

# 2019 Advocacy Highlights

The LPL Government Relations team continues to advocate on issues that impact you, your clients, and our industry. 2019 has been an active year with both federal and state activity. Below are highlights of our ongoing efforts.

## Regulation Best Interest

On June 5, the Securities and Exchange Commission (SEC) voted to adopt its standard of conduct rules including new Regulation Best Interest (Reg BI). The final rules were similar to what was initially proposed in April 2018, with some modifications. Implementing new policies, procedures, and system updates to comply with Reg BI is a significant challenge, and LPL is working diligently to prepare for the new requirements by the June 30, 2020 deadline.

The Democratic-controlled U.S. House of Representatives passed HR 3351, the Financial Services and General Government Appropriations Act, which included a provision to prohibit the SEC from implementing and enforcing Reg BI. Prior to the vote, President Trump issued a veto threat. Since the vote was largely along party lines, we do not expect the bill that passes the Republican-controlled Senate to contain this language. We will keep you apprised of developments. The legislation is an appropriations bill, and no funding bills have been passed by Congress. They are expected to pass another continuing resolution to keep the government open through March.

## State Fiduciary Rules

While the SEC finalized Reg BI at the federal level, states have dramatically increased their efforts to establish appropriate standards of conduct for financial professionals. As a result of the varying proposals evolving at the state level, broker/dealers could be required to design their compliance programs to identify and service clients differently based on the state in which they live in rather than complying with a national standard.

It's untenable for financial advice to be subject to conflicting standards from the SEC and all 50 states. We therefore are urging the states to reconsider implementing additional state regulation or align their proposals with Reg BI. Our Government Relations team has been continually engaged with state legislators and regulators to advocate for a single standard of conduct:

- **Nevada:** Nevada passed a fiduciary duty law in 2017, and we are currently awaiting the proposed regulations. LPL submitted comment letters to the [Nevada Securities Division](#) and participated with our advisors in a public workshop.
- **New Jersey:** Kate Winters, vice president of LPL Product Strategy, and Jim Parks, an LPL advisor from New Jersey and president of Parks Wealth Management, testified in a public hearing on July 17 to comment on New Jersey's proposed fiduciary regulation. Their testimony reiterated our commitment to a national standard and support of Reg BI as well as the importance of maintaining the broker/dealer model in order to preserve investor choice. On July 18, LPL submitted a [supplemental comment letter](#) focused on the final issuance of Reg BI as a follow up to our two previous comment letters.
- **Massachusetts:** William Galvin, Secretary of the Commonwealth of Massachusetts, announced a formal rule on November 29 after requesting comments on a pre-proposal in June. The Government Relations team is evaluating this rule and working with industry partners to voice our concerns. LPL previously submitted a [comment letter](#) on the pre-proposal to Secretary Galvin's office on July 26.
- **Maryland:** The Maryland General Assembly introduced fiduciary legislation this spring. Following a hearing on March 13, during which LPL advisor Larry Leitch of Maryland testified, the Senate Finance Committee voted unanimously against the proposal. A brief article is available [here](#).
- **New York:** New York is expected to introduce fiduciary legislation in January 2020. LPL has been educating legislators in the New York Assembly on the importance of a clear, consistent, and workable best interest standard that will provide meaningful investor protection. LPL submitted a [comment letter](#) to New York State Assemblyman Jeffrey Dinowitz (D) and met with his office as part of a SIFMA coalition in February.

The New York Department of Financial Regulation (DFS) has enacted substantive changes to Regulation 187 (annuity suitability), including expanding the regulation's scope to include a best interest standard and life insurance. LPL has been engaged with DFS for some time and continues to work with the Department and various trade associations to seek clarity on the requirements established by the amended regulation ahead of the January 1, 2020 implementation date.

# 2019 Advocacy Highlights

For more information, please visit the [state fiduciary page](#) on the Resource Center (*access to ClientWorks is required*).

## Utah Tax Restructuring & Equalization Task Force

Facing declining tax revenue challenges and increasing population, the Utah State Legislature has formed a Tax Restructuring & Equalization Task Force to explore a new revenue structure, including potential new revenue sources. Since a previous proposal included a tax on services, including financial advisory services, we are concerned that future proposals would include this tax and thus discourage people from seeking financial planning advice. The Task Force held a series of listening sessions over the summer, which LPL advisors were encouraged to attend. We also submitted a [comment letter](#) to the Task Force and attended meetings in Salt Lake City with an industry coalition led by SIFMA to discuss the importance of excluding financial services from any new tax proposals.

In December, the Task Force voted on a final tax reform package that did not include a tax on financial planning services.

## Retirement Security

On December 20, President Trump signed the SECURE Act, a landmark piece of bi-partisan retirement security legislation into law. The SECURE Act is a major step forward, and includes key provisions such as tax credits to help small businesses start and maintain retirement plans for their employees and a delay for required minimum plan distributions from 70 ½ to 72.

Peggy Ho, executive vice president, Government Relations and Matt Enyedi, executive vice president, National Sales and Consulting, will be hosting a call for advisors on January 8, 2020 to discuss the SECURE Act. Please see ClientWorks for more details.

## Privacy

Following a series of data breaches, both consumer rights advocates and state legislators have been catalyzed to consider new forms of privacy regulation. As with most state issues, there is a risk of having differing standards and rules when some states pass more restrictive laws than others, so LPL is actively seeking a national solution in Congress. Senate Commerce Committee Chairman Roger Wicker (R-MS) released comprehensive draft legislation that would set a national privacy standard in response to draft legislation circulated by Senator Maria Cantwell (D-WA). Both sides are negotiating on legislation that could receive bipartisan support, but progress has been slow. In the absence of congressional action, several states have initiated their own privacy legislation:

- **California:** This is the first state to pass privacy legislation in June 2018, which will go into effect on January 1, 2020. We have been working with SIFMA to comment on the proposed regulations from the Attorney General, as well as negotiating with Allistair MacTaggart on a potential ballot initiative seeking more stringent privacy laws.
- **Maine:** Placeholder privacy bills were filed in the legislature, which returns to session in December.
- **Maryland:** The Cybersecurity Council recommended that the legislature pursue privacy legislation. We submitted comments through SIFMA for a subcommittee hearing and are awaiting next steps.
- **Massachusetts:** Legislation is currently pending and was heard by the Joint Committee on Professional Licensure in October.
- **New Jersey:** A bill was introduced in November. We commented through SIFMA and are awaiting next steps.
- **New York:** The New York Privacy Act was filed with the legislature, but there is currently no hearing scheduled.
- **Washington:** The state legislature has indicated that it will file data privacy legislation in early 2020.

LPL continues to engage with the states to ensure our perspectives are clearly heard by those formulating new laws and regulations that impact you, your clients, and your business. We appreciate everyone who signed onto comment letters, testified on behalf of our positions, and are active in our efforts.

For more information about our efforts and how you may support, email us at [lplgovernmentrelations@lpl.com](mailto:lplgovernmentrelations@lpl.com).