
Uniform fiduciary standard will require new technology: Citi

By Editor Test Thu, Mar 22, 2012

“Financial advisors can expect significant technological and operational challenges to adhere to any new fiduciary standards,” said a co-author of a new whitepaper.

Potential new rules recommended in an SEC Staff study on uniform fiduciary standards for both broker-dealers (BDs) and registered investment advisors (RIAs) will affect many aspects of their activities, according to a new whitepaper from Citi.

Creating investor proposals, account ‘on-boarding,’ suitability assessments, fee arrangements, initial portfolio implementation and portfolio rebalancing would likely be affected by harmonized standards, said the paper, entitled [*Broker-Dealers as Fiduciaries? How the SEC Staff’s Study Could Raise the Bar for Investment Advice*](#).

“Financial advisors can expect significant technological and operational challenges to adhere to any new fiduciary standards,” said report co-author Andrew Clipper, head of Wealth Management Services in North America, Citi’s Securities and Fund Services. The paper points out that broker-dealers and RIAs may need better technology in the following areas:

- Automatic linkage from front-to-back of an investor’s information, risk profile, restrictions, proposed portfolio and portfolio execution
- Access across all investment vehicle types within and across multiple accounts in the household
- Household reporting and rebalancing across multiple account types (*e.g.*, brokerage, retirement, trust)
- Tax optimization at the individual investor (tax return) level and across the household

Compliance is expected to be expensive. “Both the SEC and FINRA have recently explored using technology to assist in conducting examinations, and the SEC recognized in the Study on Investment Advisers and Broker-Dealers that BDs may incur on-going costs in developing or acquiring technology,” should the broker-dealer exclusion from the definition of investment adviser be eliminated, said George Magera, a partner in Reed Smith LLP’s Investment Management Group.

Additional copies of “*Broker-Dealers as Fiduciaries? How the SEC Staff’s Study Could Raise the Bar for Investment Advice*” can be obtained by writing to openwealthinfo@citi.com or calling 877-682-2278.

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