



SIFMA Annual Meeting 2011

Global Reform Industry Impact

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Marriott Marquis Times Square, New York, NY

John Taft - Head of U.S. Wealth Management, RBC Wealth Management
Chairman, Board of Directors, SIFMA

Welcome and Opening Remarks

As prepared for delivery

Thank, you Jerry. I'd like to echo Tim's thoughts on Jerry Del Messier as he assumes the role of Chairman of SIFMA's Board.

Jerry and I have served on SIFMA's board together for several years. I know he is intelligent, informed, insightful, committed, has a passion for the work our industry does on a day to day basis and will serve SIFMA well as this organization charts a path forward through the intricacies of regulatory reform.

Please join me (again) in applauding Jerry's incoming term as Chairman of the Board of SIFMA.

As we look toward the future, let's review where we are and how the last year has unfolded.

In 2011, as in previous years, SIFMA advocated for meaningful reforms on a wide range of issues facing our industry, our financial markets and our economy.

After the enactment of the Dodd-Frank Act, SIFMA undertook an unprecedented effort to coordinate our industry's response to the largest regulatory rulemaking in a generation.

We know the scope of Dodd-Frank: 235 rulemakings, already generating 41 reporters, 71 studies authored by 11 different federal agencies and bureaus. As of November 1, regulators have finalized 74 new rules. But, we still have a long road ahead of us. 126 deadlines have been delayed. And 172 rulemaking deadlines come due over the next three to six months.

As we end 2011 and move toward 2012, SIFMA will continue to focus on the rulemaking process, and more specifically, on the need for more -- and more thorough -- economic analysis of the rules regulators are promulgating.

As financial institutions, we have to effectively operationalize new regulations in an evolving market place. This means new and additional compliance costs will be placed on our firms.

Those added costs will not only affect the bottom lines of our members, but will most certainly have an impact on their ability to conduct the business they do on a day to day basis. Which means, therefore, that implementing these rules will undoubtedly have some cost in terms of reduced economic growth and reduced availability of credit.

Regulators will need to take these added direct and indirect costs into account when conducting the necessary and proper economic analysis of each rule to see whether the benefits of the proposal in fact outweigh those costs.

Beyond the economic impact of new rules, I'd like to turn now to the equally critical issue of investor confidence, which has been and continues to be sorely tested by developments both here in the United States and abroad.

Our entire financial system is based on confidence. Investors, whether they be large institutional investors or everyday retail investors, rely on confidence and trust to make investments and save for the future. Confidence in our markets allows them to function efficiently and effectively, providing for capital formation and making credit available, which, in turn, spawns economic growth and job creation.

It's the confidence we have in the system and in each other as counterparties to transactions that is the ultimate foundation of the financial system.

Because of the financial crisis of three years ago, the current sovereign debt crisis in Europe, the slow pace of economic and job growth in the United States and historically elevated market volatility, among other factors, investors' confidence in the system as a whole has been strained, as has their confidence that if they put their savings into stock, or bonds or mutual funds or other investment vehicles, that the value of their savings will grow over time.

What we can do as an industry to help maintain and burnish confidence is multifaceted and will require years of work. First, we must be trusted partners in the rulemaking process, ensuring regulators have the information they need to write the rules stemming from Dodd-Frank in

the best way possible, and we must effectively and seamlessly operationalize those rules once they have been finalized.

Second, we must continue to do what we do best: be the driving force for capital formation, credit availability and, ultimately, economic growth.

Third, we must work on a day to day basis with our clients and ensure they know we are working in their best interests.

At multiple points in the Dodd-Frank, we will have opportunities to participate in improving the rules as they now exist to provide better clarity on just what kind of relationship many of us have with our clients.

Perhaps the most visible example of this is a provision in the Dodd-Frank Act – Section 913 as it is known – that required the SEC to conduct a study on the feasibility and impact of a uniform fiduciary standard of conduct for both broker-dealers and investment advisers and authorizes them, should they decide to do so, to write that standard into regulations.

Since 2009, SIFMA has unambiguously, consistently and constructively supported the creation of a new uniform fiduciary standard of conduct for brokers and investment advisers when providing personalized investment advice about securities to individual retail customers – provided that standard is written in a way (1) that preserves client access to and choice among the broad range of advice, products and services they currently receive from their wealth managers and (2) that continues to permit investors to choose who they want to work with and how they pay for that advice, those products and those services.

We support a uniform fiduciary standard because we believe our investor's best interests should be put first. We support a fiduciary standard because it is consistent with current best practices in the wealth

management and private client side of our businesses. We support a fiduciary standard because we believe it will restore public trust and confidence in the markets and the system as a whole.

The SEC will likely next year issue rules and guidance to provide the detail, structure and guidance necessary to enable brokers-dealers to apply a fiduciary standard to their business models.

In our efforts to inform this rulemaking, SIFMA laid out a framework for such a fiduciary standard this past summer that, for the first time, details what we think should form the basis of a new fiduciary standard, including a clear definition of what constitutes “personalized investment advice.”

For those of you who have been following this issue, I urge you to visit SIFMA’s website and look at that framework. It is a breakthrough roadmap – one we all can and should be proud of -- for the path toward a single, fiduciary standard for brokers and investment advisers that puts investors’ best interests first, without sacrificing investor’s ability to choose the products and services they want.

At the same time, alongside our work on a fiduciary standard under Section 913, SIFMA continues to address recent moves by the Department of Labor to redefine “fiduciary” under ERISA.

The Department of Labor originally proposed a definition that would have affected whether retail brokers, prime brokers and others who work with pension and 401(k) plans and IRAs would be deemed fiduciaries under certain circumstances and, in so doing, would have severely constrained our collective ability to serve small retirement savers as effectively as we do today.

We strongly objected to the DOL’s proposal when it was first introduced. In addition to the misguided and ill-conceived construction of the rule and its overly expansive application to individual retirement

accounts, we pointed out that the Department did not conduct proper cost-benefit analysis and was not coordinating properly with the SEC.

We were pleased that the DOL recently decided to re-propose their rule, and presumably, when they do, it will include additional economic analysis, changes to the proposed regulatory language and include the necessary prohibited transaction exemptions that would need to be included to make this regulation work for investors

We will continue to work with the DOL as they look to address issues within the retirement plan participant space.

I thank the SIFMA members -- and SIFMA extraordinarily dedicated staff of professionals, including its CEO, Tim Ryan -- who have spent countless hours working on our collective behalf on these and other issues critical to the future of our industry, to the effective functioning of financial markets and to the confidence of participants in those markets. SIFMA has proven to be an effective advocate, and is well positioned to continue that advocacy role into the future.

It has truly been a pleasure – in fact, it has been one of the highlights of my 30-year career in the financial services industry – to have served as Chairman this past year, a year when the future of our industry was literally being written before our very eyes.

As will again be the case – perhaps even more so -- in 2012.

The stakes are as high as they've ever been. As we've all been saying: We need to get this right.

Jerry, I again wish you all the best in your upcoming tenure.

Thank you.

With that, I'd now like to introduce our next speaker.

Sallie Krawcheck is recognized as one of the most powerful women in business. She gained a reputation early on in her career as a top analyst and rose to the position of chairman and chief executive officer of Sanford C. Bernstein & Company, where she was one of an influential voices for research quality and integrity.

Sallie continued to break ceilings during her career, taking on positions as chairman and CEO of Smith Barney, chief financial officer of Citigroup, and chief executive officer and chairman for Citi Global Wealth Management. She most recently served as president of wealth management at Bank of America.

We're pleased to have her here with us today. Ladies and gentleman, please welcome Ms. Sallie Krawcheck.