

http://ignites.com/c/2029583/238223/investors_have_idea_what_best_interest_means?referrer_module=emailMorningNews&module_order=4&code=WW5KdmNHVnIRR052Ym5OMWJXVnlabVZrTG05eVp5d2dPRE14T0RVeU15d2dNVGM0TnpNMk1qYzRNz09

JILL GREGORIE, REPORTER, IGNITES: In April, the **Securities and Exchange Commission** charged ahead with proposing a new “best interest” standard for brokers to abide by when providing investment advice to retail clients. In the 400-page proposal, the SEC never defines the term “best interest.” The commission argues that “best interest” principles are clear. We took a walk around the neighborhood of the **New York Stock Exchange** to see what people think of when they hear “best interest.”

SUBJECT: I have no idea what that means.

SUBJECT: I have no idea about that.

SUBJECT: It means they’re not going to cheat me. [LAUGHTER]

SUBJECT: That you’ll put your your interest above those of the company they work for or any company they’re affiliated with.

SUBJECT: Basically, giving me what I need to make an educated decision on my investments.

SUBJECT: You’re going to listen first to find out what the customers needs and want. And based on that, you work with them on that, on the information that they give you.

JILL GREGORIE: Here’s how one industry leader described what best interest is, and how he would explain the term to his shop’s investors:

ED BERNARD, VICE CHAIRMAN, T. ROWE PRICE: I think the key point is to raise that bar but retain the flexibility for an advisor to be able to discuss numerous products or investment strategies, including proprietary products. I think it’s a standard of care that’s higher than suitability. It probably needs to require a duty for loyalty and care of clients to ensure that clients’ interests are put ahead of the advisor, disclosure of any material conflicts and key information.

JILL GREGORIE: Under the new rule, certain financial professionals would have to act as a fiduciary, while others would have to act in the customer’s best interest. We asked people about the difference between those, and which standard has stricter guidelines.

SUBJECT: I’m sorry, you’re saying there’s a group that has the fiduciary standard, and there’s some that don’t?

SUBJECT: There is no difference.

SUBJECT: Fiduciaries are probably legally bound where the ones that saying they work in best interest aren’t.

SUBJECT: Fiduciary is more sort of, have you done your due diligence about what investments are going to make you the most money.

SUBJECT: People that work as fiduciaries are like real estate professionals that are legally obligated I believe to seek out your best interest above their own. Whereas best interest it seems to me like a more loose term. That there’s no way to kind of regulate that.

JILL GREGORIE: Another part of the rule package pertains to disclosures. We asked people, if a financial professional provided customers with a four-page document explaining their obligations to clients, would they read it? And if the document included suggested questions that people should ask the financial professionals, would they use them?

SUBJECT: Probably not.

SUBJECT: No. [LAUGHTER]

SUBJECT: I know when someone is trying to hustle me. I would ask if I would be able to take that home and review it. I would see if they were patient enough to allow me to do that.

SUBJECT: I don't. I honestly don't think I would, and I understand the importance of it. I'm an economist so I get it, and I don't think I'd do it. [LAUGHTER]

SUBJECT: It depends on how attractive this message are for the people, because financial can be so boring. If the institution made fact sheet more attractive, people will know more.

JILL GREGORIE: It appears that people have mixed ideas about what "best interest" is, and may not understand brokers' duties to them. The SEC will accept feedback on its proposal until Aug. 7, and it remains to be seen whether the commission will more explicitly define the term in any reproposal.