



June 20, 2011

The Honorable Ellen M. Corbett  
State Capitol  
Room 313  
Sacramento, CA 94248-0001

RE: Opposition to SB 459 as currently drafted

Dear Senator Corbett:

The Securities Industry and Financial Markets Association<sup>1</sup> 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 your interest in addressing the issue of inaccurate classification of workers, we do not believe that the problems you are trying 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.

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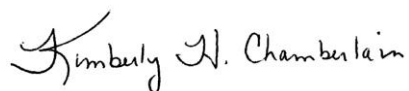
<sup>1</sup> The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic 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 Committee on Labor and Employment  
Ben Ebbink, Chief Consultant, Assembly Committee on Labor and Employment  
Terry Mast, Republican Policy Consultant