Good morning. My name is Blaine Aikin. I am CEO of FI360.

Fi360 is an organization whose mission is to promote a culture of fiduciary responsibility and improve the decision making of those who manage money on behalf of others. To accomplish this, we provide training, tools and resources to support those acting in a fiduciary capacity. We teach investment professionals and stewards who are taking care of other peoples' money about what it means to be a fiduciary and the nitty gritty of how to do the right things from ethical and practical perspectives.

Today I will speak briefly on why it is critical for impending regulatory changes to include the requirement that anyone providing financial advice be held to a fiduciary standard of care. It's critical for a number of reasons; I will focus on just two.

First, a fiduciary standard is a professional standard and is a world apart from the alternative, which is a commercial or suitability standard. A fiduciary is obligated to place investors' best interests first. This obligation for a singular duty of loyalty results in far tougher requirements than the commercial approach of divided loyalties. Advice establishes a relationship of trust, and trust is personal. Fiduciaries are not permitted to balance competing interests, they must serve client interests first, last, and always.

The second and related reason is a fiduciary standard is a process standard that requires both ethical conduct and professional competence. Above all else, it is intended to assure that people who are charged with a role in managing other peoples' money follow prudent investment practices and are, therefore, worthy of the trust placed in them. As such, it far better suited to make it difficult for unscrupulous people to abuse investors' trust and to make it possible to quickly detect and address the kinds scandals and abuses that have become all to familiar.

***The difference is big**. The difference between a fiduciary standard and a sales or commercial standard is significant. It's a difference of "kind" and not a difference of "degree." It is like the difference between a medical doctor and a drug company sales rep. Your doctor's job is to do what's best for you. The drug company sales reps job is to persuade your doctor to recommend their company's medicines.*

The legal requirements of each standard are sometimes misunderstood. Fiduciary advisors are required to:

- *Put clients' best interests first*
- *Disclose conflicts of interest and other facts important to investors*
- *Avoid all important conflicts of interest and carefully manage unavoidable conflicts so the clients' best interests will not be compromised*
- *Assure that fees and expenses are fair and reasonable for the services provided*
- *Follow and document a due diligence process in making decisions, and*
- *Take appropriate measures to manage risk, such as by diversifying investments.*

None of these requirements are imposed upon those who operate under a commercial standard.

Fiduciary principles are not ambiguous. They are established in law, recognized and applied worldwide, and clearly preferred by investors who know the difference.

The stakes are high. *We are facing a financial crisis that involves both broken structures and lost confidence. A great deal of attention is currently focused upon fixing structures to restore confidence. And it is true that the regulatory organizations need to become more effective and efficient, financial institutions must be rescued, and market mechanisms need to be improved to make sure the financial system is more secure. But these measures are not enough. Investors have lost confidence in more than institutions; they have lost confidence in the financial people who they personally trusted.*

James Madison said "If men were angels, there would be no need for government." Men and women in financial services are not unique – they are not all angels. Consequently, an unambiguous, enforceable code of professional conduct that places clients' best interests first is an absolutely essential part of restoring investors' trust and confidence.

A consistently applied fiduciary standard will be more effective in helping regulators oversee all those who give advice. They can conduct fiduciary audits to test the due diligence processes that advisers apply to select and monitor the investments they use. Bernard Madoff fabricated ***performance*** *to attract investors. He was discovered when a vigilant observer demonstrated his* ***process*** *couldn't work. This process focus is a key difference of the fiduciary approach.*

A well publicized requirement for advisers to fulfill a fiduciary standard will build awareness among stewards of their own fiduciary responsibilities. Madoff concentrated on deceiving foundations and endowments because they are service oriented and trusting by nature. The fiduciary process requires tough questions to be asked about verified financial statements, performance reports, and risk management processes. Those who asked Mr. Madoff the tough questions generally did not invest, often because Mr. Madoff would not, and could not, answer those questions.

A rigorously enforced fiduciary standard will strengthen capitalism. Without reliable information the markets cannot be efficient and are prone to manipulation and abuse. Lack of transparency is contrary to capitalism. Fees, compensation, affiliations and whether or not service providers are accountable to a fiduciary standard of care are material facts. This type of information is pertinent in making investment decisions and in deciding who to work with as an advisor. The fiduciary standard of care will make information more readily available and provide the processes required to evaluate it properly.

Conclusion

- *A fiduciary standard is critical to restore trust in the capital markets, focus attention of all those who manage money on behalf of others on faithfully applying prudent investment processes, and provide regulators the ability to do their jobs more effectively.*
- *Only the fiduciary standard requires complete transparency, a level playing field among those offering advice, and business practices that put investors' interests first.*
- *The fiduciary standard is a world apart from a commercial standard and puts important legal responsibilities on fiduciary advisors that the weaker commercial standard does not require.*
- *And finally, an enforced fiduciary standard will help avoid and detect Madoff and other Madoff-like wrongdoing that is so damaging to investors and to the reputation of all of us who work in the field of financial services and believe firmly that professionals in our field can make a positive difference in peoples' lives.*