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August 7, 2018

Securities and Exchange Commission  
100 F St. NW  
Washington, DC 20549-9303  
[Rule-comments@sec.gov](mailto:Rule-comments@sec.gov)

Re: Enhancing Investment Adviser Regulation

File IA-4889, S7-09-18

Dear SEC:

Here are my additional comments on the Request for Comment on Enhancing Investment Adviser Regulation

Summary:

- Minimum qualifications and continuing education requirements are a good idea.
- Background checks are a good idea.
- Net capital rules are unnecessary when there is no custody.

**Minimum qualifications and continuing education requirements are a good idea.**

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<sup>1</sup> All opinions are strictly my own and do not necessarily represent those of Georgetown University or anyone else.

Most states already require investment advisers doing business in their state to have certain minimum qualifications, such as passing various FINRA exams. However, requirements vary from state to state and two states, Wyoming and New York, do not even regulate investment advisers at the state level.

Unsophisticated consumers seeking professional financial advice may not be able to evaluate the qualifications of those selling financial advice. The plethora of titles and certifications can be extremely confusing. Unfortunately, the consumer may not discover that the advice was bad until many years later given the long time horizon of many financial products. Requiring investment advisers to have certain minimum qualifications and to update their skills regularly is certainly in the public interest.

RIAs should be of good character and pass FINRA's new Securities Industry Essentials (SIE) exam along with the Series 65 top-off exam.

Financial markets, financial products, tax laws, and the state of investment knowledge are constantly changing. It is important that investment advisers stay up-to-date to avoid harming their clients with obsolete knowledge. The CFA Institute recommends that Chartered Financial Analysts have at least 20 hours of continuing education every year.<sup>2</sup> Certified Financial Planners (CFPs) are required to have at least 30 hours of continuing education every two years.<sup>3</sup> Doctors and lawyers are also required to have continuing education.

I recommend a minimum standard of 12 hours of continuing education each year for financial advisers. Financial advisers should be required to retain documentation of that continuing education, but it is unnecessary to have them file it with the SEC.

### **Background checks are a good idea.**

RIAs are required to disclose certain criminal convictions, but that won't stop the real criminals from just lying on their disclosure forms. Background checks to confirm the accuracy of those disclosures will help to keep the real fraudsters out of the industry.

### **Net capital rules are unnecessary when there is no custody.**

The purpose of the net capital rules for broker dealers (and the associated Customer Protection Rule) is to make sure that customers are not harmed by the loss of their securities in the event of a failure by their

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<sup>2</sup> <https://www.cfainstitute.org/en/membership/professional-development/ce>

<sup>3</sup> <https://www.cfp.net/for-cfp-professionals/continuing-education/continuing-education-requirements>

broker. Obviously, there is no potential for loss of securities if an RIA does not have custody of the assets.

Financial advisers sell professional advice, just like doctors, lawyers, and engineers. Those other professionals are not required to maintain net capital, and neither should financial advisers.

The positive net worth proposal is particularly odious, as it would keep many young people out of the industry. Many college graduates have financed large investments in their human capital with loans. On paper they have a negative net worth, even though the higher earning power from their education will allow them to pay off their student loans many times over. There is no reason that highly qualified and intelligent graduates in that situation should be denied entry into the advising profession.

Respectfully submitted,

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