

**M E M O R A N D U M**

**To:** Members of the Committee on Financial Services

**From:** FSC Majority Staff

**Date:** July 10, 2017

**Subject:** July 13, 2017 Subcommittee on Capital Markets, Securities, and Investment Enterprises Hearing Entitled “Impact of the DOL Fiduciary Rule on the Capital Markets”

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The Subcommittee on Capital Markets, Securities, and Investment will hold a hearing entitled “Impact of the DOL Fiduciary Rule on the Capital Markets” on Thursday, July 13 at 10:00 a.m. in room 2128 of the Rayburn House Office Building. This is a one panel hearing with the following witnesses:

- David Knoch, President, 1<sup>st</sup> Global
- Mark Halloran, Senior Director, Head of Industry and Regulatory Strategy, Transamerica
- Jerome Lombard, President, Private Client Group at Janney Montgomery Scott LLC
- Cristina Firvida, Director of Financial Security and Consumer Affairs, AARP
- Douglas Holtz-Eakin, President, American Action Forum

The Subcommittee will review the impact of the Department of Labor’s (DOL) fiduciary rule on the capital markets and the ability of financial advisers, including broker-dealers, to continue providing affordable and reliable retirement investment advice to their customers. With the rule having partially gone into effect on June 9, 2017 and full implementation occurring on January 1, 2018, the subcommittee will analyze the impact of these two dates as well as the reasons why the Securities and Exchange Commission (SEC) is better equipped to update the standard of care for broker-dealers than the DOL. The objective of this hearing is to gather evidence as to the unintended consequences of the DOL fiduciary rule, and the need for the SEC to act as the lead agency on this best-interest standard issue moving forward

The hearing also will examine the following legislative proposal:

***H.R. \_\_\_\_\_, (Rep. Wagner), to amend the Securities Exchange Act of 1934 to establish standards of conduct for brokers and dealers that are in the best interest of their retail customers.***

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To be introduced by Representative Ann Wagner, the discussion draft would repeal the DOL’s fiduciary rule, and create standards of conduct for brokers and dealers that are in the best interest of their retail customers. The draft requires, among other things, that a broker-dealer must act in the retail customer’s best interest when providing a recommendation that must (i) reflect reasonable diligence; and (ii) reflect the reasonable care, skill and prudence that a broker-dealer would exercise based on the customer’s investment profile. The bill also imposes enhanced disclosure obligations on broker-dealers, and provides the SEC with rulemaking authority to the to promulgate the content of such disclosures.