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fi360 Statement on Discussion Draft of House SRO Bill for Investment Advisers

Having carefully reviewed the initial discussion draft of an SRO bill for investment advisers, fi360 continues to believe that the most cost-effective solution for investor protection is a self-funded SEC and continued, direct oversight of advisers.

Ironically, at a time when critics of a fiduciary standard are calling for a cost-benefits analysis, Congress has bypassed a critical step by proposing SRO legislation without having the Government Accountability Office compare the difference in costs and benefits between an SRO and a fully funded SEC. A new bureaucracy will increase costs for the vast majority of investment advisers, forcing them to pass on higher costs to consumers and leaving investors with potentially fewer choices in advisory services. Given that the Dodd-Frank-Act-mandated study recommended SEC self-funding, it's unclear why the proposed bill focuses on an SRO option.

If Congress determines to proceed on this path, the silver lining is that the draft legislation does provide for more than one SRO for advisers. This would help ensure that investors will be able to choose advisers who are accountable to an SRO that demands adherence to the bona fide fiduciary standard.