

**New TD Waterhouse Survey Shows RIAs Believe Further Reform of Broker-Dealer Rule Necessary; Advisors Clearly Support Equal Regulatory Protections for Investors**

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**New TD Waterhouse Survey Shows RIAs Believe Further Reform of Broker-Dealer Rule Necessary; Advisors Clearly Support Equal Regulatory Protections for Investors**

NEW YORK, Aug. 30, 2005 – In a nationwide survey of registered investment advisors (RIAs) released today, 92 percent of respondents agreed that all providers of fee-based advice should offer equal levels of protection to investors. To achieve this, the vast majority of respondents support reforms such as creating new legislation as well as eliminating or modifying the broker-dealer exemption.

Additionally, 95 percent of the RIAs surveyed agreed the rule, adopted earlier this year by the Securities and Exchange Commission (SEC), will be harmful to investors and 86 percent believe it will reduce investor confidence.

In April, the SEC adopted a final rule (12 CFR 275.202 (a)(11) – known as the Broker-Dealer exemption) that allows certain broker-dealers to offer fee-based investment advice without complying with fiduciary and disclosure standards in the Investment Advisers Act of 1940. Upon adopting the final rule, the SEC acknowledged the rulemaking "raised a number of important issues, implicating policy concerns well beyond the scope of this rulemaking." As a result, a unanimous Commission requested that SEC staff report back within 90 days on further steps that can be taken to address investor protection concerns.

"At a time when we need to be boosting investor confidence in markets, this new rule creates more confusion for investors and leads to greater uncertainty about who consumers can trust for investment advice," said Tom Bradley, president of TD Waterhouse Institutional Services. "With more and more brokerage houses aggressively marketing fee-based 'advisory and planning' accounts, investors are increasingly at risk."

When asked whether they agreed that further reform of the broker-dealer exemption was necessary, 88 percent of RIA respondents indicated it was needed to provide equal protections for investors. Specifically, 82 percent support new Congressional legislation that sets forth one clear, uniform standard of investor protection for all providers of fee-based financial advice.

The TD Waterhouse survey also found that 82 percent of RIAs responding agree that fiduciary and disclosure requirements are important to their clients, and 70 percent say that the enhanced protections offered by RIAs gives them a competitive advantage over broker-dealers. Even so, 88 percent of RIAs surveyed support further reform of the rule to ensure investors receive equal protections from all financial professionals offering fee-based financial advice.

RIAs surveyed believe that investors are both confused and concerned about the unequal levels of investor protection provided by broker-dealers and RIAs for the same fee-based advice services.

"This survey clearly underscores that RIAs are solidly on the side of the investor. They

realize that what's best for investors is what's best for the health of the financial services industry," said Bradley. "There's a clear message here to do the right thing for investors."

Another survey conducted by TD Waterhouse last fall of 1,000 investors who own stocks, bonds or mutual funds affirmed the RIA's assertion about investor confusion and concern. In that survey, released in November 2004, prior to the finalization of the new rule, 58 percent of investor respondents incorrectly believed that both stockbrokers and investment advisers have a fiduciary responsibility to act in the investor's best interests in all aspects of the financial relationship.

Additionally, 83 percent of investors surveyed expressed concern about the different levels of protection, and 86 percent said their choice of a financial professional would be affected if they understood there were unequal levels of protection being offered by RIAs and broker-dealers.

"With the recent emphasis by many retail brokerage firms on promoting fee-based advice services, we believe it is critical for this policy issue to be addressed quickly, and we will support further regulatory and legislative reform of this rule for the benefit of investors," Bradley said.

### **Survey Methodology**

TD Waterhouse Investor Services contracted with Competitive Insights, a Chicago-based market research firm, to conduct an online survey of 2,903 registered investment advisors, some of whom use TD Waterhouse as a custodian. An online questionnaire was sent out on July 12, 2005 and a total of 276 responses (9.5 percent) were received by July 19 from advisors who were aware of the broker-dealer rule and completed the entire survey.

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### **About TD Waterhouse**

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