Industry Leaders Urge Debate on Regulation of Brokers and Advisors: Does “Harmonized” Standard or The Authentic Fiduciary Standard Best Put Investors’ Interests First?

Stark Differences between the Authentic Fiduciary Standard and Harmonized Standard

New York– July 9, 2009 – The Committee for the Fiduciary Standard, a group of investment industry leaders, today challenged two leading securities attorneys to debate how Congress can best put investors’ interests first.

“The choice before Congress between the authentic fiduciary standard and a ‘harmonized’ standard, which essentially seems to be an energetic suitability standard, is stark; how it is resolved is vital to investors,” says Knut A. Rostad, a member of the Committee, and the Regulatory and Compliance Officer at Rembert Pendleton Jackson, a registered investment adviser.

The Committee has invited Thomas P. Lemke, Managing Director & General Counsel of Legg Mason, Inc., and Steven W. Stone, Partner at Morgan Lewis & Bockius in Washington DC, to debate the issue with members of the Committee.

Lemke and Stone made a spirited case in a Wall Street Lawyer June article concluding that a “harmonized” standard should replace the authentic fiduciary standard for investment advisors, and the suitability standard for brokers. Their premise is that the fiduciary and suitability standards “are far more similar than they are different.” In addition, they argue that the differences “reflect the differences in business models,” and whether broker--advisor activities are best regulated by prescriptive rules or by general standards.

“This characterization is, at best, woefully incomplete; it overlooks a wealth of legal precedent, starting from the Supreme Court, that suggests, to the contrary, the suitability and fiduciary standards are worlds apart. This debate should be lively. We look forward to Mssrs. Lemke and Stone’s response to our invitation,” says Committee member Matthew D. Hutcheson, President, Independent Pension Fiduciary.

The Committee has identified five core principles of the authentic fiduciary standard established in law that are vital to investors and should be an integral part of any legislation.

The five core principles are:

- Put the client's best interests first;
- Act with prudence; that is, with the skill, care, diligence and good judgment of a professional;
- Do not mislead clients; provide conspicuous, full and fair disclosure of all important facts;
- Avoid conflicts of interest; and
- Fully disclose and fairly manage, in the client's favor, unavoidable conflicts.

The debate, if accepted, will be hosted by Wealth Manager Web, Investment Advisor Magazine, and Research Magazine. Kate McBride, Editor in Chief of Wealth Manager Web, said, "We are delighted to provide a forum for such an important debate. Investors typically assume that the investment advice they get is coming from a person who must put clients' interests first, just like their doctor or lawyer or CPA must. This fiduciary issue is, for investors, perhaps the most important part of the Obama administration's June 17 plan for re-regulation."

The Committee's members are recognized leaders in the investment and financial advisor profession:

- Blaine Aikin, fi360
- Clark Blackman, Alpha Wealth Strategies, LLC
- Harold Evensky, Evensky & Katz
- Sheryl Garrett, Garrett Planning Network
- Roger C. Gibson, Gibson Capital, LLC
- Matthew D. Hutcheson, Independent Pension Fiduciary
- Gregory W. Kasten, Unified Trust Company
- Kate McBride, Wealth Manager Web
- Fred Reish, Reish, Luftman, Reicher & Cohen
- Ronald W. Roge, R. W. Roge & Company
- Knut A. Rostad, Rembert Pendleton Jackson

To request more information about The Great Debate, or speak to members of The Committee for the Fiduciary Standard, please contact:

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