



Invested in America

March 25, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry,

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on H.R. 1815, the “SEC Disclosure Effectiveness Testing Act.” H.R. 1815 would impose on the Securities and Exchange Commission (“SEC”) an investor testing requirement for all past and future broker-dealer regulations about disclosure to retail investors.

SIFMA appreciates and shares the interest of Representative Casten and the Committee in advocating for robust investor testing of retail investor disclosures. We agree that in many cases, investor testing is appropriate and makes good common sense. In fact, the SEC conducted extensive investor testing of the proposed Form CRS,² which is an important disclosure of Reg BI. The SEC’s testing involved both a comprehensive national survey to collect information on the opinions, preferences, attitudes, and level of self-assessed comprehension of the Form CRS, as well as qualitative interviews to obtain further insights related to the reasoning and beliefs behind individuals’ attitudes toward the Form CRS. With respect to Reg BI, the investor testing has already been done, and while it may be appropriate to conduct further testing, we believe such testing should not hold up the implementation of the new best interest standard and the heightened duties and obligations that it would afford investors.

Based on this concern, SIFMA respectfully opposes H.R. 1815 because we believe it could unnecessarily delay the implementation of important rules designed and intended to better protect those very same investors, including the SEC’s pending Regulation Best Interest (“Reg BI”).³ SIFMA has long supported enhancing the standard of conduct applicable to broker-dealers when providing personalized investment advice about securities to retail investors and we believe the SEC should proceed with finalizing its rule without delay.

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate on legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. 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>.

² See <https://www.sec.gov/about/offices/investorad/investor-testing-form-crs-relationship-summary.pdf>.

³ Reg BI has three components: (1) Regulation Best Interest (SEC Release No. 34-83062; File No. S7-07-18); (2) Form CRS Relationship Summary, Amendments to Form ADV, Required Disclosures in Retail Communications and Restrictions on the use of Certain Names or Titles (SEC Release No. 34-83063; IA-4888; File No. S7-08-18); and (3) Proposed Commission Interpretation Regarding Standard of Conduct for Investment Advisers; Request for Comment on Enhancing Investment Adviser Regulation (SEC Release No. IA-4889; File No. S7-09-18).

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Further, as written H.R. 1815 could be interpreted to subject *all* current investor disclosure requirements applicable to broker-dealers under the federal securities laws (not just Reg BI) to retroactive review and investor testing.⁴ While we understand and appreciate that this was likely not the Committee's intent or purpose, we believe that imposing such a requirement would likely result in an unprecedented, costly, resource intensive undertaking by the SEC. It would also be highly disruptive to financial services firms and their retail clients.

We appreciate the opportunity to comment and we appreciate your consideration of our views. If you have any questions or require any additional information, please feel free to contact us.

Sincerely,



Mark Schuermann
Managing Director
Head of Federal Government and International Affairs

cc: Members of the House Financial Services Committee

⁴ See p. 4, line 14 (“(b) PRIOR RULES”).