

CFP BOARD

ETHICS CE: CFP BOARD'S REVISED *CODE AND STANDARDS*

PROGRAM SUB-TITLE (IF APPLICABLE)

PRESENTING ORGANIZATION

DATE OF PRESENTATION

The content of this program is based on CFP Board's *Code of Ethics and Standards of Conduct (Code and Standards)*, which became effective on October 1, 2019.

CFP Board created and provided this slide deck to the CE Sponsor for presentation. The presenter's opinions do not necessarily represent those of CFP Board.

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1. Understand the structure and content of the revised *Code and Standards*, including significant changes from prior rules.
2. Describe CFP Board's Fiduciary Duty.
3. Identify Material Conflicts of Interest and How to Avoid, or Fully Disclose, Obtain Informed Consent, and Manage Them.
4. Understand the Duty to Report to CFP Board and the Duty to Cooperate.
5. Identify the *Practice Standards* When Providing Financial Advice that Requires Financial Planning or Financial Planning.
6. Understand the Duty to Provide Information to Clients When Providing Financial Advice and/or Financial Planning.

LEARNING OBJECTIVE 1

**UNDERSTAND THE STRUCTURE AND CONTENT
OF THE REVISED *CODE AND STANDARDS*, INCLUDING
SIGNIFICANT CHANGES FROM PRIOR RULES.**

- New Structure and Organization
- Overview of the Duties of a CFP® Professional
- Introduction to Significant Changes to Content
 - Fiduciary Duty
 - Conflicts of Interest
 - Duty to Report and Duty to Cooperate

CFP Board's *Code of Ethics and Standards of Conduct* reflects the commitment that all CFP® professionals make to high standards of competency and ethics. CFP Board's *Code and Standards* benefits and protects the public, provides standards for delivering financial planning, and advances financial planning as a distinct and valuable profession. Compliance with the *Code and Standards* is a requirement of CFP® certification that is critical to the integrity of the CFP® marks. Violations of the *Code and Standards* may subject a CFP® professional to discipline.

A CFP® professional must:

Act with honesty, integrity, competence, and diligence.

Act in the client's best interests.

Exercise due care.

Avoid or disclose and manage conflicts of interest.

Maintain the confidentiality and protect the privacy of client information.

Act in a manner that reflects positively on the financial planning profession and CFP® certification.

Standards of Conduct – Six Sections

CFP BOARD

***A.
Duties Owed to Clients***

***D.
Duties Owed to Firms and
Subordinates***

***B.
Financial Planning and
Application of the Practice
Standards for the Financial
Planning Process***

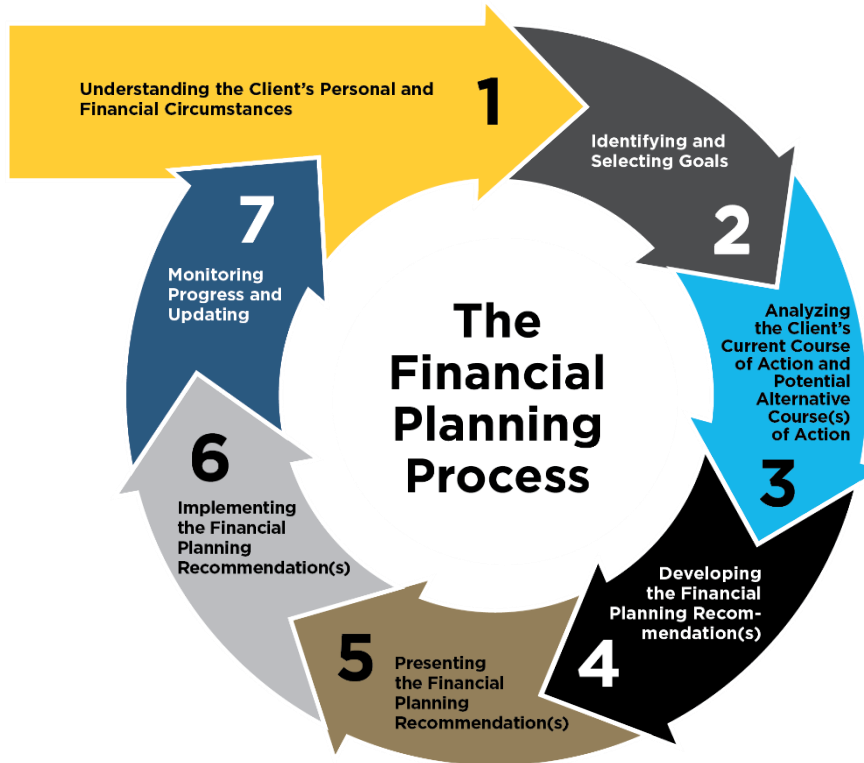
***E.
Duties Owed to CFP Board***

***C.
Practice Standards for the
Financial Planning Process***

***F.
Prohibition on Circumvention***

The Practice Standards for the Financial Planning Process

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Definition:

Financial Planning is a collaborative process that helps maximize a Client's potential for meeting life goals through Financial Advice that integrates relevant elements of the Client's personal and financial circumstances.

GLOSSARY

CFP® Professional's Firm(s). Any entity on behalf of which a CFP® professional provides Professional Services to a Client, and that has the authority to exercise control over the CFP® professional's activities, including the CFP® professional's employer, broker-dealer, registered investment adviser, insurance company, and insurance agency.

Client. Any person, including a natural person, business organization, or legal entity, to whom the CFP® professional provides or agrees to provide Professional Services pursuant to an Engagement.

Conflict of Interest.

- a. When a CFP® professional's interests (including the interests of the CFP® Professional's Firm) are adverse to the CFP® professional's duties to a Client, or
- b. When a CFP® professional has duties to one Client that are adverse to another Client.

Control. The power, directly or indirectly, to direct the management or policies of the entity at the relevant time, through ownership, by contract, or otherwise.

Control Person. A person who has Control.

Engagement. An oral or written agreement, arrangement, or understanding.

STANDARD A.1: FIDUCIARY DUTY

**STANDARD A.5: CONFLICTS OF
INTEREST**

STANDARD E.3: DUTY TO REPORT

DUTIES of a CFP® Professional

Duties of a CFP® Professional

CFP Board's *Code of Ethics and Standards of Conduct* reflects the commitment that all CFP® professionals make to high standards of competency and ethics.

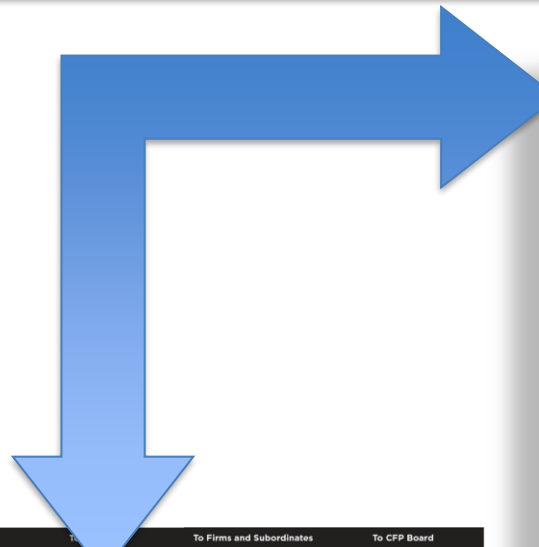
	To Clients	To Firms and Subordinates	To CFP Board
At All Times	<ul style="list-style-type: none"> • Integrity • Competence • Diligence • Sound and Objective Professional Judgment • Professionalism • Comply with the Law • Confidentiality and Privacy • Duties When Communicating with a Client • Duties When Representing Compensation Method • Duties When Selecting, Using, and Recommending Technology • Refrain from Borrowing or Lending Money and Commingling Financial Assets 	<ul style="list-style-type: none"> • Use Reasonable Care When Supervising • Comply with Lawful Objectives of CFP® Professional's Firm • Provide Notice of Public Discipline 	<ul style="list-style-type: none"> • Refrain from Adverse Conduct • Reporting • Provide Narrative Statement • Cooperation • Compliance with <i>Terms and Conditions of Certification and Trademark License</i>
Financial Advice	<ul style="list-style-type: none"> • The Duties That Apply At All Times (see above) • Fiduciary Duty • Disclose and Manage Conflicts of Interest • Provide Information to a Client • Duties When Recommending, Engaging, and Working with Additional Persons 		
Financial Planning	<ul style="list-style-type: none"> • The Duties That Apply When Providing Financial Advice (see above) • The Practice Standards for the Financial Planning Process • Information to a Client in Writing 		

A CFP® Professional Has Duties That Apply:



Duties of a CFP® Professional: To Clients

CFP BOARD



	To Clients	To Firms and Subordinates	To CFP Board
At All Times	<ul style="list-style-type: none"> • Integrity • Competence • Diligence • Sound and Objective Professional Judgment • Professionalism • Comply with the Law • Confidentiality and Privacy • Duties When Communicating with a Client • Duties When Representing Compensation Method • Duties When Selecting, Using, and Recommending Technology • Refrain from Borrowing or Lending Money and Commingling Financial Assets 	<ul style="list-style-type: none"> • Use Reasonable Care When Supervising • Comply with Lawful Objectives of CFP® Professional's Firm • Provide Notice of Public Discipline 	<ul style="list-style-type: none"> • Refrain from Adverse Conduct • Reporting • Provide Narrative Statement • Cooperation • Compliance with Terms and Conditions of Certification and Trademark License
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Financial Planning	<ul style="list-style-type: none"> • The Duties That Apply When Providing Financial Advice (see above) • The Practice Standards for the Financial Planning Process • Information to a Client in Writing 		

A CFP® Professional Has Duties That Apply:



To Clients	
At All Times	<ul style="list-style-type: none"> • Integrity • Competence • Diligence • Sound and Objective Professional Judgment • Professionalism • Comply with the Law • Confidentiality and Privacy • Duties When Communicating with a Client • Duties When Representing Compensation Method • Duties When Selecting, Using, and Recommending Technology • Refrain from Borrowing or Lending Money and Commingling Financial Assets

L.O.1: REQUIRED EXERCISE 1

CFP BOARD

EXERCISE

The video below is found in the Compliance Resources.

Play the following video:

Understanding the Term "Fee Based"

<https://www.cfp.net/ethics/compliance-resources/2019/02/understanding-the-term-fee-based>

Time 1:28 (min:sec)

Duties: Representing Compensation

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To Clients	
At All Times	<ul style="list-style-type: none">• Integrity• Competence• Diligence• Sound and Objective Professional Judgment• Professionalism• Comply with the Law• Confidentiality and Privacy• Duties When Communicating with a Client
	<ul style="list-style-type: none">• Duties When Representing Compensation Method• Duties When Selecting, Using, and Recommending Technology• Refrain from Borrowing or Lending Money and Commingling Financial Assets

**Are you
Fee Only?**

EXERCISE

REQUIRED: Please present and instruct on the following case study:

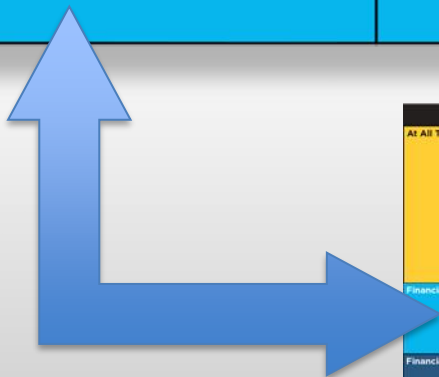
Case Study	Compliance Resources Link Location
<u>A CFP® PROFESSIONAL FIRM'S SALES-RELATED COMPENSATION</u>	<u>https://www.cfp.net/ethics/compliance-resources/2019/11/a-cfp-professional-firms-sales-related-compensation</u>

Duties: Working With Additional Persons

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Financial Advice

- The Duties That Apply At All Times (see above)
- Fiduciary Duty
- Disclose and Manage Conflicts of Interest
- Provide Information to a Client
- Duties When Recommending, Engaging, and Working with Additional Persons



	To Clients	To Firms and Subordinates	To CFP Board
At All Times	<ul style="list-style-type: none">• Integrity• Competence• Diligence• Sound and Objective Professional Judgment• Professionalism• Comply with the Law• Confidentiality and Privacy• Duties When Communicating with a Client• Duties When Representing Compensation Method• Duties When Selecting, Using, and Recommending Technology• Refrain from Borrowing or Lending Money and Contingent Financial Assets	<ul style="list-style-type: none">• Use Reasonable Care When Supervising• Comply with Lawful Objectives of CFP® Professional's Firm• Provide Notice of Public Discipline	<ul style="list-style-type: none">• Refrain from Adverse Conduct• Reporting• Provide Narrative Statement• Cooperation• Compliance with Terms and Conditions of Certification and Trademark License
Financial Advice	<ul style="list-style-type: none">• The Duties That Apply At All Times (see above)• Fiduciary Duty• Disclose and Manage Conflicts of Interest• Provide Information to a Client• Duties When Recommending, Engaging, and Working with Additional Persons		
Financial Planning	<ul style="list-style-type: none">• The Duties That Apply When Providing Financial Advice (see above)• The Practice Standards for the Financial Planning Process• Information to a Client in Writing		

A CFP® Professional Has Duties That Apply:



CFP BOARD

DETAILS OF SIGNIFICANT CHANGES

LEARNING OBJECTIVES 2 TO 4

LEARNING OBJECTIVE 2

DESCRIBE CFP BOARD'S FIDUCIARY DUTY

The video below are found in the Compliance Resources.

Play the following video:

THE FIDUCIARY OBLIGATION

- <https://www.cfp.net/ethics/compliance-resources/2018/12/the-fiduciary-obligation>
- Time 1:50 (min:sec)

The cornerstone of the *Code and Standards* is the Fiduciary Duty. At all times when providing Financial Advice to a Client, a CFP® professional must act as a fiduciary and, therefore, act in the best interests of the Client.

What does it mean to act as a fiduciary and, therefore, act in the best interests of the Client? A CFP® professional must fulfill the following duties:

FIDUCIARY DUTY

= Duty of Loyalty

+

Duty of Care

+

Duty to Follow Client
Instructions

EXERCISE

REQUIRED: Please present and instruct on the following case study:

Case Study	Compliance Resources Link Location
<u>Apply the Fiduciary Duty to Client Instructions that Conflict with the Duty of Care</u>	<u>https://www.cfp.net/ethics/compliance-resources/2019/11/applying-the-fiduciary-duty-to-client-instructions-that-conflict-with-the-duty-of-care</u>

EXERCISE

REQUIRED: Please present and instruct on the following case study:

Case Study	Compliance Resources Link Location
<u>The Duty to Follow a Client's Instruction to Use a Specific Firm for Execution</u>	<u>https://www.cfp.net/ethics/compliance-resources/2019/10/the-duty-to-follow-a-clients-instruction-to-use-a-specific-firm-for-execution</u>

EXERCISE

REQUIRED: Please present and instruct on the following case study:

Case Study	Compliance Resources Link Location
<u>The Fiduciary Duty and an A Share Class Recommendation</u>	<u>https://www.cfp.net/ethics/compliance-resources/2019/11/the-fiduciary-duty-and-an-a-share-class-recommendation</u>

LEARNING OBJECTIVE 3

IDENTIFY MATERIAL CONFLICTS OF INTEREST AND HOW TO AVOID, OR FULLY DISCLOSE, OBTAIN INFORMED CONSENT, AND MANAGE THEM.

A CFP® professional must avoid or disclose, obtain informed consent and manage material conflicts of interest.

■ **Material:**

- When a reasonable Client or prospective Client would consider the Conflict of Interest important in making a decision

A “Conflict of Interest” arises when:

- A CFP® professional’s interests (including the interests of the CFP® Professional’s Firm) are adverse to the CFP® professional’s duties to a Client; or
- A CFP® professional has duties to one Client that are adverse to another Client.

- Compensation and Incentives
- Acting for Multiple Clients
- 401k Rollover
- Affiliate Products
 - Higher commission

L.O.3: REQUIRED EXERCISE 1

CFP BOARD

EXERCISE

REQUIRED: Please present and instruct the following case study:

Case Study	Compliance Resources Location
<u>The Duty to Disclose and Manage Material Conflicts of Interest Involving Proprietary Products</u>	<u>https://www.cfp.net/ethics/compliance-resources/2019/11/the-duty-to-disclose-and-manage-material-conflicts-of-interest-involving-proprietary-products</u>

L.O.3: REQUIRED EXERCISE 2

CFP BOARD

EXERCISE

REQUIRED: Please present and instruct the following case study:

Case Study	Compliance Resources Location
<u>THE DUTY TO DISCLOSE MATERIAL CONFLICTS OF INTEREST WHEN RECOMMENDING A PRODUCT ISSUED BY AN AFFILIATE</u>	<u>https://www.cfp.net/ethics/compliance-resources/2019/10/the-duty-to-disclose-material-conflicts-of-interest-when-recommending-a-product-issued</u>

EXERCISE

REQUIRED: Please present and instruct the following case study:

Case Study	Compliance Resources Location
<u>THE DUTY TO DISCLOSE MATERIAL CONFLICTS OF INTEREST WHEN RESPONDING TO A CLIENT'S INVESTMENT INQUIRY</u>	<u>https://www.cfp.net/ethics/compliance-resources/2019/10/the-duty-to-disclose-material-conflicts-of-interest-when-responding-to-a-clients-investment-inquiry</u>

EXERCISE

REQUIRED: Please present and instruct the following case study:

Case Study	Compliance Resources Location
<u>THE DUTY TO DISCLOSE MATERIAL CONFLICTS OF INTEREST WHEN MAKING A ROLLOVER RECOMMENDATION</u>	<u>https://www.cfp.net/ethics/compliance-resources/2019/10/the-duty-to-disclose-material-conflicts-of-interest-when-making-a-rollover-recommendation</u>

For Material Conflicts that are not avoided:

- Provide Full Disclosure;
- Obtain Client's Informed Consent; and
- Properly Manage the Conflict.

■ Disclose “Sufficiently Specific Facts”

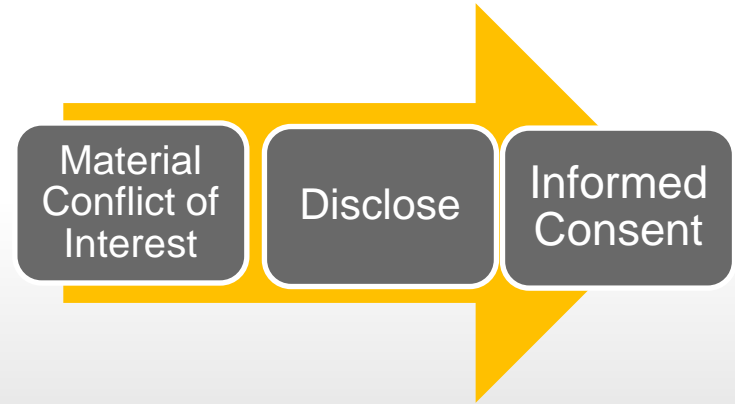
- Would a reasonable Client understand the conflict and how it could affect the advice?
- Ambiguity interpreted in favor of the Client

■ Delivery

- Written disclosure is not required
- Oral disclosure weighed as CFP Board deems appropriate

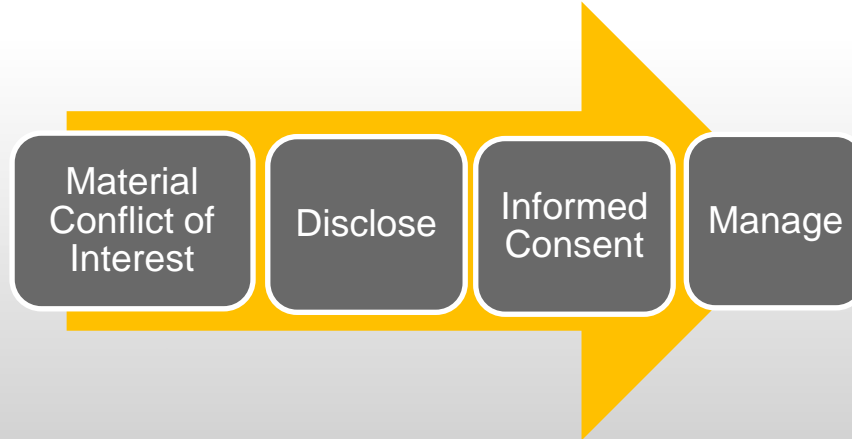
■ Obtain Informed Consent

- Written consent is not required
- When will consent be inferred?



Management of Conflicts

- Must adopt and follow business practices reasonably designed to prevent Material Conflicts from compromising the CFP® professional's ability to act in the Client's best interests

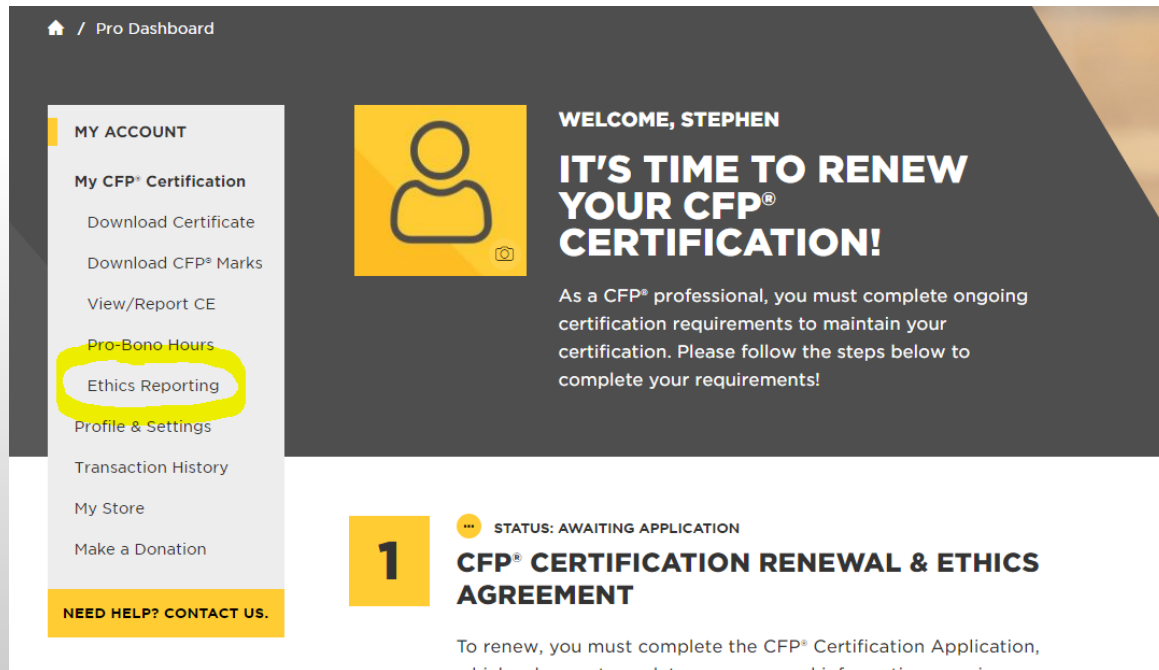


LEARNING OBJECTIVE 4

**UNDERSTAND THE DUTY TO REPORT TO CFP BOARD AND
THE DUTY TO COOPERATE.**

- The Duty to Report and the Duty to Cooperate are key elements of an enforcement program that seeks to detect potential misconduct. A significant component of the value of CFP® certification is derived from the fact that CFP Board enforces the *Code and Standards*.
- A CFP® professional's failure to report the required information to CFP Board constitutes a violation of the *Code and Standards*, even if the matter that the CFP® professional was required to report does not reveal misconduct.
- Effective January 2024, the sanction guideline for a violation of the Duty to Report will be a public censure.

- Applies at the initiation and the conclusion of the reportable matter.
- The information must be reported within 30 days.
- Must include a narrative statement that describes the material facts and the outcome or status of the reportable matter.
- Online reporting form that is located at [CFP.net/ethics/reporting](https://www.cfp.net/ethics/reporting).
- Contact CFP Board if you have questions. You may seek guidance on the Duty to Report at compliance@cfpboard.org.



The screenshot displays the 'Pro Dashboard' interface. On the left, a 'MY ACCOUNT' sidebar menu lists various options: 'My CFP® Certification', 'Download Certificate', 'Download CFP® Marks', 'View/Report CE', 'Pro-Bono Hours', 'Ethics Reporting' (highlighted with a yellow circle), 'Profile & Settings', 'Transaction History', 'My Store', and 'Make a Donation'. Below this menu is a yellow button that says 'NEED HELP? CONTACT US.'.

The main content area features a large yellow icon of a person and a message: 'WELCOME, STEPHEN IT'S TIME TO RENEW YOUR CFP® CERTIFICATION!'. Below this, it states: 'As a CFP® professional, you must complete ongoing certification requirements to maintain your certification. Please follow the steps below to complete your requirements!'. At the bottom, a section titled '1 CFP® CERTIFICATION RENEWAL & ETHICS AGREEMENT' indicates the 'STATUS: AWAITING APPLICATION' and begins to explain the renewal process.

- Easily accessible from Dashboard
- Always available
- Reports stored in permanent record

You Are Required to Report:

CFP BOARD

Felonies &
Misdemeanors

Been charged with, convicted of, or admitted into a program that defers or withholds the entry of a judgment or conviction for, a **Felony** or **Relevant Misdemeanor**.

Initiation of Regulatory
Investigations/Actions

Been named as a subject of, or whose conduct is mentioned adversely in, a **Regulatory Investigation** or **Regulatory Action** alleging failure to comply with the laws, rules, or regulations governing **Professional Services**.

Findings in Regulatory
Action

Had conduct mentioned adversely in a **Finding** in a **Regulatory Action** involving failure to comply with the laws, rules, or regulations governing **Professional Services** (except a **Regulatory Action** involving a **Minor Rule Violation** in a **Regulatory Action** brought by a self-regulatory organization).

Initiation of a Lawsuit
or Arbitration
Alleging Professional
Misconduct

Had conduct mentioned adversely in a **Civil Action** alleging failure to comply with the laws, rules, or regulations governing **Professional Services**.

You Are Required to Report

Resolutions of
Lawsuit or Arbitration
Alleging Professional
Misconduct

Become aware of an adverse arbitration award or civil judgment, or a settlement agreement, in a **Civil Action** alleging failure to comply with the laws, rules, or regulations governing **Professional Services**, where the conduct of the CFP® professional, or an entity over which the CFP® professional was a **Control Person**, was mentioned adversely, other than a settlement for an amount less than \$15,000.

Initiation of Lawsuit or
Arbitration Alleging
Dishonest Conduct

Had conduct mentioned adversely in a **Civil Action** alleging fraud, theft, misrepresentation, or other dishonest conduct.

Findings of Dishonest
Conduct

Been the subject of a **Finding** of fraud, theft, misrepresentation, or other dishonest conduct in a **Regulatory Action** or **Civil Action**.

Adverse Award or
Judgment

Become aware of an adverse arbitration award or civil judgment, or a settlement agreement in a **Civil Action** alleging fraud, theft, misrepresentation, or other dishonest conduct, where the conduct of the CFP® professional, or an entity over which the CFP® professional was a **Control Person**, was mentioned adversely.

You Are Required to Report

CFP BOARD

Adverse impact on License, Certification or Membership	Had a professional license, certification, or membership suspended, revoked, or materially restricted because of a violation of rules or standards of conduct.
Termination	Been terminated for cause from employment or permitted to resign in lieu of termination when the cause of the termination or resignation involved allegations of dishonesty, unethical conduct, or compliance failures.
Customer Complaint	Been named as the subject of, or been identified as the broker/adviser of record in, any written, customer-initiated complaint that alleged the CFP® professional was involved in: i. Forgery, theft, misappropriation, or conversion of Financial Assets ; ii. Sales practice violations and contained a claim for compensation of \$5,000 or more; or iii. Sales practice violations and settled for an amount of \$15,000 or more.

You Are Required to Report

Bankruptcy	Filed for or been the subject of a personal bankruptcy or business bankruptcy where the CFP® professional was a Control Person .
Federal Tax Lien	Received notice of a federal tax lien on property owned by the CFP® professional.
Non- Federal Tax Lien, Judgment Lien or Civil Judgment	Failed to satisfy a non-federal tax lien, judgment lien, or civil judgment within one year of its date of entry, unless payment arrangements have been agreed upon by all parties.

The *Code and Standards* (Standard E.5.) also expands upon a CFP® professional's Duty to Cooperate.

- A CFP® professional may not make false or misleading representations to CFP Board or obstruct CFP Board in the performance of its duties.
- A CFP® professional also must cooperate fully with CFP Board's requests, investigations, disciplinary proceedings, and disciplinary decisions.
- As described more fully in CFP Board's *Procedural Rules* (Article 1.3), cooperation includes providing documents and information, admitting or denying facts, appearing for oral examination, and using reasonable efforts to obtain documents, information, and witness appearances from third parties.

L.O.4: REQUIRED EXERCISE

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EXERCISE

REQUIRED: Please open the document, identify the different sections, and identify the different categories listed in the document.

Document	Compliance Resources Location
DUTY TO REPORT INFORMATION TO CFP BOARD AND DUTY TO COOPERATE WITH CFP BOARD INVESTIGATIONS	<p>Page Link: https://www.cfp.net/ethics/compliance-resources/2020/06/duty-to-report-information-to-cfp-board-and-duty-to-cooperate-with-cfp-board-investigations</p> <p>Document PDF Link: https://www.cfp.net/-/media/files/cfp-board/standards-and-ethics/cfp-board-duty-to-report-and-cooperate.pdf</p>

LEARNING OBJECTIVE 5

**IDENTIFY THE *PRACTICE STANDARDS* WHEN PROVIDING
FINANCIAL ADVICE THAT REQUIRES
FINANCIAL PLANNING OR FINANCIAL PLANNING**

The video below are found in the Compliance Resources.

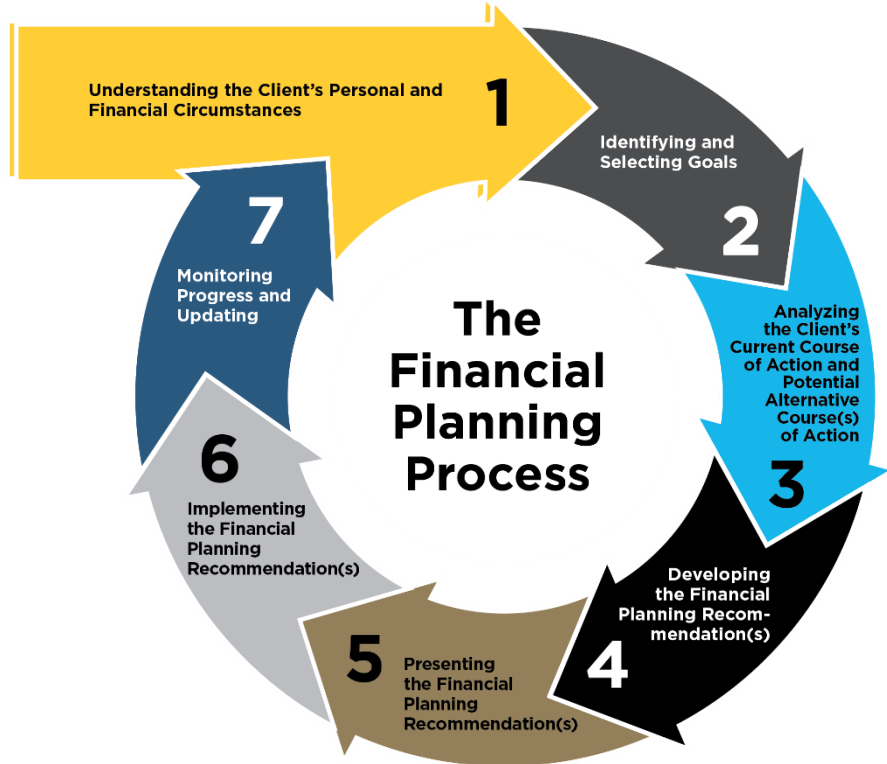
■ Play the following video:

■ **WHAT IS FINANCIAL PLANNING?**

- <https://www.cfp.net/ethics/compliance-resources/2019/05/what-is-financial-planning>
- Time 1:22

The *Practice Standards* Apply When:

- The CFP® professional:
 - agrees to provide or provides Financial Planning
 - agrees to provide or provides Financial Advice that requires integration of relevant elements to act in Client's best interests
- The Client has a reasonable basis to believe the CFP® professional will provide or has provided Financial Planning



The video below are found in the Compliance Resources.

- Play the following video:

INTEGRATION FACTORS

- <https://www.cfp.net/ethics/compliance-resources/2019/05/integration-factors>
- Time 1:32

If a CFP® professional otherwise must comply with the *Practice Standards*, but the Client does not agree to engage for Financial Planning, a CFP® professional must either:

- Not enter into the Engagement
- Limit the scope to services that do not require Financial Planning
- Provide the requested service but explain how Financial Planning will benefit the Client and how not providing Financial Planning will limit the Financial Advice
- Terminate the Engagement

A Review of the Seven Steps

When to Document:

A CFP® professional must act prudently in documenting information, as the facts and circumstances require, taking into account:

- The significance of the information;
- The need to preserve the information in writing;
- The obligation to act in the Client's best interest; and
- The Firm's policies and procedures.

Acceptable Documentation:

- CRM software;
- Handwritten notes; or
- Emails

WHEN IN DOUBT, DOCUMENT

EXERCISE

The guidance below is found in the Compliance Resources.

REQUIRED: Please present and review the content within this video.

Video	Compliance Resources Location
THE FIRST THREE STEPS OF THE FINANCIAL PLANNING PROCESS	https://www.cfp.net/ethics/compliance-resources/2019/08/the-first-three-steps-of-the-financial-planning-process Time: 1:39

EXERCISE

REQUIRED: Please present and instruct the following case study:

Case Study	Compliance Resources Location
<u>INTERPRETING THE PRACTICE STANDARD FOR IDENTIFYING AND SELECTING GOALS</u>	<u>https://www.cfp.net/ethics/compliance-resources/2020/07/case-study-interpreting-the-practice-standard-for-identifying-and-selecting-goals</u>

EXERCISE

REQUIRED: Please present and review the content within this video.

Video	Compliance Resources Location
THE FOURTH AND FIFTH STEPS OF THE FINANCIAL PLANNING PROCESS	https://www.cfp.net/ethics/compliance-resources/2019/08/the-fourth-and-fifth-steps-of-the-financial-planning-process Time: 1:16

EXERCISE

REQUIRED: Please present and review the content within this video.

Video	Compliance Resources Location
THE SIXTH AND SEVENTH STEPS OF THE FINANCIAL PLANNING PROCESS	https://www.cfp.net/ethics/compliance-resources/2019/09/the-sixth-and-seventh-steps-of-the-financial-planning-process Time: 2:30

EXERCISE

REQUIRED: Please present and instruct the following case study:

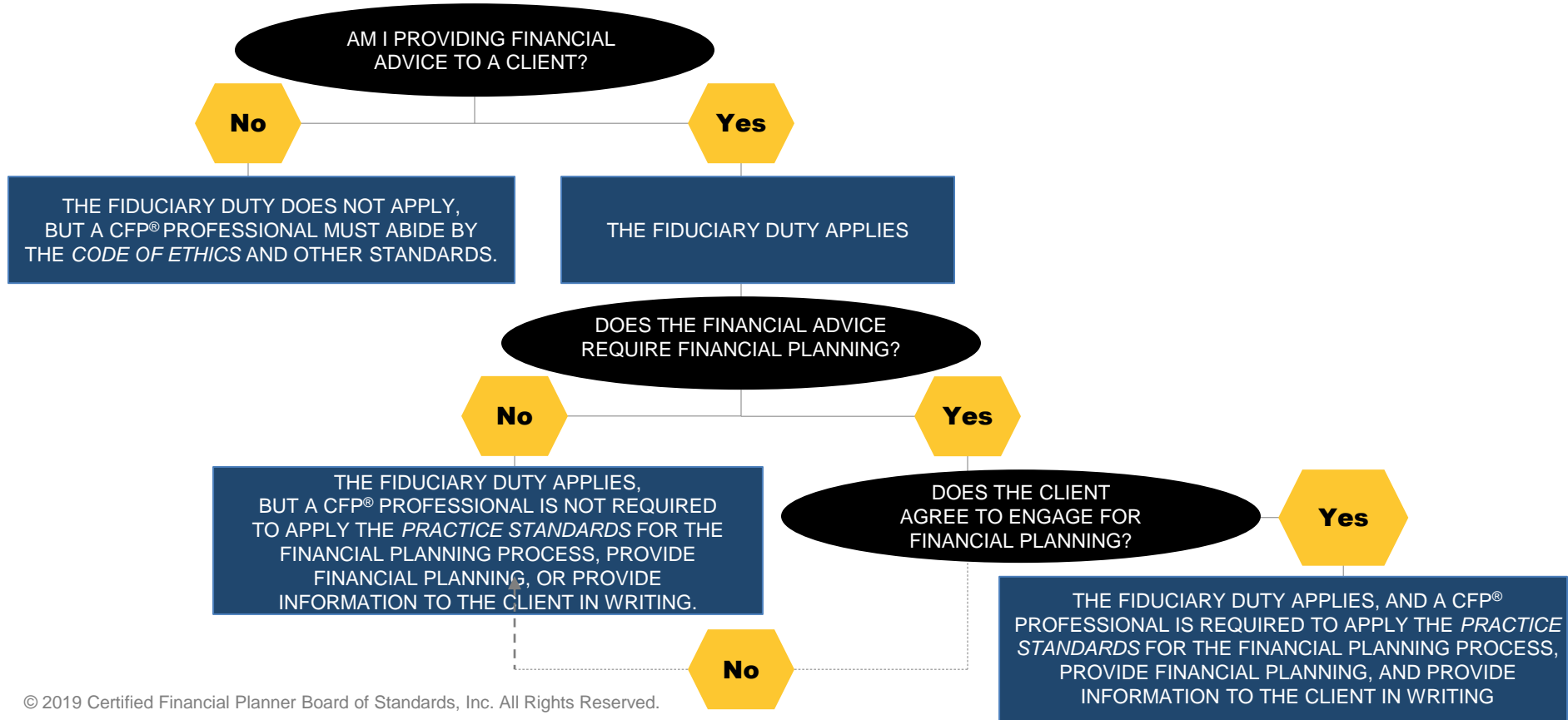
Case Study	Compliance Resources Location
<u>INTERPRETING THE PRACTICE STANDARD FOR IMPLEMENTING THE FINANCIAL PLANNING RECOMMENDATION(S)</u>	<u>https://www.cfp.net/ethics/compliance-resources/2020/07/case-study-interpreting-the-practice-standard-for-implementing-the-financial-planning-recommendation</u>

LEARNING OBJECTIVE 6

UNDERSTAND THE DUTY TO PROVIDE INFORMATION TO CLIENTS WHEN PROVIDING FINANCIAL ADVICE AND/OR FINANCIAL PLANNING.

The Financial Advice Framework

CFP BOARD



Am I Providing Financial Advice?

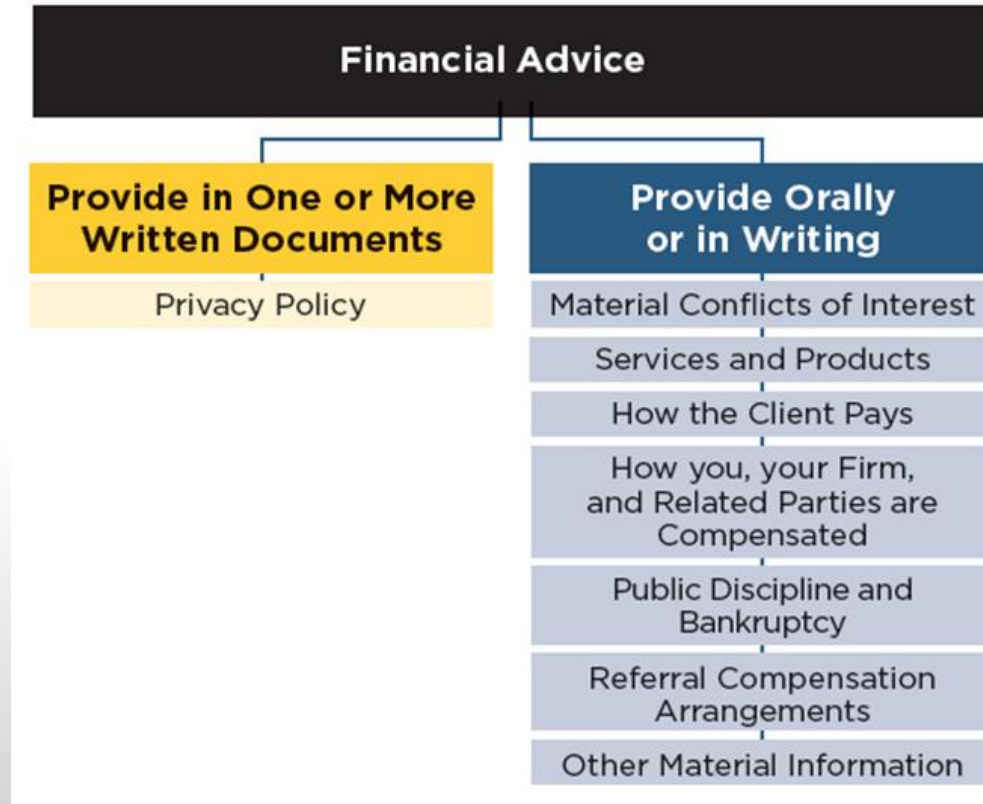
CFP BOARD

WHAT IS FINANCIAL ADVICE?

- A communication that, based on its content, context, and presentation, would reasonably be viewed as a recommendation that the Client take or refrain from taking a particular course of action with respect to:
 - The development or implementation of a Financial Plan;
 - The value of or the advisability of investing in, purchasing, holding, gifting, or selling Financial Assets;
 - Investment policies or strategies, portfolio composition, the management of Financial Assets, or other financial matters; or
 - The selection and retention of other persons to provide financial or Professional Services to the Client; or
- The exercise of discretionary authority over the Financial Assets of a Client.

WHAT IS NOT FINANCIAL ADVICE?

- A communication that, based on its content, context, and presentation, would not reasonably be viewed as a recommendation;
- Responses to directed orders; and
- The following, if a reasonable CFP® professional would not view it as Financial Advice:
 - Marketing Materials;
 - General Financial Education; and
 - General Financial Communications.



L.O.6: REQUIRED EXERCISE 1

CFP BOARD

EXERCISE

REQUIRED: Please present and instruct the following case study:

Case Study	Compliance Resources Location
<u>THE DELIVERY OF FIRM RESEARCH DOES NOT CONSTITUTE FINANCIAL ADVICE</u>	<u>https://www.cfp.net/ethics/compliance-resources/2019/11/the-delivery-of-firm-research-does-not-constitute-financial-advice</u>

L.O.6: REQUIRED EXERCISE 2

CFP BOARD

EXERCISE

REQUIRED: Please open the document, identify the different sections, and identify the different categories listed in the document.

Document	Compliance Resources Location
FINANCIAL ADVICE ENGAGEMENTS COMPLIANCE CHECKLIST	<p>Page Link: https://www.cfp.net/ethics/compliance-resources/2020/06/compliance-checklist-financial-advice-engagements-and</p> <p>Document PDF Link: https://www.cfp.net/-/media/files/cfp-board/standards-and-ethics/Compliance-Resources/CFP-Board-Guidance-FA-Checklist.pdf</p>

Am I Providing Financial Planning?

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Have I agreed to provide or have I provided Financial Planning?

☐ YES ☐ NO

Does the Financial Advice I agreed to provide require integration of relevant elements of the Client's personal and/or financial circumstances in order to act in the Client's best interests, taking into account the Integration Factors set forth to the right?

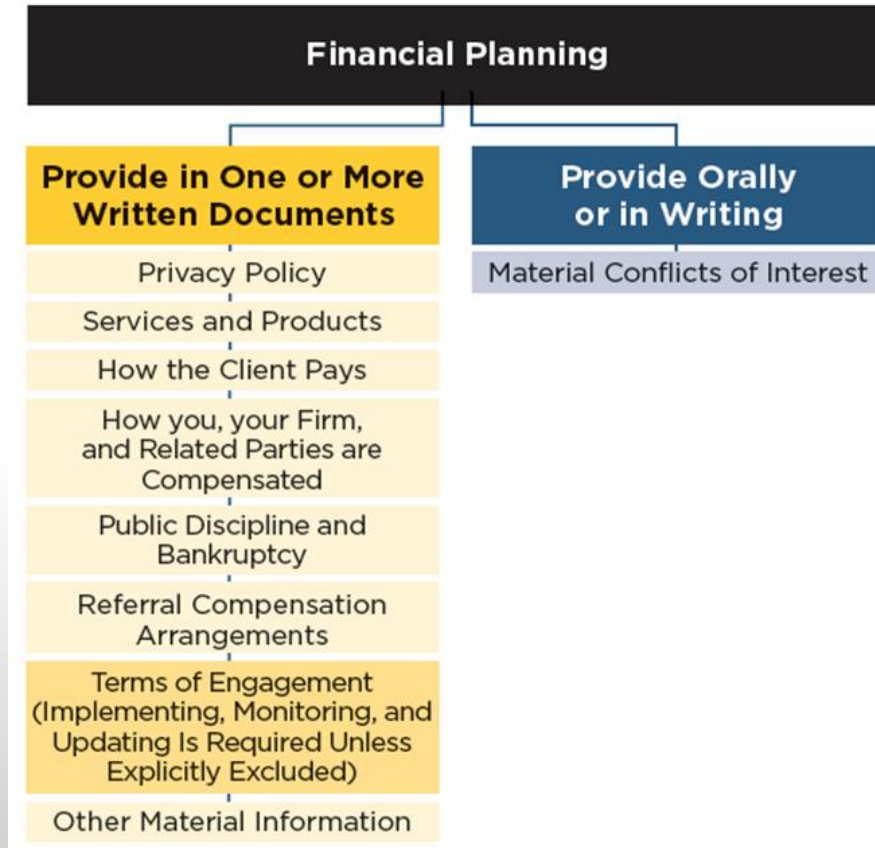
☐ YES ☐ NO

Does the Client have a reasonable basis to believe that I will provide or have provided Financial Planning?

☐ YES ☐ NO

Integration Factors:

- The number of relevant elements of the Client's personal and financial circumstances that the Financial Advice may affect;
- The portion and amount of the Client's Financial Assets that the Financial Advice may affect;
- The length of time the Client's personal and financial circumstances may be affected by the Financial Advice;
- The effect on the Client's overall exposure to risk if the Client implements the Financial Advice; and
- The barriers to modifying the actions taken to implement the Financial Advice.



L.O.6: REQUIRED EXERCISE 3

CFP BOARD

EXERCISE

REQUIRED: Please open the document, identify the different sections, and identify the different categories listed in the document.

Document	Compliance Resources Location
FINANCIAL PLANNING ENGAGEMENTS COMPLIANCE CHECKLIST	<p>Page Link: https://www.cfp.net/ethics/compliance-resources/2020/06/compliance-checklist-financial-planning-engagements</p> <p>Document PDF Link: https://www.cfp.net/-/media/files/cfp-board/standards-and-ethics/Compliance-Resources/CFP-Board-Guidance-FP-Checklist.pdf</p>

- **Timing** -The required information must be provided prior to or at the time of the Engagement.
- **Delivery** - Does not require the information be provided to the Client in writing when the CFP® professional is only providing Financial Advice. However, a CFP® professional must document the fact that the information was provided to the Client.
- **Updating** A CFP® professional has an ongoing obligation to provide to the Client any information that is a Material change or update to the information required to be provided to the Client.

REVIEW

CASE STUDY VIDEOS

REVIEW CASE STUDY VIDEOS

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EXERCISE

For each case study video,

- Play the video and initiate review discussion

Case Study	Compliance Resources Location
<u>THE FIDUCIARY DUTY APPLIES TO AN OPINION ABOUT A FINANCIAL ASSET</u>	<u>https://www.cfp.net/ethics/compliance-resources/2020/03/case-study-the-fiduciary-duty-applies-to-an-opinion-about-a-financial-asset</u>
<u>THE DUTY TO DISCLOSE MATERIAL CONFLICTS OF INTEREST WHEN MAKING A ROLLOVER RECOMMENDATION</u>	<u>https://www.cfp.net/ethics/compliance-resources/2020/03/case-study-the-duty-to-disclose-material-conflicts-of-interest-when-making-a-rollover-recommendation</u>
<u>THE FIDUCIARY DUTY TO OBTAIN FACTUAL INFORMATION WHEN WORKING ON A TEAM</u>	<u>https://www.cfp.net/ethics/compliance-resources/2020/06/the-fiduciary-duty-to-obtain-factual-information</u>

Many resources related to the Ethics CE program can be found at: <https://www.cfp.net/ethics/compliance-resources>

Additionally, more general information about the CFP Board *Code of Ethics* and *Standards of Conduct* can be found on this page: <https://www.cfp.net/ethics/our-commitment>

THANK YOU.