Financial Planning Coalition Supports SEC Fiduciary Rulemaking Pursuant to Section 913 of the Dodd-Frank Act

SEC is Considering a Uniform Fiduciary Rule

- Section 913 of the Dodd-Frank Act directed the Securities and Exchange Commission (SEC) to evaluate gaps in existing standards of care under broker-dealer (B/D) and investment adviser (IA) regulations when providing personalized advice to retail customers.
- SEC found that "retail customers do not understand and are confused by the roles played by investment advisers and broker-dealers, and more importantly, the standards of care applicable…"
- The study recommended that SEC engage in rulemaking and/or issue interpretive guidance regarding a uniform fiduciary standard of care.
- Following a Request for Information, SEC is now reviewing comments to determine whether it will move forward with a fiduciary rulemaking.

Lack of a Uniform Fiduciary Rule Harms Investors

- The **fiduciary** standard of care requires that an adviser act in the customer's best interest while the **suitability** standard of care generally requires only that a broker have a reasonable basis for believing that the recommendation is suitable for the customer.
- Research demonstrates that consumers believe that the same investor protection rules should apply to B/Ds and IAs when they are providing the same types of investment advisory services.
- Investors are harmed when they pay excessive fees, receive substandard performance or are exposed to unnecessary risks by products that may be deemed *suitable* but are not in investors' *best interest.*
- Investors are harmed when advisers, due to conflicts, recommend higher-cost investments rather than other more appropriate options, particularly when there is no additional benefit for the investor and the adviser receives a higher commission from the recommendation.

Financial Planning Coalition Position

- Coalition urges SEC to adopt a uniform fiduciary standard under Section 913 of Dodd-Frank for B/Ds and IAs that is "no less stringent" than the existing standard under the Investment Advisers Act of 1940.
- Any proposed rule must have the "best interest of the customer" concept as its foundation and the Coalition would oppose any proposed rule that weakens existing consumer protections.
- A strong fiduciary rule under Section 913 of Dodd-Frank must incorporate more than a disclosure regime.
- Studies show that costs to B/Ds of implementing a fiduciary standard would be minimal and that B/D and IAs who provide services under a fiduciary standard experience stronger asset and revenue growth than those who operate under a suitability standard.
- Adoption of a uniform fiduciary standard will not negatively affect the availability of investment advice or the range of products for moderate and low-income customers.