

AFR Americans for Financial Reform

August 21, 2017

Dear Sir or Madame:

On behalf of Americans for Financial Reform, we are writing to comment on the CFP Board's proposed revisions to its *Standards For Professional Conduct* for Certified Financial Planners (the "Proposed Revisions"). Americans for Financial Reform is a coalition of more than 200 national, state and local groups who have come together to reform the financial industry. Members of our coalition include consumer, civil rights, investor, retiree, community, labor, faith based and business groups.¹

AFR strongly supports the Proposed Revisions. These revisions add significant additional substance and detail to the CFP Board's commitment to fiduciary duty for CFP professionals. In particular, the following changes create a much more specific and substantive fiduciary duty for CFP professionals:

- The expansion of the fiduciary duty definition (in Part A. 1 of the revised standards) to include a more expansive and specific duty of loyalty to the client. This includes a specific duty to manage conflicts of interest and a specific duty to act without regard to the interests of any other entity besides the client, including the firm employing the CFP professional. Neither of these were laid out specifically in the previous Standards.
- A much more detailed and specific definition of the duty to disclose conflicts of interest (in Part A. 9 of the revised standards). This includes specific requirements to make disclosures of conflicts of interest clear to the client and ensure that the client actually understands the type and nature of these conflicts in a manner that makes informed consent possible.
- Part A. 9 also includes new requirements to manage conflicts of interest, a requirement that was not spelled out in the previous Standards. Crucially, these include a specific duty to follow business practices designed to stop any conflicts of interest from compromising the CFP professional's guidance to the client or management of client funds. AFR believes that a fiduciary duty standard cannot be based on disclosure alone, but must include a requirement to actually manage conflicts of interest so as to negate their potential impact on client funds.

By making the fiduciary duty commitment stronger and more specific, these Proposed Revisions will enhance CFP client service and assure the public that CFP professionals will reliably act in the best interests of the investor. We strongly support their inclusion in the final revisions to the Standards, and urge the CFP Board to resist any pressures to weaken them.

¹ A list of members of the AFR coalition is available at <http://ourfinancialsecurity.org/about/our-coalition/>

The above sections are not the only improvement in the Proposed Revisions. The revisions also include enhanced standards for documentation of facts and circumstances supporting that decisions are made in the client's best interests (Part A. 12 of the revised standards) and enhanced detail on the representation and description to the client of the compensation method for the CFP professional (Part A. 14). Compensation method is a crucial area of potential conflict of interest. We strongly support these changes, as well as other elements in the Proposed Revisions that strengthen fiduciary standards.

Thank you very much for your attention to these comments. Should you have any questions, please contact AFR's Policy Director, Marcus Stanley, at 202-466-3672 or marcus@ourfinancialsecurity.org.

Sincerely,

Americans for Financial Reform