



CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS, INC.

## ISSUE BRIEF

### Investment Adviser Oversight

#### Issue

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In Section 914 of the Dodd-Frank Act, Congress directed the Securities Exchange Commission (SEC) to analyze the need for enhanced examination and enforcement resources for investment advisers and to make recommendations to Congress. In its report, the SEC staff recognized that it lacked the resources to examine investment advisers with sufficient frequency (the average investment adviser is examined less than once every 11 years), and it recommended options to Congress to address the need for scalable resources to increase investment adviser examinations. Congress has considered two options:

1. Authorize the SEC to collect user fees from registered advisers to increase adviser examinations; and
2. Authorize the SEC to recognize one or more self-regulatory organizations (SROs) to oversee registered investment advisers.

#### Position

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The SEC's current investment adviser examination rate is inadequate and must be addressed. CFP Board and its Financial Planning Coalition partners support legislation to authorize the SEC to collect user fees from registered investment advisers to increase the level of investment adviser examinations.

#### Rationale

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Authorizing the SEC to collect reasonable user fees is a direct and cost-effective solution to address the SEC's chronic resource challenges, increase adviser examinations, and protect investors:

- It would protect investors by increasing examinations for all SEC-registered investment advisers to an acceptable level.
- It would address the SEC's lack of resources with no impact on taxpayers or the federal deficit.

- It would be the most cost-effective and efficient solution.
- It would not require establishing a brand new regulatory bureaucracy.
- Investment advisers support it. A Boston Consulting Group survey found that 81 percent of investment advisers would prefer to pay user fees to the SEC than a membership fee to a FINRA SRO.

Creating an SRO for investment advisers is unnecessary, costly and would create new problems:

- It would establish a new bureaucracy where one already exists.
- It would cost more than five times as much as the cost of enhancing the existing SEC examination program.
- It raises significant investor protection issues, including conflict of interest concerns should FINRA, the current SRO for broker-dealers, be authorized as the SRO for investment advisers.

For more information, visit [www.cfp.net/publicpolicy](http://www.cfp.net/publicpolicy).

## Contact

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