



Protect Investors: Support a User Fee to Increase Investment Adviser Oversight

The Financial Planning Coalition urges you to support legislation that would authorize the Securities and Exchange Commission (SEC) to collect a “user fee” 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 approximately 9% of the 11,000 plus 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**.
- 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.

Essential Elements of Legislation Should Include Provisions That:

- Limit the SEC’s use of any fees collected to its inspection and examination program.
- Requires the SEC to establish, through transparent rulemaking, 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
- Require an audit of the SEC’s use of the fees on a regular basis.

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 examinations program designed to detect and to prevent fraud, to strengthen industry compliance, and monitor new and emerging risks.
- Despite operational improvements that have led to greater efficiencies, the SEC’s resource gaps persists, hindering the agency from more fully meeting its core mission to protecting investors.