

Comparison Chart: FINRA “Investment Estimate” and analysis by The Boston Consulting Group

Category	FINRA’s “Investment Estimate”	BCG Analysis	Reason for Differences
1. <i>Setup of IA SRO</i>	\$12-\$15 million	\$200-\$255 million	FINRA’s estimate of \$12-\$15 million in setup costs does not include staff costs incurred during the 12-month setup period, specifically the cost of examiners and support staff. This omission accounts for \$180-\$230 million of the difference between the BCG and FINRA estimates.
2. <i>On-Boarding of New Employees</i>	\$13,000-\$17,000 per employee	\$25,000 per employee	FINRA estimates \$8-\$12 million less in on-boarding costs than BCG. BCG based its on-boarding costs on the official SEC budget request.
3. <i>SEC Oversight</i>	Not included in FINRA’s document	\$90-\$100 million/year	FINRA doesn’t include the cost of SEC oversight of a new IA SRO, even though current federal law and the proposed legislation both require continued SEC oversight.
4. <i>Total Ongoing Annual Oversight Mandate (Breakdown of costs below)</i>	\$150-\$155 million/annually	\$460-\$510 million/year	BCG estimates include proven productivity assumptions, overhead costs for examiners and enforcement costs.
<i>4a. Examiner Costs</i>	Not broken out in FINRA document	\$135-\$140 million/year	FINRA’s estimated ongoing investment of \$150-\$155 million with 900 additional employees equates to a \$170,000 per employee cost, which is unlikely to include overhead.
<i>4b. Enforcement Costs</i>	Not broken out in FINRA document	\$130 million/year	No specific reference in FINRA estimates to enforcement personnel. BCG estimated enforcement activity at \$130 million per year. Differences in enforcement costs are estimated to account for \$60-\$70 million between the BCG and FINRA estimates.
<i>4c. Examiner Productivity</i>	Not broken out in FINRA document	\$150-\$170 million/year	FINRA’s estimated costs assume nearly double the per-employee productivity of current FINRA broker-dealer examinations as well as current SEC IA examiner productivity.