



NEWS

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NAPFA Believes SEC Mission for Custody Rule Changes is Commendable, but views Commission's Proposed Changes as Not a Proper 'Means to an End'

Arlington Heights, IL (July 21, 2009) – The National Association of Personal Financial Advisors (NAPFA), the country's leading professional association of Fee-Only, fiduciary financial advisors, filed an opinion letter today with the Securities and Exchange Commission (SEC) regarding proposed custody rule changes. The SEC proposals would revise rule 206(4)-2 under the Advisers Act.

The SEC is proposing the changes to decrease the likelihood of an unscrupulous advisor from misusing client assets while allowing for fraudulent activities to be discovered earlier. The SEC is looking to impose costly audits of Registered Investment Advisers (RIA) who deduct fees for advice directly from client accounts. While NAPFA believes the reasoning behind the rule is proper, the proposed rule changes aren't appropriate because:

1. The changes will not accomplish the goal of protecting consumers
2. The changes will fail a reasonable cost/benefit analysis
3. The changes may cause consumers additional expense and inefficiency

“The SEC is doing the right thing by trying to identify ways to further protect consumers from the likes of Bernie Madoff but we fear the proposals they are making may hurt a great number of advisors across the country,” said NAPFA Chair Diahann W. Lassus, CFP®, CPA/PFS. “Consumers need to be empowered with the right tools and resources to take control of their future, while also helping them vet advisors who will work for their best interests.”

To help guide the SEC in enacting positive change for consumers, NAPFA outlined several low-cost tactics, including:

- Encourage consumers to thoroughly read and review all statements to identify all questionable account activity
- Offer incentives for whistleblowers who bring to light dishonest advisor activity

- Provide means for consumers to report fraudulent activity anonymously

“We support increased consumer protection, but believe it has to be done in a way that makes sense for both consumers and advisors,” concluded Ms. Lassus.

A copy of the letter is available upon request. To arrange an interview with Ms. Lassus, please contact Benjamin Lewis of Perception, Inc. at 301-963-7555 or Benjamin.lewis@perceptiononline.com.

ABOUT NAPFA

Since 1983, The National Association of Personal Financial Advisors (NAPFA) has provided Fee-Only financial planners across the country with some of the strictest guidelines possible for professional competency, comprehensive financial planning, and Fee-Only compensation. With more than 2,100 members across the country, NAPFA has become the leading professional association in the United States dedicated to the advancement of Fee-Only financial planning.

For more information on NAPFA, please visit www.napfa.org.

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