

March 22, 2010

*VIA FACSIMILE*

The Honorable Christopher J. Dodd  
Chairman  
Committee on Banking, Housing,  
and Urban Development  
Washington, D.C. 20510

The Honorable Richard C. Shelby  
Ranking Member  
Committee on Banking, Housing,  
and Urban Development  
Washington, D.C. 20510

**Re: “Restoring American Financial Stability Act of 2009”**

Dear Chairman Dodd, Ranking Member Shelby and Members of the Committee:

On behalf of the Investment Adviser Association (IAA), which represents 475 SEC-registered investment advisory firms that in aggregate manage more than \$9 trillion, I am writing regarding the financial services regulatory reform legislation being marked-up by the Banking Committee.

We believe that the legislation should be amended to ensure that all those who provide investment advice are held to the legal standard that offers the greatest degree of investor protection – the Investment Advisers Act fiduciary duty. For too long, financial service providers have been free to market themselves as trusted advisers without having to meet the fiduciary standard appropriate to that role. Further study – as currently provided for in Section 913 of the bill – is not needed.

Investment advisers are fiduciaries to all of their clients under the Investment Advisers Act of 1940. Advisers are extensively regulated and, as fiduciaries, must at all times act in the best interests of their clients, placing their clients’ interests above their own.

The IAA also believes that the SEC should be maintained as the sole and direct regulator for federally-registered investment advisers and has long advocated full funding for its regulatory, inspection and enforcement efforts. We strongly support the self-funding provision included in the legislation as it will enable the agency to perform long-term planning and budgeting.

We believe that the job of regulating financial services should remain the responsibility of federal and state regulators directly accountable to legislators and the public and oppose efforts to outsource investor protection to private organizations.

For this reason, we oppose any amendment that would impose an SRO for the advisory profession or any segment thereof. The drawbacks of an SRO – including inherent conflicts of interest, questions about transparency, accountability and oversight, and added costs and bureaucracy – outweigh any alleged benefits. We note further that it would be especially inappropriate for FINRA – the brokerage industry’s self-regulatory organization – to obtain authority over investment advisers given its track record, its grounding in the brokerage industry’s “sell-side” culture, and its historical antipathy to the fiduciary standard.

The Investment Adviser Association looks forward to continuing to work with the Banking Committee in its regulatory reform efforts and appreciates your consideration of our views.

Respectfully,

A handwritten signature in black ink, appearing to read "N.A. Simon", with a long horizontal flourish extending to the right.

Neil A. Simon, Esq.  
Vice President for Government Relations