

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

May 31, 2011

The Honorable Mary L. Schapiro  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street NE  
Room 10700  
Washington, DC 20549

Dear Chairman Schapiro:

I write concerning the authority provided to the SEC in the financial reform legislation to impose a higher standard on broker-dealers that provide personalized investment advice to their customers. Congress adopted section 913 last year after significant debate and discussion in both the House and the Senate and in the conference committee itself. The language adopted recognizes some of the differences between broker-dealers and investment advisors, particularly with respect to the receipt of commission income and the fact that many broker-dealers do not continually provide advice to their customers.

While the law gives the commission authority to establish a new standard of care, the requirement that the new standard be "no less stringent than" 206(1) and (2) was not intended to encourage the SEC to impose the Investment Advisers Act ('40 Act) standard on broker-dealers, but to ensure that the new standard would not be a 'watered down' version of the investment advisors' fiduciary standard. If Congress intended the SEC to simply copy the '40 Act and apply it to broker-dealers, it would have simply repealed the broker-dealer exemption - an approach Congress considered but rejected. The new standard contemplated by Congress is intended to recognize and appropriately adapt to the differences between broker-dealers and registered investment advisors.

I recognize that SEC staff have been taking a thoughtful and deliberate approach to new rules, and I encourage the commission to continue to do so.

  
BARNEY FRANK  
Ranking Member