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Voices: Russ Hill, on Why Firms Should Get CEFEX Certification

With the Centre for Fiduciary Excellence certification process, you start with a thorough audit

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Russ Hill

Voices is an occasional column that allows wealth managers to address issues of interest to the advisory community. Russ Hill is chairman and chief executive of Halbert Hargrove in Long Beach, Calif.

If you run a financial services firm that has grown significantly, there comes a time when you start to think beyond founding principles and begin to consider how you're managing people and systems. Are you actually doing what you say you're doing for your clients? Or to put it another way, are the processes and procedures that you've created working the way they should be?

Our decision to pursue a Centre for Fiduciary Excellence (CEFEX) certification grew out of a desire to test our systems and ensure that our clients receive the highest quality services. CEFEX is a global independent organization that evaluates whether an investment fiduciary is being managed according to international industry best practices, and is therefore trustworthy. Certification is not a one-time event; it's a process that you go through annually. For us it has been a tremendously useful way to improve our procedures.

When you develop workflows, it's important to check whether everyone is following procedure every time. It's human nature to take short cuts, especially when there are extenuating circumstances. For instance, there's a lot of pressure to sign up prospective clients, and that momentum might cause you to ignore a missing document or statement.

With the CEFEX certification process, you start with a thorough audit, and your files are checked each year. Did you have the meeting that you said you had? Did you do what you said you would do?

The first year that we went through the auditing process, we discovered that we were 90% there in some parts of our workflow, but the process got us to 100%. For instance, we found that some of our oldest clients had agreements that needed to be modified or replaced. Without a target date for certification, it's possible that we might not have pulled up those files in a timely way.

Not only is this process helpful for us, it has also been helpful for our clients. We've alerted our institutional clients to things that they should be doing differently due to changes in the law, including changes they should make to their agreements with third parties. Working together like that has strengthened our relationship.

A lot of people in small firms want to focus on clients, but if you grow beyond the boutique size, you need to manage systems and people. If you're not already heavily focused on systematization, going through the CEFEX certification process could be like getting a root canal. It's not always comfortable, but it's something you ought to do. Not only is it sensible from a business and regulatory standpoint, you can rest assured knowing that your firm is doing everything that you promise your clients you will do.