



July 20, 2015

VIA EMAIL (e-ORI@dol.gov and e-OED@dol.gov)

Office of Regulations and Interpretations
Office of Exemption Determinations
Employee Benefits Security Administration
Attn: Conflict of Interest Rule, Room N-5655
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

RE: Definition of the Term “Fiduciary”; Conflict of Interest Rule—Retirement Investment Advice (RIN 1210-AB32)
Proposed Best Interest Contract Exemption (ZRIN: 1210-ZA25)
Proposed Class Exemption for Principal Transactions in Certain Debt Securities Between Investment Advice Fiduciaries and Employee Benefit Plans and IRAs (ZRIN: 1210-ZA25)
Proposed Amendments to Various Exemptions (ZRIN: 1210-ZA25)

Ladies and Gentlemen:

RBC Capital Markets, LLC is pleased to provide comments regarding the Department of Labor’s (“Department”) Proposed Rule under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) that will redefine the term “fiduciary” (the “Proposed Rule”) under section 3(21) of ERISA and section 4975(e) of the Internal Revenue Code of 1986, as amended (the “Code”) as well as the accompanying Proposed Best Interest Contract Exemption (“BIC Exemption”) and Proposed Principal Trading Exemption (“PT Exemption”).

RBC Capital Markets, LLC, together with its parent company, Royal Bank of Canada and its affiliates, is a global financial services firm that provides products and services to a large and diversified group of clients. RBC Capital Markets, LLC is registered with the Securities and Exchange Commission (“SEC”) as both an investment adviser and broker-dealer and, through its RBC Wealth Management – U.S. division (“RBC Wealth Management”), offers a wide variety of financial products and services to its clients.

I. EXECUTIVE SUMMARY

We truly appreciate the opportunity to comment and hope that our comments are helpful to the Department. While we believe in the adoption of a single, well-articulated and clearly defined best interest standard of care applicable to all financial service professionals, we do not agree that the absence of such a standard of care across the financial services industry is the reason that American workers are not saving enough for retirement. Even worse, we fear that such a singular focus on conflicts in the brokerage business model will unwittingly permit real issues – such as a lack of adequate savings incentives and financial planning literacy – to perpetuate unaddressed.

We are concerned that the Proposed Rule and Proposed Exemptions will be counterproductive insofar as they will limit investor choice, increase investor cost, generate investor confusion, and limit the availability of professional guidance to those who need it most. A preferable approach, in our view, would build upon the extensive investor protections contained in current laws and regulations, and establish a clearly defined best interest standard of care applicable to all financial service professionals across all types of accounts. We would welcome the opportunity to work with the Department to craft and implement a workable approach to ensure that retirement savers continue to receive the assistance and guidance they need to achieve their financial goals, without unduly restricting their choices of products, services, or the way in which they pay for their services.

Our initial assessment of the Proposed Rule and accompanying Proposed Prohibited Transaction Exemptions is as follows:

- Compliance with the conditions of the BIC Exemption will be too costly, onerous, and risky for us to rely upon the exemption.
- Because of the uncertainty created by the proposed definition of fiduciary “investment advice” and limited carve-outs, including for investment education, as well as our inability to conform to the conditions of the BIC Exemption given the costs and risks associated with the exemption, we are concerned that the commission-based brokerage model may no longer be an available alternative for small retail retirement savers. If we were to limit small retail customers to execution-only types of services, these customers

would not be afforded access to the guidance, education, and other assistance that they have come to expect from their financial professionals.

In releasing the Proposed Rule, the Department states that it has “worked hard to understand the impact of the proposed rule on firms subject to the securities laws and other federal laws, and to take the effects of those laws into account so as to appropriately calibrate the impact of the rule on those firms....In the Department’s view, it neither undermines, nor contradicts, the provisions or purposes of the securities laws, but instead works in harmony with them.” We respectfully, but firmly, disagree with the Department’s view. Our policies and procedures, trading systems, disclosures, legal documentation, compliance oversight, financial models, and third-party relationships have been built over a period of 40+ years in a manner reasonably designed to ensure compliance with the regulatory framework established and maintained by each state, the SEC, FINRA, the MSRB, and the Department. As a member of a highly regulated industry, we take each new rule proposal seriously and study how to implement it. In meeting our regulatory obligations, we have to consider building compliance programs to address each component of the Proposed Rule. For the reasons discussed in our letter and many letters submitted by similarly situated financial services firms and trade groups, we do not believe we can implement such systems in a cost effective manner and continue to provide the valuable service that our clients have come to depend on.

Moreover, we are concerned that the Proposed Rule and the exemptions do not contemplate that our typical retail client will have multiple types of accounts, both retirement and non-retirement. The Proposed Rule would require us to apply differing best interest standards, compliance systems, payment grids, permissible securities to differing accounts of the same client. The confusion caused by this very plausible scenario seems at odds with what our end goal should be: to enhance the ability of all Americans saving for retirement to access guidance, education, and assistance, in addition to advice, in planning how to meet their retirement goals.

Though the Department also states that it “has coordinated – and will continue to coordinate – its efforts with other federal agencies to ensure that the various legal regimes are harmonized to the fullest extent possible,” we have seen little evidence of such harmonization. Section 913 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”) directed the SEC to study the effects

of subjecting broker-dealers and investment advisers to a uniform standard of care that requires them to act in the best interests of retail customers, while protecting a broker-dealer's ability to receive commission-based compensation. As you know, the SEC has been considering whether to propose a rule establishing a uniform fiduciary standard that would apply to personalized investment advice across all of a retail customer's accounts. We strongly believe that a uniform standard promulgated jointly with the SEC is the more practical, common-sense solution and would result in a greater benefit to investors (including retirement investors) and less disruption and interruption of services for our client base. We urge the Department to delay this Proposed Rule in order to pursue a collaborative approach with the SEC and the primary banking and insurance regulators in order to minimize the potential for unintended consequences on the U.S. capital markets generally and retirement savers specifically. Such an approach would also minimize confusion among retirement savers as to the standard of care when receiving advice about different accounts, and would permit financial institutions to coordinate their compliance programs across such accounts without incurring additional, and in some cases duplicative, costs in designing separate compliance programs for different account types.

II. DEFINITION OF INVESTMENT ADVICE

Our primary concern with the Department's proposed redefinition of investment advice is that it will "chill" most communications or educational activities directed toward retirement savers, including those individuals who may have the greatest need for such education and guidance. We believe that the proposal's education carve-out is impractical in that it would restrict our ability to provide real-world examples of asset allocations to those individuals that most likely need it the most. We are concerned that the proposal will cause sales conversations, RFP responses, and general advertisements to potentially be categorized as fiduciary advice. It will also halt any incidental advice currently provided by our financial professionals in brokerage accounts, and silence much needed factual education about distribution and rollover options.

Lack of Clear and Objective Standards as to Who is a Fiduciary

We urge the Department to revise its Proposed Rule to ensure that the standards for determining whether a person is providing "investment advice" and,

therefore, is a “fiduciary” within the meaning of Section 3(21) of ERISA and Section 4975(e) of the Code, are clear and objective. We are concerned that the breadth and generality of the Proposed Rule and the lack of clear, objective standards will make it very difficult for financial professionals to determine, in advance, whether or not their activities will fall within the definition of a “fiduciary”.

We are particularly concerned that the Department has removed the requirement that there be a “mutual” understanding between the financial professional and recipient that the recommendation being provided is intended to be “investment advice,” and replaced this clear standard with what may be as little as a unilateral understanding, which may ultimately be asserted by the retirement investor after the fact.

We take great care in defining our role and responsibilities with clients. Our contractual provisions are crafted to make clear the rights and obligations of each party, and our program structures, supervision and surveillance, compliance oversight and extensive training programs are developed on the basis of those legal obligations. At the time of entering into an arrangement, both parties are free to negotiate or modify these terms as the situation warrants – but once the agreement is executed, we must be able to operate based on a mutually agreed-upon level of obligations. The Proposed Rule’s deletion of “mutual” is, therefore, particularly problematic, as we believe the roles of each party to any transaction should be clearly defined and understood by both parties in advance – one party should not be given the ability to recast it after the fact.

Rollover Language is Problematic

We also have concerns with the inclusion of the rollover language in subparagraphs (i) and (ii) of the Proposed Rule. We understand the Department’s concerns that financial professionals may be conflicted and may have financial incentives to recommend that clients roll over plan assets to an IRA. The Department should consider that both FINRA and the SEC have devoted significant resources and attention to address these concerns and ensure that the industry is providing information about rollovers in a balanced manner that complies with the financial professional’s obligations under the federal securities laws. As the Department recognized in Advisory Opinion 2005-23A, in many cases answering questions and

providing information about rollovers and other distribution options available under a plan are ministerial functions, where the client's decision may be made based on a number of important factors other than investments, such as online access and tools, and the ability to take distributions from an IRA at will. To now propose a complete change in approach to rollovers may result in very valuable assistance and education not being given at all. For example, assistance in determining how best to maximize the benefit of a tax-favored retirement account may not be as readily available as it currently is, which will harm retirement savers, particularly those currently in retirement who are trying to maximize their savings.

We are also troubled that the Department seems to have taken the view that nearly every conversation regarding rollovers should be treated as fiduciary advice. We firmly believe that access to factual education about distribution and rollover options and processes is critically important to retirement investors and should not be fiduciary advice. To this end, we request that the Department clarify the investment education carve-out so that providing the information and education specified in FINRA Regulatory Notice 13-45 would not constitute "investment advice" under the Proposed Rule.

Moreover, we are also unclear as to how the Department would treat a situation where a financial professional has a preliminary discussion with an existing non-retirement client about the possible distribution options that a client may have and that client later decides to complete a rollover.

- Is that financial professional prohibited from servicing that subsequent rollover account?
- If the initial conversation was a recommendation, does that taint the firm from receiving any subsequent rollover?

We would appreciate clarification from the Department on this very common situation. The cumulative impact of these changes may result in financial institutions prohibiting any and all employees, be they financial professionals, call center employees or recordkeepers, from providing the most basic of financial information to individuals and plans. We believe that this would be an unfortunate outcome and, therefore, request that the Department clarify that financial professionals can provide education and guidance regarding rollovers, including pitching their own products and

services, without running afoul of the prohibited transaction rules. We request that the investment education carve-out be revised to specifically incorporate the elements of FINRA Regulatory Notice 13-45 as education.

III. CARVE-OUTS

Counterparty's/Seller's Carve-Out

We appreciate that the Department recognizes the need to carve-out conversations that occur on a daily basis in the ordinary course of how we conduct business. However, we are concerned that this carve-out is unnecessarily limited in scope and subject to unworkable conditions. First, excluding small plans, participants, and sophisticated IRA owners from the scope of the carve-out is unnecessary. The Department presumes that a “retail” investor cannot discern that the financial professional is selling a service or product. We respectfully disagree. If a financial professional makes clear she is selling a service or product and provides clear disclosure that she is not acting, or intending to act, in a fiduciary capacity with respect to the client, then we believe that clients will be able to discern non-fiduciary activity. Retirement investors should have the choice to decide whether they want to enter into a fiduciary relationship with a financial institution and pay for that relationship or, alternatively hire non-fiduciary service providers and pay for their services. By excluding sophisticated small plans, participants, and IRA owners from the carve-out, we question how our financial professionals will be able to propose new or enhanced services or products for our clients and prospective clients. We further note that the premise that retail clients cannot enter into arm’s-length arrangements seems to be inconsistent with the Department’s view that fiduciaries and clients are free to limit the scope of their fiduciary responsibility by contract.

Secondly, we strongly believe that the Proposed Rule needs to clarify that the seller’s carve-out includes the selling of services. We think the regulation needs to clarify that a person or entity seeking to be hired – as a broker, a custodian, a fiduciary, an advisor, a trustee – initially, for a longer engagement, or for a new mandate or new account, or that engages in a one-on-one conversation, responds to an RFP, or places an advertisement in a newspaper, is not a fiduciary regardless of what kind of investment suggestions are contained in that sales context. We have

received indications that the Department intends to address this omission and we look forward to reviewing any revised language on this point.

Third, we would appreciate clarity that representations and warranties about the sophistication of a potential client can be received at the time of the transaction or the service provider being retained, as opposed to at the time of the recommendation.

Investment Education

While we appreciate the Department's recognition that a certain level of investment education is beneficial to clients and prospects, we believe that the restriction on identifying specific investment products would materially reduce our ability to provide the amount and quality of educational material that retirement savers have come to expect. To provide education to a retirement saver about risk and return, asset allocation, and the benefits of diversification, without the ability to illustrate how one might implement a strategy based on those considerations leaves the client without meaningful guidance about how to use that information. The Proposed Rule's restriction on identifying specific investment products will generally push high balance retirement accounts into advisory products to receive implementation services and potentially abandon low balance accounts to execution only services where the client will be on his or her own.

IV. BEST INTEREST CONTRACT EXEMPTION

While we certainly appreciate the Department's stated objective to "preserve beneficial business models by taking a standards-based approach that will broadly permit firms to continue to rely on common fee practices..." the proposed BIC Exemption presents such monumental financial, operational, regulatory, and legal hurdles that we do not anticipate that we (or others in the industry) will be in a position to avail ourselves of the BIC Exemption. We briefly summarize below the practical realities that make compliance with the BIC Exemption unfeasible.

Advice Recipients

The BIC Exemption limits the definition of Retirement Investor to, among other categories, "a plan sponsor of a plan with fewer than 100 participants that is not participant directed." Accordingly, by limiting the BIC exemption to "retail" retirement investors, we would be prohibited from receiving fees from any third party on behalf of

any small, participant-directed plan. Our financial professionals routinely help their small business owner clients establish plans for the benefit of their employees. Most commonly, those plans are participant directed with fewer than 100 participants and are held at our organization as open brokerage, or at open architecture mutual fund platforms. In either case, our receipt of compensation would be prohibited if we were to be deemed a fiduciary under the Proposed Rule, and the BIC Exemption affords no relief given the exclusion of small, participant-directed plans. By creating an arbitrary limit on advice recipients under the BIC Exemption, the Proposed Rule would effectively preclude us from servicing retirement investors who may have a significant need for financial assistance and could diminish the availability of employer-sponsored retirement plans at small businesses. Moreover, from an operational perspective, it is unclear how the Department would require firms to monitor for and track the 100-participant limit and we would seek clarification on this point. Specifically, how is a firm supposed to monitor and react to changes in a plan's demographics where the plan's population may rise above or descend below the 100 participant limit at any time?

Contract Requirements

Timing. Requiring a contract to be entered into prior to making any recommendation creates significant compliance risk with no meaningful benefit to retail investors. We urge the Department to replace this requirement (as well as the contract timing requirement in the PT Exemption discussed later), to a more workable standard such as requiring that the contract be entered into prior to executing the transaction.

Re-contracting with Existing Clients. The task of re-executing existing contracts with existing clients alone would prevent us from relying on the BIC Exemption. With over 250,000 accounts that would need to be repapered, we could not possibly obtain signed amendments to our client agreements within an eight-month applicability period. Upon release of the final rule, we would need approximately three to six months to properly evaluate and draft a compliant form of amendment. Then, obtaining wet signatures from each of the 250,000 plus clients would involve a process that could take multiple years as clients have no urgency to re-sign an agreement that they thought was already in place. The process would require a significant education and communication plan and would still not achieve

anywhere near 100% compliance. Taken to its logical conclusion, we would then be required to cut off any communication, education or advice with those “unsigned” clients for fear of committing a prohibited transaction without an appropriate exemption. We suggest that a much more realistic approach with a greater likelihood of success would be to replace the signed contract requirement for existing accounts with a contract amendment to the existing agreement mailed to clients through a negative consent process.

Execution of Contract by Financial Advisor. Requiring the signature of a financial professional is unnecessary and will create numerous practical difficulties and unintended consequences. Our financial professionals serve as agents of the firm and the firm is the contracting party and ultimately responsible for supervising the actions of the financial professional and protecting the client. Any wrongdoing or breach of contract by the financial professional would be actionable by the client against the firm.

The Proposed Rule’s contract requirements raise additional questions, as well, including:

- Would the firm be required to enter into new contracts if a financial professional were to leave the firm and go to a new firm?
- If the financial relationship operates on a team approach, would all team members (which may include 10 or more persons) be required to sign the agreement?
- If one member of a team departs and is replaced, would a new agreement be required?

For these reasons we request that any contractual requirements require a written contract solely between the firm and the retirement investor, and not require any individual financial professional to be a party to the contract.

Warranties. Without delving into the legal implications of the numerous warranties that would be required under the proposed BIC Exemption, suffice it to say that the impact of the warranties on compensation practices would force a complete overhaul of how our financial professionals are currently compensated despite the Department’s stated goal of preserving “beneficial business models by taking a

standards-based approach that will broadly permit firms to continue to rely on common fee practices.” Specifically, an outright prohibition on “quotas, appraisals, performance or personnel actions, bonuses, contests, special awards, differential compensation” would require a complete systems change that would be years in the making and would necessarily include a full redesign of new programs and systems that pay level compensation and incorporate a flat grid for retirement accounts. The end result would be two different compensation structures for retirement accounts and non-retirement accounts. An additional required workstream would be renegotiating compensation structures with numerous third parties, including product representatives, service providers and, in some instances, our own financial professionals. This requirement alone, given the eight month compliance timeframe, would require us to forego reliance on the BIC Exemption, terminate relationships with smaller plans and IRAs, and transition remaining retirement brokerage accounts to our fee-based advisory platform.

We believe that full and prominent disclosures, brought to the client’s attention at appropriate times (such as upon entering into an agreement or arrangement for services and upon material changes to previously disclosed information), will do far more to shed light on fee differences and educate clients regarding these differences than arbitrarily banning fee differences in a business model that treats agency transaction compensation, principal transaction spreads, mutual fund fees, and insurance company commissions differently. We believe that the Department can accomplish its stated goal of protecting retirement savers without harming commission-based brokerage by adopting a disclosure based regime for retail investors similar to the ERISA Section 408(b)(2) disclosure requirements.

Transactions Covered by the BIC Exemption

We believe the Proposed Rule’s attempt to create an “approved list” of eligible assets is counterproductive and inflexible, and effectively substitutes the Department’s judgment for that of the plan fiduciary, IRA owner, or plan participant. Without delving into the specifics of the “approved list,” it appears that the Proposed Rule would put the Department in the position of deciding which narrow set of investments are appropriate for all retirement investors. In this regard, the Proposed Rule raises several significant questions. For example, on what basis will the Department reevaluate or update this list? What level of resources will the Department devote to

reviewing and adding products and services to the list? How will the Department ensure that it does not curtail innovation and product development in the retirement market?

Impartial Conduct Standards

The BIC Exemption requires the financial professional and the firm to affirmatively agree to comply with, and in fact comply with, impartial conduct standards. One requirement of the impartial conduct standards is that the financial professional and the firm provide advice that is “in the Best Interest of the Retirement Investor.” We have concerns about the language in the best interest standard that purports to require the financial professional and the firm to prove that advice was given “without regard to the financial or other interests of the Adviser, Financial Institution or any Affiliate, Related Entity, or other party.” First, we believe the requirement that advice be “without regard” for the financial interests of the financial professional and the firm would require the financial professional and firm to prove a negative. It is unclear from the proposal as to how the Department expects a firm to design a compliance program to do this, other than to adopt a level compensation model. Because of these uncertainties, a firm will be unable to meaningfully review for compliance, thereby exposing the firm to regulatory and litigation risk for each recommendation made. Further, with respect to the “Related Entity, or other party” language, we have difficulty understanding what the inclusion of these other interests and other parties is intended to address and would request that either the language is removed or more clearly defined.

Disclosure Requirements

With respect to the disclosure requirements under the BIC Exemption, including the point-of-sale and website disclosures, we agree that clear disclosures related to costs and potential conflicts of interest, would assist a retirement investor’s ability to assess a transaction or arrangement. However, we believe that it would be cost prohibitive for our firm (and most of our industry peers) to implement and maintain the proposed disclosure regime. It will also expose firms to strict liability under the prohibited transaction rules for inadvertent and good faith errors. For these reasons we believe that the BIC Exemption, as proposed, is impractical and unworkable and that the Department has significantly under-projected the costs of

implementing and complying with this exemption. Moreover, we question why the Department would introduce a completely new disclosure regime a mere three years after the costly disclosures required by the 2012 amendments under ERISA § 408(b)(2). With these considerations in mind, we request that the Department leverage and synergize any new disclosure requirements with the ERISA § 408(b)(2) framework, such as by requiring a 408(b)(2) type disclosure notice for retail investors.

Exemption for Pre-Existing Transaction

The supplemental relief for pre-existing transactions applies to the receipt of compensation for services in connection with the purchase, holding or sale of an “Asset” by IRAs, participant accounts, and all ERISA plans, regardless of size and whether or not the plan is participant directed. The supplemental relief would cover financial professionals who were not considered fiduciaries prior to the effective date of these new rules. We appreciate the Proposed Rule’s attempt to provide transition relief; however, we believe that retirement investors will be greatly disserved if they are cut off from advice at the effective date unless the client and firm both agree to fit the arrangement into the BIC Exemption and the assets involved actually meet the Department’s approved list of assets. If the client does not agree to the BIC requirements or holds an asset that the Department does not approve, we would be prevented from providing any additional information or assistance to the client.

We request broader transition relief from the prohibited transaction rules for these historic holdings, and urge the Department to work with the industry to determine the best approach to grandfathering investments that are (a) acquired as part of an automatic savings and investment program, and (b) holdings that do not meet the definition of the term “Asset” under the BIC Exemption.

Denying robust transition relief for these historic investments would (1) deny clients from receiving much needed ongoing assistance with time-sensitive investment products, (2) upend legitimate expectations of the contracting parties, (3) create a confusing transition for the retirement investor, and (4) create a huge compliance burden to determine how such assets should be treated under the new rules.

Low Fee Streamlined Exemption

The Department has requested comment on whether it should issue a separate class exemption, with fewer conditions, for advice concerning low-fee index funds.

While we appreciate the Department's efforts to simplify investment advice for the retirement investor, we reiterate our concern that the Proposed Rule could have the effect of substituting the Department's judgment for that of a client who self-directs his or her retirement investments. Clients should be free to pick and choose the products and services that they believe will be most beneficial for them in pursuing their financial goals. To accomplish this, clients should be free to direct their retirement savings into any type of investment that they are otherwise legally permitted to hold. The Proposed Rule should not in effect create artificial barriers to certain types of investments while at the same time facilitating investment in the Department's preferred investment types. Accordingly, we are not in favor of this approach.

V. PRINCIPAL TRADING EXEMPTION

Eligible Securities

As discussed above with respect to the BIC Exemption, we are concerned that the proposed PT Exemption covers only a very limited list of securities and does not cover many routine securities sold on a principal basis. We reiterate our concern that the Proposed Rule could in effect substitute the Department's judgment of investments for that of the retirement investor or her chosen financial professional. To create yet another "approved list" of investments for the PT Exemption seems misguided at best and potentially damaging to retirement investors at worst. By not permitting some investments to be traded on a principal basis, the Department is essentially making these investments more expensive to retirement investors and, in some cases practically unavailable, due to the way those securities are typically traded.

Additionally, assuming the Department is unwilling to eliminate its "approved list" construct, we ask the Department to add brokered certificates of deposit and unit investment trusts to the list of approved assets. Brokered CDs are most often sold on a principal basis and without this relief, this safe and appropriate investment type will not be cost effectively available to IRAs and plans. Similarly, unit investment trusts are transparent investment vehicles that maintain the same investment mix for their term, allowing investors to understand exactly what the investment mix in the trust will be for the entire holding period. They are like an actively managed product in that the security mix need not track an index, as well as a passive investment in that there

is very little trading activity and transaction costs within the trust. Unit investment trusts are regulated by the SEC under the Securities Act of 1933 and the Investment Company Act of 1940, and are accompanied by a prospectus clearly setting out all fees, both internal to the trusts and payable to financial intermediaries, among other information. They are generally sponsored by large investment managers, which are regulated as investment advisers under the Investment Advisers Act of 1940. While these unit investment trusts can be purchased in an agency transaction, there are several cost savings to retirement investors when they are purchased on a principal basis.

Contract Requirements

We reiterate our prior concerns with the contract requirements described in the BIC Exemption Section above, most notably with respect to (1) re-contracting with existing clients, (2) execution of contract with financial advisors, and (3) the required warranties. We would also reiterate, that the requirement related to the timing of entering into the contract should be made consistent with the formulation used in Rule 206(3)-3T under the Investment Advisers Act of 1940 (the SEC's Temporary Rule Regarding Principal Trades with Advisory Clients), which requires that a contract be entered into prior to executing the transaction.

Liquidity and Pricing

The proposed PT Exemption requires that the debt security (1) possess no greater than a moderate credit risk, and (2) be sufficiently liquid that it can be sold at or near its fair market value within a reasonably short period of time. By imposing these requirements, we believe that the Proposed Rule, is again, in effect imposing the Department's investment judgment in the place of the investment judgment of experienced financial professionals that understand their client's investment needs, market conditions, and available investment options. It may well be that clients choose to purchase high yield securities or are prepared to give up liquidity in a retirement account where they may not need liquidity for 25 years. We would urge the Department to re-evaluate the imposition of these standards given the overarching impartial conduct standards that the financial professional and the firm will otherwise be held to under the PT Exemption.

VI. CONCLUSION

We believe that the Department substantially underestimates the magnitude of the changes that these proposals, if adopted, will cause in the retirement marketplace as well as the resulting unintended and adverse consequences for retirement savers. We question whether the large disruptions and limitations built into the implementation of and operations under the BIC Exemption and PT Exemption will outweigh any reduction of the potential harms that the Department states it is trying to address and believe that a more effective approach would (1) build upon the extensive investor protections contained in current laws and regulations, and (2) establish a clearly defined best-interest standard of care applicable to all financial service professionals across all types of accounts. Such a standard would be established in conjunction with the SEC and FINRA, and be premised on identification and management of conflicts, targeted fee and product risk disclosure, and effective management of compensation incentives to registered persons.

The Proposed Rule should be re-evaluated and the Department should undertake to more fully understand the benefits, costs, and potential impact to retirement plans, retirement savers, and the financial markets. If, however, any final regulation is adopted based on the Proposed Rule, the effective date must be significantly delayed so that plans and service providers can adjust business practices that have developed over several decades. Such transformative changes cannot possibly be effected in less than a 36-month period.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John Taft". The signature is stylized and cursive, with a large initial "J" and "T".

John Taft
CEO, RBC Wealth Management – U.S.