

>>>FAIRVIEW FLASH REPORT <<<

House Bill Would Allow SEC to Collect User Fees

WHAT HAPPENED?	<p>On July 25, U.S. Representative Maxine Waters (D-CA) introduced the “Investment Adviser Examination and Improvement Act of 2012” which would allow the SEC to collect user fees to fund increased investment adviser examinations.</p> <p>This bill is an alternative to the Investment Adviser Oversight Act of 2012 (H.R. 4624) which proposes adding regulatory oversight of advisers by a self-regulatory organization (SRO) such as FINRA. To view the most recent Flash Report on H.R. 4624, please visit: H.R. 4624 Flash Report.</p>
WHAT WOULD CHANGE?	<p>Potential increase in exams. The bill does not specify how many more exams could be expected under this bill, but the idea is to provide the financial resources to increase the number of exams.</p> <p>Collection of a user fee. The bill states that the SEC would base the user fees on the anticipated costs of conducting increased inspections in addition to other factors such as an adviser’s AUM, number of clients and risk profile.</p>
INDUSTRY REACTION	<p>According to a recent poll conducted by <i>Investment News</i>:</p> <ul style="list-style-type: none">• 59% of investment advisers <u>support</u> user fees• 31% of advisers <u>support</u> an SRO• 74% <u>oppose</u> extending FINRA’s regulatory authority <p>The Financial Planning Coalition, a group representing approximately 75,000 financial planners, supports Representative Waters’ bill, stating “The status quo is not acceptable--we need to dramatically increase the frequency of investment adviser examinations. But creating a new SRO is not the right solution. The burden of excessive regulation and cost would fall unfairly on small business owners while many larger firms would be exempt and would go unaffected.”</p> <p>Investment Adviser Association Executive Director David Tittsworth said the bill introduced by Waters would be “the smartest, fastest, and most cost-effective solution to ensure greater frequency of investment adviser examinations.”</p>
WHAT’S NEXT?	<p>It is anticipated that neither Representative Waters’ nor H.R. 4624 will be passed this year. Fairview will continue to monitor the situation and keep you informed as new information becomes available.</p>