



# **Investment Adviser Oversight**

## Survey of Investment Adviser Preferences

November 2011

THE BOSTON CONSULTING GROUP

# Survey context and objectives

---

The Boston Consulting Group ("BCG"), a global management consulting firm, was engaged by a group of organizations with Investment Adviser ("IA") stakeholders to help inform the discussion on IA regulatory oversight. The Securities and Exchange Commission's ("SEC") Section 914 study, which was required by the Dodd-Frank Wall Street Reform and Consumer Protection Act and released in January 2011, outlined three recommended options for increasing oversight of IAs. The specific objectives of this study are to establish an economic fact base, informed by publicly available information. In addition, a broad base of IAs based in the United States were surveyed to better understand their preferences. This document contains the survey results, while the results of the economic analysis are described in the accompanying prose report: "Investment Adviser Oversight: Economic Analysis of Options".

BCG designed the questions for the survey, managed its execution, and analyzed the results. The survey was administered online in November 2011. A survey link was distributed via email to the targeted population of IAs. 424 survey responses were received. The profile of respondents was compared to the US IA population to ensure adequate representation across relevant IA sub-segments.

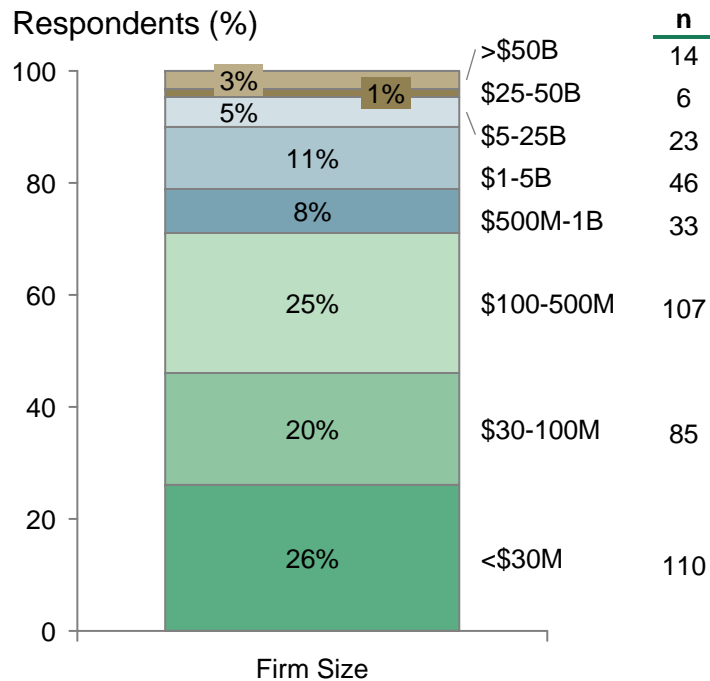
The BCG team involved in this effort was not involved in any prior BCG work for related organizations. Further, the BCG team conducted this analysis independently of any prior related work performed by the firm. The SEC and the Financial Industry Regulatory Authority ("FINRA") were not interviewed or consulted as part of this effort. They did not provide any input, feedback or guidance on the materials or on the analysis contained in this report.

The results contained in this document reflect the views of the survey respondents only. This report, any statement made therein, or any statements made by BCG or by any other organization regarding this report, does not constitute a BCG endorsement or recommendation of any of the specific IA oversight scenarios referenced in this report or of any specific approach to IA oversight more generally, and should not be interpreted as such.

# Respondent profile (I)

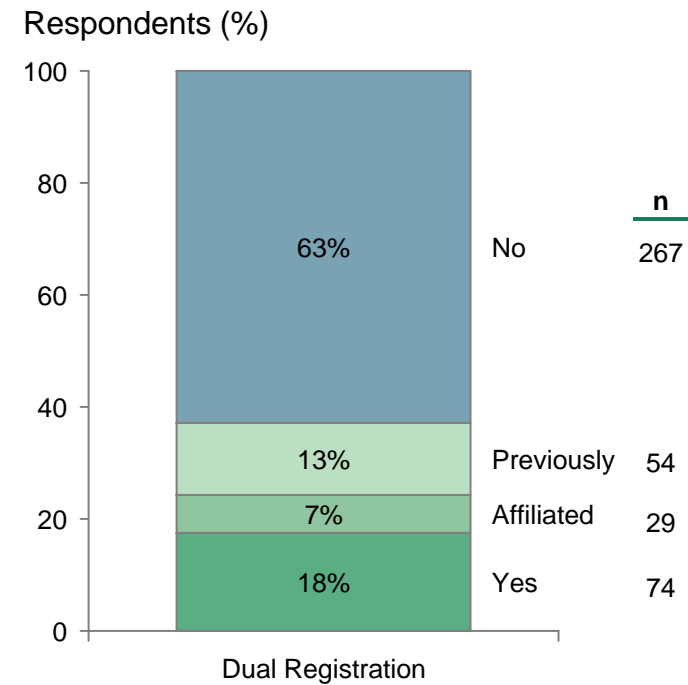
## Respondent Firm Size

What are the total assets under management (AuM) at your firm? (n=424)



## Respondent Registration: Dually Registered

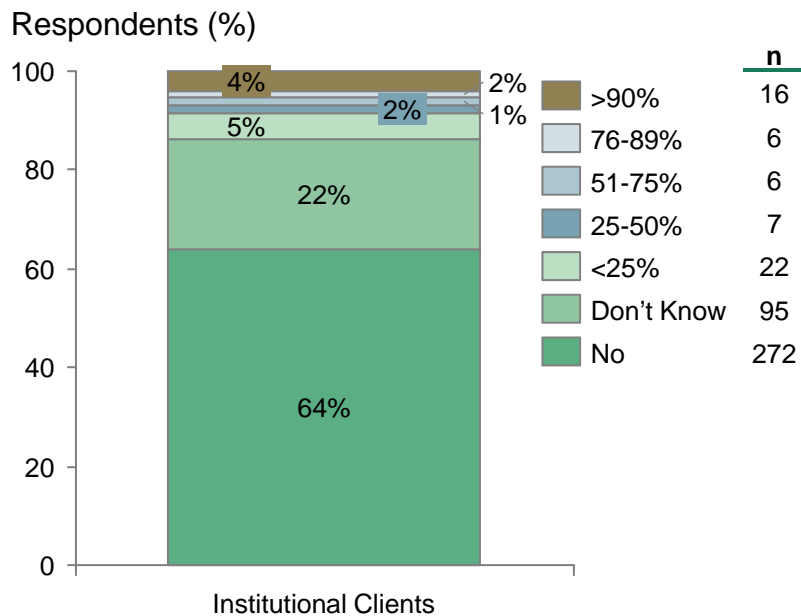
Is your firm registered with FINRA as a broker-dealer? (n=424)



# Respondent profile (II)

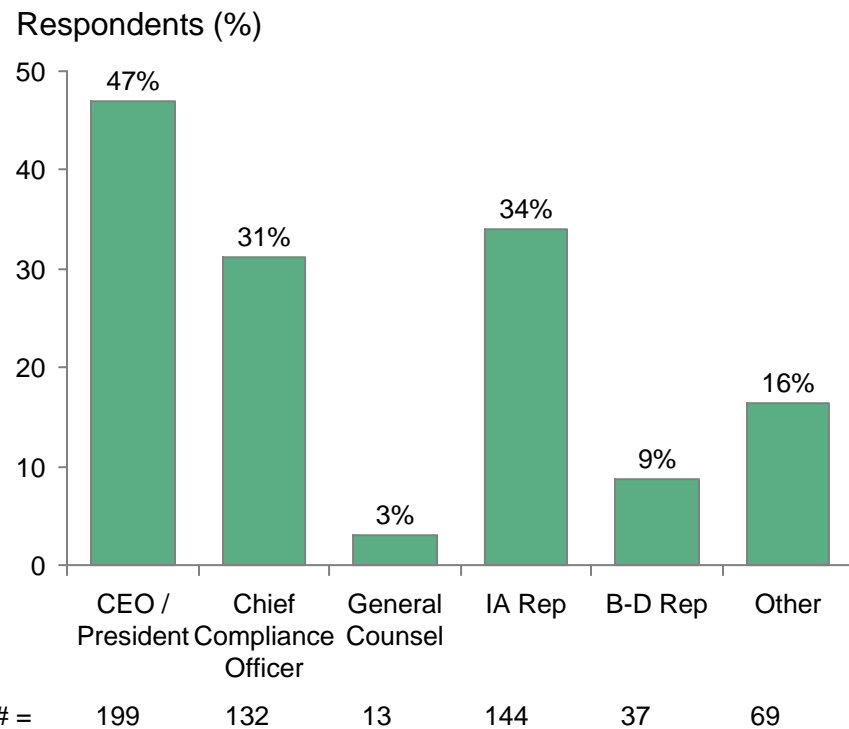
## Respondent Client Mix: Institutional Clients

Does your firm advise institutional clients (e.g., mutual funds, hedge funds, private investment funds, venture capital funds) and/or individuals with total investments of at least \$25 million?  
 If you answered "Yes" to the above question, what % of your firm's AuM are owned by institutional clients and/or individuals with total investments of at least \$25 million? (n=424)



## Respondent Roles

What is your role at your firm?  
 Please select all that apply. (n=424)

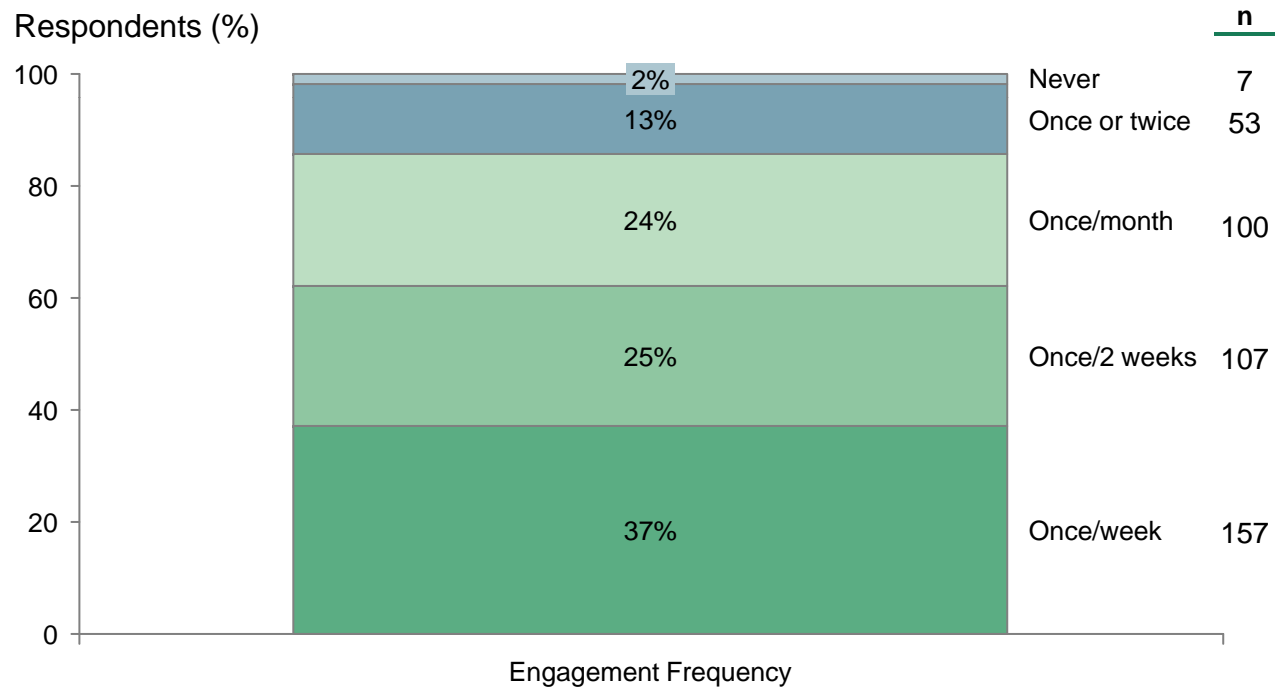


Note: Sum of responses exceeds 424, as many respondents selected more than one role

# Respondent profile (III)

## Respondent engagement level

*How actively have you followed the ongoing discussions surrounding regulatory oversight of investment advisers? (n=424)*



# User/membership fee scenarios provided to respondents depending on respondent firm size

## SEC vs. FINRA-IA SRO

Respondent Firm Size, AuM	SEC	FINRA-IA SRO
<\$30M	\$160	\$210
\$30M - \$100M	\$350	\$460
\$100M - \$500M	\$1,600	\$2,100
\$500M - \$1B	\$4,000	\$5,250
\$1B - \$5B	\$16,000	\$21,000
\$5B - \$25B	\$80,000	\$105,000
\$25B - \$50B	\$200,000	\$262,500
\$50B+	\$265,000	\$350,000

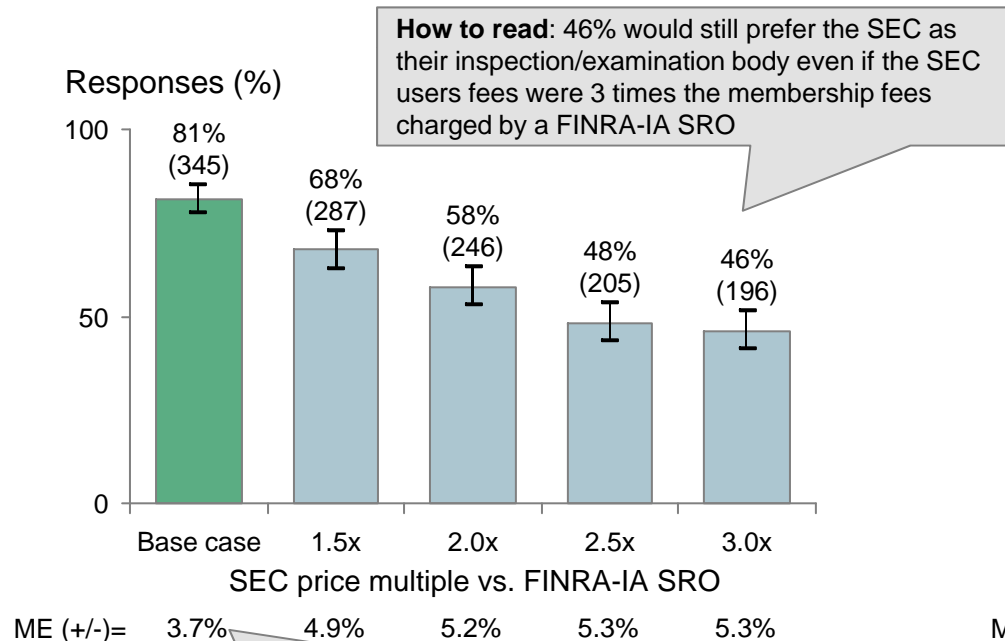
# Respondent preference for SEC vs. FINRA-IA SRO

All respondents

**Base case:** Given the following annual user/membership fees, would you personally prefer the SEC or FINRA as the inspection/examination body for your firm? (n=424)

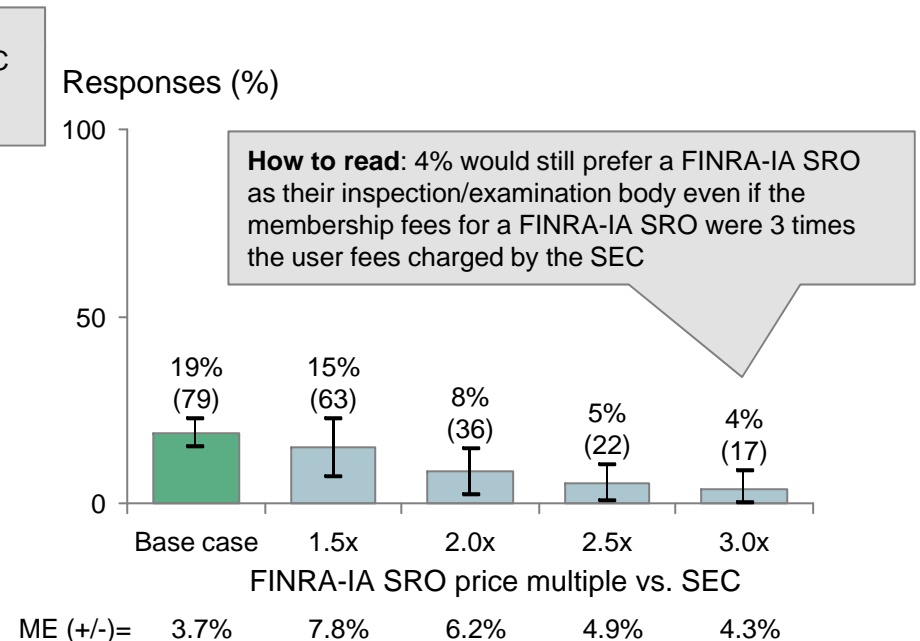
## 81% express preference for SEC

**After base:** If the annual fees for the SEC were higher, while the annual fees for FINRA remained the same, would your preference shift from the SEC to FINRA? (n=345)



## 19% express preference for FINRA-IA SRO

**After base:** If the annual fees for FINRA were higher, while the annual fees for the SEC remained the same, would your preference shift from FINRA to the SEC? (n=79)



**How to read:** At a 95% confidence level, between 77.3% and 84.7% of the surveyed population prefer the SEC over a FINRA-IA SRO as their examination/inspection body

Note: Respondents were initially asked to select the SEC or FINRA at a base case, after which they were queried about their willingness to pay for the previously selected organization at increasing relative price levels. Margin of error (ME) was calculated at the 95% confidence level.  
Source: BCG IA Survey (2011)

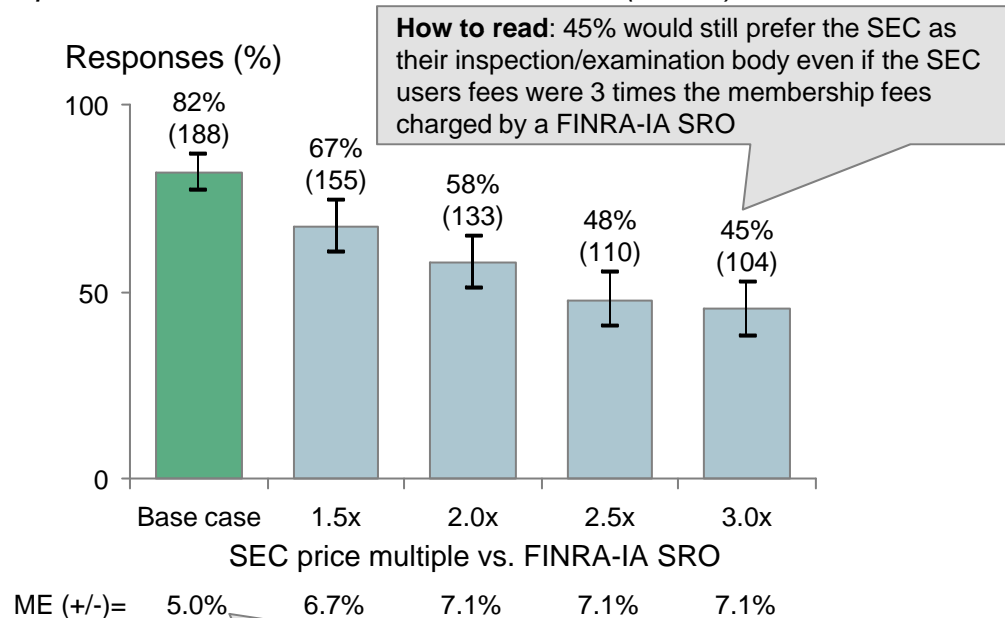
# Respondent preference for SEC vs. FINRA-IA SRO

>\$100M AuM respondents

**Base case:** Given the following annual user/membership fees, would you personally prefer the SEC or FINRA as the inspection/examination body for your firm? (n=230)

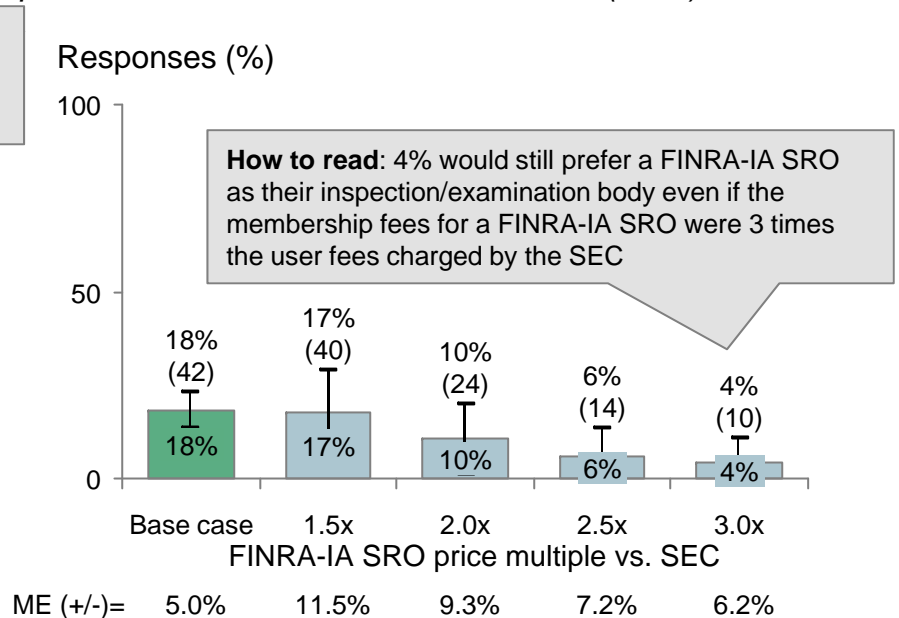
## 82% express preference for SEC

**After base:** If the annual fees for the SEC were higher, while the annual fees for FINRA remained the same, would your preference shift from the SEC to FINRA? (n=188)



## 18% express preference for FINRA-IA SRO

**After base:** If the annual fees for FINRA were higher, while the annual fees for the SEC remained the same, would your preference shift from FINRA to the SEC? (n=42)



**How to read:** At a 95% confidence level, between 77% and 87% of the surveyed population prefer the SEC over a FINRA-IA SRO as their examination/inspection body

Note: Respondents were initially asked to select the SEC or FINRA at a base case, after which they were queried about their willingness to pay for the previously selected organization at increasing relative price levels. Margin of error (ME) was calculated at the 95% confidence level. Source: BCG IA Survey (2011)



# User/membership fee scenarios provided to respondents depending on respondent firm size

## FINRA-IA SRO vs. New-IA SRO

Respondent Firm Size, AuM	FINRA-IA SRO	New-IA SRO
<\$30M	\$210	\$250
\$30M - \$100M	\$460	\$550
\$100M - \$500M	\$2,100	\$2,500
\$500M - \$1B	\$5,250	\$6,300
\$1B - \$5B	\$21,000	\$25,200
\$5B - \$25B	\$105,000	\$126,000
\$25B - \$50B	\$262,500	\$315,000
\$50B+	\$350,000	\$420,000

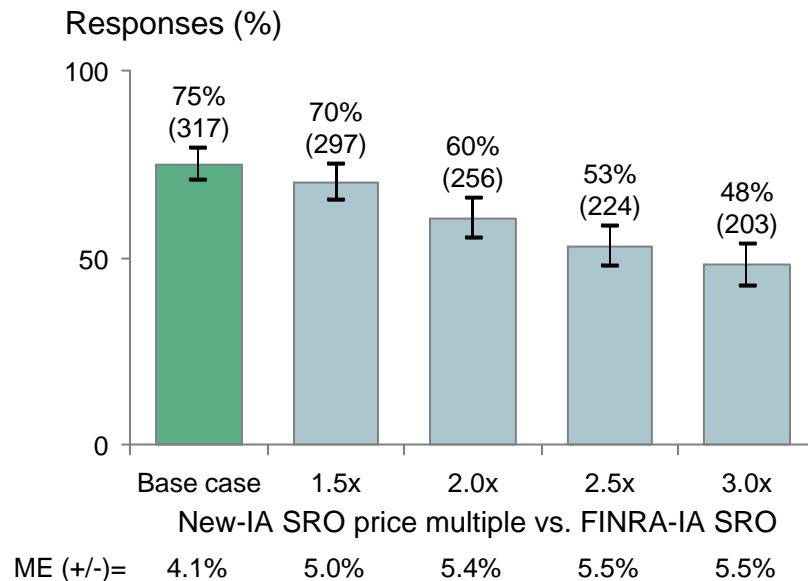
# Respondent preference for FINRA-IA SRO vs. New-IA SRO

All respondents

**Base case:** Given the following annual user/membership fees, would you personally prefer FINRA-IA SRO or a new IA-specific SRO as the inspection/examination body for your firm? (n=424)

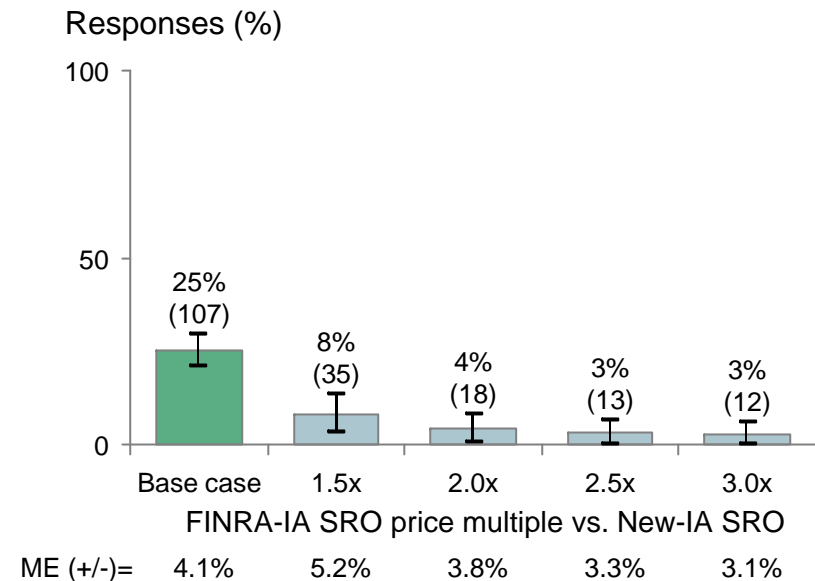
## 75% express preference for New-IA SRO

**After base:** If the annual fees for the SRO were higher, while the annual fees for FINRA remained the same, would your preference shift from the SRO to FINRA? (n=317)



## 25% express preference for FINRA-IA SRO

**After base:** If the annual fees for FINRA were higher, while the annual fees for the SRO remained the same, would your preference shift from FINRA to the SRO? (n=107)



Note: Respondents were initially asked to select FINRA or a new IA-specific SRO at a base case, after which they were queried about their willingness to pay for the previously selected organization at increasing relative price levels. Margin of error (ME) was calculated at the 95% confidence level.  
Source: BCG IA Survey (2011)

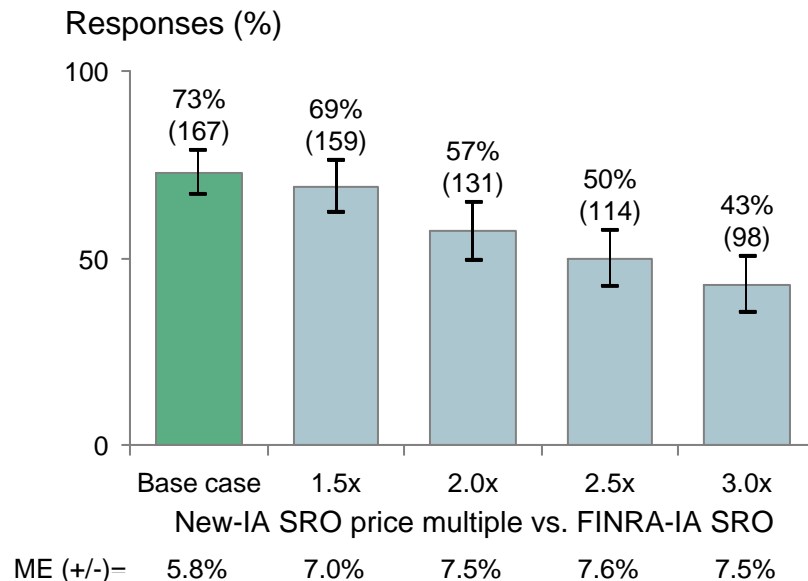
# Respondent preference for FINRA-IA SRO vs. New-IA SRO

>\$100M AuM respondents

**Base case:** Given the following annual user/membership fees, would you personally prefer FINRA-IA SRO or a new IA-specific SRO as the inspection/examination body for your firm? (n=230)

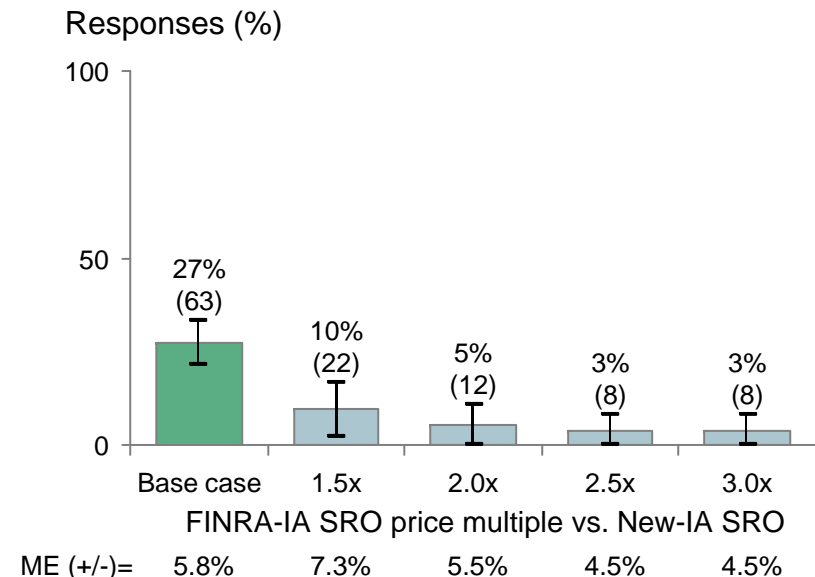
## 73% express preference for New-IA SRO

**After base:** If the annual fees for the SRO were higher, while the annual fees for FINRA remained the same, would your preference shift from the SRO to FINRA? (n=167)



## 27% express preference for FINRA-IA SRO

**After base:** If the annual fees for FINRA were higher, while the annual fees for the SRO remained the same, would your preference shift from FINRA to the SRO? (n=63)



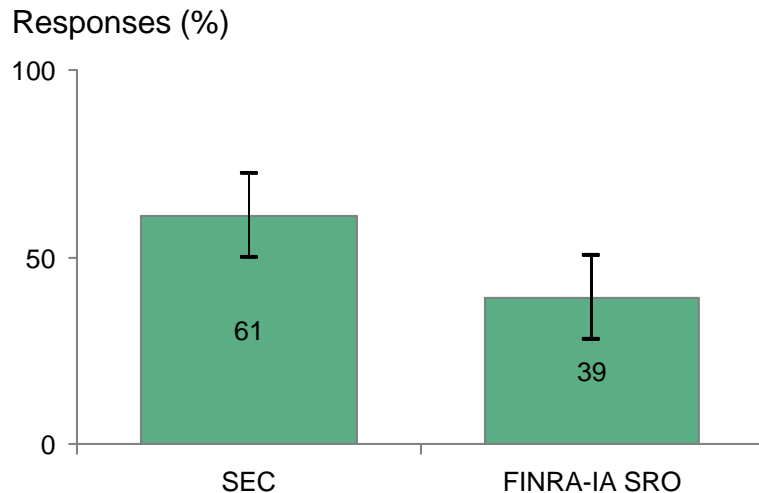
Note: Respondents were initially asked to select FINRA or a new IA-specific SRO at a base case, after which they were queried about their willingness to pay for the previously selected organization at increasing relative price levels. Margin of error (ME) was calculated at the 95% confidence level.  
Source: BCG IA Survey (2011)

# Dually registered broker-dealer respondent preferences

All dually registered broker-dealer respondents

## 61% of dually registered B-D respondents express preference for SEC over FINRA-IA SRO

Base: Given the following annual fees, would you personally prefer the **SEC or FINRA** as the inspection/examination body for your firm? (n=74)

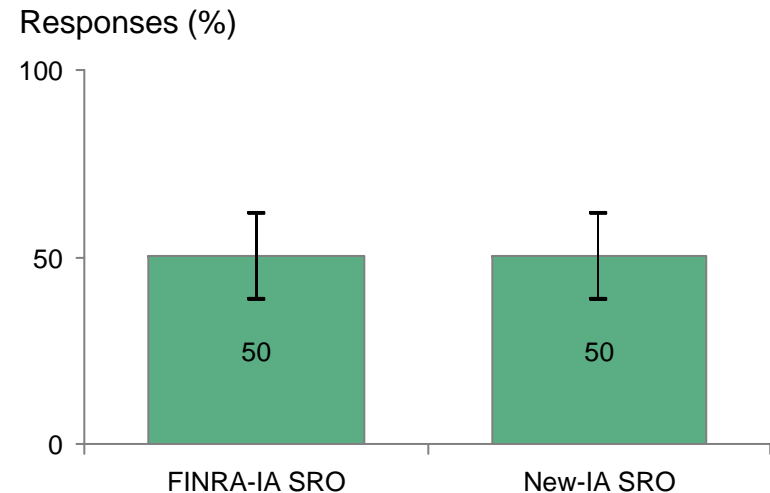


ME (+/-)= 11.1%

11.1%

## 50% of dually registered B-D respondents prefer a FINRA-IA SRO over a New-IA SRO

Base: Given the following annual fees, would you personally prefer **FINRA-IA SRO or a new IA-specific SRO** as the inspection/examination body for your firm? (n=74)



ME (+/-)= 11.4%

11.4%

Note: Respondents were initially asked to select the SEC or FINRA at a base case, after which they were queried about their willingness to pay for the previously selected organization at increasing relative price levels. Margin of error (ME) was calculated at the 95% confidence level.  
Source: BCG IA Survey (2011)

IAO-Survey-Results-05Dec11-vf.pptx