

Dear Securities and Exchange Officials,

I know you all are reading a lot of input on the various proposals put forth to regulate registered investment advisors, so I will try to be succinct and clear with my comments. I attached an article that consists of my letter to former House Finance Chair Congressman Baucus for more specifics on a number of the points I raise.

1. **RIA's Agree – we need more regulation.** Once every 11 years isn't enough.
2. **RIA's are willing to pay more for this regulation.** We all recognize the importance of a sound process and our responsibility to share in the costs.
3. **Most RIA's think, the best option is to “beef up” the SEC with more resources, and I agree –** SRO's have built in conflicts of interest (FINRA is a perfect example of this), and FINRA would be the worst option of all – see my attached letter for more specifics on this).

Stopping here for a moment, I want to emphasize that most RIA's are on the same page as the SEC and Congress with respect to the need for more regulation. This is good news as it suggests a sound outcome should not be all that difficult.

The Role of Independent Advisors – RIA's are the fastest growing area of professional financial advice, and have been for many years now. We are proud to have been a pioneer in the emergence of the independent advisor, along with many of our fine peer firms. The reason consumers have embraced our business model is critical to this issue: (1) we have dramatically reduced many of the conflicts of interest in the traditional FINRA/Big Bank business model, (2) we act under a fiduciary standard (as you know-), not a “suitability” standard. I can tell you from firsthand experience as a former securities arbitrator, that a “suitability” standard is almost no standard at all, especially when a small aggrieved investor is confronted with the lawyers, resources and tactics of large Wall Street firms. It's not complicated: consumers want objective advice that is focused on their needs, and we exist to provide just that.

Why FINRA is a horrible choice as a potential regulator of RIA's – Again, I'd refer you to the attached article. In brief, however,

1. FINRA is a private organization not subject to consumer-friendly rules like the FOIA or the Sunshine Act
2. FINRA has done a horrible job of regulating its own industry, as FINRA members and objective outside parties freely admit (see article)
3. FINRA's interest in regulating RIA's is to squelch their primary source of competition – us. Our lower fee, more transparent fiduciary model is anathema to Wall Street's anachronistic model of pseudo-advisors distributing pre-packaged products with obfuscated disclosures (try reading a prospectus!) to a largely unsuspecting public who does not understand the suitability/fiduciary distinction.

The best outcome for consumers is to maintain the current competition between different business models. Competition will lower costs, provide choice, and is more likely to result in better options for investors. Even outside of the RIA space, note the amazing growth of more consumer-friendly financial firms such as Vanguard, Fidelity and Schwab. It is not in the interests of U.S. consumers to regulate innovation, choice, lower costs and transparency out of business.

I will be happy to testify to the SEC or other appropriate organizations if you would like to hear directly from a RIA practitioner.

Sincerely,

A handwritten signature in blue ink that reads "Neil Hokanson".

Neil C. Hokanson
President

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*Since 1987, our mission is to help our clients achieve their financial goals,
secure their families' futures and fulfill their personal dreams.*

[Copyrighted material redacted. Author cites Hokanson, Neil. "A Big California RIA Fires off a Letter to Rep. Bachus Decrying FINRA as SRO Pick." *RIABiz: News, Vision and Voice for the Advisory Community*. 2 May 2013. Web. 01 July 2013. <<http://www.riabiz.com/a/12985066/a-big-california-ria-fires-off-a-letter-to-rep-bachusdecrying->>.]