

Current Regulatory and Policy Developments Affecting Managed Accounts

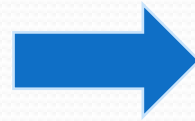
Steve Stone

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9:15AM – 10:00AM

Paradigm Shift

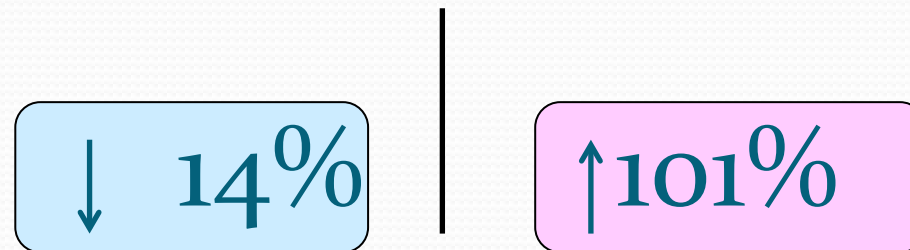
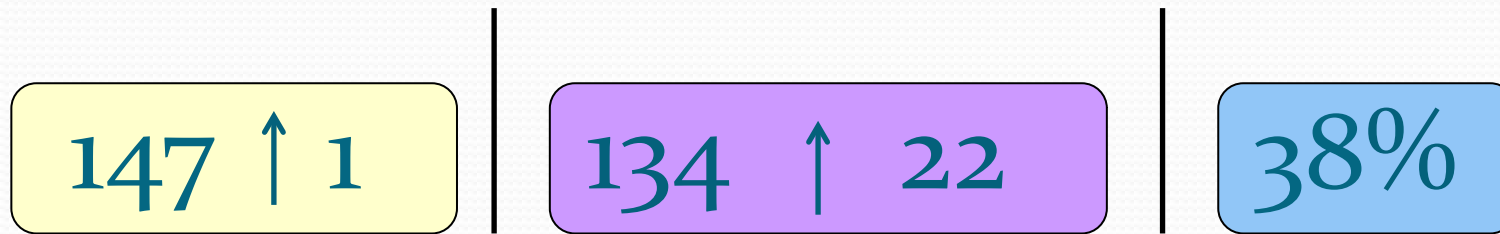
Brokers who provide
advice



Advisers who provide
brokerage services

- *SEC Exam Program Pivoting Now*
 - Large Firm Focus
 - Frequent Exams
 - Targeting Adviser Compliance Gaps
- *Changing drivers of regulatory agenda for advisory services*

SEC Enforcement Metrics



Targeted Pipeline

Fiduciary Rulemaking

**2005 &
2006 – US
Chamber
(mutual
fund corp
gov)**

**2007 – FPA
(Broker
Carveout)**

**2010 –
Dodd
Frank
Act**

**2011 –
SEC Staff
Reports**

**2013 –
Possible
DOL Rule
Proposal**



**2006 –
Goldstein
(Hedge
Funds)**

**2010 – AEI
(Fixed
Index
Annuities)**

**2011 –
Business
Roundtable
(Proxy
Access)**

**2013 –
SEC Data
Request**

“Initial Assumptions” for Possible New Standard

- Applies to IAs and BDs
 - Sections 206(3) and 206(4) apply only to IAs
 - BDs would be allowed to engage and receive compensation for principal trades with disclosure
- Personalized advice includes brokerage recommendations
- Accommodates different business models and fees
- Does not require continuing duty or obligation to provide services beyond those agreed to
- Contractual provisions and reasonable customer expectations from course of conduct govern
- Advice only on limited or proprietary products are not “in and of itself” a violation
- Ban on “certain” contests
- New disclosure regime, including disclosure principles, relationship disclosure and point of sale disclosures of material conflicts

Harmonization & Impact?

- Substantive pre-registration review for IAs
- Qualification examinations and continuing education requirements for IA supervised persons
- Harmonized advertising rules, including (new for IAs) designation of supervised persons responsible for review & pre-approval
- Expanded IA recordkeeping requirements, including e-mail relating to business
- Harmonization of solicitation requirements
- Harmonization of IA supervision requirements, including requirements to establish supervisory systems, conduct periodic office exams and supervise OBAs and private securities transactions
- Enhance supervisory controls for personal securities trading activity of BD personnel

Exam Issues

Focus on

- *Disclosure*
- *Compensation*
- *Supervision*
- *Procedures*

New Players

- DOL
- CFPB?

Gaps in Guidance

- *Adviser status*
- *Adviser role*
- *NDA obligations*
- *Applicability of FINRA Rules*

Emerging Opportunities and Regulatory Challenges?

- *Whole life advice*
- *Not held assets*
- *Managed 401(k)*
 - Beyond Monte Carlo

2013 Compliance and Legal Seminar
June 12, 2013
New York

*Regulatory Changes and the Impact
on Managed Accounts*

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