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Labor Department Seeks 18-Month Delay in Fiduciary Rule.

Has proposed pushing the Jan. 1, 2018, compliance date to July 1, 2019

The Labor Department is proposing to delay the fiduciary rule's compliance deadline by 18 months, a move that experts say suggests the retirement-savings rule will emerge from a re-evaluation with significant revisions.

The agency, which has been reassessing the Obama-era rule's economic impact, said Wednesday in a court document that it submitted a proposal to push the Jan. 1, 2018, compliance date to July 1, 2019. The document, filed as part of a lawsuit in the U.S. District Court for the District of Minnesota, also says the Labor Department is considering loosening restrictions on the types of transactions that are prohibited under the rule, including insurance products and rollovers of individual retirement accounts.

The fiduciary rule "is likely here to stay, but its impact could be significantly reduced over the next few years if exemptions from the rule are significantly expanded," said Jamie Hopkins, a professor at the American College of Financial Services.

The Labor Department couldn't immediately comment.

The first phase of the rule, requiring financial-advice providers to act in retirement savers' best interest, took effect June 9. The request for a delay would give agency officials more time to conduct their economic-impact review and give industry players more time to weigh in. Last month, the Labor Department issued a request for information, writing that it "is interested in the possibility of regulatory changes that could alter or eliminate contractual...requirements," among other potential changes.

In Wednesday's filing, Labor Secretary Alexander Acosta said the agency had also proposed changes to how certain transactions are treated under the rule. Transactions such as IRA rollovers and insurance products including annuities could become exempt under the final rule, the document suggests.

"There is a lot on the table here," considering the questions the Trump administration has raised about the impact of the rule's compliance costs and legal liabilities, said Erin Sweeney, an attorney at Miller & Chevalier Chartered who represents parties in litigation regarding fiduciary obligations.

Ms. Sweeney said the delay would give the financial-services industry more time to comply with the regulation, while at the same time preventing firms from "starting down a compliance path only to do a zig-zag" if the rule is revised.

For retirement savers, the delay doesn't change the requirement that financial advisers put clients' interests before their own. It does, however, make it the best-interest standard harder to enforce. The rule as written by the Obama administration included a provision that would allow investors to bring class-action suits against advisers they say violated their fiduciary duty. While such suits don't

typically yield big paydays for individual investors, the potential cost to advisers and firms was meant to prevent violation of the rule.

“Until you have a contract, it’s hard to imagine a situation where a lawyer brings a case,” Ms. Sweeney said.

Some financial-industry executives cheered the delay proposal. “I think that everyone was hoping for a delay,” said Ronald Kruszewski, chief executive at Stifel Financial Corp. “It’s encouraging that the DOL is taking a look at both protecting consumers and protecting choice.”

Investor watchdogs, meanwhile, expressed concern. “Retirement savers need and deserve a fully enforceable best interest standard backed by real restrictions on conflicts,” said Barbara Roper, director of investor protection at the Consumer Federation of America. “The biggest impediment to investors receiving the full benefits of the rule is uncertainty over its fate, and a delay of this length only contributes to that uncertainty.”

The delay notification stems from a lawsuit brought by Thrivent Financial for Lutherans against the Labor Department. The organization has challenged the department’s authority surrounding the rule and approach to how clients can bring cases against financial advisers they say violated their fiduciary duty. The case is one of several that has been levied against the department.

Expected to publish Thursday, the delay proposal was submitted to the Office of Management and Budget, the gatekeeper for revisions and delays to U.S. regulations.

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