H. R. 1090

To amend the Securities Exchange Act of 1934 to provide protections for retail customers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

February 25, 2015

Mrs. Wagner (for herself and Mr. Garrett) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

A BILL

To amend the Securities Exchange Act of 1934 to provide protections for retail customers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Retail Investor Protection Act”.

SEC. 2. STAY ON RULES DEFINING CERTAIN FIDUCIARIES.

After the date of enactment of this Act, the Secretary of Labor shall not prescribe any regulation under the Em-
ployee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.) defining the circumstances under which an individual is considered a fiduciary until the date that is 60 days after the Securities and Exchange Commission issues a final rule relating to standards of conduct for brokers and dealers pursuant to the second subsection (k) of section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o(k)).

SEC. 3. AMENDMENTS TO THE SECURITIES EXCHANGE ACT OF 1934.

The second subsection (k) of section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o(k)), as added by section 913(g)(1) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5301 et seq.), is amended by adding at the end the following:

“(3) Requirements prior to rulemaking.—

The Commission shall not promulgate a rule pursuant to paragraph (1) before—

“(A) providing a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate describing whether—

“(i) retail investors (and such other customers as the Commission may provide)
are being harmed due to brokers or dealers operating under different standards of conduct than those that apply to investment advisors under section 211 of the Investment Advisers Act of 1940 (15 U.S.C. 80b–11);

“(ii) alternative remedies will reduce any confusion or harm to retail investors due to brokers or dealers operating under different standards of conduct than those standards that apply to investment advisors under section 211 of the Investment Advisers Act of 1940 (15 U.S.C. 80b–11), including—

“(I) simplifying the titles used by brokers, dealers, and investment advisers; and

“(II) enhancing disclosure surrounding the different standards of conduct currently applicable to brokers, dealers, and investment advisers;

“(iii) the adoption of a uniform fiduciary standard of conduct for brokers, dealers, and investment advisors would adversely impact the commissions of brokers
and dealers, the availability of proprietary products offered by brokers and dealers, and the ability of brokers and dealers to engage in principal transactions with customers; and

“(iv) the adoption of a uniform fiduciary standard of conduct for brokers or dealers and investment advisors would adversely impact retail investor access to personalized and cost-effective investment advice, recommendations about securities, or the availability of such advice and recommendations.

“(4) ECONOMIC ANALYSIS.—The Commission’s conclusions contained in the report described in paragraph (3) shall be supported by economic analysis.

“(5) REQUIREMENTS FOR PROMULGATING A RULE.—The Commission shall publish in the Federal Register alongside the rule promulgated pursuant to paragraph (1) formal findings that such rule would reduce confusion or harm to retail customers (and such other customers as the Commission may by rule provide) due to different standards of con-
duct applicable to brokers, dealers, and investment advisors.

“(6) **REQUIREMENTS UNDER INVESTMENT ADVISERS ACT OF 1940.**—In proposing rules under paragraph (1) for brokers or dealers, the Commission shall consider the differences in the registration, supervision, and examination requirements applicable to brokers, dealers, and investment advisors.”.