



NEWS

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NAPFA To SEC: Changes To Form ADV Part II Must Be Made With Consumers In Mind

National Association of Personal Financial Advisors makes recommendations to the Securities and Exchange Commission regarding possible changes to ADV Part II

ARLINGTON HEIGHTS, IL (June 2, 2008) – In a recent comment letter to Nancy Morris, Secretary of the Securities and Exchange Commission (SEC), the National Association of Personal Financial Advisors (NAPFA) applauded the Commission for taking the initiative to revise the format and filing requirements of ADV Part II. However, NAPFA made it clear they do not agree with every proposed change the Commission outlined in File Number S7-10-00.

In S7-10-00, the SEC is looking to require registered investment advisers to deliver to clients and prospective clients a brochure written in plain English. The Commission states that it is seeking to “require advisers to provide clients and prospective clients with clear, current, and more meaningful disclosure of the business practices, conflicts of interest (including those related to soft dollar practices), and background of investment advisers and their advisory personnel.”

In the comments made by NAPFA, the organization outlined eleven areas where the document needs to be revised and/or enhanced, including:

1. Non-Uniform Format Preferred
2. Brevity
3. “Specialization”
4. Annual Delivery vs. Annual Access, Electronic Delivery
5. Disclosure of Arbitration Awards, Settlements and Claims
6. Disclosure of Risks To Investment Style
7. Brochure Supplements

8. Non-Disclosure of Fund and Other Investment Expenses
9. Time Required to Update
10. The Fiduciary Duty to Properly Manage Conflicts of Interest (Mere Disclosure of Conflicts of Interest Is Insufficient)

The letter was sent to the SEC by Ellen Turf, CEO of NAPFA; Tom Orecchio, chairman of NAPFA; and Diahann Lassus, chair of NAPFA's Industry Issues Committee. Speaking on behalf of the organization, the leaders state, "We agree that the current format does not always result in clear and meaningful client disclosure and that it presents challenges for advisers in identifying and presenting all of the types of information that should be addressed in Part II. We believe that clients and prospective clients of investment advisers will benefit from the ability to access an investment adviser's brochure through the Commission's website. However, we do not agree with some of the proposed revisions and request that they be reconsidered. These specific proposed revisions need to have further clarification and a better balance between the amount of information required to be provided to clients and the anticipated commitment of additional resources."

For more information on NAPFA's comments to the SEC or to schedule an interview or obtain a copy of the Comment Letter, please contact Benjamin Lewis at 301-963-7555 or benjamin.lewis@perceptiononline.com.

ABOUT THE NATIONAL ASSOCIATION OF PERSONAL FINANCIAL ADVISORS (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 2,000 members across the country, NAPFA is the leading professional association in the United States dedicated to the advancement of Fee-Only comprehensive financial planning. For more information on NAPFA, please visit www.NAPFA.org.

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