July 31, 2018

Dear SEC,

I would like to thank you for working towards better advice, more consumer protections and eventually better outcomes and financial preparedness for all. If done properly this should help people of all backgrounds, incomes and net worth.

I am an Investment Adviser Representative, CERTIFIED FINANCIAL PLANNER (CFP) and Founder of a Registered Investment Adviser firm. Most recently did an extensive 15 months RV travel around all of US doing free Financial Literacy Seminars at colleges and universities as well as met with as many people as possible discussing money matters, investments and more. I bring some of those observations on my comments below.

As expected, and as many surveys point out people are very confused about money matters, and the data shows it. Financial Literacy & Education is almost non-existent during their formative years, most schools and states don't mandate it, and when people move in the workforce confusion what to do, who to get help from and how to proceed is extensive. Of course, this is beyond your scope, but as a regulatory agency this background and where the 'clients and/or customers' come from is very important.

A very large percentage of people to start with, do not know the distinction between brokers and investment advisers. Almost everyone in the industry uses the very common and meaningless (if everyone uses it) 'Financial Advisor'. Everyone that uses that title, in the eyes of the uninitiated, is the same – even though one could be a Fiduciary or one simply a financial salesperson.

Another very important point is that a very large number of people (44%), when they hire an 'advisor', believe that the advice is either Free of they don't know what they are paying (Cerulli). This further makes it hard to compete if your competition is perceived to give 'free advice' even if it isn't so. Better, simpler and more transparent fee disclosure, no matter how or who pays the fee, should fix this as well.

'Best interest' is important, but in my opinion, at a lesser value than the above, especially when 'Best Interest' is already key concept of the Fiduciary duty that the investment advisers have. If we don't fix the titles that only the ones that provide advice can use it and provide transparency on fees (no matter who pays them or how they're paid) we will not fix the problem of confusion in the investment market place.

The way I understand your proposal is that it will add another complication to the existing confusion, allowing broker-dealers to offer 'best interest advice' without registering as 'investment advisers', by just providing complex language disclosure and on a '*reasonable basis to believe that it is in the best interest of the client'* which is another very vague and hard to prove or enforce. The very vague words of *'reasonable basis'* and *'believe'* allow for lots of interpretation from the very skillful lawyers of the broker-dealer firms, again not really helping the 'little guy'. How will this 'reasonable basis' be proved, anyways?

In addition on pg. 53 of your proposal you say: ***"Specifically, as further clarification, proposed Regulation Best Interest would not per se prohibit a broker-dealer from transactions involving conflicts of interest****, such as the following:*

- *Charging commissions or other transaction-based fees;*
- *Receiving or providing differential compensation based on the product sold;*
- *Receiving third-party compensation; ...."*

And on pg. 54 *"While* ***these practices would not be per se prohibited by Regulation Best Interest, we are also not saying that these practices are per se consistent*** *with Regulation Best Interest or other obligations under the federal securities laws. Rather, these practices, which generally involve conflicts of interest between the broker-dealer and the retail customer, would be permissible under Regulation Best Interest only to the extent that the broker-dealer satisfies the specific requirements of Regulation Best Interest."*

In practicality these two transcripts from your proposal show that the broker-dealers under the proposed, 'Regulation Best Interest' will continue to provide conflicted advice while now using the 'Best Interest' banner and further make the consumer believe that it is a 'best interest advice' while apparent conflicts are still allowed to exist. How can both of them be true at the same time?

In my opinion, we should take a simpler approach, much easier to understand that even a 5th grader can understand. We need to answer few simple questions then leave the consumer to make his/her own choice.

Most people have these questions regarding someone that will help them with their finances, and using existing law and simple language we can answer:

	A typical *Registered Investment Adviser* firm and their representatives	**A typical *Broker/Dealer* firm and their representatives**
Who are you? What are your legal obligations?	I'm a Fiduciary, legally obligated to provide financial advice on your best interest first. I act with prudence and will avoid or disclose any conflicts I have in providing you advice.	I'm a broker, also simply known as a financial salesperson. You hire me to facilitate a trade, but I cannot give financial advice, unless to facilitate the sale of a financial product.

How do you get paid?	You, the client pays me. I don't get any other compensation from any of the products or other third parties.	I get paid commissions from the products I recommend you. This is what typically will cost you. Example, this much.
How much does it cost, now and in the future?	Percent of assets, fixed fee etc. Example, This much now and this much in the future.	Transaction fee, third party fee, commissions, residuals, etc. Example, This much now and this much in the future.
Do you have any conflicts while providing financial help to me?	I try to avoid and at minimum will disclose to you any unavoidable conflicts.	There are conflicts in the process of operating our business. We get compensated via commissions or by third party firms for selling their products to you. This may add a conflict to sell the product that pays us the most.

The above is just a starting idea, but the point is that the current law provides for great distinction between a broker and an investment adviser. Adding a 'best interest' broker is adding another column in-between the two that adds confusion and blurs the lines between the two without providing any benefit for the consumer.

In addition, more than 70% of financial advisors are dually registered and they can act as both 'investment adviser' and a 'broker' at any time they choose. This is the most heated point, in my opinion, as even professionals cannot distinguish when a dually registered advisor is providing advice or is acting as a broker. According to your new proposal there's no change on that and they can keep their 'advisor' title even though they may do most of their work as a broker.

In most peoples' minds a person cannot be two things, it either is a trusted advisor who puts their best interests all the time, or is a salesperson selling a product for his company. It cannot be an advisor for a moment and then a broker in another instance. Again, to the uninitiated ones, this is not clear at all and even seems as the confusion can be on purpose. We need to find a way to make sure that a person can only play one role, at all times, and not keep changing at will, especially if the difference between the two standards is so great.

Finally, I understand people and our society in general value choices and the freedom to choose. With this suggestion, I'm not pushing for a one or another solution, just simplifying and making it easier to understand what these financial people do, what are their incentives to do so and how it all relates to the eventual advice or help that the consumer receives. Most people understand and can choose properly if given the right, transparent information, and the new regulation should point towards a more simple and transparent roles of the current financial representatives, instead of adding more complexity and cloudiness to the conversation.

Adding a 'best interest broker' without removing their existing conflicts of interests moves further into the confusion and will further complicate providing advice for most, without adding any valuable benefit to the end-consumer. Thank you very much for considering these ideas and comments.

Sincerely,

Genti Cici, CFP®, CAIA, MBA
Founder/CEO at StandUP Advisors