



*Invested in America*

June 25, 2018

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Attention: Pamela Dyson, Director/Chief Information Officer

Re: Regulation AC; SEC File No. 270-517, OMB Control No. 3235-0575

Dear Director Dyson:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> is writing to respond to the invitation of the Securities and Exchange Commission (“Commission”) for public comment, pursuant to the Paperwork Reduction Act of 1995, on the existing collection of information provided for by Regulation Analyst Certification (“Regulation AC”). In that regard, you have invited comment on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission’s estimates of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Our members continue to be supportive of Regulation AC in principle but have raised concerns about the utility and burden associated with certain information collection requirements related to public appearances by research analysts.

Under Regulation AC, broker-dealers must make and keep records related to public appearances by research analysts. Specifically, if a broker-dealer publishes, circulates or provides a research report prepared by a research analyst employed by the broker-dealer or a covered person, the broker-dealer is required to make a record within thirty days after each calendar quarter in which the research analyst made any public appearance, that includes:

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<sup>1</sup> SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$18.5 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

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- A statement by the research analyst attesting that the views expressed by the research analyst in all public appearances during the calendar quarter accurately reflected the research analyst's personal views at that time about any and all of the subject securities or issuers; and
- A written statement by the research analyst certifying that no part of such research analyst's compensation was, is, or will be directly or indirectly related to any specific recommendations or views expressed in any such public appearance.

Our members believe that the burden of making and tracking these statements is quite significant and has been underestimated historically by the staff. While the current Paperwork Reduction Act request for comment does not break out the costs identified for each underlying obligation of Regulation AC, the staff estimated in its adopting release that, on average, there are approximately 2,076 public appearances by all registered research analysts per quarter or 4 per year for just 10% of the estimated population of 5,186 research analysts<sup>2</sup>. However, a survey of SIFMA's Research Committee with firms of varying size suggests that the number is actually quite higher, with an average of 11-15 public appearances annually per each analyst, or more than 20x that estimated by the SEC when adopting Regulation AC. The cost to develop and maintain the technology to capture these statements, and the burden on analysts and compliance to ensure the certifications are made, is quite high given the number of appearances in a given year. Perhaps more importantly, previous estimates of the time and cost of compliance do not appear to take full account of the central compliance, technology and administration resources necessary for the statement collection process, the cost of which poses an undue burden to our members. Our survey of members indicates that compliance alone at some firms can devote as many as 60-80 hours per quarter to compile, vet, and reconcile the quarterly statements.

At the same time, the benefit gained by requiring such statements certifications is minimal. Regulation AC already imposes an identical certification for all written research. FINRA Rule 2241 and 2242 also impose requirements to prevent and limit conflicts of interest and otherwise ensure the independence and integrity of research analysts and the views they express. In that regard, FINRA 2241 and 2242 effectively require that research analysts' discussions of securities or issuers during public appearances be consistent with their published research views. These requirements also necessitate policies governing the identification and management of conflicts of interest related to compensation and public appearances, as well as recordkeeping related to public appearances.

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<sup>2</sup> We note the current Paperwork Reduction Act request for comment relies on the estimated 5,186 research analysts referenced in the adopting release. According to Discovery Data, there are 7,350 analysts who have the 86/87 research analyst license currently. We acknowledge that all these registrants may not be active analysts in the industry but with the introduction of FINRA Rule 2242, there is a risk that the overall number of active analysts may also be underrepresented in the cost estimates.

Given the existing requirements under FINRA regulation, our members do not believe that the quarterly research analyst statements required under Regulation AC for public appearances serve any meaningful or significant utility. Such statements are not public documents and rather serve only to internally document an analyst's compliance with certain standards which FINRA Rule 2241 and 2242 already address.

We strongly believe that the costs and burdens associated with the quarterly research analyst statement requirement clearly outweigh any perceived benefit and we recommend that Regulation AC be amended to remove the requirement to obtain quarterly analyst statements related to public appearances. We believe this change will better balance the costs and benefits of the Regulation AC information collection requirements while in no way impairing the underlying regulatory objectives. We continue to support well-tailored regulation that ensures the independence and integrity of research.

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If you have any questions or require additional information, please do not hesitate to contact the undersigned at (212) 313-1118.

Very truly yours,



Sean C. Davy  
Managing Director, Capital Markets Division  
Securities Industry and Financial Markets Association