



General Assembly

February Session, 2016

Raised Bill No. 265

LCO No. 2039



Referred to Committee on AGING

Introduced by:
(AGE)

***AN ACT CONCERNING THE PROTECTION OF CONSUMERS WHO
RECEIVE INVESTMENT ADVICE FROM FINANCIAL ADVISORS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2016*) (a) For purposes of this
2 section, (1) "financial advisor" means a person, whether or not
3 registered or required to be registered under sections 36b-2 to 36b-34,
4 inclusive, of the general statutes, who renders investment advice to an
5 investor in this state for compensation by (A) providing investment or
6 investment management recommendations or appraisals, and (B)
7 acting pursuant to an agreement with the investor that the advice is
8 individualized, or specifically directed, to the investor for
9 consideration in making investment or management decisions; and (2)
10 "fiduciary duty" means a duty to act with prudence and undivided
11 loyalty on behalf of an investor.

12 (b) Prior to entering into an agreement with an investor in this state,
13 a financial advisor shall provide a signed written statement to the
14 investor containing the following information:

15 (1) Whether such advisor has a fiduciary duty to the investor,
16 whether such duty applies to all investment recommendations such
17 advisor makes to such investor and, if such financial advisor does not
18 have a fiduciary duty to the investor, a description of the duty the
19 financial advisor has to the investor;

20 (2) The compensation the financial advisor expects to receive from
21 the investor, or any other source, in connection with the investment
22 advice, including, but not limited to, (A) up-front charges to the
23 investor, (B) commission percentages on investment products the
24 financial advisor may recommend, and (C) cash bonuses or other
25 incentives the financial advisor may receive for selling specific
26 products;

27 (3) Any fees related to investment products, including, but not
28 limited to, (A) annual marketing or distribution fees on a mutual fund,
29 (B) trading fees, if passed on to the investor, (C) early termination or
30 withdrawal fees for long-term investments, and (D) administrative or
31 management fees;

32 (4) Whether such advisor is currently licensed or registered to give
33 such advice pursuant to state or federal law;

34 (5) Any educational degrees or certifications held by such advisor,
35 the institution or organization that conferred such degrees or
36 certifications and the date such degrees or certifications were
37 conferred; and

38 (6) Any actual or potential conflicts of interest such advisor may
39 have in rendering such advice.

40 (c) A financial advisor shall provide a follow-up signed written
41 statement to an investor at least once annually containing updated
42 post-transaction compensation and fee information as described in
43 subsection (b) of this section. An estimate of compensation or fees
44 provided pursuant to subsection (b) of this section or this subsection

45 shall be expressed as a monetary amount where reasonably possible
46 but may be expressed as a formula or percentage where a monetary
47 amount cannot be reasonably calculated.

48 (d) A financial advisor who deliberately deceives or misleads an
49 investor in the statements required pursuant to subsections (b) and (c)
50 of this section shall be subject to the rights and remedies of consumers
51 as provided in chapter 735a of the general statutes, provided this
52 subsection shall not apply to investment advice regulated under the
53 Employee Retirement Income Security Act or pursuant to chapter 672a
54 of the general statutes.

55 (e) If any provision of this section is held invalid, the invalidity does
56 not affect the validity of other provisions or applications of this section
57 which can be given effect without the invalid provision.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2016	New section

Statement of Purpose:

To provide protections for consumers who receive investment advice from financial advisors.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]