Best Practices to Meet the Best Interest of Retail Investors in Opening the Best (Type of) Accounts

By Miriam Lefkowitz

About the Author:
Miriam Lefkowitz is an Expert Witness/Securities Regulatory Attorney.
She can be reached at Compliance@MiriamLefkowitz.com.

Most SEC and FINRA rules historically have applied within the context of an established brokerage or advisory relationship.[1] Over the past decade, however, FINRA and the SEC have expanded the scope of duties applicable to broker-dealers ("BDs") and investment advisers ("RIAs") even before a brokerage or advisory relationship is even established. Initially, the focus was limited to recommendations regarding rolling retirement accounts to IRAs until 2020, when the rules relating to Form CRS became effective.[2] Although RIAs had been required to deliver their Brochures and Brochure Supplements at or before entering into an advisory relationship with a client for years, there had been no equivalent obligation for BDs. As of 2020, both BDs and RIAs became obligated to provide Form CRS to "retail investors" before or at the earliest of (i) a recommendation of an account type, a securities transaction, or an investment strategy involving securities; (ii) placing an order for the retail investor; or (iii) the opening of a brokerage account for the retail investor.[3]

More recently, in March 2022, the SEC Staff issued the Staff Bulletin: Standards of Conduct for Broker-Dealers and Investment Advisers Account Recommendations for Retail Investors ("Account Opening Release") which details their expectations as to how firms and associated persons – whether they are RRs, IARs, or dually registered persons (collectively referred to as "FPs" (for financial professionals) in this article) - should conduct their inquiries when recommending and opening new account types.[4] The Account Opening Release is presented as an FAQ, identifies specific practices that firms can adopt, and answers real-world questions that many firms have been struggling with.

The Account Opening Release also provides that it "has no legal force or effect: it does not alter or amend applicable law, and it creates no new or additional obligations for any person." This makes sense since only the Commission itself, not the SEC Staff, can issue rules or compel new conduct. For this reason, firms may be surprised that the SEC Staff expects BDs and RIAs to implement a number of practices that the Commission itself expressly did not impose when it adopted Regulation Best Interest and issued the Commission Interpretation Regarding Standard of Conduct for Investment Advisers ("RIA Standard of Conduct Release.")

Regardless of whether you think (or wish) that the SEC Staff should be constrained to holding BDs and RIAs to the actual standards adopted in the statutes and regulations, the reality is that examiners and enforcement staff regularly pad the rules with their own standards. Firms should be aware of the SEC Staff expectations and consider if, whether and how to adapt this guidance to their own business models.

This article offers a non-exhaustive list of suggestions of how retail-oriented firms may try to build compliance programs that incorporate some of the guidance from the FAQs. It is designed to be used in conjunction with the FAQs, not instead of them.[5] Although this article focuses primarily on dually registered firms, much of it applies to all BDs and RIAs.

---

1. RIAs have also had disclosure duties to provide Form ADV 2A and 2B at or before entering into investment advisory relationships with clients.
2. In 2013, FINRA issued a regulatory notice in which it asserted that recommendations to prospective customers to roll their 401(k) plans to IRAs was subject to its suitability rule. See Rollovers to Individual Retirement Accounts, FINRA Regulatory Notice 13-45 (December 2013) ("A recommendation concerning the type of retirement account in which a customer should hold his retirement investments typically involves a recommended securities transaction, and thus is subject to Rule 2111. For example, a firm may recommend that an investor sell his plan assets and roll over the cash proceeds into an IRA. Recommendations to sell securities in the plan or to purchase securities for a newly-opened IRA are subject to Rule 2111."). In 2015, the SEC Examinations commenced its ReTIRE Initiative and noted that it would be examining both BDs and RIAs to assess whether they had met their obligations when selecting an account type. OCIE National Examinations Risk Alert, Retirement-Targeted Industry Reviews and Examinations Initiative (June 22, 2015). Interestingly, OCIE cites only to FINRA, not to any SEC rules, as the source of this obligation.
3. The term "retail investor" is a new term for both BDs and RIAs and was defined in the rules adopting Form CRS. Historically, the SEC referred to broker dealers as having "customers," RIAs had "clients," and funds had "investors." See, e.g., Section 913 Study on Investment Advisers and Broker-Dealers (January 2011) and Form PF.
4. Many firms that are dually registered advise and charge clients through their advisory platforms, but process the trades through the firm, or an affiliated firm, as a broker dealer. In such cases, all of the accounts for advisory clients of the firm are also brokerage accounts at some level. Even so, these procedures have adopted the terminology used by the SEC Staff in its 2022 bulletin for convenience and refers to the opening of a BD or RIA account as the one through which advice or trades occur.
5. Nothing in this article is intended to suggest that firms that do not adopt these approaches are somehow not complying with the regulatory requirements or meeting industry best practices. What is appropriate for any particular firm is based on the specific facts and circumstances.

Retail Investor Onboarding Procedures

Although IARs and RRs are subject to different standards of care, both are required to act in the retail investors' best interests when recommending account types – whether brokerage or advisory accounts. Although firms have long been required to have procedures as to what information must be obtained to open new accounts,[6] the SEC Staff expects firms to adopt policies and procedures regarding what type of account should be recommended ("Onboarding Procedures.")[7] Moreover, the consideration of which type of account to recommend applies not only at the inception of a relationship between the firm and the retail investor but prior to

- recommending and opening accounts for retail investors who are new to the firm
- recommending and opening new accounts for existing retail investors of the firm
- recommending that retail investors change from one account type to another (such as from a retail BD account to an advisory/RIA account or from an advisory/RIA account to a retail BD account), and
- recommending that retail investors change from one type of advisory program to another type of advisory program (such as from a third-party managed program to a rep-as-portfolio manager program).[8]

The purpose of Onboarding Procedures is to help firms determine if the Prospect is seeking features that are available in a BD account, RIA account or both. To be most effective, firms should consider creating two tools to use with the procedures.

1. A series of questions designed to obtain Prospect responses to questions about their preferences and priorities ("Onboarding Questionnaire"),[9] and
2. A summary of characteristics of the various account types/programs they offer ("Program Inventory.")

It is a good practice to use the same Onboarding Questionnaire with all Prospects so as not to bias the recommendation to a BD or RIA account.

Onboarding Questionnaire

Firms should inquire about the various expectations and preferences of the Prospects that go beyond their financial profiles to assess what account types/advisory programs are most likely to be in their best interest. Although some of these questions will inevitably overlap with some of the topics on the new account forms, other questions may go beyond the questions typically asked.[10] Among other questions firms may wish to ask Prospects at the pre-account recommendation stage include the following:

- Anticipated investment strategy (e.g., buy and hold versus more frequent trading, hedging positions held elsewhere, etc.), if known
- Any account-level restrictions or limitations the Prospect wants to impose
- Preference regarding making their own investment decisions, relying on discretion from a financial professional, or some combination

6. FINRA Rule 2111, MSRB Rule G-8 and SEC Rule 17a-3 require the collection of certain information. There is no rule under the Investment Advisers Act of 1940 ("IAA") that expressly requires that RIAs to collect financial profile information, but the SEC has stated that such a duty is inherent in an RIA's due of care includes "develop[ing] a reasonable understanding of a retail client's objectives . . . [which includes] at a minimum, mak[ing] a reasonable inquiry into the client's financial situation, level of financial sophistication, investment experience, and financial goals (which we refer to collectively as the retail client's "investment profile")." RIA Standard of Conduct Release. Additionally, some certifying boards impose their own requirements that apply to many persons who operate within RIAs. For example, the CFP Board's Code of Ethics and Standards of Conduct requires CFP professionals to obtain qualitative and quantitative information concerning clients' personal and financial circumstances.
7. The Account Opening Release refers to "advisory accounts." This article adopts that term even though advisory relationships may exist without opening an account, such as when advice is provided to clients who implement it themselves or through third party managers, or when financial planning is provided.
8. This article uses the term "Prospect" for all of these scenarios, even though the retail investor may be an existing client of the firm.
9. This article refers to a number of "forms" and "tools," but each firm will have its own way to operationalize these suggestions. For example, the Onboarding Questionnaire can be a paper or electronic form filled out by the Prospect and/or the FP, a dynamic set of questions, or any other type of data intake system used by the firm.
10. See references cited in footnote 6. This may be particularly true for firms that utilize the new account forms of their clearing firms and custodians rather than their own.

- If seeking to delegate trading authority, preference for the FP to exercise discretion or for an institutional manager to do so
- The need or desire for investment monitoring, ongoing account management or automatic rebalancing
- Interest in special features which may only be available in certain account types or programs, such as ESG options, tax efficiency, check-writing, margin, etc.
- Interest in being able to invest in any asset types, as opposed to being comfortable with a limited set of security types
- Any other considerations that are important to the Prospect[11]

Some of these topics may be better addressed in a conversation or a detailed response rather than a drop-down list of options. For example, a simple "yes" to the question of whether the Prospect desires ongoing investment monitoring could rule out BD accounts based on the SEC's revised, narrow interpretation of when investment advice provided by a broker-dealer is "solely incidental" to its brokerage business and therefore excluded from the definition of investment adviser.[12] A more nuanced discussion, however, might reveal that the Prospect is comfortable with the type of periodic monitoring that fits within the scope in permissible BD monitoring.[13] If Prospects are reluctant or unable to provide answers to all of the onboarding questions, FPs should consider if they have enough information on which to make a recommendation that is in the best interest of the Prospect.

Program Summary

Prospect information is only one source of input - FPs and supervisors also need to understand the types of services and products available in the various account types and programs so they can assess which, if any, are most likely to meet the Prospects' needs. Existing program descriptions in firm Disclosure Brochures, Reg BI disclosure documents, wholesaler and internally developed marketing materials, however, may not present the various account/program types in a way that makes it easy for FPs to compare the characteristics and costs.[14] Firms may want to develop and maintain an inventory of the features of the various account types they offer with a particular focus on differentiating them with respect to the Prospect preferences. For example, if a particular Prospect wants to be able to invest in alternative investments and has no more than $200,000 to invest, the Program Inventory should be able to help the FP quickly eliminate any account types or programs that do not offer alternatives as an investment option or have minimum investment sizes that are too high.

For example and as applicable, the table for a dual registrant which offers traditional brokerage accounts and a range of advisory programs could include such topics as the following:

11. The CFP Board's *Code of Ethics and Standards of Conduct* include a number of "qualitative or subjective information" that may be relevant to the provision of financial planning, including "the Client's health, life expectancy, family circumstances, values, attitudes, expectations, earnings potential, risk tolerance, goals, needs, priorities, and current course of action." It also includes "quantitative or objective information" such as "the Client's age, dependents, other professional advisors, income, expenses, cash flow, savings, assets, liabilities, available resources, liquidity, taxes, employee benefits, government benefits, insurance coverage, estate plans, education and retirement accounts and benefits, and capacity for risk." Some of these factors may be relevant at the onboarding stage, if some of the firm's offerings include financial planning, have liquidity issues or other idiosyncratic characteristics.

12. See Commission Interpretation Regarding the Solely Incidental Prong of the Broker-Dealer Exclusion from the Definition of Investment Adviser, Release No. IA-5249 (June 5, 2019) ("Broker Dealer Exclusion Release"), released in connection with the adoption of Regulation Best Interest, Form CRS and the RIA Standard of Conduct Release https://www.sec.gov/news/press-release/2019-89.

13. "For example, broker-dealers may include in their policies and procedures that a registered representative may agree to monitor a customer's account at specific time frames (e.g., quarterly) for the purpose of determining whether to provide a buy, sell, or hold recommendation to the customer. However, such policies and procedures should not permit a broker-dealer to agree to monitor a customer account in a manner that in effect results in the provision of advisory services that are not in connection with or reasonably related to the broker-dealer's primary business of effecting securities transactions, such as providing continuous monitoring." Broker Dealer Exclusion Release.

14. A dynamic inventory might permit FPs to enter specific parameters (e.g., discretionary, no limit on investment types, and investment size of $100,000) and generate a list of account types/programs that meet those needs and the relative costs of each such account/program. A static inventory could be a spreadsheet that lists the account types across the top and aspects/features on the rows.

- General Description
  - Account Type/Program (e.g., brokerage, PM as manager, third party manager ("TPM"), UMA, mutual fund advisory program, etc.)
  - Wrap/non-wrap
  - Custodian (if the firm uses multiple)
  - Discretionary/Non-nondiscretionary
    - If discretionary, who exercises discretion (e.g., the FP, TPM, firm)
  - Types of securities permitted
  - Minimum account size
  - Automatic rebalancing availability
  - Ongoing position or performance monitoring
  - Unique features such as an ESG option, tax-efficient options, check-writing, margin, etc.
- Retail Investor Costs (as applicable and which are not limited to these identified below)
  - Advisory fee - maximum/minimum
    - Are there fee breakpoints for higher total assets under management within an account or household
    - Are all types of investments, including cash equivalents, subject to the same advisory fee
  - TPM fees
  - Platform fees
  - Postage and handling charges
  - Transaction charges (commissions, markups, concessions)
  - Other client costs (minimum account fees, wire transfer fees, other charges by custodians, etc.)
  - Inactivity fees
  - IRA custodian fees
  - Indirect costs borne by the Prospect based on the investments utilized, which often reduce the performance on such instruments, depending on the expected holding period, such as
    - mutual fund management fees, distribution and servicing fees, and TF/NTF and share class issues
    - ETF management fees
    - money market and bank sweep programs where the yield is reduced by an amount retained by the custodian and/or by the firm
    - variable annuity charges such as mortality expense charges, servicing charges, etc.
  - Tax considerations, deferred charges, and/or penalty implications, if positions will be liquidated to participate in a particular account type or program
- FP compensation (including costs avoided)
  - Does the FP get paid a standard grid or does it vary based on account type?
  - Does FP get a percentage of commissions/fees/etc.?
  - Does the percentage change based on account composition?
  - Can FPs earn any compensation from third parties (12b-1 fees, MF sponsorship, discounts from custodians, technology or marketing reimbursements, etc.)
  - Do FPs incur any expenses in connection with this account type (e.g., technology, research, trading costs, etc.)
- Firm compensation (including costs avoided)
  - Does the firm receive any compensation (including discounts) from the clearing firm/custodian used for the account/program? (consider the full range of costs and credits, including increased or decreased ticket charges, AUM charges or credits, reduced costs for new assets or clients, availability of research or technology, markup on margin balances or sweep products, etc.)

    - Does the firm earn 12b-1 fees or other compensation in connection with assets in the account/program?
    - What charges does the firm incur for this account/program?

- Affiliate compensation (including costs avoided), if applicable
    - Does any affiliate of the firm receive compensation, including costs avoided or discounts with respect to investments in the Program?

Some firms may want to separate revenue from costs avoided or discounts, but each firm should consider which factors it needs to consider when recommending account options.

Training on Account and Program Types

Many established FPs routinely recommend a narrow suite of account types, products and programs, even after their firms add to their offerings. This practice can be efficient and practical as the FPs understand those offerings, already have many satisfied retail investors utilizing them, and may see no reason to fix what is not broken. Reg BI and the RIA duty of care, however, require FPs to consider the reasonably available alternatives offered through their firms before making recommendations or providing advice. To prevent experienced FPs from defaulting to recommending their favorite account types without considering whether newer offerings are in their Prospects' best interest, firms should consider requiring periodic training to accompany updates to the Program Inventory.[15] If the firm has a dynamic, interactive inventory, the training could be embedded in the process of generating recommendations. Firms that rely on a static inventory may choose to mandate online training or require attestations from FPs and supervisors that they have familiarized themselves with the full range of account and program types.

Aligning Client Preferences with Account/Program Types and Considering Costs

The purpose of Onboarding Procedures is to assist FPs (and their supervisors) in identifying which of the account/program types, if any, comport with the Prospects' best interests. Only after gathering the Prospect information, considering whether the Prospect has provided sufficient information on his/her goals, aligning the account type options with the goals, and considering the costs should FPs make recommendations regarding what type of account to open. When multiple options that are equally likely to meet Prospects' needs are available, FPs should recommend the lower-cost option unless they have a reasonable basis to believe a different account is in the Prospects' best interest based on other factors and in light of the particular situation and needs of the Prospect. FPs should consider the likely types of securities, frequency of trades, and other services, such as margin, that may be utilized in the account when considering the costs of the options appropriate for any particular Prospect.

For example, if a firm offers only one advisory program that automatically rebalances the account, and ongoing rebalancing is a priority for the Prospect, the recommendation may be clear. This is a simple example, however. In most instances, a balancing of multiple priorities may be necessary, or there may be a number of account types/programs that would meet a Prospect's objective. In the latter case, FPs should pay particular attention to the likely costs of the account over the duration of the anticipated holding period, which is often very difficult to predict for any particular Prospect. Nonetheless, the SEC has made clear that the cost of an investment product or strategy is *always* material to a best interest determination, and FPs are required to

15. Although outside the scope of this article, firms should also consider if existing retail investors should be moved to new products/programs that have become available, particularly if it will result in a lower cost to the retail investors (taking into account taxable events, commissions/sales loads, deferred charges, etc.)

consider the expected costs to the Prospect inherent in each type of account.[16] This includes, as applicable, some of the items identified in the Program Inventory. This is because, absent other factors, it is generally in a Prospect's best interest to pay lower costs and fees.

If none of the account types or programs are in the best interest of the Prospect based on the particular circumstances, the FP should consider whether to recommend that no account be opened. For example, if an RR profiles a Prospect who wants features or services like discretionary trading or automatic rebalancing, the RR should not recommend a brokerage account where those features and services are not typically available. Firms' procedures should address what the RR should do in those instances (such as refer the Prospect to an FP who is registered as an IAR if the firm is dually registered).

Documentation of Account Type Recommendation

Although the Commission did not include a documentation requirement for recommendations under Reg BI or for RIAs, the SEC Staff emphasized *five times* in the Account Opening Release that "[i]t is the staff's view that it may be difficult for a firm to assess periodically the adequacy and effectiveness of its policies and procedures or to demonstrate compliance with its obligations to retail investors without documenting the basis for such conclusions."[17] To satisfy the expectations of the examiners, firm procedures should include guidance on how FPs should document client-specific details to support their account/program type recommendations, the factors they considered, and the expected costs.[18] For example, rather than summarily noting that "client wishes to actively trade," FPs should include some explanation as to *why* the Prospect anticipates this strategy, such as "Prospect wants to own equities and expects to have and harvest tax losses."

Additionally, if a recommendation is based on an expectation of subsequent events, such as a Prospect who intends to add more assets (such as after selling a house or business), or retire shortly, the FP and supervisor should determine how to monitor for the occurrence of these events. If the plans change, the firm should be able to demonstrate that the FP revisited the account type recommendation at reasonable intervals.

Supervision

Consistent with their best interest and fiduciary duties, firms have a responsibility to supervise recommendations of account type by FPs. A best practice supervisory procedure could include the following two elements.

- Determination whether the FP has obtained sufficient information to form a basis for the recommendation of the account type/program.
- Independent determination by the supervisor, based on the information obtained by the FP, whether a reasonable basis exists to believe that the FP's recommendation of the account type/program is in the Prospect's best interest.

These assessments should be based on the information obtained by an FP and reflected on the documentation required by the firm ("Intake Recommendation Form"), although supervisors may be required to ask additional questions of the FP or seek further information. The procedures should provide guidance to the supervisors in making these assessments.

16. Even if FPs believe that only one account type will meet the prospect's stated goals, they should still consider whether to recommend the Prospect open an account at all if the costs will exceed the reasonable likely value.
17. The language varies slightly but the substance does not in each of the instances that the Staff advises firms to document the basis for their recommendations.
18. For purposes of this article, the documentation is referred to as an "Intake Recommendation Form" – which incorporates the Prospect's key preferences and the FP's analysis of the appropriate account types and programs. This could be combined with the Onboarding Questionnaire or maintained separately, and may be an online process rather than a form at all.

Has the FP obtained sufficient client information to support a recommendation?

In reviewing the Prospect preferences, supervisors should assess the completeness of the information. This should not be a simple "check-the-box" function. Some or all of the following questions can help supervisors in this process.

- Are all (or enough) of the sections of the Prospect's responses to the onboarding questions completed?
- Does it appear that a Prospect failed or refused to provide information to the FP?
- Does it appear that answers to any of the questions are simply copied or recycled from other forms prepared by the FP?
- Are any inconsistencies or unexpected results apparent when responses within the form are compared to other responses?
    - For example, compare the Prospect's age with the investment time horizon. Does the form reflect an elderly client with an unexpectedly long investment time horizon? This may warrant additional scrutiny unless the Prospect specified a goal of providing for future generations.
    - Compare the Prospect's financial information with the stated investment objectives. Does the information reflect a Prospect with a relatively modest net worth or annual income who is seeking aggressive investment strategies?
- Is there any apparent indication that the FP steered to Prospect too heavily toward a particular program?

If the supervisors are not satisfied that enough information has been obtained to support the FP's recommendation, and steps to obtain or supplement necessary information are not successful, they should consider rejecting the account or approving it subject to particular follow up. For example, if a Prospect anticipates frequent trading, which supports the recommendation of a particular account type, a supervisor might require the FP to periodically report on the actual level of trading in the account until such time as the assumptions on which the account recommendation was made have been validated. If, after a reasonable interval (maybe two quarters), the expected activity has not occurred, the FP would then revisit the account type recommendation and redocument the process. This is just one example of a conditional approval, but supervisors should be creative in the approval of accounts so that Prospects' best interests are met.[19]

Based on the information obtained by an FP, is it reasonable to conclude that the recommendation is in the Prospect's best interest?

Supervisors need to have a deep understanding of the full range of the account types/programs offered by the firm so they can independently assess whether a particular recommendation is in the best interests of a Prospect.

Additionally, supervisors should periodically compare the account types, programs and strategies an FP has used previously for retail investors in evaluating a specific recommendation for a new Prospect, and identify whether the retail investors for whom the FP has made the recommendation have profiles that are substantially similar (for example, in terms of assets, investment experience and objectives, time horizons, and preferences), or are significantly different. If an FP makes substantially the same account type/program recommendation for Prospects with materially different profiles and preferences, it may be an indication that the FP is taking a cookie-cutter approach and making recommendations without adequately considering the Prospect's overall profile or the reasonably available alternatives.

19. Even though BD's best interest duty applies at the time of the recommendation, not throughout the duration of the account, firms that monitor the assumptions on which the recommendations are made may find they have greater credibility with the SEC Staff during examinations and may also reduce the incidents of dissatisfied retail investors downstream.

Firms may wish to recommend that Supervisors consider the following questions when assessing whether the recommended account type/program appears to be in the best interest of the Prospect.

- Are the Prospect's stated goals and preferences consistent with the nature of the recommended account type/program?
- Does it appear that the FP discussed with the Prospect the characteristics of the recommended account (and program, if applicable) as well as potential alternative account types?
- For advisory accounts, does it appear that the FP discussed with the client the likely management costs and account-level fees and charges associated with the recommendation?
- Does it appear that other account types/programs might be as appropriate for the Prospect as the one being recommended?
  - If yes, will the recommended account type/program likely result in lower overall costs to the client in comparison to other potential programs? (If the program being recommended is likely to cost more to the client, the FP should explain why the recommended program is the preferred recommendation.)
- If it appears that the Prospect will incur deferred charges and/or penalties in connection with exchanges or rollovers into the recommended account/program, are those charges or penalties justified based on the recommendation?
- Consider the compensation the FP will receive related to the account/program recommendation.
  - Is that compensation materially different from what the FP would receive from other account types/programs that might be appropriate for the Prospect?
    - If so, does the difference in the FP's compensation suggest a biased recommendation by the FP?
- Ultimately, does it appear that no new account should be opened for this Prospect because no recommendations would be in the Prospect's best interest?

Upon the conclusion of the supervisory review of the Intake Recommendation Forms, supervisors should document the basis for approving (or rejecting) the account. The sign off should summarize the supervisor's assessment of whether the information in the form provides a reasonable basis to conclude that the account and program recommendations are in the Prospect's best interest, as well as the results of any follow up questions to the FP, and note why the account recommendation was approved, approved with conditions, or rejected.

Supervisors should segregate or flag copies of all forms for accounts that are rejected or conditionally approved and provide those to Compliance.

Compliance Testing

Compliance should incorprate the Onboarding Procedures into their existing testing protocols. The periodic testing should include a reasonable sample of new accounts opened since the prior review.

Before starting, Compliance should obtain a list of account recommendations that were rejected or conditionally approved by supervisors. The scope of this review should be customized to the firm's specific situation, but firms may wish to consider reviewing:

- Account/program recommendations that were rejected, if any, and consider if the supervisor handled the issue sufficiently (such as by retraining the FP)

- Conditionally approved accounts, if any, to see if the FPs and supervisors are tracking the conditions and revisiting the account recommendations in the event the conditions are not met within reasonable period of time
- Whether the Intake Recommendation Forms are substantially and sufficiently complete and include FP comments/signatures and required supervisor comments/ signatures, if and as required by the firm's procedures
- Whether the Intake Recommendation Forms contain content that appears to be copied from one Prospect to the next
- Whether the FPs' rationales for the account recommendations and the supervisors' rationales for approving, conditionally approving, or rejecting the account, appear to be sound and consistent with the Prospects' best interests

Conclusion

Many firms may find this new layer of procedures to be challenging. Given the strong statements in the Account Opening Release, however, firms should expect to be asked about their onboarding practices at their next SEC exams. Firms may face these new expectations by adapting the suggestions in this article to their own business models. As a lagniappe, enhancing onboarding practices may reduce downstream problems with retail investors as expectations are more clearly addressed at the outset. ■