



VIA ELECTRONIC MAIL: EBSA.FiduciaryRuleExamination@dol.gov

August 11, 2017

Employee Benefits Security Administration
Office of Exemption Determinations
U.S. Department of Labor
200 Constitution Avenue, NW
Suite 400
Washington, DC 20210

Re: RIN 1210-AB82: Request for Information Regarding the Fiduciary Rule and Prohibited Transaction Exemptions

Dear Deputy Assistant Secretary Hauser:

Cambridge Investment Research, Inc. and Cambridge Investment Research Advisors, Inc. (collectively “Cambridge”) appreciate the opportunity to comment on The Department of Labor’s (the “Department”) request for information (RFI) published in the Federal Register on July 6, 2017 in connection with its examination of the final rule defining who is a “fiduciary” of an employee benefit plan for purposes of the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code (IRC), as a result of giving investment advice for a fee or other compensation with respect to assets of a plan or IRA (Fiduciary Rule). The RFI seeks public input regarding the advisability of extending the January 1, 2018, applicability date of certain provisions in the Fiduciary Rule and its accompanying exemptions, including the Best Interest Contract Exemption and Prohibited Transaction Exemption 84-24. Cambridge provided its view on such requested information in a letter to the Department dated July 21, 2017. Additionally, the RFI seeks public input regarding possible additional exemption approaches or changes to the Fiduciary Rule. This response is contained herein.

Cambridge has consistently supported the implementation of a thoughtful, well-crafted, and effective uniform standard of care applicable to all financial services professionals providing investment advice to clients, regardless of the type of investment account a client may have.

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While Cambridge supports a uniform standard of care for all investment accounts, Cambridge believes the SEC is in a better position than the Department to create and implement a rule that accomplishes this goal. Further, Cambridge believes full implementation of the DOL's Fiduciary Rule will harm retirement investors and firms like Cambridge and its advisors by disrupting the retirement services industry, due to a reduction in investment advice and offerings, lack of services and products, increased costs, and increased litigation that will increase prices to retirement investors.

Cambridge believes the Fiduciary Rule will prove costly, possibly precluding the ability for certain retirement investors to obtain a full array of services and professional guidance – the very investors the Department seeks to protect. The Fiduciary Rule will significantly increase compliance costs which will likely be passed on to consumers. Further, the risk of litigation will cause firms to reduce product offerings and deprive retirement investors of personal financial planning services. As such, Cambridge appreciates the opportunity to provide suggestions on how the Fiduciary Rule can better achieve its goals while eliminating the harmful effects on investors that the current rule would create.

BACKGROUND ON CAMBRIDGE

Cambridge is a privately-controlled financial solutions firm focused on serving independent financial services professionals (“advisors”) and their investing clients. Cambridge’s national reach includes: Cambridge Investment Research Advisors, Inc. – a corporate Registered Investment Advisor (“RIA”) federally registered with the Securities and Exchange Commission (“SEC”); and Cambridge Investment Research, Inc. – an independent broker-dealer, member FINRA/SIPC. Cambridge is among the largest privately-controlled independent broker-dealers/RIAs in the country supporting over 3,000 advisors nationwide who serve more than 700,000 of their clients as investment advisor representatives and registered representatives, choosing to use either Cambridge’s RIA or their own RIA.

Independent financial services professionals are not employees of an independent financial services firm like Cambridge – they are independent contractors and entrepreneurial business owners. They have the freedom to structure their business in a manner that best serves their investing clients. Independent financial professionals utilize a broker-dealer and/or an RIA that provides services which include processing investment business, marketing assistance, practice management, and education. In addition, a broker-dealer and/or an RIA holds responsibility for regulatory compliance and adherence to securities laws.

In supporting over 3,000 advisors throughout the country, Cambridge serves more than 400,000 individual retirement accounts and retirement plans, as well as over 300,000 non-retirement accounts. Cambridge is proud that advisors who share its core values of integrity, commitment, flexibility, and kindness choose Cambridge as their financial solutions firm. Cambridge is located in Fairfield, Iowa, where it is the largest employer with over 700 associates in this Midwestern community of about 10,000 residents. Just over 50 percent of Cambridge’s associates live in the immediate area and Cambridge draws most of the other half of its associates from six surrounding counties in southern Iowa. Similarly, the more than 3,000 advisors affiliated with Cambridge live and work in communities all across the country, servicing investing clients

who reflect the unique demographics of their communities.

In brief, Cambridge and its associates live and work in a small community and the Midwestern roots and main street connection are integral to the personalized connection Cambridge has with main street advisors; and the personal relationship these advisors have with their investing clients – many of whom also live and work in the same communities. Cambridge hopes this perspective will help the Department better understand the following comments regarding the Department’s consideration to delay the Fiduciary Rule.

DISCUSSION

On April 4, 2017, the Department finalized the delay of the applicability date of the Fiduciary Rule to June 9, 2017 to conduct a study of the rule’s impact per the President’s Memorandum to the Secretary of Labor, dated February 3, 2017 (the “President’s Memorandum”). Cambridge previously provided comments to the Department stating Cambridge and the industry needed more time to develop technology, products, and services to meet the requirements of the Fiduciary Rule.

Cambridge strongly supports the implementation of a uniform standard of care for all investment accounts and the creation of more streamlined exemptions and compliance mechanisms. Cambridge has significant concerns that the Fiduciary Rule in its current form will harm the very investors the Department hopes to protect by reducing investor access to retirement advice. Equally important to finding the appropriate balance between retirement investor protection and access to a full array of retirement products and services, Cambridge strongly advocates for a delay with the full application of the Fiduciary Rule at this time so the Department can evaluate recommendations to improve or enhance the rule through modifications or revisions.

RESPONSE TO GENERAL QUESTIONS

I. Substantial Efforts Have Been Performed to Comply With the Fiduciary Rule and Market Innovations Are Anticipated.

Cambridge and its advisors have worked diligently to develop systems and implement changes necessary to modify their business structures and practices to accommodate the requirements currently implemented by the Fiduciary Rule. For example, such efforts have included design and implementation of an account setup decision tree; level fee fiduciary platforms; account level indicators to identify accounts as “Grandfathered,” “Level Fee,” and “BIC Eligible”; and the ability to group accounts as part of a household. Further efforts have included restructuring advisor compensation models, creation of multiple working groups to facilitate compliance with the Fiduciary Rule, creation of online learning centers with multiple resources for advisors to ensure compliance including webinars, manuals, updated paperwork, and sample fee schedules, and sending Cambridge executives and associates to multiple locations across the country to meet with hundreds of advisors to present on and discuss requirements of the Fiduciary Rule.

Despite the work performed to date, considerable work remains to implement the Fiduciary Rule in a proper and responsible manner to minimize further confusion and disruption to retirement investors and the industry. Additional work anticipated by Cambridge includes the development of an automated online tool for best interest analysis, a streamlined transition disclosure, notices and mailings to clients, technology solutions to replace currently implemented or planned manual processes, and the creation of contracts to meet additional requirements of the Fiduciary Rule. Cambridge also anticipates further market innovations from product companies, service providers, clearing firms and technology companies. Product innovations such as T-Shares and Clean Shares may become industry prevalent. Additional fee based products such as fee based annuities will also likely become more readily available. Importantly, various service providers and technology companies are anticipated to begin offering creative solutions to assist financial services firms with their obligations as specifications and needs become more apparent.

II. The Fiduciary Rule Will Limit Access to Broad-Based Advice.

Cambridge has consistently supported a carefully crafted and effective uniform standard of care across all investments accounts which would protect all investors from conflicts of interest. However, Cambridge does not believe the Fiduciary Rule and Prohibited Transactions Exemptions (“PTEs”) balance the interest of consumers in receiving broad-based investment advice while protecting them from conflicts of interest. Cambridge believes consumers can be protected from conflicts of interest without the proscriptive and burdensome requirements of the Fiduciary Rule.

Cambridge supports the Department’s efforts to protect consumers from conflicts of interests but implementation of the Fiduciary Rule with an onerous disclosure regime, new contract requirements and potential liability from private action law suits will create adverse consequences to consumers and firms alike, subsequently harming the very retirement investors the Department is seeking to protect. Cambridge believes compliance and liability costs will increase dramatically and inevitably will be passed to retirement investors. Firms will limit product offerings and advisors will exit the industry to avoid Fiduciary Rule costs, complexities and liabilities. Unintended consequences of the Fiduciary Rule will include reduced availability of advice and services to investors, particularly those with small account balances such as young savers, migration to fee-based accounts, greater utilization of passive investments, reduced competition among investment products and providers, less innovation, and a reduction in retirement service offerings as many firms restrict products and platforms and advisors exit the market place or abandon investors with small account balances.

Much of the potential harm created by the Fiduciary Rule and associated PTEs can be avoided through imposition of a universal standard of care applicable to all investment accounts, which could conform to basic fiduciary norms, including key aspects of the Impartial Conduct Standards implemented in June 2017. This can be accomplished without the adverse consequences likely to result from the additional requirements necessary to comply with the Fiduciary Rule as written. Adherence to key aspects of the Impartial Conduct Standards, with clearly defined, reasonable compensation guidelines, innovations in mutual fund share classes, the introduction of a wider variety of fee based annuity products, and a streamlined, global disclosure document will afford retirement investors ample protection from conflicts of interest.

Investors have unique needs and preferences in how they wish to receive advice. Investors deserve choice in terms of solutions that best meet their needs. In order for Cambridge and its advisors to serve the best interests of investing clients, it is paramount that Cambridge and its advisors maintain a broad array of investment platforms and product offerings and have the ability to treat each client individually so investment strategies can be tailored to meet each client's specific circumstances. Flexibility in investment strategies and compensation structures allow advisors to develop unique investment plans for each and every one of their clients. Continued pursuit of the additional requirements necessary to implement the Fiduciary Rule as written will inhibit investor access to retirement services and advice.

The Department can create a far more balanced approach to protecting retirement investors from conflicts of interest while enabling firms like Cambridge and its advisors to continue providing a broad array of products and services to retirement investors through applicability of a uniform standard of care across all investment accounts and adherence to basic fiduciary norms. This can be accomplished utilizing key aspects of the Impartial Conduct Standards currently in effect, as well as utilization of the current regulatory regime and enforcement mechanisms that already exist in the industry.

III. Incremental Costs of the Fiduciary Rule's Additional Exemption Conditions Will Greatly Exceed the Associated Benefits.

Cambridge believes the incremental costs of the Fiduciary Rule's additional exemption conditions will greatly exceed the associated benefits derived by retirement investors. The costs and liability associated with the additional exemptions will cause many firms to limit investment platforms and products. As such, the very investors the Department is seeking to protect will have less access to affordable retirement advice, and financial advisors will be less inclined to provide services, especially to the small investor. In fact, many advisors indicate if the additional exemption conditions that are currently scheduled to become applicable on January 1, 2018, take effect, they may limit their intake of new accounts, decline offering initial or continuing services – especially to small investors, or depart the industry altogether.

Cambridge estimates that as of the date of this letter, the total costs and expenses incurred by Cambridge and its advisors to prepare for implementation of the Fiduciary Rule and associated exemptions is over \$11 million. Additionally, Cambridge estimates it will cost another \$4 million to \$9 million for Cambridge and its advisors to fully implement the Fiduciary Rule. Most importantly, Cambridge estimates it will cost nearly \$17 million in annual recurring costs for Cambridge and its advisors to comply with the various requirements of the Fiduciary Rule going forward. Cambridge estimates the private right of action and exposure to class-action lawsuits as a result of the Fiduciary Rule will cause Cambridge and its advisors to be subject to a minimum of \$250,000 in additional legal liability on an annual basis and that its errors and omissions insurance premiums will increase by more than \$600,000 on an annual basis. This means Cambridge expects costs and expenses incurred by the end of 2017 to be nearly \$15 million to \$20 million, with another \$17 million or more to be spent annually to meet ongoing requirements of the Fiduciary Rule. Such costs underscore the unduly burdensome nature of the Fiduciary Rule's impact on firms like Cambridge and its advisors and highlight the untenable financial impact to the industry.

Cambridge strongly advocates for an alternative approach that would better serve the investing public. First and foremost, a delay in the January 1, 2018 applicability date would allow a detailed review of the Fiduciary Rule and its impact on retirement investors' access to retirement planning services. Further, a delay would allow time for new innovations to be more fully developed across industry participants including the product manufacturers, financial services firms and technology companies.

Many of the potentially harmful ramifications of the Fiduciary Rule could be eliminated by streamlining the disclosure requirements, eliminating the contract requirement and eliminating the private right of action. Additionally, Cambridge encourages the Department to partner with the SEC to create a single best interest standard applicable to all investors under the authority of the SEC, as well as universal adherence to a basic fiduciary standard of care, which could include key aspects of the Impartial Conduct Standards currently implemented.

IV. Firms Will Comply With the Impartial Conduct Standards Absent a Contract and Warranties.

Elimination or substantial alteration of the contract requirement for IRAs would not incentivize Cambridge or its advisors to ignore the Impartial Conduct Standards. Today, independent broker-dealers such as Cambridge and its advisors are subject to comprehensive legal obligations and regulations under federal and state securities laws, rules and regulations. This includes the Securities Exchange Commission ("SEC") through the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Advisers Act of 1940, along with respective rules and regulations. In addition, Cambridge is subject to FINRA self-regulatory oversight and examinations along with statutory language related to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Under these rules, broker-dealers are required to deal fairly with their customers while registered investment advisers are subject to a fiduciary duty and extensive disclosure obligations. FINRA requires broker-dealers to commit to observe just and equitable principles of trade and high standards of commercial honor and are obligated to disclose certain material conflicts of interest to their customers. Further, federal securities laws and FINRA rules strictly prohibit broker-dealers from participating in certain transactions that may present acute potential conflicts of interest. Lastly, under the current regulatory regime, firms and advisors are well incentivized to remain regulatory compliant, and retirement investors are further protected through enforcement efforts by the SEC and FINRA for non-compliance, and through arbitrations and litigations by an active plaintiffs' bar.

Accordingly, Cambridge believes the aforementioned regulatory regime provides ample incentives for firms like Cambridge and its advisors to oversee and adhere to regulatory compliance. Applying the existing regulatory framework with the implementation of the new Impartial Conduct Standards will not only provide substantial incentives to financial institutions to appropriately protect retirement investors, removing the contract and private right of action while creating streamlined disclosures will reduce the potential harm to retirement investors anticipated to result from the Fiduciary Rule as written.

Eliminating or substantially altering the Fiduciary Rule warranties would also not diminish incentives for advisors or firms like Cambridge to comply with the Impartial Conduct Standards. As currently drafted, the purpose of the warranties creates an additional basis for contractual liability. The harmful and costly effects of the contractually based warranties enforced with the private right of action can be eliminated, while still providing retirement investors ample protection against conflicts of interest. As discussed herein, this can be accomplished with streamlined disclosures, clear and concise documentation and existing enforcement mechanisms.

Cambridge and its advisors are acutely concerned about class action enforcement proceedings related to contractual warranties. Lawsuits filed in untested civil venues by an active plaintiffs' bar will undoubtedly result in an increase in litigation directly contributing to a rise in costs to financial services firms and their advisors, which will undoubtedly increase costs to retirement investors. Further, imposition of the contractual warranties will increase industry costs to conduct business, which in turn will increase prices that retirement investors will pay for services, ultimately reducing access to retirement planning services and limiting product availability. Additionally, eliminating the current private right of action with an innovative approach to an alternative enforcement mechanism for the Impartial Conduct Standards would address the same concerns the Department seeks to mitigate, but without the higher costs accessed to consumers and firms, as well as the reduction in product availability.

As stated previously, independent broker-dealers such as Cambridge and its advisers are currently subject to comprehensive legal obligations and regulations under federal and state securities laws, rules and regulations. To the extent the Department perceives it lacks enforcement authority, the Department can coordinate with regulatory agencies that have such authority, experience and enforcement structures in place. Such an approach would ensure investor protection while reducing frivolous suits, reduce costs, and produce more direct action against actual wrong doers. As such, through utilization of a BIC Exemption with clearly defined Impartial Conduct Standards, streamlined disclosures, clear and concise documentation requirements, and a single best interest standard applicable to all investment accounts, regulators will have sufficient mechanisms to supervise firms, and importantly, firms will have sufficient incentives to comply with the Impartial Conduct Standards without the contractual warranties and enforcement actions associated with civil contract law.

If the Department determines additional protections are necessary, the Department could still require firms to maintain written policies and procedures that comply with exemption conditions related to avoiding conflicts of interest. This could include a supervisory program, monitoring compensation in terms of payouts, bonuses, product choice and revenue sharing arrangements. Further, the Department could work with the industry to develop model policies and procedures, streamlined disclosures, and fee benchmarking resources and tools to help create a uniform framework and safe harbors to help firms and advisors comply with the Fiduciary Rule and to help ensure retirement investors are protected.

V. Product Development and Implementation is Promising but Needs Time to Develop.

a. Clean Shares and T-Shares.

Clean Shares are mutual funds that do not have sales loads or 12b-1 fees for fund services. Purchases and redemptions of Clean Shares will be made at net asset value established by the fund. Firms would charge a commission as compensation and would be required to determine the nature, amount and timing of the commissions in a manner consistent with Impartial Conduct Standards. Clean Shares could provide a way for firms and advisors to equalize their compensation across all of the funds they recommend, thus avoiding compensation incentives to recommend one mutual fund over another.

While there has been considerable discussion regarding Clean Shares, these products are unlikely to be widely available in the near term. Further, as mutual fund companies develop Clean Shares, systems to support utilization such as trading, surveillance, commission structures and other support mechanisms must be developed by Financial Institutions. As of today, only a few of the largest fund companies have developed Clean Shares. The amount of time it will take the remainder of the fund companies in the industry to develop Clean Shares and receive regulatory approval is unknown but will likely be a sequential process. Once Clean Shares become available across the spectrum of fund styles, manufacturers, and fund distributors, then firms would need to develop the supporting systems mentioned above. Once available, 18 to 24 months will likely be required before Clean Shares can be fully operational and implemented by firms like Cambridge.

In addition to Clean Shares, the industry is reviewing the potential for utilization of T-Shares in an effort to comply with the Fiduciary Rule. T-Shares would provide for standardization of pricing on mutual fund purchases such as a standard up front commissions and 12b-1 fees. Concerns with certain characteristics of T-Shares, such as loss of reduced fees on rights of accumulation, higher fees on rebalancing, and consumer costs associated converting other share classes to T-Shares have yet to be clearly resolved. More time will be required to determine if T-Shares would be beneficial to retirement investors.

Costs associated with developing and distributing Clean Shares and T-Shares for firms like Cambridge will include operational, procedural and technology developments associated with trading, surveillance, compensation structures and other support mechanisms. It will also include the development of policies and procedures, appropriate pricing and reporting mechanisms, and custodial support. Cambridge lacks sufficient information at this time to estimate what the actual implementation costs would be to implement and distribute Clean Shares and T-Shares.

b. Fee Based Annuities.

Cambridge continues to review potential solutions for retirement investors and products in the annuities space. Based on discussions with annuity manufacturers, Cambridge understands product companies are working on various developments to solve the challenges that surround fee based annuities and potential conflicts of interest. However, there does not currently appear

to be acceptable solutions for firms and investors to access these products because firms and product providers have not yet developed the technology to widely support fee based annuities.

Annuity companies will need additional time to make such products available on distribution platforms. Without the availability of fee based annuity solutions, many firms will likely modify pricing structures by reducing commission pricing, and will standardize upfront and trailing commissions. However, annuities typically provide a complex mix of underlying investments and, as such, converting to standardized pricing will prove challenging for both the annuity manufacturers and firms. As with most other aspects of potential product solutions to comply with the Fiduciary Rule, more time will be required to identify appropriate answers for fee based solutions as it relates to annuity products.

c. Other Market Innovations.

While the financial services industry and supporting technology companies are in the early stages of reviewing and determining products, services and technology platforms designed to mitigate or eliminate potential conflicts of interest and create greater transparency, Cambridge believes, given the appropriate amount of time, the industry can develop new market innovations to support the Department's goals.

VI. Developing a Streamlined Exemption on Model Policies and Procedures Would be Beneficial.

Cambridge is supportive of the Department basing a streamlined exemption on a model set of policies and procedures developed with input from firms. Cambridge believes financial institutions would react positively to the opportunity to provide input on a model set of policies and procedures, especially through trade groups and associations. Broker-Dealers and corporate RIAs have the operational and compliance expertise to work with the Department to help develop a streamlined exemption based upon a model set of policies and procedures.

The Department is encouraged to work closely with industry trade groups and associations for input, review, and recommendations and to form cross industry committees focused on creating the model policies and procedures. In addition, the Department could participate in meetings with broker-dealers and RIAs for substantive discussions on how to best achieve the Department's goals while mitigating unanticipated consequences. Individual firms would likely submit suggestions and comments to the Department on model policies and procedures developed by trade groups and associations in conjunction with the Department. Understanding any such model policies and procedures would have an immensely consequential impact on firms and they would be very likely to provide input and suggestions to the Department regarding a model set of policies and procedures.

Further, a collaborative approach to creating model policies and procedures would greatly enhance the Department's ability to ensure compliance with approved model policies and procedures. As part of such a collaborative approach, an understanding by the participating firms to provide commitment to the final work product could, to a reasonable extent, provide the Department with assurances of firm compliance.

Lastly, Cambridge believes the current enforcement mechanisms such as the prohibited transaction excise tax of Code 4975 and the remedial provisions of ERISA coupled with streamlined exemptions and innovative regulatory enforcement utilizing existing structures and enforcement mechanisms would provide the Department with the ability to ensure compliance with approved model policies and procedures.

VII. The Department Should Coordinate With the SEC to Develop a Uniform Standard of Care Applicable to All Investment Accounts and Create a Streamlined Exemption.

Cambridge strongly encourages the Department to collaborate with the SEC and FINRA to create an updated standard of care applicable to all investment accounts, clear guidance on the definition of reasonable compensation, streamlined disclosures and model policies and procedures. Importantly, Cambridge believes the SEC is best positioned to provide oversight and enforcement of uniform standards of conduct because of its clear statutory authority to regulate securities, advisers and firms. Furthermore, the SEC has existing examination and enforcement protocols in place, and a trained staff to perform these functions.

The Fiduciary Rule has resulted in separate regulatory requirements for retail and retirement accounts. This will prove confusing to investors and unworkable for advisors. Further, this fractured approach will force a best interest standard on retirement investors that differs from federal and state securities laws. In addition, multiple regulatory regimes will confuse investors and drive up costs to firms ultimately resulting in greater costs and reduced retirement services to all investors.

Cooperation between the Department, SEC and FINRA will safeguard workable and appropriate regulations from the separate agency mandates and imperatives. Coordination of the various regulatory agencies in the development of updated uniform standards of conduct will require thorough and meaningful collaboration and consideration. This collaboration should be allotted the amount of time such a consequential effort should be afforded. As stated previously, Cambridge does not believe such an effort could be completed by January 1, 2018. Accordingly, Cambridge encourages the Department to consider allocating an additional 12 to 24 months to its effort to review and update uniform standards.

VIII. The Disclosure Requirements Can Be Simplified.

Cambridge believes there are many meaningful ways to simplify the BIC Exemption disclosures. The Fiduciary Rule creates a significant amount of disclosures which will undoubtedly prove costly, overly burdensome and unnecessarily complex. Instead, a streamlined, easy to read, global disclosure containing information relevant to investors would be far more appropriate and useful as disclosure documentation for the BIC Exemption. For example, a model fee disclosure with a concise summary of account expenses, a general description of the type and scope of services and associated compensation, and conflicts of interest would far better serve the Department's purposes, and the investing public. In addition, firms working in collaboration with the Department, industry trade groups and various industry committees would be highly motivated to submit proposed model disclosures.

Cambridge believes a redesigned streamlined global disclosure regime without the burdensome conditions of the PTEs would significantly benefit retirement investors by reducing costs and complexities. Overly complicated and highly detailed notices written in legalistic language which is difficult for most consumers to comprehend will not serve the Department's purposes to protect retirement investors, and will increase costs of compliance – costs likely to be passed on to investors. Simple notices with key information upfront, user friendly designs and the information in the form of simple tables would be far more effective.

Cambridge further believes that updated standards of conduct should include clarification of the reasonable compensation standards. The current lack of specific guidance will lead to many firms and advisors limiting products and advice to the lowest price products, thereby eliminating choice and offerings to investors. Further, courts, without case law or experience in securities and ERISA laws, may well adopt such lowest price standards. Consequently, clear guidance on reasonable compensation would be a critical aspect of successful compliance and adopting an updated standard of conduct.

IX. Recommendations to Make or Increase Contributions to Retirement Plans or IRAs Should Be Exempt.

Cambridge believes recommendations to make or increase contributions to retirement plans or IRAs should not be considered fiduciary investment advice. Contributions to qualified plans and IRAs have been granted purposeful tax benefits in order to promote and encourage retirement savings. Subjecting recommendations to make or increase contributions to retirement plans or IRA contributions to burdensome regulatory requirements would seemingly be in direct contradiction to legislative intent in encouraging retirement savings. Furthermore, treating recommendations to make or increase contributions and subjecting such recommendations to the onerous liabilities of the Fiduciary Rule would discourage advisers from educating investors on the importance of saving for retirement.

Recommendations to make or increase contributions clearly aligns the interests of the advisor and the retirement investor, and has never been considered to constitute fiduciary advice – this is particularly true as it relates to investment education. Cambridge requests the definition of fiduciary advice should be amended to expressly exclude contribution recommendations. Further, Cambridge would advocate for an expansion of an education exemption which provides a clear distinction between advice and education.

X. Recommendations to Use HSAs and Investments in HSAs Should Be Exempt.

Retirement investors need access to advice regarding investments in and use of HSAs. With rising healthcare costs for retirees, and the benefit of tax savings provided by HSAs, as well as the proliferation in high-deductible health insurance plans, it has become more important for retirement investors to have access to education and advice related to these accounts.

Cambridge believes inclusion of HSAs in the Fiduciary Rule severely limits a retirement investor's ability to receive quality advice on HSA investments as advisors may not be willing to accept the liability associated with the Fiduciary Rule to work with these accounts because such

accounts are typically small in terms of assets – at least at the opening of such accounts. In order for advisors to provide the advice necessary to assist these clients, they must be able to be compensated for their work and the value they bring to the client, but the liability inherent in the Fiduciary Rule for these accounts is inhibitive. As such, Cambridge would advocate for an exemption to the Fiduciary Rule which would allow advisors to provide education and recommendations with respect to HSAs.

XI. The Grandfathering Provision Should be Broadened.

Most Financial Institutions have interpreted the grandfathering provision of the Fiduciary Rule to allow advisors to continue to receive compensation on positions existing prior to the applicability date until an advisor provides additional recommendations. At that point, the advisor would be required to either comply with the BIC Exemption or levelize compensation received from the retirement investor. Importantly, the Fiduciary Rule Preamble appears to indicate the grandfather provision has been included to provide for a smooth transition to Fiduciary Rule exemptions. As such, relying on the existing provision appears transitory and seemingly would negate an advisor's ability to provide a retirement investor with any further advice regarding the grandfathered position.

Cambridge encourages the Department to expand the grandfathering provisions to allow ongoing recommendations and compensation for all accounts and investments established prior to June 9, 2017. A key concern throughout the financial services industry is the potential for an increasing number of abandoned accounts – accounts that advisors will no longer service because of small account balances with untenable expenses and potential liability. Allowing advisors to continue to make recommendations to these accounts and to receive compensation on these accounts would greatly mitigate such concerns and far better serve retirement investors. The Department could mitigate conflicts by requiring any new investment recommendation to be in the best interest of the client if it would increase an advisor's compensation above what the original investment paid to the advisor. For these reasons, Cambridge encourages the Department to expand and create a clear, understandable standard for grandfathering accounts.

XII. The Department Should Expand PTE 84-24.

Cambridge believes the expansion of PTE 84-24 represents a sensible approach and does not oppose expanding the definition of Financial Institution to include insurance intermediaries. Simplicity and reduced liability for certain products over others always provides a competitive advantage for some and a disadvantage to others, especially if regulatory and compliance obligations differ. As such, Cambridge believes fairness dictates the Fiduciary Rule should treat all products similarly.

CONCLUSION

Cambridge appreciates the opportunity to offer comments regarding the Department's consideration to modify or revise the Fiduciary Rule. Cambridge takes its role seriously in serving trusted advisors and their investing clients, and believes being dedicated to objectivity while striving to provide a higher standard of care for retirement and non-retirement investors is

critical to positively reshaping financial services to better respond to the needs of investing clients. Cambridge would be happy to further discuss any of the comments or recommendations in this letter with the Department concerning modifications or revisions to the Fiduciary Rule.

Respectfully,

// Seth A. Miller

Seth A. Miller
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