



Risk Management Update September 2013

FINANCIAL PROFESSIONAL TITLES – DID YOU EARN THAT?

Many investors find it difficult to understand which titles must be earned and which titles can simply be used. Those financial professionals who have gone through an accreditation program, had their experience verified and have ongoing compliance obligations in order to maintain their title, may help to make that professional more appealing to potential investors or employers. Because of this confusion, the Securities and Exchange Commission (“SEC”) and the North American Securities Administrators Association (“NASAA”) recently published a bulletin to assist in clarifying those titles and provided ideas on how to verify the accuracy of the titles.¹ This article highlights some of the most popular titles frequently used by professionals that could be unclear on whether or not they must be earned and how to verify such information.

Commonly Used Financial Professional Titles

Below is a short description of some of the more frequently used financial professional titles and how to obtain them.

Certified Financial Planner™ (CFP®)

Anyone can use the title of “financial planner” which leads people to assume that use of that title indicates that they also are certified. Only professionals who have gone through the NCCA accreditation program are certified and therefore authorized to use the title of CFP® or Certified Financial Planner™. The CFP® certification process is a voluntary one that requires passage of an examination, ongoing education (must complete 30 hours of continuing education every two years), and a minimum requirement of experience in the industry. There also is an expectation that the individual be held to the highest ethical standards (as outlined in the CFP Board’s *Standards of Professional Conduct*²). This means that CFP® professionals must provide financial planning services in the best interests of their clients.

Certified Investment Management Analyst (CIMA®)

The CIMA® certification signifies that an individual has met initial and on-going experience, ethical, education, and examination requirements for investment management consulting, including advanced investment management theory and application. Prerequisites for the CIMA® certification are three years of financial services experience and an acceptable regulatory history. To obtain the CIMA® certification, candidates must pass an online Qualification Examination, successfully complete a one-week classroom education program provided by a Registered Education Provider at an Association to Advance Collegiate Schools of Business (“AACSB”) accredited university business school, and pass an online Certification Examination. CIMA® designees are required to adhere to the Investment Management Consultants Association® (“IMCA®”) Code of Professional Responsibility, Standards of Practice, and Rules and Guidelines for Use of

¹ For more information, see http://www.sec.gov/investor/alerts/ib_making_sense.pdf.

² See <http://www.cfp.net/about-cfp-board/ethics-enforcement/standards-of-professional-conduct>.

the Marks. CIMA[®] designees must report 40 hours of continuing education credits, including two ethics hours, every two years to maintain the certification. The designation is administered through the IMCA[®].

Accredited Asset Management Specialistsm (AAMS[®])

This professional title was born out of the growing emphasis on building lasting client relationships and gathering assets under management. Many of the country's top investment firms were involved in developing this program, making it uniquely suited to the needs of today's investment professionals. The College for Financial Planning[®] awards the Accredited Asset Management Specialistsm and AAMS[®] designation to students who complete the program, pass a final examination and comply with the College of Financial Planning's[®] Code of Ethics, which includes agreeing to abide by the *Standards of Professional Conduct*. Successful students receive a certificate and are granted the right to use the designation on correspondence and business cards for a two-year period. In order to keep the designation, every two years individuals must meet the ongoing renewal requirements by completing 16 hours of continuing education, paying a biennial renewal fee³ and reaffirming to abide by the Code of Ethics.

Financial Professional Titles and Licenses Are Not the Same

Registered broker-dealers or investment advisers must obtain registrations and licenses which are granted by federal or state regulatory authorities. Working with a registered or licensed financial professional generally provides the investor certain legal protections because of the individual's regulatory oversight. On the other hand, any financial professional may use a title regardless of whether or not they are registered or licensed. It is important to verify what titles and or licenses the financial professional is claiming to have. Those financial professionals who are registered either as a registered representative or an investment adviser representative have their background information summarized on BrokerCheck[®], which can be found at FINRA's website, www.finra.org.

Remembering Your Obligations In Accordance with the Anti-Fraud Provisions

How a financial professional holds him or herself out to the public, whether it is through LinkedIn, the firm's website, marketing collateral or a Form ADV Part 2B, professional titles must be accurate. Misrepresentations can subject the firm as well as the individual with violating the anti-fraud provisions, subjecting them to disciplinary regulatory actions. To avoid this, conduct a thorough background check prior to the time of hire and conduct periodic checks thereafter. In addition, supervisors should periodically request proof of continuing education requirements, as applicable. For those designations that may not be familiar to the employer, consider the following inquiries for the employee:

- Who awarded your title?
- What are the training, ethical, and other requirements to receive the title?
- Did you have to take a course and pass a test?
- Does the designation require a certain level of work experience or education?
- What is required to maintain the designation?
- Is a certain level of work experience or education required?

³ For more information, see <http://www.cffpalum.org/>.

- How can I verify your standing with this organization?

Conclusion

One should not solely rely on a title to determine whether or not the financial professional has the required expertise. Some titles can even be purchased and in most cases, are used as marketing tools. Verifying the titles used by financial professionals, and being informed about how to obtain and maintain those titles or licenses, is essential from a supervisory, anti-fraud and ethical business perspective.

For more information or to learn about how Core Compliance & Legal Services, Inc. may be of assistance, please do not hesitate to contact us at (619) 278-0020.

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