

I find myself firmly against the proposed regulation to hold Registered Representatives to a legal fiduciary standard. What are we trying to accomplish and will it be attained with the new standard? I believe not, though it will cause much greater amounts of time to be spent on managing the regulations for Representatives. That means less time devoted to actually helping clients and more cost to the public. This additional cost will have the unintended effect of allowing fewer people to have the benefit of advice.

Currently, our office spends approximately 10 hours per week in activities directly impacted by regulations. For instance, to send an email to a client it works like this. Our email system has a built in retention device. We then need to send a copy to the Broker Dealer and print two copies into hard form. That works out to 4 copies to manage compliance and regulations for each email sent. I imagine that the implementation of this new standard will likely double our time managing regulation. We will most likely need to hire an extra person but I can see that many smaller practices will likely leave the business. Again, that works out to fewer providers of advice and information and if supply goes down, prices will rise. Higher prices and fewer advisers mean fewer people with access to advice precisely when they need it.

Over the past decade many, if not most registered representatives have moved at least a portion of their practice to a fee based model. This does not provide any reward for asset movement but only for retention of the assets. In essence, the Representative is rewarded for helping the client. If a typical advisor is looking to have a 20 or 30 year career, they need these clients to stay, prosper and refer new clients into the practice. Since the Representative is planning to watch these clients move into retirement and live their dreams I would propose that most are already holding themselves to something equating to the proposed standard currently. In our practice that difference of a self-imposed moral obligation vs. the proposed regulated standard provides us with extra time and resources to devote back to the client themselves. As a member of two highly regarded industry associations and a top producer with a national Broker Dealer I have had the good fortune to discover that I am not alone in the high standard to which we hold ourselves.

Are there bad people in my industry? Assuredly as in any other, whether medical, retail, technology, etc. The question then becomes, will this regulation help the public? My answer is that, on balance, it will have quite the opposite effect.