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Poll: GOP Will Ease Regulations on Industry

November 17, 2010

The Republican Party's recent capture of control of the House will lead to watered-down regulations for the fund industry and ease compliance restrictions and legislative rules such as the Dodd-Frank Act. That's according to a majority of respondents in an *Ignites* poll asking how GOP control of the House will affect the mutual fund industry.

Roughly 65%, or 115 voters, said the political change on Capitol Hill will create a less stringent regulatory environment for the industry. This group included 60%, or 106 voters, who believe existing reform measures will be watered down, and 5%, or nine voters, who think Congress will repeal Dodd-Frank and other measures.

About 22%, or 40 voters, expect no new reforms, but believe existing regulations will remain intact.

In contrast, around 13%, or 23 voters, said they think a Republican-controlled House will result in no big changes, and that recently adopted laws and regulations will continue to stand.

Industry observers believe the GOP's newly acquired power in the House will be beneficial on some level, but it is too early to tell.

"I would agree with the people who said that the existing reform measures will be watered down by Congress," says Niels Holch, founding partner of Washington, D.C., law firm **Holch Erickson**. "The House will be more conservative, and I think overall there will be a more receptive audience for fund companies.... It will be more business-friendly.

"Having said that, banks and brokers, because of the Wall Street crisis, are not very popular in Congress, but you're going to have a more receptive audience to make sure that Dodd-Frank is more business-friendly than the last time," he adds. "[But] there's going to be a limit of what Wall Street can accomplish in watering down Dodd-Frank, and it will be very issue specific."

Another industry observer is not so sure about the power the GOP will have to make regulatory changes regarding mutual funds.

"For the House to change things, they're going to have to pass a bill that stops the Securities and Exchange Commission, the Department of Labor and the IRS from making rules," says Louis Harvey, president of **Dalbar**, a Boston-based research and consulting firm.

"In order to do that, they're going to have to go through the Senate, where they don't have a majority, and withstand a presidential veto. There's a notion that one half of one branch of the government switching hands is a major upheaval in the power structure, but it's not. What they can really do is stop funding things. The power of the new majority lies in the ability to curb spending, but that does not take effect until fiscal year 2012."

Still, Jeff Squires, a principal at consulting firm **Vista360**, says the GOP's control in the House has mainly inspired hope in the mutual fund industry, as it is too early for any tangible reform efforts.

“I think what you’re seeing is change is positive,” he says. “I don’t know if it’s necessarily about GOP change that is positive, but change in general is positive. There’s been a lot of angst over regulatory activity. This brings about a hope that the regulatory train that has been going full steam for a little while now will not stop, but will slow down a bit.”

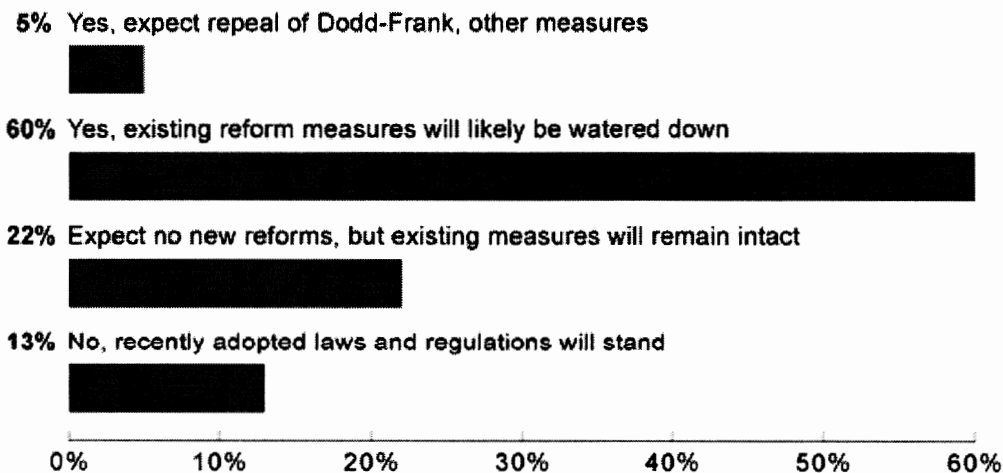
Squires adds that fund industry firms are feeling the consequences of other people’s actions in recent regulations, and are growing frustrated by this.

“Two of the key drivers of the significant increase in regulatory activity that we’ve seen are from Bernie Madoff and the financial crisis,” he says. “Your typical investment management firm had nothing to do with either of those things, but they’re feeling the wrath of the SEC as a result of them. There’s a lot of frustration about this. They’re hoping that a change will slow that down.”

As of 3 p.m. Tuesday, 178 *Ignites* subscribers participated in the survey, which is an unscientific sampling of the publication’s subscribers. Readers voted only once on a voluntary basis. *Ignites*’s audience consists of financial advisors, money managers and service providers.

☰ POLL RESULTS

**How Will GOP Control of the House Affect the Industry?
Will GOP control of the House help funds escape stringent
new regulatory burdens or mitigate existing regulations?**



Total Votes: 178

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