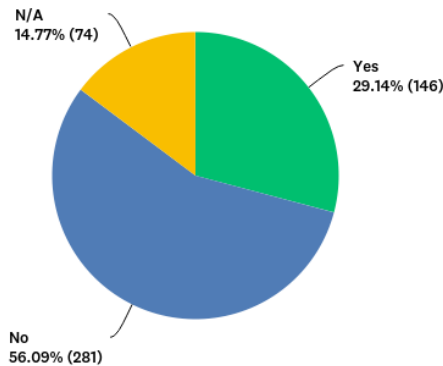


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Q15 Are there any prerequisites for such use as described in the previous question (e.g., dual registration)?

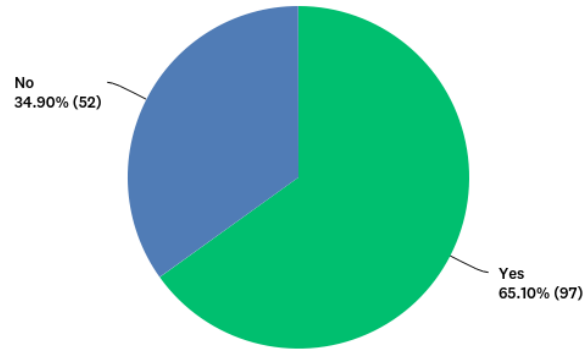


Q16 Please indicate whether the firm or its registered agents/representatives use, or permit the use of, the title of "wealth manager," "financial consultant," or similar title in marketing materials, disclosures, customer agreements, websites, or as a job title on business cards or in any form of social media to describe itself or its employees while operating in the capacity of a broker-dealer.



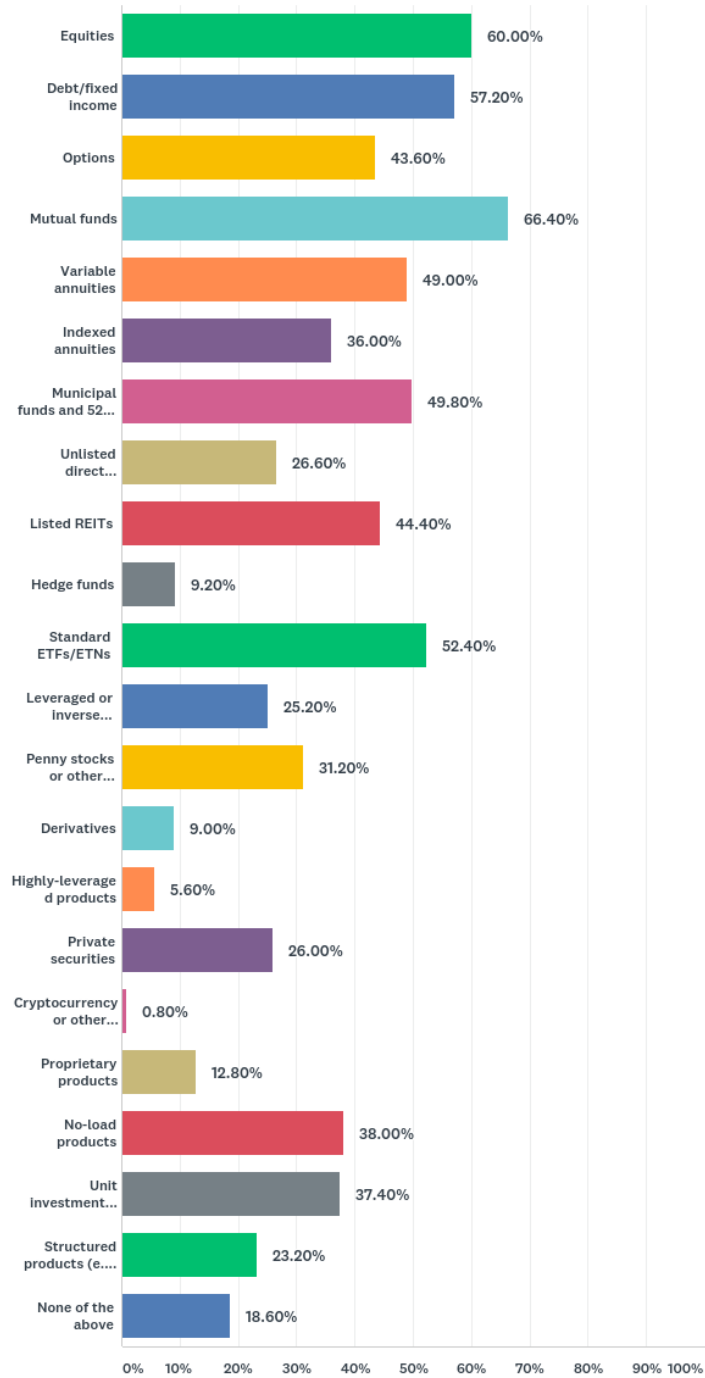
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Q17 Are there prerequisites for such use as described in the previous question (e.g., dual registration)?



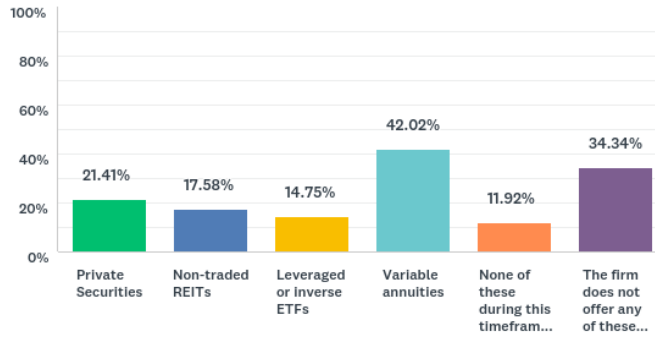
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Q18 Products made available by broker-dealers:

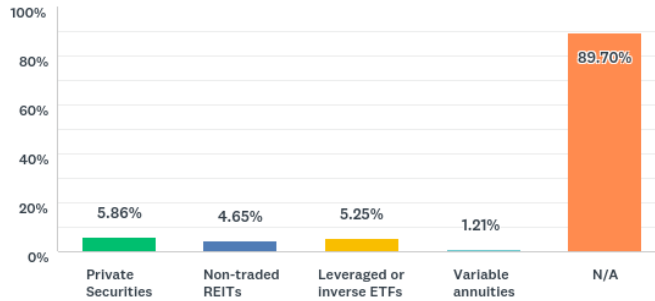


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Q19 Did you place customers in any of the following product types? Check all that apply.



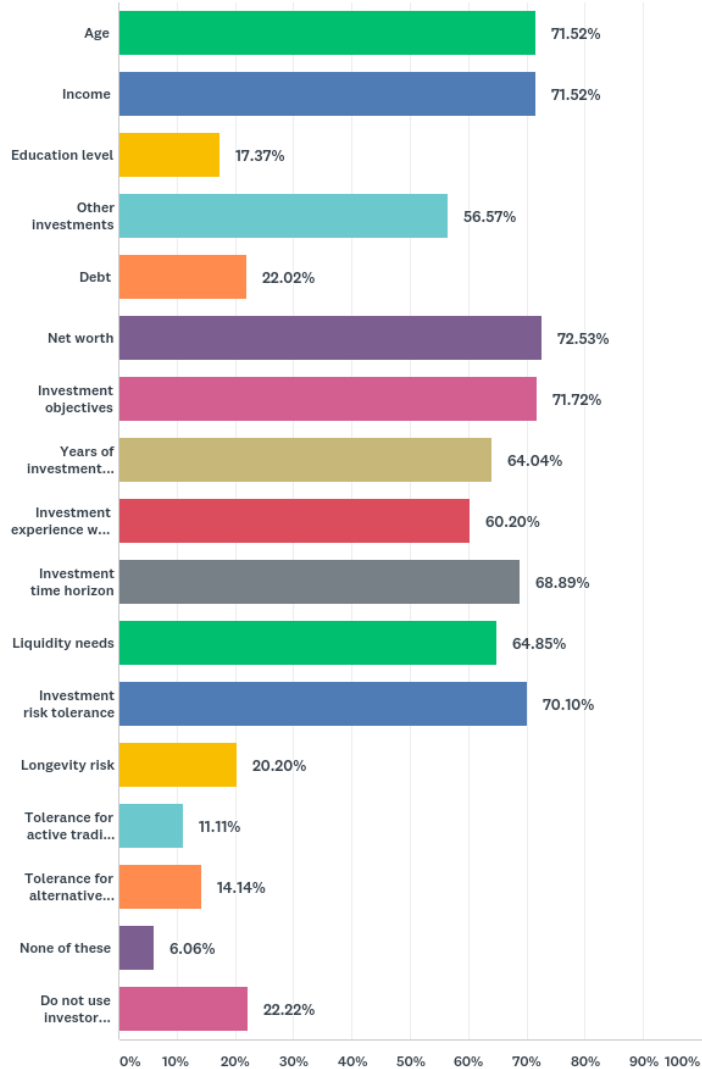
Q20 Are any of the following product types excluded from E&O coverage, if applicable?





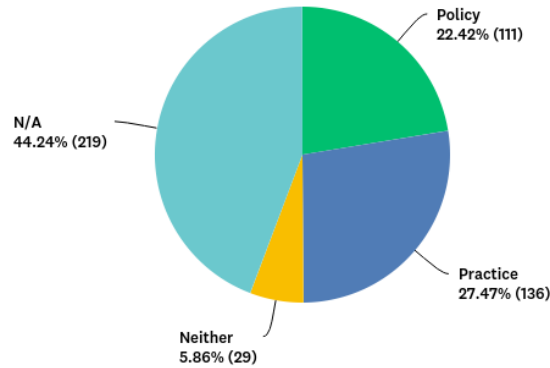
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Q37 Please indicate whether the firm's investor profile form or questionnaire collects the following data points for customers:

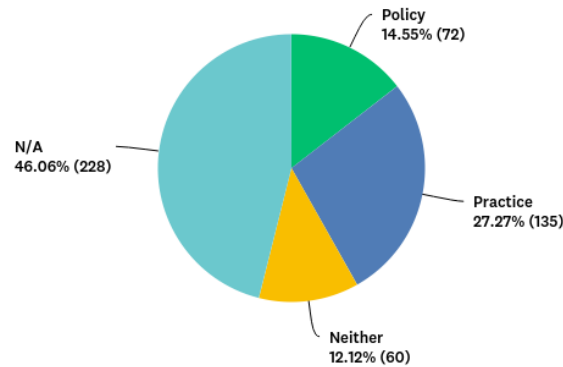


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Q38 In relation to fees charged for various asset classes, please indicate whether it was firm policy or practice to affirmatively discuss costs with customers at the time of the recommendation of whether to buy, hold, or sell a security.

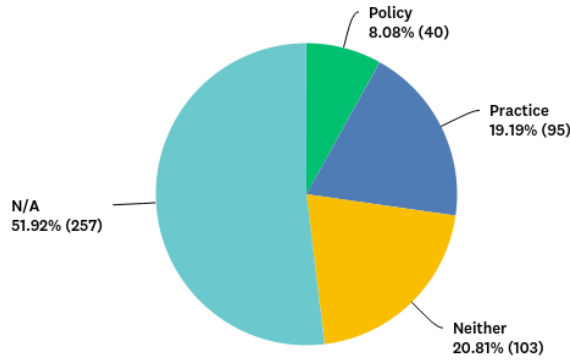


Q39 In relation to the availability of lower-cost, suitable options on the firm's platform, please indicate whether it was firm policy or practice to affirmatively discuss costs with customers at the time of the recommendation of whether to buy, hold, or sell a security.

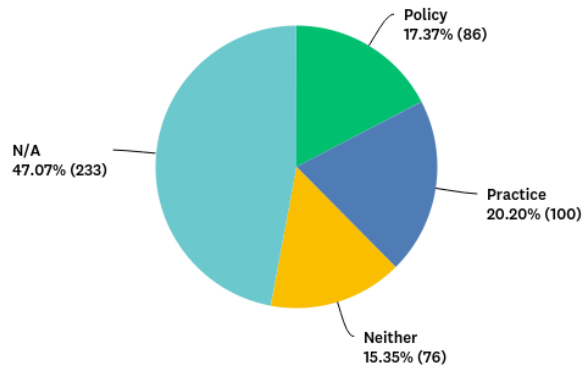


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Q40 In relation to the availability of lower-cost, suitable options outside the firm's platform, please indicate whether it was firm policy or practice to affirmatively discuss costs with customers at the time of the recommendation of whether to buy, hold, or sell a security.

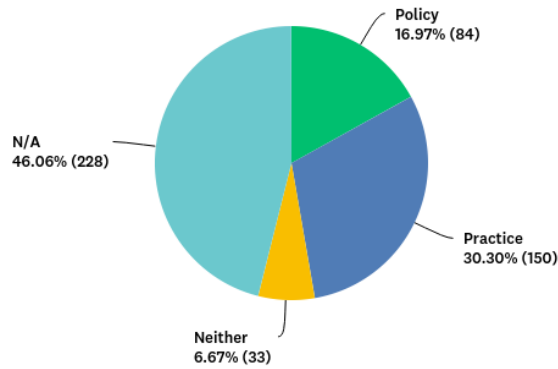


Q41 Disclose or chart out prior to or at account opening the average fees in terms of fixed dollar charge, percentage of assets, or a percentage/dollar range that is typically charged for the recommended account type

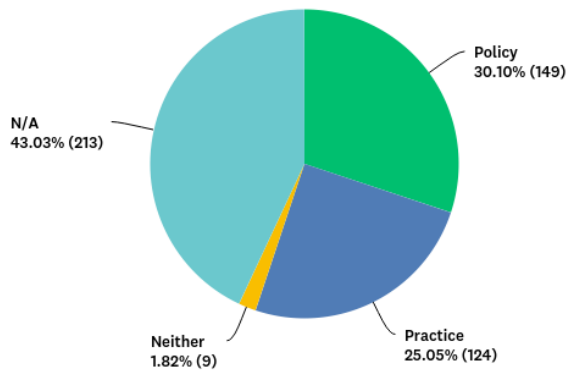


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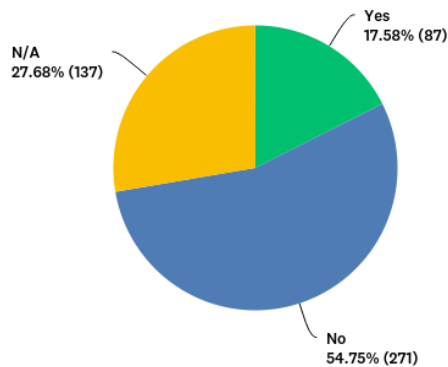
Q42 Educate customers on the pros and cons of selecting competing account types (e.g., brokerage versus an advisory account)



Q43 Educate customers on account recommendations (e.g., rolling over assets from a workplace retirement account to an IRA)

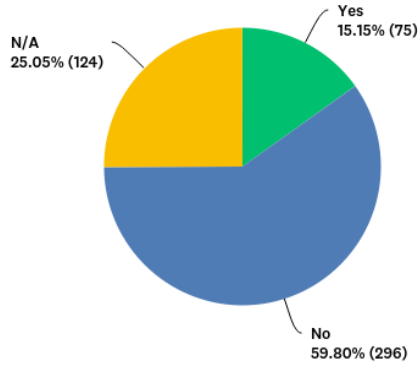


Q44 Accept third-party compensation (cash or non-cash, including gifts of travel or entertainment) from a product manufacturer or sponsor on account of sale/advice to customers

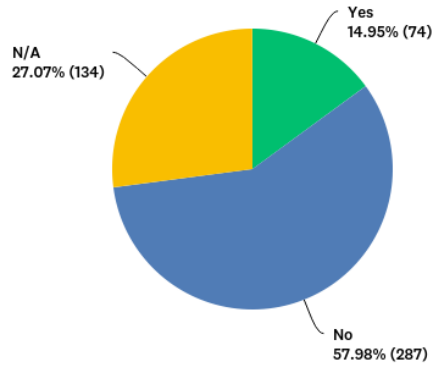


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Q45 Accept third-party compensation (cash or non-cash, including gifts of travel or entertainment) from another broker-dealer, investment adviser, or other financial institution on account of sale/advice to customers

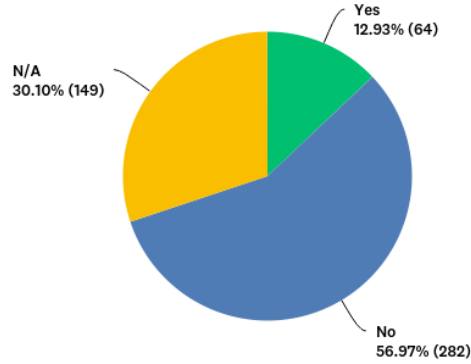


Q46 Accept third-party compensation (cash or non-cash, including gifts of travel or entertainment) from an insurance marketing organization

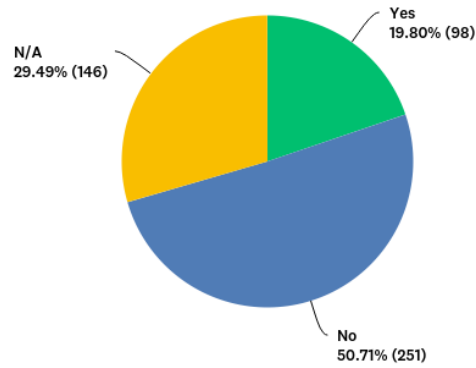


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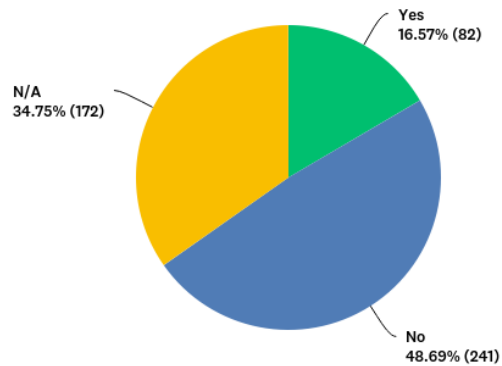
Q48 Agent/rep compensation tied to asset accumulation



Q49 Agent/rep compensation tied to incremental sales growth

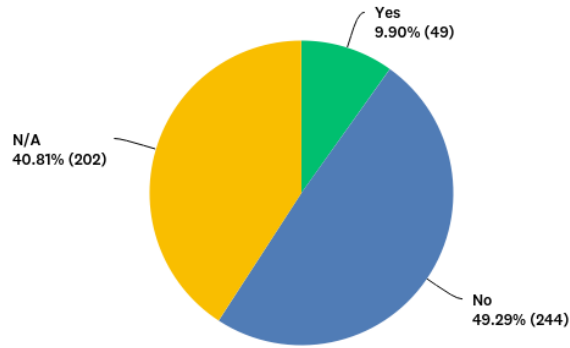


Q52 Allow differential compensation within product family or comparable product lines

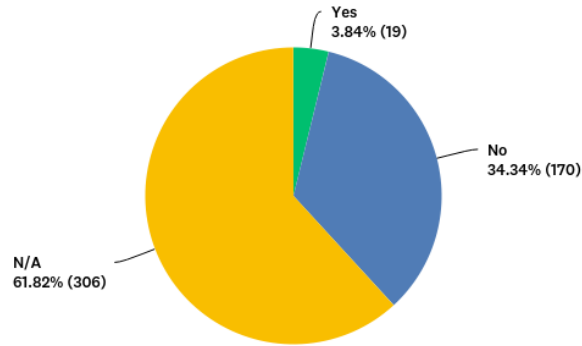


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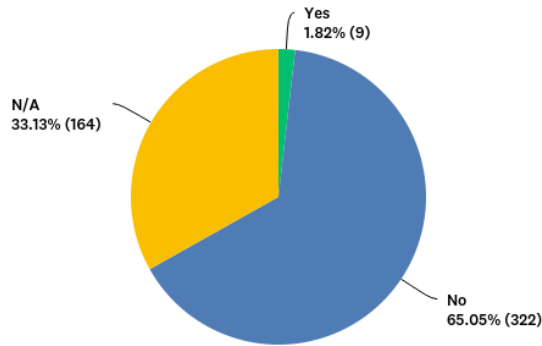
Q53 Cap the compensation or sales credit that an agent/rep receives for sales/advice within product family or comparable product lines



Q54 Neutralize cost to customer where differential compensation is utilized

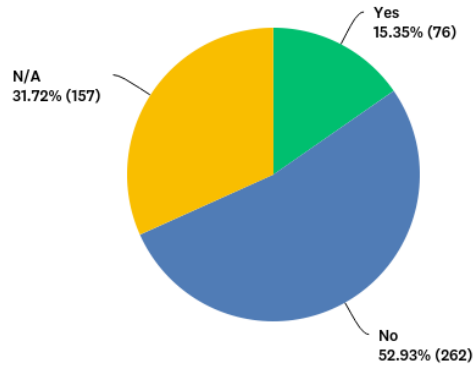


Q55 Utilize product-specific sales contests, quotas, or bonuses to compensate agents/ reps

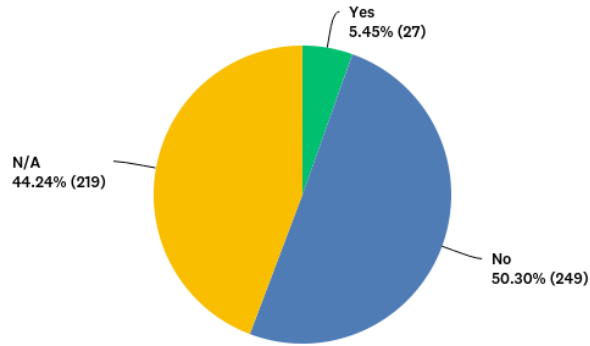


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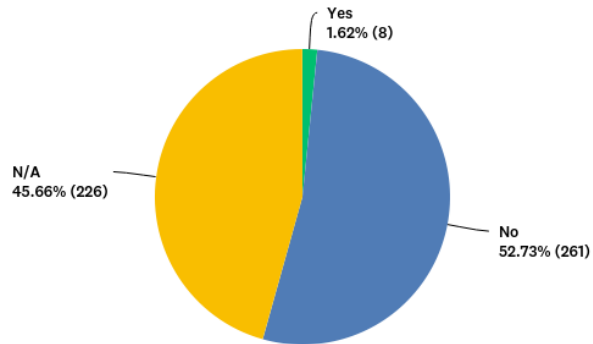
Q56 Utilize sales contests, quotas, or bonuses that are not tied to a specific product to compensate agents/ reps



Q57 Agent/rep compensation tied to sales of a proprietary product



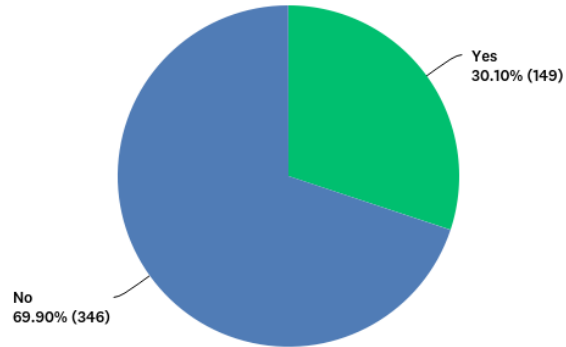
Q58 Utilize sales contests for proprietary product



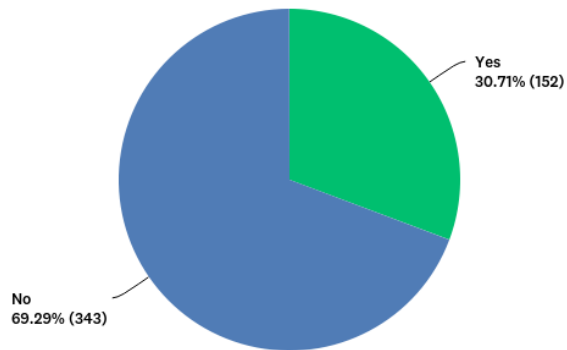


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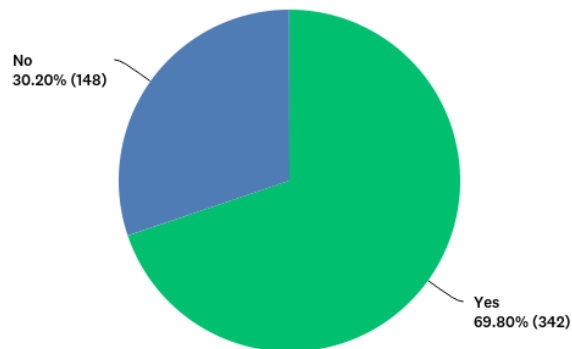
Q60 Please indicate whether the firm has a conflicts of interest register or catalog.



Q61 Please indicate whether the firm has a conflicts of interest committee or a designated conflicts officer.

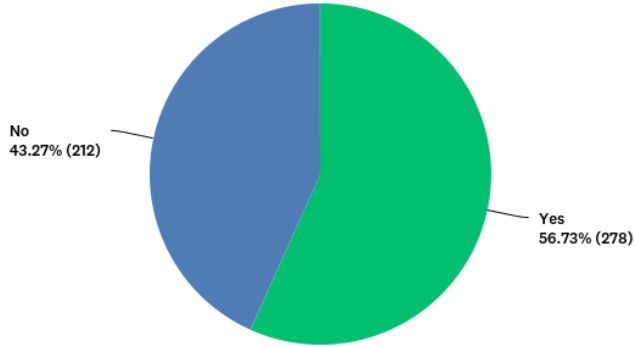


Q62 Investor profile questionnaire forms

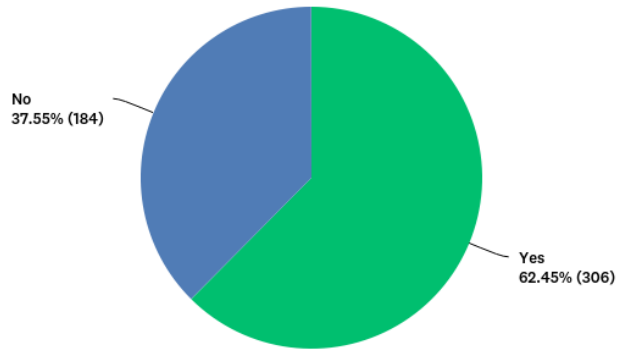


NASAA REGULATION BEST INTEREST IMPLEMENTATION COMMITTEE  
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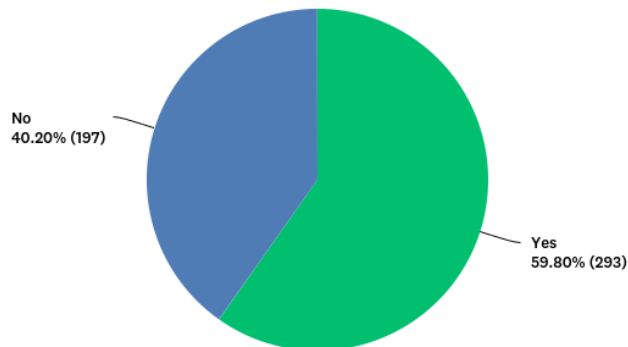
Q63 Conflict of interest policies and procedures



Q64 Suitability/Best Interest/Fiduciary Obligations policies and procedures and applicable questionnaires

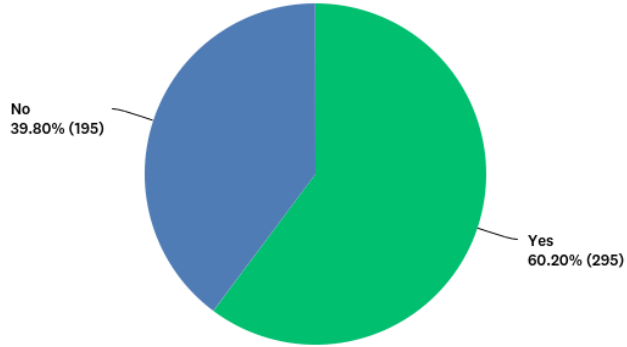


Q65 Policies and procedures related to the disclosure of any fees (e.g., commissions, account fees, etc.)

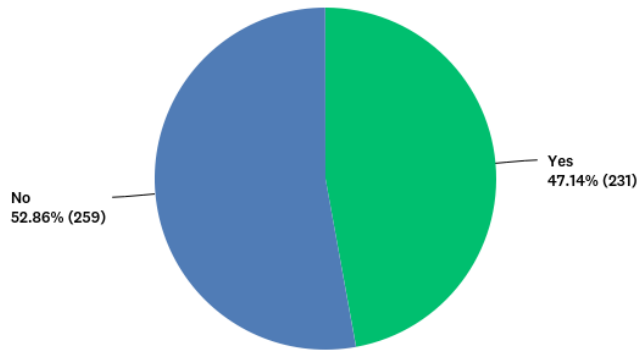


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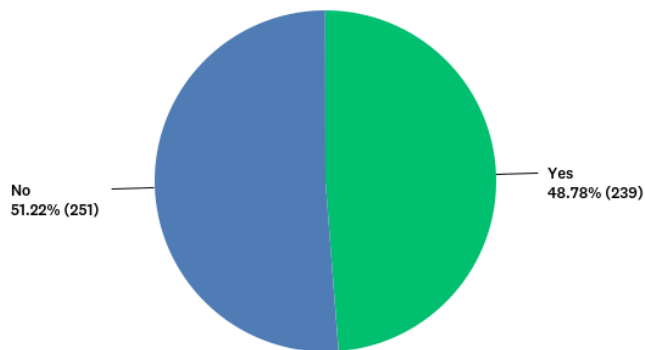
Q66 Product-specific policies and procedures



Q67 Policies and procedures regarding IRA/retirement account rollovers

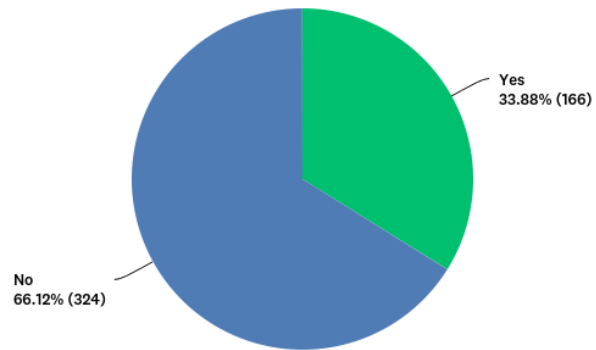


Q68 Share class policies and procedures



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Q69 Cost/product comparison forms or other tools utilized for this purpose



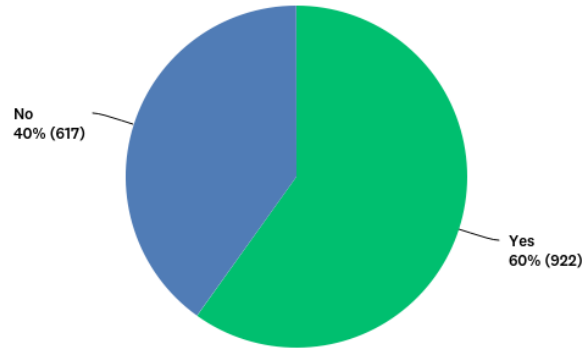
**NASAA REGULATION BEST INTEREST IMPLEMENTATION COMMITTEE  
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**APPENDIX B**

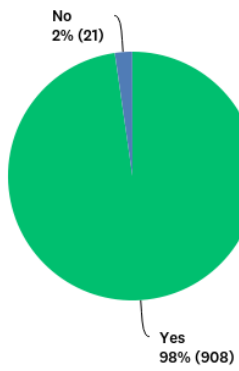
**INVESTMENT ADVISER RESPONSES**

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Q10 Does your firm carry E&O insurance?

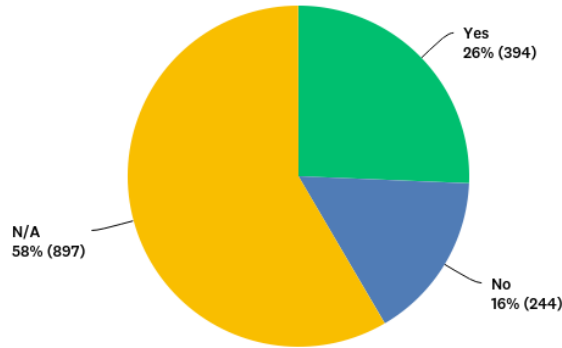


Q13 Does this policy cover all registered persons?



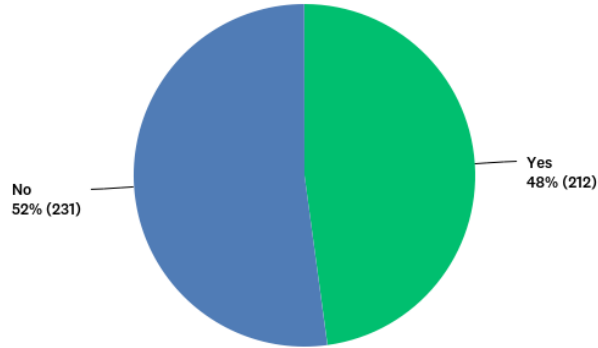
NASAA REGULATION BEST INTEREST IMPLEMENTATION COMMITTEE  
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Q14 Please indicate if the firm or its registered agents/representatives use, or permit the use of, the title of "advisor" or "adviser" in marketing materials, disclosures, customer agreements, websites, or as a job title on business cards or in any form of social media to describe itself or its registered agents/representatives while operating in the capacity of a broker-dealer.

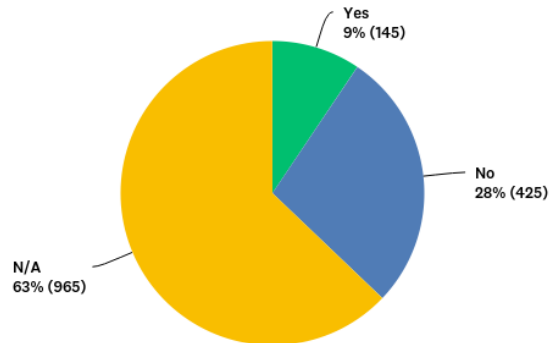


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Q15 Are there any prerequisites for such use as described in the previous question (e.g., dual registration)?



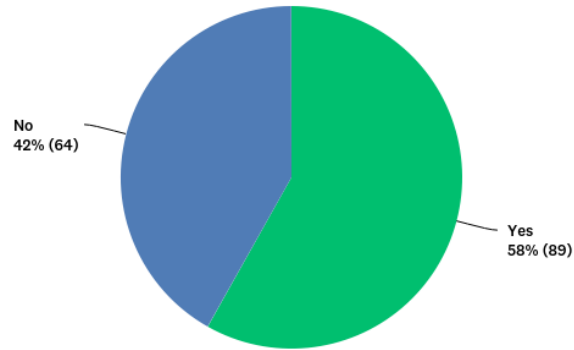
Q16 Please indicate whether the firm or its registered agents/representatives use, or permit the use of, the title of "wealth manager," "financial consultant," or similar title in marketing materials, disclosures, customer agreements, websites, or as a job title on business cards or in any form of social media to describe itself or its employees while operating in the capacity of a broker-dealer.





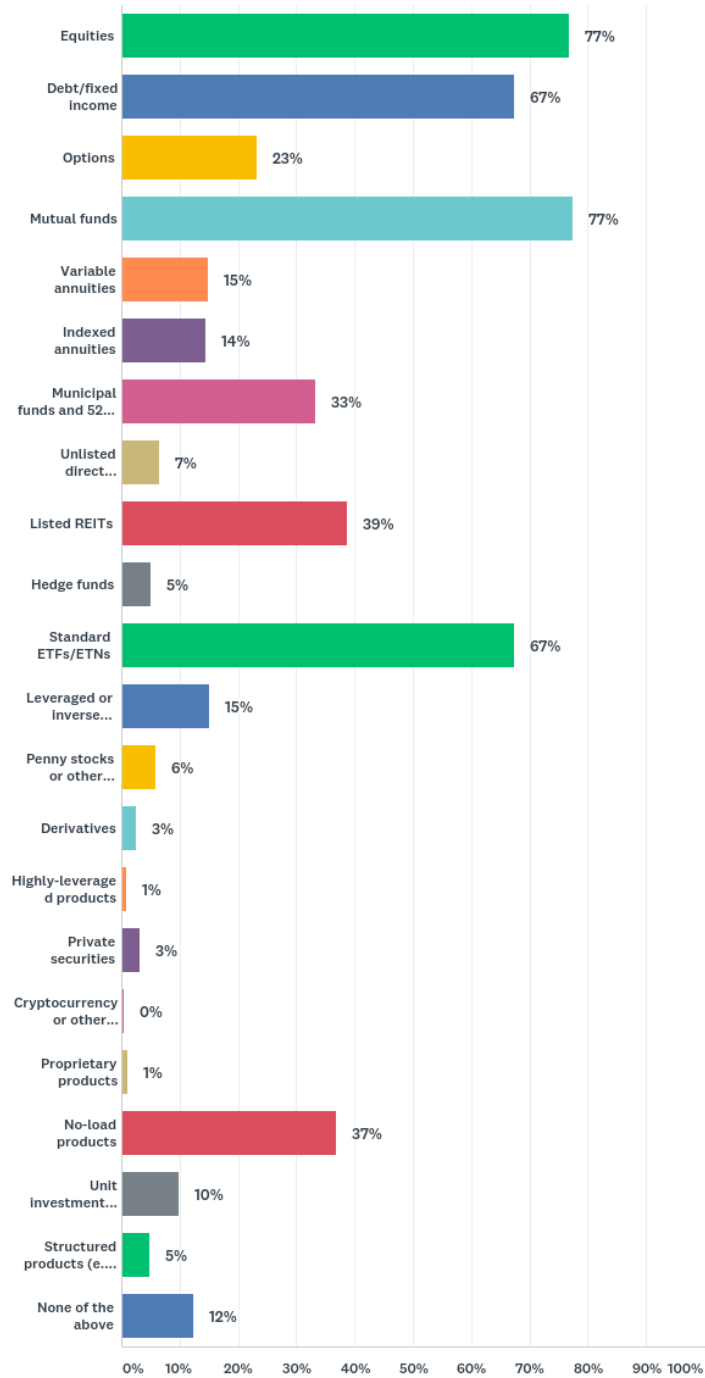
NASAA REGULATION BEST INTEREST IMPLEMENTATION COMMITTEE  
PHASE I NATIONAL EXAM INITIATIVE 2020

Q17 Are there prerequisites for such use as described in the previous question (e.g., dual registration)?



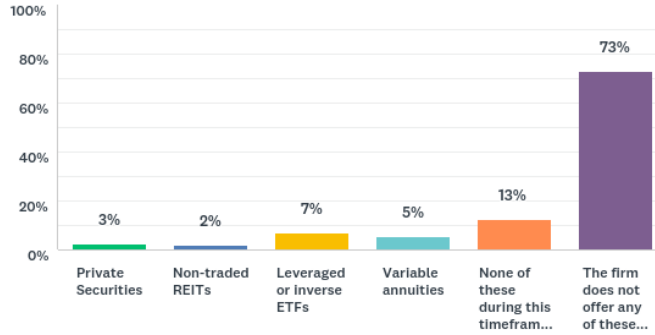
NASAA REGULATION BEST INTEREST IMPLEMENTATION COMMITTEE  
 PHASE I NATIONAL EXAM INITIATIVE 2020

Q18 Products made available by investment advisers:

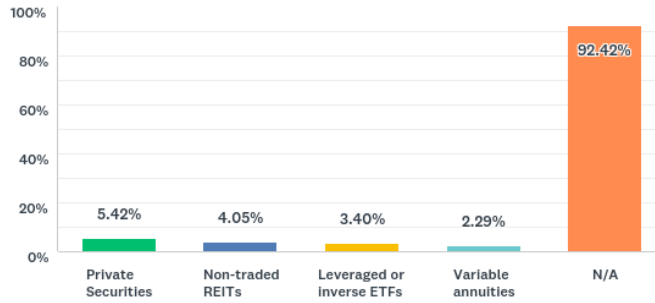


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Q19 Did you place customers in any of the following product types? Check all that apply.

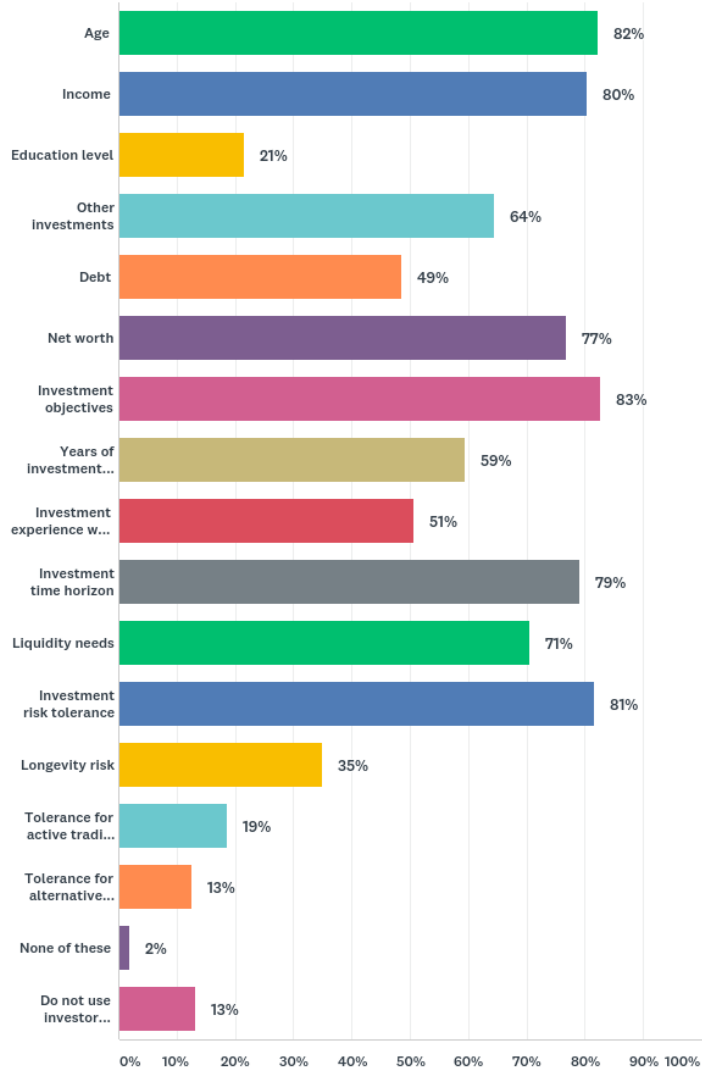


Q20 Are any of the following product types excluded from E&O coverage, if applicable?



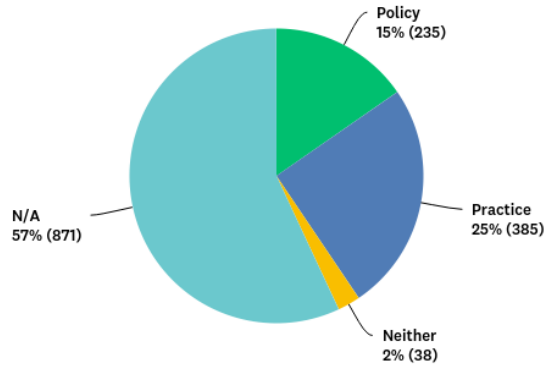
**NASAA REGULATION BEST INTEREST IMPLEMENTATION COMMITTEE  
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Q37 Please indicate whether the firm's investor profile form or questionnaire collects the following data points for customers:

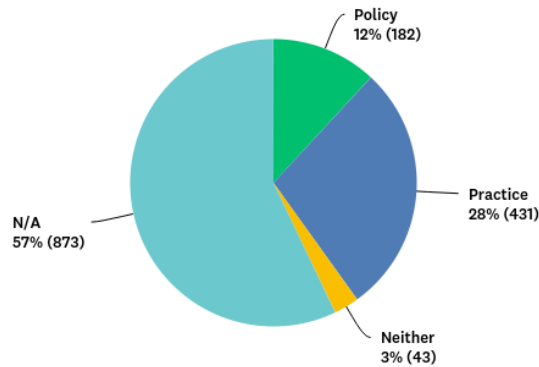


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Q38 In relation to fees charged for various asset classes, please indicate whether it was firm policy or practice to affirmatively discuss costs with customers at the time of the recommendation of whether to buy, hold, or sell a security.

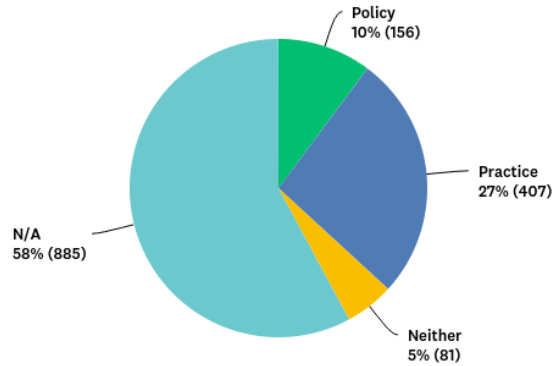


Q39 In relation to the availability of lower-cost, suitable options on the firm's platform, please indicate whether it was firm policy or practice to affirmatively discuss costs with customers at the time of the recommendation of whether to buy, hold, or sell a security.

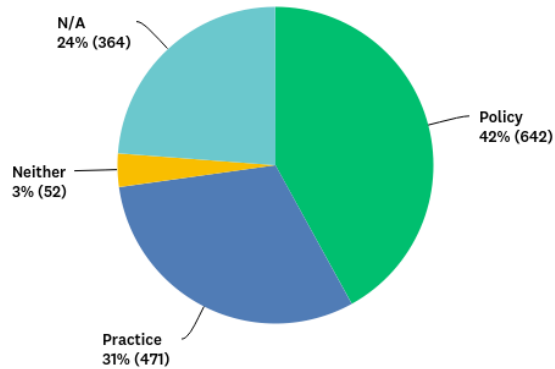


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PHASE I NATIONAL EXAM INITIATIVE 2020

Q40 In relation to the availability of lower-cost, suitable options outside the firm's platform, please indicate whether it was firm policy or practice to affirmatively discuss costs with customers at the time of the recommendation of whether to buy, hold, or sell a security.

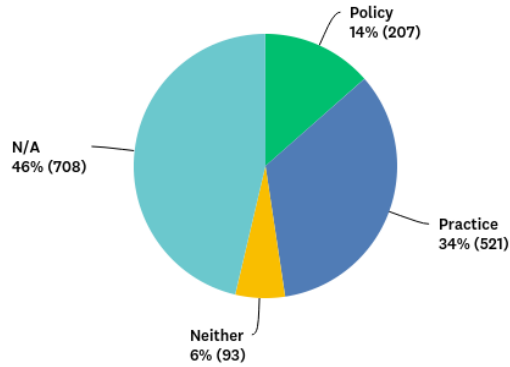


Q41 Disclose or chart out prior to or at account opening the average fees in terms of fixed dollar charge, percentage of assets, or a percentage/dollar range that is typically charged for the recommended account type

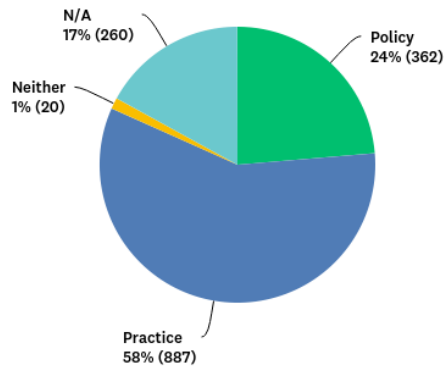


NASAA REGULATION BEST INTEREST IMPLEMENTATION COMMITTEE  
PHASE I NATIONAL EXAM INITIATIVE 2020

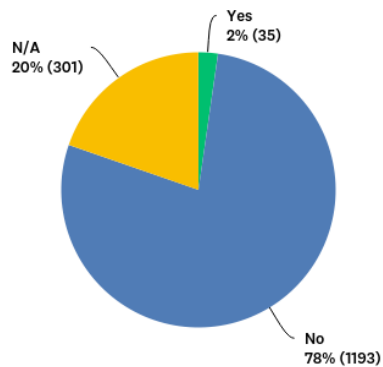
Q42 Educate customers on the pros and cons of selecting competing account types (e.g., brokerage versus an advisory account)



Q43 Educate customers on account recommendations (e.g., rolling over assets from a workplace retirement account to an IRA)

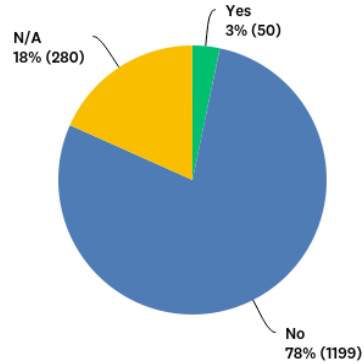


Q44 Accept third-party compensation (cash or non-cash, including gifts of travel or entertainment) from a product manufacturer or sponsor on account of sale/advice to customers

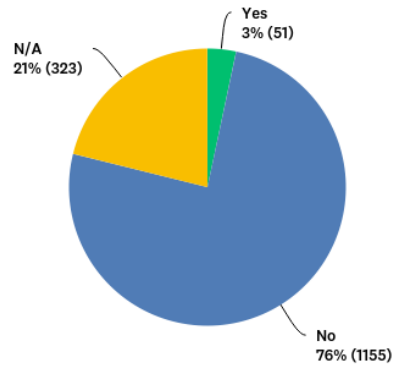


NASAA REGULATION BEST INTEREST IMPLEMENTATION COMMITTEE  
PHASE I NATIONAL EXAM INITIATIVE 2020

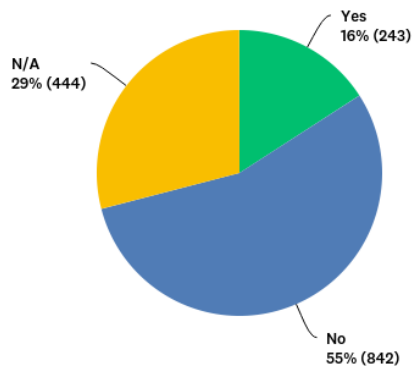
Q45 Accept third-party compensation (cash or non-cash, including gifts of travel or entertainment) from another broker-dealer, investment adviser, or other financial institution on account of sale/advice to customers



Q46 Accept third-party compensation (cash or non-cash, including gifts of travel or entertainment) from an insurance marketing organization



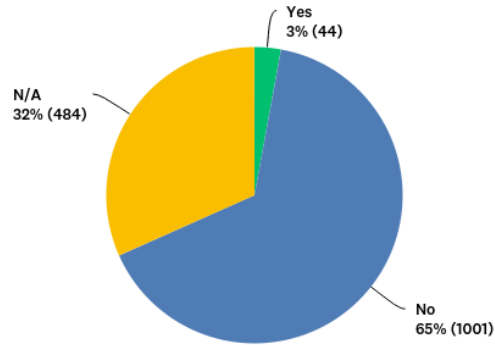
Q48 Agent/rep compensation tied to asset accumulation



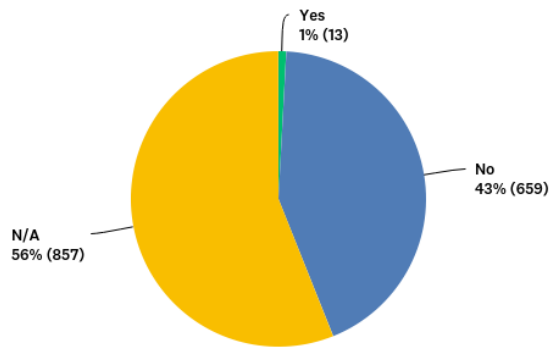


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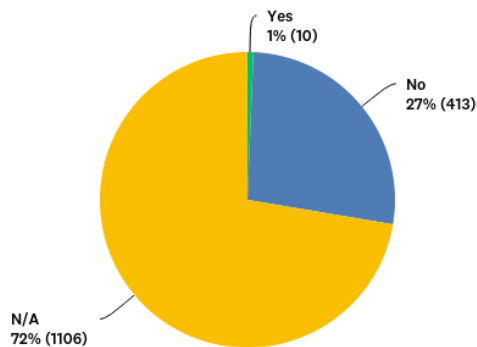
Q49 Agent/rep compensation tied to incremental sales growth



Q53 Cap the compensation or sales credit that an agent/rep receives for sales/advice within product family or comparable product lines

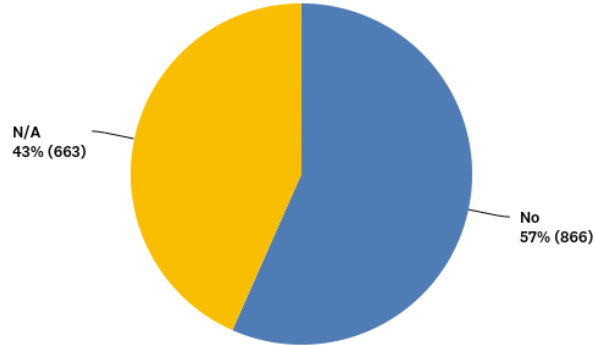


Q54 Neutralize cost to customer where differential compensation is utilized

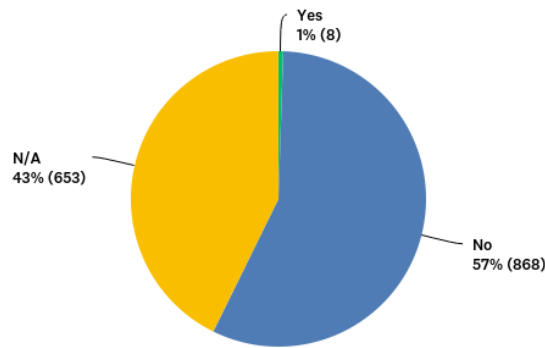


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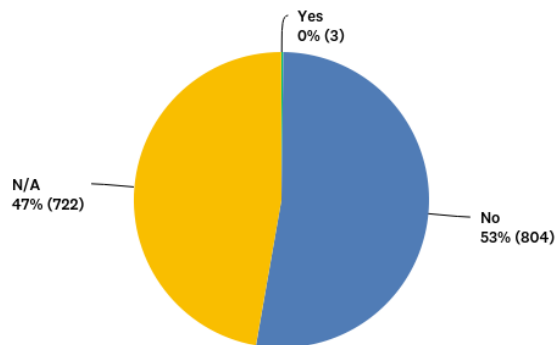
Q55 Utilize product-specific sales contests, quotas, or bonuses to compensate agents/ reps



Q56 Utilize sales contests, quotas, or bonuses that are not tied to a specific product to compensate agents/ reps

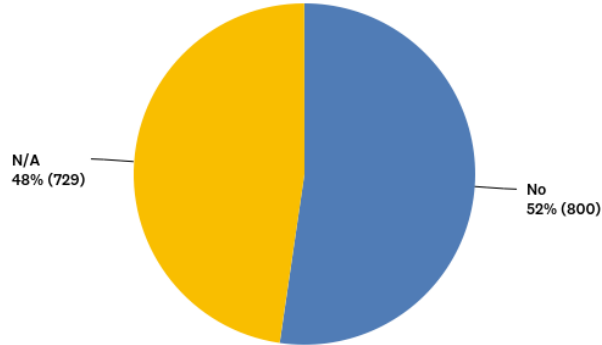


Q57 Agent/rep compensation tied to sales of a proprietary product

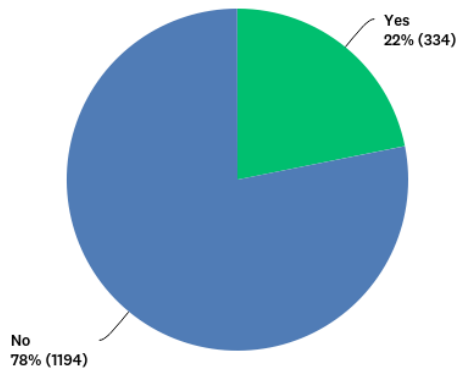


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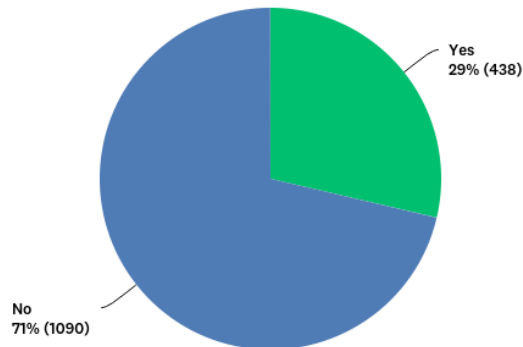
Q58 Utilize sales contests for proprietary product



Q60 Please indicate whether the firm has a conflicts of interest register or catalog.

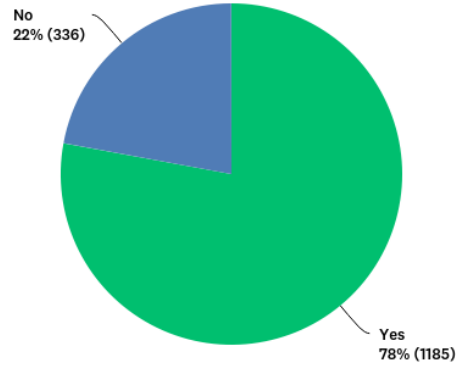


Q61 Please indicate whether the firm has a conflicts of interest committee or a designated conflicts officer.

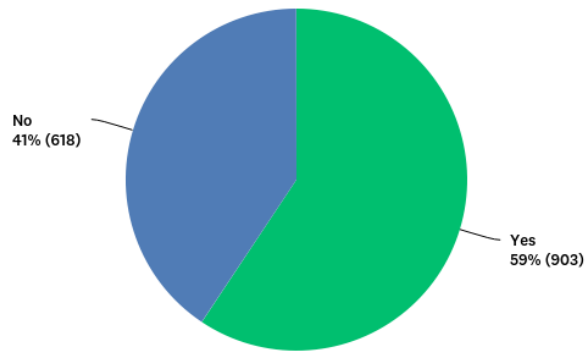


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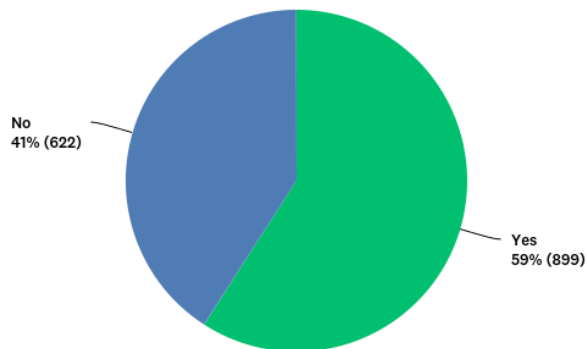
Q62 Investor profile questionnaire forms



Q63 Conflict of interest policies and procedures

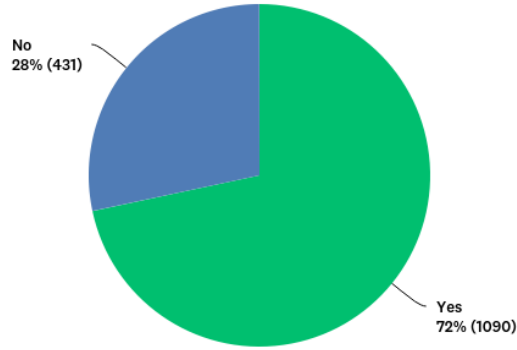


Q64 Suitability/Best Interest/Fiduciary Obligations policies and procedures and applicable questionnaires

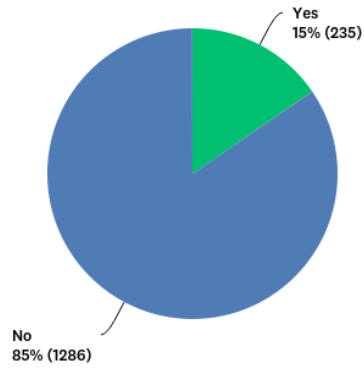


NASAA REGULATION BEST INTEREST IMPLEMENTATION COMMITTEE  
PHASE I NATIONAL EXAM INITIATIVE 2020

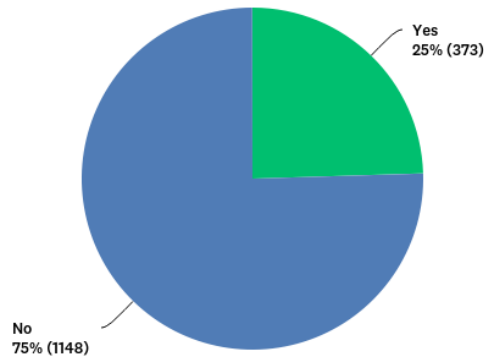
Q65 Policies and procedures related to the disclosure of any fees (e.g., commissions, account fees, etc.)



Q66 Product-specific policies and procedures

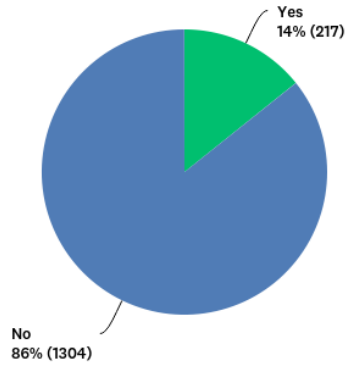


Q67 Policies and procedures regarding IRA/retirement account rollovers



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PHASE I NATIONAL EXAM INITIATIVE 2020

Q68 Share class policies and procedures



Q69 Cost/product comparison forms or other tools utilized for this purpose

