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To:	Khan, Lina
Cc:	Slaughter, Rebecca (she/her); Bedoya, Alvaro; Chappell, D. Michael; Signs, Kelly; Levine, Samuel
Subject:	FTC Hearing Urgent Government Action Required
Date:	Wednesday, May 1, 2024 2:14:51 PM
Attachments:	FTC Testimony 4-24-2024.pdf

Dear Chair Khan,

Thank you for allowing me to testify in the informal hearing on junk fees. I believe it went really well, and the feedback I am getting from injured investors is encouraging.

During the hearing, I brought to the FTC's attention an alarming $100 billion in annualized hidden costs, a staggering figure that adversely affects 160 million Americans who rely on our financial markets for their well-being in retirement.

For the past 4 years, I have tirelessly tried to persuade Wall Street executives who are profiting from this issue to take action to protect their investors or at least disclose the hidden costs. Despite acknowledging the harm and the potential for disclosure and resolution, they have shown a shocking disregard, stating that the billions lost by investors is 'perfectly fine'. I am prepared to testify to this under oath.

First, filing false income tax returns to the IRS is a felony - that makes for 160 million felony counts just two weeks ago. Second, not providing disclosure of material risks is a violation of the Securities Act of 1933. Third, executives and gatekeepers who were made aware of these risks and can be fixed and/or disclosed but instead chose to let the investor harm continue because, as they tell me, "our clients don't know it is happening, so we don't care," have breached their fiduciary duty. Fourth, 80% of Wall Street have lied in their disclosures to make it seem as though this risk never happens. Over the last 7 years, there have been over a billion violations of law.

I reported this matter to the SEC a while ago and have since met with at least 30 people there, including Commissioners Lee and Peirce. I remain hopeful the SEC will act to protect investors. However, they refuse to tell me if they are doing anything (nothing against me - it is their policy).

There is a chance the SEC is not acting, which is why your Junk Fees rule is so important. Because, when enacted and if you enforce it, it will stop this harmful practice.

As I said in my testimony (attached & video link below), the government MUST act to prevent this unconstitutional act. The industry knowingly files tax forms that overstate income, depriving our citizens of their property and violating their constitutional rights. Therefore, government action is compelled by law.

I am writing to ask for the opportunity to meet with you or your team at the FTC. Given the magnitude of these losses, understanding this market structure problem should be a cornerstone of your rule.

[redacted] If there is any possibility of an in-person meeting, I would greatly appreciate the opportunity. Please let me know if that is possible and, if so, when and where you would like to meet.

Resources:

1. https://youtu.be/bzSeTsbaqEI - video testimony of FTC Hearing
2. https://www.prnewswire.com/news-releases/jeremy-roseberry-of-investor-protection-initiative-testifies-at-ftc-junk-fees-hearing-regarding-unlawful-tax-charges-for-160-million-us-investors-302126335.html - Press Release from hearing.
3. Written testimony attached

I remain hopeful you will engage with me to protect 160 Million people who are having their quality of life degraded in retirement because of a completely fixable issue.

Regards,

Jeremy Roseberry
[redacted]

Good afternoon, ladies and gentlemen of the Federal Trade Commission,

My name is Jeremy Roseberry. I am here before you, representing BattleLine, LLC's 'Investor Protection Initiative' and over 160 million Americans who were adversely impacted by hidden fees just last week. I am also the CEO of a fintech company called FairShares. I stand before you to strongly advocate for the FTC's proposed Trade Regulation Rule for Unfair or Deceptive Fees.

I want to begin by highlighting an additional estimated $100 billion in hidden fees annually, significantly undermining the retirement security of over 100 million hard-working Americans.

While about 160 million Americans depend on the stock market for retirement, they remain unaware of the hidden fees eroding their investments. In stark contrast, Wall Street insiders are not only aware of these fees but have a name for them. They call these hidden fees 'buying a dividend.'"

To help you understand buying a dividend, let's look at a simple example:

Imagine you deposit $100 into your bank account. A few days later, you withdraw $3.00. This $3.00 withdrawal isn't taxable income; it's simply part of your initial deposit you've taken back from the bank. Initially, you had $100, and after the withdrawal, you still have $100 — $97 in the bank and $3.00 in your pocket.

The same principle applies when you purchase an income-producing security, such as a stock or investment fund that pays dividends and capital gains. Consider this scenario:

1. You buy a stock for $100 per share, knowing it will soon pay a $3.00 dividend.
2. Out of your $100 investment, $97 goes towards buying the stock, and $3.00 is allocated for buying the upcoming dividend that is included in the $100 price you paid.
3. When the dividend is paid, the stock price adjusts by dropping from $100 to $97, reflecting the payout. Simultaneously, you receive $3.00 as a dividend.
4. After receiving the dividend, you're left with $97 worth of stock and $3.00 in cash, summing back to your initial $100 investment. Again, no income has been earned.

Unfortunately, as it stands now, this dividend is fully taxed by financial institutions as if it were income, despite merely being a redistribution of part of your initial investment. This results in over-taxation because you are taxed on money that is not new income. Rather, it is just a return of part of your original investment.

Every time investors buy a stock or fund that pays dividends or capital gains, they face this unjust and unwarranted taxation. To levy an "income tax," there must be income. As you can see from this example, there is no income to be found, and according to the Internal Revenue Code, this transaction is not taxable.

Here is a mathematical example of the hidden costs associated with a securities purchase:

Suppose an investor purchased 1000 shares of the $100 security in my previous example, assuming they have a combined state and federal tax rate of 33%. In that case, they will pay a $333 hidden fee and receive a tax return that overstates their income. To calculate the tax loss from buying a dividend, multiply the number of shares purchased by the dividend per share and then multiply the result by a combined state and federal tax rate.

For this testimony, the FTC needs to understand that due to Wall Street's backward accounting treatment of dividends and capital gains, an undisclosed tax liability is attached to every income-producing security in the country, except for money market funds. This is not a problem with our tax code, nor do we need new legislation to fix this issue. Instead, the industry needs to follow existing laws and create accurate tax forms by deducting non-taxable distributions from taxable income. The industry is aware of this process – as it is already being done in the individual bond markets.

Over the past five years, I have worked tirelessly for the American people, meeting with hundreds of senior executives and industry gatekeepers throughout the U.S. financial industry, including major stock exchanges, asset managers, security issuers, and countless others. Our discussions focused on promoting the adoption of technology that reveals hidden costs to investors before they purchase and addresses the underlying over-taxation to protect them from losses.

While all industry gatekeepers admitted to the stated risks and ongoing harm to investors, they expressed zero interest in making these risks transparent or in protecting their clients from these ongoing losses.

Furthermore, over the past several years, I have engaged extensively with various SEC Commissioners and staff across multiple divisions, fulfilling all requests for documents and meetings. The SEC understands the problem, its solutions, and the scale of investor harm involved. To illustrate, consider Sam Bankman-Fried's recent prison sentence for an $8 billion fraud spanning four years; by comparison, the annual financial damage from 'buying a dividend' is orders of magnitude larger than the 4-year FTX fraud, and the investor harm continues daily.

I sincerely appreciate the SEC's time and effort in addressing these critical issues. The SEC's fundamental mission—to protect investors and ensure fair and efficient markets—is more crucial now than ever. I urge the SEC to accelerate its actions. Without immediate and decisive intervention, we risk the same adverse outcomes next year, affecting another 160 million people. The SEC must act promptly to prevent further harm and fulfill its mission effectively. I stand ready to help them, in any way I can.

In addition to the SEC, my outreach also included over 100 members of Congress, 30+ state attorneys general, state securities regulators, and key IRS and Treasury officials. Coordinating these wide-ranging efforts remains a significant challenge.

I am here today to seek the FTC's crucial assistance. While I hope the SEC is spearheading this initiative, the FTC's unique position and authority are essential for facilitating broader inter-agency collaboration. Given the vast scale of hidden costs, this issue clearly warrants urgent scrutiny and multi-agency action.

As the FTC advances the drafting of this essential regulation, I am submitting the following key points for your consideration.

Point 1: Unjust Taxation Is Not a Government Charge

The unjust taxation arising from 'buying a dividend' in the financial services industry should be classified as a 'cost' to consumers, not as a 'government charge.' This classification is crucial because the excess taxes levied are not legally owed, arising instead from the industry's failure to adopt commercially available technology that could prevent these tax losses or make them transparent to investors. Those firms who voluntarily choose not to protect their investors, despite their fiduciary duty to do so, should be forced to disclose this fact to their investors.

Point 2: The Technology to Provide Real-time Disclosure is Available Now

Technology exists that can provide real-time disclosure of hidden costs, which can be displayed on trade confirmation screens or accessed through a website. This feature allows investors to see potential losses before completing transactions, aiding informed decision-making and helping the industry comply with FTC regulations. The FTC should dismiss claims that such technology is unavailable, overly complex, or prohibitively expensive.

Point 3: The FTC Lacks Authority to Grant Wall Street Exemptions From This Regulation

The FTC cannot exempt Wall Street from adhering to federal securities laws such as the Securities Act of 1933, which requires clear and truthful disclosure of investment risks. Efforts by the financial services industry to secure exemptions from federal laws could result in serious legal consequences and are ethically questionable.

Point 4: The Regulation Must Specifically Mandate Disclosure of Costs Related to Buying Dividends

The FTC must precisely craft this regulation, eliminating ambiguities and closing potential loopholes. This clarity will prevent Wall Street lawyers from exploiting any gaps to avoid compliance, particularly regarding practices like buying a dividend. The language must be clear and definitive to ensure full legal compliance and withstand scrutiny.

Point 5: Immediate Industry-Wide Enforcement Action is Required

It is crucial that the FTC vigorously enforce this regulation from day one. Prompt, rigorous, and sustained enforcement is essential to protect millions from continuing to suffer. The FTC must demonstrate to Wall Street that lax practices and insufficient disclosures will no longer be tolerated.

Point 6: Investors Have a Legal Right to Be Reimbursed for Their Losses

Technology is available to accurately create future tax forms and calculate historical tax overpayments for investors. Investors are legally entitled to reimbursement for such overpayments, and this technology facilitates the process, ensuring that investors are made whole.

Point 7: The Industry has Been Fully Informed of this Pending FTC Regulation

The financial services industry has been thoroughly briefed on the upcoming FTC regulation. Last fall, I contacted all 15,266 Chief Compliance Officers registered with the SEC, informing them of this regulation's details, enforcement penalties, disclosure issues, ongoing investor harm, and related SEC involvement. I also offered direct scheduling links to discuss compliance and ways they can protect their investors now. Therefore, any industry claims of unpreparedness are unfounded.

Ladies and Gentlemen of the Federal Trade Commission,

I ask you to consider the plight of a single mother of two who tirelessly works two jobs to make ends meet. With the little she has left after paying bills and expenses, she seeks to invest responsibly for her family's future and retirement. Yet, every time she invests, she is unwittingly penalized by hidden fees and overtaxation. This stark reality underscores the utter unfairness of our current system and the urgent need for change.

I want to underscore the government's fundamental obligation under the US Constitution to enforce the laws of our land and to safeguard citizens from being unjustly deprived of their property. The Due Process Clauses of the Fifth and Fourteenth Amendments explicitly mandate governmental action to prevent arbitrary or unfair practices that would strip individuals of their property. The government's role is not merely administrative but a fundamental legal obligation to uphold justice and the rule of law and to guarantee that all individuals receive the protection guaranteed by the Constitution. Therefore, immediate government intervention is not merely appropriate, but compelled by law.

As we conclude today, I want to express my profound gratitude for the FTC's dedication to addressing issues that profoundly affect millions of Americans. Today's discussion is not merely about regulatory reform; it's a critical step toward restoring fairness and transparency in our financial system, which is currently riddled with punitive hidden tax liabilities that undermine the very essence of a fair and efficient market.

My door remains open, and I am ready to assist in this critical work. Together, let us stand on the right side of history by correcting these profound injustices and reaffirming our commitment to a truly fair and just marketplace.

This concludes my testimony,

Jeremy Roseberry
[redacted]
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