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SEC: Broker-dealers should be held to fiduciary standard

Sens. Specter and Kaufman week to attach broker-dealer measure to bank bill

By **Ronald D. Orol**, MarketWatch

WASHINGTON (MarketWatch) -- A measure that would ensure broker-dealers are held to a fiduciary standard should be included in sweeping bank reform legislation under consideration on Capitol Hill, Securities and Exchange Commission Chairwoman Mary Schapiro said Thursday.

"I believe that broker-dealers and investment advisers providing the same services, especially to retail investors, should meet that same high fiduciary standard," Schapiro told participants at a Securities Industry and Financial Markets Association conference.

"This is an issue that I hope will be addressed in regulatory reform legislation and one that is fully consonant with the principle of fairness that helped guide the development of the securities laws," said Schapiro.



Securities and Exchange
Commission Chairwoman Mary
Schapiro

A new heightened fiduciary standard would raise compliance costs and hike the specter of litigation against broker-dealers. It could also require both originators seeking to sell loans and investors looking to make purchases to each have their own broker-dealer.

Sweeping bank reform legislation under consideration in the Senate so far only requires a report on fiduciary standards, however, at least two lawmakers are seeking to amend the bill to create a fiduciary standard for broker-dealers. Schapiro said she hoped legislators would harmonize regulations for broker-dealers and investment advisers.

Schapiro is also seeking to have the SEC expand its requirement for broker-dealer disclosure to customers.

"We are looking to move past the 1960s check-the-box, paper-based approach by requiring a plain English narrative discussion of an adviser's conflicts, compensation, business activities and disciplinary history," Schapiro said.

Sens. Arlen Specter, D-Penn., and Ted Kaufman, D-Del., have introduced an amendment to the bank reform bill that would require the SEC write rules creating a fiduciary standard for broker-dealers. It's unclear whether the measure would be approved.

The measure is opposed by most Republican lawmakers. However, in questions to Goldman Sachs & Co. at a hearing earlier in April, Sen. Susan Collins, R-Maine, suggested she is considering whether the SEC should require broker-dealers to be subject to fiduciary duties.

Schapiro said last year she supported a fiduciary standard of care for all professionals including broker-dealers.

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