

Reg. BI (Care Obligation) Due Diligence Checklist

The Care Obligation is a requirement under the SEC's Regulation Best Interest (Reg BI) that applies to broker-dealers and their registered representatives when making recommendations to retail customers. It increases the standard of conduct for broker-dealers and their registered representatives from the previous suitability rule to a best interest rule. It requires broker-dealers to exercise reasonable diligence, care, and skill to understand the potential risks, rewards, and costs of each recommendation and to have a reasonable basis to believe that the recommendation is in the best interest of the customer based on their individual profile. It also requires broker-dealers and their representatives to consider reasonably available alternatives before making a recommendation.

Broker-dealer registered representatives can use this Form to document the potential risks, rewards, and costs of each recommendation to have a reasonable basis to believe that the recommendation is in the best interest of the retail customer based on their individual profile.

Customer Name/Acct. #

Date of Recommendation

Customer/Acct. # _____

Date _____

First Component (Recommended Security or Investment Strategy)

Representatives must exercise reasonable diligence, care, and skill to understand the potential risks, rewards, and costs associated with the recommendation. Similarly, when recommending securities or investment strategies that are complex or risky, representatives should take particular care to make sure they thoroughly understand the terms, features, and risks in order to establish a reasonable basis to recommend the product to retail customers.

Recommendation Type

Please select Recommendation Type(s)

- | | |
|--|--|
| <input type="checkbox"/> Open a Brokerage Account | <input type="checkbox"/> Open an Account Directly with Product Sponsor |
| <input type="checkbox"/> Buy/Sell Listed Equities | <input type="checkbox"/> Buy/Sell Mutual Funds/ETFs |
| <input type="checkbox"/> Buy/Sell Variable Annuities | <input type="checkbox"/> Buy/Sell Fixed Income Securities |
| <input type="checkbox"/> Buy/Sell high-risk or complex products (e.g., DPPs, DSTs, Penny Stocks, Private Placements, etc.) | |
| <input type="checkbox"/> Roll over or transfer assets from one type of account to another (IRA/401k, etc.) | |
| <input type="checkbox"/> Implement a specific investment strategy (specify below): | |

☐ Other recommendation(s) (specify below):

Considerations when Making Account Type Recommendations

Please list all factors you considered when making account type recommendations

- | | |
|---|---|
| <input type="checkbox"/> Services and products provided in the account | <input type="checkbox"/> Projected cost to the customer |
| <input type="checkbox"/> Alternative account types available | <input type="checkbox"/> Services requested by the customer |
| <input type="checkbox"/> Fees and expenses | <input type="checkbox"/> Protections from creditors and legal judgments |
| <input type="checkbox"/> Available investment options | <input type="checkbox"/> Ability to take penalty-free withdrawals |
| <input type="checkbox"/> Investment in, or option to invest in, employer-issued stock | |

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- ☐ Distribution restrictions and/or limitations; liquidity needs
- ☐ Customer's desire to move assets from current custodian/trustee/administrator
- ☐ Special features of existing account (*applicable to transfers/account replacements*)
- ☐ Customer's investment profile
- ☐ Customer's desire to consolidate or have direct control over assets
- ☐ RMD requirements and varying rule considerations for different types of qualified accounts
- ☐ Other (provide details) _____

Specific Investment Product(s) Recommended

Please list the specific investment product(s) recommended to retail customer

What are the potential risks, rewards, and costs associated with recommendation?

Please document all that apply

Describe the potential risk(s) associated with the recommendation:

Describe the potential reward(s) associated with the recommendation:

Describe the Fee(s)/Expense(s)	Current Investment (if applicable)	New/Recommended Investment
Investment-related expenses	_____	_____
Administrative Fees	_____	_____
Fees for services (commissions)	_____	_____
Set up fees/custodial fees	_____	_____
Other:	_____	_____

***Note: For IRA/Plan rollovers, you are required complete the applicable AIC ROLLOVER DOCUMENTATION FORM**

Recommended Security or Investment Strategy

Please check all factors in considering the recommended security or investment strategy

- ☐ Investment Objectives
- ☐ Expected Return
- ☐ Characteristics (including any special or unusual features)
- ☐ Liquidity
- ☐ Volatility

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- ☐ Likely performance in a variety of market and economic conditions
- ☐ Financial incentives to recommend the security or investment strategy

Second Component (Customer's Investment Profile)

Representatives must consider the risks, rewards, and costs in light of the retail customer's investment profile and have a reasonable basis to believe that the recommendation is in that particular customer's best interest and does not place the firm's interest ahead of the customer's interest.

Customer's Investment Profile

Please check all factors used in considering the customer's investment profile

- | | |
|--|---|
| <input type="checkbox"/> Age | <input type="checkbox"/> Other Investments |
| <input type="checkbox"/> Financial situation and needs | <input type="checkbox"/> Tax status |
| <input type="checkbox"/> Investment objectives | <input type="checkbox"/> Investment experience |
| <input type="checkbox"/> Investment time horizon | <input type="checkbox"/> Liquidity needs |
| <input type="checkbox"/> Risk tolerance | <input type="checkbox"/> Other information (specify below): |
-

Third Component (Series of Transactions)

When recommending a series of transactions, representatives must have a reasonable basis to believe that the transactions taken together are not excessive, even if each is in the customer's best interest when viewed in isolation.

Review of Reasonably Available Investment Alternatives

Please list reasonably available investment alternatives within the universe/space/sector that were considered

Reasonable Basis Determination

	Yes	No
Did you exercise reasonable diligence, care, and skill to understand the potential risks, rewards, and costs associated with the recommendation?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a reasonable basis to believe the recommendation is in the best interest of the customer based on the customer's investment profile and the potential risks, rewards, and costs associated with the recommendation?	<input type="checkbox"/>	<input type="checkbox"/>
Does this recommendation place the interests of the broker-dealer or assigned registered representative ahead of the interests of the customer?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a reasonable basis to believe that a series of recommended transactions, even if in the customer's best interest when viewed in isolation, is not excessive and is in the customer's best interest when taken together in light of the retail customer's investment profile?	<input type="checkbox"/>	<input type="checkbox"/>

If Yes, describe: _____