



AARP Massachusetts
One Beacon Street
Suite 2301
Boston, MA 02108

T 1-866-448-3621
F 617-723-4224
TTY 1-877-434-7598
www.aarp.org/ma

April 27, 2007

Bryan J. Lantagne, Director
Massachusetts Securities Division
Office of the Secretary of the Commonwealth of Massachusetts
One Ashburton Place, Room 1701
Boston, MA 02108

RE: 950 CMR 12.200
Registration of Broker-Dealer and Agents

Dear Director Lantagne:

AARP is a nonprofit, non-partisan membership organization for people age 50 and over. We have more than 38 million members nationwide and over 840,000 in the Commonwealth of Massachusetts. On behalf of our Massachusetts members, we thank the Securities Divisions for the opportunity to comment on proposed changes to 950 CMR 12.200 – Registration of Broker-Dealer and Agents. AARP lauds the Commonwealth for seeking to improve the protections for older Massachusetts residents, particularly those who may rely upon a "senior designation" as an indication of high standard. However, we encourage you to expand your scope and consider the importance of consumer protections for residents of all ages by setting clear and meaningful standards and regulation of investment advisors.

Nearly 57 million (49 percent of) American households own stock either directly or through mutual funds. Older investors, some now investing in the market for the first time, often entrust their retirement savings to professional advisors and rely on them to make appropriate investment decisions. Licensure categories dictate the titles professionals can use, the functions they can perform, and the minimum standards and oversight that apply. Unfortunately many of these advisors lack the skills, experience and training to offer advice suitable to their clients' risk tolerance and financial goals. It is our hope that changes made to 950 CMR 12.200 will address this shortcoming.

There are many titles used by professionals offering financial advice. However, minimum standards and oversight vary dramatically. The title "certified financial planner," for example, may be used only by people who complete the training and testing requirements set out by a certification organization such as the Institute of Certified Financial Planners Board of Standards. "Chartered financial consultant" may be used only after meeting specified standards. Obtaining credentials and titles is not required by federal or state law. Many people using titles, including "financial planner" and "personal financial consultant," are unregulated and have met no minimum standard requirements.

Of such titles the only term currently subject to federal regulation is “investment advisor.” In general, investment advisors who manage \$25 million or more in client assets must register with the Securities and Exchange Commission (SEC), while advisors who manage less than \$25 million must register with the state securities agency in the state where they have their principal place of business. In 2005 the SEC issued a rule that requires fee-based brokerage programs to comply with the more rigorous fiduciary and disclosure standards of the Investment Advisors Act if they provide financial planning advice. Brokers are exempt only if they do not have discretion over assets and they make appropriate disclosures to investors that they are providing only brokerage services. The rule also authorizes the SEC staff to study how various types of financial advisors and brokers are regulated and how consumer confusion over different classifications of advisors might be reduced.

Investors are often unaware of the differences in regulatory oversight, and that many financial professionals are unregulated and not subject to performance standards as a condition of their practice. A study by the Consumer Federation of America found that only 26 percent of investors surveyed knew a broker’s primary function is to execute transaction orders, while 53 percent looked to their brokers for advice.

AARP believes that states should prevent abuses in financial advising, counseling and planning by unqualified people or organizations and by unethical or incompetent professionals.

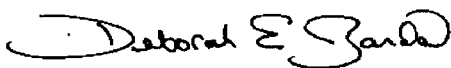
State laws should:

- require training, testing and registration of advisors;
- regulate people who hold themselves out as investment advisors;
- provide adequate resources for state enforcement;
- strengthen and enforce existing laws on truth in advertising and other client-consumer protection laws;
- mandate disclosure of self-interest and conflicts of interest (e.g., the amounts of commissions to be made);
- provide more effective client-consumer redress and better public education on how to seek redress about financial malfeasance; and
- provide for criminal penalties against those who commit securities fraud.

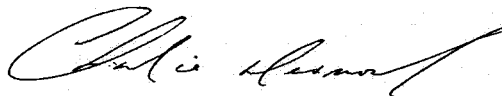
In addition, all financial planners should be required to provide complete disclosure of fees, commissions and potential conflicts of interest.

AARP urges you to incorporate stronger protections for Massachusetts’ older investors into the regulations that govern investment advisors. Please do not hesitate to contact Jessica Costantino, Director of Advocacy, at (617) 305-0538, if you require additional information regarding this or any related matter.

Very truly yours,



Deborah E. Banda
State Director



Charles Desmond
State President

Cc: Members of the Massachusetts General Court