

>>>FAIRVIEW FLASH REPORT: JUNE 6th HEARING ON INVESTMENT ADVISER SRO<<<

WHAT HAPPENED?	<ul style="list-style-type: none">• Yesterday, the Committee on Financial Services debated the proposed Investment Adviser Oversight Act of 2012 (H.R. 4624), or more commonly referred to as the Bachus Bill, holding a discussion that included testimony from six industry executives.• The bill proposes adding regulatory oversight of investment advisers by a self-regulatory organization (SRO) such as FINRA.
WHO SUPPORTS IT?	<ul style="list-style-type: none">• Dale Brown, President & CEO of the Financial Services Institute (FSI), testified that the legislation would shift the responsibility for investment adviser examinations from the SEC to an independent regulator paid for by the industry, not taxpayers. "This would free up the SEC to regulate the regulator, as it has done for decades for the brokerage and municipal securities industries, among others," Brown said. He acknowledged that there are many reasons for the current unacceptable regulatory gap. "But the question here today is: How do we close it? We believe H.R. 4624 is the best solution for this urgent investor protection problem."• Besides the FSI, representatives of the National Association of Insurance and Financial Advisors (NAIFA) and the Securities Industry and Financial Markets Association (SIFMA) voiced support for the potential new overseer for investment advisers.• Four witnesses supported an SRO concept as a way to protect investors better. They pointed out that FINRA reviews more than half of registered brokers every year.
WHO IS AGAINST IT?	<ul style="list-style-type: none">• Testifying against the bill were representatives of the Financial Planning Coalition (FPC), which includes members from the Certified Financial Planners Board, the Financial Planning Association, and the National Association of Personal Financial Advisors, as well as John Morgan, Texas securities commissioner, on behalf of the North American Securities Administrators Association, Inc. (NASAA).• The Financial Planning Coalition (FPC) argued that a single SRO will place financial burden on small- to mid-sized financial advisory firms that will now be subject to both federal and state oversight. It would single out small-business owners by imposing fees and regulatory burdens on mid- and small-sized advisory firms that are not imposed on large firms," said FPC officials in a letter submitted to the committee.• Critics also argued that an SRO would represent an expensive additional layer of bureaucracy for investment advisers and potentially destroy jobs. They were opposed to FINRA filling the adviser SRO role.
WHAT IS NEXT?	<ul style="list-style-type: none">• A committee vote on a modified bill likely won't happen until later in the summer.• It had been expected it to occur in late June. "I wouldn't be surprised if the timeline slips," said Dale Brown, chief executive of the Financial Services Institute Inc., which supports the SRO bill. "If it slips in order to get a better bill, that's good."