



NEWS

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NAPFA Hails End of Broker-Dealer Litigation: Consumers Protected, Investment Advisors Vindicated

ARLINGTON HEIGHTS, IL (May 15, 2007) – The Board of Directors of the National Association of Personal Financial Advisors (NAPFA) believes consumers are the biggest beneficiaries of the Securities and Exchange Commission’s (SEC) decision yesterday not to appeal a court ruling that vacated the Broker-Dealer Exemption under the 1940 Investment Advisors Act. By electing not to appeal, the SEC accedes to the findings of the U.S. Court of Appeals for the District of Columbia Circuit. The lawsuit was originally brought by the Financial Planning Association in July 2004, and the appeals court found in favor of the FPA on March 30, 2007.

“Consumers are the big winners today,” said Dick Bellmer, NAPFA Chair. “They now should be able to get a clear statement from their chosen financial advisor about his or her fiduciary obligations. No longer should consumers be kept in the dark about whether an advisor works on behalf of a client, or on behalf of a brokerage firm or other employer.”

The distinction between broker-dealers and Registered Investment Advisors is crucial, and NAPFA is placed squarely on the side of protecting and informing consumers. NAPFA’s Fiduciary Oath commits advisors to working “solely in the client’s interests” at all times. This relationship parallels the fiduciary requirements placed on Registered Investment Advisors by the SEC; the exemption to this requirement that the SEC granted to broker-dealers for decades prompted the lawsuit against the SEC. “Now, due to the appeals court ruling, broker-dealers cannot hide behind that exemption,” said Bellmer.

“NAPFA congratulates the Financial Planning Association for taking the fight on this crucial issue to the SEC,” said Ellen Turf, NAPFA CEO. “Many professional associations, including NAPFA and FPA, joined with consumer groups to try to convince the SEC to fix the inequities through its rulemaking process, but the Commission rejected our arguments. It was hard to imagine that this uphill fight in the courts would succeed. But it has—resoundingly.”

However, Turf noted that the battle might shift to the U.S. Congress. Financial trade groups and associations that represent broker-dealers might seek to have the exemption reinstated through legislative means. “We have seen the remarks by representatives of the Securities Industry and Financial Markets Association, for example, that it is ‘outraged’ by the SEC’s actions. We expect that broker-dealers don’t consider the fight over yet,” said Turf. “But we know that we are on the right side of this fight. We are committed to redoubling our efforts to ensure that consumers, as well as legislators and regulators, understand the benefits of objective, fiduciary financial advice.”

The centerpiece of NAPFA’s efforts in this area is the FocusOnFiduciary™ campaign. Now in its second year, FocusOnFiduciary provides an array of free information to consumers and industry professionals about the differences between different types of financial advisors. The latest FocusOnFiduciary information, including a consumer survey conducted in Spring 2007, is now available at www.focusonfiduciary.com.

For information about NAPFA’s position on the Broker-Dealer Exemption and related regulatory matters, contact NAPFA CEO Ellen Turf at 800-366-2732 or turfe@napfa.org. For information about NAPFA’s Focus on Fiduciary campaign, contact Benjamin Lewis at (301) 963-7555 or Benjamin.lewis@perceptiononline.com.

ABOUT NAPFA

Since 1983, financial planners who are members of the National Association of Personal Financial Advisors (NAPFA) have provided Fee-Only advice to consumers across the country. NAPFA-Registered Financial Advisors follows some of the strictest guidelines possible for professional competency, comprehensive financial planning, and Fee-Only compensation. With more than 1,600 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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