



As a *Registered Investment Advisor* [RIA], Trent Capital has since its inception in 1987 operated as a Fiduciary to our clients. Unlike agents, brokers, “non-registered” investment advisors, financial planners and “consultants” [many other non-fiduciary titles exist], Trent has by design both committed ourselves morally, and obligated ourselves legally, to act *only* in our client’s best interests. Because commissions, selling agreements, proprietary products, investment banking relationships and sales promotions - all pressured selling incentives - too often compromise the investment decisions being made in a client’s account, Trent Capital has chosen to accept none of these distractions as a “fee only” *Registered Investment Advisor*. The clouds created intentionally by hidden incentives for an advisor to act in a manner *not* always consistent with their client’s best interests, are the troublesome conditions the SEC, DOL and other government agencies are addressing today...and with good cause. Whether managing money for an individual’s account or providing investment services for all types of retirement plans, Trent Capital has long been compliant with those lofty standards now coming into greater focus for firms not so willing to commit to their Fiduciary rolls.

Fiduciary Standard Back in Play in Dodd Reform Bill

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Senate will begin debate on reform on Monday, May 3
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A uniform fiduciary standard for all providers of advice is back on the table in the Senate.

Supporters, including financial planners, said Friday, April 30, that they are hopeful that the recent hearing on Goldman Sachs’s trading activities will put pressure on Congress to tighten the rules governing sale of investment products by restoring language removed from the Senate bill in March.

The bill is S. 3217, the “Wall Street Transparency and Accountability Act of 2010.”

Debate on amendments to the measure will begin Monday, May 3.

The amendment to the bill was proposed Thursday, April 29, by Sens. Robert Menendez, (D-New Jersey), and Daniel Akaka (D-Hawaii). It would restore language formerly in the bill establishing a “fiduciary duty for brokers, dealers, and investment advisers.” The Securities and Exchange Commission (SEC) and its chairman, Mary Schapiro, is pressuring Congress to tighten the provision. The two Senators are calling their addition to the financial services reform bill shepherded by Senator Chris Dodd (D-Connecticut) the “Honest Broker Amendment.” The fiduciary standard would require all advice-givers to individuals—including brokers and insurance agents—to put the needs of their clients first when they sell financial products.

SEC Commissioner Presses Fiduciary Standard

In a speech to the Investment Adviser Association Annual Conference in Chicago Thursday, SEC Commissioner Luis Aguilar voiced support for the tougher language.

“This is the ultimate investor protection issue because the harm to investors is real if broker/dealers giving advice are not held to the fiduciary standard,” Aguilar said, “and fail to put their client’s interests before their own.”

Knut Rostad, a financial planner who is a key official of the Committee for the Fiduciary Standard, a coalition of trade groups and individuals from the investment, advisory, and press who support the uniform standard, said the recent hearing on trading by Goldman Sachs of mortgage-backed-securities it created then sold options betting that they would lose value, put pressure on Congress to impose tougher standards.

“The Goldman hearing disrobed the suitability / fair dealing standard,” Rostad said. “The world saw [through the recent Senate hearing] what this lower standard actually requires,” he added.

“Goldman executives correctly stated their disclosure obligation was generally limited to the features of the underlying asset or investment,” said Rostad, of the advisory firm Rembert Pendleton Jackson.

“In this capacity, outside the reach of the fiduciary standard, material potential conflicts of interest, such as Paulson’s involvement, were, indeed, irrelevant, as [chairman and CEO] Lloyd Blankfein testified,” he added.

Many Advisors for, Many Insurance Agents Against

Neil Simon, a vice president for government relations at the Investment Adviser Association, said his group is hoping that the Senate adopts the Menendez/Akaka amendment.

“The issue has been studied more than enough, and it is time for all investors, whether they buy from an investment adviser or a broker/dealer, to be afforded the high level of protection afforded by the fiduciary duty standard,” he added.

But insurance agents and their associations oppose the tighter standard. They sell a limited range of investment products under a lower “suitability standard,” shared by brokers, that holds them to sell only products “suitable” to the customer.

They say it will lead to unnecessary lawsuits by people who lose money on investments as well as raise their costs.

A spokesman for the Association for Advanced Life Underwriting (AALU) said that, “We continue to believe the best way to protect retail life insurance consumers is the SEC study and directed rulemaking included in Chairman Dodd’s bill with bipartisan support.”

James Hill, an AALU spokesman, said it is premature to impose a “one-size-fits-all” federal standard on life insurance agents, who already comply with strong state and federal rules, without a clear understanding of the current regulatory regime under which they operate.

Specifically, the amendment would restore Sec. 913 to the bill reported out in late March by the Senate Banking Committee. The provision was in the bill originally proposed by Sen. Dodd last December.