

NEWS RELEASE

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Rostad Calls on CFA Orlando to Lead the Nation in “Putting Investors First”

*In remarks opening CFA Orlando’s ‘Putting Investors First’ month,
Institute president, Knut A. Rostad,
Challenges Local CFA Charterholders to make Orlando,
“Investors’ Best City in America”*

Orlando, Florida, May 3 – Knut A. Rostad, president of the Institute for the Fiduciary Standard calls on CFA Orlando members to think big about ‘Putting Investors First’ month and to make Orlando “Investors’ Best City in America” for investment and financial advice.

CFA Orlando is one of 147 CFA member societies worldwide that, according to CFA Institute, will “Host local events and call attention to the needs and rights of investors.” For information see https://www.cfainstitute.org/about/press/release/Pages/04262016_129478.aspx

In a dinner speech on the state of fiduciary advice, Rostad discusses how the Investment Advisers Act of 1940 was crafted to distinguish disinterested advice from conflicted sales. He also notes how a twenty – year battle (1995—2015) has transformed the meaning of advice at the SEC. Rostad borrows from the Apollo 13 movie to underscore his point, “Houston we have a problem.”

Rostad states, “Opposing views are clear. On one side, most of the financial services industry essentially advocates that everyone is a sales person and that conflicts are OK. On the other side is a view evident in the Advisers Act of 1940, history, law and logic. It is that advice and sales are inherently different and conflicts are inherently harmful.”

“Do more. Raise the bar. Speak out. Lead”

Rostad urges CFA Orlando members to act. “The current state of fiduciary advice and the widespread distrust among investors – distrust that persists seven years after the stock market low in March 2009 – represents a unique and precarious situation for investors and fiduciary advisors.”

“Advisors need to do more, raise the bar, speak out and lead,” Rostad stated. He also highlighted the Institute’s Best Practices for Financial Advisors for examples of what advisors should do to “raise the bar.” And cited CFA Institute’s “Realize Your Rights” as a tool to help investors find the right financial professional.

CFA Orlando: Make Orlando “Investors’ Best City in America”

In his call to action, Rostad urges CFA Orlando to think big and make Orlando “Investors’ Best City in America” for investment and financial advice. Specifically, Rostad calls on CFA Orlando to:

1. Urge all Orlando CFA members to adopt the CFA asset manager code of conduct at their firms
2. Urge all Orlando advisors to meet the Institute’s Best Practices for Financial Advisors
3. Reach across the aisle and invite other advisor groups’ local chapters to join the campaign
4. Launch campaign to make Orlando, “Investors’ Best City in America”

In closing, Rostad encourages CFA Orlando members, “Become activists. Ignore the naysayers. Remember Benjamin Graham – the “Father of Financial Analysis” and CFA’s indispensable original champion. Remember what Graham overcame and the advantages you have that Graham could only dream of. Then, go out and start something.”

Best Practices for Financial Advisors

The Institute’s Best Practices for Financial Advisors were released in September 2015. They can be found here: <http://www.thefiduciaryinstitute.org/wp-content/uploads/2015/09/BestPracticesSeptember302015.pdf>

In summary, Best Practices require advisors to:

1. Affirm the fiduciary standard governs at all times.
2. Ensure and document on request a “reasonable basis’ for advice.
3. Communicate clearly and put all important agreements in writing.
4. Disclose all fees and expenses paid by the client or from third parties.
5. Avoid conflicts. Disclose, manage and mitigate all unavoidable conflicts.
6. Abstain from principal trading.
7. Avoid compensation with client transactions; if unavoidable, demonstrate how the conflict is overcome and managed to serve the client’s interests.
8. Avoid gifts and entertainment that are not minimal and occasional.
9. Ensure baseline knowledge, competence and ongoing education.
10. Institute and investment policy statement or process.
11. Ensure that underlying investment expenses are reasonable.
12. Affirm adherence to Best Practices.

Institute for the Fiduciary Standard

The Institute for the Fiduciary Standard is a non-profit organization formed in Virginia to benefit investors and society by advancing fiduciary principles through research, education and advocacy. For more information: www.thefiduciaryinstitute.org.

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