



## Consumer Federation of America

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**Contact:** Barbara Roper  
(719) 543-9468

### **CFA Urges Congress to Ignore Misleading Industry Arguments, Allow SEC to Proceed with Fiduciary Rule for Brokers**

*Review Finds No Merit in Industry Claims About Higher Costs, Fewer Products & Services*

The House Financial Services Committee should allow the Securities and Exchange Commission (SEC) to move forward expeditiously on a rulemaking imposing a fiduciary duty on brokers when they give personalized investment advice, according to a letter to Committee members from Consumer Federation of America (CFA) Director of Investor Protection Barbara Roper.

In doing so, Roper urged U.S. House members not to be swayed by misleading arguments from self-interested financial services industry groups seeking to prevent much needed improvements in investor protections.

Earlier this year in a report required under the Dodd-Frank Act, the SEC issued a proposed approach to fiduciary duty that has won praise from leading broker-dealer trade associations as well as from traditional fiduciary advocates. Despite that important progress, some Members of Congress have written to SEC Chairman Mary Schapiro in recent weeks urging the agency to delay any rulemaking until it has done more study of the potential economic consequences. Those letters seeking to delay the rule appear to have been influenced at least in part by misleading arguments from a small segment of the broker-dealer community intent on maintaining the status quo. These brokers, particularly those whose business model depends on the sale of high-cost variable annuities, have argued that imposing a fiduciary duty on investment advice by brokers could have “unintended consequences,” particularly for middle income and rural investors.

“While CFA has long advocated a universal fiduciary duty for personalized investment advice, we understand that Members of Congress are likely to be concerned when they hear claims that imposing a fiduciary duty on brokers could increase costs to middle income and rural investors or cause them to lose access to valued products and services,” Roper wrote. In her letter, Roper analyzed the arguments in support of these claims and found that they:

- fail to recognize or acknowledge serious short-coming in existing regulatory protections;
- ignore aspects of the SEC proposal designed to protect the broker-dealer business model; and
- offer no data to support claims regarding increased costs under a fiduciary duty.

An attachment to the Roper letter addresses each argument in detail.

As Roper points out, “The SEC has proposed a way to move forward on fiduciary duty that maximizes investor protections while minimizing industry disruption. In doing so, it has won broad support from industry and investor advocates alike. It would be tragic if opposition from a few industry members intent on maintaining the status quo were able to derail that progress. Despite the self-interested claims of certain industry members, it is the middle income investors who must make every dollar count who are most in need of these enhanced protections.”

A copy of the letter is available [here](#).

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*The Consumer Federation of America is an association of nearly 300 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.*