

## VIA ELECTRONIC MAIL

February 4, 2013

Elizabeth M. Murphy  
Secretary  
Securities Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: File No. S7-08-13, Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies and Request for Comment

Dear Ms. Murphy:

On October 22, 2013, the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (Board), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Bureau of Consumer Financial Protection (CFPB), and Securities and Exchange Commission (SEC) (collectively, the Agencies), proposed joint standards for assessing the diversity policies and practices of the entities they regulate (Joint Standards).<sup>1</sup> The Office of Minority and Women Inclusion (OMWI), directed to be established in each of the Agencies under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, are tasked with developing standards for assessing the diversity policies and practices of entities regulated by each of the Agencies. The standards developed by each OMWI do not mandate any requirement on or otherwise affect the practices or lending policies of regulated entities or require any specific action based on the findings of the assessment. Rather, the Agencies and each OMWI seek to promote transparency and awareness of diversity policies and practices within the entities regulated by the Agencies.

The Financial Services Institute<sup>2</sup> (FSI) appreciates the opportunity to comment on this important proposal. FSI and its members continue to encourage and promote diversity in the financial services industry and access to financial advice and services for all individuals regardless of race, gender, or other minority status. We applaud the Agencies for a measured and balanced approach in the proposed Joint Standards that promotes awareness, transparency, and self-assessment with regard to diversity policies and practices. FSI's comments offer support for many aspects of the proposed Joint Standards and provide comment on areas where the Agencies have requested responses to specific questions.

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<sup>1</sup> 78 Fed. Reg. 64,052 (October 25, 2013).

<sup>2</sup> The Financial Services Institute, Voice of Independent Broker-Dealers and Independent Financial Advisors, was formed on January 1, 2004. Our members are broker-dealers, often dually registered as federal investment advisers, and their independent contractor registered representatives. FSI has 100 Broker-Dealer member firms that have more than 138,000 affiliated registered representatives serving more than 14 million American households. FSI also has more than 35,000 Financial Advisor members.

### Background on FSI Members

The independent broker-dealer (IBD) community has been an important and active part of the lives of American investors for more than 30 years. The IBD business model focuses on comprehensive financial planning services and unbiased investment advice. IBD firms also share a number of other similar business characteristics. They generally clear their securities business on a fully disclosed basis; primarily engage in the sale of packaged products, such as mutual funds and variable insurance products; take a comprehensive approach to their clients' financial goals and objectives; and provide investment advisory services through either affiliated registered investment adviser firms or such firms owned by their registered representatives. Due to their unique business model, IBDs and their affiliated financial advisers are especially well positioned to provide middle-class Americans with the financial advice, products, and services necessary to achieve their financial goals and objectives.

In the U.S., approximately 201,000 independent financial advisers – or approximately 64 percent of all practicing registered representatives – operate in the IBD channel.<sup>3</sup> These financial advisers are self-employed independent contractors, rather than employees of the IBD firms. These financial advisers provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans with financial education, planning, implementation, and investment monitoring. Clients of independent financial advisers are typically “main street America” – it is, in fact, almost part of the “charter” of the independent channel. The core market of advisers affiliated with IBDs is comprised of clients who have tens and hundreds of thousands as opposed to millions of dollars to invest. Independent financial advisers are entrepreneurial business owners who typically have strong ties, visibility, and individual name recognition within their communities and client base. Most of their new clients come through referrals from existing clients or other centers of influence.<sup>4</sup> Independent financial advisers get to know their clients personally and provide them investment advice in face-to-face meetings. Due to their close ties to the communities in which they operate their small businesses, we believe these financial advisers have a strong incentive to make the achievement of their clients' investment objectives their primary goal.

FSI is the advocacy organization for IBDs and independent financial advisers. Member firms formed FSI to improve their compliance efforts and promote the IBD business model. FSI is committed to preserving the valuable role that IBDs and independent advisers play in helping Americans plan for and achieve their financial goals. FSI's primary goal is to ensure our members operate in a regulatory environment that is fair and balanced. FSI's advocacy efforts on behalf of our members include industry surveys, research, and outreach to legislators, regulators, and policymakers. FSI also provides our members with an appropriate forum to share best practices in an effort to improve their compliance, operations, and marketing efforts.

### Comments

FSI appreciates the opportunity to provide feedback on the Joint Standards. FSI and its members support the Agencies' approach in implementing the requirements of Dodd-Frank Section 342 and appreciate the outreach efforts conducted by the Agencies and OMWI to inform the drafting of the proposed Joint Standards. We provide our comments below:

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<sup>3</sup> Cerulli Associates at <http://www.cerulli.com/>.

<sup>4</sup> These “centers of influence” may include lawyers, accountants, human resources managers, or other trusted advisers.

- **The Proposed Joint Standards:** FSI supports the proposed Joint Standards as currently conceptualized. The Joint Standards cover areas of assessment, including the organization's commitment to diversity and inclusion, the workforce profile and employment practices of an entity, procurement and business practices with regard to supplier diversity, and practices to promote transparency of organizational diversity and inclusion. FSI believes the Joint Standards appropriately cover the most important areas of emphasis with regard to assessing the diversity policies and practices of regulated entities. In addition, the Joint Standards provide sufficient flexibility, particularly for smaller firms.
- **The Proposed Model Approach to Assessment:** FSI supports the model assessment approach advanced by the proposed Joint Standards. Voluntary disclosure and self-assessment allow firms flexibility to assess and monitor diversity policies and the effectiveness of different methods for achieving diversity and inclusion. FSI, like the Agencies, favors an assessment that does not use the examination or supervision process. Rather, a voluntary process to incorporate the model assessment methods provides the best approach to advancing the spirit of Section 342 and improving the diversity policies and procedures at regulated entities.

Conclusion

We are committed to constructive engagement in the regulatory process and, therefore, welcome the opportunity to work with the SEC on this and other important regulatory efforts.

Thank you for your consideration of our comments. Should you have any questions, please contact me at (202) 803-6061.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. T. Bellaire". The signature is fluid and cursive, with a large initial "D" and "T" and a smaller "Bellaire".

David T. Bellaire, Esq.  
Executive Vice President & General Counsel