New York City Comptroller
Scott M. Stringer

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COMPTROLLER STRINGER URGES NEW STATE DISCLOSURE LAW TO PROTECT CONSUMERS

Up to $17 billion in lost retirement savings each year to hidden fees & conflicted advice

Supports expansion of fiduciary standard to all financial advisors

(New York, NY) – On Wednesday, New York City Comptroller Scott M. Stringer announced details of a new proposal to enact a state law requiring that financial advisors disclose whether they put their own financial interests above those of their clients. The Comptroller also released a new report examining the history of the fiduciary standard, expressing his support for enacting the fiduciary standard nationwide and detailing his pioneering state proposal

"Billions of dollars in savings are lost each year because of hidden fees and conflicted financial advice," Comptroller Stringer said "We need a uniform, national fiduciary standard, but we can't wait to give New Yorkers the common sense reforms they need to make informed investment choices. This new law will ensure that New Yorkers know whether the investment advice they receive is in their best interest."

Most New Yorkers assume that their financial advisors provide objective advice that is to their benefit. However, under current law, most financial advisors are not required to provide advice that is in the client's best interest—a legal standard of care known as the fiduciary standard. Instead, many brokers, financial planners, and retirement advisors are allowed to operate under a more permissive ethical code known as the suitability standard, which allows advisors to push investments that yield high fees or commissions, provided those investments are suitable for their clients.

Comptroller Stringer is proposing a State law which will require all financial advisors to disclose—in plain language—whether they abide by the fiduciary standard. The first-of-its-kind transparency measure would require all advisors operating under the suitability standard to state at the outset of any financial relationship:

> *I am not a fiduciary. Therefore, I am not required to act in your best interests, and am allowed to recommend investments that may earn higher fees for me or my firm, even if those investments may not have the best combination of fees, risks, and expected returns for you.*

"This pledge will ensure transparency and accountability in relationships between investors and their advisors in New York State and provide needed protections to millions of New Yorkers.

Hard-working New Yorkers should not be penalized by a system that doesn't adequately address potential conflicts of interests and financial mismanagement," Stringer said.

The lack of a fiduciary standard costs investors billions. President Barack Obama's Council of Economic Advisers recently found that the high fees, conflicts of interest, and poor investment practices permitted by the suitability standard costs investors up to $17 billion annually. The same report found that savers receiving 'conflicted' advice can lose up to 1 percent on investment returns – eventually reducing a middle class family's retirement assets by more than a quarter.

The Comptroller's report follows two recent actions at the federal level that signaled movement toward stricter standards for financial advice. President Obama recently called for the Department of Labor to issue a new rule requiring all retirement advisors to abide by the fiduciary standard. Last week, Securities and Exchange Commission Chairwoman Mary Jo White commented that her personal view was that a "uniform standard" for financial advisors was needed.

"I applaud President Obama, Secretary of Labor Tom Perez, and S.E.C. Chairwoman White for working to extend the protection of the fiduciary standard to all Americans and I stand behind their efforts. But we have seen many times that important legislation and consumer regulation can be stalled and thwarted, which is why we aren't waiting for Washington to act," Stringer said.

Some of the country's leading investor advocates praised Comptroller Stringer's work:

"CFA believes that all investors deserve advice that is designed to put their interests first, and that no financial professional should be allowed to call themselves a financial advisor unless they meet a fiduciary standard to act in the best interests of their customers," **said Barbara Roper, Director of Investor Protection at the Consumer Federation of America**. "We are encouraged that the Department of Labor is moving forward on rules to make that goal a reality for retirement savers. In the meantime, and in the absence of progress at the Securities and Exchange Commission, this bill proposed by New York City Comptroller Scott Stringer should help to ensure that New York investors at least get clear information about which financial advisers are looking out for their interests, and which are not."

"New York's call to extend fiduciary duty to all individuals in the business of providing investment advice is outstanding. Whether the advice is to retirement investors, or those investing outside of retirement accounts, advice that is in the client's best interest leads to better investor outcomes over the long term," said **Kathleen M. McBride, Chairman of The Committee for the Fiduciary Standard**.

"Effective markets requite transparency and honesty. The financial industry is too opaque, breeding distrust, as its own leaders such as Bank of America's / Merrill Lynch, John Thiel, acknowledge. This simple and true statement requirement is an excellent remedy," said **Knut A. Rostad, President, Institute for the Fiduciary Standard**.

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