

# Letters and Titles and Tags

**FIDUCIARY AND INVESTMENT RISK MANAGEMENT ASSOCIATION**  
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# Overview of Presentation

- Risk Analysis
- Regulations/Guidance
- Employee Perspectives
- Policy Making Considerations
- Audience Perspectives

# Your Firm's Decision

## Your firm must consider its:

- risk appetite
- culture
- business environment

## Guidelines for use must consider:

- regulatory requirements
- designation use requirements
- customer perceptions
- employee expectations

# Analysis of Risks

## Issues to Consider:

- Customer perceptions and expectations
- Dual-hatted confusion
- Requirements of certain designations
- Costs associated with designations
- Laws and regulations
- Degrees and Certifications

# Customer Perceptions and Expectations

- Understanding of credential: What is it? What expertise is implied?
- Will customer hold your firm accountable for expertise of employee? What if services are not rendered pursuant to the designation?
- Should employee discuss the credential and what it means with the customer? If yes, how is it presented?

# Educational Credentials Commonly Used

## **MBA JD PhD**

- Earned through accredited institutions of higher learning
- No continuing education requirements
- Can be decades-old
- No cost to use or maintain a degree

# Industry Certifications

CFP CFA ChFC CSA CSC BCM

CkP CAPP CASL CFPN ChFC CTFA

CLU CFSA CTCP ADPA AAMS AIF

AFC CEBS CEPC CSC PPC PFS



Investors > Tools & Calculators

### Understanding Professional Designations

[Click here to view all records](#)

**Please Carefully Review This Information:**

**FINRA does NOT approve or endorse any professional designation.** Nor does a designation's inclusion in this database imply that FINRA considers the designation to be acceptable for use by a registered representative. Furthermore, [state securities regulators](#) may prohibit or restrict the use of certain listed designations by registered persons and investment adviser representatives. Please read our [disclaimer](#) for important additional information.

[Printer Friendly](#)

AAMS - Accredited Asset Management Specialist	
Designation	Accredited Asset Management Specialist
Designation Status	Currently offered and recognized by the issuing organization
Acronym	AAMS
Issuing Organization	<a href="#">College for Financial Planning</a>
Prerequisites/Experience Required	None
Educational Requirements	<a href="#">Self-study course</a> (12 modules requiring 100-120 hours).
Examination Type	Final designation exam (online, closed-book, proctored)
Continuing Education/Experience Requirements	16 hours every 2 years.
Investor Complaint Process	Online at <a href="#">Standards of Professional Conduct</a> , click on <a href="#">Complaints Against a Designee</a>
Public Disciplinary Process	Online at <a href="#">Standards of Professional Conduct, Disciplinary Actions</a>
Check Professional's Status Online	Online at <a href="#">The Financial Designation Resource</a>
Accredited By	None

System Updated: 12/5/2012



# Designations and Certifications

- Bona fide designations earned through course of study and examination
- May be accredited through American National Standards Institute or National Commission for Certifying Agencies, or included on Department of Education list of “Accrediting Agencies Recognized for Title IV Purposes”
- Often require continuing education
- Sometimes have disciplinary process
- Sometimes have a Code of Ethics
- Sometimes require membership in certifying organization to be in “good standing”

# Dual-Hatted Confusion

## Questions to consider:

- Is employee acting within scope of the credential?
- Should employee explain or disclose to customer when the activity is or is not within scope?
- Is designation also used by employees in other business units of the firm? (example, a CFP may be in trust, broker-dealer, RIA, insurance agency, or family office)



**Dr. Murray**

# Professional Designation May Impose Duties

- May require user to follow certain business practices
- May require recordkeeping of complaints and agreements
- May require specific customer disclosures
- May require registration marks
- May elevate relationship to a higher liability level, ie Fiduciary

# CFP Standards of Professional Conduct:

1.2 If the certificant's services include financial planning or material elements of financial planning, prior to entering into an agreement, the certificant shall provide **written** information **or discuss** with the prospective client or client the following:

- a) The obligations and responsibilities of each party under the agreement with respect to:
  - i. Defining goals, needs and objectives,
  - ii. Gathering and providing appropriate data,
  - iii. Examining the result of the current course of action without changes,
  - iv. The formulation of any recommended actions,
  - v. Implementation responsibilities, and
  - vi. Monitoring responsibilities.
- b) Compensation that any party to the agreement or any legal affiliate to a party to the agreement will or could receive under the terms of the agreement;** and factors or terms that determine costs, how decisions benefit the certificant and the relative benefit to the certificant.
- c) Terms under which the agreement permits the certificant to offer **proprietary products**.
- d) Terms under which the certificant will use other entities to meet any of the agreement's obligations.

# CFA Standards of Practice Handbook:

## VI. CONFLICTS OF INTEREST

**A. Disclosure of Conflicts. Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, **are delivered in plain language**, and communicate the relevant information effectively.**



**Fiduciary Oath:** National Association of Personal Financial Advisors

The advisor shall exercise his/her best efforts to act in good faith and in the best interests of the client.

The advisor shall provide written disclosure to the client prior to the engagement of the advisor, and thereafter throughout the term of the engagement, of any conflicts of interest, which will or reasonably may compromise the impartiality or independence of the advisor.

The advisor, or any party in which the advisor has a financial interest, does not receive any compensation or other remuneration that is contingent on any client's purchase or sale of a financial product.

The advisor does not receive a fee or other compensation from another party based on the referral of a client or the client's business.

**Following the NAPFA Fiduciary Oath means I shall:**

- \* Always act in good faith and with candor.
- \* Be proactive in disclosing any conflicts of interest that may impact a client.
- \* Not accept any referral fees or compensation contingent upon the purchase or sale of a financial product.

Signed this \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_  
NAPFA-Registered Financial Advisor



## NAPFA to Advisors: CFP Designation or Bust

### AdvisorOne

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## NAPFA to Advisors: CFP Designation or Bust

Fee-only planners group makes move 'to provide more clarity for the public in a sea of financial designation:

BY MICHELE HANSEN, ADVISORONE  
December 4, 2012 • Reprints



Advisors, start studying for your CFP.

The National Association of Personal Financial Advisors announced Tuesday that as of January 1, 2013, it would only accept the certified financial planner (CFP) designation for people who are registered financial advisors.

According to the nationwide organization for fee-only financial planners, NAPFA made the move to help consumers sort through the alphabet soup of designations that may mean something to professionals in the industry but only leave the public confused.

#### MORE ADVISOR COMPLIANCE from The Advisor's Professional Library

Best Practices for Working with Senior Investors

Securities examiners deal harshly with RIAs that do not fulfill their fiduciary obligations toward senior investors, as the SEC and state securities regulators view older investors as particularly vulnerable and in need of protection.

Privacy Policies and Rules

Whether an RIA is SEC or state-registered, the firm must have policies and procedures in effect to protect clients' privacy. Policies and procedures should explicitly require an RIA to send out its privacy notice each year.

Consumers have a hard time wading through financial designations that indicate widely varying qualifications, and the CFP is the mark that represents financial planning professionals similar to a JD or a CPA, NAPFA said in its announcement. Unlike the professions of law and accounting, however, the field of finance has not yet had a broadly accepted definition of quality.

"NAPFA's decision to support the broad-based, defining designation for the financial community just makes sense. Less confusion, more consumer confidence, and the CFP designation mark as a strong, baseline standard," NAPFA's Lauren Locker, who is herself a CFP, said.

The NAPFA board made its decision after an open comment period where current members and affiliates were asked for their input, and 100% of the responses were "overwhelmingly" supporting the CFP designation as the baseline educational standard for membership.

Since its founding in 1983, there have been different credentials that have qualified an advisor for membership in NAPFA. Currently, about 85% of the members are CFP certificants, or CFP certificants who hold additional marks, according to Karen Nystrom, NAPFA's staff member in charge of public advocacy. Until Dec. 31, the Specialized Education Requirement may be met by passing either the Certified Financial Planner exam or the post 2010 CFP exam, Nystrom said in an email.



Michael Kitces (left), a CFP and industry pundit, said Tuesday's announcement is notable for the progress it represents among financial planners.

"NAPFA has always been at the forefront of pushing forth standards for the profession, which they're doing once again here," Kitces said in a phone interview with AdvisorOne. Two months ago, he added, the Financial Planning Association (FPA) had focused on CFP certificate holders as the primary members to which they will deliver value.



# American Institute of CPAs

## Fiduciary Standard of Care

A fiduciary has a legal duty to act solely in the best interests of the beneficiary. While an accountant normally is not considered to be a fiduciary to his or her clients, the AICPA Professional Code of Conduct embodies standards of conduct which are closely analogous to a fiduciary relationship—objectivity, integrity, free of conflicts of interest and truthfulness. Accountants who provide audit services cannot be held to a fiduciary standard given their duty to the public.

# Regulations and Industry Guidance

- State Statutes/NASAA Model
- Bank Regulatory Guidance
- FINRA Guidance
- SEC Request for Data (release 34-69013)

# “Senior Designations”

North American Securities Administrators Association model rule on the use of senior-specific certifications and professional designations adopted March 20, 2008:

- (a) use of one or more words such as “senior,” “retirement,” “elder,” or like words, combined with one or more words such as “certified,” “registered,” “chartered,” “adviser,” “specialist,” “consultant,” “planner,” or like words, in the name of the certification or professional designation; and**
- (b) the manner in which those words are combined.**



# State Statutory/Administrative Rules Examples

- Florida 69W-600.0133 Use of Senior-Specific Certifications and Professional Designations by Associated Persons and Investment Advisers
- Washington State WAC 460-25A-020 Use of Senior-Specific Certifications and Professional Designations
- California Dept of Insurance Section 787.1 of Cal. Insurance Code
- Colorado 3 CCR 702-1 (insurance sales)
- Texas 7 TAC 115.16

# Common Elements of State Rules

**Most state with statutes or administrative rules generally prohibit the use of designations that:**

- Are not earned or the person is ineligible; Are nonexistent or self-conferred;
- That imply a level of occupational qualification that the person does not possess;
- That are obtained from a certifying organization that is primarily engaged in the business of instruction in sales or marketing;
- Where the certifying organization does not have standards for assuring competency;
- Where the certifying organization does not have reasonable procedures for monitoring and disciplining its certificants for improper or unethical conduct; and
- Where there is no continuing education requirement for continued use of the designation.

# California rule lists certain designations as prohibited from use by insurance agents.

**“Common senior designations not approved. These designations may not be used by agents and brokers in any oral or written communication from which a sale of insurance to a senior may directly or indirectly result.” [787.1(i) Table B]**

- CRFA Certified Retirement Financial Advisor
- CSA Certified Senior Advisor
- CSS Certified Senior Specialist

# Bank Regulatory Guidance

NO written guidance found.

- However, banking regulators may choose to enforce fair consumer treatment under the unfair or deceptive acts or practices (UDAP) provisions of section 5 of the Federal Trade Commission Act.

# FINRA GUIDANCE

## **Regulatory Notice 11-52 issued November 2011:**

*FINRA is publishing this Notice to remind firms of their supervisory obligations regarding the use of certifications and designations that imply expertise, certification, training or specialty in advising senior investors (senior designations). This Notice also outlines findings from a survey of firms and highlights sound practices used by firms with respect to senior designations. Firms are encouraged to adopt the practices that are outlined in this Notice to strengthen their own supervisory procedures, as appropriate to their business.*

# FINRA Regulatory Notice 07-43

## Obligations to Seniors

*Firms that allow the use of any title or designation that conveys an expertise in senior investments or retirement planning where such expertise does not exist may violate NASD Rules 2110 and 2210, NYSE Rule 472, and possibly the antifraud provisions of the federal securities laws. In addition, some states prohibit or restrict the use of senior designations.*

# Finra Notice 07-43: Firms Must Have Supervisory Procedures

These supervisory procedures must be:

- In writing
- Clearly communicated to employees
- Effectively enforced
- Include how “approved designations” may be used

While not mandated, FINRA highlights certain activities as best practices, including annual employee attestations for registered persons to certify:

- Which designations they use;
- That those designations are earned;
- That they have fulfilled continuing education requirements to use the designation; and
- That they are in good standing with the credentialing organization.

# SEC Sect 208(c)

## Investment Advisers Act of 1940

Restricts the title of “investment counsel” unless the individual is an investment adviser:

**(c) It shall be unlawful for any person registered under section 203 of this title to represent that he is an investment counsel or to use the name “investment counsel” as descriptive of his business unless (1) his or its principal business consists of acting as investment adviser, and (2) a substantial part of his or its business consists of rendering investment supervisory services.**

# SEC Form ADV, Part 2B Brochure Supplement

The SEC requires registered investment advisors to prepare, file, and provide to customers a Brochure Supplement to the Form ADV. This supplement includes the educational background and business experience of supervised persons. The instructions specifically include direction with respect to professional designations as follows:

## Item 2 Educational Background and Business Experience

Disclose the *supervised person's* name, age (or year of birth), formal education after high school, and business background (including an identification of the specific positions held) for the preceding five years. If the *supervised person* has no high school education, no formal education after high school, or no business background, disclose this fact. You may list any professional designations held by the *supervised person*, but if you do so, you must provide a sufficient explanation of the minimum qualifications required for each designation to allow *clients* to understand the value of the designation.

# FINRA Conducted Survey\*

In 2011, Finra conducted a survey of retail broker-dealers regarding the use of “senior designations”. Of the 157 respondents, 68 percent of the firms allowed the use of senior designations.

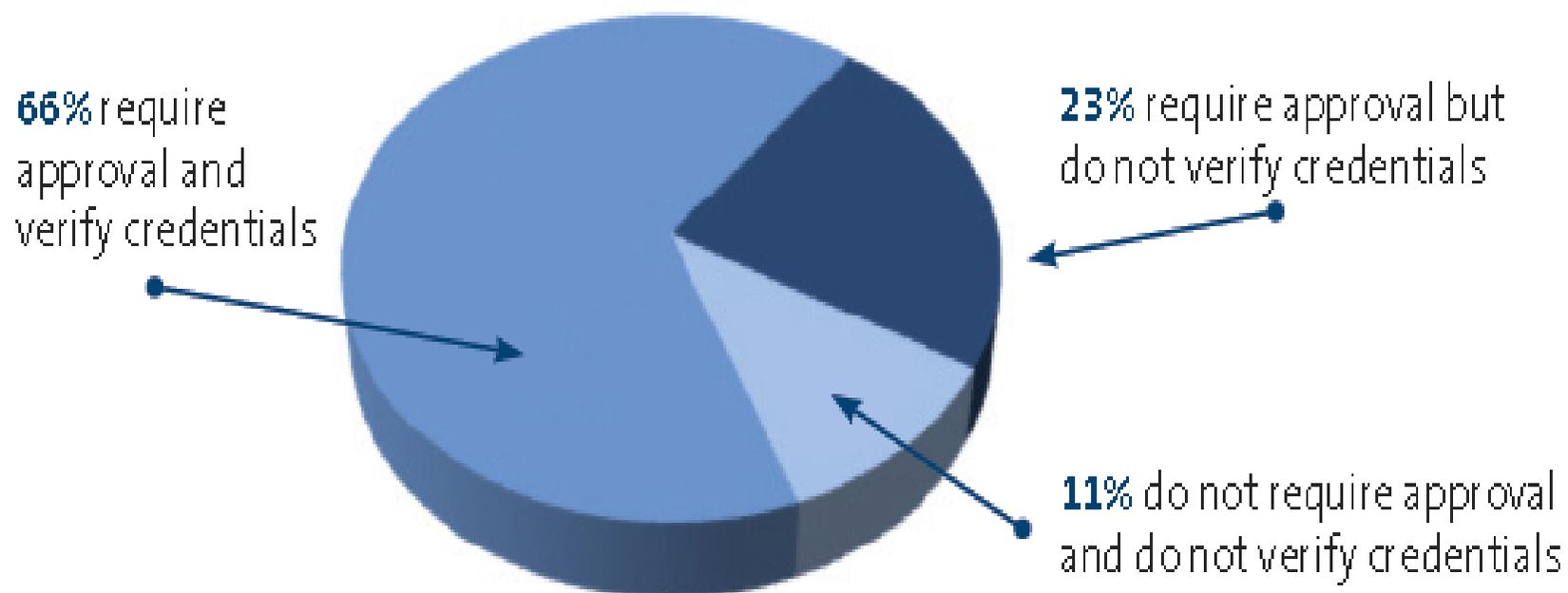
Of great interest is that of those firms that permit their use, 66% require firm approval in order to use the designation AND the firm verifies the employee’s credentials.

Further, 73% of those that permit use, prohibited the use of certain senior designations.

*\*Survey results reported in Finra’s Regulatory Notice 11-52, November 2011 and in a separate report “Senior Designations”.*

# 2011 FINRA Survey of BD Firms

## Firms that Permit the Use of Senior Designations



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Those firms that limit employees to using only certain designations used various criteria to select them:

- Curriculum
- Continuing education requirements
- Public disciplinary process
- Existence of Code of Ethics
- Ability for public to verify credentials

# Employee Perspectives

Employees take pride in maintaining and upgrading their knowledge in their fields, and have put in a lot of hard work to earn valid and worthwhile credentials. Public display of designations on business cards and stationery is a form of recognition of this effort. Your firm should consider employee morale when making any policy regarding credentials, including how they may enhance:

- Employee Achievement
- Credibility with customers and peers
- Knowledge level
- Differentiate your employee from competitors
- Respect as an Expert
- Pride
- Reward

## Ten Questions to Answer if you pursue a designation/credential policy.

1. Will you permit all financial industry designations, or only selected ones?
2. Will you devote resources to performing due diligence on designation programs?
3. Will you verify that an employee has actually earned the designation?
4. Will you pay for an employee to enroll in a designation program?
5. Will you pay for continuing education?
6. Will you pay for membership fees?

# Ten Questions...

7. Will you permit clerical level employees, or those in other divisions not related to service delivery, to use or pursue credentials?
8. Will you permit paid time off for continuing education?
9. Will you require any type of disclosure for customer materials, especially where the credential reflects a role not assumed by the employee (JD, CPA, or, for example, a CFA who is a trust officer)
10. Will you require a periodic attestation from employees about their use of designations?

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