



June 24, 2011

The Honorable Mike Feuer
Chair, Assembly Judiciary Committee
California State Assembly
State Capitol, Room 2013
Sacramento, California 95814

RE: Opposition to SB 459 as currently drafted

Dear Assemblyman Feuer:

The Securities Industry and Financial Markets Association¹ must regretfully oppose SB 459 as currently drafted. As you may know, independent contractors represent the fastest growing platform in the securities industry. While we respect the author's interest in addressing the issue of inaccurate classification of workers, we do not believe that the problems SB 459 is attempting to address exist in the broker-dealer business model.

Specifically, we believe that the broker-dealer model for independent contractors is distinguishable from other independent contractor arrangements in the following important ways:

- Independent Registered Representatives (RRs) are sophisticated, highly educated professionals. They are entrepreneurs who assume both the risks and rewards of entrepreneurship.
- Independent Registered Representatives operate as small, independent businesses. They lease their own office space, employ their own staffs, and pay their own operational expenses.
- Securities laws require the independent contractor RRs to be associated with an SEC-registered broker-dealer and registered as a RR with FINRA in order to sell securities products to the investing public.
- An independent RR has a written contract with the affiliated broker-dealer that clearly details the RR's status as an independent contractor.

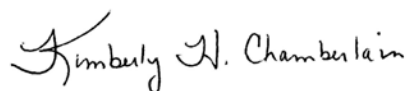
¹ The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

- Independent RRs serve many clients, may do business with multiple brokerage firms, and may engage in other outside business activities, such as tax preparation and insurance.
- Compensation practices in the securities industry are carefully recorded, with IRS Form 1099 reporting universally required.
- Congress recognized the unique status of worker classification in the securities industry in 1997 when it passed the “duty to supervise” safe harbor for broker-dealers.

In short, the broker dealer business model does not typically have a problem with inaccurate worker classification. We therefore see SB 459 as imposing substantial disclosure, recordkeeping and compliance costs on our industry without providing any corresponding benefits to securities workers or employers.

For these and other reasons, we must respectfully oppose SB 459.

Sincerely,

A handwritten signature in cursive script that reads "Kimberly N. Chamberlain".

Kim Chamberlain
Managing Director & Counsel
State Government Affairs

Cc: Members, Assembly Judiciary Committee
Senator Corbett
Kevin Baker, Assembly Judiciary Committee Consultant
Mark Redmond, Assembly Republican Policy Consultant