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SEC: When Using the Word 'Advisor' Is a No-No.

As broker-dealers are busy preparing for the SEC's Regulation Best Interest, which kicks in June 30, the agency is reminding them about the correct use of the term "advisor" or "adviser."

So [reports ThinkAdvisor](#), citing an update to [frequently asked questions on the SEC's website](#) about the rule, which aims to boost broker-dealers' standard of care.

Here's the skinny: Broker-dealers generally can't use the terms "advisor" or "adviser" in their names or titles if they are not also registered as investment advisors, according to the FAQs. The agency presumes that doing so "is a violation of the requirement to disclose the broker-dealer's capacity" under Reg BI's Disclosure Obligation.

There are exceptions. Broker-dealers "may use these terms when they are acting in a role specifically defined by federal statute that does not entail providing investment advisory services to retail customers, for example, as a municipal advisor, commodity trading advisor, or advisor to a special entity."

In other words, don't use the terms when it comes to providing advice to retail investors.

A couple of other points: Broker-dealers that are affiliated with RIAs are generally prohibited from using the terms. But broker-dealers who are registered as investment advisors with states are considered RIAs and thus are exempt from the prohibition.

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