

July 12, 2011

The Honorable Scott Garrett
Chairman
Subcommittee on Capital Markets and
Government Sponsored Enterprises
2129 Rayburn Office Building
Washington, DC 20515

Dear Chairman Garrett:

The Bond Dealers of America (BDA), the only national trade association representing securities dealers and banks predominantly focused on the U.S. fixed-income markets strongly supports your introduction of HR 2308, the SEC Regulatory Accountability Act.

We are in agreement that all federal agencies, rulemaking commissions and authorities, including the Securities and Exchange Commission, should be required to explain the issue their proposed regulations try to address and conduct a cost-benefit analysis prior to promulgating new rules or regulations. Our association and its members feel the analysis will help to ensure the pending regulatory actions do not have an unnecessary economic burden on or consequences for affected parties and investors. Your bill would require the SEC, as an independent agency, to follow the same rules that apply to other federal agencies.

BDA especially supports your legislative actions in light of a recent study released by the Securities Exchange Commission (SEC) that recommends a uniform fiduciary standard be imposed upon investment advisors and broker-dealers. It is BDA's position that a uniform fiduciary standard should not be imposed on two professions that perform vastly different services on behalf of their clients. Further, imposing such a standard could inflict significant economic and administrative burdens on broker/dealers and exacerbate the advantage that too-big-to-fail firms have over the rest of the industry.

BDA's position is supported by the statements of two SEC Commissioners. Specifically, Commissioners Paredes and Casey commented:

“In our view, the Study's pervasive shortcoming is that it fails to adequately justify its recommendation that the [SEC] embark on fundamentally changing the regulatory regime for broker-dealers and investment advisers providing personalized investment advice to retail investors. The Study recommends the adoption of a new uniform fiduciary duty standard and harmonization of two disparate regulatory regimes. But it does so without adequate articulation or substantiation of the problems that would purportedly be addressed via that regulation. The Study also does not adequately recognize the risk that its recommendations could adversely impact investors.”

We believe HR 2308 presents a sensible approach to requiring the SEC to fully justify its actions from both a legal and economic perspective prior to undertaking rulemakings that could undermine the activities of middle-market broker/dealers and confuse investors who depend on sound financial advice from those they trust.

Chairman Garrett, we applaud your initiative in undertaking this important legislation and stand ready to work with you to see it enacted into law.

Sincerely,

A handwritten signature in blue ink that reads "Michael J. Marz". The signature is written in a cursive style with a large, stylized initial "M".

Michael Marz
Chairman, Bond Dealers of America