



May 14, 2019

Christopher W. Gerold
Bureau Chief, Bureau of Securities
PO Box 47029
Newark, New Jersey, 07101

Re: N.J. Bureau of Securities Proposed Amendment to N.J.A.C. 13:47A-6.3 and Proposed Rule N.J.A.C. 13:47A-6.4

Dear Chief Gerold,

I am writing to you on behalf of the American Securities Association,¹ to request that you schedule a public hearing on the proposed amendment to N.J.A.C. 13:47A-6.3 and newly proposed rule N.J.A.C. 13:47A-6.4. The ASA would also like the opportunity to testify at the hearing if the Bureau chooses to schedule one.

The above referenced rule proposals would fundamentally alter the relationship that currently exists between broker-dealers and their retail clients in the state of New Jersey and this could have a negative impact on the state's finances.

Over 180,000 employees in the state of New Jersey work in the financial services industry, which accounts for about five percent (5%) of the state's total employment. Financial services organizations conducted over \$1 trillion worth of transactions in the state and paid over \$23.2 billion in total wages with an average annual income of \$127,115.² The financial services industry contributed over \$30 billion to the New Jersey economy, which accounts for approximately 6.6% of the gross state product.³ These numbers are significant and we are concerned that changing the broker-dealer rules as proposed without a public hearing could significantly alter the impact of this economic dynamic for the state and its taxpayers.

We believe that the following topics, while not all inclusive, have not been fully developed and are ripe for a public hearing by the Bureau:

¹ The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States. www.americansecurities.org

² <https://nj.gov/labor/lpa/pub/empecon/finance.pdf>

³ Id.



1. The cost of compliance including:
 - a. how compliance with a state-specific fiduciary rule will work alongside federal (SEC Reg. BI) rules and other state regulations/laws; and
 - b. how compliance under the broker-dealer model will work for those who are subject to a continuous advice obligation;
 - c. how a broker-dealer is expected to comply with making recommendations or advice “without regard to the financial or any other interest of the broker-dealer, etc.” (i.e. can a broker take commissions under this language?).
2. Acceptable fee arrangements;
3. The expectations of brokers associated with the transfer of assets and investment advice;
4. The examination process and any additional requirements brokers may incur as a result of the rule;
5. The length of the proposed implementation period; and
6. How the Bureau plans to carry out enforcement of the standard.

With so many open questions, a public hearing is necessary to discuss the (1) concerns we have with the proposals as drafted and (2) potential negative economic impact on the state of New Jersey and its finances. In our experience, a public hearing allows citizens, industry, and policymakers to engage in a fulsome discussion that bolsters transparency and ensures a diversity of views are presented throughout the process.

If you have any further questions, please contact me at 202-621-1785.

Sincerely,

Christopher A. Iacovella
Chief Executive Officer