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SEC Proposes Enhanced Standards for Advice to Retail Investors

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The SEC recently **proposed** rules and interpretations seeking to enhance the standard of conduct of broker-dealers and investments advisers when they interact with retail investors. This action comes more than ten years after an SEC-commissioned study by the RAND Corporation found that retail investors generally did not understand the differences between broker-dealers and investment advisers, and seven years after a Dodd-Frank Act-mandated SEC staff study evaluating the need for uniform fiduciary standards between broker-dealers and investment advisers. Although the proposals do not impose a uniform fiduciary duty, as authorized by the Dodd-Frank Act, the set of new requirements would substantially increase the obligations imposed, particularly on broker-dealers, when providing investment advice to retail investors, while attempting to allow the commission-based brokerage model to remain viable.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Nora M. Jordan
+1 212 450 4684
nora.jordan@davispolk.com

Annette L. Nazareth
+1 202 962 7075
annette.nazareth@davispolk.com

Gregory S. Rowland
+1 212 450 4930
gregory.rowland@davispolk.com

Matthew R. Silver
+1 212 450 3047
matthew.silver@davispolk.com

Zachary J. Zweihorn
+1 202 962 7136
zachary.zweihorn@davispolk.com

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