

PW NOVA FINANCIAL SERVICES

Fiduciary Duty for Registered Investment Advisers (RIAs)

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Overview

A fiduciary duty for a Registered Investment Adviser (RIA) is the highest legal standard of care under U.S. financial regulation. It requires the adviser to always act in the best interests of the client, ahead of their own interests.

Core Legal Basis

RIAs are governed primarily by the Investment Advisers Act of 1940, which establishes fiduciary obligations.

This duty was further clarified in *SEC v. Capital Gains Research Bureau* (1963), where the Supreme Court emphasized full disclosure and client-first conduct.

Two Main Components

1. Duty of Care

The adviser must:

- Provide advice that is suitable, and in the client's best interest
- Conduct reasonable due diligence on investments
- Base advice on a full understanding of the client's financial situation, goals, and risk tolerance
- Monitor and update recommendations where applicable

2. Duty of Loyalty

The adviser must:

- Always put the client's interests first
- Avoid conflicts of interest where possible
- Fully disclose all material conflicts (fees, compensation, affiliations)
- Not mislead or omit important information

Prohibited Conduct

The adviser may not:

- Engage in self-dealing without disclosure and client consent
 - Recommend products solely for higher compensation
 - Misrepresent risks or returns
 - Conceal conflicts of interest
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Practical Implications

For Clients:

- Greater transparency in fees
- Advice tailored to individual needs
- Lower risk of conflicted recommendations

For RIAs:

- Strong compliance requirements
 - Detailed disclosure obligations
 - Continuous client-first decision-making
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