July 12, 2018

I would like to quote from the SEC proposal Fact Sheet for "Regulation Best Interest", stating:

"A broker-dealer would comply with a "Conflict of interest obligation: to "establish, maintain, and enforce policies and procedures reasonably designed to identify and then at a minimum to disclose and mitigate, or eliminate, material conflicts of interest arising from financial incentives; other material conflicts of interest must be at least disclosed."

Material conflicts of interest arising from financial incentives can abound in many ways.

Drawing on many conversations with contemporaries that are or were employed as financial brokers or advisors in some capacity, I have identified a conflict of interest that frequently stays below the radar screen.

Example One: One of my acquaintances explained to me that their religious organization lost their financial representative at a major investment firm because he was let go. The customer was very happy with the job the individual had done concerning the performance of their investments, but the firm decided he was not generating enough commission income. In other words, the employee didn't emphasize sale of investments, he emphasized performance of investments.

Example Two: I have another acquaintance whose dream job was to work at one of the major investment banking firms and eventually landed that position. She didn't stay very long because she quickly identified the material conflict of interest presented to her when told if she didn't have a certain level of commission income, she wouldn't have a job.

Example Three: I know of other senior investment professionals who similarly left the industry, went to smaller firms, or became independent financial managers bringing their clients with them, believing that that was the only way to assure they could devote their time to the performance of investments when necessary, without having the threat of loss of employment due to not obtaining certain, and sometimes unrealistic, revenue goals and/or related product sales goals.

Conclusion: Common sense would tell you that threat of loosing one's employment is easily a bigger financial incentive than any direct compensation, and identifies a situation inviting material conflicts of interest which could easily impact an employee's judgement or actions. A threat to end someone's employment who is looking out for quality of investment performance over other considerations should not be a basis for terminating employees.

Solution: Firms might be required to development a conflict of interest program that annually scrutinizes compensation packages and job descriptions to identify employment related conflicts of interest. There may be good reasons for terminating employment, but keeping one's employment should obviously not involve sacrificing the well- being of the customer.

Barbara Greenwald
7001 Caton Woods Ct.
Springfield, VA 22150
703 451 8871

July 12, 2018

Disclosure of Fees and Costs for An Investment Advisory Account

In reading the SEC Appendix E entitled "Hypothetical Relationship Summary for a Registered Investment Adviser: Is An Investment Advisory Account Right For You?", I would express that when having my own investments managed, my foremost concern is to assure myself, that my account manager will be better compensated when my financial assets increase. These opportunities are available to the consumer.

What I am missing in this SEC paper is a presentation of actual numbers serving as examples, such as those provided when I am looking for a mortgage loan, an auto loan, or financing through a credit card. A mortgage disclosure presents the quoted rate; then calculates the implied rate after certain fees, which is always higher. An auto loan disclosure has similar qualities showing total interest paid depending on the number of years for repayment. Every month, my credit cards bills disclose costs to repay in full and to repay principal over a varying number of years.

If my financial assets are going to be actively managed based on a fee schedule, I would like to see the following:

A presentation of sample amounts under investment, (say $50,000. $100,000. $500,000.); the amounts earned at various rates of return followed by an adjustment downward to result in net amounts earned after disclosing all of the applicable fees, and the respective rates of return, net adjusted.

I am not asking for assurances of earnings on the investments. I am asking for true rates of return if certain earnings are achieved.

Barbara Greenwald
[redacted]