

The Honorable Jay Clayton Chairman United States Securities & Exchange Commission

I am writing to offer comments on the proposed SEC Best Interest rule. I am a Certified Financial PlannerTM professional located in Seattle, WA, and have been working since 1988 as a fee-only financial advisor.

It appears that the proposed rules contain erroneous information about the differences between brokers and advisors. The differences are important and should be noted.

I joined the National Association of Personal Financial Advisors (NAPFA) in 2006, and operate under NAPFA's Fiduciary Standard. A financial advisor held to a Fiduciary Standard occupies a position of special trust and confidence when working with a client. As a Fiduciary, the financial advisor is required to act with undivided loyalty to the client. This includes disclosure of how the financial advisor is to be compensated and any corresponding conflicts of interest.

In contrast, a broker is only permitted to give advice that is "incidental" to the brokerage transaction. This should be noted.

Fee-only advisors receive compensation only from their clients, must disclose any possible conflicts of interest, and must be loyal to the best interests of their clients. We do not receive any outside inducements for recommending investments or financial products. This is the true definition of being a "Fee-Only Advisor." An advisor who is loyal to only her/his clients will not be swayed by outside forces to recommend investments with high commissions or payouts. This difference should also be noted.

In short, there is a huge distinction between how brokers operate versus how registered investment advisors (RIAs) like me conduct business. The proposed Best Interest Rule does not adequately address how RIAs differ from brokers, and it should do so.

It is my opinion that the public would be dramatically better served if all financial professionals operated under a Fiduciary Standard.

However, if that standard cannot be imposed on all financial professionals, for whatever reason, the Best Interest Rule should clearly identify that Fiduciary fee-only RIAs do not operate in the same manner as brokers, and what the primary differences are.

- Michael Pace, CFP®

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