

September 22, 2004

Dear Fidelity, Schwab, etc,

All professionals in the personal financial services industry are aware that trust is foremost in consumers' minds. If our clients cannot trust us – or do not feel that we are working in their best interests – then we will not be successful, and neither will they.

Consumers' trust has been severely eroded in the past few years, due to the many varieties of investment scandals that have been uncovered by state and federal authorities. In an effort to stop these problems from recurring, numerous new regulations and voluntary initiatives have been enacted, and more are on the way.

Ironically, the regulation that has perhaps the greatest potential significance for consumers is not a new proposal, and it is a regulation that should be withdrawn, rather than enacted. I am referring, of course, to the so-called "Broker-Dealer Rule," known more formally by the SEC as "Certain Brokers Deemed Not To Be Investment Advisors."

The National Association of Personal Financial Advisors (NAPFA) has submitted a comment to the SEC to urge prompt withdrawal of this rule. NAPFA stands squarely with the Financial Planning Association, which has spearheaded the challenge to the rule by the investment advisor community.

I know that NAPFA cannot tell your company what position to take on the Broker-Dealer Rule. I know that you have conflicting interests on this issue. But our organization is urging your company to voluntarily comply with the standards set forth in the Investment Advisors Act of 1940, regardless of whether broker-dealers continue to receive special treatment from the SEC.

Many NAPFA members have had long-standing and positive relationships with your company. Many of our members and their clients use your company's services. Your employees have been regular participants at our conferences, too. Thus, your firm is familiar with our pro-consumer reputation and that our members live up to high fiduciary standards.

You might also be aware that NAPFA's pro-consumer stance has been one of the most important elements of our success for the past 20 years. Our members are recognized as the proponents of Fee-Only, comprehensive financial advice that is given solely in the interest of our clients – and that is a powerful message that resonates with consumers, the media, and regulators. I believe that your firm would reap substantial practical and public relations benefits if it took the initiative by declaring that its broker-dealers will adhere to all of the standards of conduct set for RIAs.

Please contact me if you wish to discuss the impact of adopting this idea. We would be delighted assist you in taking the lead in the industry.

Sincerely,

Ellen Turf, NAPFA CEO