

MEMORANDUM

To: File Nos. S7-07-18, S7-08-18, S7-09-18

From: Division of Investment Management, Division of Trading and Markets

Re: Roundtable on July 17, 2018 Regarding Standards of Conduct for Investment Professionals

Date: August 6, 2018

On July 17, 2018, SEC staff held a roundtable at the Philadelphia Regional Office. Approximately 28 individuals attended. The roundtable was intended to gather information from retail investors who will be directly impacted by the Commission's rulemaking regarding standards of conduct for investment professionals.

Attached is the entire transcript of the Philadelphia roundtable discussions. The discussions at the roundtable were intended to be conversational, and SEC staff provided summary descriptions of the Commission rulemakings. To the extent that any descriptions contained in the transcript deviate from the Commission's proposed rule text and rulemaking releases, such descriptions do not supersede the proposed rule text and releases. In this regard, see proposed [Form CRS Relationship Summary](#), [Regulation Best Interest](#), and [Interpretation](#).

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISER/BROKER-DEALER ROUNDTABLE

Tuesday, July 17, 2018

11:04 a.m.

Philadelphia, Pennsylvania

Page 2

1	PARTICIPANTS:
2	
3	SEC PARTICIPANTS:
4	G. Jeffrey Boujoukos, Regional Director
5	Lori Schock
6	Sarah ten Siethoff
7	Emily Westerberg Russell
8	Cynthia Hoekstra
9	Parisa Haghshenas
10	
11	
12	
13	NON-SEC PARTIPLICANTS:
14	Investor 1
15	Investor 2
16	Investor 3
17	Investor 4
18	Investor 5
19	Investor 6
20	Investor 7
21	Investor 8
22	Investor 9
23	Investor 10
24	Investor 11
25	Investor 12

Page 4

1	CONTENTS
2	
3	PAGE
4	
5	Call to order and Opening Remarks 5
6	
7	Open-ended discussion with audience 13
8	
9	Concluding Remarks 53
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	

Page 3

1	NON-SEC PARTICIPANTS(CONT.):
2	Investor 13
3	Investor 14
4	Investor 15
5	Investor 16
6	Investor 17
7	Investor 18
8	Investor 19
9	Investor 20
10	Investor 21
11	Investor 22
12	Investor 23
13	Investor 24
14	Investor 25
15	Investor 26
16	Investor 27
17	Investor 28
18	
19	
20	
21	
22	
23	
24	
25	

Page 5

P R O C E E D I N G S

MR. BOUJOUKOS: If I could just have your attention for one moment, I'm going to kick off our roundtable today. First, welcome to the Philadelphia office of the Securities and Exchange Commission. My name is Jeff Boujoukos and I am the director of the office. Before we start, I have to make a standard disclaimer for all the SEC personnel that are in attendance today. We talk here today on behalf of ourselves. The statements made today expressed are individual views and not those of the SEC, the Commissioners, or other members of the staff.

Why are we here today? As you're likely aware, in April the Commission proposed for public comment a significant rulemaking package that would; one, require broker-dealers to act in the best interest of their retail customer; two, reaffirm and in some cases clarify the fiduciary duty owed by investment advisers to their clients; and three, require broker-dealers and investment advisers to clarify for all retail investors the type of investment professional they are and key facts about that relationship. This rulemaking, often referred to as the best interest rule, seeks to align investor expectations with legal requirements, while preserving consumer choice and access to investment services and products. It's designed to serve mainstream investors like all of you and

1 that's why we're here today to talk about it. SEC
2 Chairman Jay Clayton recently remarked that, quote, it has
3 been incredibly informative and gratifying to talk with
4 investors in their own backyards about their expectations
5 regarding relationships with their investment
6 professionals. Our proposed rules are intended to match
7 our rules with the investor expectations, and it is crucial
8 that we hear directly from the investors themselves on how
9 we can best ensure that result.

10 So for today what are we trying to accomplish?
11 This roundtable discussion is an opportunity for you to
12 discuss with the SEC staff in attendance your expectations
13 regarding relationships with your investment professionals.
14 Our goal is to hear from you so that we can enhance retail
15 investor protection and promote choice and access to a
16 variety of investment services and products. Roundtable
17 discussions like this one here today have already taken
18 place with retail investors like you in Houston, Miami,
19 Atlanta and Washington D.C., and soon in Denver.

20 By way of introduction at the end of the table
21 here from the SEC, Lori Schock, sitting second from the
22 left, is Director of the Office of Investor Education and
23 Advocacy for the SEC. She's been in this position for
24 approximately nine years. Before that she was the
25 associate director of FINRA's Investor Education Foundation

1 and Office of Investor Education. And Lori's group does a
2 number of wonderful things for investors, and I'm going to
3 throw out a little pitch for her group's Website,
4 investor.gov. I'm going to give you all the credit for
5 that. But it's a wonderful resource for all of you. It
6 answers a lot of questions about investing and it's a
7 resource that I myself personally use and recommend to my
8 friends and people who ask me about investing when I go out
9 and I'm sitting at the ballpark or I'm sitting at a
10 cookout.

11 At the table is also Sarah ten Siethoff,
12 Associate Director Division of Investment Management for the
13 SEC. She's seated second from the right. In this role she
14 leads the rulemaking office for the division developing
15 recommendations for rulemaking and other policy initiatives
16 relating to funds and investments advisers under the
17 federal securities laws. She's served in a number of roles
18 in the division since 2008.

19 To her immediate right is Parisa Haghshenas.
20 She's a Branch Chief, Division of Investment Management for
21 the SEC, and she gives interpretive advice to the divisions
22 on how rules apply.

23 And then last, but not least, is Emily
24 Westerberg Russell. She's Senior Counsel, Office of Chief
25 Counsel for Sales Practices in the Division of Trading and

1 Markets. In this role she works on a broad range of
2 broker-dealer regulatory matters, including broker-dealer
3 sales practices, advice activities and related fiduciary
4 issues.

5 So this may seem like a lot of titles and names,
6 so let me put it to you this way. You have the right
7 people in the room to answer your questions and to have
8 this kind of discussion. And with that, I'm going to turn
9 it over to Lori.

10 MS. SCHOCK: Thank you, Jeff. And thank you all
11 for being here. This is our fifth roundtable. The last
12 one takes place next week in Denver. We have had robust
13 discussions with investors across America and I expect
14 nothing less here in the City of Brotherly Love.

15 A couple of housekeeping items before we get
16 started. In case of an emergency, should we need to
17 evacuate the room, if you will exit this door, turn to the
18 right, there is a stairwell. Also, in that same direction
19 should you need to use the restrooms, they are also down to
20 the right. Please just -- the door is taped open. The
21 handle may not turn, but just push it and that will get you
22 into the restrooms. We do have coffee, water and some
23 refreshments over here should you feel that you need some
24 extra nourishment.

25 And then this is an on-the-record discussion.

1 We have a court reporter. It's going to make her job so
2 much easier -- if we don't do this it's going to be
3 impossible actually. If you will state your name just
4 before talking so that we can get this on the record. When
5 the transcript is put into the rulemaking, your names will
6 be redacted out. But it just helps us to have the
7 conversation flow for this and that's why we're having it
8 as an on-the-record discussion. So that, you know, the
9 industry knows how to reach us when we put out proposed
10 rules. They know the rulemaking process and how to put in
11 comments. We have a hard time getting comments from retail
12 investors. So, again, thank you for taking time out of
13 your busy schedules today to participate with us. You have
14 the rulemaking divisions here. So why don't we go ahead
15 and get started. Sarah, you want to kick us off?

16 MS. TEN SIETHOFF: I think actually --

17 MS. SCHOCK: Emily is going to kick us off. All
18 right.

19 MS. RUSSELL: So Jeff gave a brief introduction.
20 I'm Emily Russell and I'm in the Division of Trading and
21 Markets and we were the division that was primarily
22 responsible for putting together regulation best interest.
23 And the goal of that rule really was to enhance the
24 standard of conduct that applies to broker-dealers when
25 they provide advice. And the intent is to make sure the

1 broker-dealers provide advice in an investor's best
2 interest and don't place their interest ahead of the retail
3 customer's interest. There's a series of obligations
4 underlying that rule to promote those types of
5 recommendations.

6 As you provide comment today on the form
7 and how it helps you understand your relationship with the
8 broker-dealer it will be very useful if you keep in mind
9 that rulemaking and not the current state of affairs. We
10 understand how the world works now, but we really want to
11 know how does it help you if the rule was to be adopted as
12 proposed. So keep that in mind as you comment on
13 regulation best interest. Focus on that proposal, as
14 opposed to the current state of the world.

15 MS. TEN SIETHOFF: So this was a pretty long
16 rulemaking package. We're going to focus on the four pager
17 that came out of it, not the thousand pages that the SEC
18 published relating to it. And another important piece of
19 that package is this relationship summary form that you all
20 got an example of. So as Emily mentioned, one important
21 part of the rulemaking is enhancing the standard for
22 broker-dealers in the care that they need to provide for
23 giving investment advice. But another key part is this
24 relationship summary. And the goal of that form is to
25 really help you understand what is the difference between

1 we're hoping to get from you today.

2 So I thought just one way we might start out
3 just to get a sense of the room is do you know what kind of
4 investment professional you use right now? If I could get
5 a show of hands, how many people use an investment
6 professional?

7 (Hands raised.)

8 MS. TEN SIETHOFF: So a lot of people. How many
9 people know whether there's -- and it's okay if you don't
10 know, so I'll ask this three ways. How many people, you
11 know that the person you use is a broker?

12 (Hands raised.)

13 MS. TEN SIETHOFF: How many of you know that the
14 person you use is an adviser?

15 (Hands raised.)

16 MS. TEN SIETHOFF: How many of you have no idea
17 whether the person you use is a broker or an adviser?

18 (Hands raised.)

19 MS. SCHOCK: And you're not alone. That's the
20 thing. That's why we're spending time on this.

21 MS. TEN SIETHOFF: So I guess just to start it
22 off and then hopefully we'll get free-flowing in here. One
23 of the places I wanted to start actually is near the end of
24 the form. The very back. So you guys all have this.

25 MS. SCHOCK: It's marked Appendix C. It's a

1 an investment adviser and a broker-dealer, how might their
2 services differ, how might the way they get paid differ,
3 what incentives do they have when they give advice to you.
4 And also to understand that they could have a disciplinary
5 history and to arm you with information. So there's a
6 series of questions at the end to have a conversation with
7 whatever financial professional you are looking at, whether
8 there are multiple and you're shopping around or it's one
9 that -- I know a lot of people sometimes start with their
10 financial professional, I know my mother-in-law has this,
11 because it was a friend in the family, they used it. But
12 still they want due diligence when they go in. What type
13 of questions could you ask to start that conversation and
14 find out more about that person.

15 So I think that is the key goal of this forum
16 and we're really excited to have you here to give us some
17 feedback on where we might have some good ideas in here
18 that we should make sure we keep because this is just a
19 proposal. So we're in the comment period into August on
20 this and then we have to go through this process all over
21 again to create a final version. So this is a great time
22 to get your feedback on what you like about this, what you
23 don't like about it, what information you wished was in it,
24 what information you think why are you spending page time
25 on this, this is not useful to me. So that I think is what

1 two-page, front and back.

2 MS. TEN SIETHOFF: One with two columns. One on
3 broker services, one on adviser. If you can turn to the
4 very last page of it. I know it's funny to start at the
5 end, but I was hoping to start here.

6 There's a section called additional information
7 and this is actually where we ask and raise the prospect
8 that the person you're dealing with could have disciplinary
9 information. How many of you have ever looked up for the
10 person you work with whether they have a disciplinary event?

11 (Hand raised.)

12 MS. TEN SIETHOFF: We've got one. Did you find
13 this a good way to highlight? Because I think -- we do
14 think this is an important part of this. It's not just
15 understanding the services, but understanding that's
16 something that you might look at.

17 Was this helpful for people or would you rather
18 there be different types of information about if they have
19 disciplinary information?

20 INVESTOR ONE: My name is INVESTOR 1. I'm not
21 the owner of the [Redacted organization name]. But the second was
22 very confusing. Too many Websites there and I'm not sure
23 which is which.

24 MS. TEN SIETHOFF: Too much going on there.

25 INVESTOR ONE: Yeah. There's investor.gov,

1 BrokerCheck, our website, samplefirm.com. I'm just not
 2 sure what -- you know, what all the difference is.
 3 MS. TEN SIETHOFF: Okay.
 4 MS. RUSSELL: What about the placement? What do
 5 you think about it being on the back of the form, versus
 6 is that information that's more important to you? Would
 7 you like to have that upfront? Or is that kind of at the end
 8 of finding out more about the firm or the professional
 9 you're talking to? Is that something you want towards the
 10 end?
 11 INVESTOR ONE: I think that's fine where it is,
 12 personally.
 13 MS. TEN SIETHOFF: INVESTOR 2.
 14 INVESTOR TWO: I was going to piggyback in a way
 15 because I'm always a proponent of bullet points. So maybe,
 16 like you said, these things need to be separated out and
 17 there might be a little bit of an explanation about what
 18 each one provides.
 19 MS. TEN SIETHOFF: Do you think overall was the
 20 information in this relationship summary too dense? Was
 21 there too much there and not enough sort of white space to
 22 get through it or do you think it was about right?
 23 INVESTOR TWO: No, I agree not enough white space
 24 for me.
 25 MS. TEN SIETHOFF: INVESTOR 3?

1 INVESTOR THREE: I think that was a comment I was
 2 going to make just generally. Any time you have a
 3 four-page form and you're dealing with certain percentage
 4 of the population, let's say, are not going to be
 5 sophisticated investors necessarily. I think you have to
 6 be wary about their willingness to invest the time to get
 7 through that. So even if you retain the four-page form
 8 because there is important disclosures in here for those
 9 who want to delve into it, maybe some type of very
 10 high-level executive summary that can really drive home the
 11 most important points. Like I think the point about
 12 checking your broker's disciplinary record. As you saw
 13 from the show of hands, a lot of people don't do that.
 14 That's something that people should do. So maybe
 15 highlighting that earlier in the summary.
 16 MS. RUSSELL: To follow up on that, I mean do
 17 you think that there's points on here if you were to do a
 18 condensed summary, do you think the themes on here, so
 19 fees, conflicts, general services provided or would you --
 20 are there some that you think are more important?
 21 MS. TEN SIETHOFF: What would you highlight if
 22 you wanted to create more white space?
 23 INVESTOR THREE: I think all the things you just
 24 mentioned are pretty important. Actually I think you got
 25 the right themes.

1 MS. TEN SIETHOFF: The right topic areas?
 2 INVESTOR THREE: Yeah.
 3 INVESTOR FOUR: I have a question about that
 4 middle paragraph.
 5 MS. TEN SIETHOFF: Say your name.
 6 INVESTOR FOUR: INVESTOR 4. I have a question about the
 7 middle paragraph for additional information about our
 8 brokers. There are some things that look like they're a
 9 URL, a Website, but they're not underlined. Like this
 10 samplefirm.com slash. I think when it's an actual Website
 11 if it was underlined in blue like others, that would be
 12 helpful. Otherwise I found it very good. I went to those
 13 Websites and I found them very useful.
 14 MS. TEN SIETHOFF: Was there any more information
 15 for disciplinary that you wish was there or is this just
 16 getting you to the site?
 17 INVESTOR FOUR: Just getting me there to see if
 18 they were on it. Fortunately nobody was on it. That was
 19 fine with me. That was fine.
 20 INVESTOR FIVE: Just quickly, I'd like to know
 21 what's in place now that this proposal is replacing?
 22 MS. TEN SIETHOFF: Do you mean on disclosure or
 23 do you mean on the standard of care for disclosure?
 24 INVESTOR FIVE: Disclosure.
 25 MS. TEN SIETHOFF: So I can answer on the

1 adviser side and Emily can fill in on the broker side. So
 2 on the adviser they are all legally required to deliver
 3 what we call the brochure. It's a Form ADV. So if you're
 4 an advisory client, you have to have received this at the
 5 start of your relationship and then annually thereafter.
 6 And that's a much longer document. So it has to describe a
 7 whole series of questions on what types of fees they
 8 charge, a much longer description of conflicts of interest,
 9 the investment strategies that they tend to follow. So
 10 that's -- it's sort of your holistic client-facing document
 11 that they must give you. And that in this form they would
 12 be required to produce a link to it. So this is meant to
 13 be layered if you want to dig in more and get more detailed
 14 information there would be a hyperlink in this document to
 15 their Form ADV. But some of those run a hundred pages long
 16 so -- this is meant to be -- you know, some people don't
 17 want to read the phone book. They want the one-page
 18 summary. So this is meant to be a shorter, highlight key
 19 things and those who want more can go to it and dig in.
 20 MS. RUSSELL: Yeah. And by contrast,
 21 broker-dealers under the antifraud provision do have to
 22 give a number of disclosures, but they're not at a specific
 23 point in time in the relationship. So Sarah mentioned the
 24 Form ADV that advisers have. There's no equivalent on a
 25 broker-dealer side. So this notion of a summary is new for

1 both broker-dealers and investment advisers. But then as
 2 part of regulation best interest there will be additional
 3 disclosure more inline, it's not as specified as Form ADV
 4 and we hope it won't be as long, personally, as Form ADV.
 5 It keys off key information. It goes into a little bit more
 6 detail on these themes that you have presented on this
 7 form. So the Commission would like to see brokers give
 8 more specific information to retail investors about the
 9 services they're going to be getting from their
 10 broker-dealer, the fees that they would be charging, when
 11 they're acting if they're a dual registrant, as in the case
 12 here, whether they're acting as a broker with you or as an
 13 investment adviser. That type of information would be
 14 required by a broker-dealer upfront.

15 MS. TEN SIETHOFF: And that is one distinction
 16 with this type of document. So this is meant to be a
 17 comparative. It's meant to be given at the very beginning
 18 of a relationship where you're trying to choose. Not just
 19 should I go with this person, but should I go with a broker
 20 or an adviser and how do they differ. So all of what we
 21 put out has this comparative feature about it. The Form
 22 ADV is just here's my business, here's my conflict. It's
 23 not comparative at all and it's not meant to be just an
 24 upfront document. As I mentioned, they have to deliver it
 25 every year an updated version of that to you. So that

1 comparative feature is different.

2 INVESTOR SIX: A quick intro, I have been doing
 3 pro bono work on investor education for 20, 25 years. The
 4 vast majority of retail investors really don't have enough
 5 knowledge to understand what this form is. And so to the
 6 extent that you can on page one actually refer people to
 7 the additional information on the back page and help people
 8 understand what some of these terms mean, then they can
 9 read the form better.

10 The second is to support what INVESTOR 3 said, the
 11 simpler, the better. So when it comes to, for example,
 12 lending standards, the concept of an APR, it's one number
 13 and that one number helps people understand how good this
 14 loan is. So to the extent that you can have a brief
 15 summary that actually talks about what the conflicts are,
 16 what type of an account it is and what are the fees
 17 specifically for the services offered, that kind of summary
 18 on page one will actually help investors really understand.
 19 Because people don't read four pages.

20 And the last thing I'll say is to support what
 21 Sarah just said. I personally just opened a private client
 22 account with Goldman Sachs and bought a structured
 23 investment. The disclosures that came to me from Goldman
 24 Sachs were over 200 pages. And so to the extent that you
 25 can stop that because that actually prevents investor

1 interest and really understanding more. If something like
 2 this can replace the 200 pages and then you have access to
 3 the 200 pages if you want them, that's a better system.

4 MS. TEN SIETHOFF: So just one follow-up
 5 question. So you said the shorter the better, the more
 6 high-level, simple language so people can really understand
 7 it. So is there information in here that when you read
 8 this you were thinking I would just drop this point? This
 9 is really not at a level -- you know, you need to focus on
 10 just these other key things?

11 INVESTOR SIX: I think the information in the
 12 form is all relevant and I just do exactly what INVESTOR 3 was
 13 talking about. A condensed summary upfront that
 14 essentially gives you just the three or four key things and
 15 then the rest can be follow-up or detail that adds on. So
 16 if this is actually done electronically, which you
 17 absolutely should because nobody reads paper these days,
 18 you can have hyperlinks. So have that little summary and
 19 have hyperlinks to things that take you to more detail.
 20 And that way you can essentially keep the front as simple
 21 as possible.

22 MS. RUSSELL: One additional follow-up on that.
 23 Building on this point of the importance of fees and the
 24 services. Do you think it's clear from this document that
 25 the distinctions between broker-dealers and investment

1 advisers in terms of the services they provide and a very
 2 high level, how they're paid, the differences?

3 INVESTOR SIX: So I think it begins to do that,
 4 but there's so much out there today that an upfront
 5 disclosure of fees that are actually quantitatively
 6 described versus typical account sizes and a list of
 7 services that are offered for that fee, I think, would be a
 8 more clearer communication.

9 MS. SCHOCK: INVESTOR 7, I think you were next.

10 INVESTOR SEVEN: Thank you. I would emphasize or
 11 maybe it's even redundant to what was just said. This is a
 12 public document. You asked the group here as you must have
 13 done in your other roundtables how many are investment
 14 advisers, how many are broker-dealers. Everybody in this room
 15 seemed to know the difference between those two words,
 16 those two phrases. Not everybody out there knows those.
 17 So maybe there needs to be a little box or something at the
 18 very beginning which summarize the essence of the
 19 difference between a broker-dealer and an adviser. Now I
 20 don't know how many of those professionals have a plaque on
 21 their wall saying I'm a broker-dealer, I'm not an adviser,
 22 I'm both. So it's not always clear to the client who
 23 they're dealing with. So there may be some -- if I go to
 24 Investopedia I'll probably find a four-sentence
 25 description, but it ought to be here.

1 MS. RUSSELL: And reading this form, do you get
2 a sense of what the differences are and do they line up
3 with your understanding?

4 INVESTOR SEVEN: Not totally. It seems to me
5 somebody gives me advice, you pay for it. That applies to
6 both of these in different ways. I think I can ferret out
7 the difference. I know who I deal with personally. I'm
8 not sure that many of the students that I deal with would
9 know right offhand if they're dealing with a broker-dealer,
10 working with a broker-dealer or investment
11 adviser. Advice and money, they're all there.

12 MS. SCHOCK: INVESTOR 8.

13 INVESTOR EIGHT: Thank you. My concern is right
14 at the top you see on the four pages this is a summary for
15 dually-registered people. And I don't know the percentage of
16 your broker-dealers and advisers who are both. So my
17 concern as a consumer going in would be well, if I'm only
18 going to see a broker-dealer or -- like right at the get-go
19 how do I know I could go with A or B or maybe both. So
20 it's like I have to make that choice and this it looks like
21 it's only presented to me if I'm already seeing somebody
22 who is dually-registered. So that bothers me because I do
23 think it's an important choice.

24 The other question mark I have is that in other
25 type of financial things, like if we go to sell a house I

1 think consumers in general have a ballpark idea of what a
2 reasonable sales commission is. Is there some way that the
3 word can get out? Like there's kind of a range to expect
4 in these fees so that you can make a decision maybe. You
5 think you have got a great person, you want to pay outside
6 the range. But I think the average consumer on services
7 like this may not really have any idea what's reasonable
8 and where are you being fleeced.

9 MS. TEN SIETHOFF: So just to clarify one thing.
10 What we gave you all was the dual registrant because that's
11 the most comprehensive where you can see both. But there
12 are versions for just a broker and just an adviser. Which
13 we didn't hand out, but those are on our Website. And the
14 difference with those is it's not the side by side, but it
15 has a section that says compare to. So if you're looking
16 at adviser only it would describe the adviser, these
17 subject areas. But then there would be a section that says
18 compare this with a broker. Here is how they typically
19 differ.

20 INVESTOR EIGHT: So you're at least alerted that
21 there's another option, either the broker or the adviser?

22 MS. TEN SIETHOFF: Correct.

23 INVESTOR EIGHT: Thank you.

24 MS. SCHOCK: INVESTOR 9, did you have a question?
25 I'm sorry. Or comment.

1 INVESTOR NINE: I'm looking at the form and
2 agreeing to what they're saying and I'm looking at it and
3 it's overwhelming. It's overwhelming. If this is what the
4 dual form is going to look like, it's overwhelming. And some
5 of the things that I'm seeing it's like -- just the format
6 is, once again I'm really -- because I am totally overwhelmed.

7 MS. SCHOCK: What -- what would make it better?

8 INVESTOR NINE: Cleaner, as they were saying,
9 "You're using a lot of unnecessary words." And today we can
10 have links to see that.

11 MS. SCHOCK: Sure.

12 INVESTOR NINE: I tell people -- I'm assuming,
13 and I am wrong -- but a lot of senior citizens,
14 when I use links, that scares them.

15 So that should be -- I'm with AARP, in
16 fact. That's something that I'm not seeing. It's not user
17 friendly, in my opinion, for senior citizens. And we are a
18 large, large number, especially in Pennsylvania, of the
19 population, and that -- a lot of my friends, they don't know
20 the difference between a broker -- like the young lady on
21 the end, a lot of them are driven to advisers, financial
22 advisers, through friends. So that's something that I saw.

23 MS. TEN SIETHOFF: Can I just ask a follow-up?
24 Are there particular words when you read this that you're
25 like I don't think a lot of people would understand what

1 that means or too technical?

2 INVESTOR NINE: Could be, if you're using, like, your terms.
3 Transaction-based fees. Just call them base fees
4 sometimes, you know. Base fees, transaction. And maybe if
5 there are base fees and there are transactional, just start
6 off with base fees rather than transactional. But like you
7 said, this is a dual. I don't know what the other one
8 looked like.

9 And on the back I -- the additional information,
10 I totally agree with them and the format. Some of this
11 additional information I perceive it as information, not
12 additional. I would want to know some of this upfront if
13 I'm dealing with a person and they have some criminal
14 issues. That's one thing. Thank you.

15 MS. SCHOCK: INVESTOR 10.

16 INVESTOR TEN: I'm wondering if this has been run
17 through a grade level checker. Because I think that will
18 simplify a lot of the language. I would like to see this
19 at a ninth grade reading level, not because of the literacy
20 of the investors but because it just makes it a lot simpler
21 to read. Words like achieve could be meets. Words like
22 monitor could be check. You could really simplify this a
23 lot.

24 MS. TEN SIETHOFF: Give it like a Lexile reading
25 score and see where it comes out.

1 INVESTOR TEN: Right. Right.
 2 MS. TEN SIETHOFF: INVESTOR 1.
 3 INVESTOR ONE: Just one other comment on
 4 additional information. In the third part about the SEC or
 5 to FINRA, I'm not sure what the difference between the two
 6 organizations are. It's not explained there. Why would I
 7 go to one versus the other? Are they related? Is FINRA
 8 part of the SEC?
 9 MS. TEN SIETHOFF: No, they're separate. So the
 10 SEC is part of the federal government. FINRA is a
 11 self-regulatory organization. So all the brokers are
 12 members of FINRA.
 13 INVESTOR ONE: You might clarify why one versus
 14 the other.
 15 MS. SCHOCK: INVESTOR 3 is right here and then INVESTOR 11,
 16 you're next. Okay. Running the microphone.
 17 INVESTOR THREE: I'll be real quick. I just
 18 wanted to respond to Emily's question earlier about the fee
 19 disclosure. I think a potential enhancement on the
 20 investment adviser service fee would be to make it clear
 21 that that fee is assessed on an annual and recurring basis.
 22 I think there's a lot of sophisticated investors who don't
 23 actually appreciate that. I have friends of mine say to me
 24 geez, I'm only paying one percent. Yeah, one percent every
 25 year for the next 20 years is a lot of money.

1 MS. RUSSELL: I really appreciate that
 2 because that is something -- that's one of the key
 3 differences we see between an adviser and a broker-dealer
 4 and so it's important -- it's how you pay. So to go to --
 5 and I'm sorry, INVESTOR 9, your comment on transaction base.
 6 You typically pay a broker every time they do a trade on
 7 your behalf. So they buy a stock or sell a stock. That's
 8 when you pay a broker-dealer typically. And for an
 9 investment adviser as INVESTOR 3 is pointing out, you pay them a
 10 percentage of your assets on an ongoing basis and it's
 11 irrelevant how often they trade for you. It's how much
 12 money they're holding for you. That's a key difference.
 13 And because of those differences and how you pay there's
 14 typically different services that come as part of that
 15 account. And that goes back to my original question about
 16 whether the differences and fees and the services you could
 17 get were clear what you saw there.
 18 INVESTOR NINE: The thing is -- is base fees. And I
 19 think, just what you said, to break base fees out on that
 20 level rather than having, you know, a lot of words. You
 21 just say these are the different types of fees. It's a way
 22 of formatting for me. Fees. We have base fees. And they
 23 may be broker fees or investment. You have to explain
 24 that.
 25 MS. TEN SIETHOFF: Can I ask just a follow-up on

1 Emily. I think the way we see it, this is one of the key
 2 differences is the broker you're paying a commission, a
 3 transaction-based fee, the adviser you're pay an ongoing.
 4 We try to get down to -- there are also a lot of embedded
 5 fees within those products, right? You buy a mutual fund,
 6 that has embedded fees. You buy this product, a variable
 7 annuity, that has embedded fees. So we try to get to that.
 8 Are we trying to do too much and that should be layered to
 9 get some of that additional? We should just get the big
 10 picture? Or should we try to get to the fact that there
 11 are also layers of fees really that go on, on both sides?
 12 MS. SCHOCK: You had a --
 13 INVESTOR ELEVEN: My comment was I sort of agreed
 14 with INVESTOR 10 and to the point that you can clarify this a
 15 little bit easier for everybody to understand just using
 16 different words. What you really want to do is just put an
 17 example of what's the difference between a broker and
 18 adviser and then what SEC's role is under it. But then
 19 I've got a question as to what SEC's role is. I mean, I
 20 retired from the federal government and most of the people
 21 that I deal with are retired government employees. So the
 22 whole time that you're working with the government you have
 23 the 401Ks. You have no clue if you have an adviser or a
 24 broker because they set it for you. So then when you
 25 retire you still have the same ones that you always had.

1 So this is strictly individual, how can you help a
 2 government employee who is retired and who they're dealing
 3 with or is it the same as with everyone else? You know,
 4 what is your role? It would be easier for us to understand
 5 and to provide that information and then who they can go to
 6 as an adviser.
 7 MS. SCHOCK: You know, as government employees
 8 then we have the Thrift Savings Plan. So if your money
 9 stays with the Thrift Savings Plan then you're in the
 10 investments that are chosen by the Thrift Savings Board.
 11 Now if you roll the money out, then you're in our world.
 12 Okay? So you're in the world of investment advisers and
 13 broker-dealers who are going to be registered with the SEC.
 14 So if you have CSRS, Civil Service Retirement System, that
 15 means you're receiving your pension. Which means one,
 16 congratulations. Yes. At two percent per year that you
 17 worked for the government and so that is -- it's a
 18 different plan than a defined contribution plan such as a
 19 401K plan and Thrift Savings plan. I wouldn't worry about
 20 the advisers for that.
 21 INVESTOR TWELVE: I have two thoughts. One --
 22 MS. TEN SIETHOFF: Name?
 23 INVESTOR TWELVE: INVESTOR 12. I'm just
 24 general public.
 25 MS. SCHOCK: Welcome.

1 INVESTOR TWELVE: Thank you. We're all very
 2 familiar with the shopping Websites. When you buy
 3 something you see a whole bunch of models and here's
 4 checks, there's like a series of checks that on the
 5 left-hand side is all the features and then it checks which
 6 one -- which feature exists in that model. That could be
 7 an alternative or an additional way of -- a simple way
 8 people are used to finding that information and it does a
 9 head-to-head comparison with the features on the left side.
 10 That's one suggestion.

11 The other thing that occurs to me is that in
 12 general, this form assumes a lot of knowledge and sort of
 13 loaded, like why would I want that. May I suggest, and I'm
 14 sure there's many -- you know, you're not -- one would not
 15 be comfortable making recommendations, but I would suggest
 16 that you might want to do some hypothetical situations. In
 17 other words, there are certain criteria that a person has
 18 that might lead -- that might make one or the other option
 19 more appropriate, maybe the amount of assets or the -- so
 20 if you could just perhaps offer some scenarios that people
 21 could relate to that would be sort of generic, wouldn't
 22 offer a bias. But there are certain situations, I think
 23 that would be, I don't know enough to answer you, but I
 24 would expect that would make a broker situation more
 25 applicable, more useful or meet their needs, in general,

1 versus the investment. And vice versa. And I just think
 2 that people, particularly those without a lot of knowledge,
 3 could identify with these situations. If you could do a
 4 couple generic hypothetical situations I think that would
 5 be very effective.

6 MS. RUSSELL: And to follow up. If we had that
 7 chart, what would be the checks you would want to see?
 8 What would be the information you would want compared?

9 INVESTOR TWELVE: The top level information, like
 10 the fee issue, like the commission, additional fee issues,
 11 commissions. Like some of the big chunks. There's a lot
 12 of criteria here. But sort of the big decision points
 13 that would disclose the major differences between the two
 14 options.

15 MS. SCHOCK: Does this also go back to INVESTOR 8's
 16 point earlier about also knowing the range of fees to know,
 17 you know, what's appropriate? 1.5 percent doesn't sound
 18 like that much necessarily. But 1.5 percent say on a
 19 hundred thousand dollar account, \$1,500 a year, transaction
 20 fees for trades let's say are seven dollars a trade, that's
 21 an awful lot of trading that's going to have to go on and
 22 you're paying for advice.

23 INVESTOR TWELVE: How it would apply to the chart
 24 is -- on the left-hand side in terms of the criteria it
 25 would say net transaction fee and then under each one you

1 would give the range. And so people could see sort of the
 2 difference.

3 MS. TEN SIETHOFF: That's great. One thing I
 4 would just point out about this, because we have definitely
 5 heard, and I totally get it. I just bought a car. In Kelley
 6 Blue Book, where I go and do that, I sort by who's got the
 7 automatic seats and whatnot for each criterion. But one of
 8 the hard things on this, because we have talked about this
 9 is, just how you do that upfront in a relationship when you
 10 haven't yet figured out what sort of investment strategy
 11 you're going to follow. So for an adviser where it's a
 12 one-percent fee off your assets for the next however long
 13 you use them, that's a little easier. But for a broker
 14 where, you know, if you're buying bonds, it's a mark-up and
 15 mark-down. If you're buying stocks it's a commission. It
 16 depends on how many transactions you made it's a little
 17 harder to do that upfront. So do you have thoughts on how
 18 we can do scenarios --

19 INVESTOR TWELVE: I mean just, you know,
 20 acknowledge that there are certain things that aren't
 21 answered, that it's not complete but so they understand the
 22 nuances, as opposed to if they went to an investment
 23 adviser would be one of -- it would be more particular.

24 MS. TEN SIETHOFF: Right. Or even, you
 25 understand if you're going to be someone who makes 50

1 trades a year, you're going to pay a lot more for that.

2 INVESTOR TWELVE: Then you would point that out.

3 MS. RUSSELL: So along these lines, the hypos --
 4 and I'm going to promise, I'll let you comment, but just to
 5 focus your attention on page three right above conflicts of
 6 interest, there's two kind of -- they're not quite hypos,
 7 but they're trying to explain from a cost perspective you
 8 may prefer a transaction-based fee if you do not trade
 9 often or if you plan to buy and hold. And then on the
 10 other side under investment adviser it talks about an
 11 asset-based fee may cost more than a transaction-based fee,
 12 but you may prefer XYZ. Is that language that you think
 13 would be more helpful? Is that the type of
 14 hypothetical that you're thinking of? Should that kind of
 15 comparison come up? Does that address some of the
 16 confusion with fees and the services?

17 MS. TEN SIETHOFF: Or are you thinking assume,
 18 you know, a hundred thousand dollars to invest, they do,
 19 you know, a mix of stocks and bonds, 50 trades a year it
 20 looks like that, and an investment adviser versus
 21 broker-dealer -- like more assumed with actual numbers and
 22 more concrete?

23 INVESTOR ONE: I think that would be good.
 24 People don't understand -- I want to go back and answer
 25 your original question of should we layer the fees. And I

1 think, especially for the adviser, absolutely because, you
2 know, if they're charging one or one-and-a-half percent and
3 then they're putting you in mutual funds that charge
4 another one percent, people do not understand that. They
5 could be paying two-and-a-half percent and there's just no
6 way they're going to do well paying those type of fees. I
7 always thought advisers, if all they're doing is putting
8 you in mutual funds charging you one-and-a-half percent for
9 that, that's just outrageous. They should be putting you
10 in individual stocks where there's no additional cost if
11 they're really going to do it and then charge you like a
12 mutual fund manager would charge you.

13 MS. TEN SIETHOFF: Well, in a fund you're paying
14 the mutual fund for them to manage the stock and bond, and
15 then when you pay the adviser for them to do that for you
16 you're paying for two levels.

17 INVESTOR ONE: That's my point. An adviser I
18 would think it would be better if they just put you in
19 individual stocks that have no ongoing fees if they're
20 charging you one or one-and-a-half percent. But if they're
21 putting you in mutual funds then you're getting double
22 charged and people don't understand that and that's very
23 important.

24 MS. SCHOCK: INVESTOR 6, we're going to get to you.
25 INVESTOR 5, you're next.

1 INVESTOR FIVE: Something we haven't talked
2 about, how to get out of the relationship. Because you may
3 be signing some kind of agreement when you go with these
4 people and you would -- to know that there's a way to
5 terminate it and withdraw without penalty or with penalty
6 or whatever. I'm not sure where you would put it or what,
7 but I think this could be an important part of information
8 for the public or for the retail buyer.

9 MS. TEN SIETHOFF: Can I ask just quick, that
10 sort of makes me think of the key questions at the very end
11 of it. I don't think we have really talked about -- did
12 people find these key questions helpful? Are there ones
13 they wished they saw? Should they be upfront as opposed to
14 at the end? Anyone have thoughts they want to share on the
15 key questions?

16 INVESTOR ONE: Number two would be a good example
17 you could do for them.

18 MS. TEN SIETHOFF: That's the scenario example
19 you were talking about?

20 INVESTOR ONE: Right. Right.

21 INVESTOR FOUR: I was wondering if there's a
22 difference in training or accreditation between a broker
23 and an investment adviser and whether that information
24 should be available?

25 MS. SCHOCK: There are different licenses that

1 they hold. This is the information that you can find by
2 going to investor.gov and doing a background check on them.
3 So you'll see the different exams that they had to take in
4 order to have the licenses that they have. They may also
5 have additional accreditations, maybe like a certified
6 financial planner or something like that. Now that's not
7 registered or licensed with us, nor is it with FINRA. But
8 we do have a tool on investor.gov where you see what went
9 into having someone earn that. Whether there's ongoing
10 education requirements, whether there's an accreditation
11 body, whether they can be suspended or have the
12 accreditation revoked. We also know there's some
13 professional designations that don't really carry a lot of
14 water where you pay \$200, take an online exam and within 15
15 minutes you're some senior specialist of some sort. We
16 don't say one is better than the other but we give you the
17 tools and resource to make decisions on your own.

18 INVESTOR FOUR: Should the clients know that
19 there are those things available?

20 MS. SCHOCK: About the additional professional
21 designation? I think that's something we'll definitely
22 take note of here today.

23 INVESTOR SIX: A simple additional thought for
24 you. A number of questions around the spectrum of options
25 that are available in the market today. And Sarah talked

1 about -- we have talked about this or the other,
2 transaction or advisory fees. It's not one or the other.
3 It's one and the other, right? And so to the extent that
4 like the food pyramid, we could have a simple graphic that
5 explains to people everything that happens in terms of fees
6 and what you get for what you pay. I think that kind of
7 educational brochure from the government that goes with
8 this would be a great way to help investors understand what
9 is out there today. And as things change, for example
10 today there are robo-advisers out there that will do
11 everything for 15, 20 basis points and that is such a new
12 thing and it creates a new opportunity for investors. To
13 the extent that we can educate people on what's available
14 through a simple graphic like that, I think it serves this
15 kind of exercise a lot better.

16 MS. TEN SIETHOFF: So do you think the graphic
17 should be in the form itself or do you think -- I know one
18 comment we have gotten from some is, you know, Lori and the
19 Website investor.gov has tons of information. Should we be
20 doing more -- instead of just at the end saying for more
21 information go to investor.gov, should we have more
22 tailored links in each section saying for educational
23 materials on fees go link to specific links? For education
24 on this topic and more direct links to materials on
25 investor.gov?

1 INVESTOR SIX: Sure, I think it could be both.
 2 But to the extent that there's a simple graphic that
 3 explains this on the first page of the document and then
 4 below that graphic is the link for more detail, it then
 5 explains to people what the rest of the document is about.
 6 MS. TEN SIETHOFF: Well, if we have any great
 7 graphic designers who would like to submit comment letters
 8 or in your feedback sketch in your little graphic, we would
 9 love to see it.
 10 INVESTOR THIRTEEN: Sarah asked a question
 11 whether or not she thought that the questions at the end of
 12 the document -- I think they're fine, but I think we add
 13 some more questions because not all investors are as
 14 sophisticated as we all are here today. I think that we
 15 should have a few more questions about the math that
 16 goes into the fees, and also conflicts of interest.
 17 INVESTOR FOURTEEN: And just to build on those
 18 last two comments. I think one of the things that we have
 19 to recognize is that there are -- you know, with the
 20 changes in our retirement systems there are going to be
 21 more and more investors with fewer and fewer skills to
 22 invest. And perhaps, you know, as we just listened, one of
 23 the things that this form that is the first thing that many
 24 investors will receive when they walk into a broker or an
 25 investment adviser might be a disclosure on the top

1 informing investors that this is a very critical decision
 2 that you are about to make. Before, you know, stepping
 3 over this line or, you know, making these investments, you
 4 should learn as much as you can about this system, visit
 5 investor.gov or whatever -- you know, whatever -- that
 6 seems to be the logical place to send people to get more
 7 background and more information because I think we have got
 8 to recognize that more and more people are going to be
 9 coming into investments and utilizing brokers and
 10 investment advisers with fewer and fewer skills and fewer
 11 and fewer background. And if we don't give them a way to
 12 educate themselves upfront right at the beginning of this
 13 instead of waiting until page four of this document where
 14 their eyes might have glazed over, they might miss that
 15 opportunity to do that.
 16 And one other brief comment, just to build on
 17 something we heard before. A specific thing. When FINRA
 18 is mentioned, you know, on that page four, there's no
 19 mention of FINRA in the first four pages. I would say 95
 20 percent of the people that would look at this document
 21 would not know what the heck is being talked about when
 22 FINRA is mentioned. So I think that that either has to
 23 come out or it has got to be defined earlier in the
 24 document.
 25 MS. RUSSELL: I have two reactions or questions

1 in response to your suggestion. The first one we heard in
 2 a roundtable in D.C. was that the form at the front should
 3 say shop around. And the second question I have is should
 4 there be a delay. Should you get this form or either be
 5 forced to take it home, wait 24 hours before you can open
 6 an account, or should you have to sign every page to show
 7 that you have really kind of thought about it? What can we
 8 do to address some of those concerns you're raising about
 9 the disclosure and try to educate people? Would it be
 10 useful to have a more, you know, upfront point, saying you
 11 should consider your options first or require people to
 12 take time with the form and not just let it be handed to
 13 you as part of an account opening process?
 14 INVESTOR FOURTEEN: We make people sign
 15 disclosures at the doctor's office. I mean, you know, this
 16 is equally as important as their health really.
 17 MS. TEN SIETHOFF: Do they read those
 18 disclosures before they sign them?
 19 INVESTOR FOURTEEN: No.
 20 MS. SCHOCK: INVESTOR 15, let's hear from you.
 21 INVESTOR FIFTEEN: Most advisory appointments are
 22 pre-booked. There are the rare exceptions that you bump
 23 into someone and have a conversation. But, you know, that
 24 would be the perfect sort of time to convey some kind of
 25 guidance messaging because you're usually always pre --

1 MS. SCHOCK: Like send it out ahead of time?
 2 INVESTOR FIFTEEN: Yeah. So if you and I are
 3 engaged in a discussion -- I am transitioning to become a
 4 financial planner and have become a licensed financial
 5 planner in the last year. So if you are engaging with
 6 someone, you're usually prescheduling. So it would make
 7 perfect sense to send the document at the time you make the
 8 scheduled appointment. Then it's on them whether they read
 9 it or not. You still get back to -- most people are
 10 undereducated originally about the whole process. So one
 11 comment I wanted to make and one of the things I have been
 12 focusing more on is financial literacy is you've got to get
 13 in -- there's more programs in the schools. I think
 14 something like 32 states have some degree of requirement.
 15 But it's grossly inadequate. We're out in the world and we
 16 have never been educated about financial affairs. So
 17 somehow that has to work through government processes or
 18 educational systems, you know, to integrate with Department
 19 of Education or somewhere to keep promoting that because
 20 that's really why we can't digest these forms. And it's,
 21 you know -- for us it's too late. But, you know, for the
 22 next generation gives them some opportunity.
 23 MS. SCHOCK: Thank you.
 24 INVESTOR SIXTEEN: And just to kind of make a
 25 comment about what INVESTOR 15 was saying about the education.

1 It's really sad when you think about how we get to a
 2 certain age and try to be educated. Because I only know of
 3 a few schools -- I'm talking about like high schools --
 4 where they actually teach financial education as an
 5 important part. So if we can look at starting to get to
 6 our young people at an earlier age so that when they get
 7 here they're already successful and understand what it is
 8 that's going on. But besides that, I did appreciate the
 9 questions, you know, that you had. And looking at the
 10 questions I know for someone who may not be very savvy in
 11 financial investments, number four, just knowing, you know,
 12 what people are doing in connection with your money. You
 13 know, how is it being used. How is it being invested. And
 14 that's something that I think a lot of us, we really don't
 15 have a sense of. You trust people to handle your money,
 16 but then exactly what is it that they're doing with your
 17 money. And then if you have a question, do you really have
 18 a key person that you can go to in order to get the
 19 information. And also just looking at number, you know, 10
 20 also. People's legal obligations, you know, to us and
 21 again, getting back to what I think what INVESTOR 3 said, if
 22 you're not happy with the relationship then what are your
 23 legal rights to be able to end that relationship.

24 INVESTOR SEVEN: At the AARP we know that they
 25 see all these numbers every 14-and-a-half seconds somebody

1 turns 65 or whatever those numbers happen to be this week.
 2 But from the education on what this is all about, think
 3 about who those people are. So there are these billions of
 4 people who are -- many of whom, they don't have the defined
 5 benefit pension anymore. They have got some type of IRA or
 6 Keogh or whatever it is and they're making decisions about
 7 Medicare and they may be making decisions about when to
 8 take their Social Security. There's a whole bunch of
 9 decisions that are coming around this time and now there's
 10 a decision that you're being untethered from your company's
 11 or employer's financial womb. I don't know. And you're
 12 going to be on your own or you may have the chance to be on
 13 your own. All that comes at once and you have got a decent
 14 defined contribution nest egg there and what do you do with
 15 it? It goes back to the earlier question as to what is a
 16 broker and what do they do and how are they paid, what is
 17 an investment adviser and which avenue should I choose.
 18 Once I go down one, am I stuck there forever. But trying
 19 to understand the empathy from the SEC's point of view, to
 20 whom and for whom this document is directed. It seems as
 21 if as written it's directed towards pretty sophisticated
 22 people. There's a lot of vocabulary for people who
 23 understand vaguely at least what these are, what these
 24 words mean. But there's a whole bunch of people for whom
 25 it's brand new. You have had a company taking care of you.

1 They have chosen which mutual funds and you said I want
 2 five percent, leave me alone now. And you slept well, eat
 3 at night because you didn't have to deal with it. Some of
 4 us love numbers and we look at it every day. Oh, my god,
 5 Amazon is up four dollars a day. But there's a lot of
 6 people who don't want to do that. They don't want to be
 7 kept awake at night. And yet now they have this
 8 responsibility.

9 So it seems this whole SEC regulatory
 10 initiative should take into account the public or the
 11 public for whom it's meant.

12 MS. RUSSELL: Thanks, INVESTOR 7. You know, before I
 13 -- I'll let my colleagues jump in. I know time is ticking
 14 down. I think related to that, I know we have spent a lot
 15 of time on the too much information on the form or how to
 16 streamline that.

17 Before we close, is there any information
 18 that's missing?

19 So beyond a glossary, figuring out what the
 20 terms mean. Is there something on the form that you wish
 21 you knew and you don't see it addressed here?

22 MS. TEN SIETHOFF: Besides the how do I get out
 23 of this relationship?

24 MS. RUSSELL: The things that we have already
 25 touched on.

1 INVESTOR SEVENTEEN: I'm here as an investor. I
 2 would want to know where do I file a complaint.

3 MS. SCHOCK: My office.

4 INVESTOR SEVENTEEN: Is your phone number on
 5 here?

6 MS. SCHOCK: I'm not trying to be a smart aleck.
 7 It's under the additional information. So it's
 8 1-800-732-0330. It's our toll-free number. We staff it
 9 from 9:00 to 3:30 Eastern Time. And we do take investor
 10 complaints and questions. Also, if there's a tip or
 11 referral that comes into the Commission, it will -- we can
 12 go through it there.

13 You can, of course, file it online as
 14 well.

15 We do want to hear investor complaints and we do
 16 want to hear any type of enforcement referral.

17 INVESTOR SEVENTEEN: So just a suggestion. I
 18 loved what you said, Sarah, about the Kelley Blue Book
 19 which I also use and I love Consumer Reports. I subscribe.
 20 Could you do something like that? I mean, could you work
 21 with Consumer Reports magazine and put out a guide for
 22 investors that, you know, they could publish and then maybe
 23 you could put on your Website something like what INVESTOR 12
 24 described, you know, with various checks?

25 MS. SCHOCK: Where we get into challenges with

1 that it's then are we saying this one is better than
 2 another? Are we grading someone?
 3 INVESTOR SEVENTEEN: Not the products. I'm not
 4 talking about products. I'm talking about these
 5 relationships.
 6 MS. SCHOCK: Just the relationships themselves?
 7 INVESTOR SEVENTEEN: Yeah.
 8 MS. SCHOCK: I don't know if Consumer Reports
 9 would be interested in that, but it's something we can
 10 contemplate. We have worked with them before.
 11 INVESTOR FOURTEEN: Medicare does it with nursing
 12 homes and that's the example.
 13 MR. BOUJOUKOS: One more point on complaints.
 14 You can also call the Philadelphia office and we do
 15 encourage you to do that, 215-597-3100. And we have people
 16 on staff that work with Lori's group that triage complaints
 17 and handle them appropriately. So a little pitch for our
 18 office too.
 19 INVESTOR EIGHTEEN: I have a question and two
 20 suggestions for you. This document, which is the market
 21 that are you trying to target with this document? Are you
 22 trying to target more sophisticated individuals or the
 23 general market which normally doesn't have the knowledge to
 24 understand, to even know why should I make the decision?
 25 And the two suggestions is before -- to begin with this

1 document, why should I invest? I think we should have that
 2 question there.
 3 And what are the benefits that I would
 4 receive.
 5 Again, because most of the general markets, they
 6 don't even know what it is. Why should I invest my money?
 7 The business community. And that is my two suggestions and
 8 the question.
 9 INVESTOR TWO: Also in terms of answering your
 10 question about what isn't there. One thing that occurred
 11 to me is, I guess, it's on page one where you talk about
 12 the advisory accounts, that they'll meet quarterly to
 13 discuss a portfolio. I think there ought to be something
 14 in there to be agreed upon by the firm and the client ahead
 15 of time.
 16 So it's not like all of a sudden the adviser
 17 picks them on the day that they have a presentation to make
 18 across the country or something. It's somehow getting them
 19 to make sure that they're talking and that they agreed to
 20 the terms of different things, including this quarterly
 21 review which could be extremely important to them.
 22 INVESTOR FIVE: There should be more than just
 23 English in this community.
 24 MS. TEN SIETHOFF: That was something we
 25 requested comment on is whether there should be a

1 requirement to do it in multiple languages.
 2 Actually can I ask -- I know we're running low
 3 on time.
 4 But one question I wanted to make sure we got to
 5 because I think this is one area on the form we didn't talk
 6 so much.
 7 On the bottom of page three there is a section on
 8 conflicts of interest.
 9 And I wondered what people thought
 10 of that in terms of is this highlighting conflicts in a
 11 useful way. Would you rather see it done differently?
 12 INVESTOR ONE: I just have one real suggestion on
 13 a real critical area.
 14 For an adviser they have an
 15 incredible conflict of interest if you have a pension and
 16 you have an option to take it as a lump sum or as an
 17 annuity.
 18 Obviously they want you to take it as a lump sum
 19 and then they get to charge you a percent for the rest of
 20 your life.
 21 It would be great to spell that one out. It's
 22 such a big one. It would really be a nice simple addition
 23 for example if you have this situation.
 24 MS. TEN SIETHOFF: That actually raises a good
 25 question and something we debated about and asked a lot of

1 questions on when we did this, is how much we should try
 2 and capture different types of specific conflicts. And by
 3 the way, advisers, brokers, right, they're all going to have
 4 conflicts, and how much we should take a higher level
 5 approach and more highlight that everybody is going to have
 6 conflicts.
 7 You should -- and layer it where you should go
 8 to other places to get more details. What do people think
 9 is the most helpful balance for people in getting
 10 information about conflicts?
 11 INVESTOR SIX: So just a quick comment on your
 12 conflicts question.
 13 The idea of selling investments from
 14 your account is foreign to 90 percent of the people out
 15 there.
 16 The idea that your dealer has a certain inventory
 17 and they're trying to sell you from that inventory is what
 18 this is pointing out. So I think this is pointing out
 19 conflicts that are beyond the understanding of a lot of
 20 investors.
 21 And to the extent that we can have examples of
 22 concrete conflicts, that helps folks really understand what
 23 to look for in the area, that's helpful. Thank you.
 24 MS. TEN SIETHOFF: INVESTOR 8.
 25 INVESTOR EIGHT: Under the Affordable Care Act,

1 the Centers for Medicare and Medicaid Services requires now
2 physicians and other medical providers under something
3 called open payments to reveal their possible conflicts,
4 drug company payments, for example, medical equipment. I'm
5 a joint surgeon.

6 Oh, I only use the durable medical
7 equipment from this supplier. But a consumer, you can go
8 right online and you can go to the open payments website
9 and you can have a conversation with that healthcare
10 provider about the advice they're giving you and whether
11 that's influenced at all by that revealed, very transparent
12 relationship they have.

13 So I think something in the
14 investment world related to that might be a great idea.

15 MS. TEN SIETHOFF: If we do make links to that, will
16 people click on those links?

17 INVESTOR EIGHT: Well, the open payment, when you
18 talk -- a lot of consumers aren't even aware of that, but
19 when you educate people, like health literacy rather than
20 financial literacy, but when you educate people about that,
21 a lot of folks really want to pursue that. I have also
22 been at medical presentations where the physician, like if
23 they're doing a PowerPoint, will actually put up on the
24 screen like either I have no conflicts or oh, I do speaking
25 events for, you know, this drug company. And so, again,

1 services, and that just looking at that level of education
2 it could be a very low level of education in some of these
3 poverty groups and in some of the other groups. So that
4 keep that in mind in terms -- it's a follow-up on the level
5 of the grammar.

6 MS. SCHOCK: Great. We're going to have to wrap
7 up and I want to thank all of you for coming here today.
8 Jeff, I know you have some closing remarks. But do know
9 that we will take your comments into consideration with
10 proposed rulemaking. Stay tuned. You'll see it again.
11 Thank you.

12 MS. TEN SIETHOFF: Please, we encourage you to
13 fill out those feedback flyers, the one page that you have.
14 And just want to mention, we're also doing a general
15 outreach on just how we can improve all sorts of investor
16 disclosure for the fund industry as well. So in your
17 packet you're also going to get this card and feedback
18 flyer.

19 If you read disclosures for mutual funds, ETFs, any
20 of those types of products. This is to help us understand
21 how we can better reach retail investors on that. So
22 encourage you to give us that feedback.

23 MR. BOUJOUKOS: I'd like to take a second to
24 thank a couple people in this office who worked really hard
25 to make this happen.

1 that's not saying it's bad, good or indifferent but it
2 makes the information publicly available. And also, I love
3 the reading level thing.

4 And talking about another fellow
5 government agency, NIH, National Institute of Health, for
6 their consumer-based Website Medlineplus.gov, I believe
7 that their view is they run their text at an eighth grade
8 reading level, and they think that to really be an
9 informative consumer Website, eighth grade should be where
10 you target the language.

11 MS. SCHOCK: INVESTOR 10.

12 INVESTOR TEN: I have just one last comment.
13 Readability.

14 There's some standard user -- sort of user
15 design techniques that are generally employed. Websites
16 for example.

17 When you're looking for a phone number, you
18 always look at the bottom of the page. You don't look at
19 the fourth page embedded in the text. There's just basic
20 information, places that people always go for it. Any
21 graphic designer can help with that.

22 INVESTOR FIVE: You should probably be aware that
23 here in Philadelphia the United Way is requiring all of
24 their agencies that they give money to do some financial
25 counseling to the people that they give money to or

1 Cynthia Hoekstra, who is one of the
2 microphone wielders today, Mark Dowdell, David Butler and
3 Christine Swede.

4 Thank you for working so hard to make
5 this happen.

6 And thank all of you for coming out. As
7 Sarah just said, the feedback form is very important for
8 us.

9 So please take the time to fill it out. You can drop
10 it here today or you can mail it in. Another thing I would
11 say is after the meeting we do senior outreach for
12 educational opportunities.

13 We just finished one out in -- at West Chester.
14 and to the extent that you are members of, or know
15 of groups that would be interested in receiving
16 that kind of a program, we had the AARP, we had FINRA, we
17 had someone from Temple, plus SEC people, Lori's group does
18 a great job of preparing us to give out some really key
19 information about a lot of the questions you're asking. If
20 you have a group or if there's a contact person that you
21 would like to give us, you can talk to me, you can talk to
22 Cynthia.

23 Please do it. We're planning another one for
24 several months from now and we would really love to have
25 all of your participation and it's vitally important as I

1 think we all recognize to raise the level of understanding
2 and education among senior investors in particular and so
3 help us do that.

4 With that, thank you very much for coming
5 and enjoy the rest of your day.

6 (Whereupon, at 12:13 p.m., the examination was
7 concluded.)

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