

FSI Voice

FOR MEMBERS OF THE FINANCIAL SERVICES INSTITUTE

LETTER TO MEMBERS	6
PERSPECTIVES FROM 2015 BOARD CHAIR AND VICE CHAIR.	8
UPDATE ON NEW MEMBER BENEFITS PROGRAM.	10
FINRA DISTRICT COMMITTEE MEMBERS	14
FOCUS ON SUCCESSION PLANNING	18



Karl Rove, Dale Brown and Robert Gibbs talking advocacy at OneVoice 2015

2015 ADVOCACY PRIORITIES “GAME PLANNING FOR EFFECTIVE ADVOCACY TODAY AND IN THE YEARS AHEAD”

When it comes to making a difference in the legislative and regulatory process in Washington, D.C. and across the country, some core principles apply no matter which side of the aisle you’re on.

continued on page 2 ▶

PRACTICE MADE PERFECT: FOSTERING AND KEEPING MULTI-GENERATIONAL CLIENT RELATIONSHIPS

The aging baby boomer population brings us to the cusp of a multi-trillion dollar intergenerational wealth transfer, from the asset-rich boomers to Generations X and Y. It’s an enormous opportunity for independent advisors seeking to build multi-generational businesses, but also a challenge in that the loss of client assets frequently occurs when wealth is passed from one generation to the next.

To help address this issue, FSI convened a special breakout session at this year’s OneVoice event in San Antonio, Texas, featuring Kim Guimond Dellarocca, Managing Director at Pershing LLC; Cam Marston, President of Generational Insights; and Jim Crowley, Chief Relationship Officer at Pershing LLC. The panelists provided insights on how advisors can build relationships with the heirs of their baby boomer clients in order to capture intergenerational wealth transitions, while best positioning their practices to grow in tandem with future Gen X and Gen Y asset levels.

continued on page 4 ▶





“In advance of each committee meeting, FINRA provides the opportunity for every committee member to write up an area of concern that they would like to address. I felt that FINRA really did a great job of listening to those concerns.”

FINRA DISTRICT COMMITTEE MEMBERS

Of all the myriad ways FSI members can get engaged on the regulatory issues that impact our industry, few avenues offer the level of direct and consistent interaction—on as wide an array of potential rules and procedures—as serving on a FINRA district committee. According to FINRA, these groups enable the regulator to benefit from the knowledge and expertise of committee members from across the industry, who “consult with FINRA on proposed policies and rule changes and serve on disciplinary panels in accordance with FINRA rules.” Membership is open to various executives of FINRA member firms.

For FSI members who are seeking proactive options for engaging FINRA, participation in a district committee is an excellent opportunity. To provide some additional perspective on how these committees function and the experience of serving for the first time, FSI Voice spoke with Brian Kovack, co-founder and President of Kovack Securities, and Tim Edwards, Principal and Executive Vice President of Prospera Financial Services. Kovack recently completed his term on FINRA’s District 7 committee, while Edwards began his term on the District 6 committee in January.

For Edwards, the reasons for getting involved were simple. “I believe that the mid-sized broker-dealer plays a vital role for the investing public, and I want to make sure that FINRA understands the challenges that are involved in running a firm like ours,” he said. “I also want to make sure they understand some of the unintended consequences of the various regulations that are proposed.”

The process of applying to serve on a committee is relatively straightforward, according to Edwards. Applicants fill out a basic questionnaire that provides FINRA with information on the prospective committee member’s background and areas of expertise. Once candidates are vetted, their peers—typically members of similar-sized firms in the same district—vote to determine who will serve on each committee.

While some may wonder how well district committees serve as an effective way to influence rules put forward by a large national organization like FINRA, Kovack came away from his recent term impressed by the regulator’s efforts to gather and act on input from the industry.

“In advance of each committee meeting, FINRA provides the opportunity for every committee member to write up (through a secure web portal) an area of concern that they would like to address. I felt that FINRA really did a great job of listening to those concerns,” said Kovack.

Even more importantly, committee members regularly had opportunities to speak with senior FINRA leaders who could directly influence key rules affecting firms and advisors. “For example, Susan Axelrod, FINRA’s Executive Vice President for Regulatory Operations, would regularly be in attendance at my meetings,” said Kovack. “I genuinely felt that they listened and they cared. They didn’t always agree with you, but where there were disagreements, they had a reasonable, logical basis most of the time.”

continued on page 16 ▶





“Advocacy works, and I’ve seen that through FSI. As members of FINRA, if we’re not engaging in conversations to let them know about the challenges and issues we have, who is?”

FINRA DISTRICT COMMITTEE MEMBERS *continued from page 14* ▶

Kovack notes that his district committee service led to additional opportunities to weigh in on important issues further up FINRA’s organizational ladder, as well. “During my term, I had the opportunity to attend a FINRA Board of Governors meeting in New York and to speak to them on the topic of examination consistency and efficiency,” he said. “It’s not customary for all district committee members to be able to address the Board in that setting, but it does happen on a case-by-case basis, and it can be a great additional forum for encouraging them to focus on the issues that committee members care about.”

“FSI is, in my opinion, the best way to stay in touch with your peers in the industry, as well as the best single source of information on current and trending issues relating to the independent broker-dealer space.”

Edwards concurred with the effectiveness of district committee service, based on his impressions so far and the input of his colleagues. “As a committee member, you’re given an opportunity to be heard and to actually help shape regulations,” he said. “I’ve talked to several past members of committees who have reiterated that. It makes you part of the process, whether that’s working to ensure that any sanctions that are handed down to fellow FINRA members are fair, or making sure that regulators hear our input from multiple sources as part of the rule-making process.”

Asked what advice he would give another FSI member starting a district committee term, Kovack said, “Be in touch with your peers—which would be other firms of similar size within the district—and bring their views along with yours into the mix of representation. Having that perspective from other members of the industry beyond your own firm can give you more credibility in your discussions with FINRA.”

“You serve as an elected representative of your peers as a committee member,” he continued, “but you need to stay in close touch with them and understand their concerns on an ongoing basis in order to serve effectively in that role.”

What’s the best way to maintain this dialogue? That’s easy, said Kovack. “FSI is, in my opinion, the best way to stay in touch with your peers in the industry, as well as the best single source of information on current and trending issues relating to the independent broker-dealer space.”

For FSI members who may be on the fence regarding FINRA district committee service—or other ways to engage regulators—Edwards had a very simple message. “Advocacy works, and I’ve seen that through FSI,” he said. “As members of FINRA, if we’re not engaging in conversations to let them know about the challenges and issues we have, who is?”

