

Legislative Advisory Notice

Urgent -- legislation has been introduced in Congress to provide a constructive alternative to a proposed self-regulatory organization (SRO) for registered investment advisers (RIAs). This is very positive news – but it is critical that you act now by contacting your member of Congress!

The “**Investment Adviser Examination Improvement Act of 2012**,” **H.R. 6204**, would authorize the SEC to collect fees from federally registered advisers to increase the frequency of routine adviser examinations. After the Madoff indictment, Congress became alarmed at the lengthy examination cycle for advisers, currently about 11 years. H.R. 6204 was introduced in response to a radically different and extremely costly legislative option that would place FINRA in the driver’s seat as the primary regulator of federal and state investment advisers.

H.R. 6204, in contrast, would provide a simpler, cost-effective solution for advisers, regulators, and investor protection by extending the existing regulatory framework for RIAs. State RIAs would be exempt from the user fee and continue to be subject only to state inspections (in contrast to being required to be members of the SRO under the alternative proposal). Unlike the prior proposal, all SEC-registered RIAs would be subject to examination; there would not be exemptions for larger or specialty advisers. Fees collected by the SEC under H.R. 6204 will be restricted to funding the increased number of exams, and not for any other purpose. The Government Accountability Office (GAO) will review the SEC’s fee formula every two years and report back to Congress. Although the cost of SRO inspections is disputed, opponents believe the annual cost would be up to \$50,000 per firm – far more than a user fee collected by the SEC under H.R. 6204.

It is important to demonstrate your support of the user fee alternative, whether your advisory firm is SEC or state-registered. ***Please contact your House member as soon as possible and request them to co-sponsor H.R. 6204.*** Below are some talking points that you can use:

- **User fees are cost-efficient.** The legislative alternative to **H.R. 6204**, a self-regulatory organization, would cost hundreds of millions of dollars to fund and would create an expensive new bureaucracy not subject to direct congressional oversight.
- **Most advisers are small Main Street businesses.** The vast majority of investment advisers are small businesses with fewer than 10 employees, whether registered with the SEC or a state. They are essentially Main Street. The cost of creating an SRO under the alternative legislative proposal would cause layoffs in the adviser industry and increase costs to investors. **H.R. 6204** is comparatively cost-efficient by simply adding new inspection staff to the existing SEC structure.
- **Checks and balances.** Under **H.R. 6204**, the GAO would be required to monitor user fee collections and the formula for collecting fees from investment advisers and report back to Congress every two years. The fees would be dedicated solely to adviser inspections. FINRA, on the other hand, is conflicted by ties to the securities industry and is not subject to the same obligations of transparency and accountability that a government regulator must meet.

Please contact your legislator by either phone or email. The Capitol Hill switchboard number is **202-224-3121** and can transfer you directly to your Member of Congress with hardly any wait time. You will likely be transferred to a staff assistant who will relay your message to the Member.

Or you may go to <http://www.house.gov>, click on the 'Find Your Representative' link near the top of the page, and enter the zip code for your firm or home address. You will then be prompted to provide your message on a contact form.

Note: Please keep in mind that if you do not live or work in the Member's district, entering the wrong zip code will likely block your message as spam. If you are a constituent of Reps. Maxine Waters, Barney Frank, or Michael Capuano, please thank them for their co-sponsorship.