Personal Financial Agents: Legal & Regulatory Framework
Securities & Retirement Management Matrix

Working Draft V.1 November 17, 2026

This matrix is part of a broader Landscape report prepared as a collaboration between FinRegLab and Paul Hastings' Consumer Finance, Investigations & White Collar, and Corporate Teams. It provides an overview of existing legal and regulatory frameworks that could apply to providing financial advice and taking related actions on behalf of consumers and investors in light of growing interest in next-generation AI-enabled personal financial agents. See the Overview for general context and here for the separate matrix on general financial management, including use of retail financial products and services.

Please note that this matrix is a high level summary and issue spotting tool, not legal advice. The registration and ongoing obligation rows for investment advisers describe requirements for advisers that register with the Securities and Exchange Commission only; state-registered advisers are subject to separate, generally similar, state requirements that are not addressed. Proposed changes and some prior and withdrawn standards are summarized for context.

The materials are organized into four clusters: (1) Investment advisers; (2) Broker-dealers; (3) Broadly applicable anti-fraud provisions; and (4) Retirement advisors.

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
Investment advisers				
Who is an investment adviser? Investment Advisers Act of 1940 (Advisers Act) §202(a)(11)	Investment adviser: Means any person, partnership, limited liability company, corporation, or commercial entity who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and	Definition depends on three main components: Advice about securities: includes advice about stocks, bonds, mutual funds, limited partnerships and interests in commodity pools. Also includes: ● Advice about market trends ● Advice in the form of statistical or historical data unless the advice is no more than an objective report of facts on a non-selective basis	Advice generated by software or AI: Treated as advice from the company that offers the tool. The SEC treats automated advice platforms ("robo-advisers") as investment advisers subject to the Advisers Act (IM Guidance Update No. 2017-02). Activities that are less likely to trigger coverage: ● Showing a customer's balances, spending, and cash flow. ● Budgeting, saving, and debt help that does not involve securities.	SEC: Registration, rulemaking, examinations, and enforcement. States: Registration and oversight of smaller advisers.

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
	as a part of a regular business, issues or promulgates analyses or reports concerning securities.	• Advice about the selection and retention of other advisers • Advice about the advantages of investing in securities versus other types of investments • Providing a selective list of securities even if no advice is provided as to any one security • Advice about the value of securities • Asset allocation advice Engaged in the business: This need not be the person's sole or principal business. The SEC looks to the degree of the person's advisory activities and views three criteria as relevant to this determination: • Is the person giving investment advice solely incidental to his non-advisory business? • How specific is the advice? • Does the person receive compensation, whether directly or indirectly? For compensation: Construed broadly. Means any economic benefit, whether in the form of an advisory fee or some other fee related to total services rendered. It does not matter if paid by the person receiving the advice (i.e. the customer) or by a third party. It includes indirect economic benefit, such as revenue from affiliated products, referral arrangements, or a bundled subscription. Free-to-the-user tools that monetize downstream are a common source of unintended adviser status.	• General educational content about investing that is not tailored to the customer. • Tools that merely provide data, calculators or general educational content. Activities that are more likely to trigger coverage: • Personalized recommendations about securities (e.g., how to allocate 401(k) contributions, whether to move savings into an index fund). • Recommending specific funds, stocks, ETFs, or model portfolios. • Charging for investment recommendations or receiving payments from providers of the products recommended.	
Registration requirements Advisers Act §§ 203A, 203(l) and 203(m), 222(d), Rules 203A-1, 203A-2	Entities: Every investment adviser must register with either the SEC or one or more states unless it qualifies for an exemption from registration. Which regulator applies depends primarily on the	Allocation between the SEC and the states: Section 203A allocates registration between the SEC and the states, primarily on the based on RAUM: • Larger advisers ($100 million RAUM or more): An adviser may register with the SEC once it has $100 million in RAUM and must	Tools with no assets under management: A tool that provides advice but does not provide continuous and regular supervisory or management services over client accounts is generally considered to have no RAUM and is thus prohibited from SEC registration based on	SEC: Registration, rulemaking, examination, and enforcement for SEC-registered advisers. States: Registration and examination of state-registered advisers; notice filings and fees for SEC-registered advisers; antifraud enforcement over all advisers.

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority

	adviser's regulatory assets under management (RAUM): larger advisers register with the SEC, and smaller advisers are generally prohibited from SEC registration and register with the states instead.	register once it reaches $110 million. An SEC-registered adviser need not switch to state registration unless its RAUM falls below $90 million (Rule 203A-1(a)).
		● Smaller advisers (less than $25 million RAUM): Section 203A(a)(1) prohibits these advisers from registering with the SEC, and they register with the states instead. The principal exception is an adviser to a registered investment company.
		● Mid-sized advisers ($25 million to $100 million RAUM): Section 203A(a)(2) also generally prohibits these advisers from registering with the SEC. The prohibition does not apply, so the adviser registers with the SEC, if:
		  ● It advises a registered investment company;
		  ● It advises a business development company ;
		  ● Its principal office and place of business is in a state that does not register advisers, or that would not subject the adviser to examination as a state-registered adviser (currently, only New York).
		
		Non-U.S. advisers: The prohibition against SEC registration does not apply to an adviser whose principal office and place of business is outside the United States. Such an adviser registers with the SEC regardless of RAUM, unless an exemption applies (e.g., the foreign private adviser exemption).
		
		Rule 203A-2 exemptions from the prohibition: Rule 203A-2 permits the following advisers to register with the SEC even though they would otherwise be prohibited from doing so:
		● Pension consultants, if the aggregate value of plan assets to which they provide
			assets. Unless the entity qualifies for a Rule 203A-2 exemption, it registers with the states.
			
			Which states: Under the national de minimis standard (Section 222(d)), a state may require an adviser to register only if the adviser (a) has a place of business in the state or (b) has had six or more clients resident in the state during the preceding 12 months. A tool with a national retail user base will typically exceed this threshold in many states.
			
			Routes to SEC registration for providers with less than $100 million in RAUM:
			● Internet adviser exemption: Available only if all advice is provided through an operational interactive website (see separate entry)
			● Multi-state adviser exemption: A provider that would otherwise be required to register in 15 or more states may register with the SEC instead.
			● 120-Day Rule: A newly formed adviser with little to no RAUM can register with the SEC if it has a reasonable expectation of becoming eligible (e.g., reaching $100 million in RAUM) within 120 days. If it misses that mark, it must withdraw its SEC registration.
			● Mid-sized advisers in domiciled in New York ("New York Domicile Exemption"): Because New York does not examine state-registered advisers, an adviser with its principal office in New York must register with the SEC once it reaches $25 million in RAUM rather than $100 million.
			
			Hybrid models that combine automated platforms and human financial planners: These models generally would not qualify for the internet adviser exemption, whatever its RAUM, because the planners' advice is not provided	

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
		investment advice is at least $200 million (Rule 203A-2(a)); ● Certain affiliates of SEC-registered advisers (Rule 203A-2(b)); ● Newly formed advisers that have a reasonable expectation of becoming eligible for SEC registration within 120 days (Rule 203A-2(c)); ● Advisers that would otherwise be required to register in 15 or more states (Rule 203A-2(d)); and ● Internet advisers that provide investment advice to clients exclusively through an operational interactive website (Rule 203A-2(e)) (see separate entry). Exemptions from registration altogether: Separate from the rules above, which determine where an adviser registers, certain advisers are exempt from SEC registration entirely. Examples are advisers solely to venture capital funds (Section 203(l)) and advisers solely to private funds with less than $150 million in private fund RAUM in the United States (Section 203(m)). These exempt reporting advisers must still file portions of Form ADV with the SEC and may be subject to state requirements. These exemptions are rarely available to retail-facing digital advice providers.	exclusively through the website (see separate entry). Where such a hybrid registers therefore depends on its RAUM: ● $100 million or more RAUM: Register with the SEC (this generally applies to hybrids that manage client accounts): ● Less than $100 million, including hybrids that give advice but do not manage accounts: The provider registers with the states unless it can rely on (i) the multi-state adviser exemption, (ii) the 120 Day Rule or (iii) the New York Domicile Exemption. State antifraud standards and notice filings SEC-registered advisers are not subject to state registration but remain subject to state antifraud laws and enforcement. States may also require SEC-registered advisers to make "notice" filings (often including a filing fee), alerting the state that the adviser is doing business in the state and to register their "investment adviser representatives" who have a place of business in the state. De minimis standards for state registration: There is a national de minimis standard under which no state may require an adviser to register unless the adviser: (a) has a place of business in that state; or (b) has had six or more clients in that state in the preceding 12-month period.	
Internet adviser exemption allowing SEC registration Advisers Act § 203A(c); Rule	Entities: Applies to advisers that would otherwise be prohibited from SEC registration and required to register with the states (generally, less than $100 million in regulatory assets under management) if they	SEC registration allowed despite not meeting size threshold: An adviser that gives advice only through a website or app, and that would otherwise have to register in many states, may instead register once with the SEC. Requirements: The following conditions must be met; if the conditions cease to be met the	Implications of registration: Once SEC-registered, the adviser is subject to the full Advisers Act regime, including the fiduciary duty, compliance program, and the SEC's robo-adviser guidance (see separate entries).	SEC: Registration exemption oversight.

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
203A-2(e), as amended IA Release No. 6578 (Mar. 27, 2024)	exclusively provide advice to all clients through qualifying digital platforms..	adviser must withdraw from SEC registration and register with the states. ● Advice is provided to all clients *exclusively* through an operational interactive website, mobile app, or similar digital platform, which must be operational at all times and used to provide advice on an ongoing basis to more than one client. ● Advice is generated by software-based models, algorithms, or applications based on each client's personal information and investment objectives. ● Adviser personnel may explain the digitally generated advice but may not otherwise provide advice. The adviser must keep records showing it is eligible and represent its eligibility on Form ADV. Use of generative AI not specifically addressed: Regulators have not addressed whether advice generated by a conversational (generative) AI model fits the rule's concept of advice generated by software-based models, algorithms, or applications, particularly where human personnel shape or review outputs. Rationale: Section 203A(c) authorizes the SEC to permit SEC registration where the prohibition would be unfair, a burden on interstate commerce, or otherwise inconsistent with the purposes of § 203A. Internet advisers typically have clients nationwide but little or no assets under management, so the Advisers Act would subject them to registration in most or all states; the SEC concluded that a single federal regulator is appropriate. The exemption does not exempt the adviser from registration; it permits SEC registration instead of state registration.	Limits on human activity to qualify: The operational interactive website must utilize "software-based models, algorithms, or applications." This effectively negates the ability of any Internet investment adviser personnel to "generate, modify, or otherwise provide client-specific investment advice through the operational interactive website or otherwise." ● Disqualifying human activity: Human designed portfolio allocations, modifications of the algorithmically developed portfolio allocation, or otherwise rendering an opinion on the appropriateness of a particular portfolio allocation for any individual client. ● Permitted human activities: Personnel of Internet investment advisers can assist clients with technical issues or collect feedback in connection with the use of the website (e.g., accessing the website), including by assisting clients with explanations of how the algorithm generating the investment advice was developed or operates. So long as such personnel do not cross the line into rendering investment advice, they can still interact with clients to ensure a positive client experience. ● Information collection: Each client's personal information must be supplied to the Internet investment adviser through the operational interactive website. Thus, the Internet investment adviser's personnel should not be the one sending or collecting a client suitability questionnaire, risk tolerance questionnaire, or other client information manually in the course of a phone call or email exchange. The operational interactive website should have this functionality built in.	

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
			Individual investment adviser representative licensing generally does not apply. States may require the registration of certain individuals as investment adviser representatives, even if they work for SEC-registered advisers. However, under the internet adviser exemption, advice must be generated by the software, and personnel may only explain that advice, not otherwise provide advice. The algorithm is not a person that can be licensed, and personnel limited to explaining digital advice generally are not giving advice that would make them representatives. If personnel begin giving their own advice, the adviser would lose the exemption and individual licensing would need to be revisited.	
How to register with SEC Advisers Act § 203; Form ADV; Form CRS; Rule 204-3; Rule 204-5	SEC: Advisers that are required or allowed to register with the SEC s	SEC: Registration is done by filing an online form describing the business, which also serves as a disclosure document for clients. File Form ADV through the IARD system: ● Part 1: business, ownership, clients, and disciplinary history. ● Part 2A (brochure): services, fees, conflicts of interest, and disciplinary information, in plain English. ● Part 2B (brochure supplement): information about individuals who provide advice. ● Form CRS: short relationship summary for retail investors.	Staging of SEC registration and substantive requirements: Some substantive requirements should be satisfied before filing and some filings must be delivered to clients. ● Policies and procedures, a chief compliance officer, and a code of ethics should be in place at time of registration (see separate entries). ● Advisers must deliver the Part 2A Brochure no later than the execution of any advisory agreement ● Advisers must also deliver to clients either Part 2A or a summary of material changes any time Part 2A is materially amended. ● In addition, advisers are required to deliver to certain current and prospective clients Part 2B (the Brochure Supplement) disclosing information about certain of the adviser's personnel, including their educational background, business experience and disciplinary history.	SEC: Generally must grant registration or begin proceedings to deny it within 45 days of filing. States: Depending on requirements may receive notice filings and fees from SEC registrants.

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority

Fiduciary duty
 	
Advisers Act § 206
 	
Commission Interpretation Regarding Standard of Conduct for Investment Advisers, IA Release No. 5248 (2019)
	Entities: All investment advisers, regardless of whether registered with the SEC or states.	General concept: An investment adviser must act in its clients' best interest, put their interests ahead of its own, and tell them about any conflicts of interest.
		
		Specific elements:
		● Duty of care: advice in the client's best interest, based on a reasonable understanding of the client's objectives and financial situation; best execution; monitoring consistent with the relationship.
		● Duty of loyalty**:** full and fair disclosure of all material conflicts, including compensation from third parties; not placing the adviser's interests ahead of the client's.
		● Impact of contract language: The scope of the relationship can be defined by agreement, but the duty cannot be waived.
			● Disclosures regarding potential conflicts: Payments from product providers or algorithms designed to favor the provider's products, must be fully disclosed. For automated advice, common conflicts include revenue the adviser or an affiliate earns on cash held in client accounts, and recommending affiliated funds or products.
			● Potential questions for automated systems: The adviser fiduciary duty draws on common-law agency and trust principles. Applying this to an automated model raises specific questions:
			  ● Client information. Is the intake questionnaire capable of producing a reasonable understanding of the client's objectives, or is it too short and too leading to support the recommendations built on it?
			  ● Inconsistent answers. Does the system detect contradictory or implausible inputs and respond, rather than silently producing a portfolio?
			  ● Algorithm oversight. Who tests the model, how often, and what happens when market conditions fall outside its assumptions? Code changes are compliance events.
			  ● Conflicts embedded in the model. Does the algorithm favor affiliated funds, generate revenue through cash sweeps or payment for order flow, or apply fee structures that are not obvious to the client?
			  ● Scope clarity. Is the client told plainly what the service does not do (tax planning, retirement advice beyond the account, held-away assets)?
			  ● Disclosure placement. Are key disclosures made in onboarding
				SEC: Enforcement of Advisers Act violations.
				
				States: Enforcement of parallel state advisers act violations where applicable.

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
			documents or presented where the decision is made?	
Compliance program and other obligations once registered Advisers Act §§ 204, 204A Rules 204-2, 204A-1, 206(4)-1, 206(4)-2, 206(4)-6, 206(4)-7 Regulation S-P, 17 CFR Part 248, Subpart A (as amended 2024); Regulation S-ID, 17 CFR Part 248, Subpart C 31 CFR Part 1032, including § 1032.210 (89 Fed. Reg. 72156 (Sept. 4, 2024); effective date delayed to Jan. 1, 2028 by FinCEN final rule, 91 Fed.	SEC-registered investment advisers.	Compliance program: A registered adviser must have written internal policies and procedures designed to keep it in compliance with the law, a designated compliance officer to oversee them, annual reviews, and must meet ongoing recordkeeping, advertising, privacy, and reporting requirements. (Rule 206(4)-7) Specific requirements: Compliance programs must be designed to satisfy the following requirements:. ● Code of ethics (Rule 204A-1): standards of conduct, personal securities reporting by access persons, and policies to prevent misuse of material nonpublic information. ● Books and records (Rule 204-2): including written communications relating to advice. ● Marketing Rule (Rule 206(4)-1): no untrue or unsubstantiated claims; conditions on testimonials, endorsements, and paid promoters; performance and projections rules. ● Custody rule (Rule 206(4)-2): if the adviser holds or can obtain client assets (e.g., through authority to deduct fees or move funds). The SEC proposed new adviser custody rules in October 2026 (File No. S7-2026-35), which remain pending. ● Proxy voting (Rule 206(4)-6): if the adviser votes client securities. ● Privacy and data security: Regulation S-P (privacy notices, safeguarding, incident response program, service provider oversight, and customer notice of breaches within 30 days) and Regulation S-ID.	Considerations for automated systems: ● AI-generated advice and chat transcripts are likely records that must be kept ● Projections shown to customers implicate the Marketing Rule's hypothetical performance provisions. ● A tool that can move money out of customer accounts may be deemed to have custody for purposes of the Custody Rule. Authority only to place trades generally is not custody.	SEC: Examinations and enforcement. FinCEN: AML/BSA rulemaking.

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
Reg. 36 (Jan. 2, 2026).		• Form ADV: annual update within 90 days after fiscal year end, and prompt updates for certain changes. • Anti-money laundering: FinCEN's rule for SEC-registered advisers was delayed from January 1, 2026 to January 1, 2028 (final rule, Dec. 31, 2025). FinCEN has said it will revisit the scope of the adviser AML rule before it takes effect.		
Guidance specific to automated advice SEC Division of Investment Management, IM Guidance Update No. 2017-02, Robo-Advisers (Feb. 2017) SEC Division of Examinations, Observations from Examinations of Advisers that Provide Electronic Investment Advice (Risk Alert, Nov. 9, 2021) FINRA, Report on Digital Investment	Entities: Registered investment advisers that provide advice through automated or digital platforms.	Robo-adviser guidance (2017): Topics addressed included: • Disclosure specifics: state that an algorithm manages accounts; describe its functions, assumptions and limitations (e.g., modern portfolio theory), and risks (e.g., rebalancing without regard to market conditions); explain when the adviser may override it (e.g., halting trading in stressed markets); disclose any third-party role in the algorithm and resulting conflicts; and explain all direct and indirect fees, including custodian, fund, and brokerage/transaction costs. • Scope and presentation: do not imply a comprehensive financial plan or comprehensive tax advice (e.g., from tax-loss harvesting) if not provided, or that information outside the questionnaire is considered when it is not; present key disclosures before sign-up, emphasize them (pop-ups, tooltips, FAQs), and adapt them for mobile. • Suitability and questionnaires: questions must elicit enough information to support initial and ongoing advice, be clear, and flag inconsistent answers (e.g., a conservative investor seeking mainly high-yield bonds). Where clients can select a portfolio other than the one recommended, the adviser	Other sources and initiatives: • As of November 2026, the SEC's Division of Examinations priorities include advisers' super intelligence representations and whether firms have policies to monitor and supervise super intelligence technologies. • Enforcement history: The SEC has brought settled actions against robo-advisers for (i) false disclosures (e.g., Wealthfront Advisers and Hedgeable (Dec. 2018); (ii) undisclosed conflicts and hidden costs (Schwab Intelligent Portfolios cash-allocation, June 2022); and (iii) misstatements about an automated tax loss harvesting service (Betterment, Apr. 2023). It has also brought "AI-washing" cases against advisers that overstated their use of AI (Delphia (USA) and Global Predictions (Mar. 2024)). These actions confirm that the Advisers Act applies to automated advice. The current commission has continued to bring robo-adviser cases (e.g. Ally Invest), but as of November 2026, none have focused on AI use. • The SEC withdrew its 2023 proposal on conflicts from predictive data analytics (including AI) on June 12, 2025; existing fiduciary, disclosure, and compliance rules continue to apply.	SEC: Rulemaking, examinations and enforcement.

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
Advice (Mar. 2016)		should explain why the recommended portfolio may be more appropriate and alert clients to inconsistencies. ● Compliance policies to consider: development, testing, backtesting, and monitoring of the code; disclosure of code changes that materially affect portfolios; oversight of third parties that develop or manage the algorithm; cybersecurity; social media marketing (including paid bloggers and refer-a-friend programs); and protection of client accounts and key systems. Password access that permits withdrawals can create custody. Exam observations (2021): Summarized substantial deficiencies across exams, including compliance programs (including oversight and testing of algorithms), portfolio management and best-interest analysis, marketing and performance advertising, and conflict disclosure; many advisers relying on the internet adviser exemption did not meet its conditions.	● FINRA's 2016 digital advice report describes effective practices for algorithm governance, customer profiling, portfolio rebalancing, and conflicts; while directed at broker-dealers, it is a useful benchmark for advisers.	
Broker-dealers				
When is a company a broker-dealer? Securities Exchange Act of 1934 §§ 3(a)(4), 3(a)(5), 15(a)	Broker: Any person engaged in the business of effecting transactions in securities for the account of others. Dealer: Any person engaged in the business of buying and selling securities for its own account.	General principle: A company that helps customers buy or sell securities, or is paid based on those transactions, generally must register as a broker-dealer. Factors the SEC and courts consider: ● Transaction-based compensation (the most important factor). ● Soliciting investors or recommending securities. ● Participating in negotiations or executing orders. ● Handling customer funds or securities.	Activities that are less likely to trigger coverage: ● Passing a customer's own instructions to a registered broker-dealer, for a flat fee unrelated to transactions. ● Displaying information about accounts the customer already holds. Activities that are more likely to trigger coverage: ● Referral fees or revenue sharing tied to trades, account openings, or assets moved. ● Placing or executing trades for customers. ● Holding customer funds or securities.	SEC: registration, rulemaking, examination, and enforcement. FINRA: membership, rules, examination, and discipline. States: registration and antifraud.

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
		• Regular participation in securities transactions.	Potential crossovers between robo-advisers, broker-dealers, and investment advisers: • A robo-adviser that places trades and rebalances accounts needs a broker to execute and a custodian to hold assets; most use an affiliated or third-party broker-dealer, which is subject to the full broker-dealer regime • Directly accepting orders, routing trades, holding client cash or securities, or offering fractional shares are activities that are likely to trigger coverage as a broker. • Transaction-based compensation (payment for order flow, cash-sweep or revenue-sharing payments from the executing broker, referral fees per account opened) is the most important factor in determining broker status. For an adviser that receives such compensation, it is also a conflict of interest that must be fully disclosed under the Investment Advisers Act • Using an affiliated broker to execute trades for advisory accounts raises best execution issues, restrictions on principal and agency cross transaction (Advisers Act § 206(3)), and wrap fee program disclosure issues. IM Guidance Update No. 2017-02 advises robo-advisers to explain all fees and costs clients bear, including brokerage and other transaction costs..	
Exceptions and alternatives Exchange Act § 15(a)	Entities: Persons that would otherwise be brokers.	Few options: There are very few ways to engage in brokerage activity without registering, so most fintechs either register or work with a firm that is already registered. There is no general "finder" exemption; the SEC proposed one in 2020 but never adopted it.	Common alternatives to registration: • Partnering with a registered broker-dealer that executes trades and holds customer accounts. • Operating as a registered investment adviser that directs trades through the customer's own brokerage account.	SEC

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
How to register Exchange Act § 15(b); Form BD FINRA Rule 1013 (new member application)	Entities: Broker-dealers.	Overview: Becoming a broker-dealer requires registering with the SEC, joining FINRA (the industry's self-regulatory organization), registering in the states, and having licensed personnel. Components: ● File Form BD with the SEC through FINRA's CRD system. ● Apply for FINRA membership through a new member application. ● Register in the states where the firm does business. ● Become a SIPC member. ● Register and qualify principals and representatives (e.g., Securities Industry Essentials exam, Series 7, Series 24, and a financial and operations principal).	Staging of registration and substantive requirements: ● The FINRA application typically takes several months; FINRA's rules contemplate a decision within 180 days. ● Net capital, written supervisory procedures, and an AML program must be in place before approval.	SEC FINRA States
Best interest standard Regulation Best Interest; Form CRS	Entities: All SEC-registered broker-dealers (which generally must also be FINRA members), and their registered personnel when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer	General concept: Regulation Best Interest requires a broker-dealer to act in the best interest of a retail customer when making a recommendation, without placing its own interests ahead of the customer's. The SEC drew this standard from key fiduciary principles, but is not identical to the investment adviser fiduciary duty. For example, it applies at the time of the recommendation and does not impose a general duty to monitor. This standard is satisfied through contains four specified component obligations: ● Disclosure Obligation: broker-dealers must provide disclosure of all material facts relating to the scope and terms of the relationship with the customer and relating to conflicts of interest that are associated with the customer recommendation; ● Care Obligation: broker-dealers must exercise reasonable diligence, care, and skill	Broker-dealer digital tools: A broker-dealer that offers a digital advice tool to its own retail customers without being an adviser is subject to Regulation Best Interest and FINRA Rules 2210/2214 rather than the Advisers Act, provided its advice is solely incidental to its.brokerage business and it receives no special compensation for it (Advisers Act Section 202(a)(11)(C); IA Release No. 5249 (2019)). A tool offered for a separate advisory fee, or one that involves unlimited discretionary management, may require adviser registration.	SEC FINRA States.

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
		in making a recommendation to the customer; ● Conflict of Interest Obligation: broker-dealers must establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest; and ● Compliance Obligation: broker-dealers must establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest. . ● **Form CRS** relationship summary.		
Other obligations once registered Exchange Act Rules 15c3-1, 15c3-3, 17a-3, 17a-4 Regulation S-P; Regulation S-ID FINRA Rules 2210, 2214, 3110, 3120, 3130, 4511; FINRA Regulatory Notice 24-09; FINRA Annual Regulatory Oversight Reports	Entities: SEC-registered broker-dealers, which generally must be FINRA members, and their registered personnel.	Overview: A registered broker-dealer must keep enough money on hand to meet its obligations, protect customer assets, and supervise its business and employees. Specific requirements: ● Net capital (Rule 15c3-1) and customer protection (Rule 15c3-3). ● Supervision: Supervisory system and written supervisory procedures (FINRA 3110); supervisory control testing (3120); annual CEO certification (3130); a designated chief compliance officer. ● Books and records: Including business communications. ● Communications with the public (FINRA 2210)**:** Must be fair and balanced. On October 15, 2026, the SEC approved amendments to Rule 2210 permitting performance projections and targeted returns, subject to conditions (Release No. 34-106675); FINRA will announce the effective date. Investment analysis tools remain governed by FINRA 2214.		SEC FINRA States.

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
		• Privacy and data security: Regulation S-P and Regulation S-ID. • Reporting and fees: FOCUS reports, annual audit, FINRA fees, continuing education.		
Anti-money laundering program Bank Secrecy Act Exchange Act Rule 17a-8 31 CFR Part 1023, including § 1023.220 FINRA Rule 3310 SEC, Anti-Money Laundering (AML) Source Tool for Broker-Dealers	Entities: Broker-dealers.	Overview: Anti-money laundering rules require financial firms to verify who their customers are, watch for suspicious activity, and report it to the government, to help prevent money laundering and terrorist financing. Components: • Under Exchange Act Rule 17a-8, broker-dealers must comply with Bank Secrecy Act reporting, recordkeeping, and record retention requirements; a violation of the BSA rules is therefore also a violation of the Exchange Act enforceable by the SEC. • Written AML program with independent testing, a designated AML officer, and training (FINRA 3310). • Customer identification program (§ 1023.220). • Customer due diligence and beneficial ownership procedures. • Suspicious activity reporting.	Activities covered: A tool that opens accounts or moves assets for customers will be doing so through firms subject to these requirements, which will expect identity verification and clear authority to act for the customer.	FinCEN SEC FINRA.
FINRA guidance on AI FINRA Regulatory Notice 24-09	Entities: FINRA members	General principle of tech neutrality: FINRA's rules are technology-neutral; firms are responsible for AI-generated communications (Regulatory Notice 24-09). FINRA's 2026 Annual Regulatory Oversight Report: Addresses generative AI and AI agents, flagging risks such as agents acting without human validation or beyond the user's authority, and suggesting controls such as tracking agent actions, limiting system access, and human review.	Broker-dealer digital tools: FINRA rules apply to AI-enabled tools in the same way as to other tools (FINRA Regulatory Notice 24-09). These include Rule 2210 (communications with the public and Rule 3110 (supervision); a tool the projects investment outcomes is also subject to Rule 2214 (investment analysis tools). See the Best Interest standard entry for when Regulation Best Interest rather than the Advisers Act applies.	

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
		Modernization of Rule on Communications with the Public: FINRA has proposed modernizing Rule 2210, including replacing principal pre-use approval with a risk-based standard and addressing AI-generated content (Regulatory Notice 26-14, July 9, 2026; comment period closed Sept. 11, 2026; pending).		
Antifraud Provisions (Applicable Regardless of Registration)				
Antifraud provisions Advisers Act § 206 and rules thereunder (including Rules 206(4)-1 and 206(4)-7) Exchange Act § 10(b) and Rule 10b-5 Securities Act § 17(a)	Investment advisers: § 206 applies to any investment adviser, registered or not. • Rules 206(4)-1 (Marketing Rule) and 206(4)-7 (Compliance Rule) apply to SEC registered advisers only. Person or companies in connection with the purchase or sale of a security: ● § 10(b) and Rule 10b-5: any person or company, in connection with the purchase or sale of a security directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange. ● § 17(a): any person or company, in connection with the purchase or sale of a security, by the use of any means or instruments of transportation or communication in interstate	Overview: It is illegal to mislead people in connection with investment advice or securities transactions, whether or not a company is or should be registered. Specific language and standards: ● § 206 and the rules thereunder prohibit fraudulent, deceptive, or manipulative practices by advisers and are the source of the fiduciary duty (*SEC v. Capital Gains Research Bureau*, 375 U.S. 180 (1963)). ● Negligence is enough for a violation of §§ 206(2) and 206(4) and the rules thereunder. ● § 10(b) and Rule 10b-5 prohibits material misstatements, omissions, and fraudulent schemes in connection with securities transactions. Scienter is required. ● § 17(a) prohibits (1) devices, schemes, or artifices to defraud; (2) obtaining money or property by means of material misstatements or omissions; or (3) engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit - in connection with securities transactions. ● Negligence is enough for a violation of § 17(a)(2) and 17(a)(3).	Potential considerations for digital tools: ● Overstating what the tool does, how much is automated, or what results it will achieve ("AI-washing"). ● Recommendations shaped by undisclosed payments from product providers, or algorithms designed to benefit the provider. ● Materially inaccurate outputs presented as investment advice. ● Not disclosing that the tool allocates funds in a manner that internal analyses shows would be less profitable under most market conditions..	SEC: Civil enforcement. DOJ: Criminal enforcement. States: Enforcement of parallel state antifraud laws. Private actions: Under § 10(b) and Rule 10b-5; under the Advisers Act, limited to rescission and restitution of fees paid under Section 215 (*Transamerica Mortgage Advisors, Inc. v. Lewis,* 444 U.S. 11 (1979)).

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
	commerce or by use of the mails, directly or indirectly.			
Retirement advice				
ERISA and tax-code fiduciary status Employee Retirement Income Security Act of 1974 (ERISA) § 3(21)(A)(i) and (ii) Internal Revenue Code § 4975 PTE 2020-02 Department of Labor Interpretive Bulletin 96-1 ERISA § 408(g)	Entities: Any person or company, whether or not registered as an investment adviser or broker-dealer under federal or state securities laws, , that exercises discretionary authority or control over the management of a plan or its assets or that gives investment advice for a fee or other compensation (direct or indirect) to plans is covered as a fiduciary under ERISA § 3(21)(A)(i) or (ii), respectively, or Internal Revenue Code § 4975. A "plan" customer includes the owner of an individual plan account in a 401(k) plan or other workplace retirement plan (e.g., defined contribution plans and traditional defined benefit pension plans), and the owner of an individual retirement account (or IRA), health savings account (or HSA), or other plan account or arrangement.	An "investment adviser" fiduciary is a company or person who gives individualized investment advice to the owner of a plan account, including an individual account in a 401(k) plan,, or other workplace retirement plans, or IRAs HSAs and/or other plans. Five-part test: More specifically, the five part test for "investment advice" fiduciary status is met if a company or person gives: ● Advice or recommendations about securities or other property, ● On a regular basis, ● Under a mutual understanding, ● That the advice will be a primary basis for investment decisions, and ● The advice is individualized. Discretionary and investment advice fiduciaries: Must under federal retirement law, comply with strict per se prohibited transaction rules and conflict of interest rules, which restrict fiduciaries from dealing with plan assets for their own interest and from receiving any consideration for their own account in connection with a transaction. In general, a fiduciary should not take action that would cause it to receive any undisclosed compensation or compensation that is not otherwise negotiated. Standard of care: An ERISA plan fiduciary must act solely in the interest of participants and	Advice generated by software or AI: ERISA § 408(g) permits advice through a certified, unbiased computer model. Activities that are likely to trigger coverage: ● Lower risk: Investment education (plan information, general investment information, asset allocation models, interactive materials) under IB 96-1 ● Higher risk: (1) discretionary authority or control over a plan or its assets; (2) investment advice for a fee to plan customers, including individual plan accounts of 401(k) and other workplace retirement plans,, IRA, HSA advice; and (3) rollover recommendations, especially with compensation from recommended providers.	DOL (EBSA): interpretation and enforcement. IRS: excise taxes. Participants of 401(k) Plans and Other Workplace Retirement Plans: Civil actions under ERISA § 502 IRA and HSA owners: State law; no private right of action under Internal Revenue Code § 4975

Source	Companies covered	Core concepts & requirements	Activities covered and other application notes	Rulewriting & enforcement authority
		beneficiaries (duty of loyalty) and with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity familiar with such matters would use in the conduct of an enterprise of like character and with like aims (duty of prudence) (ERISA § 404(a)(1)). These duties are enforceable by participants, and fiduciaries can be held personally liable for losses. For IRAs and HSAs: ERISA § 404 does not apply and the Internal Revenue Code imposes no general duty of prudence, but the per se prohibited transaction rules and conflict of interest rules apply to IRAs and HSAs under Code § 4975. To this end, an adviser who is an "investment advice" fiduciary and is relying on PTE 2020-02 to receive variable or third-party compensation must comply with its conduct standards for plans subject to ERISA § 404 and Code § 4975 (e.g., individual participant accounts in 401(k) plans, and IRAs, and HSAs), including providing: advice in the investor's best interest (prudence and loyalty), receive no more than reasonable compensation, and make no materially misleading statements, among other conditions.		