

**INVESTMENT ADVISER  
ASSOCIATION**

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**IAA STATEMENT ON SEC RAND REPORT  
ON INVESTMENT ADVISERS AND BROKER-DEALERS**

Washington, D.C. – January 7, 2008: The Securities and Exchange Commission (SEC) last week released a report by the RAND Corporation comparing the practices of investment advisers and broker-dealers. IAA Executive Director David Tittsworth today issued the following statements on the report:

“The RAND report is the most comprehensive, objective and well-researched study ever written comparing the business practices of investment advisers and broker-dealers.”

“Anyone who cares about reducing investor confusion should read this important report. The bottom line conclusion of the RAND report is that the traditional lines separating investment advisers and brokers have blurred and, as a result, investors do not understand the differences between investment advisers and brokers. The report documents how investor confusion understandably arises when brokers deliver advisory services to investors that are virtually indistinguishable from services provided by investment advisers but are subject to different regulations and legal standards. For example, unlike investment advisers, brokers are not subject to a blanket fiduciary duty – that is, the duty at all times to place the interests of the client ahead of their own interests.”

“The Investment Adviser Association stands ready to work with the SEC, Members of Congress, and other policy makers to address the significant issues highlighted in the report. While a comprehensive resolution of these issues may take time, we believe the SEC can and should take immediate steps to assist investors.”

“First, the SEC can do much more to educate investors about the differences between investment advisers, brokers, and financial planners. Publication of the RAND report is significant, but the SEC needs to do more. Many investor education materials published by the SEC relating to brokers and investment advisers are sorely out of date and none directly address the issues covered in the RAND report. As a small first step toward improving investor education in this important area, we urge the Commission to restore links from the SEC web site to the investor education brochure entitled “Cutting through the Confusion” that the North American Securities Administrators Association, Consumer Federation of America, and industry groups published in 2006.”

“Second, we urge the SEC to re-propose revisions to Form ADV Part 2, the plain English document disclosing potential conflicts of interest that investment advisers are required to provide to investors. Although we expressed some concerns about the proposal made by the SEC in April 2000, we believe that appropriate revisions to this document would advance investor protection by assisting investors in making informed decisions in their selection of investment advisers.”

The full text of the RAND report is posted at [http://www.sec.gov/news/press/2008/2008-1\\_randiabdreport.pdf](http://www.sec.gov/news/press/2008/2008-1_randiabdreport.pdf).

The Investment Adviser Association is a not-for-profit organization that represents the interests of SEC-registered investment advisory firms. Founded in 1937, its membership today consists of more than 500 firms that collectively manage in excess of \$9 trillion for a wide variety of individual and institutional investors. For more information, please visit [www.investmentadviser.org](http://www.investmentadviser.org).

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