



Via Facsimile

June 14, 2010

The Honorable Barney Frank
Chairman
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Spencer Bachus
Ranking Member
House Committee on Financial Services
B371a Rayburn House Office Building
Washington, DC 20515

The Honorable Christopher Dodd
Chairman
Senate Committee on Banking, Housing, and
Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Richard Shelby
Ranking Member
Senate Committee on Banking, Housing, and
Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Frank, Chairman Dodd, Ranking Member Bachus, and Ranking Member Shelby:

As financial regulatory reform legislation advances to conference, I am writing on behalf of the Council of Institutional Investors (“Council”) in support of language adopted by the House of Representatives in the *Wall Street Reform and Consumer Protection Act of 2009* establishing a fiduciary duty for brokers, dealers, and investment advisers (§ 7103 H.R. 4173). A nonprofit association of public, union and corporate pension funds with combined assets that exceed \$3 trillion, the Council represents major, long-term investors with a duty to protect the retirement savings of millions of American workers across the country.

Deeply affected by the financial crisis, our member funds have a profound interest in meaningful financial regulatory reform. As the blue-ribbon Investors’ Working Group (“IWG”) concluded in its July 2009 report, “One important lesson of the recent crisis is that as financial products and services proliferate and become more complex, they often fall through the regulatory cracks.”¹ The IWG specifically found that standards of care for financial intermediaries providing investment advice have “failed to keep pace with dramatic changes in the industry,” much to the detriment of investors unknowingly exposed to harmful conflicts of interest.²

Based on this finding the IWG recommended, “Investment advisers and brokers who provide investment advice to customers should have to adhere to fiduciary standards.”³ Having endorsed the full IWG report in fall 2009, the Council strongly prefers the House language over a related but significantly weaker provision adopted by the Senate in the *Restoring American Financial Stability Act of 2010* (§ 913 S. 3217). Merely requiring a Securities and Exchange Commission study on the effectiveness of existing standards of care, the Senate language stops far short of the reform needed. It is our view that the language passed by the House is generally consistent with the recommendations of the IWG. The Council accordingly urges you to include this key provision in final regulatory reform legislation.

¹ Investors Working Group. “U.S. Financial Regulatory Reform: The Investors’ Perspective” (July 2009), at 16, www.cii.org/UserFiles/file/IWGreport.pdf. For more information, please visit www.cii.org/iwginfo.

² *Id.*, at 15.

³ *Id.*, at 16.

June 14, 2010

Page 2 of 2

Thank you for considering the views of the Council of Institutional Investors. As the House and Senate work to resolve differences on financial regulatory reform, we look forward to working with you to strengthen oversight of investment intermediaries and the entire U.S. financial system. If you have any questions, please do not hesitate to contact me at (202) 261-7081 or jeff@cii.org, or Council analyst Jonathan Urick at jonathan@cii.org or (202) 261-7096.

Sincerely,

A handwritten signature in black ink that reads "Jeff Mahoney". The signature is written in a cursive, flowing style.

Jeff Mahoney
General Counsel
Council of Institutional Investors

CC: House and Senate Conferees (Via E-Mail)