MEMORANDUM

To: File Nos. S7-07-18, S7-08-18, S7-09-18

From: Division of Investment Management, Division of Trading and Markets

Re: Roundtable on July 12, 2018 Regarding Standards of Conduct for Investment Professionals

Date: August 9, 2018

On July 12, 2018, SEC staff held a roundtable at the SEC Headquarters in Washington, DC. Approximately 38 individuals attended. The roundtable was intended to gather information from retail investors who will be directly impacted by the Commission’s rulemaking regarding standards of conduct for investment professionals.

Attached is the entire transcript of the Washington, DC roundtable discussions. The discussions at the roundtable were intended to be conversational, and the Chairman and SEC staff provided summary descriptions of the Commission rulemakings. To the extent that any descriptions contained in the transcript deviate from the Commission’s proposed rule text and rulemaking releases, such descriptions do not supersede the proposed rule text and releases. In this regard, see proposed Form CRS Relationship Summary, Regulation Best Interest, and Interpretation.
COMMISSION PARTICIPANTS:

Jay Clayton, Commission Chair
Sara Cortes
Emily Westerberg Russell
Lori Schock
Suzanne McGovern
Parisa Haghshenas

GENERAL ATTENDEES:

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INVESTOR TWENTY-ONE: Now, the complicating thing to that was, as an elementary school teacher, as a class of people, they are very collegial, working together, trusting. And my wife is — bless her heart — she may have —

(Laughter.)

INVESTOR TWENTY-ONE: But she was — did not have a head for investing, and doesn't want to, which is one of those difficulties of — probably a significant portion of the people we're talking about today. But under her 403(b) they had — visit a professional every year to review the account. Every year it was a different person, and every year they suggested that they change the securities to ones that they were going to get ongoing commissions from.

CHAIRMAN CLAYTON: So, INVESTOR 21 — I don't know if anybody is hearing what INVESTOR 21 is saying, but let me paraphrase it. Which is, you have an account where the money is kind of sticky. You're going to keep investing -- what we call "sticky" -- you're going to keep investing over a long period of time, and you have someone whose incentive, financially, is to change those investments, come to you and say, "You know what? That looked good last year, but this is better this year." And they may be right.

But you should understand that that's in their financial interest to have you make a change. And we don't believe that that obligation to tell you that changing your investments is in the person's financial interest has been sufficient.

INVESTOR TWENTY-ONE: That, I would say, has -- is definitely the case. But I think it goes beyond that. Unless they have a fiduciary responsibility to the client --

CHAIRMAN CLAYTON: Let me just — let me stop you there. The people who have been doing that, they do. But the problem is what is that fiduciary responsibility?

INVESTOR TWENTY-ONE: That, I would say, has -- is definitely the case. But I think it goes beyond that.

CHAIRMAN CLAYTON: I'll stay if you want to yell at me.

(Laughter.)

INVESTOR EIGHT: For those of us who came in late, who are you?

CHAIRMAN CLAYTON: I'm the Chairman.

INVESTOR FOURTEEN: I wasn't going to yell at you, but I wanted your name again.

CHAIRMAN CLAYTON: Jay Clayton.

INVESTOR FOURTEEN: Jay?

(Laughter.)

CHAIRMAN CLAYTON: You are in excellent hands. I can tell you that.

INVESTOR FOUR: I'm a law student studying securities law. Can I get a selfie with you?

CHAIRMAN CLAYTON: Can you get a selfie with me? Yes.

(Laughter, applause.)

INVESTOR FOUR: I'm a law student studying securities law. Can I get a selfie with you?

CHAIRMAN CLAYTON: Can you get a selfie with me? Yes.

(Laughter, applause.)

INVESTOR TWENTY-ONE: Run the other way.

CHAIRMAN CLAYTON: But there are people who want you to believe that. And what we're doing is we're saying that's a — a fiduciary obligation is a wonderful place to start. But let's make it clear what that really means, particularly what it really means from a financial point of view for you, and what it means from a financial point of view from the professional -- I've been going all over the country, talking to people. And one common theme is no one minds their financial professional making some money.

INVESTOR EIGHT: I do.

(Laughter.)

CHAIRMAN CLAYTON: I'm as good as anybody else.

And we -- have your fees just gone down and down and down? So my predecessors -- these people were here, I wasn't -- they brought sunlight to that marketplace. And now, if you're a self-directed person, your fees are very low.

INVESTOR EIGHT: That's what I learned after lots of experience.

CHAIRMAN CLAYTON: So, more complicated in the investment professional area because, you know, you have professional advice and you have -- but we're trying to bring the same sunlight to make it so the fees match what your expectations are. That's the kind of thing we're trying to do.

So I got to go.

(Laughter.)

CHAIRMAN CLAYTON: I don't tweet.

(Laughter, applause.)

INVESTOR TWENTY-ONE: One little follow-on to that.
INVESTOR TWENTY-ONE: Having the information is fine. Knowing what to do with it, especially for someone like myself, who is, like I said, trusting and collegial, and wants to trust people, if there is a problem and if advice is being)—gone the wrong way, what—how do we hold that person accountable—

CHAIRMAN CLAYTON: So you’re my Ed McMahon.

(Laughter.)

CHAIRMAN CLAYTON: So the question is all this is—all this transparency and everything is fine. What happens when things go wrong? One of the reasons that we are trying to make this—this relationship simple and the communication around what matters direct and in plain language—let me just give you guys two questions that everybody should ask, okay?

When somebody is your investment professional, how much money are you making? Anybody who can’t give you a straight answer to that question is a problem. Another question: How much of my money, my $100 a month going into my 403(b) plan, my $100 month going—how much of my money is going to work for me?

That’s another question that an investment professional should be able to answer. Now, if it’s $100 a month, let me tell you the reality. Even if you’re self-directed, it’s not going to be $100. It’s going to be $99.50. Okay?

But if the answer is it’s $85 out of $100, and there is $15 of leakage going somewhere, that’s a problem. That’s a big problem. And somebody should be able to answer that question. So your—your question, you know, does what we’re doing help us if somebody is still behaving badly? That’s part of my objective here, which is when you have to answer those kinds of questions clearly, it makes it easier to point out when somebody is lying. And that’s why we want to go. Good? Okay.

(Applause.)

MS. SCHOCK: And thank you for joining us for our roundtable. We appreciate your—and we’ll see you next time.

(Laughter.)

MS. SCHOCK: I’m Lori Schock. I’m the director of the Office of Investor Education and Advocacy. And I do want to thank all of you for being here. It’s always great when your boss can show up when you didn’t expect him to be here. And I’m glad that you had that opportunity to speak with the Chairman about this important rule-making.

And again, I appreciate you taking time out of your busy schedules to give us your input. We want to hear sort of the good, the bad, the ugly about your experiences.

But before we get into this, I want to make sure everyone is aware, we do have a court reporter. So this is an on-the-record conversation. So just keep that in mind. Please don’t go off on a political bend, or something like that. We just sort of keep it focused to the topics at hand. That would be great.

And also, for those of you who have a cell phone, if you don’t mind either putting it on do-not-disturb or turning it off for this one hour, I would appreciate that. Sometimes it interferes with the court reporter’s ability to get things on the record.

Are there any questions regarding that?

(No response.)

MS. SCHOCK: Everyone good? Okay.

MS. CORTES: One thing I just want to make clear about why we do have a court reporter. I’m one of the lawyers. I’m one of the bureaucrats who is going to take the proposal that we have, the set of initiatives that Chairman Clayton was talking about, and look at all of the feedback that we’re getting. And helping the Commission make some final decisions, and what changes we need to make.

And in order to do that, in order to give all of the public the ability—for us to have feedback on what
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<td>the ones that are primarily responsible for the regulation of broker-dealers. And so, in order to come up with this initiative, we had to work very closely together on what are sometimes kind of different regimes, even though, from your point of view, they might be the -- these people might be providing somewhat the same thing, and look the same. And so, one of those initiatives was making sure that when broker-dealers, in particular, are giving advice to you, that it meets your expectations. <strong>MS. WESTERBERG RUSSELL:</strong> That's right. So one proposal was trying to elevate the standards that apply to that advice to get more to that fiduciary standard, although maybe not using that term, but really elevate what they're doing -- to make sure that their -- their advice is going to be in your best interest; but to do so in a way that preserves choice, as to how you pay for the advice. And INVESTOR 8, hearing your points about being able to be self-directed and pay that minimal fee. Brokers offer that advice. The ability to get advice on a one-time basis, if you need it. Or not at all, or on a more regular basis. And that's often the lower-cost individual for a lot of -- depending on your needs. And so that was a key concern for us, to go -- you're dealing with, what the differences between an investment adviser and a broker-dealer are, and why that matters to you. And so we worked together to create a form. We call it, in legalese, Form CRS, but we refer to it -- we can't have any rule-making without acronyms. But we refer to it as the relationship summary. And this is a mock-up of what we think, based on the rules we provided, a typical relationship summary would look like for a firm that offers both services as an investment adviser and services as a broker-dealer, so that you can compare those services. So just to warm everybody up, do you know if you -- if you're using a financial professional, if you use a broker-dealer, or an investment adviser? <strong>MS. WESTERBERG RUSSELL:</strong> Who of you uses a broker-dealer? All right, how about an investment adviser? <strong>MS. CORTES:</strong> How many don't know? (Laughter.) <strong>MS. CORTES:</strong> That's okay. Because that's where we need to come in and help you get the information so that you do know, right? And so why don't we go through this relationship summary for a little bit, and figure out where we can really improve this and help you and people like you use this document in order to make the best decisions that they can. First of all, I just want to talk about the design, in general. So we limited it to four pages. And we were wondering. Is that enough? Is that too long? What do people think? Yes, INVESTOR 6? <strong>INVESTOR SIX:</strong> I think that the information is generally very valuable, but I was very confused and actually put off by the lack of context. And what Chairman Clayton had to say provided that context for me. Which is, what I thought a fiduciary was is not what, in the industry, a fiduciary is. And I think saying that very clearly is crucial, because when I read all of this it was, frankly, with a jaundiced eye saying why are they muddying the distinction between suitability standard and a fiduciary standard. <strong>MS. CORTES:</strong> Okay. <strong>INVESTOR SIX:</strong> So I think that -- putting that context in there, that Mr. or Ms. Consumer -- what you think of as a fiduciary standard is not what the industry thinks it is. <strong>MS. CORTES:</strong> And what in particular -- oh, go ahead, INVESTOR 25.</td>
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<td>elevate what you're getting, and making sure that we tamp down on conflicts, that conflicts are disclosed to you. But also to preserve the model, and so that you can have a lower-cost option if that's what you need. <strong>MS. CORTES:</strong> And so, related to that, you know, Jay was talking about investment advisers and fiduciary duty. And there are sometimes -- he was calling them exceptions. We sometimes think of it as the scope of the contract. And so, sometimes telling you if they do have a financial incentive. And so, related to that proposal, we also did an interpretive proposal to really tell advisers, when you say you're a fiduciary, and you are a fiduciary, here is what that means. And if you do have a conflict, you need to tell people about it, and you need to tell people about it in a way that they -- that's sufficient that they can understand it. That's called full and fair disclosure, sufficient for what we call informed consent, which is a legal term. Just meaning they need to tell you, and they need to tell you in a way that you can understand. So that was another part of it. And then finally, and the part that we'd love to get your help with today, is the part of bringing clarity to you, the investors, so that you know who</td>
<td>1 where we can really improve this and help you and people like you use this document in order to make the best decisions that they can. First of all, I just want to talk about the design, in general. So we limited it to four pages. And we were wondering. Is that enough? Is that too long? What do people think? Yes, INVESTOR 6? <strong>INVESTOR SIX:</strong> I think that the information is generally very valuable, but I was very confused and actually put off by the lack of context. And what Chairman Clayton had to say provided that context for me. Which is, what I thought a fiduciary was is not what, in the industry, a fiduciary is. And I think saying that very clearly is crucial, because when I read all of this it was, frankly, with a jaundiced eye saying why are they muddying the distinction between suitability standard and a fiduciary standard. <strong>MS. CORTES:</strong> Okay. <strong>INVESTOR SIX:</strong> So I think that -- putting that context in there, that Mr. or Ms. Consumer -- what you think of as a fiduciary standard is not what the industry thinks it is. <strong>MS. CORTES:</strong> And what in particular -- oh, go ahead, INVESTOR 25.</td>
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INVESTOR TWENTY-FIVE: Well, on the length, I thought I can't tell, so -- what's -- what actually applies, or takes lots of different forms. okay, so they disclose -- translating that to this insurance planning with Northwestern Mutual. When now, here is, you know, your properties that you own, know, similar to truth in lending, basically, but that...

MS. SCHOCK: You did your homework. (Laughter.)

INVESTOR TWENTY-FIVE: So that was great.

MS. CORTES: Okay.

INVESTOR TWENTY-FIVE: Probably right at the maximum.

MS. CORTES: Yes, INVESTOR 29?

INVESTOR TWENTY-NINE: Yeah. I am -- thought you were -- four pages is fine, but I thought you were missing something that, to me, would be key. And I wrote it up for afterwards.

MS. SCHOCK: You did your homework.

INVESTOR TWENTY-NINE: But basically, to make it -- to make it -- try and make it very brief, you know, if you're going for an auto loan or a mortgage loan or a credit card loan, everyone has a numbers disclosure. You know, if it's 50,000, you know, 100,000, you know -- and going back to the way it was outlined by the Chairman, okay, so they disclose -- translating that to this process, it would say 50,000, here is your gross fee of management, for example, or, okay, here is your net adjusted, because we have this fee that goes there, we have this fee that goes there, et cetera. And here is your bottom line. And then, basically, you could -- it's, you know, similar to truth in lending, basically, but that takes lots of different forms. You could, you know, take different products and say, okay, if I'm investing this much, and I -- and they get me a 10 percent yield, here is what I end up with -- or 8 percent yield, or a 6. And they're not promising to give you any yield, but they're showing the impact of their cost structure.

MS. CORTES: So maybe some examples?

INVESTOR TWENTY-NINE: Absolutely.

INVESTOR TWENTY-NINE: If the financial professionals had to give you an investment truth in lending, it would be really crystal clear, in terms of what you're really looking for, which was an improvement in your assets.

INVESTOR TWENTY-ONE: I will second that. That is absolutely critical. If you don't have the numbers, if you can't measure it, you can't manage.

MS. CORTES: Okay.

INVESTOR TWENTY-ONE: And that goes for all of the products that -- whether it's broker-dealer or investment adviser -- is now -- given that we're using truth in lending as the experience, that has gotten so muddy that I can't tell, so -- what's -- what actually applies, or what my actual interest rate is. Legal -- it may be there, but as a consumer I -- and I was a math major.

(Laughter.)

INVESTOR ONE: Hi. One, I agree with INVESTOR 29, that, you know, breaking down numbers in a way that's clear and it's -- may be visual is definitely helpful. Maybe it's a different document than this. I don't want to get out of the lane that we're in here, in terms of the conversation.

But just as an example, you know, I do my insurance planning with Northwestern Mutual. When they're looking at insurance options for a client they break it down really clearly and say here is your income now, here is, you know, your properties that you own, your net assets and liabilities. You have a house, you have a car, you have loans, mortgages, debt. What are your earnings? What do you expect that to be? And they put this all together in a really clear package that says here is your financial lifespan. Because of that, here are the insurance products that fit.

If there is a way to transfer that kind of a model into -- from the insurance world to here with either investment advisory services or with broker-dealer and say here is your financial trajectory with what you're contributing to your 401(k) or to your 403(b) or your IRA, your pension, and then apply the same presentation logic to you, as the client, with, you know, here is what an eight percent annual yield looks like, here is what five percent looks like, here is what a lot of volatility looks like for you, break it down that way, I think just kind of giving a client that kind of forecast in a very clear, easy-to-understand manner on top of what you have here would be potentially very valuable.

Now, I'm not sure -- maybe a lot of broker-dealers do this already that, you know, I'm not using.

(Laughter.)

INVESTOR ONE: Probably. I'm imagining that's the case. But, you know, if there is a way to standardize how clear those presentations come across, that's valuable.

MS. CORTES: So is it INVESTOR 1, or is it -- INVESTOR 1?

INVESTOR ONE: INVESTOR 1, yes.

MS. CORTES: Okay. So, INVESTOR 1, you bring up a good point that I want to help direct the conversation a
little bit, which is perhaps that is in a different
document. Because what we're looking at here -- and I
hear you on the fees and what's actually happening in
your account, once you've already opened it, or once
you're about to open it and your financial professional
has had time to do an analysis with you.

This would come at the beginning stage of, you
know, when you're shopping around and looking for a
financial professional that might be right for you. So
maybe we can look at what we've put on fees and costs,
and kind of picturing yourself at the beginning of that
relationship, trying to figure out whether you want to
help -- you want this person to manage your money, and
how you want to pay for it.

If you guys could turn to page two and sort of
take a minute or two to read that, and maybe we can talk
about where that disclosure is clear and where it's not
clear.

INVESTOR TWENTY-ONE: I think this may come in a
period of time when a professional is making a
recommendation, especially if they're making a
recommendation of an ETF or a mutual fund -- which I
avoid like the plague for that reason -- that the -- all
of the fees that are associated with that -- or, heaven
forbid, you're in a variable annuity. You know, where

are the fees and where are they coming from? That, I
think, would be an appropriate place. And you know, like
INVESTOR 1 was --

MS. CORTES: And part of the proposal -- go
ahead.

MS. WESTERBERG RUSSELL: And as part of our
proposal on the regulation best interest is really
getting that disclosure to you before a recommendation
about the broker's conflicts and --

INVESTOR TWENTY-ONE: Before the transaction happens.

MS. WESTERBERG RUSSELL: -- and the fees, and
what not associated with this. So really, focusing --
this form, as Sara says, more for, you know, just
general am I getting -- am I in the right relationship?
And I think, you know, going back to some of
the things I said earlier, are you getting the
information you need to choose the broker, whether you
want to be in a broker's relationship or an advisory
relationship? And some of that, as we see, is the fees
that are involved. And is that clear enough to you, the
differences between the relationships?

MS. CORTES: Yes?

INVESTOR TWENTY-THREE: I want to jump in here,
because it's hard to get a comment in.

(Laughter.)
information and to put it in a format of questions of
here is what you -- here is your homework, do your
homework. Here is what you ask first, and now here is
the information of how the -- that interview with that
investment person should go.

MS. CORTEs: Okay.

INVESTOR TWENTY-TWO: Yeah, thank you. You know, I
really like the length. It's probably about right, since
this is how you enter into an agreement with somebody to
do transactions or provide advice. So I think the length
is good.

My concerns are a couple, and maybe this is
just the nature of the beast, but when you say "fiduciary
standards" and start giving a lot of exceptions where
you're basically not a fiduciary, I think you need some
clarity in advertising, because you say "fiduciary
standard," but then you start giving examples of
conflicts that, if you're truly a fiduciary, you resolve
them in favor of the client, your principal that you
are -- the agent.

So if you're going to say "fiduciary standard,"
one, any departure from that needs to be very explicit.
I am not acting as your fiduciary. That's pretty clear.
The one that really gets me is broker-dealer. My case, I
just want one to execute the transactions. I have no
problems doing my own financial planning, that type of
issue.

On the other hand, a lot of people do. And
when they read an undefined term like "best interest,"
which means absolutely nothing -- I don't know that there
is a legal basis for it, I don't know if I could take
that to court, I don't know if you could do anything with
it. It sure isn't law-of-agency-based.

Why in the world do you use the term "best
interest," when, with virtually everything, they're going
to act in the best interest of their employer or themselves, if
they're self-employed? I mean that is a tragedy, if we
leave a term like that hanging out there that has no
basis in anything.

MS. CORTEs: Well, I mean, part of the other
conduct rules, to be clear, is that we would be requiring
brokers not to put their interests in front of yours.

MS. WESTERBERG RUSSELL: So we will be
changing -- taking --

INVESTOR TWENTY-TWO: I was going to say what is best
interest -- 90 percent of the people, I mean, given what
their understanding of "fiduciary standard" would be,
they would probably say "best interest." That's a
synonym. That means the same darn thing, but it doesn't.
And that's bad --

MS. WESTERBERG RUSSELL: So on both of those
you'd want more clarity, a --

INVESTOR TWENTY-TWO: If you're a fiduciary, you need to
be very explicit on telling me when you're not.
Basically, I'm not a fiduciary for the following actions,
or that I will make it explicit that I am no longer
acting as your fiduciary.

But best interest is undefined. I mean I
haven't found anything in the proposal that you actually
define what that means, or that leads to a enforceable
in-a-court-of-law standard -- seeking a -- for advice --
it's a dangerous term. It's a land mine, and people are
going to step on it.

MS. WESTERBERG RUSSELL: Well, just to clarify,
this form isn't setting the standard, right? So the
separate rule is establishing the standard, which would
be enforceable, and has separate --

INVESTOR TWENTY-TWO: But this is what's out here and
we're seeing, and it's --

MS. WESTERBERG RUSSELL: Well, but this is to
help inform you about what the standard is that applies,
because, going back to some of what the Chairman said,
there is a lot of confusion, with different regulators all
use "fiduciary", and they all mean a little bit of
different things, and it depends on the context of the
relationship.

MS. CORTEs: And INVESTOR 22, just to make sure that
we have transparency for the record, I saw an AARP
button. Are you representing the AARP, or are you an
investor?

INVESTOR TWENTY-TWO: I am an AARP volunteer advocate.

MS. CORTEs: Excellent.

INVESTOR TWENTY-TWO: They don't tell me what to say, but
I certainly tell them what I think.

(Laughter.)

MS. CORTEs: Just making sure we have
transparency on who everybody is.

INVESTOR 29, you've been waiting for a while.

INVESTOR TWENTY-NINE: Yeah, well, I wanted to -- two
things. I am also an AARP volunteer, but I'm speaking
for myself. I'm interested in these things, and they
sent me your email.

But I don't want to belabor this, so I'll give
you a real one-sentence, two-sentence summary and you can
read my paper. But if you're -- and -- because it might
be slightly out of the lane, but it has to do with best
interest.

If you want people to work in the best interest
of your clients, this industry -- and I have examples of
friends, contemporaries -- this industry is loaded with
employers at the big investment firms that tell people that I know, that I am friends with, that I've worked with, that this and that, if you -- you want to keep your job, you're going to hit certain revenue goals. And I can't think of a more -- bigger financial incentive than to keep your goals to generate a certain amount of income.

And I've described in this people who have had in their minds -- they're more concerned about the performance of investments than they are about hitting certain revenue targets. And they lose their jobs, and that's very much, you know, something that the Chairman alluded to. You don't want to lose people who are doing -- the wrong people, or doing the right thing -- the industry encourages that, depending on where you work and what time frame, and what the --

Ms. Cortes: And our -- we agree that things like that are really troubling, and that's part of what the -- the substantive rule that Emily's been working hard on, is that they would actually have an obligation to mitigate those conflicts.

But that's a good segue, in that we want to make sure that, if there are conflicts like that, that you know about it and you know about it up front, and it's -- you can look at maybe page three.

This is where we try to let -- give firms an opportunity to tell you about those things, and they would be required to tell you more, as the relationships continued for the proposal.

But we'd love feedback on what's understandable about this, what's not understandable about this. Like do you -- can we make it better?

You haven't talked for a while, Investor 12.

Investor Twelve: I'm also an AARP volunteer.

(Laughter.)

Investor Twelve: I have two things. You might want to consider a glossary of terms. I know you're trying to keep it down to four pages, but that would give people, you know -- to understand when the word pops up.

The other thing that I would find helpful is when a sentence is, for all purposes, identical for both you could sort of put it in the center, so I don't have to read here, and then I've got to read the same thing over here and say, well, is it different because, you know, why are they saying it twice?

Ms. Cortes: Okay, okay. So maybe -- and sorry, I'm a nightmare for the court reporter -- but -- so if it's really the same, whether it's an investment adviser or a broker-dealer, make some visual to show that it's the same --

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INVESTOR TWELVE: Or put it right in the middle.

Ms. Cortes: Or put it right in the middle.

Got you.

INVESTOR 6?

INVESTOR SIX: Yes. I just want to emphasize that -- the point that was made by Investor 22 a few minutes ago on the bottom of page two, the whole business of best interests and fiduciary standard. I came to exactly the same conclusions, and I feel very strongly about that. And so I think that's --

Ms. Cortes: So what do people think "best interest" means? How can we make that more clear?

Participant: Define get rich.

(Laughter.)

Investor Six: I think that "best interest" means that your interests, Mr. or Mrs. Client, come first. And ours don't count at all. And "best interest," as used here, absolutely doesn't mean that, and perhaps doesn't mean anything.

Similarly, with "fiduciary" -- and this goes back to my original comments before we formally started, I guess, and that is that we need something that says very clearly that what you think these terms mean, as a member of the public, is simply not what the industry means at all. And that has to be emphasized.

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Ms. Cortes: Investor 21 and then maybe Investor 25.

Investor Twenty-One: The press release that was on the table before us today frequently mentions "fiduciary," but this document does not at all. As Emily, I believe, mentioned earlier, it's intended not to.

And why is it that this is -- what are you holding back from setting fiduciary as the standard of service delivery in this instance?

Ms. Westerberg Russell: Yeah. Well, so, as the Chairman said, there was some concern about the variety of terms out there, and trying to make -- to us, I mean -- and frankly, from my own perspective, "fiduciary" depends. And it, to me, is as vague, frankly, as "best interest," because "best interest," I think, as some -- you know, Investor 6 pointed out, it conveys that you're acting for me, you're taking my interests into account, and you're putting them ahead of your own.

Investor Twenty-One: Now, the only place that I think I've seen fiduciary responsibility and accountability is in the banking industry. I don't know any broker-dealer or investment adviser that I've ever run across claiming to be a fiduciary. In point of fact, it took me some bad experiences to figure out that they're not. But that, I
think, is where all of us, as investors, want this relationship to be.

And the follow-on is we need to be able to hold the professionals accountable for when their service delivery falls short.

MS. WESTERBERG RUSSELL: And we're sensitive particularly to that last point. That's something that's been driving us in evaluating the rule-making and trying to get a rule out there that really makes sure that brokers don't put their interests ahead of yours.

INVESTOR TWENTY-ONE: Right.

MS. WESTERBERG RUSSELL: And that we can enforce that rule, both at the Commission, but also through other organizations that assist the division and the Commission in supervising broker-dealer --

INVESTOR TWENTY-ONE: I've had a bad experience that cost me 90 percent of the assets that I had with this one broker to learn that. That was not a small sum.

INVESTOR 11? It makes sense if you think about it, because those of us who just retired like myself, we've been very active retail investors. We move money out of company 401(k)s and into IRAs and that. And so this is all recent experience for a lot of us. So what you're attempting to do is really great.

I think -- listening to the discussion between terms, you know, "best interest," or "fiduciary," and all of that, I think what it boils down to in my mind when I read this is I'm either in a sales relationship -- and I know what sales is, I buy cars every now and then, and I just simply navigate a sales relationship. It's not bad or evil, it's just a sales relationship. Nowhere would I ever say that anyone who sold me a car was acting in my best interest. You know, that's my job to do that. I'm being a salesman.

So I think what we're all reacting to is the fact that this document is confusing us, because it's making people who are fundamentally in a sales relationship look like they're in more than that. And we don't believe that that's probably true, but we don't know what the rule is, right? Maybe you could do that, and that'd be great.

So if somehow this document could clarify more this is a sales relationship, this is an advisory relationship, that would make sense to us, as a framework.

MS. CORTES: Okay. Oh, you haven't spoken yet.

INVESTOR FIFTEEN: There's a sentence here in the second section, "our obligation to you," it's under the broker-dealer column. "We must act in your best interest and not place our interest ahead of yours when we recommend an investment or investment strategy involving securities." I think that's a really good sentence.

MS. CORTES: Okay.

INVESTOR FIFTEEN: And when I read it I wondered why it wasn't in both columns. And so maybe it's-- (Laughter.)

INVESTOR FIFTEEN: It needs to be in the middle, I don't know. To me, that explains it clearly.

MS. CORTES: Okay. So one thing that I'd be curious about is how much people are getting from this, that, you know, a broker is sort of a transaction-based relationship.

So what we would do under the rule, currently they have to give you advice that's suitable. What we would do under the rule is say when you give that recommendation each time for each particular product or each particular, you know -- here is the path I'm going to put you on. They have to act in your -- they would have to act in your best interests. Therefore, not put
their interests in front of yours, right?

But then, once they're done with their recommendation, they don't have -- unless they've told you so, they don't have to continue to -- they will, probably, but they don't have to continue to call you to continue to give advice unless they've agreed to do that.

Whereas, if you're in an advisory relationship, then they're giving you advice. And most of the time, if you're paying sort of a fee that's based on the value of your account -- one percent or two percent -- generally, unless they have told you very clearly otherwise, they are going to have a responsibility to make -- to -- if you want to have an account where you make the final decisions, to update you and tell you if they want you to make a different decision, or if you're just saying just buy and sell for me, they have an obligation to continue to monitor that.

And I'm wondering if that's coming across. And if not, how we can make that more clear. Because that's what -- it's one of the bigger differences. We think that at the point in time, with the -- what our goal is is that at the point in time when that investment adviser or broker-dealer is buying or selling or recommending that security to you, that you're being treated exactly the same, which is that financial professional cannot put their interests ahead of yours.

So I see some shaking heads, I see some noes.

Can anybody -- and I see some yeses. But can anybody -- particularly who is not -- can anybody comment on that a little bit?

Yeah, INVESTOR 22?

INVESTOR TWENTY-TWO: I would. I think the challenge is -- with the document is -- the broker-dealer type of services is that it's trying to capture something which is the responsibility of the client that may or may not be there based on, well, I gave you the advice, and I'm not really acting in your best interest any more.

I mean when you say "best interest" -- I mean I'll go back to the fiduciary standard. You're not a fiduciary. I don't know if you're acting in my best interest or not. So the way I define it, you know, fiduciary roles -- go back to that question -- is if you're a principal and I'm your agent in a law-of-agency-type relationship, I will put your interests ahead of my own. That's fiduciary standard.
MS. CORTES: So -- and I don't mean to put you in a hard position, but you were one of the ones that most vigorously shook your head no when I asked if something is coming across. And I didn't know if there is anything that you thought that we could do or what wasn't making it clear that you could say.

INVESTOR THIRTEEN: I'm here with two hats. My first hat that initially brought me here is I -- my investment club with my church. And that's REDACTED, here in Washington, D.C. And because of my membership, we receive monthly Better Investing magazine, okay, which is an excellent magazine.

And my hat that I said no was when I was working.

MS. CORTES: Okay.

INVESTOR THIRTEEN: And I transferred some Fannie Mae monies into a retirement account under my new job, because I thought that it was better not to leave my money there, because I can't watch it. It's better to take it with me.

And one of my questions that I had was will you always let me know when you're going to do something? And he said, "Yes." So I felt comfortable. But then I got busy with work and I never followed up to say, "Did you do anything? What changes have been made? Are there any updates?" So that's why I said no.

MS. CORTES: Okay.

INVESTOR THIRTEEN: No, they don't come back, even if they said they would.

MS. CORTES: Even if they said they would.

Okay.

INVESTOR THIRTEEN: So what is going to be done to regulate the hammer --

MS. CORTES: So --

INVESTOR THIRTEEN: -- to make sure --

MS. CORTES: So maybe you would want something in here that would help you understand how often they're going to call you, or how -- or you have to call them, or --

INVESTOR THIRTEEN: And what would prompt me --

MS. CORTES: Yeah.

INVESTOR THIRTEEN: -- to make that call. Most of the time you're watching TV and you are listening to the DOW, the Standard and Poors, and then you go, "Oh, God, I have a question." Those are my prompts. But should they be my prompts?

MS. CORTES: Okay. And do -- having read the form, is there anything in the key questions or in the -- that helps you?

INVESTOR THIRTEEN: I pretty much agree with what has been said. Of course, changes, glossary -- I thought about an index.

MS. CORTES: Okay.

INVESTOR THIRTEEN: And, you know -- not an index, but in the beginning. What do you have in a document that comes in the beginning, and it introduces to you what is --

PARTICIPANT: Table of contents.

INVESTOR THIRTEEN: Table of contents, thank you very much. That would help, as well.

MS. CORTES: Okay. And INVESTOR 1, you've been waiting for a while.

INVESTOR ONE: Not at all. Thanks again.

Going back to kind of the question of best interests and fiduciary responsibility, what I think should be added here is that it's incumbent upon both the broker or the investment adviser to state what their interests are very clearly and very succinctly to the client, and then also for the client to define for themselves what my -- if I'm sitting down with, you know, a broker or a dealer for the first time, they shouldn't assume necessarily what my interests are, or it should lay out in here, in this relationship summary, "Unless you state otherwise, they are going to assume that your interests are X, Y, and Z, and they are going to abide by those being your

interests, and give you the opportunity to say, 'My interests are A, B, and C.'"

I think when a lot of people hear fiduciary, best interest, they assume that the role of the relationship is that the investment adviser or the broker-dealer is here to help me expand my wealth so that I can retire, or I can buy that boat, or whatever it is I want to do. But if you don't come out and make that explicit, that's when you leave open the loopholes for, you know, something like what INVESTOR 22 was mentioning before, where it's unclear what best interest means.

And so I think if you just add in here a couple bullets that say, you know, the SEC is going to assume that your best financial interest in this relationship is they're going to provide services or advisory for transactions in equities to you so that your wealth expands.

MS. CORTES: So --

INVESTOR ONE: And then, if you want there to be -- like I want to be a socially responsible investor, I don't want to invest in tobacco or something, you have the opportunity to say that. And if you are the opposite, and you say I love -- you have the opportunity to say that. But that conversation should happen the first time you walk into that guy's office to talk about
these things, instead of three years down the road, when

a bunch of your assets have disappeared because they took

on a risky investment scheme without consulting you.

MS. CORTES: So, INVESTOR 1, I'd be interested in

following up on that a little bit. So -- and let me see.

So we have the key questions to ask. Maybe one thing

that we could add is, things that you, as the client or

customer, want to make clear to the broker-dealer and

investment adviser, up front.

INVESTOR ONE: I think that's definitely

warranted.

MS. CORTES: Okay.

INVESTOR ONE: You know, if -- at least have a

standard for what the broker or the investment adviser

should consider to be your interests, as the client, and

given you the opportunity to say -- so if I walk --

I'm assuming that the rule is going to propagate, that the

first time I go have a conversation with the guy they're

going to provide me with a document that looks like this.

MS. CORTES: Yes.

INVESTOR ONE: And it's going to lay out --

okay. When that happens they should say, "By the way,"

you're on page one or two, whatever, "Here is what we

assume your interests are. Do you disagree with any of

this? Do you want us to amend these?" And that forms

the basis for the relationship, going forward, no matter

if it lasts 3 months or 30 years.

MS. CORTES: Okay. And then the other part of

that was you -- this document -- I think I heard you say

this document should also tell you what their interests

are, like how they're getting paid.

INVESTOR ONE: Exactly.

MS. CORTES: So I want to direct you to maybe

the -- everybody, too -- the bullet on page -- I think

it's on page three, the first bullet in the fees and

costs on the left side, and then the first full bullet on

the right side, and see if that helps provide some of

that information, or if we could make that more clear.

INVESTOR ONE: I think it does, but moving

forward -- say, you know, Fidelity, Edward Jones,

whoever, is going to have their version of this. What's

stopping them from filling this section of the document

up with 30 pages of stuff out of their 10K, so then this

becomes something just like the 90-page tome of terms and

conditions you sign -- I agree on with every website that

nobody ever actually reads.

How do you -- I think there is a concern that, you

know, the investment advisers, the broker-dealers,

will take this to their lawyers and say, "Fill this up

with legalese," so people will just skip this document

and say, "Hey, here are your rights and concerns as our

client," here is, you know, everybody's fiduciary stuff,

blah, blah blah, and it's 30 pages, fine print, and then

the 4-page thing, which I think is very helpful, becomes

useless.

I think the SEC should not only mandate that

this is -- something like this is made available that's

helpful, but then also proves the concept that goes into

it to make sure it doesn't get filled up with crap that

nobody understands and doesn't bother reading.

INVESTOR TWENTY-ONE: I'll second that.

MS. CORTES: Thank you, INVESTOR 21. And we actually

third that, as the Commission, because what we did is

that we mandated a -- we proposed to mandate a four-page

limit, and we're actually using these feedback sessions

to see if it should be even something different than

that. And I think somebody at the beginning said that's

the max.

And a lot of this, at least in the proposal,

they have to say almost exactly this. And so one thing

that we're getting feedback from you on is what language

do -- absolutely has to be in there, and where might they

have some flexibility.

I don't think we've heard from you yet, sir.

INVESTOR TWENTY-FOUR: INVESTOR 24.
to know about? And is it appropriate for this document, or maybe something else?

INVESTOR TWENTY-FOUR: It's important at the point of the decision about a particular transaction.

MS. CORTES: Okay.

INVESTOR TWENTY-FOUR: And what are the conflicts in this decision.

MS. CORTES: Okay.

INVESTOR TWENTY-FOUR: That's the real operational aspect of this.

MS. CORTES: Okay. There are so many people.

(Laughter.)

MS. CORTES: INVESTOR 8, we haven't heard from you yet.

INVESTOR EIGHT: Yeah. In regard to what "we must act in your best interest," what does that mean, specific examples. For example, I am recommending that you buy stock X, Y, and Z, and I am going to buy stock X, Y, and Z, and I am going to execute your order before I execute my order. So what does acting in your best interest mean?

MS. CORTES: So maybe some specific examples.

INVESTOR TWENTY-ONE: To follow on with that, I've heard a number of professionals -- thank you -- say that they're following modern portfolio theory and academic study that -- I understand that in years gone by, at least, the SEC had mandated that they use that as the basis for their recommendations for making choices for a client that was suitable for them, especially when they were talking about retirement accounts.

But especially going on to what INVESTOR 24 mentioned, surviving spouse, because I'm looking at that with my wife, who -- she may be quite bright, but she has no head for finance. And she's going to depend -- and I watched her interact with her representative in her 403(b) over several years, and it was very painful.

INVESTOR TWENTY-FOUR: It can be.

INVESTOR TWENTY-ONE: And how do we define that relationship, where they've got -- especially if they have a full discretionary account, where they're making decisions and not telling somebody until after the fact, if at all, what they've done and when and why.

MS. CORTES: INVESTOR 14, you've been waiting.

INVESTOR FOURTEEN: First of all, I'd like to disclose I am the current president of the chapter of Better Investment.

MS. CORTES: Excellent.

INVESTOR FOURTEEN: And it's an educational group that -- where we -- that's our main drive. But -- and I also belong to a couple of investment clubs.

But one of the biggest ways that the investment places make money is turnover. And just disclosing a turnover ratio, turnover rate -- and obviously, it won't be specific for each year, but they have an average, they know whether, you know, at the end of the year, they're definitely going to be turning over 25 percent of their product versus 2 percent of their product or whatever, that that is a huge money-maker for them, because that goes into their transactional fees.

MS. CORTES: And so, just to make sure that we're talking about the same thing, when you say turnover, you mean buying and selling investments in the account?

INVESTOR FOURTEEN: Right.

MS. CORTES: So would -- do you think that having that disclosed in this document or having a key question on that, that you could sort of maybe -- that you could prompt an investor to ask that would be helpful?

INVESTOR FOURTEEN: It could be in the form of the questions, where you have a list of questions. What is your average turnover ratio?

The other thing I think you need to say right up front to use this kind of document and those questions to shop around. Go out there and don't just talk to the first person and sign a contract. Be -- and know what your own investment policy is. Are you more inclined to take more risk or less risk? Know what you're looking for in investments, and how this is going to fit within, you know, your own beliefs or whatever is a good document to start out with. It's a good thing to -- whether you're becoming a member of a club, you know, trying to find a club, or whatever, to have that kind of information in your pocket.

MS. CORTES: That's great. Great feedback. Yes, INVESTOR 6?

INVESTOR SIX: As the conversation has continued, I've come to the conclusion that I think the best thing to do with regard to the notion of fiduciary would be, at the outset, to define a fiduciary as a person who puts the client's interests as the sole purpose of making decisions so there is no benefit to the investment adviser whatsoever in making any recommendation.

And furthermore, that no investment adviser can claim to be a fiduciary unless they adhere to that standard. For example, I am a trustee of a trust and there is no question in my mind that my interests count for absolutely naught. It's only the beneficiary's interests. And I think that that's exactly what the term...
has to mean, and it should be defined that way, and not permit any investment adviser who has any financial gain in their advice to be able to get away with that.

MS. CORTES: So just one follow-up question on that. What do you think the disclosure or the understanding should be if someone needs to -- you know, not -- without regard to any financial interest, but they're also making a commission on that account?

What's -- how do you -- how do we make sure that you know that you're getting -- they're getting paid based on whether you do what they ask you to do, even though they would have to be acting in your best interests?

INVESTOR 22?

INVESTOR TWENTY-TWO: Actually, that's great, because this was a transaction fee-and-cost-type thing, but it also goes to that. I'm a big fan of disclosure and on the fees and costs thing. We had a comment on, hey, I want to see how often this broker-dealer turns accounts, what -- which can be informative, unless he has a lot of clients that are active traders. And, of course, there is a lot of turn. But there is also the insidious they hold -- they recommend holds when it might not be the best thing because of commissions, which is that part of a fund's fee that goes back to the guy that sold you the fund as long as you hold it.

So when I'm seeing costs and fees, that's one that -- maybe it's there and I just didn't see it, but that's that insidious one, when you're not getting recommendations to trade because it's in that broker-dealer's best interest that you hold that.

MS. WESTERBERG RUSSELL: Okay. So highlighting the trail, maybe.

INVESTOR TWENTY-TWO: Trail is an insidious sapper of our wealth.

MS. CORTES: What about on the investment advice side, when you have sort of the ongoing fee, particularly if it's sort of packaged together like your transaction costs and your advice costs? Should we put in the incentive -- even though they would not be allowed to do it -- the incentive of just letting the money sit there?

INVESTOR TWENTY-TWO: Well, if I understand, you're talking more along the lines of maybe a wrap fee, you're paying a fee that covers basically everything you do. Should be -- the fee should be very explicit if --

MS. CORTES: Okay.

INVESTOR TWENTY-TWO: -- if there is a wrap fee. But you hold certain things, then that's clearly a departure from the fiduciary standard.

I guess the other thing I would say, too -- and this is not always going to be the case, but by and large advisory accounts are for more high-wealth individuals. I mean if you go to look at accounts with different firms that offer such things, don't talk to me unless you're bringing 250,000, 500,000. So really, what we're doing is we're going to have this two-tiered system. What are you really getting for what you pay for?

And really, you know, some of the folks that are -- can only afford broker-dealer transactions I think are -- can only afford broker-dealer transactions I think are going to be at a disadvantage unless you're very clear about the expectations for the broker-dealer, because they do it every day.

But you're going to get investors that come in. You only get maybe one chance to get it right. If it goes wrong, they're having to rebalance, they're having to shift it. And a percent here and a percent there, when we talk about 17 billion a year lost through bad advice, you know, at a historic market return, that 17 billion doubles in 10 years. So it's not just the money you lose today, it's the money that money costs you in the future.

So, I mean, I think it -- since we're really going to be sending a lot of business to broker-dealers, because that's all a lot of people can afford, it's very explicit for the people that only do it once or twice.

MS. CORTES: Okay. And is there anything here -- thank you -- I'd like to leave it here because, you know, it's just not enough time, but I wrote down --

MS. CORTES: Sure.

INVESTOR TWENTY-THREE: One of the things that I have thought about is you're often -- the document like this is often put in front of you and you're asked to sign it, and they say, "We'll give you a copy." But I think it should be required that the client take it home.

MS. CORTES: The client take it home?

INVESTOR TWENTY-THREE: And then bring it back, I don't know, the next day, or whatever, but try to encourage people -- and I know you don't have control of people's habits, but try to encourage people to read this document. Because if I had seen the list of questions that are in here, I probably would have asked different questions. But in my experience, I have an investor -- or an adviser who did not want me to retire. Now, can...
1 you imagine that?

2 (Laughter.)

3 INVESTOR TWENTY-THREE: The reason is obvious. But you
4 know, that's just one of the things I wanted to give
5 feedback on, is I think we should have time, just a lapse
6 between when the client actually signs on the dotted line
7 and when this document is given to them.

8 MS. CORTES: So that's an interesting question,
9 because we've received some feedback -- some in favor of
10 this, some not -- of requiring the financial professional
11 to have you sign certain parts of this document so that
12 you read and understand it. And would that be something
13 that would be -- do you think would encourage you or
14 others like you to read the document?

15 So I see a nod from INVESTOR 22. I see a nod from
16 INVESTOR 13.

17 INVESTOR TWENTY-ONE: In general, yes. It's a -- but
18 even signing it, some people aren't going to understand
19 the implications of what it means, and that's going to be
20 something that perhaps you have to recognize, but cannot
21 do anything about. You can lead the proverbial horse to
22 water, but you can't make them drink the knowledge.

23 INVESTOR THIRTEEN: Give us a couple of days.

24 That's --

25 INVESTOR TWENTY-ONE: Maybe the old contract three-day

rule.

INVESTOR SEVEN: And full disclosure under the
credit and financial counselor. I work has a consultant
for DoD, working with service members. That is what has
driven me here today.

MS. CORTES: Excellent, thank you.

INVESTOR SEVEN: I'm an independent investor, okay,
I have a 401(k), the whole bit, retired from federal
government, retired from State of Maryland, used to teach
personal finance.

I think the group that you have here in this
room today is wonderful, because they understand some of
the anxieties that they've experienced personally, and
the frustrations. What concerns me is that, as I read
this -- and I've thought about the people I work with on
a daily basis -- it's not going to happen. They are not
going to take -- I'm sad to say I don't think they're
going to take the time to read four pages, even, when
it's in this sentence structure.

As I read it, and thought about it, I thought,
why can't we bullet some of this? Why can't we be very
precise?

PARTICIPANT: We did.

INVESTOR SEVEN: If you -- and you may be too
young, and some of the people in this room are too young,
and you haven't seen the 10-item evaluation form for
Medigap policies. All right? But it's very clear what
it costs and what you get and what you don't get. Okay?

And I think, as I think about some of the young
people -- and most of the folks I work with are under 45,
o kay, and they all have the opportunity to invest with
TSP or outside, as an independent -- the ignorance level,
I just every day am amazed, amazed that we could have
people who could be 40 and 45 years old, and don't
understand some of the basics.

So I think this document, for those of us in
this room, is -- yeah, we can see ways we would tweak it.
But I think we need a different kind of a document that
people have out there.

Now, at my age in life, right, I have done an
advance directive. And when you look at the advance
directives that are published by your attorney general or
whatever, right, there are individual lines that you have
to sign, and you have to agree, yes or no. Well, I think
that could help us, that kind of a format could help us
clarify. Because a person has to read it before they
initial it. They have to. And it's very simple
language. Okay?

One of the things that I think -- and I've
heard INVESTOR 22 and I've heard others about this fiduciary
will be opportunity for you to provide further --

INVESTOR SEVEN: A perfect example -- perfect example -- I won't tell you where this person was serving, but anyway, he said to me, "Oh, yes, I have a retirement account. I've never lost any money."

So I said, "What is it? Tell me."

"I have it at home, I'll bring it."

I said, "Bring it tomorrow. Bring it. I'll be here for a week. Bring it, okay?" He brought it. The words that -- in the title of this investment, "moderately aggressive." Okay? So I said to him, "What is moderately aggressive?"

"Oh, yeah, it's going to make me some money."

The truth is, over a 10-year period, this money had not grown. It had not gone down in value, yeah. His $10,000 was still there, but it was worth 10,100 and something or other. Okay? Why? Because it was -- 48 percent of it was in bonds, as I remember it. Is that moderately aggressive?

But this individual, God bless him -- and it was a man -- didn't know how to evaluate, and took the person who sold this to him on face value, their word.

And the other factor, when I heard about the church, we see this loyalty thing, you know, being sold by somebody who used to be in their command, or some --

so I think we have some educating we need to do, big time. Big time, because this gentleman talking about moving his money, you know, we have hundreds of thousands of people coming off.

MS. CORTES: Oh, thank you for that, by the way.

I think we're starting to get to the point where we need to wrap up.

One thing we didn't get to, if I can get one -- somebody did mention this, but this is a paper form -- because I'm a lawyer, I can't do anything unless I'm printing it out and putting things -- but we're -- we put in the proposal lots of ways to maybe -- especially if someone is using, like, an electronic adviser, like a robo-adviser, or something like that, ways that you could get it, like, on your phone or on your laptop, maybe ways that we could -- that firms could do it with a video.

Are those things, in general, appealing for you?

And for the sake of my court reporter, if you can, maybe raise your hand and say yes or no or why.

INVESTOR THIRTEEN: No, because of printer.

MS. CORTES: No because of printer capability?

Okay. Okay.

INVESTOR FOURTEEN: Yes, because young people use electronic devices.

INVESTOR TWENTY-FIVE: Yes, because digital for us -- we don't lose digital, we lose paper all the time.

INVESTOR TWENTY-NINE: If you have a video, you should have an option to say read the transcript.

MS. CORTES: Read the transcript, okay, thank you.

INVESTOR TWENTY-TWO: Yes, old people use their phones, too.

(Laughter.)

INVESTOR TWENTY-THREE: I wanted to just say that I think electronic is -- and I'm an old folk and I do use electronic items. I think it's a good idea.

MS. CORTES: Okay, great. Thank you. And then the woman in the red?

INVESTOR THIRTY-SIX: Sorry, I did not get a name tag.

MS. CORTES: That's okay.

INVESTOR THIRTY-SIX: And I am a Millennial.

MS. CORTES: Excellent.

INVESTOR THIRTY-SIX: And I just wanted to say I know that this particular meeting is super-focused on the sort of entry-level, when you're thinking about whether you want a broker-dealer or an investor.

But just to your -- you asked about sort of if we were going to do a one-pager for folks, in general.

And that kind of sparked my thinking a little bit. I have a 401(k) through my job with Vanguard. And one thing that I think about a lot is, you know, what are the
companies that I've invested in. And I understand that,
you know, my mutual fund is invested across the stock
market.

But you know, what is sort of the Vanguards of
the world thinking about in terms of -- like I care a lot
about socially responsibly investing. That's really
important to me. I think it's important to a lot of my
peers. I don't speak for every -- but I have a lot of
friends and we're all kind of interested in sort of how
our money is making an impact on the world.

So I was just thinking about, like, in that
one-pager, it might be really cool to spell out, like,
here's a question you could ask, or here's how you could
kind of figure out whether or not you were -- how your
money is playing out and how it's being -- may or may not
be impacting the world, whether or not you're investing
in companies like -- in tobacco or, you know, big oil, or
something like that.

So I apologize, because it was a little bit off
topic.

MS. CORTES: Oh, no, that's great, thank you so
much.

INVESTOR THIRTEEN: Thank you for having us. Before
you close, I wanted to be able to say that.

MS. CORTES: Thank you. I have had so much
fun.

Just a little bit about me, I have been in
public service since 2006. I started with the Federal
Reserve. I've been here since 2009. And I know that
sometimes it can be infuriating, but to sort of
understand what the regulators are doing and how is it
really helping you, I promise that we -- this is the most
fun I've had in a while, because you are the people that
we serve, and we really want to do the best we possibly
can.

You are not done giving feedback for us, if you
don't want. We have several ways for you to do that. I
have been talking about fancy things called a comment
file. Basically, that's where people -- anybody can come
in and write and tell us what we're doing right, what
we're doing wrong in this proposal, so that we can take
that feedback and give the best recommendation to the
Commission that we can.

And there are several ways for you to do that.

I think that you have a document in front of you with
some circles you can fill out by hand. We have a few of
those, as well.

We also have, for those young and old who like
to use the Internet, we also have these blue cards that
Parisa is going to be handing out. You'll see a QR code
right there. That's going to take you to an electronic
version of that feedback flyer that you have in front of
you, so that you can provide specific feedback on this
document, as well as a couple of the other documents,
like if you -- we made a template document of someone who
might just offer brokerage services, or just offer
investment advisory services.

Please tell us what we're doing, what we're
doing right, what we're doing wrong. If any of you do
represent an investment club or an organization and want
to meet with us, we're happy to do that, as well. But
thank you so much.

INVESTOR EIGHT: I have one question. Sara and
Emily, are you investors?

MS. CORTES: Yes.

MS. WESTERBERG RUSSELL: Yes.

INVESTOR EIGHT: I would think you would have some
knowledge about what -- did you get any of these types of
things when you signed up with your broker?

MS. CORTES: No.

(Laughter.)

MS. CORTES: Or, rather, I got a whole pile of
things, and I don't know if I did or not.

MS. WESTERBERG RUSSELL: And I just want to
echo Sara's thanks. It was really helpful, and I

know -- you know, I -- today she did such a great job.

And I do want to reiterate this is near and
dear to my heart, and has been for almost a decade. I
have been fortunate enough to work on these issues, and I
want to be considering them. And I really want to hear
your feedback, both on this forum, but also on our
proposed regulation.

And please, those of you -- I know INVESTOR 29 has
some great points written out in front of her. I want to
see those come in, please. And also, don't forget best
interest, and providing feedback on that. We really want
to hear whether -- you know, how we can improve it, and
the mark there, as well. So thank you.

INVESTOR TWENTY-ONE: Now, I came here, like some of
the others, because of an invitation from AAII that --
now, I'm up in Northern New Jersey, but I get notices
from the local metro chapter. But I'm not
representing -- I'm just yet another individual.

MS. WESTERBERG RUSSELL: That's fine.

INVESTOR TWENTY-ONE: How do we get notices, other
than a chance like that? Because this is the first I've
ever heard of the SEC holding a roundtable with feedback
from investors.

MS. SCHOCK: I think this might actually be the
first that we've done. And so --
INVESTOR TWENTY-ONE: Good idea. Do it again.

MS. SCHOCK: My office gets to work with retail
investors all the time, so we sent to American
Association of Individual Investors, Better Investing,
AARP, and then also the press release that went out
nationwide.

So we appreciate you all being here and taking
the time. A good conversation today, have a lot of
highlights, table of contents, index, one-pager, very
concise definitions of best interests and fiduciary duty
and other feedback that we will take back as part of the
rule-making process.

This is a work in progress. And so the comment
period closes in early August, unless it somehow it
ends up being extended. But right now it's supposed to
close, I believe, August 7th. So please add additional
comments online. We'll take it paper, electronically,
however you want to submit it.

And again, thank you all for being here.

MS. HAGHSHENAS: May I mention one more thing? I'm
sorry. So on the card that we're going to hand out there
is the website, as well, so you don't need to scan in at
all, so that will help.

We're also passing out, though, another
document that's part of our Tell Us initiative, and which

we'd love to get your feedback on the types of
information that you get. So that's also on the same
website, but we're going to hand it out to you, to the
extent that you want a paper copy. So --

INVESTOR TWENTY-ONE: And the paper that you said that
we should have that -- with circles on it for comment --

MS. MCGOVERN: One more item, please, if you
have not signed in.

(Whereupon, at 11:50 a.m., the roundtable was
adjourned.)

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