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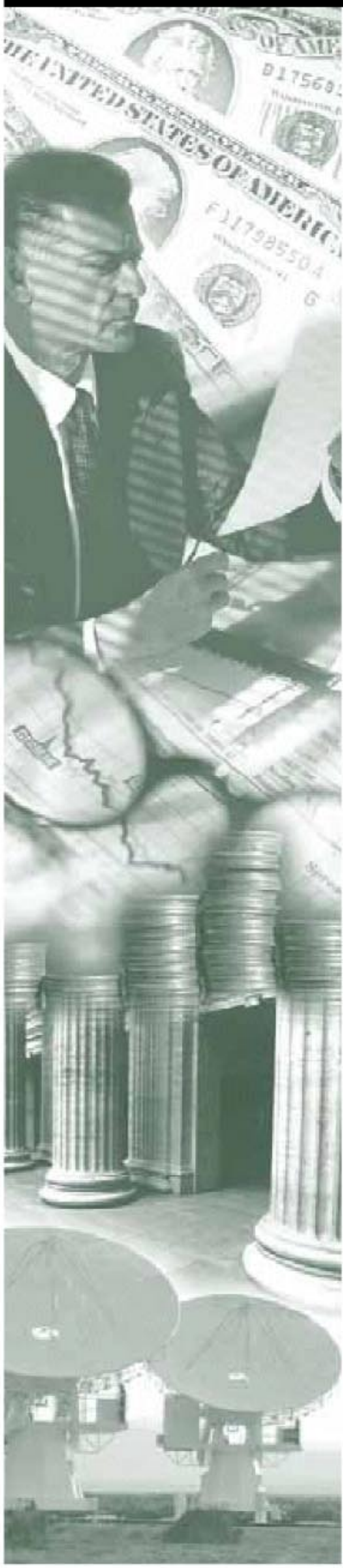

Industry Waiting for the Other Shoe to Drop: WillBrokers, Who "Are" Providing Advice, Be Held to a Fiduciary Standard?

by Stephen C. Winks

Whether you are an investor, an advisor or a broker/dealer the anxiety can not get any greater. What is about to transpire over the next ninety days is sure to change the course of the financial services industry.

Broker/Dealers, who support the industry's 658,000 financial advisors, have maintained over the past 65 to 70 years that their brokers have had no fiduciary responsibility as any advice their brokers might render is just incidential to the trade execution services provided by the broker/dealer. Business has been done this way for the past 70 years, longer than virturally all of us can remember. So it is no suprise that on April 6th, the SEC voted to permanently exempt brokers, who "are not" offering investment advice, from being held to a fiduciary standard, because the presumption has always been that brokers do not render advice.

Yet this skillfully crafted question, upon which the SEC has ruled, has completely circumvented the more important question of whether brokers who "are" rendering advice should be held to a fiduciary standard. The legal skill and influence of broker/dealers working with the SEC in positing the question in terms favorable to their self interests is very telling of how, over the years, broker/dealer considerations have carried far more weight than consumer protections. To their credit, the self interests of the broker/dealers have controled and dominated the debate. This is why consumer protections and the public's trust is in a state of confusion today, why the industry maintains, with a serious face, that investment advisors are not investment advisors, and is why the industry has been able to get away with it. There are no highly paid attorneys to parse words in the best interests of the consumer or advisor, only broker/dealers enjoy the benefit of such representation. Yet because the faith and trust of the investing public hinges upon the fiduciary responsibilities of advisors, and because of the investing public's loss in trust of the industry's consumer protections, the SEC, for the first time in its history, seeks to definitively clarify the roles and responsibilities of brokers and advisors. The SEC understands trust is the issue here. If there is the desired trust relationship between the advisor and the consumer, the advisor is acting in a fiduciary capasity. By extention every advisor aspires to have such a trust relationship--yet that trust relationship is precluded by the advisors supporting NASD firm as they will not acknowledge the fiduciary responsibilities of their advisors. This puts the consumer and the advisor at odds with the advisors supporting NASD member firm. The SEC must resolve this conflict in no uncertain terms, if it is to protect the trust of the investing public which has been vested in the financial services industry.If there are consumer protections why aren't they being enforced? Is just denying you have fiduciary responsibility, sufficient to circumvent consumer protections? If so, then why have any consumer protections--if all you have to do is simply argue that they do not apply?

THE CONSUMER AND THE ADVISOR ARE WELL SERVED BY A TRUST RELATIONSHIP WHICH IS AT ODDS WITH THE THE ADVISORS NASD SUPPORTING FIRM, THE SEC MUST RESOLVE THIS IMBALANCE IF IT IS TO PRESERVE THE TRUST OF THE INVESTING PUBLIC.

The congressional intent of the Investment Advisors Act of 1940 was to protect consumers with uniform rules for investment advice, yet this public policy, leglislatived 65 years ago, has never been seriously enforced. If the best interests of the consumer were actually first and foremost, the industry would long ago have voluntarily acknowledged the fiduciary status of its advisors. The law is on the books. There is the obligation for advisors to "exclusively act in the best interests of the consumer with the skill, care and dilligence of a prudent expert". Yet there is no institutionalized support for fiduciary counsel. There are no uniform rules for investment advice, as

envisioned sixty-five years ago, as technically investment advisors don’t render investment advice. The balance of regulatory power has long ago ago shifted in favor of the broker/dealer. There have been no advocates for the consumer or the advisor. But, this is about to change.

Todays regulatory climate is materially different from years gone by. The scandals of recent years have made all regulators more vigilent. The transparency of the web has brought clarity as never before. Even lay investors can easily comprehend the significant differences in consumer protections between advisors and brokers, when it is properly explained. There is unprecidented SEC input afforded the advisor and the investing public via the web. There are webcasts of entire SEC proceedings making everything transparent to all. There is unfettered access to transcripts of the comments of SEC commissioners and staff. Essentially, there is far more sunlight shed on the SECs deliberations now than ever before. The invisible hand of the investing public in the workings of the free market is beginning to have tremendous influence on the course of public policy. The transparency of the free markets makes the consumer the ultimate arbiter of what is in their best interests, not the self interests of other interested constituencies. The SEC staff recommendations and questions submitted for consideration can no longer be obfuscated by abstract legal debates. The issue has become bringing clarity in terms understandable and relevent to consumers today. For good reason this is cause of great anxiety from our largest institutions, which have had their way. The voice of the consumer and the advisor is now finally being heard. The SEC under SEC Chairman Donaldson is finally asking the question, "what is in the consumers best interests, what is the right thing to do". When the arguement no longer hinges on abstract legal points based on circumstances in place seventy years ago, but is refocused on the consumers best interest, the complexity and confusion surrounding fiduciary responsibility is immediately resolved. We all understand what is the right thing to do if the the consumers best interests are our guide. Thus, the most important issue the SEC resolved on April 6th, which has largely gone unreported, is that its rulings must make sense and must be understood from the perspective of the consumer. Thus the balance of the scale of logic and reason swings finally in favor of the consumer and advisor.

Yes, from the prospective of the consumer and advisor, the wrong question was asked on April 6th, and yes, the consumer is still totally confused. Essentially the consumer should not expect brokers to make their best recommendation only a suitable recommendation, nor should the consumer expect full disclosure of conflicts of interest. But, advisors, in contrast, are required to make their best recommendation (only by continueous comprehensive monitoring of all the clients holdings can there be a best recommendation), are required to provide full disclosure and are required to put their clients best interests first. It could not be more clear there are no uniform rules for investment advice and that there are massive differences in consumer protections that confuse the consumer about the role and counsel they should expect from their broker or advisor. This has been irrefutably bourne out in two SEC focus group surveys, in Memphis and in Baltimore. The SEC recognizes there is the much broader issue here, concerning the trust of the investing public and fiduciary responsibility, that transcends its narrow April 6th ruling. The differences this time, which here-to-fore have never been in place over the past 65 years, are (1) the transparency of the decision making process and proceedings, (2) a well informed investing public, (3) the desire of advisors to "do the right thing", (4) a better understanding of the cultural, cultural and technological impediments to fiduciary counsel, (5) the free market pressures to influence public policy comming from the FPA suit, activist state Attorneys General and consumer advocacy groups, (6) innovations which bring enabling resources essential to fiduciary counsel with in the reach of all, and (7) most importantly, SEC Chairman Donaldson’s know how, courage and leadership. Because of the convergence of these circumstances, the SEC today is able to take prompt immediate steps to rationalize the broker/dealer (the Securities Exchange Act of 1934) and the investment advisor (the Investment Advisors Act of 1940) regulatory regimes, so it is clear to the investor, in what role and capasity their advisor is acting--as an advisor or as a broker?

THE LAW IS ON THE BOOKS. ADVISORS MUST EXCLUSIVELY ACT IN THE BEST INTERESTS OF THE CONSUMER WITH THE SKILL, CARE AND DILLIGENCE OF A PRUDENT EXPERT--YET THERE IS NO INSTITUTIONALZED SUPPORT FOR FIDUCIARY COUNSEL.

Thus, the other shoe that is about to drop. The SEC staff will make a recommendation on or before July 6th on the more contraversial regulatory question of shouldn’t brokers who "are" offering investment advice be held to the same fiduciary standard as advisors? At issue here is not just whether consumer protections should be universally applied, but whether there is an obligation on the part of broker/dealers to support fiduciary counsel. In broker/dealers maintaining their brokers are just making the consumer aware of their investment alternatives, the advisor’s supporting broker/dealer has clearly won the battle over the past 65

years, but if the broker/dealer contention were to prevail on brokers who "are" providing advice, the broker will have lost the war. The broker's role would literally be limited to the lowest common denominator of trade execution, not the highest common denominator of fiduciary counsel. Thus the stakes are high. The stakes are nothing short of the competitive market stature of our industry's leading financial services institutions. There are no NASD member firms today which could have their advisors counsel be held to a fiduciary standard. Of particular significance, the SEC found on April 6th that financial planners are held to a fiduciary standard, yet how many planners would fare well if their practices were audited against the 240 plus investment and administrative values which must be managed in real time, in order to fulfill their fiduciary responsibilities? We are about to enter an environment where there is objective criteria against which fiduciary counsel can be measured which transcends good intentions. A profession is emerging around fiduciary counsel.

THE MOST UNDER-REPORTED OUTCOME OF THE SEC'S RULINGS OF APRIL 6TH IS THEY MUST MAKE SENSE AND MUST BE UNDERSTOOD FROM THE PERSPECTIVE OF THE CONSUMER AND ADVISOR, FINALLY SHIFTING THE BALANCE OF THE SCALE IN FAVOR OF THE CONSUMER AND THE ADVISOR.

The most important outcome if "brokers" who "are" providing advice were to be held to a fiduciary standard, is their supporting broker/dealers would be obligated to create a prudent process which will "continueousily and comprehensively" address and manage the full range of investment and administrative values, as required by regulatory mandate and client directive. Clearly when a broker has a relationship of trust and confidence with their client (the only type of client relationship worth having) the broker should be held to a fiduciary standard. There are tens of thousands of brokers within large financial services firms, who characterize their services as being financial planning--which the SEC will hold to an objective fiduciary standard. If the SEC is to enforce the fiduciary status of advisors who are in a trust position, who are providing financial planning services and/or who are providing investment advice, the advisors supporting firm has two choices. Either to absolutely ban those activities, which would cause a significant back lash from advisors who are ethically compelled to do the right thing. Or the advisors supporting firm would have to create and support a prudent process that promulgates fiduciary counsel. The resulting six financial services prudent process (asset/liability study, investment policy, strategic asset allocation, manager/vendor search and selection, performance monitor, tactical asset allocation) will address and manage the full range of investment and administrative values and results in confidential priviledged information, which allows the advisor to literally add value in ways not possible with out a total understanding the client and their holdings. This prudent process changes the industry in profound ways. There is the realization that it is process, or what you do with investment products, that adds the value, not investment products. And by extention, this also means the prudent process designed to add value and fulfill fiduciary responsibility, preempts investment products which, when sold as isolated disjointed transactions, make it impossible for the broker to add value.

The industry's challenge is that this prudent process, which facilitates value being added and fiduciary responsibilities being fulfilled, requires a different culture, structure and technology than that of the commission sales model, and raises questions that are not easily resolved. Why would one have a product management organizational structure which by definition adds no value, when adding value is the ultimate in market differentiation? Wouldn't a process management organizational structure which is designed to add value make more sense? Wouldn't a process management organizational structure which streamlines organizational cost and greatly elevates the role and counsel of the advisor, be a superior value proposition to commission sales. In todays commission sales business model it is not even possible to determine if value is added as there is no process or technology in place to do so, even if it were culturally allowed? Why have an industry compensation structure that treats trade execution as a profit center, not a cost center, when it adds no value? Value added is derived from a prudent process, or how you use investment products, not investment products in and of themselves. Why wouldn't the industry charge for its prudent process, which adds value? The industry can keep and even enhanse the profit margin ascribed to trade execution, and just price it as the cost of its prudent process? The prudent process simply aligns the best interests of the investor, advisor and the advisors supporting firm, which is, in the final analysis, all the SEC is trying to accomplish. Just as we are discovering in the automobile industry, the heavy organizational structure that worked in the past may not work in the future. It may in fact actually preclude your success, as innovation is required. The mantra for todays digital world is faster, better, cheaper. Transparency will not allow middle men, if they add no value, case in point is the NYSE trying to compete with digitized exchanges. If overhead does not directly add value or help an advisor to add value, then it must be very aggressively managed. Being a "low cost, high value

added provider of advisor services" is the emerging financial services industry mantra. Product access, research, trade execution and facilities management services of old, are now commodities. The question the SEC is pressing is not whether value is being added and how good is one at adding value and at what cost. Those questions can only be resolved in the free markets. The question the SEC is asking is "are brokers and advisors rendering investment advice". This simple question, as you can see, will unleash competitive market forces and is the catalyst for a chain of events that will facilitate an unprecidented level of investment and administrative counsel--and the fulfillment of fiduciary responsibilities, for the greater good of the investing public.

THE MOST IMPORTANT OUTCOME, IF BROKERS WHO "ARE" RENDERING ADVICE WERE TO BE HELD TO A FIDUCIARY STANDARD, IS THAT BROKER/DEALERS WOULD BE OBLIGATED TO CREATE A PRUDENT PROCESS IN SUPPORT OF FIDUCIARY COUNSEL.

The SEC has established three criteria that will determine whether the broker who "is" providing advice will be held to a fiduciary standard: (1) the services offered, (2) the broker's relationship with the client, and (3) how brokers and their supporting broker/dealers represent their services. Odds are overwhelmingly in the favor of brokers, who "are" offering investment advice, being held to a fiduciary standard. If that should be the case, the SEC's ruling will be an industry redefining event--as a prudent process will be required. Every client wants their advisor to evaluate their holdings before they make an investment recommendation so it is actually possible to determine if the recommendation adds value. Every client wants their advisor to disclose their role and responsibilities, and that of the money manager and other vendors and to clarify the duties of the client. Every client wants full disclosure and their best interests to be put first, ahead of all others. Every client wants their advisor to continueousily and comprehensively monitor their holdings as required by regulatory mandate. Given every client wants and expects these basic fiduciary services, it is difficult to imagine how a broker would compete with out providing these services. Wouldn't brokers and advisors both have to be held to a fiduciary standard, if the broker is to compete?

Thus far, the SEC has ruled that on April 15th (1) a broker who charges a seperate fee or enters into a seperate contract for advisory services is held to a fiduciary standard, (2) a broker who provides financial planning services is held to a fiduciary standard and (3) a broker who has descretion over any account is held to a fiduciary standard. New disclosure requirements will be effective May 23d. In addition, SEC Chairman Donaldson has asked the SEC staff to report with in 90 days on options and recommendations for a study to address a wide range of industry redefining issues. The scope of the study would include, but not necessarily be limited to, questions such as:

• Should the Commission seek legislation that would integrate the existing regulatory schemes applicable to broker/dealers and investment advisors that provide services to retail clients?

• Should sales practice standards and advertising rules applicable to advice provided to broker/dealers be enhansed?

• Should broker/dealers who provide investment advice but who are exempted from the Investment Advisors Act nonrtheless be subject to the fiduciary obligations imposed by the Act on investment advisors?

• Obligations applicable to service providers who are dually registered as broker/dealers and investment advisors be modified or streamlines to eliminate regulatory overlap and reduce regulatory burdens?

• Whether there are areas in which the Commission, alone or in concert with other agencies, can engage in investor education efforts to assist investors to better understand the duties and obligations of their financial service providers?

• Report on any rule making initiatives that the staff are prepared to recommend that the Commission itself consider, or ask the NASD or other SROs to consider, while the study is on going.

This history making modernization of outdated consumer protections of the Securities Exchange Act of 1934 and the Investment Advisors Act of 1940 can not come soon enough. The original intent of those who drafted the Securities Exchange Act of 1934 does not reflect todays marketplace where the free flow of real time, client permissioned information amoung custodians could not have been envisioned seventy years ago. Certainly, the NYSE being merged with Archipelego (swaping exchange seats for stock) and the NASD buying Instinet, which will lead to the digitization of exchanges and faster, better and cheaper information, could not have been envisioned in 1934. So if the authors of the Securities and Exchange Act of 1934 could not having envisioned digitized exchanges, would that some how now become the rationale to nullify the acquisition of the NYSE by Archipelego, which is in the best interests of the consumer and the industry? We have progressed light years as an industry but our consumer protections have not kept pace. Contrary to protecting the investing public, the industry has used the letter of the law ("advice insidental to trade execution") to hide behind the spirit of the law (protecting the consumers best inter-

ests). By exempting brokers from being held to a fiduciary standard, the industry has been crippled in its ability to support fiduciary counsel rendering even the discussion of the fiduciary responsibility of advisors to be heritical within the industry's corporate culture. Why must our rationale for consumer protection have to go back to the original intent of the drafting the 1934 Act, when it actually mitigates many of todays far more relevent and compelling arguments. It shouldn't make any difference what was envisioned seventy years ago, what is important is where we find ourselves today. When we get to a point where a consumer protection statute can become a reason not to protect the best interests of the consumer (not acknowledging the fiduciary responsibilities of the advisor), the protection of the broker/dealer has taken precidence over consumer protection. Rather than the investors best interests being first and foremost, the SEC finds itself having to strike a balance between two countervailing forces: the best interests of the broker/dealer versus that of the consumer--which by definition compromises consumer protection. Though the broker/dealers oppinion should be heard and should be given concideration, by it being given equal weight to that of the consumers best interests, everything becomes negociated and negociable. This is why we are in the regulatory mess we are in today. The fiduciary responsibilities of advisors are already on the books, they are just not being enforced, because the consumers best interests have not been placed before that of supporting broker/dealers. The SEC is shifting the balance of the scale of consumer protections back to the consumer, which ultimately is in the best interests of the advisor and the industry.

THE SFA WILL DEFINE GENERALLY ACCEPTED INVESTMENT PRINCIPLES, IDENTIFY ENABLING RESOURCES IN SUPPORT OF FIDUCIARY COUNSEL, DEMOCRATIZE ACCESS AND OFFER A CREDENTIAL THAT ENSURES THE PUBLIC'S TRUST

The fact that consumer protections have been compromised, argues for todays "existing regulatory regimens/schemes" to be "integrated" into a more "streamlined" legislation "eliminating regulatory overlap and reduce regulatory burden" as envisioned in Chairman Donaldson's instructions to the SEC Staff in drafting a recommended course of action with in the next 90 days. But the "bigger issue" is not exempting advisors who do not render investment advice from the Investment Advisors Act of 1940, the "bigger Issue" is fiduciary responsibility and ensuring the trust of the investing public. The Investment Advisors Act of 1940 is a mostly consumer protection statute protecting the consumer against fraud. The Advisors Act does not advance a fiduciary standard of care which is established in UPIA, ERISA, UMPERS, UMIFA. This fiduciary standard of care has been brilliantly articulated by the Center for Fiduciary Studies citing statute, case law and regulatory oppinion letters. Thanks to Don Trone, Rich Lynch at the Center for Fiduciary Studies and Fred Reisch of Reisch Luftman Reicher & Cohen for delineating the breadth of advice (fiduciary counsel) establishing the general expectations of advisors (27 practice standards) who are providing fiduciary counsel. Thus the ideal integration of consumer protections incorporating fiduciary responsibility should draw upon UPIA, ERISA, UMPERS, UMIFA. This would also resolve the issues of the "enhansement of practice standards on broker/dealer advertising rules" and the "education of consumers" on the duties and responsibilities of their advisors which SEC Chairman Donaldson would like to have addressed in the next 90 days. Thus we are much further along than many believe in specifically delineating the role and counsel of the advisor who is held to a fiduciary standard, literally entailing their becomming a fiduciary advisor.

But as they say, the devil is in the details. Given there is no institutionalized support for fiduciary counsel, it is incumbent upon each advisor to create their own processes, technology and support infrastructure in support of their providing fiduciary counsel. Essentially each advisor has to reinvent the wheel every step along the way. To alleviate this burden the advisor must bear alone, the Society of Fiduciary Advisors has been created. The SFA has several principle objectives. First the SFA will define fiduciary counsel building on the work of the Center For Fiduciary Studies to go beyond statute, case law, regulatory oppinion letters to establish best practices, process, proceedure, work flow and task. This is the "how to" of fiduciary counsel, or the depth of advice complimenting the breadth of advice established by the Center for Fiduciary Studies. Second the SFA will will identify and democratize access to the enabling resources (processes, technology, support infrastructure) necessary to provide fiduciary counsel. Third, the SFA will institutionalize support for fiduciary counsel by helping institutions like TD Waterhouse, Raymond James and Linsco/Private Ledger create a proprietary Prudent Process necessary for advisors to fulfill their fiduciary responsibilities as determined by an objective third party audit against an objective fiduciary standard. Once it has been established that an advisor, who is putting all their client assets through the "Raymond James Prudent Process", is fulfilling their fiduciary responsibilities, the SFA will make all the advisors using the the Raymond James Prudent Process, Fellows in the Society of

Fiduciary Advisors. An electronic fiduciary audit tool will will maintain the integrity of the prudent process on an ongoing recommendations by reviewing each subsequent recommendation in the context of the advisor's fiduciary obligations. The SFA Fellow designation is the highest in the industry as it is the only designation that assures the consumer that the advisors fiduciary responsibilities are being fulfilled, which is not the case with other designations. Because the designation goes with the prudent process, not the advisor, the SFA is encouraging the development of institutionalized support for fiduciary counsel. Fourth, the SFA will hold Conferences focused on three tracks geared to the three principle divisions of labor with in an advisory services practice: the advisor/CEO, the administrator/COO, the portfolio manager/CIO. Here the advisor focuses on the seperate and necessarily distinct skill sets of their staff in order to optimize their value proposition, revenues, operations, profitability, and the transferable value of their practice. The SFA resolves the disconnect from NASD member firms not acknowledging the fiduciiary responsibilities of their advisors, and the desire of their advisors to fulfill their fiduciary responsibilities. With the SFA, there is no reason why advisors can't offer a preemptive value proposition of fiduciary counsel, if they so wished. The SEC's actions will foster the development of practicle resources for advisors who wish to fulfill their fiduciary responsibilities and in doing so, set the course for the industry to be highly responsive to the needs of the consumer.

IT WILL MAKE NO DIFFERENCE TO THE CONSUMER HOW DAUNTING CHANGE MAY BE OR HOW THINGS USED TO BE DONE, THE ONLY THING THAT COUNTS IS CAN YOU COMPETE WITH THE BEST AND THE BRIGHTEST IN HOW THINGS ARE DONE TODAY.

The SEC and specifically SEC Chairman Bill Donaldson, deserve much credit for having the courage, the know how and the political will to do the right thing in modernizing consumer protections and advancing fiduciary principles. This is something that can't be voluntarily achieved within the industry with out being regulatorily required. Chairman Donaldson has been the CEO of the Aetna, understands the pressures of the CEO hitting earnings targets and keeping shareholders and analysts happy. As much as ninety percent of the CEOs compensation is tied to performance benchmarks. With as much as thirty million dollars plus in stock options on the line, there are not many CEOs at major firms who are voluntarily going to preside over a huge hit in corporate earnings associated with retooling the business model. Suffering underperformance for several years, in order to do the right thing acting in the investors best interests, is not in the shareholders best interest.

By the SEC taking action, and modernizing its regulatory schemes/regimens, it is providing regulatory cover for the CEO and the Board from their shareholders. Yet to streamline and transform those organizations around fiduciary counsel would still require the courage and the vision of the CEO, which may not be forth comming as no one in the organization has any experiance in anything other than a commission brokerage model. Fiduciary Counsel is an entirely different business model with entirely different sensibilities. Through process and technology, the broker is empowered to provide an unprecidented level of professional investment and administrative counsel. But this is a daunting task if all you know is a product management organizational structure that is geared to generating trades in volume, not adding value. By moving to a process management organizational structure our largest financial services firms can its cost structure in half, greatly elevate the role and counsel of the advisor, while increasing its earnings multiple by a factor of three. It just requires vision and leadership from the very top. It just takes one firm to empower their advisors to add value through a prudent process, and the entire industry will be reordered around fiduciary counsel as it would be unethical not to. It is inevitable that fiduciary counsel will win the day as it is in the clients best interests, it is a preemptive value proposition for the advisor, it is the right thing to do--and is a wonderful way to win the industry's very top advisors and market share.

The resulting industry will be leaner, make better use of technology, will hold the advisors counsel to an objective fiduciary standard, will evaluate its effectiveness by client satisfaction (Demming/Dalbar), will treat the advisor as a professional with the laditude to practice their profession, will have far fewer advisors with far larger practices, will have advisor supporting firms competing on the basis of the depth and breadth of the counsel they support, will achieve a far lower cost structure, will position the advisor as the value added. Essentially the industry will be materially different from what we know today. When transparency hit England and Australia in the mid-1990s, and all the exchanges went electronic, and full disclosure was required, there were 300,000 brokers. Today, there are 44,000 brokers. Client assets have grown, it is just a smaller number of advisors are advising far more assets than they ever imagined.

Things are changing. Who would have ever thought after two centuries, the NYSE, the worlds largest stock exchange, would have all its seats exchanged for shares of

Archipelago, making the NYSE a for profit company. There is even talk of shutting down the trading floor because it can no longer compete with electronic trading networks. There are many aspects of our business that have become obsolete. We should not be shocked by it--as it is what makes the USA the envy of the world. We are not constrained by convention and status quo, we are always reinventing ourselves making it difficult for anyone to catch up. Just as the NYSE has become an anachronism, so have our consumer protections and the thought that broker's investment advice is simply insidental to trade execution. Brokers do render investment advice, just ask them. They should be held to a fiduciary standard. The leadership of SEC Chairman Donaldson will usher in a golden age for the financial services industry. For those who embrace fiduciary counsel and are willing to have their counsel held to an objective fiduciary standard, the future could not be brighter, precisely because what worked in the past will not work in the future. Addressing and managing the full range of investment and administrative values required by regulatory mandate and client directive is a far more attractive value proposition to conventional commission sales with out accountability, without full disclosure, and without the obligation to put the investors best interests first. We are in a environment where leadership is required, where doing the right thing is far more important that creating legal constructs that brilliantly circumvent fiduciary responsibility. All the vision, courage and management skill a firm can muster must come to the fore. Fiduciary responsibility is in the investors best interests, is a preemptive value proposition for the advisor, is required by regulatory mandate and is the right thing to do. Firms must lead or get out of the way of others that will. By leveraging advisors through process and technology, an unprecidented level of investment and administrative counsel can be provided which goes far beyond the human capasity to reason. Convention and status quo work against you during periods of extraordinary industry redefining change. It makes no difference to the consumer how things used to be done, all that counts is can you compete today with the best and the brightest. Leadership is at a premium, and no one's leadership stock has a higher value than that of SEC Chairman William Donaldson. Who else at the helm of our leading institutions will have the courage of their convictions? These CEOs, who will fill the industry's leadership vacuum, will arm their advisors with a preemptive value proposition, streamline their cost structure, triple their earnings multiple and will reorder the industry for the next fifty years around fiduciary principles. Substance trumps hyperbole--and the consumer is about to discover who is actually adding value versus who is talking about it.

There could not be a more exciting or rewarding time to be in the financial services business, thanks in large part to the good work of the SEC. SEC Chairman Donaldson is brilliantly playing the hand that was delt him, for the greater good of the investing public.

Notes

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