



## **H.R. 1627, the Investment Adviser Examination Improvement Act of 2013**

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The Financial Planning Coalition urges you to become a co-sponsor of H.R. 1627 to improve investor protection for all Americans:

### **The Need for Investor Protection**

- Due to insufficient resources, in FY 2013 the Securities and Exchange Commission (SEC) examined only 9% of the 11,000 registered investment advisers in the U.S., who collectively comprise only about 25% of the approximately \$55 trillion of customers' assets.
- Investment advisers are examined, on average, at an unacceptable rate of *once every 11 years*.
- Approximately 40% of registered investment advisers *have never been examined*.
- An SEC staff report included a recommendation that Congress authorize the SEC to collect reasonable user fees from registered investment advisers as one option to increase SEC examinations of investment advisers to a reasonable level.

### **A User Fee is the Right Solution**

- Enables the SEC to improve investor protection by increasing the frequency of investment adviser examinations.
- A cost-effective way to address the SEC's persistent resource shortfalls by paying for examinations of investment advisers through user fees, resulting in **no financial impact on taxpayers or the federal budget**.
- It is the most cost-effective and efficient solution to the SEC's chronic resource problems.
- 81% of investment advisers surveyed would prefer to pay user fees to the SEC rather than a membership fee to a self-regulatory organization such as FINRA.

### **H.R. 1627 is a Narrow and Targeted Solution**

- The SEC would apply user fees only to pay for the SEC's inspection and examination program.
- It is transparent and requires the SEC to establish, by rule, a scalable formula for determining the fee amount by taking into account factors such as –
  - The investment adviser's size and its assets under management
  - The number of and type of clients of the investment adviser
  - Risk characteristics
- It requires the Comptroller General of the United States to conduct an audit every 2 years.

### **Resource Gap Persists Despite SEC Improvements**

- Following a comprehensive independent assessment of its operational structure, the SEC has taken important steps to enhance its workforce competencies and talent, and to improve its organizational structure, controls and capabilities.
- The SEC has implemented a more risk-focused examination program designed to detect and to prevent fraud, to strengthen industry compliance, and to monitor new and emerging risks.
- Despite operational improvements that have led to greater efficiencies, the SEC's resource gaps persist, hindering the agency from fully meeting its core mission to protect investors.