

RE: Proposed New Rule Governing Outside Business Activities and Private Securities Transactions

Dear FINRA representatives,

I strongly support this proposed rule because it will reduce costs for investors. Currently, a hybrid RIA firm will be forced to pay an average of 5% to 8% of its gross advisory fees to a broker dealer for oversight that is unnecessary and probably not even being done properly. These costs are usually passed on to the client. Most RIA firms are moving to model portfolios with block trading which eliminate issues of trading ahead of the client. The model portfolios are usually assigned to the client based on a risk profile and the stage of life that the client is in, thereby reducing suitability issues. At firms that operate this way, it is ridiculous to pay a BD 8% for nothing. At firms that have not yet moved to such efficient operations, the BDs are not capable of supervising them any better than the SEC or state securities department. If anything, I would prefer paying higher annual fees to regulators so they could hire more auditors rather than paying the BD for nothing.

Additionally, the broker dealers have become heavily burdened with responsibilities for which adequate technology is not available for a reasonable cost. To maintain oversight of outside business activities that include outside advisor accounts or RIA assets held at an unaffiliated custodian requires software and data feeds that currently do not provide adequate information in a user friendly format unless you pay a fortune. This causes these activities to be so difficult and expensive to monitor that the supervision costs exceed the benefits to the clients.

The extra broker dealer costs that hybrid RIA's incur put them at a financial disadvantage to Independent RIA firms. This is not fair to the client since hybrid RIA's can offer a wider variety of financial solutions to the client which, in combination, might provide them with more financial security. The client shouldn't have to pay more to the broker dealer to use a hybrid RIA's advisory services than they would have to pay to an independent RIA because this might discourage them from looking into the hybrid RIA and all the financial solutions available to them.

Thank you for taking the time to consider this proposed rule.

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