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Don't Confuse Titles With Licenses, Warn SEC, NASAA

Regulators tell investors to work with a professional who is licensed, as it affords investors 'certain legal protections'



The Securities and Exchange Commission and state securities regulators are warning investors to not rely solely on a financial professional's title to determine whether the person has the expertise they need.

In a joint [Investor Bulletin](#), released Wednesday, the SEC and the North American Securities Administrators Association warn investors to ensure that they are working with a financial professional who is registered or licensed by federal or state authorities, as it affords investors "certain legal protections."

The bulletin explains that financial professional titles and licenses are not the same. "A financial professional may use various titles whether or not he or she is registered or licensed with a regulatory authority," the bulletin states.

The bulletin goes on to explain that some titles are granted by private organizations, such as a trade group. "While some private groups that grant titles may provide a method for the investor to complain about one of their members and can discipline a member for misconduct, there are other groups that do not take complaints or discipline their members," the bulletin states.

Other titles may be "simply purchased, or even made up by financial professionals hoping to imply that they have certain expertise or qualifications; such titles are generally marketing tools and are not granted by a regulator."

As with any title, investors should ask the following questions to verify the professional's title is legitimate.

- 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?
- To maintain the designation, are you required to take refresher courses?
- How can I verify your standing with this organization?

Professional organizations also may offer information online about the titles that they grant, the bulletin states. “In some cases, the granting organization’s website may allow you to verify that a person has earned a certain title.”

For instance, the bulletin notes that the website of the [Certified Financial Planner Board of Standards](#) allows visitors to search for CFP professionals to verify CFP certification.

“Even after checking, it may not be clear to you whether a title represents relevant expertise, a marketing tool, or something else,” the bulletin says. “That’s why you should always check the financial professional’s background, rather than relying solely on the professional’s title.”