



CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS, INC.

ISSUE BRIEF

Fiduciary Standard

Issue

CFP Board and its Financial Planning Coalition partners are strong advocates for a uniform fiduciary standard for financial advisers who provide advice to retail customers. Our advocacy on the fiduciary standard is centered on our belief that financial planning services should be delivered to the public with fiduciary accountability and transparency, always placing the client's best interest above that of the adviser's.

Position

The Financial Planning Coalition firmly believes that a financial adviser who provides personalized investment advice to retail customers should do so under a fiduciary standard, regardless of the financial adviser's business model. To this end, the Coalition has long advocated for a principles-based application of a uniform fiduciary standard to all persons who provide personalized investment advice to retail customers. Under the current regulatory framework, however, even though investment advisers and broker-dealers provide the same services to retail customers, they are regulated under two different standards.

An investment adviser must, under the Investment Advisers Act of 1940 (Advisers Act), render services to a customer under a fiduciary standard that requires the investment adviser to place the customer's best interest above the investment adviser's. On the other hand, under the Securities Exchange Act of 1934 (Exchange Act), a broker-dealer may render services to a customer under the less-rigorous suitability standard, which only requires a broker-dealer to provide advice and products that are merely suitable for the customer. Unlike an investment adviser, a broker-dealer is not required to provide advice and products that are in the customer's best interests. This distinction persists, despite the fact that today broker-dealers can provide the same or similar financial advisory services to customers as investment advisers do, without the corresponding fiduciary duty.

SEC staff recognized the need to adopt a uniform fiduciary standard in its January 2011 study mandated under Section 913 of the Dodd-Frank Act. The Financial Planning Coalition supports the SEC staff's recommendation to adopt an over-arching fiduciary duty for investment advisers and broker-dealers if, as mandated by the Dodd-Frank Act, it is no less stringent than the existing standard under the Advisers Act. To achieve this, it is important that a uniform fiduciary duty standard, when promulgated, contain both the rules and practical guidance to clarify how the standard would apply to the broker-dealer business model.

For more information, visit www.cfp.net/publicpolicy.

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