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Reuters: U.S. Investment Industry Groups Scuffle Over Ethics, Costs.

Wall Street's brokerages would spend an average of $8 million each to implement a plan being considered by the U.S. Securities and Exchange Commission to impose higher ethical standards on brokers who give financial advice, according to estimates by the securities industry's largest trade group.

The Securities Industry and Financial Markets Association will present its figures to the SEC in a letter on Friday, the last day for interested parties to respond to a sweeping public request for information that could help the agency determine whether to impose a new standard, known as the so-called fiduciary rule.

SIFMA's findings and others could further delay the standard that has been long discussed and deferred by the SEC. At issue is a long-running controversy about the differences in responsibilities toward clients for securities brokers, who register with the self-regulatory Financial Industry Regulatory Authority, or FINRA, and registered investment advisers, or RIAs, another type of financial adviser overseen by the SEC.

Imposing traditional fiduciary standards for investment advisers on brokerages could mean big changes for the industry's business practices, such as possibly disclosing to investors when the "best" investment choices are available elsewhere.

Typically, brokers are compensated by sales commissions and must only meet a "suitability" standard by suggesting investments that are suitable for their clients. But RIAs, typically paid by clients, must be fiduciaries – they must put their clients' interests above their own at all times. The SEC is considering whether to streamline those standards through a new rule.

Developing and maintaining new compliance procedures to adhere to a fiduciary rule – everything from training staff to monitoring transactions – would run an average of $5 million per firm during the first year, Kevin Carroll, SIFMA associate general counsel, said in an interview with Reuters.

A potentially new broker disclosure brochure under consideration by the SEC would cost each brokerage, on average, about $3 million to develop and update during the initial year, he said.

SIFMA has faced criticism that it is pushing the SEC to adopt a fiduciary standard in name only, because it wants rules that would accommodate traditional brokerage business practices, such as selling brokerage-branded funds that can be more expensive than alternatives.

Some Washington insiders are skeptical that the SEC will ever develop a fiduciary rule for brokers, given intense lobbying by the industry. On Tuesday, for example, the National Association of Insurance and Financial Advisors (wrote in a letter to the SEC that imposing a fiduciary standard on brokers would make their services pricier for middle class investors. NAIFA represents insurance agents who also sell securities.

The group developed the figures based on estimates it collected from 12 large firms and six regional firms. While the identities of those firms are unclear, SIFMA's membership includes the largest brokerages, such as Morgan Stanley and Bank of America Corp.'s Merrill Lynch unit.

The $8 million estimate represents a fraction of each firm's annual budget.

At least one fiduciary advocate is skeptical of SIMFA's figures. A $3 million price tag for a brochure of disclosures is "questionable on its face," said Knut Rostad, president of the Institute for the Fiduciary Standard, a group that promotes imposing a traditional fiduciary standard on brokerages.

The Investment Adviser Association, which supports imposing a traditional fiduciary standard on brokers who give investment advice, is concerned about how the agency's process for reviewing the varying ethical standards may affect SEC-registered advisers. The discussion in the SEC's data request "appears to favor imposing the broker-dealer regulatory regime on investment advisers," wrote David Tittsworth, the group's executive director.

A spokesman for the Financial Planning Coalition, a trade group that also supports imposing a traditional fiduciary standard on brokers who give investment advice, said it will file a letter with the SEC on Friday. He declined to comment on SIFMA's remarks.

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