

# Regulation Best Interest and Form CRS

What it means to your Fidelity  
Workplace Investing plan



**Fidelity**  
INVESTMENTS

## About Reg B-I and Form CRS

In 2019, the SEC issued a series of new rules governing the conduct of broker-dealers. At Fidelity, Fidelity Brokerage Services LLC (“FBS”) is a broker-dealer covered under the new rules. FBS provides various services to plan sponsors and participants, including investment guidance, investment advice services, and distribution support.



# Regulation Best Interest and Customer Relationship Summary

Under the new rules, the SEC establishes a new standard of conduct (Reg B-I) and requires the delivery of a customer relationship summary to certain retail investors (Form CRS)

## Reg B-I

Establishes a new standard of conduct for broker-dealers when they make a recommendation to a “retail customer” for any securities transaction or investment strategy involving securities.

This includes recommendations of account types, investment recommendations and plan distribution recommendations. Broker-dealers are obligated to act in a retail customer’s best interest and to not put the broker-dealer’s interests ahead of those of the customer.

## Form CRS

Intended as a concise 2-page relationship summary that provides basic information to “retail investors.” It is intended to:

- Explain the types of client relationships and services that are offered by the broker and to include information such as fees, costs, conflicts of interest, standard of conduct, disciplinary history, and contact information.
- Help investors understand their choices when they seek to engage a firm to provide brokerage and/or advisory services or establish a brokerage account.



# Complying with Reg B-I



## How will Fidelity Brokerage Services comply with Reg B-I?

Under Reg. B-I, broker-dealers are obligated to act in the retail customer's best interest when making a covered recommendation. Brokers must comply with four component obligations when making a covered recommendation:

- reasonable diligence, care, and skill must be taken when making the recommendation
- all material facts must be disclosed
- conflicts of interest must be identified and appropriately addressed
- policies and procedures to demonstrate compliance with the rule must be established.

## Is the Reg B-I disclosure required to be delivered?

Reg B-I disclosure is required to be delivered **in writing** to a retail customer **prior to or at the time of a covered recommendation.**

# Who receives the Reg B-I Disclosure Kit?

And under what circumstances?

WHO	Reg BI Disclosures	Form CRS
Plan Sponsors	<b>No.</b> Only applicable “retail customers” are required to receive disclosure that may be required by Reg. B-I. The definition of “retail customer” does not include plan sponsors; therefore, FBS does not have an obligation under the rule to deliver the Reg. B-I disclosures to plan sponsors.	<b>Generally, no.</b> A typical WI plan sponsor is not included in the definition of a “retail investor” and is not required to receive the disclosure. Unless the plan sponsor is self-employed, a plan sponsor is not a retail investor and is not required to receive Form CRS.
Plan Participants	<b>Yes.</b> Plan participants do fall under the definition of “ <b>retail customer</b> ,” and therefore are required to receive disclosures associated with Reg B-I under certain circumstances.	<b>Generally, no.</b> The definition of “retail investor” does not exclude plan participants. However, under the rule, the SEC stated that delivery of Form CRS is not required to be delivered to plan participants when they elect in-plan options where a plan representative oversees the selection and retention of the broker or advisor in connection with the plan service or feature.

*Who is a “retail customer?”* A retail customer is generally defined as a natural person who receives a covered recommendation from a broker dealer and uses the recommendation primarily for personal, family or household purposes.

## When the Form CRS does apply to participants

FBS must deliver Form CRS to **health savings account owners** and **Stock Plan Services** brokerage account owners at **account establishment**.

Form CRS must also be delivered to plan participants who seek a **distribution recommendation**.

## When the Form CRS does not apply to participants

Form CRS is not required when they elect **in-plan options** such as –

- Opening an SDB account,
- In-plan investment recommendations
- Enrolling in an in-plan managed account.
- Seeking general plan information
- Enrolling in the retirement plan.

# What Workplace Investing participants receive: The Reg B-I Disclosure Kit

The kit will be delivered to participants “point in time,” prior to engaging in investment or distribution recommendations. The Regulation B-I Disclosure Kit is not customized on a plan-by-plan basis.

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## Form CRS

2-page customer relationship summary that explains the types of client relationships and services offered. Includes information such as fees, costs, conflicts of interest, standard of conduct, disciplinary history, and contact information.

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## ADV Part 3

Under the new rules, Fidelity Personal and Workplace Advisors ADV Part 3 must be delivered along with the FBS Form CRS. The ADV Part 3 is the equivalent to the Form CRS for Registered Investment Advisors (“RIAs”).

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## Master Reg B-I Disclosure

Also known as the *FBS Products, Services and Conflicts of Interest document*, it is a more comprehensive disclosure document that summarizes FBS products and services, fees, standards of conduct, and conflicts of interests.

All HSA account owners and WI participants eligible for Executive Services will receive a similar kit via email or print.

# How the Reg B-I kit is delivered to Workplace Investing participants

The kit will be distributed participants “point in time,” prior to engaging in investment or distribution recommendations.

## Online

Delivery of the Disclosure Kit will be made online through the provision of the Kit **as part of the online tool interaction.**

*Applicable to investment recommendations only. Distribution recommendations are not provided online*

## Telephone

Delivery for telephone representative interactions will be done through a pop-up modal that instructs the phone representative to deliver the disclosure to the participant prior to engaging in a recommendation. The modal will prompt the representative through a digital display on the associate desktop tool that the Disclosure Kit must be **delivered for the discussion to continue via email or mail, if email is not an option.**

## Email

The prompt will offer the ability for the representative to send an email directly to the participant that contains the Disclosure Kit, which can **be received in real time** (no delay or waiting period is required under the rule.)

## Mail

If email is not an option, the prompt allows the representative to send the Disclosure Kit via mail. If the mail option is selected, the recommendation interaction must be delayed, in order to allow time for the mail delivery of the Kit. The required mailings will instruct U.S. participants to go to [Fidelity.com/information](https://www.fidelity.com/information) or call Fidelity at 800.FIDELITY for more information should they have additional questions.

# Fiduciary Considerations

## What – if any- are my fiduciary responsibilities – as an administrator, for my participants in my programs?

**Regulation B-I does not impact any fiduciary responsibilities of the Plan.** Regulation B-I establishes a “best interest” standard of conduct for broker-dealers when they make a recommendation to a retail customer for a securities transaction or investment strategy involving securities, including recommendations of types of brokerage accounts.

## In what ways, if any, is Fidelity acting in a fiduciary capacity with my plan and/or participants?

Fidelity Brokerage Services LLC (“FBS”) is a broker-dealer, whose representatives may provide recommendations covered by Regulation B-I to plan participants. When doing so, FBS must act in the customer’s best interest and put the customer’s interests first. FBS may also act as a fiduciary under ERISA when it provides in-plan fiduciary investment advice to ERISA retirement plan participants if authorized to do so by the plan sponsor. Registered Investment Advisor affiliates of FBS also act as fiduciaries when providing investment advice for managed accounts under a written agreement to do so.

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