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Professionalism and investment advisers

Aegis J. Frumento, Stephanie Korenman

Journal of Investment Compliance

ISSN: 1528-5812 (International Standard Serial Number.)

Article publication date: 26 April 2013

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Abstract

Purpose

The purpose of this paper is to introduce the concept of professionalism into the current discussion of the proper scope of regulation of investment advisers.

Design/methodology/approach

The authors reviewed the scholarly literature on what constitutes a profession, the debates over the two bills introduced in Congress in 2012 concerning investment adviser regulation, and some of the studies that led up to those bills.

Findings

The authors concluded that professionalism could apply to some investment advisers, particularly financial planners, and that the development of such a profession should be encouraged. However, they found that such a profession would threaten the economic interests of broker-dealers and their registered representatives, whose routine use of such titles as “financial advisor” or “investment consultant” has led to consumer confusion over the different roles of brokers and advisers. Therefore broker-dealer interests favor more intense regulation of investment advisers by an SRO such as FINRA, presuming that would impair the development of a true profession of investment advisers.

Practical implications

This paper aims to ensure that the development of a true profession of investment advisers and/or financial planners is openly and fully debated if and when consideration of investment adviser regulation is reintroduced discussed, even though broker-dealer registered

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representatives routinely use confusingly professional-sounding titles to compete against independent investment advisers.

Keywords

Investment advisers | Financial planners | Financial advisers | Investment consultants | US Securities and Exchange Commission | Professions | Investments | Financial information

Citation
Frumento, A.J. and Korenman, S. (2013), "Professionalism and investment advisers", Journal of Investment Compliance, Vol. 14 No. 1, pp. 32-41. https://doi.org/10.1108/15285811311321242

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