



Consumer Federation of America

For Immediate Release
August 16, 2010

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Investors Urged to Speak Out in Favor of Strengthened Investor Protections

Comment Deadline Looms for SEC Study of Standards that Should Apply When Investment Professionals Recommend Securities

With just two weeks remaining before the deadline for submitting comments on the Securities and Exchange Commission's study of the standards that should apply when investment professionals recommend securities, CFA Director of Investor Protection Barbara Roper called on investors to speak out in support of strengthened investor protections. "This is a golden opportunity to dramatically improve the protections that apply to investment advice and recommendations by members of the securities industry," Roper said. "No issue is more important to the financial well-being of average investors who invest through brokers or other financial advisers."

As required by the recently enacted Dodd-Frank Act, the SEC is conducting a six-month study to evaluate the effectiveness of existing regulations regarding investment advice and recommendations of securities. In particular, the agency is looking at gaps in regulatory protections that apply to brokers and investment advisers when they give personalized investment advice and recommend securities. The study is designed to lay the groundwork for regulations that would bring the regulation of brokers in line with that of all other investment advisers, by imposing a fiduciary duty on brokers when they give personalized investment advice and recommend securities to retail investors. If adopted, such rules would, among other things, require brokers to act in the best interests of their customers and make timely disclosures of conflicts of interest that could bias their recommendations.

"Congress has required the SEC to consider investors' views in conducting its study, and the Commission has made it as easy as possible for investors to provide early input in the process," Roper said. On several topics addressed by the study, investors have particularly relevant input to offer, she added. Examples of topics on which investors could provide valuable insight include:

- Do investors understand the differences between "financial advisors" employed by brokers and other investment professionals, such as financial planners, and investment advisers?

- Do investors understand that these financial professionals are subject to different legal standards with regard to their obligations to customers when they recommend securities?
- Are investors aware that the financial advisors employed by brokers are not generally required to make recommendations that are in their customers' best interests?
- Do investors find it confusing that investment professionals who use similar titles and offer similar, or even identical, services are subject to different legal obligations?
- Do investors believe that all those who market themselves as advisers and offer personalized advice should have to act in the best interests of their customers?
- Do investors believe that all investment professionals should have to provide clear and timely disclosures of conflicts of interest that could bias their recommendations?

The Commission has made it easy for investors to make their voices heard on these issues. Investors can:

- use the Commission's Internet comment form (<http://www.sec.gov/rules/other.shtml>)
- send an email to rule-comments@sec.gov
- submit written comments (in triplicate) to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington DC 20549-1090

All submissions should refer to File Number 4-606. For email submissions, this file number should be included in the email subject line. The deadline for submitting comments is August 30, 2010.

"We know that members of the industry, insurance agents in particular, are flooding the record with comments opposing any effort to make them act in their customers' best interests when they recommend securities," Roper added. "Only by speaking out can investors counteract that message. If investors find it hard to shop for investment advice, think the different legal standards that apply to brokers and investment advisers are confusing, and want those who provide them with investment advice and recommendations about securities to act in their best interests, they need to let the Commission know."

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The Consumer Federation of America is an association of nearly 300 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.