CAMBRIDGE

VIA ELECTRONIC MAIL: EBSA.FiduciaryRuleExamination@dol.gov

July 21, 2017

Employee Benefits Security Administration
Office of Exemption Determinations
U.S. Department of Labor
200 Constitution Avenue, NW
Suite 400
Washington, DC 20210

Re: RIN 1210-AB82: Request for Information Regarding the Fiduciary Rule and Prohibited Transaction Exemptions

To Whom It May Concern:

Cambridge Investment Research, Inc. and Cambridge Investment Research Advisors, Inc. (collectively "Cambridge") appreciate the opportunity to comment on The Department of Labor's (the "Department") request for information (RFI) published in the Federal Register on July 6, 2017 in connection with its examination of the final rule defining who is a "fiduciary" of an employee benefit plan for purposes of the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code (IRC), as a result of giving investment advice for a fee or other compensation with respect to assets of a plan or IRA (Fiduciary Rule). The RFI seeks public input regarding the advisability of extending the January 1, 2018, applicability date of certain provisions in the Fiduciary Rule and its accompanying exemptions, including the Best Interest Contract Exemption and Prohibited Transaction Exemption 84-24.

Cambridge has consistently supported the implementation of a thoughtful, well-crafted, and effective uniform standard of care applicable to all financial services professionals providing investment advice to clients, regardless of the type of investment account a client may have. While Cambridge supports a uniform standard of care for all investment accounts, Cambridge believes the SEC is in a better position than the Department to create and implement a rule that accomplishes this goal. Further, Cambridge believes full implementation of the DOL's Fiduciary Rule will harm retirement investors and firms like Cambridge and its advisors by disrupting the retirement services industry, due to a reduction in investment advice and offerings, lack of services

1776 Pleasant Plain Road • Fairfield, Iowa 52556 | Phone: 800-777-6080 | Fax: 641-469-1691
cambridge@cir2.com | www.cir2.com

and products, increased costs, and increased litigation that will increase prices to retirement investors.

For the aforementioned reasons, Cambridge supports a delay in the January 1, 2018 applicability date in order to allow the Department to conduct a detailed review of the Fiduciary Rule, its negative impact on retirement investors' access to retirement planning services, new innovations, and consideration of alternative approaches that may alleviate many of these concerns.

BACKGROUND ON CAMBRIDGE

Cambridge is a privately-controlled financial solutions firm focused on serving independent financial services professionals ("advisors") and their investing clients. Cambridge's national reach includes: Cambridge Investment Research Advisors, Inc. – a corporate Registered Investment Advisor ("RIA") federally registered with the Securities and Exchange Commission ("SEC"); and Cambridge Investment Research, Inc. – an independent broker-dealer, member FINRA/SIPC. Cambridge is among the largest privately-controlled independent broker-dealers/RIAs in the country supporting over 3,000 advisors nationwide who serve more than 700,000 of their clients as investment advisor representatives and registered representatives, choosing to use either Cambridge's RIA or their own RIA.

Independent financial services professionals are not employees of an independent financial services firm like Cambridge – they are independent contractors and entrepreneurial business owners. They have the freedom to structure their business in a manner that best serves their investing clients. Independent financial professionals utilize a broker-dealer and/or an RIA who provides services that include processing investment business, marketing assistance, practice management, and education. In addition, a broker-dealer and/or an RIA holds responsibility for regulatory compliance and adherence to securities laws.

In supporting over 3,000 advisors throughout the country, Cambridge serves more than 400,000 individual retirement accounts and retirement plans, as well as over 300,000 non-retirement accounts. Cambridge is proud that advisors who share its core values of integrity, commitment, flexibility, and kindness choose Cambridge as their financial solutions firm. Cambridge is located in Fairfield, Iowa, where it is the largest employer with over 700 associates in this Midwestern community of about 10,000 residents. Just over 50 percent of Cambridge's associates live in the immediate area and Cambridge draws most of the other half of its associates from six surrounding counties in southern Iowa. Similarly, the more than 3,000 advisors affiliated with Cambridge live and work in communities all across the country, servicing investing clients who reflect the unique demographics of their communities.

In brief, Cambridge and its associates live and work in a small community and the Midwestern roots and main street connection are integral to the personalized connection Cambridge has with main street advisors; and the personal relationship these advisors have with their investing clients – many of whom also live and work in the same communities. Cambridge hopes this perspective will help the Department better understand the following comments regarding the Department's consideration to delay the Fiduciary Rule.

DISCUSSION

On April 4, 2017, the Department finalized the delay of the applicability date of the Fiduciary Rule to June 9, 2017 to conduct a study of the rule's impact per the President's Memorandum to the Secretary of Labor, dated February 3, 2017 (the "President's Memorandum"). While the delay was helpful, Cambridge does not believe the Department had sufficient time to conduct the required study in the sixty day time period. Cambridge previously provided comments to the Department stating Cambridge and the industry needed more time to develop technology, products, and services to meet the requirements of the Fiduciary Rule. Developments are progressing, but will not be completed by January 1, 2018, which will reduce investor access to retirement planning services through lack of product and platform developments, and will force firms like Cambridge to use manual processes to comply with the Fiduciary Rule's burdensome requirements because automated solutions are not yet available to Cambridge or the industry. Cambridge therefore believes the Department should further delay the full application of the Fiduciary Rule at this time.

THE APPLICABILITY DATE SHOULD BE DELAYED UNTIL JUNE 9, 2019

The Fiduciary Rule was published on April 8, 2016, with an initial applicability date of April 10, 2017, giving the industry only 12 months to make the sweeping changes required. On April 7, 2017, the Department further delayed the applicability of all but the Impartial Conduct Standards of the Fiduciary Rule until January 1, 2018. Cambridge has been working at a breathtaking pace for the past 16 months in an effort to evaluate, plan, develop and implement systems and technology to comply with the myriad of requirements necessary to satisfy the Fiduciary Rule. With just 5 months remaining to prepare for full implementation of the remaining requirements, it will be extremely challenging for Cambridge to develop the technology and systems necessary to comply with the Fiduciary Rule while maintaining high levels of investor access to retirement planning services. Product development, technological solutions and innovations in the financial services industry have not had sufficient time to develop in order to facilitate compliance without potentially sacrificing service to retirement investors and, therefore, Cambridge believes the January 1, 2018 applicability date of the Fiduciary Rule should be delayed until June 9, 2019 to allow for further review and modification by the Department and for advancements in the industry to meet the objectives of the Fiduciary Rule.

I. Investors Will Not Be Harmed With Further Delay Given the Existing Regulatory Structures and Application of the Impartial Conduct Standards.

Retirement investors are currently protected through numerous regulatory structures and will not be harmed by a further delay of the Fiduciary Rule. Independent broker-dealers such as Cambridge, and its advisors, are currently subject to comprehensive legal obligations and regulations under federal and state securities laws, rules, and regulations. This includes the SEC through the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Advisers Act of 1940 along with respective rules and regulations. In addition, this also includes the Financial Industry Regulatory Authority (FINRA) self-regulatory organization rules, oversight, and examinations along with statutory language related to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Under these rules, broker-dealers are required to deal fairly with their customers while investment advisers are subject to a fiduciary duty and extensive disclosure obligations. FINRA requires broker-dealers to commit to observe just and equitable principles of trade and high standards of commercial honor and are obligated to disclose certain material conflicts of interest to their customers. Further, federal securities laws and FINRA rules strictly prohibit broker-dealers from participating in certain transactions that may present acute potential conflicts of interest.

In addition to the forgoing, FINRA rules require Cambridge to develop and enforce written supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. Cambridge must also establish, maintain, and enforce a system of supervisory control policies and procedures that test and verify that its supervisory procedures are reasonably designed and modify them as necessary. Retirement Investors are further protected through enforcement efforts by the SEC and FINRA for non-compliance and through arbitrations and litigations by an active plaintiff's bar.

Investors are further protected by the application of the Impartial Conduct Standards implemented through the Fiduciary Rule on June 9, 2017. Since the Impartial Conduct Standards are currently in effect, the industry, including Cambridge and its advisors, are required to provide advice in the retirement investors' best interest, charge no more than reasonable compensation for their services and avoid misleading statements. As a result, Cambridge has implemented and continues to develop systems, procedures and technological developments to comply with the new obligations.

Cambridge believes the existing regulatory framework and the implementation of the new Impartial Conduct Standards are appropriately protecting retirement investors and that any potential harm to retirement investors caused by a delay of the additional requirements is greatly reduced by the application of the Fiduciary Rule's new Impartial Conduct Standards.

II. Technology Development Requires Additional Time to Be the Most Effective.

Enhanced technology is required to effectively support the Fiduciary Rule, and the abbreviated time frame driven by the Fiduciary Rule has forced firms like Cambridge to begin with manual processes because automated solutions are not yet available due to insufficient development time. In an effort to be compliant, a manual approach has been implemented with limited technology solutions but it is less efficient and effective over the long term for such a complex regulation. Additional time is also necessary to develop technology to create a better investing client experience to automate for the delivery of new disclosures as well as recommendations for the client. With a delay, Cambridge believes more time would allow further development of appropriate technology for the benefit of everyone involved, especially investing clients and the advisors they need to support their needs.

III. A Delay Will Allow Needed Time to Preserve Choice For Investing Clients.

Investing clients have unique needs and must define their own preferences in how they wish to receive advice; and they deserve choice in terms of solutions that best meet their needs. More time is needed to preserve the right of choice for investing clients while enhancing consumer protection. An appropriate breadth of products compliant with the Fiduciary Rule has not yet been developed across the industry. Without a delay and additional time to allow product development, investing clients will have very limited options without access to experienced advice to interpret the marketplace confusion created by the Fiduciary Rule.

IV. New Products and Procedures Are In Development, But More Choices Are Needed For Retirement Investors.

The timeline for full implementation of the Fiduciary Rule is too short given the complexities of the new regulations and the impacts of new requirements on products. An unintended negative impact of the aggressive implementation timeframe is very few options will be available to investing clients if the January 1, 2018 applicability date stands. Without being forced to rush, a delay will enable product providers to build out appropriate products in accordance with more clarity regarding the requirements of the Fiduciary Rule.

V. The Delay Is Needed For Product Development and Education.

Without a delay, time has been too limited for the development of product options focused on meeting the needs of all clients. The requirements of the Fiduciary Rule are driving new products and structures, yet the abbreviated time frame driven by the Fiduciary Rule will actually hurt investing clients with an unintended consequence of too few options, and less well thought out options, for their needs. Just one example is that the delay would allow more time across the industry for development of an appropriate breadth of products and platforms suitable for the needs of the smaller investing clients, which is typically investing clients with less than $25,000 in investable assets. These individuals also deserve options to help them save appropriately for their retirement planning goals and get access to independent and objective advice. In addition, many advisors have indicated they will be unwilling to accept the additional risks or invest the additional time necessary to comply with the best interest contract exemption requirements for accounts of smaller investing clients.

All investing clients need time to fully understand and discuss new product options with advisors of their choice and to understand the options that may or may not be available as firms implement the Fiduciary Rule. Cambridge believes a delay of the January 1, 2018 implementation date will allow more time for both product and servicing option developments and the subsequent necessary education all investing clients deserve.

VI. Delay Will Allow More Time to Consider the Merits of Revision or Modification of the Fiduciary Rule.

Cambridge supports the intent of the Fiduciary Rule to enhance consumer protection, but this must be done while preserving the right of choice for investing clients. With this in mind, at a minimum there are elements of the Fiduciary Rule that could be simplified and improved. More importantly, Cambridge believes a uniform standard of care applicable to all investment accounts would be valuable to all investing clients, not just retirement investors. Cambridge, under separate cover, is looking forward to responding to the Department's RFI to modify or revise the Fiduciary Rule.

VII. Cambridge Stands Ready to Comment More Fully On Its Positions Related to the Simplification and Improvement of the Rule.

Regardless of intent, the Department did not solve the original problem characterized as a retirement crisis with the Fiduciary Rule. For example, addressing conflicts of interest through disclosures and levelized compensation will not create more retirement savers. Cambridge believes modifications and revisions to the Fiduciary Rule can help accomplish the underlying motives of the rule while mitigating further disruption to the industry and the unintended consequences of limiting financial service offerings to retirement investors.

CONCLUSION

Cambridge supports the Department's stated purpose of the Fiduciary Rule to increase retirement investor protection; however, Cambridge does not believe the Fiduciary Rule as written will achieve the desired outcome. As such, Cambridge continues to advocate the implementation of a well-crafted and effective uniform standard of care applicable to all financial services professionals providing investment advice to retail clients, concise and meaningful disclosures, preservation of commission and fee compensation structures, and associated rule exemptions allowing advisors to provide effective retirement investment advice and education to investing clients without exposure to potential class action liability.

Cambridge believes the full applicability date of January 1, 2018 presents significant challenges in meeting the requirements presented by the Final Rule due to its complexity and the much abbreviated time frame provided for implementation. The aggressive implementation time frame was grossly insufficient for assessment, development, education, and implementation because:

- The scope and complexity of the 1,300 plus pages reflecting the Fiduciary Rule and its intended effect on hundreds of thousands of investing clients required a significant amount of time just to properly assess the intent of the Final Rule and the regulatory requirements, and it appears at least 36 months would have been more appropriate for implementation prior to applicability dates to better resolve issues with the Fiduciary Rule regarding vagueness and lack of clarity;

- The many months required for assessing the intent of the Fiduciary Rule significantly impacted and overly limited critical time needed across the industry to define the most appropriate solutions for the best interests of investing clients, including development of levelized compensation products necessary to meet the needs of investing clients under the BICE;

- The limited time line of the Fiduciary Rule has driven firms and advisors to develop overly rushed processes and procedures related to the new solutions and requirements with too many manual and too few automated for efficiency and effectiveness;

- Adequate time has not been available for extensive education of financial advisors on their new regulatory obligations, and financial professionals are an important part of the solution for investing clients which includes the role of the advisor in educating investing clients on the few options available to them in observance of the Fiduciary Rule;

- These impacts driven by the overly short timeline are leading numerous advisors to consider choosing not to serve certain segments of the investing public;

- More time is needed to assess revision and modifications of the Fiduciary Rule because enhancing consumer protection must be done while preserving the right of appropriate choice for investing clients; and the best approach is a uniform standard of care applicable to all investment accounts for all investing clients, not just retirement investors.

Therefore, Cambridge believes the January 1, 2018 applicability date of the Fiduciary Rule should be delayed until June 9, 2019 to allow for further review and modification by the Department and for advancements in the industry to meet the objectives of the Fiduciary Rule.

Cambridge appreciates the opportunity to offer comments regarding the potential delay of the Fiduciary Rule. Cambridge takes its role seriously in serving trusted advisors and their investing clients, and believes being dedicated to objectivity while striving to provide a higher standard of care for retirement and non-retirement investors is critical to positively reshaping financial services to better respond to the needs of investing clients.

Respectfully,

// Seth A. Miller

Seth A. Miller
General Counsel
Senior Vice President, Chief Risk Officer