NASAA Report Confirms Industry Progress to Comply with DOL Fiduciary Rule

Broker-Dealer Firms Devoted Considerable Resources in Anticipation of DOL Rule's Implementation

- DOWNLOAD: NASAA Broker-Dealer Section IRA Rollover Report

WASHINGTON, D.C. (April 24, 2018)—The North American Securities Administrators Association (NASAA) today released a report on the multi-billion-dollar Individual Retirement Account (IRA) rollover market.

The report demonstrates that broker-dealer firms were making progress in revising their policies and procedures and developing resources to better inform investors making retirement decisions in anticipation of the full implementation of the U.S. Department of Labor's (DOL) 2016 conflict of interest rule. The rule would have treated as fiduciaries broker-dealers that make recommendations to customers regarding their IRA rollovers. The full report is available here.

"The report's findings spotlight the real and tangible good that came from the Department of Labor's fiduciary rule," said Joseph P. Borg, NASAA President and Alabama Securities Commission Director.

The report by NASAA's Broker-Dealer Section was based on a nationwide survey of 96 large, mid-size and small broker-dealer firms to determine the standard of care they were using before to the DOL's rule and steps the firms were taking in anticipation of the rule's implementation. Adopted in June 2016 and initially scheduled for implementation by April 2017, the rule was vacated by the U.S. Fifth Circuit Court of Appeals on March 15, 2018.

The report clearly demonstrates that before the court's decision to vacate the DOL rule, none of the surveyed firms was providing a standard of care other than suitability to IRA rollovers prior to the rule's adoption. However, after the rule's adoption, many firms reported taking significant steps and expended considerable time and resources to modify their policies and practices for handling IRA rollovers to bring these activities into compliance with the rule's best interests standards. These efforts included developing new policies and procedures and providing guidance to agents administering these accounts.

The size of the IRA rollover industry is significant. The Internal Revenue Service estimates that in 2014 alone, approximately $435 billion of retirement funds were rolled from employer-sponsored retirement plans into IRAs by nearly 5 million taxpayers. "From a regulatory perspective, there is absolutely no merit to the concept that rollover dollars should be treated differently under the law than they were as a part of an employer-sponsored retirement plan," Borg said.

"With the responsibility of saving and investing for retirement increasingly falling on the shoulders of hard-working Americans, we must make sure that they have the peace of mind that all qualified financial professionals are giving them advice that is in their best interests," Borg said. "The investor protection gains made as a result of the Department of Labor's fiduciary rule should be preserved in any subsequent rulemaking by the SEC or other agencies. It would be a shame to let the pendulum swing back."

FOR MORE INFORMATION:

Bob Webster | Director of Communications
202-737-0900