

March 10, 2017

Office of Regulations and Interpretations  
Employee Benefits Security Administration  
Attn: Conflict of Interest Rule  
U.S. Department of Labor  
200 Constitution Ave. NW  
Washington, DC 20210

RE: RIN 1210-AB79

To Whom it may concern:

We are writing to you today in support of the proposed 60 day delay rule regarding the implementation date of April 10, 2017 of the Best Interest rule. While we believe that advisors and firms already act in the best interest of their clients and their retirement accounts we feel this rule is very complex which will add significant costs to firms and advisors. The increased compliance and operational costs involved with compliance will, in all likelihood, lead advisors and firms to limit investment choices and set minimum account size restrictions for the clients they will work with. This is contra to the very needs of many of these smaller investors.

Securities Management & Research, Inc. is an independent broker / dealer registered with FINRA. We have approximately 250 independent contractor advisors in more than 40 states. We have been in business since 1964, (53 years), and currently have 85 highly skilled and well paid employees in our corporate office in Cedar Rapids, IA. Because our advisors are independent business owners, they too have staff to help manage their office, meet with clients, complete paperwork and remain in compliance with the rules and regulations provided by the SEC, FINRA, and the state securities administrators. More research needs to be done on the rule as to the potentially devastating affects in terms of costs to our business and the inevitable disruption of investment advice to smaller IRA investors.

Some points to consider:

- The costs that will be incurred to comply will most likely force our smaller firm to consolidate or close our doors. In other words, lost jobs.
  - Morningstar gave us a quote for their technology solution which would assist with compliant procedures. Price tag was **\$1,014,540! Annually!** We don't have \$1,000,000 of net income annually. How would we pay for this? Other solutions quoted in the several hundred thousand dollar range, again annually. We have already spent over \$300,000 in legal costs and staff hours trying to develop our compliance procedures. We won't survive.
- Retirement investors will have fewer investment options which will limit potential higher appreciation/growth opportunities.

- Other financial services firms have already announced that they will require clients to move their IRA to another firm because of certain investments in the accounts. This is exactly what FSI and others have been saying would happen and investors are being deprived of affordable advice.
- No consensus on how to comply with the rule using the BIC.
  - We have engaged two ERISA law firms to guide us on compliance and to develop our BIC contract. We continue to receive conflicting advice on how to comply. If two ERISA law firms can't figure out the rule, how are we supposed to do it?
- Increased litigation.
  - Michael Wong, equity analyst for Morningstar stated that annual litigation costs will be \$70MM - \$150MM per year! This is the death nail for our industry as small business. Maybe Merrill Lynch can afford it but we can't.
  - It would not be a stretch to assume that E&O insurance carriers would most likely exclude BICE claims from firm coverage policy, giving us no choice but to drop retirement accounts from our business model. These accounts are roughly 60% of our business. Again, we won't survive.
- We continue to struggle to find a BIC Officer.
  - Due to the "personal liability" thrust on the BIC officer, we can not find anyone willing to take that role. It would be nothing for Morgan Stanley and UBS to provide a corporate indemnification to its BIC officer, but Securities Management & Research, Inc. certainly would not have that same luxury. It is highly unlikely that thousands of firms our size would be able to provide it either, leaving a person with a severe risk of financial ruin for taking the job.

This delay is necessary and should be expedited. There are more questions and costly applications, (for both investors and advisory firms), to the implementation of this rule, and more care must be given to develop a good rule that works for all retirement investors and the advisors who work long and hard to help clients meet their retirement goals.

Thank you in advance,



Ronald O. Brendengen  
COO/CFO