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Family Office Leaders Call for Fiduciary Standard

Leaders urge Congress to 'Fight for All Investors and Put the Fiduciary Standard in Wall Street Reform.'

By Kathleen M. McBride
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With the House and Senate poised to hammer out a final version of financial services reforms, leaders of several of the largest family office advisors and family office associations are urging Congress to “Fight for All Investors and Put the Fiduciary Standard in Wall Street Reform.”

They have signed a [Fiduciary Statement](#), and invite all investment advisors and broker/dealers “rendering financial or investment advice to sign the Fiduciary Statement by going to the Committee for the Fiduciary Standard’s website at www.thefiduciarystandard.org.” This editor is a member of the Committee.

These family office leaders join a group of [Nobel Laureates and Wall Street leaders who signed the Fiduciary Statement in March](#). They believe that investment and financial advice given to all investors should be in the investors’ best interest under the fiduciary standard of care established by the Investment Advisers Act of 1940.

The House passed Wall Street reforms legislation in December requiring brokers who provide advice to retail investors to put the clients’ interests first under the fiduciary standard, as investment advisors must. The Senate’s version of reforms calls instead for the SEC to “study” whether brokers who provide investment advice “should be required to act in the clients’ best interest.” Currently brokers are not required to put their clients’ interests before their own or their firms’—under their suitability sales standard of conduct. Yet, most investors believe that the advice they are getting from brokers is in their interest—even though it is not required to be. The family office leaders call for the fiduciary standard to apply to all investors who receive advice—whether millionaire or more modest investor.

“This is a matter of simple fairness. All families should be able to access the same high fiduciary standard of investment and financial advice that wealthy families can access. Why should smaller investors be left behind?” asked Maria Elena Lagomasino, CEO of GenSpring Family Offices, said in the [announcement](#).

The family office leaders who signed the Fiduciary Statement include:

Carol Pepper

Founder & Chief Executive Officer, Pepper International

David Basner

President, TAG Associates, LLC

Gregory Curtis

Chairman, Greycourt & Company, Inc.

Sara Hamilton

Founder and Chief Executive Officer, Family Office Exchange

Maria Elena Lagomasino

Chief Executive Officer, GenSpring Family Offices

John LaPann

President & Chief Investment Officer, Federal Street Advisors, Inc.

Ed Lazar

President, Threshold Group, LLC

Thomas R. Livergood

Chief Executive Officer, Family Wealth Alliance , LLC

Charles J. Maxwell

Chairman & Chief Executive Officer, Meristem

Steve Prostano

President, Silver Bridge Advisors

“Investors need to understand the important differences between advisors and brokers who meet the fiduciary standard versus those who only meet the minimum requirements of the suitability or commercial sales standard. Most fundamentally, fiduciaries are hired to represent investors, while those following the suitability standard are permitted to represent their firms’ interests, first. This is a huge difference. For example, fiduciaries must tell clients in writing how much they pay for the services and products they buy; they must either avoid or reveal and manage conflicts of interest, attaining informed client consent; and they must also control investment expenses. Those who just meet the minimum suitability standard are not required to do any of these things,” Gregory Curtis, Chairman of Greycourt & Co., Inc., explained in the announcement.

“These firms serve wealthy investors worldwide. Their vocal support to extend the fiduciary standard to all investors speaks volumes of their professionalism and commitment to industry excellence,” noted Knut A. Rostad, chairman of the Committee for the Fiduciary Standard. The committee was founded in 2009 to “advocate for the fiduciary standard as established under the Investment Advisers Act of 1940.”

Deputy Secretary of the Treasury [Neal Wolin said on May 27 in a speech](#) to FINRA that the fiduciary standard won the “gold medal.” It was number one among the five issues Wolin said the Administration will push for in the final Wall Street reforms bill. House Financial Services and Conference Committee Chairman Barney Frank is also widely believed to put the fiduciary standard at the top of his list.

As SEC Commissioner Elisse Walter noted in a May 5, 2009 [speech](#):

“When your Aunt Millie walks into her local financial professional to ask for advice, she does not need to know whether the person on the other side of the table is a registered representative of a broker-dealer or an investment adviser. She should not be placed at risk by the fact that application of those labels may lead to differing levels—or at least different kinds—of protection. Instead, she should know, or be able to assume—consciously or subconsciously—that regardless of the title held by the person sitting across the desk from her, she will receive an appropriate and comparable level of protection...”

“I believe that every financial professional should be subject to a uniform standard of conduct. In my view, that standard should require all financial professionals to act as fiduciaries at all times.”

American leaders, including President Barack Obama and industry statesman and Vanguard founder, John C. Bogle, SEC Chairman, Mary Schapiro, CFTC Chairman Gary Gensler, along with editors and columnists at *The New York Times* and columnist Jason Zweig of *The Wall Street Journal* have all called for the extension of the fiduciary standard to brokers who provide advice to investors.

Kate McBride (kmcbride@wealthmanagerweb.com) is editor in chief of *Wealth Manager* and a member of The Committee for the Fiduciary Standard.