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Reuters: U.S. House Passes Bill to Delay Fiduciary Rules at SEC, Labor Dept.

The U.S. House of Representatives passed a controversial bill on Tuesday that would delay two government regulators from adopting rules requiring stock brokers and retirement account financial advisers to put their customers' interests ahead of their own.

The bill, which was approved in a 254-166 vote, has virtually no chance of becoming law, after the White House late Monday threatened to veto the measure.

Its passage, however, marks yet another symbolic effort by Republicans to express their discontent over the sweeping new regulations that stem from the 2010 Dodd-Frank Wall Street reform law.

The bill is one of two measures before the House this week that would amend the Dodd-Frank law.

On Wednesday, the House is also expected to pass a bill with some bipartisan support that would loosen a requirement for banks to spin off their risky derivative trading desks into separate legal entities.

Although the White House has cautioned against passage of the derivatives bill, it stopped short of a veto threat.

FIDUCIARY RULES DELAYED

The fiduciary bill, sponsored by freshman Republican Representative Ann Wagner of Missouri, targets rulemaking efforts at both the U.S. Securities and Exchange Commission and the Department of Labor that would impose a fiduciary duty on certain kinds of financial advisers.

The bill calls for the SEC to undertake additional study before writing any new rules to harmonize standards between investment advisers and stock brokers to determine whether regulatory changes would help or hurt retail investors.

It would also force the Labor Department to delay adopting any rules targeting retirement advisers until the SEC completed its own regulations first.

In voting to pass it, 30 Democrats joined ranks with Republicans in support of the measure.

"The Securities and Exchange Commission and the Department of Labor...are headed towards proposing two massive and inconsistent rulemakings that are going to hurt the ability of retail investors to get financial advice," said House Financial Services Committee Chairman Jeb Hensarling.

Maxine Waters, the ranking Democrat on the committee, voted against the measure, saying it "just goes too far..."

"The bill holds the Labor Department hostage while throwing up road blocks for the SEC," she said.

The Dodd-Frank law required the SEC to study whether it should harmonize two different standards of care for stock brokers and investment advisers.

It also authorized, but did not require, the SEC to develop new standards.

Investment advisers are already held to a fiduciary duty, meaning they must put their investors' best interests first.

Brokerages, however, are only required to offer advice about investments that are "suitable" – a less stringent standard that some say leads to conflicts of interest because brokerages may be more likely to recommend products that generate higher compensation.

The SEC released a study on the issue in 2011 that called for imposing a harmonized fiduciary standard for advisers and brokerages.

Meanwhile, the Department of Labor has separately been pursuing its own proposal that would impose fiduciary responsibilities on advisers to workplace retirement plans and individual accounts.

To date, however, the SEC has not yet issued a proposal and the Labor Department in 2010 withdrew an earlier version amid heavy criticism from the brokerage industry.

The SEC solicited more data from the industry in a March 2013 request, in an effort to help inform whether it will proceed with writing the new rules.

Earlier this month, SEC Chair Mary Jo White told reporters the fiduciary rule was still a "major focus" and the SEC was working to resolve "where we're going on it."

The Labor Department has also been working toward issuing a revised proposal, but has yet to do so amid a strong push by Wall Street to delay the measure.

The Securities Industry and Financial Markets Association, the leading trade group for the brokerage industry, has opposed to the DOL's efforts.

"The DOL should not act in this area until the SEC. Dodd-Frank made it very clear that it was the SEC's responsibility," SIFMA Chief Executive Judd Gregg told Reuters on the sidelines of a recent conference.

Proponents of strong fiduciary duty rules, however, have been out in force urging lawmakers to oppose the bill.

The bill is a "back door attempt to undermine investor protection provisions in Dodd-Frank," the Financial Planning Coalition argued in a letter to Congress issued on Monday. (Reporting by Sarah N. Lynch; additional reporting by Suzanne Barlyn in New York.; Editing by Phil Berlowitz and Leslie Gevirtz)