



March 16, 2020

Securities and Exchange Commission  
Attn: Vanessa A. Countryman, Secretary  
100 F Street NE  
Washington, DC 20549-1090

Submitted electronically to [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

***RE: File Number S7-25-19, Amending the “Accredited Investor” Definition***

Dear Ms. Countryman:

The Financial Planning Coalition<sup>1</sup> (“Coalition”) appreciates the opportunity to comment on Release No. 33-10734; 34-87784, File Number S7-25-19, Amending the “Accredited Investor” Definition. The Securities and Exchange Commission (“SEC”) is proposing amendments to the “accredited investor” definition, which, among other changes, would “add new categories of natural persons that may qualify as accredited investors based on certain professional certifications or designations or other credentials.”<sup>2</sup> This comment letter is limited to a discussion of that issue.

CERTIFIED FINANCIAL PLANNER™ professionals comprise a majority of the stakeholders of the Coalition’s member organizations. The Certified Financial Planner Board of Standards, Inc. (“CFP Board”) is a non-profit certification and standard-setting organization, which sets competency and ethical standards for more than 86,000 CFP® professionals throughout the United States. The Financial Planning Association® (“FPA®”) is the principal membership organization for CFP® professionals and those who support the financial planning process in the U.S. with 22,000 members nationwide. The National Association of Personal Financial Advisors (“NAPFA”) is the nation’s leading organization of fee-only comprehensive financial planning advisors with more than 3,800 members nationwide.

Together, the Coalition acknowledges the high level of professional competency that the CFP® certification requires, and believes that this designation should be included in the SEC’s proposed definition of “accredited investor.” Additionally, because many CFP® professionals are federally and state-registered Investment Adviser Representatives

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<sup>1</sup> The Financial Planning Coalition is comprised of Certified Financial Planner Board of Standards (“CFP Board”), the Financial Planning Association® (“FPA®”), and the National Association of Personal Financial Advisors (“NAPFA”). Information about the Coalition is available at <http://financialplanningcoalition.com/>.

<sup>2</sup> File Number S7-25-19, pg. 1.

("IARs"), the Coalition supports adding IARs registered under Section 203 of the Investment Advisers Act of 1940 ("Advisers Act") and state-registered IARs to the "accredited investor" definition.

**I. The CERTIFIED FINANCIAL PLANNER™ Designation Should be Included in the "Accredited Investor" Definition.**

The SEC should include the CERTIFIED FINANCIAL PLANNER™ designation granted by the CFP Board in the "accredited investor" definition because this designation satisfies the attributes identified in the proposal's non-exclusive list of factors that the Commission would use to determine which certifications would qualify for the "accredited investor" definition. Those are:

- The certification, designation, or credential arises out of an examination or series of examinations administered by a self-regulatory organization or other industry body or is issued by an accredited educational institution;
- The examination or series of examinations is designed to reliably and validly demonstrate an individual's comprehension and sophistication in the areas of securities and investing;
- Persons obtaining such certification, designation, or credential can reasonably be expected to have sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of a prospective investment; and
- An indication that an individual holds the certification or designation is made publicly available by the relevant self-regulatory organization or another industry body.<sup>3</sup>

**A. The certification, designation, or credential arises out of an examination or series of examinations administered by a self-regulatory organization or other industry body or is issued by an accredited educational institution.**

As administered by CFP Board,<sup>4</sup> a credentialing body in the financial services industry, CFP® certification requires gaining not only substantial educational and professional experience, meeting continuing education requirements, and adhering to high professional and ethical standards enforced through a disciplinary process with public sanctions; but also requires passing a rigorous professional examination designed to test competency in financial planning. The examination is a 170-question, multiple-choice test that consists of two 3-hour sessions completed in a single day. The examination includes stand-alone and scenario-based questions, as well as questions associated with case studies.

Before or shortly after sitting for the examination, candidates must also meet educational and professional experience requirements. The two-part education requirement includes both (1) completing coursework on financial planning through a CFP Board Registered Program; and (2) holding a bachelor's degree or higher from an accredited college or

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<sup>3</sup> File Number S7-25-19, pg. 28.

<sup>4</sup> Founded in 1985 as a nonprofit organization, CFP Board's mission is to benefit the public by helping consumers identify those financial planners who meet rigorous standards that demonstrate the individual has the requisite knowledge, skill and competence in the field.

university. Candidates for certification must complete either 6,000 hours of professional experience related to financial planning, or 4,000 hours of apprenticeship experience that meets additional requirements.

After obtaining the designation, a CFP® professional must maintain their credential through continuing education (“CE”). A CFP® professional is required to complete 30 hours of CE, with each reporting period consisting of 2 hours of CFP Board approved Ethics CE and 28 hours of CE covering one or more of CFP Board’s Principal Topics. The CE requirement is effective immediately upon initial certification.

CFP® professionals must abide by CFP Board’s newly revised *Code of Ethics and Standards of Conduct (Code and Standards)*<sup>5</sup>, which became effective October 1, 2019. The *Code and Standards* extends the application of the fiduciary duty owed by CFP® professionals to their Clients, from financial planning services only to all Financial Advice, broadly defined.

The CFP® certification process, including the rigorous examination requirement, is accredited by the National Commission for Certifying Agencies (“NCCA”). The NCCA standards require demonstration of a valid and reliable process for development, implementation, maintenance, and governance of certification programs. The CFP® certification is one of only six financial services designations accredited by NCCA. Indeed, FINRA communicates to investors that “... [m]any state securities and insurance regulators do not allow financial professionals to use a designation – in particular a ‘senior’ designation – unless it has been accredited by either the American National Standards Institute (ANSI) or NCCA.”<sup>6</sup> Because the CFP® certification process includes a rigorous professional examination, which is part of a larger process accredited by the NCCA, the Coalition believes that the CFP® designation qualifies to for inclusion in the “accredited investor” definition.

The Coalition also believes that any additional designations the SEC is considering for inclusion in the “accredited investor” definition should be similarly vetted, such as through NCCA or ANSI accreditation. Moreover, these designations should require maintenance of certification or designation in good standing, such as through continuing education and a set of practice standards, to qualify as accredited investors. To practice law or medicine, attorneys and physicians must maintain their professional licenses in good standing with the relevant licensing authorities. Similarly, financial services professionals whose designations would qualify them as accredited investors should be held to the same standard.

**B. The examination or series of examinations is designed to reliably and validly demonstrate an individual’s comprehension and sophistication in the areas of securities and investing.**

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<sup>5</sup> CFP Board, “Code of Ethics and Standards of Conduct” (Effective October 1, 2019), *available at* [www.cfp.net/docs/default-source/for-cfp-pros---professional-standards-enforcement/cfp-board-code-and-standards.pdf?sfvrsn=17](http://www.cfp.net/docs/default-source/for-cfp-pros---professional-standards-enforcement/cfp-board-code-and-standards.pdf?sfvrsn=17); See also CFP Board, “Roadmap to the Code of Ethics & Standards of Conduct,” *available at* [www.cfp.net/docs/default-source/for-cfp-pros---professional-standards-enforcement/cfp-board-roadmap-to-code-and-standards.pdf?sfvrsn=6](http://www.cfp.net/docs/default-source/for-cfp-pros---professional-standards-enforcement/cfp-board-roadmap-to-code-and-standards.pdf?sfvrsn=6).

<sup>6</sup> [www.finra.org/investors/accredited-designations](http://www.finra.org/investors/accredited-designations)

As noted above, a rigorous professional testing procedure is part of the CFP® certification process that has been vetted and approved by the NCCA. The coursework for the CFP® examination includes general principles of investment planning, as well as tax planning, financial planning, risk management, insurance planning, retirement savings, and income planning. The CFP® examination is designed to reliably and validly demonstrate an individual's comprehension and sophistication in the areas of securities and investing, such as quantitative investment concepts, measures of investment returns, asset allocation and portfolio diversification, bond and stock valuation concepts, portfolio development and analysis, investment strategies, and alternative investments.<sup>7</sup>

C. Persons obtaining such certification, designation, or credential can reasonably be expected to have sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of a prospective investment.

After obtaining the CFP® designation, CFP® professionals provide their Clients holistic financial planning advice and services, which often includes advice on securities transactions and securities-based investment strategies. For example, CFP® professionals provide a wide range of personalized investment advice principally to individuals and small businesses that includes advice on investments, investment strategy, and IRA rollovers, as well as estate planning, life insurance, and annuities. As such, CFP® professionals are expected to have sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of a prospective investment for each Client and should be able to do so for themselves, as well.

D. An indication that an individual holds the certification or designation is made publicly available by the relevant self-regulatory organization or another industry body.

CFP® professionals can be verified online through CFP Board's website: [www.cfp.net/verify-a-cfp-professional](http://www.cfp.net/verify-a-cfp-professional). CFP Board also makes publicly available on its website disciplinary information<sup>8</sup> and anonymous case histories<sup>9</sup> about CFP® professionals.

## **II. SEC-Registered and State-Registered Investment Adviser Representatives Should Qualify as Accredited Investors.**

The SEC's proposal contemplates that the Licensed Investment Adviser Representative (Series 65) designation will be "... included in an initial Commission order accompanying the final rule."<sup>10</sup> Since many states already waive the Series 65 examination requirement for CFP® professionals, this supports the Coalition's view that CFP® professionals should

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<sup>7</sup> [www.cfp.net/get-certified/certification-process/exam-requirement/about-the-cfp-exam/what-youll-be-tested-on](http://www.cfp.net/get-certified/certification-process/exam-requirement/about-the-cfp-exam/what-youll-be-tested-on)

<sup>8</sup> <https://www.cfp.net/ethics/enforcement/public-disciplinary-actions-by-state>

<sup>9</sup> <https://www.cfp.net/ethics/enforcement/anonymous-case-history>

<sup>10</sup> File Number S7-25-19, pg. 29.

qualify as accredited investors as well.<sup>11</sup> Additionally, many CFP® professionals are licensed as Series 65 IARs or fall within the definition of an investment adviser representative, depending on whether the planner provides advice, issues reports or analysis regarding securities, is in the business of providing such service, and provides such service for compensation.<sup>12</sup> Therefore, it would be appropriate to include SEC-registered and state-registered investment adviser representatives in the definition of “accredited investor.”

### III. Conclusion

The Coalition appreciates the opportunity to comment on the SEC Release No. 33-10734; 34-87784, File Number S7-25-19, Amending the “Accredited Investor” Definition. Should you have questions, please contact Maureen Thompson, Vice President, Public Policy Counsel, CFP Board, at 202-379-2281 or [mthompson@cfpboard.org](mailto:mthompson@cfpboard.org).

Sincerely,



Kevin R. Keller, CAE  
Chief Executive  
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CFP Board



Lauren Schadle, CAE  
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FPA®



Geoffrey Brown, CAE  
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<sup>11</sup> <https://securitiesexam.com/pages/series-65-exam-frequently-asked-questions>

<sup>12</sup> Applicability of Investment Advisers Act to Financial Planners, Pension Consultants, and Other Persons Who Provide Investment Advisory Services as a Component of Other Financial Services, SEC IA Release 1092 (October 8, 1987) (“IA-1092;”); 15 U.S.C. § 80b-2(a)(11).