



NORTHSTAR

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## TD Waterhouse Wages War on “Merrill Lynch Rule”

*“84% of consumers want advisers and brokers providing fee-based financial advice to be subject to the same industry regulation.”*

*“Brokers have less stringent requirements than investment advisers where disclosure of conflicts of interest is concerned.”*

That controversial rule exempts stockbrokers, including those who provide fee-based investment advice, from regulation under the Investment Adviser Act of 1940.

“It’s important to point out that investors feel very strongly about investor protection,” said J. Thomas Bradley, Jr., President of TD Waterhouse Institutional Services. “Eighty-four percent want advisers and brokers providing fee-based financial advice to be subject to the same industry regulation. This is a very powerful point that has come out of the survey. It needs to be



considered by the SEC. If they adopt this rule it certainly seems they are going against the desires of investors,” he said.

At the beginning of this month, a survey released by the Consumer Federation of America showed similar results.

Brokers are held to NASD “suitability” requirements rather than the fiduciary standards that investment advisers must meet, which are seen as more rigorous. They also have less stringent requirements than investment advisers where disclosure of conflicts

of interest is concerned.

According to the TD Waterhouse survey, most investors are unaware of the regulatory distinctions between investment advisers and stockbrokers. Close to two-thirds said they believe stockbrokers and investment advisers are held to the same fiduciary and disclosure standards. Meanwhile, over 90% of respondents said that all financial professionals who provide fee-based financial advice should provide the same levels of investor protection, adhere to the same industry regulation, act as fiduciaries and be required to disclose all conflicts of interest.

Between 85% and 90% of investors surveyed supported action by Congress to create “a clear and uniform standard of investor protection for all stockbrokers and investment advisers who provide financial advice to investors.

“Those standards should include fiduciary responsibility and disclosure of conflicts of interest, respondents said.

A full 88% said this would boost investor confidence.

Northstar Financial Planning Inc. has sent their comments to the SEC vigorously opposing adoption of the Merrill Lynch rule. It is our belief that a stockbroker can not equally

serve both a client and the broker-dealer at the same



time; a stockbroker will always be primarily loyal to their employer and is bound legally to put their interest foremost, rather than the clients’ interest. Only an independent investment advisor can do that.

