

## [Securities Regulation Daily Wrap Up, TOP STORY—SEC fines 12 additional firms in second Form CRS sweep, \(Feb. 16, 2022\)](#)

Securities Regulation Daily Wrap Up

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With a total of 42 firms now having been sanctioned for significant Form CRS lapses, the SEC might now turn its focus to specific deficiencies identified in a December 17 staff statement.

In a second enforcement sweep targeting Form CRS shortcomings, the SEC imposed sanctions against six investment advisers and six broker-dealers for failing to deliver customer relationship summaries to retail investors by the required deadline. Some respondents also failed to include all information necessary to satisfy Form CRS requirements. In [settled orders](#), the firms agreed to be censured, cease and desist from violations, and pay civil penalties of \$10,000 to \$97,523.

"With today's actions, the SEC has now charged forty-two financial firms for failing to meet the obligations that are required to ensure retail investors understand their relationships with their securities industry professionals," said Sanjay Wadhwa, Deputy Director of the SEC's Enforcement Division. "We urge firms that continue to be delinquent in fulfilling their Form CRS obligations to come into compliance with the law and to self-report to the SEC."

**Form CRS requirements.** Under rules adopted on June 5, 2019, investment advisers and broker-dealers registered with the SEC were required to file Forms CRS with the SEC, begin delivering them to prospective and new retail investors by June 30, 2020, and deliver them to existing retail investor clients or customers by July 30, 2020. Firms are also required to prominently post their current Form CRS on their website, if they have one.

**2021 enforcement sweep.** Last July, the [SEC imposed sanctions against 27 firms](#) for similar Form CRS failures.

**Violations and sanctions.** The SEC determined that the investment advisers violated Section 204 of the Investment Advisers Act of 1940 and Advisers Act Rules 204-1 and 204-5. The broker-dealers violated Section 17(a)(1) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-14.

The SEC imposed the below penalties:

- [Arthur Zaske & Associates, LLC](#), Release No. IA-5963—\$15,000
- [Banyan Securities, LLC](#), Release No. 34-94248—\$10,000
- [Church, Gregory, Adams Securities Corporation](#), Release No. 34-94249—\$10,000
- [Gutt Financial Management, LLC](#), Release No. IA-5962—\$25,000
- [Hinsdale Associates, Inc.](#), Release No. IA-5966—\$25,000
- [J.K. Financial Services, Inc.](#), Release No. 34-94250—\$10,000
- [N.V.N.G. Investments, Inc.](#), Release No. IA-5964—\$15,000
- [Personal Financial Planning, Inc.](#), Release No. IA-5965—\$25,000
- [Stone Run Capital, LLC](#), Release No. IA-5967—\$25,000
- [The Winning Edge Financial Group, Inc.](#), Release No. 34-94247—\$10,000
- [Wall Street Access](#), Release No. 34-94245—\$97,523
- [Watermark Securities, Inc.](#), Release No. 34-94246—\$25,000

**Up next: substantive sweep?** The first two enforcement sweeps have targeted bright-line compliance failures involving not providing Form CRS to investors in a timely manner, and in some cases failing to include required information. Although there may be more enforcement actions to come in this category, the focus is likely to shift to lapses involving substantive deficiencies.

On December 17, 2021, after a review of filed Forms CRS, the Standards of Conduct Implementation Committee issued a [statement](#) listing specific areas where compliance improvements appear to be needed. Staff stated that firms should confirm that their Form CRS disclosures comply with requirements, and that staff continues to be ready to assist with any questions. Given the two enforcement sweeps so far, firms are well advised to compare their Form CRS disclosures to the specific deficiencies listed in the December 17 statement—ahead of any future enforcement sweeps.

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