



As you are aware, Regulation Best Interest has a compliance date of June 30, 2020. The best interest obligation requires you to act in the best interest of clients when making a recommendation or investment strategy, without placing the financial or other interest of the broker, dealer or associated person of a broker or dealer ahead of the interest of the client. The following are procedures regarding this new rule.

The best interest obligation is satisfied with four separate obligations, Disclosure, Care, Conflict of Interest and Compliance.

Disclosure Obligation - The broker, dealer or associated person of a broker or dealer, prior to or at the time of the recommendation, provides the retail client, in writing, full and fair disclosure of:

- All material facts relating to the scope and terms of the relationship with the retail client, including:
  - That the broker, dealer, or such natural person is acting as a broker, dealer, or an associated person of a broker or dealer with respect to the recommendation;
  - The material fees and costs that apply to the client's transactions, holdings, and accounts; and
  - The type and scope of services provided to the retail client, including any material limitation on the securities or investment strategies involving securities that may be recommended to the retail client; and
- All material facts relating to the conflicts of interest that are associated with the recommendation.

### Procedure

**Deliver to each retail investor the current Form CRS, Rep/Advisor Disclosure and Regulation BI Disclosure before or at the time of recommendation or when you enter into an investment advisory contract with that retail investor.**

**Form CRS may be delivered in paper form or via email as an attachment. The Reg BI Disclosure Form must be delivered and signed by the client unless client has a new CIP or LOU that states they will receive the disclosure on our website.**

**Deliver to each retail investor who is an existing client the above disclosures before or at the time you:**

- (i) Open a new account that is different from the retail investor's existing account(s);**
- (ii) Recommend that the retail investor roll over assets from a retirement account into a new or existing account or investment; or**
- (iii) Recommend or provide a new investment advisory service or investment that does not necessarily involve the opening of a new account and would not be held in an existing account.**

These disclosures are in addition to standard documents required for commission or advisory business such as:

- (i) **Customer Investment Profile**
- (ii) **Account application**
- (iii) **Prospectus**
- (iv) **Liquidation Form**
- (v) **Letter of Understanding Form**
- (vi) **Fee schedule for Pershing account**
- (vii) **Advisory Agreement**
- (viii) **Investment Advisory/Wrap Fee Program Brochure**

Harbour has included our current Regulation BI Disclosure on our website, <https://harbourinv.com/clients/regulation-bi/>

Harbour has included our current Form CRS prominently on our website, <https://harbourinv.com/clients/disclosures/>

*Harbour has included our Rep/Advisor Disclosures on our website, <https://harbourinv.com/representatives/> (this link will be active on July 1)*

**PDF versions of the Regulation BI Disclosure and Form CRS will be available within the Forms section of our web site. These new forms are dated 6/2020 in the footer. You are welcome to provide the disclosure even if the client confirmed they would receive on our website.**

Care Obligation – The broker, dealer or associated person of a broker or dealer, in making the recommendation, exercises reasonable diligence, care, and skill to:

- Understand the potential risks, rewards, and costs associated with the recommendation, and have a reasonable basis to believe that the recommendation could be in the best interest of at least some retail clients;
- Have a reasonable basis to believe that the recommendation is in the best interest of a particular retail client based on that retail client’s investment profile and the potential risks, rewards, and costs associated with the recommendation and does not place the financial or other interests of the broker, dealer, or such natural person ahead of the interest of the retail client;
- Have a reasonable basis to believe that a series of recommended transactions, even if in the retail client’s best interest when viewed in isolation, is not excessive and in the retail client’s best interest when taken together in light of the retail client’s investment profile and does not place the financial or other interests of the broker, dealer, or such natural person ahead of the interest of the retail client.

## Procedure

**This somewhat mirrors the FINRA suitability rule with the addition that you must place the interests of the client ahead of yours. You must understand the product and provide sufficient disclosure and information to the client to ensure their understanding. Always disclose as much as you can regarding transactions. There is no such thing as just giving enough information to get an order approved. Completely fill out Harbour forms and attach client notes if necessary, to fully inform the client, and in turn our principals.**

Conflict of Interest Obligation – The broker or dealer establishes, maintains, and enforces written policies and procedures reasonably designed to:

- Identify and at a minimum disclose, or eliminate, all conflicts of interest associated with such recommendations;
- Identify and mitigate any conflicts of interest associated with such recommendations that create an incentive for a natural person who is an associated person of a broker or dealer to place the interest of the broker, dealer, or such natural person ahead of the interest of the retail client;
- Identify and disclose any material limitations placed on the securities or investment strategies involving securities that may be recommended to a retail client and any conflicts of interest associated with such limitations.
  - Prevent such limitations and associated conflicts of interest from causing the broker, dealer, or a natural person who is an associate of the broker or dealer to make recommendations that place the interest of the broker, dealer, or such natural person ahead of the interest of the retail client.
- Identify and eliminate any sales contests, sales quotas, bonuses, and non-cash compensation that are based on the sales of specific securities or specific types of securities within a specific period.

## Procedure

**Many possible conflicts are covered on Harbour's website in the client disclosure area, Regulation BI disclosure, Form CRS, Investment Advisory Wrap Fee Program Brochure and the rep/advisor personal disclosure. Any conflicts of interest must be disclosed to the client. If you are aware of a conflict that is not listed in these areas, then you must inform Harbour to update your personal disclosure. Harbour will perform ongoing review of these items.**

Compliance Obligation – In addition to the policies and procedures required by the Conflict of Interest Obligation, the broker or dealer establishes, maintains, and enforces written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest.

## Procedure

**Harbour will update policies and procedures when necessary and inform you of any material changes.**