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Smaller Brokerages Band Together to Challenge Regulatory Costs.

Fifteen brokerages have banded together to protest regulations imposed since the 2008 financial crisis that they say unreasonably treat them the same as giants like Morgan Stanley and Bank of America Corp.'s Merrill Lynch.

"You can't just say we have to regulate trading and markets and have all of us comply with a rule written for the largest firms," said Curt Bradbury, chief operating officer of Stephens Inc. and chair of the newly formed American Securities Association.

For instance, he pointed to a Securities and Exchange Commission crackdown on municipal-bond disclosures. In June, the SEC charged and fined 36 municipal underwriting firms for giving inaccurate information to investors, including levying the maximum fine allowed of $500,000 on Goldman Sachs Group Inc., Raymond James Financial Inc.'s brokerage unit and Robert W. Baird & Co. Stephens was fined $400,000. "We tried to make the point that if you make the fines proportionate, it would make Goldman's fine a hundred times larger than $500,000," Mr. Bradbury said.

Mr. Bradbury said the fact that some giant firms, including Goldman, are deemed systemically important financial institutions, or SIFIs, sets a precedent for treating firms of varying sizes differently. "Yes, we're grousing about the burden of regulation and its extent but also pointing out that a SIFI is different from a non-SIFI and regulations should be different for both," he said. "Rules imposed on the entire industry are simply inappropriate for our firms."

The added costs of complying with added regulation fall more heavily on smaller firms, Mr. Bradbury and others say.

Indeed, Goldman Sachs Chief Executive Lloyd Blankfein said at a conference last year that expensive regulations have "raised the barrier of entry higher than at any other time in modern history," so that "only a handful of players" would be able to compete with one another globally.

The new group wants regulators such as the SEC and the Financial Industry Regulatory Authority to fine-tune how new rules impact different companies based on their size and scope.

The founding members of the new brokerage group are mostly midsize and regional firms. The ASA will oversee the Bond Dealers of America, an existing organization that comprises 57 firms, and the newly created Equity Dealers of America, a group with 11 members so far.

Executives at publicly traded securities firms and banks describe how each quarter they are paying higher sums to comply with rules and requirements introduced by the 2010 Dodd-Frank regulatory overhaul.

Among the ASA's focuses is the Labor Department's proposal to protect retirement savers. The rule, which could be ready as early as March, would require financial advisers to put their clients' financial interests above their own. It is expected to speed up a transition from commission-based accounts to fee-based accounts, which many firms say may not be workable for the smaller accounts held by many smaller securities firms.

A report by researcher Morningstar Inc. late last year said regional and independent wealth-management firms will likely face bigger revenue declines tied to the Labor Department's rule, since many may be forced to let go of commission-based individual retirement accounts with $100,000 in assets or less. Bigger firms are expected to fare better since they generally work with investors who have more assets.

The Labor Department rule is "something we have opposed vigorously through all the industry organizations and have not been able to make our point," Mr. Bradbury said. "It may be too late to work on it, but we'll try."

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