

Adviser Oversight Bill May Turn on How You Define “SRO”

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While legislation regarding adviser oversight has slowed, the debate has not. The latest facet of the debate is whether FINRA can really be characterized as an “independent regulator.”

While FINRA claims to be “the largest independent regulator for all securities firms doing business in the United States,” it is often criticized for being influenced by the industry it is supposed to regulate. Proponents of the SRO bill have launched a lobbying effort to boost FINRA’s image as an independent agency, and to dispel the “fox watching the henhouse” perception. However, its current governance includes 11 public members, 10 industry members and its chief executive, Richard G. Ketchum.

So far, advocates for both investors and advisers seem unimpressed. “You can call them independent, an SRO, a widget, a duck, whatever,” said David Tittsworth, executive director of the Investment Adviser Association.

“Ultimately, what you want is a regulator that’s accountable, that’s transparent, that’s effective and efficient. To me, FINRA doesn’t pass any of those tests.”

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