
Financial Execs Invited to Endorse 'Fiduciary Statement'

By Editor Test Thu, Mar 25, 2010

"No man can serve two masters," said John Bogle, founder of The Vanguard Group and member of the Committee for the Fiduciary Standard.

A dozen well-known economists, academics and writers, including Vanguard founder John Bogle and Nobelists George Akerlof and Daniel Kahneman, have called for a "Fiduciary Standard" apply to all who provide investment or financial advice.

Such protests notwithstanding, legislators have dropped the imposition of a fiduciary standard on all intermediaries from the financial reform bill now moving through the Senate. A fiduciary standard would require all financial intermediaries to put the interests of clients ahead of their own.

"Restoring the faith of investors must begin with a demand that investment and financial advisors stand up for the rights of their clients," wrote Bogle, whose company often insists that its only loyalty is to its customers. "No man can serve two masters."

In 2008, an SEC-commissioned RAND Corporation study found that most investors don't understand that financial intermediaries, such as insurance agents, registered representatives and Certified Financial Advisors, operate under very different standards or burdens of trustworthiness.

The Committee for the Fiduciary Standard, a volunteer group of investment industry leaders and practitioners, was formed last year to inform and nurture discussion of the fiduciary standard as presently established under the Investment Advisers Act of 1940.

It created a Fiduciary Statement, and has invited the executives of several large brokerage firms to endorse its principles and extend the Fiduciary Standard to registered representatives. The executives include Brian Moynihan and Sallie Krawcheck of Bank of America, Jamie Dimon of JPMorgan Chase, John Mack of Morgan Stanley, and Lloyd Blankfein of Goldman Sachs.

The Fiduciary Statement has been endorsed by:

- George Akerlof, Ph.D., Nobel Laureate in Economics 2001
- Dan Ariely, Ph.D., Duke University
- Cliff Asness, AQR Capital
- John C. Bogle, founder, The Vanguard Group
- Roger Ibbotson, Ph.D., Zebra Capital Management, LLC
- Daniel Kahneman, Ph.D., Nobel Laureate in Economics 2002
- John D. Markese, Ph.D., American Association of Individual Investors
- Don Phillips, Morningstar
- Jane Bryant Quinn, author

- V. Daniel Radford, Ullico Investment Company
- Terry Savage, author
- Richard Thaler, Ph.D., University of Chicago

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