



**34-83062** Apr. 18, 2018 **Regulation Best Interest**  
**File No.:** S7-07-18  
**Comments Due:** 90 days after publication in the *Federal Register*  
*Comments received are available for this proposal.*

Submit comments on S7-07-18

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To whom it may concern,

I am an Operations Manager for a leading wire house in South Florida. I have been in the financial services industry since 1990. I have experienced a lot of regulatory changes as well as seen a lot of things; some good, some bad.

I believe the Best Interest Rule has its merits and can potentially protect investors only if the SEC can coordinate its efforts with all regulatory bodies including the CFP Association and the Insurance Commission. If not, your proposed rule will fall short and fail. I will explain.

Those of us that work at a wire house (or reputable broker dealer) must have certain transactions reviewed and/or pre-approved. Before any of our reps can submit an annuity ticket, it must be pre-approved. Before any of our reps can purchase a penny stock, order must be pre-approved. Before any of our reps can do a mutual fund switch, order must be pre-approved. I am not saying that our system is perfect, but we do try our best to do what is in the client's best interest. In addition, transactions also get reviewed higher up the chain by our regional supervisors and/or Compliance Department. Bottom line, a supervisor had to review transaction and approve it before it was processed.

Many CFPs that charge fees (level, hourly, annually, level – whatever phrase you would like to use) have no supervision or Compliance Department reviewing their recommendations or services or portfolios. They believe that they are better than the wire houses because of their designation. They believe that they were excluded from the DOL Rule because they only charge a fee and not a commission. Well, we have had many new clients come to us that were recommended out of their 401k plans or pension plans only to be put into a managed IRA accounts and later find out that they lost their NUA status or Age 55 exemption on their 401k plan, or end up with huge penalties from the IRS because they messed up on 72T which was not properly explained to them; yet the CFP earned his fee.

Where I see most investor abuse taking place is in the index / fixed annuity side of the industry.

Working in South Florida, we deal with a lot of senior citizens.

- I have seen new clients come to us looking for information and assistance because they don't understand what they own. Index annuities can be so confusing with their spreads, caps, and participation rates, that heck, most reps don't understand them.

- Investors told that their investments would never lose money, yet they see their account values go down each year because of withdrawals that were not properly explained to them.
- Investors told that there are no fees only to find out there is a surrender fee when an emergency comes up. Or the best one is that they were not told that surrender fees apply to each deposit. So when they do go to surrender the annuity, they find out that they have to wait an extra 3 or 4 years because of additional deposits that were made.
- Investors that were sold so many index annuities, that it is now their entire net worth. Or the best is when these index annuity reps pull out the 10% penalty free amount to buy a new index annuity because of the special rate or bonus the client can get.

In speaking with these index annuity reps and insurance companies that sell them, we are informed over and over again that these are not securities, that the client signed the application and received the contract, that if there was a problem the client should have asked earlier, yadda yadda yadda. It is terrible what these index annuity reps are doing to investors. Yes, index annuities have their place. We sell them to our clients. But they are not suitable for everyone and there must be some limit as to how much a client owns; no different than any other security. Oh, I forgot, they are not a security; and this is how they get away doing what they are doing. Lying on applications about surrenders, exchanges, how much a client currently owns in annuities or the client's net worth. All of the things that our Compliance Department would fry a rep for, these independent index annuity reps get away with.

So as I mentioned earlier, the problem is not the brokers or commissions or the broker dealers; it is having a rule that applies to everyone across the board, all securities, all fee professionals, all products including insurance; and particularly those investments sold by independent insurance agents and general agents that do not appear to have a current pre-approval process in place. Unless this can be accomplished, you will continue to have investors being taken advantage of.

Regards,

Financial Services Professional and Investor