



October 11, 2019

RE: ***Support for H.R. 1815, the “SEC Disclosure Effectiveness Testing Act”***

Dear Member of Congress:

On behalf of the Financial Planning Coalition (Coalition),¹ we are writing to express our strong support for H.R. 1815, the “SEC Disclosure Effectiveness Testing Act.” We encourage you to support the legislation when it is considered on the House floor in the coming week.

A fundamental public policy goal of the federal securities laws is to ensure full and adequate disclosure of “material” information to American investors. The expectation is that the disclosure will assist investors in making an informed investment decision. Given this, we appreciate the work the U.S. Securities and Exchange Commission’s (SEC) Office of the Investor Advocate has done to identify and confront the challenges to improve investor disclosure.

Research conducted on behalf of AARP, Consumer Federation of America and the Coalition organizations,² as well as separate research conducted by the SEC, all highlight the challenges and difficulties in developing clear, understandable investor disclosures. Information about financial issues and investments is often complex and technical in nature, and investor comprehension of this information typically is poor. All too often, mandated disclosures contain technical language and concepts that, as research confirms, are confusing to or misunderstood by investors. Indeed, research studies prove time and again how difficult it is to convey even the most basic financial and investment concepts in a way that typical Main Street investors understand.

To determine whether proposed investor disclosures would be effective at achieving their regulatory purpose of informing investor decision-making, it is not enough simply to survey investors generally on their likes or preferences. Thorough and adequate investor testing must go beyond that and, more importantly, must assess investors’ ability to integrate information and synthesize it into a rational evaluation. This involves a more complex and higher-level cognitive skill. Conducting thorough one-on-one cognitive testing is the only proven way to determine whether a proposed disclosure document will achieve its intended purpose.

For these reasons, we are particularly pleased that the proposed legislation includes a requirement for qualitative testing in the form of one-on-one cognitive interviews of investors. A

¹ The Financial Planning Coalition is comprised of Certified Financial Planner Board of Standards (“CFP Board”), the Financial Planning Association® (“FPA”), and the National Association of Personal Financial Advisors (“NAPFA”). For more on the Coalition and its individual members, go to <http://financialplanningcoalition.com/>.

² Available at <https://www.sec.gov/comments/s7-08-18/s70818-4341455-173259.pdf> and <https://www.sec.gov/comments/s7-07-18/s70718-4729850-176771.pdf>.

deeper look into the way investors analyze and synthesize information is necessary to determine the usefulness and effectiveness of any disclosure document in an investor's decision-making process.

The Coalition believes that H.R. 1815 will provide the statutory framework necessary for the SEC to ensure to Congress and Main Street investors that disclosures required under SEC rules have been thoroughly and adequately tested by the SEC and are reasonably effective in achieving their intended purpose. The legislation to be considered on the House floor appropriately clarifies that the scope of testing is limited to those disclosures that are intended to be used by retail investors in choosing a financial professional or investment product. The modified legislation to be considered on the House floor makes additional important clarifications that the Coalition supports.

We urge a "Yes" vote when the legislation comes up for a vote on the House floor.

Sincerely,



Kevin R. Keller, CAE
Chief Executive Officer
CFP Board



Lauren Schadle, CAE
Executive Director/CEO
FPA®



Geoffrey Brown, CAE
Chief Executive Officer
NAPFA