

ASSEMBLY, No. 4655

STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED JUNE 29, 2015

Sponsored by:

Assemblyman PATRICK J. DIEGNAN, JR.

District 18 (Middlesex)

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District 20 (Union)

Assemblyman PAUL D. MORIARTY

District 4 (Camden and Gloucester)

Co-Sponsored by:

Assemblywomen Stender and Lampitt

SYNOPSIS

Requires certain disclosures by non-fiduciary investment advisors.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning non-fiduciary investment advisors and
2 supplementing Title 56 of the Revised Statutes.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

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7 1. As used in this act, “non-fiduciary investment advisor”
8 means any individual or institution that advertises or uses in self-
9 identification any term that is suggestive of investment, financial
10 planning, or retirement planning knowledge or expertise, including,
11 but not limited to, broker, dealer, investment advisor, financial
12 advisor, financial planner, financial consultant, retirement planner,
13 retirement broker, or retirement consultant. “Non-fiduciary
14 investment advisor” shall not include investment advisors that are
15 subject to a fiduciary duty under existing State or federal law or
16 regulation or by applicable standards of professional conduct,
17 except as provided in subsection b. of section 2 of this act.

18

19 2. a. A non-fiduciary investment advisor shall:

20 (1) make a plain language disclosure to clients orally and in
21 writing at the outset of the relationship that ensures that individual
22 investors are aware of potential conflicts of interest. The required
23 disclosure shall state the following: “I am not a fiduciary.
24 Therefore, I am not required to act in your best interests, and am
25 allowed to recommend investments that may earn higher fees for
26 me or my firm, even if those investments may not have the best
27 combination of fees, risks, and expected returns for you.”;

28 (2) maintain alongside any written client agreement an
29 acknowledgement signed by the client that the written disclosure
30 required by paragraph (1) of this subsection was provided to the
31 client; and

32 (3) accompany any investment brochures, advertising materials,
33 or other related printed information, or any subsequent oral
34 investment advice, provided to clients with the written disclosure
35 required by paragraph (1) of this subsection.

36 b. Any investment advisor that is subject to a fiduciary duty
37 under law or applicable standards of professional conduct with
38 respect to certain types of investment advice, but not others, shall:

39 (1) make a plain language disclosure to clients orally and in
40 writing at the outset of the relationship that ensures the individual
41 investors are aware of the extent to which the fiduciary duty does
42 and does not apply; and

43 (2) comply with the other requirements of this section in any
44 investment advice situation in which a fiduciary duty does not
45 apply.

46

47 3. Violations of this act shall be punishable by a fine of up to
48 \$5,000, which shall be collected and enforced by the Attorney

1 General in a summary proceeding pursuant to the "Penalty
2 Enforcement Law of 1999," P.L.1999, c.274 (C.2A:58-10 et seq.).

3

4 4. This act shall take effect on the 60th day next following
5 enactment.

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7

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STATEMENT

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10 This bill requires non-fiduciary investment advisors to disclose
11 to clients that they do not have a fiduciary relationship with the
12 client, and are not required to act in the client's best interests.

13 As used in the bill, "non-fiduciary investment advisor" means
14 any individual or institution that advertises or uses in self-
15 identification any term that is suggestive of investment, financial
16 planning, or retirement planning knowledge or expertise, including,
17 but not limited to, broker, dealer, investment advisor, financial
18 advisor, financial planner, financial consultant, retirement planner,
19 retirement broker, or retirement consultant. The bill does not apply
20 to investment advisors that are subject to a fiduciary standard under
21 existing State or federal law or regulation or by applicable standards
22 of professional conduct, except that investment advisors who are
23 subject to a fiduciary duty with respect to certain types of
24 investment advice, but not to others, are required to disclose the
25 extent of that fiduciary duty to individual investors.

26 The bill requires non-fiduciary investment advisors to make a
27 plain language disclosure to clients orally and in writing at the
28 outset of the relationship that ensures that individual investors are
29 aware of the potential conflicts of interest. The required disclosure
30 must state the following: "I am not a fiduciary. Therefore, I am not
31 required to act in your best interests, and am allowed to recommend
32 investments that may earn higher fees for me or my firm, even if
33 those investments may not have the best combination of fees, risks,
34 and expected returns for you."

35 The bill requires non-fiduciary investment advisors to maintain
36 alongside any written client agreement an acknowledgement signed
37 by the client that the written disclosure was provided to the client,
38 and to accompany any investment brochures, advertising materials,
39 or other related printed information, or any subsequent oral
40 investment advice, provided to clients with the written disclosure.

41 Violations of the bill are punishable by a fine of up to \$5,000
42 which shall be collected and enforced by the Attorney General in a
43 summary proceeding.