



Dear Colleague,

We are pleased to update you on the work of the Financial Planning Coalition. Since our December 15, 2011 communication, in which we shared with you the findings of a study and survey conducted by The Boston Consulting Group (BCG) regarding investment adviser oversight, we have been continuing to work collaboratively to advance our shared policy positions. Our work has focused on implementation of two provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act): the Section 914 enhancement of investment adviser oversight and the Section 913 rulemaking on the fiduciary standard of care.

Dodd-Frank Section 914: Enhancing Investment Adviser Oversight

As you may recall, Representative Spencer Bachus (R-AL), Chairman of the House Committee on Financial Services, released a discussion draft of a bill last September that would authorize Congress to establish one or more self-regulatory organizations (SROs) to oversee investment advisers. Chairman Bachus is expected to release a revised version of his investment adviser SRO bill soon. The SRO proposal would have a significant impact on investment advisers if it were passed by Congress and signed into law. It would likely result in the creation of an Investment Adviser SRO by the Financial Industry Regulatory Authority (FINRA) that would be significantly more costly than enhancing the Securities and Exchange Commission's (SEC) ability to continue overseeing advisers.

Given the potential impact on our stakeholders, the Coalition has been actively engaged in research and advocacy on this issue. We will be closely evaluating the SRO bill when it is released and will provide you with a full analysis. If, as expected, the bill mandates an adviser SRO, we will be asking for your help in supporting the Coalition's position by urging Congress not to establish a new, costly bureaucracy that is unnecessary to achieve increased adviser examinations.

Below is further background information on Section 914: the issues before Congress, the Boston Consulting Group Study, and Coalition advocacy and communications efforts.

Background on Section 914. The proposed IA SRO was one of three options recommended by the SEC in a Study under Section 914 of Dodd-Frank ("SEC 914 Study") to increase the frequency of examinations of investment advisers, which currently average about once every eleven years. The Study also recommended: (1) authorizing the SEC to collect user fees to enhance its oversight of investment advisers; and (2) authorizing FINRA to examine dually registered broker-dealer and investment adviser firms for compliance under the Investment Advisers Act of 1940. Missing from the SEC's Section 914 Study and from the debate and testimony associated with the original SRO proposal from Rep. Bachus was any hard data related to the cost of the options for enhancing investment adviser oversight.

Boston Consulting Group Study. As you are aware, the Financial Planning Coalition, in collaboration with other organizations, addressed this lack of data by engaging BCG to conduct an economic analysis of the options that the SEC recommended to Congress. BCG modeled the annual costs of an enhanced SEC oversight program as well as the costs of a FINRA-IA SRO and a New-IA SRO. BCG assumed that for all scenarios, investment adviser examinations would be increased to once every four years. As we reported last December, BCG found that creating an SRO for investment advisers would likely be twice as expensive as funding an enhanced SEC examination program and membership fees for an SRO would be twice as expensive for investment advisory firms as user fees for an enhanced SEC examination program. In addition, a survey conducted by BCG found that more than 80 percent of investment advisers preferred SEC oversight to a FINRA-IA SRO. That preference remained strong even under scenarios in which the SEC oversight cost more than a FINRA-IA SRO.

Coalition Advocacy and Communications. The BCG study reinforced the Coalition's policy position that the SEC should be provided sufficient resources to leverage its existing infrastructure to increase oversight, rather than create a whole new bureaucracy that is twice as expensive and will burden small advisory businesses with unnecessary layers of regulation.

The Coalition has been successful in using the BCG study to focus media attention on the problems with an SRO for investment advisers. The BCG study has also been very well received, as a significant contribution to this important policy issue, in our meetings on the Hill with members' offices from the House Committee on Financial Services. It provides compelling support for our position that enhanced SEC oversight is the most efficient and effective solution.

Dodd-Frank Section 913: Fiduciary Standard for Personalized Investment Advice

Our Financial Planning Coalition, in collaboration with Consumer Federation of America (CFA), AARP, the Investment Adviser Association (IAA) and Fund Democracy, submitted a [letter](#) to the SEC on March 28, 2012 with a proposed roadmap for the development of rule that would establish a uniform fiduciary duty for broker-dealers and investment advisers. The letter proposed a compromise framework for the rulemaking that started with a framework proposed by Securities Industry and Financial Markets Association (SIFMA) in July 2011. The letter highlighted areas of agreement with SIFMA's proposed framework and offered alternative policy approaches where we disagreed. Among other things, the letter reinforced the Coalition's position, shared by the participating consumer and industry organizations, that the uniform fiduciary duty as applied to broker-dealers should not disrupt transaction-based aspects of the broker-dealer business model. We are hopeful that this letter will form the basis for a consensus among all organizations that support the fiduciary standard and encourage the SEC to move forward with this long overdue investor protection reform.

Prior to our most recent letter, the SEC had indicated its intent to issue a request for information and data prior to issuing a proposed fiduciary rule. This request is expected in the second quarter of 2012. We will be carefully examining the SEC's request and will be evaluating what we can provide the SEC in support of this rulemaking.

We appreciate your continued support for the work of the Financial Planning Coalition. More information on the Coalition and its activities is available on our [website \(www.financialplanningcoalition.com\)](http://www.financialplanningcoalition.com).

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