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January 7, 2020

Office of the Secretary of the Commonwealth
Massachusetts Securities Division
One Ashburton Place, Room 1701
Boston, MA 02108

Dear Secretary Galvin:

I write regarding the proposed rule entitled, "Fiduciary Conduct Standard for Broker-Dealers, Agents, Investment Advisers, and Investment Adviser Representatives," from the Securities Division.

Our Administration supports sound regulation. We commend the objective of the Securities Division to ensure strong investor protection oversight and to review its existing regulations for potential changes as services and products for investors have indeed evolved in recent decades. We recognize the challenge in this area of balancing consistent oversight for investors while also allowing for choice.

Based on feedback provided in public comments and directly to my Administration, we are concerned the draft regulation may create confusion. The draft regulation does not appear to sufficiently account for differences in the industry, inadequately defines key terms and how regulated entities can resolve potential conflicts of interest, and departs from federal regulations and regulations adopted in other states. In short, we fear the draft regulation may create more confusion rather than more clarity in the industry and for investors.

Specifically, we are concerned the current draft of the regulation could:

- Reduce investment services and products that many of our citizens rely upon to properly save and invest for a variety of needs ranging from retirement to higher education;
- Harm the business models of broker-dealers, which are legal, and who are significant employers in Massachusetts and put such employers here at a competitive disadvantage with other states;

- Disrupt the regulation of annuities and other insurance products that the Division of Insurance has already undertaken in accordance with their authority in M.G.L. c. 175 to “administer and enforce” the insurance laws, including as they relate to annuities; and
- Discourage broker-dealers from engaging in principal trading that benefits the municipal bond markets and thereby reduce liquidity and increase borrowing costs for a variety of agencies and municipalities.

In addition, I would refer you to comments the Division of Insurance submitted on July 26, 2019. They noted the ongoing efforts by the National Association of Insurance Commissioners to update their Suitability in Annuity Transactions Model Regulation (“Model #275”) and for states including Massachusetts to update their regulations to be consistent with the NAIC standard. Those efforts are still ongoing and I respectfully request that you defer further action until this work is complete.

Thank you for the work you and your office continue to do on behalf of the Commonwealth.

Sincerely,



Charles D. Baker

Governor