
New York City comptroller calls for statewide “fiduciary disclosure”

By Editorial Staff *Fri, Mar 27, 2015*

“Billions of dollars in savings are lost each year because of hidden fees and conflicted financial advice,” Scott Stringer said, borrowing a theme from the Obama administration, which has made a fiduciary standard for advisors to rollover IRA clients a policy priority for 2015.

A proposal to enact a new New York state law requiring financial advisors to disclose “whether they put their own financial interests above those of their clients” was announced this week by New York City Comptroller Scott M. Stringer.

The Comptroller also released a new report examining the history of the “fiduciary standard,” expressing his support for enacting the standard nationwide and detailing his state proposal, which echoes a proposal that the Department of Labor made in 2010. The DoL’s reproposal is expected to be made public soon, after an Office of Management and Budget review.

“Billions of dollars in savings are lost each year because of hidden fees and conflicted financial advice,” Stringer said, borrowing a theme from the Obama administration, which has made this issue a policy priority for 2015. According to a release from the comptroller’s office:

“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 calling for a state law that will require all financial advisors to disclose—in plain language—whether they abide by the fiduciary standard. The 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 language is similar to the language required for exemption from a prohibited transaction under the 2010 fiduciary proposal by the U.S. Department of Labor.

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.

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