

STATE OF NEW JERSEY

GOVERNOR PHIL MURPHY

GOVERNOR MURPHY MARKS 10 YEAR ANNIVERSARY OF 2008 FINANCIAL CRISIS BY ANNOUNCING PLAN TO REQUIRE NJ FINANCIAL INDUSTRY TO PUT CUSTOMERS' INTERESTS FIRST

NJ Would Be Among First States to Adopt "Uniform Fiduciary Standard"

TRENTON – Governor Phil Murphy today marked the 10-year anniversary of the 2008 global financial crisis by announcing plans to issue a rule strengthening the standards for investment professionals in New Jersey to better protect residents seeking to invest their life savings and to close a regulatory gap in federal oversight that helped fuel the economic meltdown a decade ago.

The rulemaking, being initiated by the New Jersey Bureau of Securities, would impose a fiduciary duty on all New Jersey investment professionals, requiring them to place their clients' interests above their own when recommending investments.

Most investors assume all financial professionals are obligated to provide unbiased advice. But under current federal standards, only investment advisers and their representatives have a fiduciary duty to put their clients' interests above their own.

In a distinction not often recognized or understood by investors, broker-dealers and their agents—who provide similar financial services—are subject to a less stringent duty to provide recommendations that are merely "suitable" for their clients. Most investors are unaware that broker-dealers and their agents often receive significant undisclosed financial benefits in exchange for steering clients toward certain investment products.

New Jersey would be among the first states to adopt a uniform fiduciary standard, one of the many Obama-era post-crisis financial reforms abandoned by the Trump Administration.

"New Jersey is pursuing state-level regulatory reforms that would enhance the integrity of its financial services industry by holding every investment professional to the highest standard under the law," **said Governor Murphy**. "At a time when President Trump is systematically dismantling the consumer protections implemented in the wake of the 2008 economic crash, we are building stronger safeguards for our consumers. The fiduciary rule announced today would provide New Jersey with the strongest investor protections in the nation and send a clear message to Washington that New Jersey is committed to ensuring its residents are never again left vulnerable to the predatory financial practices that led to the economic collapse ten years ago."

"In the wake of the 2008 financial crisis, the federal government implemented a series of reforms, including a nationwide 'fiduciary rule,' designed to protect investors and consumers from the next crash. With the Trump Administration gutting those protections left and right, it falls to states like New Jersey to fill the void," **said Attorney General Gurbir S. Grewal**. "This action by our Bureau of Securities will make the state's financial markets stronger and safer for New Jersey families."

After the 2008 financial crisis, Congress grew concerned that investors misunderstand the duties owed to them by broker-dealers. These investors put their life savings at risk, wrongly assuming that the investment advice they receive reflects their best interests and comes free of conflicts.

In the Dodd-Frank Act of 2010, Congress required the Securities and Exchange Commission (SEC) to study whether the existing rules adequately protected broker-dealers' retail customers and to conduct any necessary rulemaking to require broker-dealers to act in accordance with the fiduciary standard of conduct that already

applied to investment advisers. In 2011, SEC staff recommended rulemaking to promulgate a uniform fiduciary standard.

The SEC still had not acted on the recommendation of its staff by 2016, when the U.S. Department of Labor (DOL) stepped in. At that time, the DOL issued a rule imposing fiduciary obligations on all persons who provide investment advice or recommendations for compensation with respect to the assets of employee benefit plans or IRAs. The DOL's fiduciary rule was repeatedly challenged in court and repeatedly survived, until one federal court struck down the rule in March 2018. Instead of continuing to defend the rule, the Trump Administration abandoned its case.

The withdrawal of federal support for the fiduciary rule is widely regarded as part of the Trump Administration's mission to unwind important federal consumer protections implemented after the financial crash.

At the same time, the Trump Administration is taking steps to weaken the federal Consumer Financial Protection Bureau, a watchdog agency charged by Congress in the Dodd-Frank Act of 2010 with safeguarding consumers from the kind of predatory lending and borrowing practices that contributed to, and exacerbated, the 2008 financial crisis.

More recently, in May 2018, the SEC proposed a rule that purportedly would require broker-dealers to act in their clients' "best interest." The rule would be a higher standard of conduct than the current suitability standard required for broker-dealers, but would still fall short of protecting investors as much as a uniform fiduciary standard would.

In response to the federal government's failures, Governor Murphy has promised to provide financial protections to consumers at the state level, using the broad enforcement and rulemaking powers of the Division of Consumer Affairs.

"Today we are taking an important step in fulfilling Governor Murphy's promise to protect New Jersey's consumers, who find themselves increasingly exposed by the federal government's regulatory retreat," **said Paul R. Rodríguez, Acting Director of the Division of Consumer Affairs.** "We are exercising our authority to initiate the first of many actions that will serve as the building blocks of a robust state-level consumer financial protection framework to safeguard the interests of all New Jersey residents."

"The roles, duties and obligations of investment advisers and broker-dealers are confusing to investors under current federal regulations," **said Christopher W. Gerold, Chief of the New Jersey Bureau of Securities.** "The implementation of a fiduciary rule applicable to all financial professionals will finally reconcile investors' current expectations with the law."

Bureau Chief Gerold will issue a Notice of Pre-Proposal to solicit public input on the Bureau's anticipated rulemaking.

[Back to Top](#)

Powered by [Google Translate \(https://translate.google.com\)](https://translate.google.com)

[Translator Disclaimer \(/governor/disclaimer.shtml\)](/governor/disclaimer.shtml)

Governor Phil Murphy

[Home \(/governor/\)](/governor/)

[Administration](#)

Governor Phil Murphy (</governor/admin/about/>)

Lt. Governor Sheila Oliver (</governor/admin/lt/>)

First Lady Tammy Snyder Murphy (</governor/admin/fl/>)

Cabinet (</governor/admin/cabinet/>)

Boards, Commissions & Authorities (</governor/admin/bca/>)

Internship Opportunities (</governor/admin/internship.shtml>)

Governor's Residence - Drumthwacket (<http://drumthwacket.org/>)

Key Initiatives

Economy & Jobs (</governor/initiatives/#Economy>)

Education (</governor/initiatives/#Education>)

Environment (</governor/initiatives/#Environment>)

Health (</governor/initiatives/#Health>)

Law & Justice (</governor/initiatives/#Justice>)

Transportation (</governor/initiatives/#Transportation>)

News & Events

Press Releases (/governor/news/news/562018/approved/news_archive.shtml)

Public Addresses (</governor/news/addresses/>)

Executive Orders ([//nj.gov/infobank/eo/](http://nj.gov/infobank/eo/))

Statements on Legislation

(/governor/news/statements/approved/statements_archive.shtml)

Administration Reports (</governor/news/adminreports/approved/archive.shtml>)

Transition Reports (/governor/news/reports/approved/reports_archive.shtml)

Press Kits (</governor/news/press/>)

Social

Facebook (<https://www.facebook.com/governorphilmurphy/>)

Twitter (<https://twitter.com/GovMurphy>)

Instagram (<https://www.instagram.com/govmurphy/>)

Snapchat (<https://www.snapchat.com/add/philmurphy>)

YouTube (<https://www.youtube.com/njgovernorsoffice>)

Contact Us

Scheduling Requests (</governor/contact/scheduling/>)

Contact Us (/governor/contact/all/)

Statewide

NJ Home (/www.nj.gov)

Services A to Z (/www.nj.gov/nj/gov/njgov/alphaserv.html)

Departments/Agencies (/www.nj.gov/nj/gov/deptserv/)

FAQs (/www.nj.gov/faqs/)

Contact Us (/www.nj.gov/nj/feedback.html)

Privacy Notice (/www.nj.gov/nj/privacy.html)

Legal Statement & Disclaimers (/www.nj.gov/nj/legal.html)

Accessibility Statement (/www.nj.gov/nj/accessibility.html)

(/nj.gov/opra/)

(/nj.gov/transparency/)

Copyright © State of New Jersey, 1996-2018
Office of Governor PO Box 001
Trenton, NJ 08625
609-292-6000

(https://tech.nj.gov/)