

Financial Services Institute 2005 Year in Review

Advocacy – our primary mission – takes many forms and happens in many venues. In 2005, only our second year as the one voice for independent broker-dealers and independent financial advisors, FSI’s advocacy initiatives made a difference – with regulatory agencies, on Capitol Hill, within our membership base, and in industry and public forums. This is how FSI worked on your behalf in 2005.

Engaging in Advocacy with Regulatory Agencies

FSI pursued its advocacy mission of involvement in the NASD governance structure and process and constructive engagement in the rulemaking process:

- FSI Board member John Simmers, CEO of ING Advisors, was nominated to the NASD Board of Governors.
- FSI Board member Stephanie Brown, Managing Director of Compliance and General Counsel for Linsco/Private Ledger, was elected to the National Adjudicatory Council.
- After District Committee elections in late 2005, 17 FSI member or sponsor representatives will serve on 9 of 11 NASD District Committees in 2006.
- Eight FSI members will serve on District Nominating Committees next year.
- FSI leaders met six times from April to October with key regulators on important issues – the proposed ban on sales contests, proposed new variable annuities rules, rulemaking by enforcement, cost as the primary factor in suitability, compliance failures by business model, proposed point of sale disclosure rules, and equity-indexed annuities.
- Four independent financial advisors and FSI leadership met with key regulatory executives to discuss the independent advisor business model and unintended consequences of the regulatory environment.
- FSI submitted nine comment letters on proposed rules or issues impacting FSI members, including a request to extend the deadline for implementation of the “broker-dealer exemption” from the Investment Advisers Act. The SEC granted the extension until January 31, 2006.

Building our Political Strength on Capitol Hill

- FSI leadership initiated or developed relationships with important groups and individuals – The Financial Services Roundtable, House and Senate staff members, and Representatives and Senators who are members of key Congressional committees.
- FSI hired Bartlett & Bendall, an experienced lobbying firm, to help develop Congressional strategy and build key relationships.

- Thirty broker-dealer CEOs from 15 states visited 46 House and Senate offices on our first ever CEO Capitol Hill Visits in conjunction with Public Policy Day.
- Rep. Jeb Hensarling (R-TX 5th) and Senator John E. Sununu (R-NH) spoke at our 2nd Annual Public Policy Day, attended by more than 100 broker-dealer senior executives.
- FSI PAC was formed, bylaws were adopted, and more than \$41,000 in voluntary contributions from FSI members were received.
- Our first FSI PAC contribution of \$2,000 was made to the reelection campaign of Senator John E. Sununu (R-NH), a key member of the Senate Banking Committee.
- Working with Bartlett & Bendall, FSI identified a target list of key members of the House Financial Services Committee and Senate Banking Committee for FSI PAC-sponsored political fundraising activities in the 2006 election cycle.

Telling the Story in Industry and Public Forums

- Three important documents commissioned in 2005 and near completion will serve as vital information tools to continue carrying our message forward with regulators, legislators, the media, and the public:
 - “Making the Case for Independent Broker-Dealers and Financial Advisors,” a white paper written by freelance business writer Shelley Lee, will be used to define ourselves with key audiences in Congress, among regulators and the media.
 - “Rulemaking by Enforcement,” by FSI General Counsel David Bellaire, will be incorporated in the white paper as well as used as a separate document for dialogue on this critical issue.
 - “Institutional Bias That Cost is the Primary Factor in Suitability,” also by FSI General Counsel David Bellaire, will be incorporated in the white paper and used as the basis for conversations with regulators and legislators.
- FSI Executive Director & CEO Dale Brown spoke at four industry events with broker-dealer audiences: LIMRA Broker Dealer Services Committee (twice), Nationwide Broker-Dealer Advisory Meeting, and the 3012/3013 Conference hosted by The Compliance Department.
- FSI ran advertisements in five industry publications and on those publications’ web sites.
- *Boomer Market Advisor* featured a bylined article by Dale Brown, FSI Executive Director & CEO, on the state of the independent broker-dealer community.
- Industry media frequently sought comments, interviews, and analysis from FSI leadership.

Strengthening Advocacy by Strengthening and Engaging our Membership

- Broker-Dealer membership grew by 10 new member firms in 2005.
- FSI is building and enhancing our grassroots power through Individual Membership, an initiative launched in 2005. We have:
 - recruited more than 2,800 new individual members.

- spoken to more than 4,000 registered representatives at 20 conferences to promote individual membership.
- engaged FSI member CEOs to promote FSI membership at their national conferences.
- distributed more than 30,000 membership brochures to FSI member broker-dealers for promotion to their registered representatives.
- launched FSIVoice, a quarterly newsletter focusing on advocacy and regulatory issues impacting FSI members.

Partnering to Enhance Advocacy

- Five Premier Sponsors, 20 Sustaining Sponsors, and five Media Sponsors supported FSI in 2005.
- Five Consultant Firms supported FSI in 2005.
- Four Law Firms committed in 2005 to sponsorship for 2006.

Providing Forums for Members to Engage in Advocacy and Make Meaningful Business Connections

- FSI hosted 535 attendees at the 2005 Broker-Dealer Conference in Orlando, the first officially created by FSI. More than 60% were broker-dealer employees (compared to less than half in 2004), including 65 CEOs.
- More than 100 broker-dealer employees participated in the Spring Discussions in Kansas City
- More than 120 broker-dealer senior executives and Premier Sponsor representatives participated in the Fall Discussions and 2nd Annual Public Policy Day in Washington, DC. Speakers included Fred Barnes, Executive Editor of The Weekly Standard, Rep. Jeb Hensarling (R-TX 5th), Bob Plaze, Associate Director of the SEC Investment Management Division, Barry Goldsmith, head of NASD Enforcement, and Senator John Sununu (R-NH).