



March 17, 2017

Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655
United States Department of Labor
200 Constitution Avenue NW
Washington, D.C. 20210

Attn: Fiduciary Rule Examination

VIA EMAIL: EBSA.FiduciaryRuleExamination@dol.gov

RIN 1210-AB79

Proposed Rule; Extension of Applicability Date

Ladies and Gentlemen:

This letter is written on behalf of Madison Avenue Securities, LLC, (“Madison”), a broker dealer and registered investment adviser headquartered in San Diego, California. We appreciate the opportunity to comment on the United States Department of Labor’s (“DOL” or “Department”) proposed rule extending the applicability date (“proposed delay”) of the Department’s proposed conflicts of interest rule (“Rule”).

Madison fully supports the intent of the Rule. We think all financial professionals should be fiduciaries with respect to retirement assets and all other investment assets. We merely want to make the transition to a more comprehensive fiduciary standard as manageable and equitable as possible for the benefit of consumers and the financial services industry alike. As set forth below, Madison strongly supports the 60-day proposed delay and urges the Department to implement a longer delay to allow for a thorough analysis of the impact of the Rule on consumers and the financial services industry.

A failure to extend the implementation date by at least 60 days will result in substantial disruption to the industry and consequently to the services we will be able to provide consumers. While we have worked diligently to prepare for the Rule’s implementation, the magnitude of the infrastructure changes necessary dictate the applicability date be extended. That is particularly the case for smaller firms like Madison. Our resources – especially personnel – have been stretched to the limit and beyond trying to meet the Rule’s deadlines but they cannot be done in time.

It is no exaggeration to state that every system and every process at Madison is being reviewed and significantly impacted in an effort to comply with the Rule. Many (very expensive) technological solutions have been examined and some selected, but these are not yet ready, causing further difficulty and uncertainty. Moreover, every asset management vendor (money manager, mutual fund manager, ETF provider, etc., numbering in the many hundreds) utilizes policies, procedures, and systems unique to their companies in areas as diverse as applications, data maintenance and transfer, contracting, product

features, paymaster issues, compensation structure, selling agreements, monitoring, marketing, and policies and procedures development. Each of these areas, and more, is impacted by the Rule.

In order to comply with the Rule, Madison must work with each of these firms and many individuals to develop compatible systems and procedures while doing so on a timeline that is simply not accommodating to the magnitude of change that is required. The stark reality is that this build-out requires significant infrastructure overhauls utilizing multiple parties and systems and cannot be done adequately in the timeframe provided. An ill-prepared and incomplete system prematurely forced into action could have devastating consequences to our business while certainly inconveniencing and almost surely harming consumers as well. For example, since the technology will not be ready to go on April 10, we will need to implement a paper review process and probably need to limit product choices to facilitate compliance review. These elements will require more client time and create confusion by adding time and extensive paperwork to the retirement investment process while limiting consumer choice.

A 60-day delay is also warranted given the Department's stated intent to examine the Rule in its entirety pursuant to the Presidential directive issued February 3, 2017. A failure to implement a delay during the review of the entire Rule could lead to a scenario in which the Rule becomes effective, requiring compliance with the original provisions, and then altered requiring adherence to new standards in a short period of time. This eventuality would cause confusion for consumers and substantial disruption within the industry due to conflicting compliance standards. The Department's issuance of Field Assistance Bulletin No. 2017-01 provides some mitigation of this problem, but by its terms does not govern enforcement by the Internal Revenue Service or private right of action, substantially limiting its intended benefit. Thus the best approach is to delay the Rule, complete the examination per the directive and take any actions necessary and appropriate following review to allow for additional time for implementation. This approach provides clarity to the industry and ultimately assists consumers who would benefit from an industry with a clear understanding of what is required with respect to the Rule.

In addition to reducing disruption, a delay would help mitigate the compliance costs we are incurring. To date, Madison, even though it is a smaller firm with fewer than 30 employees, has spent hundreds of thousands dollars in hard and soft costs so as to comply with the Rule. Continuing to expend resources to comply with a Rule which may be altered is unnecessarily damaging to our business and future. These realized and potential costs ultimately and of necessity will be borne by consumers just as any litigation costs as a result of the Rule will have to be passed on to the consumers.

While comments were not specifically requested in the proposed delay, we wish to note that the Department's lack of clarity and guidance as to practical implementation questions has contributed significantly to the industry's confusion and inability fully to prepare. Since the Rule, comprising over 1,000 pages all encompassing, was released in April of 2016, the Department has provided just three sets of frequently asked questions (one of which was aimed at consumers), which do not begin to answer the many remaining technical questions surrounding Rule implementation, placing Madison in the untenable position of putting in place a patchwork system based on various assumptions and uncertain conclusions which create the potential for significant private action liability merely to remain in business. Moreover, it creates a significant negative domino effect on our independent financial advisors around the country as well as on their clients.

Current circumstances warrant an initial delay of 60-days plus a further delay for implementation of the Rule given the scope of fundamental changes to the financial services industry the Department is requiring. Madison has worked diligently over the past year to prepare for execution but more time is necessary to ensure the Rule is properly implemented for the benefit of consumers and the financial services industry. We urge the Department to enact the 60-day delay and move forward with its evaluation of the Rule in its entirety and to do so as quickly as practicable.

Sincerely,

Madison Avenue Securities, LLC



By: Wayne F. Talleur, President & CEO