BOSTON ASSET MANAGEMENT ASSOCIATION
40 COURT STREET, 11TH FLOOR, BOSTON, MA 02108

Via e-mail: securitiesregs-comments@sec.state.ma.us

July 26, 2019

Office of the Secretary of the Commonwealth
Attn: Proposed Regulations – Fiduciary Conduct Standards
Massachusetts Securities Division
One Ashburton Place, Room 1701
Boston, MA 02108

Dear Secretary Galvin:

Boston Asset Management Association was started after the financial crisis ten years ago to distinguish asset managers, at a national policy making level, from the rest of the financial industry. Asset managers were not responsible for the crisis, are agents not principals, and most use very little leverage, while leverage was a major culprit in the crisis. Boston, as the birthplace of the mutual fund industry almost a hundred years ago, continues to be a major global financial center and still a hub of the industry. Naturally, we are very interested in any governmental steps that affects the investors or the providers.

We appreciate the opportunity to comment on the proposed fiduciary rule regulation ("Proposal"). Since this is only a pre-proposal, we will limit this letter to raising initial concerns and will comment in depth when the final proposal is issued. We understand the original intent of the proposal but we are concerned with the unintended consequences. If past experience is a guide, this proposal may actually and inadvertently result in less choice and less access to guidance for the investor, at a time when the investor needs more of both, and, ironically may also result in more costs.

The Securities and Exchange Commission has recently passed the Regulation Best Interest Rule (Reg BI), to take effect in a few months, which will apply nationwide and which provides significant new investor protections but still retains a reasonable range of products and access to advice for customers. Reg BI should be carefully considered before the Commonwealth adds still additional layers to an already very complex legal and financial field.

Reg BI would significantly enhance existing investor protections, including:

- Obligates broker-dealers to act in the best interest of the customer;
- Requires disclosure of all material facts relating to conflicts of interest associated with a recommendation;
- **Requires that the Broker Dealer exercise a high degree of care and understanding of the individual customer's needs, including duties of care and loyalty**

We believe that having access to sound professional financial advice results in significant increase in returns over a period of time. The Proposal's new standards for broker dealers may result in less flexibility for offering advice and a single business model which may not be in everybody's best interest. This business model may leave those unable or unwilling to pay for advice with little meaningful access. As we saw after the Department of Labor fiduciary rule proposal, some firms planned on eliminating one-on-one financial advice all together and also planned to eliminate certain product choice previously available in order to legally, realistically and economically comply with the rule.

We are very concerned that while the intent of the Proposal is to protect the customer and enhance the investment experience, it may instead result in less access to advice and less access to appropriate products**.**

We are also concerned with vagueness and unworkability of language in the proposal, particularly the requirement to provide "best of reasonable options." These are unique new standards which will create significant uncertainty in the industry, particularly in light of Reg BI's new regime.

Finally, we think it would make sense to first gauge the effects of Reg BI before trying yet another more restrictive rule on a state-by-state application. If Reg BI proves to be inadequate for Massachusetts investors, then implementation of a higher standard would be in order. To move prematurely into this area may hurt the very investors this rule is designed to help.

James Segel
President
Boston Asset Management Association