

## Legislative Comparison<sup>1</sup>

### Adviser SRO<sup>2</sup> versus SEC Self-Funding<sup>3</sup>

Purpose of legislative proposals is to increase frequency of regulatory examinations for registered investment advisers (RIAs).

Issue	Adviser SRO	SEC Self-Funding
<b>Funding source</b>	Annual fees paid to SRO by federal and state RIAs.	Annual fees collected by SEC from federal RIAs for inspections only.
<b>Scope of coverage</b>	State and federal RIAs	Federal RIAs
<b>Exemptions</b>	Exemptions from SRO oversight for advisors to institutional, mutual and hedge funds; also firms with 90% high net worth clients	No change from current law. <sup>4</sup>
<b>Primary examiner</b>	SRO or state <sup>5</sup>	SEC
<b>Examination cycle for each RIA</b>	Four-year cycle implied.	Not specified. <sup>6</sup>
<b>Primary regulator</b>	SRO <u>and</u> state <sup>7</sup>	SEC
<b>Fee calculation</b>	Equitable allocation of reasonable dues, fees and other charges, to be based on all costs for running an SRO.	Based on frequency of overall inspections, assets under management, number and type of clients, risk factors.

<sup>1</sup> For details, please see executive summaries for each proposal on fi360 website: <http://www.fi360.com/advocacy>.

<sup>2</sup> "Investment Adviser Oversight Act of 2012," H.R. 4624. Referred to House Committee on Financial Services.

<sup>3</sup> "Investment Adviser Examination Improvement Act of 2012," H.R.6204..

<sup>4</sup> Existing exemptions under federal Advisers Act include banks and limited exemptions for teachers, lawyers, accountants, family offices, and advisers with less than \$100 million AUM.

<sup>5</sup> SRO would examine state RIAs if the state has not established an examination cycle of four-years or less.

<sup>6</sup> Previous SEC goal under National Securities Markets Improvement Act of 1996 was five-year cycle.

<sup>7</sup> Federal RIAs subject to SRO rules approved by SEC; state RIAs subject to separate rules of the SRO and state.