

Brokers Writing SEC Express 100% Opposition to Fiduciary Standard; In Sample Reviewed, Comment Letters Reveal Orchestrated Institutional Campaign to Keep Status Quo of ‘Buyer Beware’

Summary. A snap shot review by the Committee for the Fiduciary Standard of 98 comment letters* received by the SEC on the fiduciary standard reveals the views expressed by brokers in this sample are overwhelmingly opposed to extending the fiduciary, or “best interest” standard to brokers. Among the comment letters reviewed:

- 93 Brokers express opposition
- 3 Attorney and Advisors express support
- 1 Professional expresses neutral position
- 1 Investor expresses support

Stated reasons for opposition. The Committee analyzed the 56 letters posted on the SEC web site August 12, ** for the stated reasons for their opposition. 175 reasons were offered in these letters. Among these stated reasons:

- 52 Suitability standard is “robust” or “stringent” and “heavily enforced”
- 40 Fiduciary standard will increase costs
- 33 Brokers will not be able to serve small customers; some will leave industry
- 20 Working in fee-only model is not good for customers
- 19 Law suits will increase
- 8 Other reasons
- 3 Choices will be limited

175

Discussion. The opposing narrative in these letters is consistent and repetitive.** Registered reps are currently burdened with excessive regulation. Additional regulation is unnecessary and will have the consequence of raising costs, making brokers services unavailable to smaller accounts, and causing some brokers to leave the industry. Further, many letters mentioned that law suits will increase and that the fee-only model is not good for investors.

*** These 98 comment letters are all the comments letters posted on the SEC site on August 11 and 12. ** The SEC posted a note to its web site stating two different type formulaic letters were identified, Type A and Type B.**