

# United States Senate

WASHINGTON, DC 20510

September 24, 2015

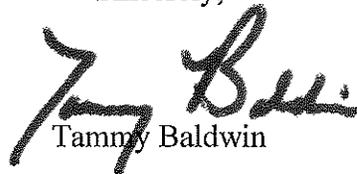
The Honorable Thomas E. Perez  
Secretary of Labor  
United States Department of Labor  
200 Constitution Avenue, NW  
Washington, DC 20210

Dear Secretary Perez:

As you work to finalize your proposed "Conflict of Interest" rule regarding retirement investment advice, I urge you to consider the questions of one of my constituents, Mr. Robert 'Bob' Chernow. Mr. Chernow has more than thirty years' experience managing retirement investments in Milwaukee, WI. A decorated Vietnam War veteran, he is also a community leader working to combat veteran homelessness and mental illness.

Mr. Chernow's questions are attached. I urge you to consider his questions as you finalize this rule.

Sincerely,



Tammy Baldwin

Robert Chernow  
Vice President-Investment Officer  
RBC Wealth Management LLC  
1000 N. Water Street #1500  
Milwaukee, Wisconsin 53202

RE: Employee Benefits Security Administration's "Conflict of Interest" rule, Docket ID: EBSA-2010-0050

1. Fixed Income, especially corporate bonds and preferred stock, but including mortgage backed bonds and pass-through securities, government securities and taxable muni bonds have markets created by individual market makers. Under the "fiduciary" rules, clients cannot buy from the inventory created by the firm they are using.

What will be the incentive for firms to risk their capital to make markets in fixed income? Will spreads on bonds of 3 to 4 points occur (as they did in the 2008 crash when market makers went out of business or had less capital to risk?) There is already much discussion about the lack of liquidity in the fixed income markets due to some of the Dodd Frank rules being implemented.

2. Clients ask advice from their brokers but often keep large amounts of capital liquid. The Fiduciary standards require that clients be "fully invested", that is with only 10 to 12% in cash. Will this standard be changed?
3. Other clients want to use passive investments strategies such as laddered bonds. Should they be charged a yearly fee that presents no value to them?
4. Many clients are not paying a yearly fee (or any commissions) because their investment is good or because they can exchange at no cost within their family of mutual funds. Why should they pay a yearly fee?
5. Many large accounts pay very low commissions. How will the DOL handle those accounts being shifted into fee based accounts where their fees might four fold?
6. How does the DOL plan to monitor exempt accounts where some trades are solicited and others are not?
7. Exchange Traded Funds (ETF)'s and index funds increase volatility by matching massive buys and sells. We saw what this can do with volatility when the Dow Jones Industrial plummeted 1000 points. If the DOL forces investors into these types of funds, will volatility be increased?

8. Some investors believe that individual stock choices with small companies are excellent investments, yet these companies are not usually found in indexes or most mutual funds. Why should clients be excluded from investing with these companies?
9. How is the question of freedom to choose by client investors being addressed? Will the government be regulating fees, commissions, what investments can be bought or sold?
10. Some investors use annuities in their retirement accounts. How will the DOL address the use of these vehicles? (Note: many variable annuities guarantee a return on investments if annuitized.)
11. Has the DOL calculated the increase of cost to the public with the use of fee, rather than commission business?
12. With fee business, an investment professional needs to make or change investments to justify the fee. Has the DOL considered that this will lead to unnecessary transactions instead of long term investing?