

# STATE OF NEW YORK

2464--A

2017-2018 Regular Sessions

## IN ASSEMBLY

January 20, 2017

Introduced by M. of A. DINOWITZ, GOTTFRIED, ORTIZ, STECK, PICHARDO, MOSLEY, BLAKE, SEAWRIGHT, BICHOTTE, COOK, COLTON, GALEF, BUCHWALD -- Multi-Sponsored by -- M. of A. DAVILA, GLICK, SIMON, TITONE -- read once and referred to the Committee on Judiciary -- reported and referred to the Committee on Codes -- recommitted to the Committee on Codes in accordance with Assembly Rule 3, sec. 2 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the general obligations law, in relation to mandating greater levels of disclosure by non-fiduciaries that provide investment advice

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The general obligations law is amended by adding a new  
2 article 6 to read as follows:

### ARTICLE 6

#### INVESTMENT TRANSPARENCY ACT

##### Section 6-101. Application.

##### 6-102. Required disclosure.

##### 6-103. Enforcement.

3  
4  
5  
6  
7  
8 § 6-101. Application. The provisions of this article are applicable to  
9 investment advisors currently not subject to a fiduciary standard under  
10 existing state and federal laws or regulations or by any applicable  
11 standards of professional conduct. "Non-fiduciary investment advisors"  
12 shall include, but not be limited to individuals and institutions that  
13 identify themselves to consumers as "brokers," "dealers," "investment  
14 advisors," "financial advisors," "financial planners," "financial  
15 consultants," "retirement planners," "retirement brokers," "retirement  
16 consultants," or by any other term that is suggestive of investment,  
17 financial planning, or retirement planning knowledge or expertise.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

LBD03774-02-8

1     § 6-102. Required disclosure. 1. Non-fiduciary investment advisors  
2     shall make a plain language disclosure to clients orally and in writing  
3     at the outset of the relationship that ensures that individual investors  
4     are aware of potential conflicts of interest. Such required disclosure  
5     shall state the following: "I am not a fiduciary. Therefore, I am not  
6     required to act in your best interests, and am allowed to recommend  
7     investments that may earn higher fees for me or my firm, even if those  
8     investments may not have the best combination of fees, risks, and  
9     expected returns for you." The non-fiduciary investment advisor shall  
10    provide a copy of the disclosure form to their client.

11    2. A signed acknowledgement by the client that this plain language  
12    disclosure was provided must be maintained by the non-fiduciary invest-  
13    ment advisor alongside any written client agreement.

14    3. Any investment brochures, advertising materials, or other related  
15    printed information provided to clients, or any subsequent oral invest-  
16    ment advice to them, must also include such disclosure set forth in a  
17    clear and conspicuous manner. The non-fiduciary investment advisor shall  
18    provide a copy of the disclosure form to their client.

19    4. Investment advisors that are subject to the fiduciary duty under  
20    law or applicable standards of professional conduct with respect to  
21    certain types of investment advice but not others, must disclose in  
22    plain language the extent to which the fiduciary duty does and does not  
23    apply.

24    § 6-103. Enforcement. Whenever the attorney general finds that there  
25    has been a violation of this article, he or she may proceed as provided  
26    in subdivision twelve of section sixty-three of the executive law. Civil  
27    penalties up to five thousand dollars may be imposed for each violation  
28    of this article.

29    § 2. This act shall take effect on the first of January next succeed-  
30    ing the date on which it shall have become a law.