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fi360 Statement Regarding GAO Study of Financial Planners and the Use of Financial Designations

The GAO report on financial planner regulation, regardless of your viewpoint on how they should be regulated, underscores the long-festering problem with a scatter-shot approach to enforcement and the lack of a consistent standard of conduct for advisers. These problems are confirmed by the GAO's not surprising conclusion that consumers may not understand the conflicts of financial planners and others using similar titles when "switching hats" to sell products under a lower standard of conduct.

We are heartened, however, by the opinion of state and federal securities regulators, highlighted for the first time by the GAO, that the fiduciary standard of care for investment advisers would also apply to their recommendations about other financial products, such as insurance policies. This public policy position, to our knowledge, has never been formally acknowledged by the SEC or state regulators and would be an important precedent in expanding the fiduciary relationship to other areas of financial advice besides securities.

We also applaud the GAO's efforts to carefully parse through the varying standards of care in its report. In particular, GAO contrasts the protections of a fiduciary standard to suitability rules, which it concludes do not "necessarily require that the client's best interests be served." It is demonstrative, to say the least, that the GAO, with an excellent reputation as a non-partisan agency with no ax to grind, chose to address the confusion of investors over the fiduciary versus suitability standards, when no such stand was required of them. The implication being that they would expect the SEC to address this confusion through authority under the Dodd-Frank Act.

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