PUBLIC SUBMISSION

Received: March 17, 2017
Status: Pending_Post
Tracking No. 1k1-8vb7-5xtx
Comments Due: April 17, 2017
Submission Type: API

Docket: EBSA-2010-0050
Definition of the Term ‘‘Fiduciary’’; Conflict of Interest Rule—Retirement Investment Advice

Comment On: EBSA-2010-0050-3491
Definition of Term Fiduciary; Conflict of Interest Rule-Retirement Investment

Document: EBSA-2010-0050-DRAFT-16745
Comment on FR Doc # 2017-04096

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General Comment

The damages of delaying the rule by merely 60 days, outweighs the benefits of having it go live in April 10th, 2017 as planned.

According to EPI, the estimated investor damage for a 60 days delay is $3.7b, wheres the financial industry would only save $8mm in compliance costs in case the delay gets into effect.

In addition to the cost consumers would pay with their hard earned savings, there are many other stake holders who worked in good faith assuming this rule would kickoff in April 10th. Here's a few examples:

a. M&A - Ever since the rule passed in April 2016, many companies have been recalibrating their business models, and plans going forward. As part of that landscape we've seen a tremendous amount of Mergers and Acquisitions. These are business taking the most strategic decision a business can make based on a fact that the rule is in the book. A delay would mean that business owners sold their business for no good reason.

b. Share holder losses (stock market) - Ever since the rule got into effect, companies like Ameriprise, Raymond James and others have been struggling in the stock market. This means that if I held an Ameriprise stock, and lost 40% due to the new rule, the best thing that I can do is to sell my stock. I did that since the rule is in the books, and I have to face the new reality of the marketplace. If the rule would get delayed or repealed, these stocks would jump back, and I wouldn't get a chance to bounce back with them. I've sold my stock, in good faith, as I thought that a rule is a rule, and that's it.

c. Technology Vendors - Ever since the rule passed in April 2016, there has been many tech vendors creating new solutions to cope with the rule. They did that as they operated with good faith that a rule is the rule. Delaying the rule, would have the chance to bankrupt these vendors as they just lost their business.

d. The financial industry has been preparing for the rule - The financial industry has been investing tens of millions of dollars (cash and human capital alike) in preparation for the rule. Delaying it now creates an unfair advantage to those who decided not to prepare. The opportunity cost is lost on those who prepared, where's those who didn't capitalized big time by doing that. Good faith is critical in any democracy, in particular the USA.

A "simple" 60-day delay, turns out to be not simple at all. This is disrupting all market forces, including but not limited to Investors, Share holders, Tech vendors and many more.

If the mere reason is to answer the new Presidents questions.. just do that while the rule is active, and follow a new rule making process to make any changes you feel is appropriate.

Link to EPI data:

http://www.epi.org/publication/epi-comment-on-the-proposal-to-extend-the-applicability-date-to-the-fiduciary-rule/