

Set Up Reg BI Guardrails with CapIntel



In June 2020, the Regulation Best Interest (Reg BI) rule came into effect. Created by the Securities and Exchange Commission (SEC), the rule is meant to ensure broker-dealers act in a retail customer's best interest. Two and a half years after it came into effect, the SEC released a [Risk Alert](#). It outlined several deficiencies and weak practices they found when the Division of Examinations started conducting broker-dealer examinations to assess compliance with Reg BI.

Notably, they found that firms were using outdated technology that was not effective at staying compliant with Reg BI obligations. With the risk of fines, suspensions, and your firm's reputation, you can't afford to use inadequate technology. To help mitigate, CapIntel has added guardrails.

To successfully comply with Reg BI, you must adhere to four specific components: Care Obligation, Disclosure Obligation, Conflict of Interest Obligation, and Compliance Obligation. Plus, you need to make and maintain a record of your communication. Here's how we can help.

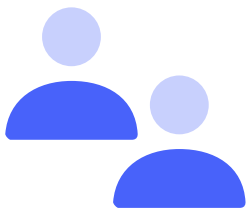
1. CARE OBLIGATION

Reg BI Requirement: The Care Obligation requires you to exercise reasonable diligence, care, and skill in making the recommendation.

How CapIntel Helps: CapIntel provides numerous guardrails to emphasize and encourage care obligations including standard data and metrics to analyze investments, and the ability to evaluate an investor's risk tolerance and financial goals when comparing different products.

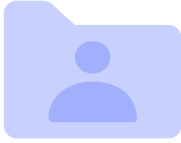
With a comprehensive library of investment metrics, broker-dealers can ensure knowledge of the product is consistent across all advisors. In addition, broker-dealers can require specific metrics to be included on every presentation created with CapIntel. This ensures that all clients see the same basic level of information.

Additionally, CapIntel's comparison tool can show advisors how different products fit within a customer's risk profile and financial goals. Warnings can be added and presentations can be blocked from exporting when the recommended portfolio or security does not match the client's risk profile.



2. DISCLOSURE OBLIGATION

Reg BI Requirement: The Disclosure Obligation requires you to provide certain required disclosure before or at the time of the recommendation, about the recommendation, and the relationship between you and your retail customer.



How CapIntel Helps: CapIntel makes it easy for financial advisors to provide and track information. The marketing and disclosure information is consistent, and it cannot be skipped.

Additionally, the templated process ensures relevant information is included in every presentation. Proposals include details on fund minimums, fees, and commissions or any other relevant investment metric broker-dealers want to retain.

3. CONFLICT OF INTEREST OBLIGATION

Reg BI Requirement: The Conflict of Interest Obligation requires you to establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest.



How CapIntel Helps: CapIntel offers a controlled process that helps broker-dealers ensure financial advisors follow the same process to create investment presentations that contain the same minimum amount of information. This provides a consistent approach to speaking about investments, which can include single set of rules for all presentations.

Additionally, the templated process helps broker-dealers ensure investment presentations have the same creation steps and contain the same base information. Plus, broker-dealers can control the circumstances for which the platform is used to make sure Reg BI is being followed.

For example, CapIntel's Reg BI controls can be turned off if a proposal only includes general information like asset allocation or performance of an index, which does not lead to a recommendation.

DID YOU KNOW: Failure to comply with Reg BI will cost you—both literally and figuratively. Since Reg BI was implemented, the SEC and the Financial Industry Regulatory Authority (FINRA) have given out numerous fines. Firms have had to pay up to \$75,000—and had their names next to headlines saying they don't operate in a client's best interest.

4. COMPLIANCE OBLIGATION

Reg BI Requirement: The Compliance Obligation requires you to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest.



How CapIntel Helps: CapIntel proposals can detect when a conflicted investment is being presented and add an incremental disclosure to the proposal explaining this conflict.

Administration capabilities help broker-dealers and their financial professionals reduce their risk of violating Reg BI by providing a comprehensive set of controls that can ensure compliance with the regulation.

5. RECORD-MAKING AND RECORDKEEPING



Reg BI Requirement: Reg BI requires you to make a record for each retail customer to whom a recommendation of any securities transaction or investment strategy involving securities is or will be provided and to keep the record for at least six years after the date the account was closed or the date on which the information was replaced or updated (whichever comes first).

How CapIntel Helps: CapIntel's standardized proposal process results in consistent presentations that are automatically time-stamped and saved on the platform. These records can also be automatically saved to a CRM via an integration.

Reg BI was created with the best interest of retail customers in mind, but it can also be used as a powerful way to ensure your firm maintains best-in-class procedures. CapIntel was created as a consistent process with proper compliance guardrails to help enable your team to stay compliant and have more face to face time with clients.

[Talk to our team to learn more about CapIntel's Reg BI guardrails today.](#)

This document is meant to highlight CapIntel's capabilities that help your team exercise Reg BI best practices. It is recommended you research and review Reg BI further to gain a more in-depth understanding of the rule. The SEC offers a great list of resources [here](#).

About CapIntel

CapIntel is a Canadian-founded B2B fintech company, serving financial institutions across North America. Its intuitive, web-based applications are improving the overall experience for wealth professionals and investors alike. The company's mission is to elevate personal finance and a significant part of this means growing wealth through investments while creating meaningful conversations between advisors and their clients.

Its platform helps financial professionals deliver transparent, data-driven, and personalized information to their clients so they can get a better understanding of their investments and feel at ease knowing their future is secured. With over 12,000 advisors and 800 wholesalers across North America on their platform, CapIntel is transforming the advisor-client experience. See www.capintel.com for more information.