

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 exciting time with both federal and state activity. Below are highlights of our ongoing efforts.

Regulation Best Interest

On June 5th, 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. Implementation of new policies, procedures and systems 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 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. Given that the vote was largely along party lines, we don't expect the bill that passes the Republican controlled Senate to contain this language. We will keep you apprised as this situation continues to develop.

We affirm our support for SEC's efforts to finalize this rule as a national standard because we believe these enhanced requirements protect investors while preserving choice and access to a wide range of investment and financial services.

State Fiduciary Rules

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

It is 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 to align their proposals with Reg. BI. Our Government Relations team has been continuously 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 related to the law. LPL submitted comment letters to the [Nevada Securities Division](#) and participated, along 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 availability of the broker/dealer model in order to preserve investor choice. On July 18th 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 preliminary proposal of a fiduciary rule that closely resembles the New Jersey proposal. LPL 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 2019.

The New York Department of Financial Regulation (DFS) has enacted substantive changes to Regulation 187 (annuity suitability). These changes include expanding the scope of the regulation 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. We will continue to engage with the state on this topic.

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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 please visit the [state fiduciary page](#) on the resource center. *(Access to client works 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 possibly new 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.

Retirement Security

Earlier this year, Senate Finance Committee Chairman Chuck Grassley (R-IA) and Ranking Member Ron Wyden (D-OR) introduced the Retirement Enhancement and Savings Act (RESA) of 2019, while House Ways and Means Committee Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX) introduced the House companion bill, Setting Every Community Up for Retirement Enhancement Act (SECURE Act). These pieces of legislation would enhance credits available to small businesses for starting and maintaining retirement plans for their employees. Their passage would be a major step forward for retirement security.

On April 5, Dan Arnold provided letters in support of both [RESA](#) and the [SECURE Act](#). In April, the SECURE Act passed the Ways and Means Committee with bipartisan support. It was brought to the House floor in May, where it passed by a vote of 417 to 3.

The SECURE Act is currently pending action in the Senate. As the measure did not pass before the August recess, there will be attempts to consider the bill on the Senate floor in September or include it in a must-pass piece of legislation before the end of the year. The bill is currently facing opposition by Senators Ted Cruz (R-TX), Pat Toomey (R-PA) and Mike Lee (R-UT). This is a piece of legislation that the Government Relations team is following closely.

Diversity & Inclusion

In August, the House Financial Services Committee released the results of their review of the diversity performance data from the global systemically important banks (G-SIBs) between 2015 and 2019. The banks disclosed this information with the committee following two key hearings this spring. The Committee also issued identical data requests to 37 bank holding companies in late May. The data requests were designed to inform Congress of the diversity levels, policies and practices of the country's biggest banks. This is part of a longstanding effort to hold financial institutions accountable and garner a complete picture of how large banks are meeting their commitments to diversity and inclusion. While LPL was not included on the lists of banks, we continue to have constructive conversations with the Committee around diversity and inclusion matters.

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. Several Congressional Committees have held privacy hearings, and a bi-partisan working group of Senators have been working on a draft bill. The timing of this bill is still unclear; however, we continue to advocate for risk-based, technology-neutral privacy standards that uphold individual consumer rights and adequately foster economic competitiveness.

Our advocacy surrounding privacy enables us to lend our voice to the national dialogue, foster credibility among lawmakers, and demonstrate our commitment to consumer protection, consumer trust, and data security.

For more information about our efforts and how you may get involved email us at lplgovernmentrelations@lpl.com.