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

**RE: File Number 4-606;
Study Regarding Obligation of Brokers, Dealers, and Investment Advisers**

Dear Ms. Murphy,

I appreciate the opportunity to comment on the above referenced proposal. I own and operate Advisor Solutions Group, Inc., a compliance consulting firm that assists small to mid-sized investment advisers with registration and ongoing compliance needs. Some of our investment adviser clients are dually registered as broker-dealers; some have affiliated broker-dealers; and several others have employees that also hold licenses as registered representatives with unaffiliated broker-dealers.

In general, I support the idea that individuals who provide investment advice should be held to the same standard, a fiduciary standard.

Many registered representatives of broker-dealers provide a valuable service to the public that does not include providing investment advice. However, when their services go beyond the service of acting as a broker to providing investment advice, these persons should be held to the same standards as investment advisers.

Regulation already exists for persons that wish to provide investment advice. Firms must register as investment advisers either with the Commission or the state securities regulators, and their associated persons must be licensed as investment adviser representatives. Many financial services firms are dually registered as broker-dealers and investment advisers or have affiliates with each type of registration in order to provide the two different services of broker-dealers and investment advisers.

In order to impose a fiduciary duty on broker-dealers that provide advice, the Commission would need to eliminate the exception to registration as investment advisers for broker-dealers that provide advice that is “incidental to” the services they provide as broker-dealers. No other changes are then necessary. No new laws or rules or definitions of investment advice need to be created.

The Commission is charged with studying the obligations of brokers, dealers, and investment advisers. The Rand Corporation already conducted a study of this matter. That study demonstrated that the investing public does not understand the difference between a broker-dealer and an investment adviser. In my opinion, the Rand study did nothing to try and understand the cause of that confusion and therefore failed significantly in being able to suggest corrective action. Unless we understand the underlying cause of a problem, we will be unsuccessful in correcting it. I propose that a major, if not the, root cause of the public confusion between broker-dealers and investment advisers and the lack of awareness among the investing public of two different service industries with two different standards, a suitability vs. a fiduciary standard, lies in how the broker-dealers and their registered representatives have been permitted to hold themselves out to the public. Since before I entered into the financial services industry in 1994, registered representatives of broker-dealers have commonly held themselves out to the public as financial advisors or FAs or by similar titles. From the time I entered into this industry, when I first heard that a securities sales person could hold themselves out to the public as an “advisor,” I felt that the public was being misled.

When sales persons are permitted to market themselves to the public as advisors and anything other than sales persons, i.e. persons offering a product or services for sale for a sales commission, then it is no surprise to me that we find ourselves in a society confused by or completely unaware of the difference or existence of broker-dealers vs. investment advisers. This just seems like common sense to me.

The Commission is charged with studying this matter. I repeat that in order to address a problem, we need to understand the cause of the problem. I urge the Commission to study to what extent the ability of securities sales persons to hold themselves out to the public as “financial advisors” and similar titles is the cause of the confusion of the public. If the study supports my premise, then a simple solution is to limit sales persons to holding themselves out to the public as exactly that, sales persons or brokers. When I am handed a business card of a person that says “Sales Representative” or “Broker,” I have no confusion over that person’s services, motives, and likely forms of compensation. When I know that I am dealing with a sales person, I know that their interests and my interests are not necessarily aligned and they don’t necessarily have my best interest in mind. Allowing a sales person to hold themselves out publicly as an “advisor” is misleading.

This does not mean that all broker-dealers now have to register as investment advisers or that all registered representatives have to be licensed as investment adviser representatives. Broker-dealers, in many instances, provide a valuable service that does not include providing investment advice. However, when they provide investment advice, they should be held to the same standard as other persons providing investment advice. When they don’t provide investment advice, it should be clear to the client the capacity and the duty under which they are offering their services.

Broker-dealers and their associated persons that wish to provide both types of services should be dually licensed, as many firms already are. To address eliminating the public's confusion about whether they are working with a broker or adviser and the standard of care that the person is subject to for the services offered to them, I propose the following: The Commission could develop a brief standard disclosure, with public comment, that is used universally that discloses to investors in plain English the difference between a broker with a suitability standard and an investment adviser with a fiduciary standard. Brokers and advisers alike should be required to provide this disclosure to all prospects and clients. Additionally, individuals that are dually licensed would at the time of providing services need to disclose in which capacity they are serving the client, as a broker or as an investment adviser, or both. It might be helpful for clients to acknowledge in writing receipt and understanding of the uniform disclosure. After some time, the public will cease to be confused. It's a matter of educating the public, not overhauling the regulations.

Sincerely,

Krista Zipfel, CFA
President & CEO