

Email from National President Mark Johannessen
sent to FPA membership on May 22, 2008

re: *Standards of Conduct*

Dear FPA® Colleague:

The financial planning profession is indeed going through a historic transformation. A standard of accountability that places the client's interest first is something that financial planners have long embraced as a part of their professional culture. On July 1, 2008, the new *Standards of Conduct* for CFP® certificants, including a fiduciary standard that covers most aspects of a financial planner's activities, goes into effect. Understanding that change of any magnitude raises concerns and questions by those affected, we felt it was important to let you know how we feel about the changes and how we are going to help you incorporate the revised standards into your practice.

Uniform standards were the driving reason behind FPA's successful lawsuit against the SEC's loophole from registration for fee-based brokerage accounts. When Certified Financial Planner Board of Standards originally proposed an **optional** fiduciary standard based on contract, FPA was strongly opposed for the same reason. When CFP Board revised and reintroduced a fiduciary standard based on whether a material element of financial planning was provided – not just in a formal financial planning engagement – FPA was warmly supportive.

So on July 1, the new standards take effect. You may have asked, what if any effect does this have on FPA? First, as a technical matter, FPA's bylaws must be changed, since without action by our Board of Directors our bylaws would reference an outdated section of the CFP Board's new rules.

Second, being a strong supporter of appropriate standards for the profession, we are not blind to the high standard of accountability and legal scrutiny that comes with being a fiduciary. **Therefore, I am pleased to announce that I am appointing a special task force, comprised of a diverse and experienced group of practitioners and compliance experts, to develop best practices that will assist both large and small firms in ensuring they meet the new standards for disclosure and managing conflicts of interest in their financial planning work.** I personally believe these best practices will help to reduce liability, through a thoughtful and consistent approach to the new requirements.

Although July 1 will quickly be upon us, we do not plan to rush out a makeshift set of practices. Instead, the task force will develop a substantive and tangible resource from which all current and future CFP certificant members will benefit. This tool will be well defined and will provide you with the basic steps to serve your clients well while reducing your liability.

We know of at least one financial services organization that has decried the new CFP standards as fraught with liability. While consensus doesn't yet currently exist in the broader industry, Wall Street appears to be moving toward embracing a new fiduciary model for client relationships. Sallie Krawcheck, chairman and CEO of Citi Global Wealth Management, last fall told industry executives that Wall Street must accept the new fiduciary responsibility. "I realize there is real fear in the industry about the F-word," she said. "It's no question more is at risk when we as an industry are fiduciaries. But when asked, the clients tell you it's what they're looking for." And, she noted, the clients who receive this "family office treatment, are our most satisfied clients."

FPA believes in a clear and unequivocal statement of core values, one that places the client's interest first and reflects the incredible demand in the marketplace for trust and objectivity. Industry surveys continue to show independent advisers, including those affiliated with independent broker-dealers, are continuing to make dramatic gains in market share as a result of this commitment to the client. Future generations of financial planners, no matter the size of firm with whom they are affiliated, will point to this period as a critical turning point, not just in public acceptance, but in establishing this new profession on a strong ethical foundation.

FPA leadership takes seriously the business objectives developed by the FPA founders that charged the organization with unifying the voice, focus and resources of the financial planning community, bringing together those who champion the financial planning process and facilitating the success of our members. We view ourselves as temporary stewards helping our fellow members become the best financial planners they can be. I know the work you will see in the coming months will live up to your high standards and I look forward to sharing more with you about the work of the task force in the very near future. In the meantime, I encourage you to ask questions and participate in dialogue on this issue on the new online forum, [Ask the Board](#) (member log-in required).

Sincerely,



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