

Suitability Standards for Broker-Dealers and their Registered Representatives

The current suitability standards governing Broker-Dealers and their representatives are robust and heavily enforced. Enforcement not only comes from the SEC and FINRA but each State as well. The adding of additional suitability adds to the cost for the consumer in the form of expenses and delays. Multiple layers of standards create additional bureaucracies and are often not only contradictory but combined can end up being NOT in the best interest of the consumer. I have licenses from my State for insurance, variable contracts and mutual funds. In addition I have required licensing through FINRA. I have a supervisor visiting my office 4 times a year to review files, State CE requirements and Broker dealer additional CE requirements. I have an annual compliance meeting required by my supervisor and Broker-Dealer. Current compliance related processing, paperwork, filing, reviews, etc. account for over 30% of mine and my staff's time. This is time I do not have to help my clients with their servicing needs.

Our office works with companies to help them create and maintain qualified retirement plans. If I were using a fee only model, I would not be able to offer my services to the rank and file employees with smaller accounts. This is because of the addition of fees they cannot afford or choose not to pay for service. By using a commission based approach, there is no difference between what rank and file employees with small accounts and key executives with large accounts are charged. They are treated equally. By working on a commission basis, I am encouraged to provide the best possible solution for each employee and to keep them satisfied. I am paid based on how well they do. The average person would not seek advice with their funds if they also had to find the money for fees. With the market as volatile as it has been, people need advice. Too many are making poor decisions because they do not have an advisor to help educate them. A fee only model will only discourage it more.

What is needed is more and better education for the consumer. It needs to be easy for them to find the appropriate adviser to work with. By adding additional bureaucracy and expenses and forcing me to move to a fee only policy to protect myself will result in fewer people being helped with the complexities of managing their funds. My services would become expensive to the average person because of the additional compliance work and increased cost to do business. Services would take longer and result in additional charges. Liability protection would become our primary business goal not customer service as it is today. In conclusion, the consumer is not better served by adding additional bureaucracies. It is just the opposite, they have fewer choices, greater expenses and would receive less service. Use the standards that exist today and continue to enforce them. Make it easy for the consumer.

Thank you.