

From: Robin Traxler
Sent: Monday, March 10, 2014 8:45 AM
To: OFM Performance and Planning
Cc: David Bellaire; Justin Nazari; Robin Traxler
Subject: Comment Letter from the Financial Services Institute on SEC Draft Strategic Plan for Fiscal Years 2014-2018

Attached please find the Financial Service Institute's comments regarding the SEC's Draft Strategic Plan for Fiscal Years 2014-2018. Please do not hesitate to contact me if you have any question regarding this submission.

Thank you



VIA ELECTRONIC MAIL

March 10, 2014

Vikash Mohan
Program Analyst
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: SEC Draft Strategic Plan 2014-2018

Dear Vikash Mohan:

On February 3, 2014 the SEC released the Draft 2014–2018 Strategic Plan for Securities and Exchange Commission (Strategic Plan). The Strategic Plan includes drafts of the SEC's mission, vision, values, strategic goals, planning initiatives, and performance goals for the fiscal years 2014 to 2018. By providing a detailed roadmap of its expected priorities and goals, key stakeholders can more fully engage with the agency and its future plans. The Financial Services Institute¹ (FSI) appreciates the opportunity to comment on this important development.

Background on FSI Members

The independent broker-dealer (IBD) community has been an important and active part of the lives of American investors for more than 30 years. The IBD business model focuses on

comprehensive financial planning services and unbiased investment advice. IBD firms also share a number of other similar business characteristics. They generally clear their securities business on a fully disclosed basis; primarily engage in the sale of packaged products, such as mutual funds and variable insurance products; take a comprehensive approach to their clients' financial goals and objectives; and provide investment advisory services through either affiliated registered investment adviser firms or such firms owned by their registered representatives. Due to their unique business model, IBDs and their affiliated financial advisers are especially well positioned to provide middle-class Americans with the financial advice, products, and services necessary to achieve their financial goals and objectives.

In the U.S., approximately 201,000 independent financial advisers – or approximately 64 percent of all practicing registered representatives – operate in the IBD channel.² These financial advisers are self-employed independent contractors, rather than employees of the IBD firms. These financial advisers provide comprehensive and affordable financial services that help

¹ The Financial Services Institute, Voice of Independent Broker-Dealers and Independent Financial Advisors, was formed on January 1, 2004. Our members are broker-dealers, often dually registered as federal investment advisers, and their independent contractor registered representatives. FSI has 100 Broker-Dealer member firms that have more than 138,000 affiliated registered representatives serving more than 14 million American households. FSI also has more than 37,000 Financial Advisor members.

² Cerulli Associates at <http://www.cerulli.com/>.

millions of individuals, families, small businesses, associations, organizations, and retirement plans with financial education, planning, implementation, and investment monitoring. Clients of independent financial advisers are typically “main street America” – it is, in fact, almost part of the “charter” of the independent channel. The core market of advisers affiliated with IBDs is comprised of clients who have tens and hundreds of thousands as opposed to millions of dollars to invest. Independent financial advisers are entrepreneurial business owners who typically have strong ties, visibility, and individual name recognition within their communities and client base. Most of their new clients come through referrals from existing clients or other centers of influence.³ Independent financial advisers get to know their clients personally and provide them investment advice in face-to-face meetings. Due to their close ties to the communities in which they operate their small businesses, we believe these financial advisers have a strong incentive to make the achievement of their clients’ investment objectives their primary goal.

FSI is the advocacy organization for IBDs and independent financial advisers. Member firms formed FSI to improve their compliance efforts and promote the IBD business model. FSI is committed to preserving the valuable role that IBDs and independent advisers play in helping Americans plan for and achieve their financial goals. FSI’s primary goal is to ensure our members operate in a regulatory environment that is fair and balanced. FSI’s advocacy efforts on behalf of our members include industry surveys, research, and outreach to legislators, regulators, and policymakers. FSI also provides our members with an appropriate forum to share best practices in an effort to improve their compliance, operations, and marketing efforts.

Comments

FSI appreciates the opportunity to submit comments on the SEC’s Strategic Plan Draft. We support the SEC’s mission, values, and vision with respect to the protection of investors; maintaining fair, orderly and efficient markets; and facilitating capital formation. FSI hopes to continue to constructively engage with the SEC as it makes progress on implementing its strategic goals and striving to promote a more effective and efficient regulatory environment. To that end, we offer the following comments on the SEC’s Strategic Plan:

- **Strategic Goal 1: Establish and maintain an effective regulatory environment**
 - Strategic Objective 1.1: “The SEC establishes and maintains a regulatory environment that promotes high-quality disclosure, financial reporting, and governance, and that prevents abusive practices by registrants, financial intermediaries, and other market participants.”
 - FSI encourages the SEC to continue analyzing the regulatory structures for investment advisors and broker-dealer providing personalized investment advice. As we have discussed in several other comment letters regarding this issue,⁴ FSI supports a uniform standard of care that preserves different models and maintains access to financial advice for all investors. We applaud the SEC for gathering additional data through last year’s request for information (RFI) and look forward to additional opportunities to provide information and data with respect to this issue and others.

³ These “centers of influence” may include lawyers, accountants, human resources managers, or other trusted advisers.

⁴ See, e.g., Letter from David T. Bellaire to Elizabeth M. Murphy (July 5, 2013), available at <http://www.sec.gov/comments/4-606/4606-3138.pdf>; Letter from David T. Bellaire to Jennifer B. McHugh (April 16, 2012), available at <https://www.sec.gov/comments/4-606/4606-2974.pdf>; Letter from Dale E. Brown to Elizabeth M. Murphy (August 30, 2010), available at <https://www.sec.gov/comments/4-606/4606-2687.pdf>.

Advisory Committee as there is currently no such representation on the committee. As stated earlier, one of the hallmarks of the IBD model is the ability of firms to tailor investment advice and services to a wide range of investors. As such, the IBD model is particularly well-suited to servicing middle-market investors and this is an important viewpoint for the Investor Advisory Committee.

- **Strategic Goal 2: Foster and enforce compliance with the federal securities laws.**
 - Strategic Objective 2.1: “The SEC fosters compliance with the federal securities laws.”
 - Outreach Efforts: This objective includes the goal for the SEC to expand their outreach efforts to promote compliance by “engaging in more proactive communications with registrants and their personnel” among other initiatives. FSI believes communication between the SEC and registrants is essential to a healthy regulatory environment and robust investor protection. As the trade association for IBD firms, FSI can offer assistance to the SEC in accomplishing this goal by facilitating outreach efforts with FSI members. This could be accomplished by disseminating alerts to members, facilitating discussions, and various other initiatives. FSI encourages the SEC to work with industry trade associations on this goal in particular.
 - Strategic Objective 2.2: “The SEC promptly detects and deters violations of the federal securities laws.”
 - Information Sharing and Joint Initiatives with FINRA and NASAA: FSI supports this important objective and encourages the SEC to consider including a joint initiative with FINRA, NASAA, and other governmental agencies such as the FBI and Department of Justice with regard to unregistered persons selling fraudulent investments to unsuspecting investors.
- Strategic Objective 2.3: “The SEC prosecutes violations of federal securities laws and holds violators accountable through appropriate sanctions and remedies.”
 - This initiative states that the SEC will “Broaden the range of enforcement sanctions” by developing “alternative approaches to sanctions to gain greater flexibility in bringing actions to conclusions that benefit investors.” FSI respectfully requests that the SEC consider adding more specific information in the final Strategic Goals to clarify what these “alternative approaches” may entail.
- **Strategic Goal 3: Facilitate access to the information investors need to make informed investment decisions.**
 - Strategic Objective 3.1: “The SEC works to ensure that investors have access to high-quality disclosure materials that facilitate informed investment decision-making.”
 - Variable Annuity Disclosures: This goal contains an initiative to “Design and implement new disclosure regimes for specialized categories...” and specifically lists variable annuities as a potential category. According to

this initiative, the SEC will consider rules to provide investors in VAs more “user-friendly” disclosures and “improve the delivery of information about variable annuities through increased use of the internet and other electronic means of delivery.” FSI member firms support any initiative that would allow for more concise and user-friendly disclosures and provide for online delivery. Not only would this initiative allow firms to control costs, but it would also allow investors to receive important information in a way they can better understand it.

- Updated Disclosure Requirements: This goal includes the initiative to “Update disclosure and reporting requirements to reflect the informational needs of today’s investors” by modernizing disclosure requirements. This initiative specifically states that the SEC will seek to eliminate redundant disclosure requirements. While this particular initiative does not specifically state that the SEC will pursue online delivery of disclosures, it states that requirements should reflect “the informational needs of today’s investors.” FSI strongly believes that online delivery is important and necessary for today’s investors.
- Strategic Objective 3.2: “The SEC works to understand investor needs and educate investors so they are better prepared to make informed investment decisions.”
 - Investor Education and Related Resources: This goal includes several initiatives aimed at the SEC working with other agencies, consumer groups, educational organizations, and financial industry associations to develop and provide educational materials to investors. This includes investor outreach, targeted educational initiatives, and investor alerts. The metrics listed to gauge progress with this goal include the “number of page views” of online educational content and the number of new educational materials designed to educate investors about fraud. FSI strongly supports this initiative and encourages the SEC to seek input and assistance from industry associations such as FSI to accomplish this goal.

Conclusi
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We are committed to constructive engagement in the regulatory process and, therefore, welcome the opportunity to work with the SEC on this and other important regulatory efforts. Thank you for your consideration of our comments. Should you have any questions, please contact me at (202)

803-
6061.

Respectfully
submitted,

David T. Bellaire,
Esq.
Executive Vice President & General
Counsel