CERTIFIED FINANCIAL PLANNER
BOARD OF STANDARDS, INC.

1425 K Street, NW, Suite 500, Washington, DC 20005 P: 202-379-2200 F: 202-379-2299 E: mail@CFPBoard.org W: www.CFP.net

Proposed Technical Corrections to CFP Board's *Standards of Professional Conduct*

The Board of Directors of Certified Financial Planner Board of Standards, Inc. ("CFP Board") requests comments on the following proposed technical corrections to its *Standards of Professional Conduct*. The proposed technical corrections are intended to clarify ambiguities, eliminate redundancies and add terminology to achieve consistency between the *Standards* and other CFP Board publications.

Any individual or group wishing to comment on the proposed technical corrections should submit written comments no later than April 29, 2009. Comments may be sent to CFP Board by e-mail to standards@CFPBoard.org or by mail to:

CFP Board
c/o Michael P. Shaw, Esq.
1425 K St., NW, Suite 500
Washington, DC 20005

Comments received will be reviewed and considered by CFP Board's Board of Directors and will be posted to CFP Board's Web site in their entirety. If you wish your comment to remain confidential, please omit any personally-identifying information from your comment or include in your comment a clearly-stated request that it not be published.

CFP BOARD'S STANDARDS OF PROFESSIONAL CONDUCT

Introduction

Certified Financial Planner Board of Standards, Inc. (CFP Board) is a certification and standards-setting~~regulatory~~ organization founded in 1985 ~~to~~ that benefits the public by establishing and enforcing education, examination, experience and ethics requirements for CFP® certificants. CFP Board has exclusive authority to determine who may use the CFP®, CERTIFIED FINANCIAL PLANNER™ and CFP certification marks (the CFP® marks) in the United States. CFP Board conditions the permission it grants individuals to use these marks on their agreement to abide by certain terms and conditions specified by CFP Board, including those set forth below.

As part of the CFP® certification process and the terms and conditions imposed upon certificants and registrants, CFP Board maintains professional standards necessary for competency and ethics in the financial planning profession. Through its *Code of Ethics and Professional Responsibility* (*Code of Ethics*), CFP Board identifies the ethical principles certificants and registrants should meet in all of their professional activities. Through its *Rules of Conduct,* CFP Board establishes binding professional and ethical norms that protect the public and advance professionalism. CFP Board's *Financial Planning Practice Standards (Practice Standards)* describe the best practices expected of certificants engaged in financial planning and refer to those sections of the *Rules of Conduct* that provide ethical guidance. Through its *Disciplinary Rules and Procedures* (*Disciplinary Rules*), CFP Board enforces the *Code of Ethics*, ~~its~~ *Rules of Conduct*, *and Practice Standards* and establishes a process for applying the *Standards of Professional Conduct* ~~Principles of the *Code of Ethics*~~ to actual professional activities.

CFP Board's predecessor organization, the International Board of Standards and Practices for Certified Financial Planners (IBCFP) introduced the first *Code of Ethics* in 1985. Revisions were made in 1988, including the introduction of the first *Disciplinary Rules and Procedures*. The next major revision, in 1993, established the Principles and Rules of the *Code of Ethics*. The Board of Practice Standards began work on the *Practice Standards* in 1995 and the standards were first published in 1999. The *Practice Standards* were finalized in 2002, and in 2003 the 400 series in the Rules was revised. This revision of the *Code of Ethics, Rules of Conduct* and *Practice Standards* began in 2005 and takes effect July 1, 2008.

This booklet contains the *Code of Ethics*, *Rules of Conduct*, *Practice Standards*, ~~and~~ *Disciplinary Rules*, and *Candidate Fitness Standards*. ~~that guide and govern certificants and registrants.~~

Code of Ethics. CFP Board adopted the *Code of Ethics* to establish the highest principles and standards. These Principles are general statements expressing the ethical and professional ideals certificants and registrants are expected to display in their professional activities. As such, the Principles are aspirational in character and provide a source of guidance for certificants and registrants. The Principles form the basis of CFP Board's *Rules of Conduct*, *Practice Standards* and *Disciplinary Rules*, and these documents together reflect CFP Board's recognition of certificants' and registrants' responsibilities to the public, clients, colleagues and employers.

Rules of Conduct. The *Rules of Conduct* establish the high standards expected of certificants and describe the level of professionalism required of certificants. The *Rules of Conduct* are binding on all certificants, regardless of their title, position, type of employment or method of compensation, and they govern all those who have the right to use the CFP® marks, whether or not those marks are actually used. The universe of activities engaged in by a certificant is diverse, and a certificant may perform all, some or none of the typical services provided by financial planning professionals. Some Rules may not be applicable to a certificant's specific activity. As a result, when considering the *Rules of Conduct*, the certificant must determine whether a specific Rule is applicable to those services. A certificant will be deemed to be in compliance with these Rules if that certificant can demonstrate that his or her employer completed the required action.

Violations of the *Rules of Conduct* may subject a certificant or registrant to discipline. Because CFP Board is a certifying and standards-setting body for those individuals who have met and continue to meet CFP Board's initial and ongoing certification requirements, discipline extends to the rights of registrants and certificants to use the CFP® marks. Thus, the Rules are not designed to be a basis for legal liability to any third party.

Practice Standards. The *Practice Standards* describe best practices of financial planning professionals providing professional services related to the six elements of the financial planning process. Each Standard is a statement relating to an element of the financial planning process, followed by an explanation of the Standard and its relationship to the *Code of Ethics* and *Rules of Conduct*. CFP Board developed the *Practice Standards* to advance professionalism in financial planning and enhance the value of the financial planning process, for the ultimate benefit of consumers of financial planning services.

Disciplinary Rules. The *Disciplinary Rules* describe the procedures followed by CFP Board in enforcing the *Rules of Conduct*. The *Disciplinary Rules* provide a fair process pursuant to which certificants are given notice of potential violations and an opportunity to be heard by a panel of other professionals.

Candidate Fitness Standards. The *Candidate Fitness Standards* describe the specific character and fitness standards for candidates for certification to ensure an individual's conduct does not reflect adversely upon the profession or the CFP® certification marks.

Contents

Terminology in this Booklet

This terminology applies only for purposes of interpreting and/or enforcing CFP Board's *Code of Ethics, Rules of Conduct, Practice Standards*~~, and~~ *Disciplinary Rules* and *Candidate Fitness Standards*.

► "*CFP Board*" denotes Certified Financial Planner Board of Standards, Inc.

► "*Candidate for CFP Board's certification*" denotes a person who has applied to CFP Board to take the CFP® Certification Examination, but who has not yet met all of CFP Board's certification requirements.

► "*Certificant*" denotes individuals who are currently certified by CFP Board.

► "*Certificant's Employer*" denotes any person or entity that employs a certificant or registrant to provide services to a third party on behalf of the employer, including certificants and registrants who are retained as independent contractors or agents.

► "*Client*" denotes a person, persons, or entity who engages a certificant and for whom professional services are rendered. Where the services of the certificant are provided to an entity (corporation, trust, partnership, estate, etc.), the client is the entity acting through its legally authorized representative.

► "*Commission*" denotes the compensation generated from a transaction involving a product or service and received by an agent or broker, usually calculated as a percentage on the amount of his or her sales or purchase transactions. This includes 12(b)1 fees, trailing commissions, surrender charges and contingent deferred sales charges.

► "*Compensation*" is any non-trivial economic benefit, whether monetary or non-monetary, that a certificant or related party receives or is entitled to receive for providing professional activities.

► A "*conflict of interest*" exists when a certificant's financial, business, property and/or personal interests, relationships or circumstances reasonably may impair his/her ability to offer objective advice, recommendations or services.

► "*Fee-only.*" A certificant may describe his or her practice as "fee-only" if, and only if, all of the certificant's compensation from all of his or her client work comes exclusively from the clients in the form of fixed, flat, hourly, percentage or performance-based fees.

► "*Fiduciary.*" One who acts in utmost good faith, in a manner he or she reasonably believes to be in the best interest of the client.

► A "*financial planning engagement*" exists when a certificant performs any type of mutually agreed upon financial planning service for a client.

► A "*financial planning practitioner*" is a person who provides ~~engages in~~ financial planning ~~using the financial planning process in working with~~to clients.

► "*Personal financial planning*" or "*financial planning*" denotes the process of determining whether and how an individual can meet life goals through the proper management of financial resources. Financial planning integrates the financial planning process with the financial planning subject areas. In determining whether the certificant is providing financial planning or material elements of ~~the~~ financial planning ~~process~~, factors~~issues~~ that may be considered include~~,~~ but are not limited to:

- The client's understanding and intent in engaging the certificant.
- The degree to which multiple financial planning subject areas are involved.
- The comprehensiveness of data gathering.
- The breadth and depth of recommendations.

Financial planning may occur even if the material elements are not provided to a client simultaneously, are delivered over a period of time, or are delivered as distinct subject areas. It is not necessary to provide a written financial plan to engage in financial planning.

► "*Personal financial planning process*" or "*financial planning process*" denotes the process which typically includes, but is not limited to, some or all of these six steps~~elements~~:

- Establishing and defining the client-planner relationship,
- Gathering client data including goals,
- Analyzing and evaluating the client's current financial status,
- Developing and presenting recommendations and/or alternatives,
- Implementing the recommendations, and
- Monitoring the recommendations.

► "*Personal financial planning subject areas*" or "*financial planning subject areas*" denotes the basic subject fields covered in the financial planning process which typically include, but are not limited to:

- Financial statement preparation and analysis (including cash flow analysis/planning and budgeting)~~,~~
- Insurance planning and risk management~~Investment planning (including portfolio design, i.e. asset allocation and portfolio management),~~
- Employee benefits planning~~Income tax planning,~~
- Investment planning~~Education planning,~~
- Income tax planning~~Risk Management,~~
- Retirement planning~~, and~~
- Estate planning~~.~~

► "*Registrant*" denotes individuals who are not currently certified but have been certified by CFP Board in the past and have an entitlement, direct or indirect, to ~~potentially~~ use the CFP® marks. This includes individuals who have relinquished their certification and who are eligible for reinstatement without being required to pass the current CFP® Certification Examination. The *Standards of Professional Conduct* ~~*Rules of Conduct*~~ apply to registrants when the conduct at issue occurred at a time when the registrant was certified; CFP Board has jurisdiction to investigate such conduct.

CODE OF ETHICS AND PROFESSIONAL RESPONSIBILITY

Principle 1 – Integrity

Provide professional services with integrity.

Integrity demands honesty and candor which must not be subordinated to personal gain and advantage. Certificants are placed in positions of trust by clients, and the ultimate source of that trust is the certificant's personal integrity. Allowance can be made for innocent error and legitimate differences of opinion, but integrity cannot co-exist with deceit or subordination of one's principles.

Principle 2 – Objectivity

Provide professional services objectively.

Objectivity requires intellectual honesty and impartiality. Regardless of the particular service rendered or the capacity in which a certificant functions, certificants should protect the integrity of their work, maintain objectivity and avoid subordination of their judgment.

Principle 3 – Competence

Maintain the knowledge and skill necessary to provide professional services competently.

Competence means attaining and maintaining an adequate level of knowledge and skill, and application of that knowledge and skill in providing services to clients. Competence also includes the wisdom to recognize the limitations of that knowledge and when consultation with other professionals is appropriate or referral to other professionals necessary. Certificants make a continuing commitment to learning and professional improvement.

Principle 4 – Fairness

Be fair and reasonable in all professional relationships. Disclose conflicts of interest.

Fairness requires impartiality, intellectual honesty and disclosure of material conflicts of interest. It involves a subordination of one's own feelings, prejudices and desires so as to achieve a proper balance of conflicting interests. Fairness is treating others in the same fashion that you would want to be treated.

Principle 5 – Confidentiality

Protect the confidentiality of all client information.

Confidentiality means ensuring that information is accessible only to those authorized to have access. A relationship of trust and confidence with the client can only be built upon the understanding that the client's information will remain confidential.

Principle 6 – Professionalism

Act in a manner that demonstrates exemplary professional conduct.

Professionalism requires behaving with dignity and courtesy to clients, fellow professionals, and others in business-related activities. Certificants cooperate with fellow certificants to enhance and maintain the profession's public image and improve the quality of services.

Principle 7 – Diligence

Provide professional services diligently.

Diligence is the provision of services in a reasonably prompt and thorough manner, including the proper planning for, and supervision of, the rendering of professional services.

RULES OF CONDUCT

1. Defining the Relationship with the Prospective Client or Client

1.1 The certificant and the prospective client or client shall mutually agree upon the services to be provided by the certificant.

1.2 If the certificant's services include financial planning or material elements of ~~the~~ financial planning ~~process~~, prior to entering into an agreement, the certificant shall provide written information ~~and/~~or discuss with the prospective client or client the following:

a. The obligations and responsibilities of each party under the agreement with respect to:

   i. Defining goals, needs and objectives,

   ii Gathering and providing appropriate data,

   iii. Examining the result of the current course of action without changes,

   iv. The formulation of any recommended actions,

   v. Implementation responsibilities, and

   vi. Monitoring responsibilities.

b. Compensation that any party to the agreement or any legal affiliate to a party to the agreement will or could receive under the terms of the agreement; and factors or terms that determine costs, how decisions benefit the certificant and the relative benefit to the certificant.

c. Terms under which the agreement permits the certificant to offer proprietary products.

d. Terms under which the certificant will use other entities to meet any of the agreement's obligations.

If the certificant provides the above information in writing, the certificant shall encourage the prospective client or client to review the information and offer to answer any questions that the prospective client or client may have.

1.3 If the services include financial planning or material elements of ~~the~~ financial planning ~~process~~, the certificant or the certificant's employer shall enter into a written agreement governing the financial planning services ("Agreement"). The Agreement shall specify:

a. The parties to the Agreement,

b. The date of the Agreement and its duration,

c. How and on what terms each party can terminate the Agreement, and

d. The services to be provided as part of the Agreement.

The Agreement may consist of multiple written documents. Written documentation that includes the item~~element~~s above and is used by a certificant or certificant's employer in compliance with state ~~and/~~or federal law, or the rules or regulations of any applicable self-regulatory organization, such as ~~a~~ the Securities and Exchange Commission's Form ADV or other disclosure documents, shall satisfy the requirements of this Rule.

1.4 A certificant shall at all times place the interest of the client ahead of his or her own. When the certificant provides financial planning or material elements of ~~the~~ financial planning ~~process~~, the certificant owes to the client the duty of care of a fiduciary as defined by CFP Board.

2. Information Disclosed To Prospective Clients and Clients

2.1 A certificant shall not communicate, directly or indirectly, to clients or prospective clients any false or misleading information directly or indirectly related to the certificant's professional qualifications or services. A certificant shall not mislead any parties about the potential benefits of the certificant's service. A certificant shall not fail to disclose or otherwise omit facts where that disclosure is necessary to avoid misleading clients.

2.2 A certificant shall disclose to a prospective client or client the following information:

a. An accurate and understandable description of the compensation arrangements being offered. This description must include:

i. Information related to costs and compensation to the certificant and/or the certificant's employer, and

ii. Terms under which the certificant and/or the certificant's employer may receive any other sources of compensation, and if so, what the sources of these payments are and on what they are based.

b. A general summary of likely conflicts of interest between the client and the certificant, the certificant's employer or any affiliates or third parties, including, but not limited to, information about any familial, contractual or agency relationship of the certificant or the certificant's employer that has a potential to materially affect the relationship.

c. Any information about the certificant or the certificant's employer that could reasonably be expected to materially affect the client's decision to engage the certificant that the client might reasonably want to know in establishing the scope and nature of the relationship, including but not limited to information about the certificant's areas of expertise.

d. Contact information for the certificant and, if applicable, the certificant's employer.

e. If the services include financial planning or material elements of ~~the~~ financial planning ~~process~~, these disclosures must be in writing. The written disclosures may consist of multiple written documents. Written disclosures used by a certificant or certificant's employer that includes the ~~elements~~ items listed above, and are used in compliance with state or federal laws, or the rules or requirements of any applicable self-regulatory organization, such as the Securities and Exchange Commission's~~a~~ Form ADV or other disclosure documents, shall satisfy the requirements of this Rule.

The certificant shall timely disclose to the client any material changes to the above information.

3. Prospective Client and Client Information and Property

3.1 A certificant shall treat information as confidential except as required in response to proper legal process; as necessitated by obligations to a certificant's employer or partners; as required to defend against charges of wrongdoing; in connection with a civil dispute; or as needed to perform the services.

3.2 A certificant shall take prudent steps to protect the security of information and property, including the security of stored information, whether physically or electronically, that is within the certificant's control.

3.3 A certificant shall obtain the information necessary to fulfill his or her obligations. If a certificant cannot obtain the necessary information, the certificant shall inform the prospective client or client of any and all material deficiencies.

3.4 A certificant shall clearly identify the assets, if any, over which the certificant will take custody, exercise investment discretion, or exercise supervision.

3.5 A certificant shall identify and keep complete records of all funds or other property of a client in the custody, or under the discretionary authority, of the certificant.

3.6 A certificant shall not borrow money from a client. Exceptions to this Rule include:

a. The client is a member of the certificant's immediate family, or

b. The client is an institution in the business of lending money and the borrowing is unrelated to the professional services performed by the certificant.

3.7 A certificant shall not lend money to a client. Exceptions to this Rule include:

a. The client is a member of the certificant's immediate family, or

b. The certificant is an employee of an institution in the business of lending money and the money lent is that of the institution, not the certificant.

3.8 A certificant shall not commingle a client's property with the property of the certificant or the certificant's employer, unless the commingling is permitted by law or is explicitly authorized and defined in a written agreement between the parties.

3.9 A certificant shall not commingle a client's property with other clients' property unless the commingling is permitted by law or the certificant has both explicit written authorization to do so from each client involved and sufficient record-keeping to track each client's assets accurately.

3.10 A certificant shall return a client's property to the client upon request as soon as practicable or consistent with a time frame specified in an agreement with the client.

4. Obligations to Prospective Clients and Clients

4.1 A certificant shall treat prospective clients and clients fairly and provide professional services with integrity and objectivity.

4.2 A certificant shall offer advice only in those areas in which he or she is competent to do so and shall maintain competence in all areas in which he or she is engaged to provide professional services.

4.3 A certificant shall be in compliance with applicable regulatory requirements governing professional services provided to the client.

4.4 A certificant shall exercise reasonable and prudent professional judgment in providing professional services to clients.

4.5 In addition to the requirements of Rule 1.4, a certificant shall make and/or implement only recommendations that are suitable for the client.

4.6 A certificant shall provide reasonable and prudent professional supervision or direction to any subordinate or third party to whom the certificant assigns responsibility for any client services.

4.7 A certificant shall advise his or her current clients of any certification suspension or revocation he or she receives from CFP Board.

5. Obligations To Employers

5.1 A certificant who is an employee/agent shall perform professional services with dedication to the lawful objectives of the employer/principal and in accordance with CFP Board's *Code of Ethics*.

5.2 A certificant who is an employee/agent shall advise his or her current employer/principal of any certification suspension or revocation he or she receives from CFP Board.

6. Obligations To CFP Board

6.1 A certificant shall abide by the terms of all agreements with CFP Board, including, but not limited to, using the CFP® marks properly and cooperating fully with CFP Board's trademark and professional review operations and requirements.

6.2 A certificant shall meet all CFP Board requirements, including continuing education requirements, to retain the right to use the CFP® marks.

6.3 A certificant shall notify CFP Board of changes to contact information, including, but not limited to, e-mail address, telephone number(s) and physical address, within forty five (45) days.

6.4 A certificant shall notify CFP Board in writing of any conviction of a crime, except misdemeanor traffic offenses or traffic ordinance violations unless such offense involves the use of alcohol or drugs, or of any professional suspension or bar within ten (10) calendar days after the date on which the certificant is notified of the conviction, suspension or bar.

6.5 A certificant shall not engage in conduct which reflects adversely on his or her integrity or fitness as a certificant, upon the CFP® marks, or upon the profession.

FINANCIAL PLANNING PRACTICE STANDARDS

Overview

Statement of Purpose for *Financial Planning Practice Standards*

Financial Planning Practice Standards are developed and promulgated by Certified Financial Planner Board of Standards Inc. (CFP Board) for the ultimate benefit of consumers of financial planning services.

These *Practice Standards* are intended to:

1. Assure that the practice of financial planning by CERTIFIED FINANCIAL PLANNER™ professionals is based on established norms of practice;
2. Advance professionalism in financial planning; and
3. Enhance the value of the financial planning process.

History of Practice Standards

CFP Board is a professional certification and standards-setting organization founded in 1985 that~~o~~ benefits the public by establishing and enforcing education, examination, experience and ethics requirements for CFP® professionals. Through its certification process, CFP Board established fundamental criteria necessary for competency in the financial planning profession.

In 1995, CFP Board established its Board of Practice Standards, composed exclusively of CFP® practitioners, to draft standards of practice for financial planning. The Board of Practice Standards drafted and revised the standards considering input from CFP® certificants, consumers, regulators and other organizations. CFP Board adopted the revised standards.

Description of Practice Standards

A *Practice Standard* establishes the level of professional practice that is expected of certificants engaged in financial planning.

The *Practice Standards* apply to certificants in performing the tasks of financial planning regardless of the person's title, job position, type of employment or method of compensation. Compliance with the *Practice Standards* is mandatory for certificants whose services include financial planning or material elements of ~~the~~ financial planning~~ process~~, but all financial planning professionals are encouraged to use the *Practice Standards* when performing financial planning tasks or activities addressed by a *Practice Standard*.

The *Practice Standards* are designed to provide certificants with a framework for the professional practice of financial planning. Similar to the *Rules of Conduct*, the *Practice Standards* are not designed to be a basis for legal liability to any third party.

The *Practice Standards* were developed for selected financial planning activities identified in a financial planner job analysis first conducted by CFP Board in 1987, updated in 1994 by CTB/McGraw-Hill, an independent consulting firm, and again in 1999 by the Chauncey Group. The financial planning process is defined as follows:

Financial Planning Process	**Related Practice Standard**
1. Establishing and defining the relationship with a client	100-1 Defining the Scope of the Engagement
2. Gathering client data	200-1 Determining a Client's Personal and Financial Goals, Needs and Priorities
	200-2 Obtaining Quantitative Information and Documents
3. Analyzing and evaluating the client's financial status	300-1 Analyzing and Evaluating the Client's Information
4. Developing and presenting financial planning recommendations	400-1 Identifying and Evaluating Financial Planning Alternative(s)
	400-2 Developing the Financial Planning Recommendation(s)
	400-3 Presenting the Financial Planning Recommendation(s)
5. Implementing the financial planning recommendations	500-1 Agreeing on Implementation Responsibilities
	500-2 Selecting Products and Services for Implementation
6. Monitoring	600-1 Defining Monitoring Responsibilities

Format of the *Practice Standards*

Each *Practice Standard* is a statement regarding one of the steps~~an element~~ of the financial planning process. It is followed by an explanation of the Standard, its relationship to the *Code of Ethics* and *Rules of Conduct*, and its expected impact on the public, the profession and the practitioner.

The Explanation accompanying each *Practice Standard* explains and illustrates the meaning and purpose of the *Practice Standard*. The text of each *Practice Standard* is authoritative and directive. The related Explanation is a guide to interpretation and application of the *Practice Standard* based, where indicated, on a standard of reasonableness, a recurring theme throughout the *Practice Standards*. The Explanation is not intended to establish a professional standard or duty beyond what is contained in the *Practice Standard* itself.

Compliance with the *Practice Standards*

The practice of financial planning consistent with these *Practice Standards* is required for certificants who are financial planning practitioners. The *Practice Standards* are used by CFP Board's Disciplinary and Ethics Commission and Appeals Committee in evaluating the certificant's conduct to determine if any provisions of the *Standards of Professional Conduct* ~~*Rules of Conduct*~~ have been violated, based on the *Disciplinary Rules* established by CFP Board.

Establishing and Defining the Relationship with the Client

100-1: Defining the Scope of the Engagement

The financial planning practitioner and the client shall mutually define the scope of the engagement before any financial planning service is provided.

Explanation of this *Practice Standard*

Prior to providing any financial planning service, the financial planning practitioner and the client shall mutually define the scope of the engagement. The process of "mutually-defining" is essential in determining what activities may be necessary to proceed with the engagement.
This process is accomplished in financial planning engagements by:

1. Identifying the service(s) to be provided;
2. Disclosing the practitioner's material conflict(s) of interest;
3. Disclosing the practitioner's compensation arrangement(s);
4. Determining the client's and the practitioner's responsibilities;
5. Establishing the duration of the engagement; and
6. Providing any additional information necessary to define or limit the scope.

The scope of the engagement may include one or more financial planning subject areas. It is acceptable to mutually define engagements in which the scope is limited to specific activities. Mutually defining the scope of the engagement serves to establish realistic expectations for both the client and the practitioner.

As the relationship proceeds, the scope may change by mutual agreement.

This *Practice Standard* shall not be considered alone, but in conjunction with all other *Practice Standards*.

Effective Date

Original version, January 1, 1999. Updated version, January 1, 2002.

Relationship of this *Practice Standard* to CFP Board's *Code of Ethics* and *Rules of Conduct.*

This *Practice Standard* relates to CFP Board's *Code of Ethics* and *Rules of Conduct* through Principle 4 – Fairness, Principle 7 – Diligence and Rules 1.1, 1.2, 1.3 and 2.2.

Anticipated Impact of this *Practice Standard*

Upon the Public

The public is served when the relationship is based upon a mutual understanding of the engagement. Clarity of the scope of the engagement enhances the likelihood of achieving client expectations.

Upon the Financial Planning Profession

The profession benefits when clients are satisfied. This is more likely to take place when clients have expectations of the process, which are both realistic and clear, before services are provided.

Upon the Financial Planning Practitioner

A mutually defined scope of the engagement provides a framework for ~~the~~ financial planning ~~process~~ by focusing both the client and the practitioner on the agreed upon tasks. This *Practice Standard* enhances the potential for positive results.

Gathering Client Data

200-1: Determining a Client's Personal and Financial Goals, Needs and Priorities

The financial planning practitioner and the client shall mutually define the client's personal and financial goals, needs and priorities that are relevant to the scope of the engagement before any recommendation is made and/or implemented.

Explanation of this *Practice Standard*

Prior to making recommendations to the client, the financial planning practitioner and the client shall mutually define the client's personal and financial goals, needs and priorities. In order to arrive at such a definition, the practitioner will need to explore the client's values, attitudes, expectations, and time horizons as they affect the client's goals, needs and priorities. The process of "mutually-defining" is essential in determining what activities may be necessary to proceed with the client engagement. Personal values and attitudes shape the client's goals and objectives and the priority placed on them. Accordingly, these goals and objectives must be consistent with the client's values and attitudes in order for the client to make the commitment necessary to accomplish them.

Goals and objectives provide focus, purpose, vision and direction for the financial planning process. It is important to determine clear and measurable objectives that are relevant to the scope of the engagement. The role of the practitioner is to facilitate the goal-setting process in order to clarify, with the client, goals and objectives. When appropriate, the practitioner shall try to assist clients in recognizing the implications of unrealistic goals and objectives.

This *Practice Standard* addresses only the tasks of determining the client's personal and financial goals, needs and priorities; assessing the client's values, attitudes and expectations; and determining the client's time horizons. These areas are subjective and the practitioner's interpretation is limited by what the client reveals.

This *Practice Standard* shall not be considered alone, but in conjunction with all other *Practice Standards*.

Effective Date

Original version, January 1, 1999. Updated version, January 1, 2002.

Relationship of this *Practice Standard* to CFP Board's *Code of Ethics* and *Rules of Conduct.*

This *Practice Standard* relates to CFP Board's *Code of Ethics* and *Rules of Conduct* through Principle 7 – Diligence and Rules 3.3, 4.4 and 4.5.

Anticipated Impact of this *Practice Standard*

Upon the Public

The public is served when the relationship is based upon mutually defined goals, needs and priorities. This *Practice Standard* reinforces the practice of putting the client's interests first which is intended to increase the likelihood of achieving the client's goals and objectives.

Upon the Financial Planning Profession

Compliance with this *Practice Standard* emphasizes to the public that the client's goals, needs and priorities are the focus of ~~the~~ financial planning ~~process~~. This encourages the public to seek out the services of a financial planning practitioner who uses such an approach.

Upon the Financial Planning Practitioner

The client's goals, needs and priorities help determine the direction of ~~the~~ financial planning ~~process~~. This focuses the practitioner on the specific tasks that need to be accomplished. Ultimately, this will facilitate the development of appropriate recommendations.

200-2: Obtaining Quantitative Information and Documents

The financial planning practitioner shall obtain sufficient quantitative information and documents about a client relevant to the scope of the engagement before any recommendation is made and/or implemented.

Explanation of this *Practice Standard*

Prior to making recommendations to the client and depending on the scope of the engagement, the financial planning practitioner shall determine what quantitative information and documents are sufficient and relevant.

The practitioner shall obtain sufficient and relevant quantitative information and documents pertaining to the client's financial resources, obligations and personal situation. This information may be obtained directly from the client or other sources such as interview(s), questionnaire(s), client records and documents.

The practitioner shall communicate to the client a reliance on the completeness and accuracy of the information provided and that incomplete or inaccurate information will impact conclusions and recommendations.

If the practitioner is unable to obtain sufficient and relevant quantitative information and documents to form a basis for recommendations, the practitioner shall either:

A. Restrict the scope of the engagement to those matters for which sufficient and relevant information is available; or
B. Terminate the engagement.

The practitioner shall communicate to the client any limitations on the scope of the engagement, as well as the fact that this limitation could affect the conclusions and recommendations.

This *Practice Standard* shall not be considered alone, but in conjunction with all other *Practice Standards*.

Effective Date

Original version, January 1, 1999. Updated version, January 1, 2002.

Relationship of this *Practice Standard* to CFP Board's *Code of Ethics* and *Rules of Conduct.*

This *Practice Standard* relates to *CFP Board's Code of Ethics* and *Rules of Conduct* through Principle 7 – Diligence and Rules 3.3, 4.4 and 4.5.

Anticipated Impact of this *Practice Standard*

Upon the Public

The public is served when financial planning recommendations are based upon sufficient and relevant quantitative information and documents. This *Practice Standard* is intended to increase the likelihood of achieving the client's goals and objectives.

Upon the Financial Planning Profession

~~The f~~Financial planning ~~process~~ requires that recommendations be made based on sufficient and relevant quantitative data. Therefore, compliance with this *Practice Standard* encourages the public to seek financial planning practitioners who use ~~the~~ financial planning ~~process~~.

Upon the Financial Planning Practitioner

Sufficient and relevant quantitative information and documents provide the foundation for analysis. Ultimately, this will facilitate the development of appropriate recommendations.

Analyzing and Evaluating the Client's Financial Status

300-1: Analyzing and Evaluating the Client's Information

A financial planning practitioner shall analyze the information to gain an understanding of the client's financial situation and then evaluate to what extent the client's goals, needs and priorities can be met by the client's resources and current course of action.

Explanation of this *Practice Standard*

Prior to making recommendations to a client, it is necessary for the financial planning practitioner to assess the client's financial situation and to determine the likelihood of reaching the stated objectives by continuing present activities.

The practitioner will utilize client-specified, mutually agreed upon, and/or other reasonable assumptions. Both personal and economic assumptions must be considered in this step of the process. These assumptions may include, but are not limited to, the following:

- Personal assumptions, such as: retirement age(s), life expectancy(ies), income needs, risk factors, time horizon and special needs; and
- Economic assumptions, such as: inflation rates, tax rates and investment returns.

Analysis and evaluation are critical to the financial planning process. These activities form the foundation for determining strengths and weaknesses of the client's financial situation and current course of action. These activities may also identify other issues that should be addressed. As a result, it may be appropriate to amend the scope of the engagement and/or to obtain additional information.

Effective Date

Original version, January 1, 2000. Updated version, January 1, 2002.

Relationship of this *Practice Standard* to CFP Board's *Code of Ethics* and *Rules of Conduct.*

This *Practice Standard* relates to *CFP Board's Code of Ethics* and *Rules of Conduct* through Principle 2 – Objectivity, Principle 3 – Competence, Principle 7 - Diligence and Rules 1.4, 4.1, 4.4 and 4.5.

Anticipated Impact of this *Practice Standard*

Upon the Public

The public is served when objective analysis and evaluation by a financial planning practitioner results in the client's heightened awareness of specific financial planning issues. This *Practice Standard* is intended to increase the likelihood of achieving the client's goals and objectives.

Upon the Financial Planning Profession

Objective analysis and evaluation enhances the public's recognition of and appreciation for ~~the~~ financial planning ~~process~~ and increases the confidence in financial planning practitioners who provide this service.

Upon the Financial Planning Practitioner

Analysis and evaluation helps the practitioner establish the foundation from which recommendations can be made that are specific to the client's financial planning goals, needs and priorities.

Developing and Presenting the Financial Planning Recommendation(s)

Preface to the 400 Series

The 400 Series, "Developing and Presenting the Financial Planning Recommendation(s)," represents the very heart of ~~the~~ financial planning ~~process~~. It is at this point that the financial planning practitioner, using both science and art, formulates the recommendations designed to achieve the client's goals, needs and priorities. Experienced financial planning practitioners may view this process as one action or task. However, in reality, it is a series of distinct but interrelated tasks.

These three *Practice Standards* emphasize the distinction among the several tasks which are part of this process. These *Practice Standards* can be described as, "What is Possible?," "What is Recommended?" and "How is it Presented?" The first two *Practice Standards* involve the creative thought, the analysis, and the professional judgment of the practitioner, which are often performed outside the presence of the client. First, the practitioner identifies and considers the various alternatives, including continuing the present course of action (*Practice Standard* 400-1). Second, the practitioner develops the recommendation(s) from among the selected alternatives (*Practice Standard* 400-2). Once the practitioner has determined what to recommend, the final task is to communicate the recommendation(s) to the client (*Practice Standard* 400-3).

The three *Practice Standards* that comprise the 400 series should not be considered alone, but in conjunction with all other *Practice Standards*.

400-1: Identifying and Evaluating Financial Planning Alternative(s)

The financial planning practitioner shall consider sufficient and relevant alternatives to the client's current course of action in an effort to reasonably meet the client's goals, needs and priorities.

Explanation of this *Practice Standard*

After analyzing the client's current situation (*Practice Standard* 300-1) and prior to developing and presenting the recommendation(s) (*Practice Standards* 400-2 and 400-3) the financial planning practitioner shall identify alternative actions. The practitioner shall evaluate the effectiveness of such actions in reasonably meeting the client's goals, needs and priorities.

This evaluation may involve, but is not limited to, considering multiple assumptions, conducting research or consulting with other professionals. This process may result in a single alternative, multiple alternatives or no alternative to the client's current course of action.

In considering alternative actions, the practitioner shall recognize and, as appropriate, take into account his or her legal and/or regulatory limitations and level of competency in properly addressing each of the client's financial planning issues.

More than one alternative may reasonably meet the client's goals, needs and priorities. Alternatives identified by the practitioner may differ from those of other practitioners or advisers, illustrating the subjective nature of exercising professional judgment.

Effective Date

Original version, January 1, 2001. Updated version, January 1, 2002.

Relationship of this *Practice Standard* to CFP Board's *Code of Ethics* and *Rules of Conduct.*

This *Practice Standard* relates to CFP Board's *Code of Ethics* and *Rules of Conduct* through Principle 2 – Objectivity, Principle 3 – Competence, Principle 6 – Professionalism, Principle 7 – Diligence and Rules 1.4, 4.1 and 4.5.

400-2: Developing the Financial Planning Recommendation(s)

The financial planning practitioner shall develop the recommendation(s) based on the selected alternative(s) and the current course of action in an effort to reasonably meet the client's goals, needs and priorities.

Explanation of this *Practice Standard*

After identifying and evaluating the alternative(s) and the client's current course of action, the practitioner shall develop the recommendation(s) expected to reasonably meet the client's goals, needs and priorities. A recommendation may be an independent action or a combination of actions which may need to be implemented collectively.

The recommendation(s) shall be consistent with and will be directly affected by the following:

- Mutually defined scope of the engagement;
- Mutually defined client goals, needs and priorities;
- Quantitative data provided by the client;
- Personal and economic assumptions;
- Practitioner's analysis and evaluation of client's current situation; and
- Alternative(s) selected by the practitioner.

A recommendation may be to continue the current course of action. If a change is recommended, it may be specific and/or detailed or provide a general direction. In some instances, it may be necessary for the practitioner to recommend that the client modify a goal.

The recommendations developed by the practitioner may differ from those of other practitioners or advisers, yet each may reasonably meet the client's goals, needs and priorities.

Effective Date

Original version, January 1, 2001. Updated version, January 1, 2002.

Relationship of this *Practice Standard* to CFP Board's *Code of Ethics* and *Rules of Conduct.*

This *Practice Standard* relates to *CFP Board's Code of Ethics* and *Rules of Conduct* through Principle 2 – Objectivity, Principle 3 – Competence, Principle 6 – Professionalism, Principle 7 – Diligence and Rules 1.4, 4.1 and 4.5.

400-3: Presenting the Financial Planning Recommendation(s)

The financial planning practitioner shall communicate the recommendation(s) in a manner and to an extent reasonably necessary to assist the client in making an informed decision.

Explanation of this *Practice Standard*

When presenting a recommendation, the practitioner shall make a reasonable effort to assist the client in understanding the client's current situation, the recommendation itself, and its impact on the ability to meet the client's goals, needs and priorities. In doing so, the practitioner shall avoid presenting the practitioner's opinion as fact.

The practitioner shall communicate the factors critical to the client's understanding of the recommendations. These factors may include but are not limited to material:

- Personal and economic assumptions;
- Interdependence of recommendations;
- Advantages and disadvantages;
- Risks; and/or
- Time sensitivity.

The practitioner should indicate that even though the recommendations may meet the client's goals, needs and priorities, changes in personal and economic conditions could alter the intended outcome. Changes may include, but are not limited to: legislative, family status, career, investment performance and/or health. If there are conflicts of interest that have not been previously disclosed, such conflicts and how they may impact the recommendations should be addressed at this time.

Presenting recommendations provides the practitioner an opportunity to further assess whether the recommendations meet client expectations, whether the client is willing to act on the recommendations, and whether modifications are necessary.

Effective Date

Original version, January 1, 2001. Updated version, January 1, 2002.

Relationship of this *Practice Standard* to CFP Board's *Code of Ethics* and *Rules of Conduct.*

This *Practice Standard* relates to *CFP Board's Code of Ethics* and *Rules of Conduct* through Principle 1 – Integrity, Principle 2 – Objectivity, Principle 6 – Professionalism and Rules 2.1, 4.1, 4.4 and 4.5.

Anticipated Impact of these *Practice Standards*

Upon the Public

The public is served when strategies and objective recommendations are developed and are communicated clearly to specifically meet each client's individual financial planning goals, needs and priorities.

Upon the Financial Planning Profession

A commitment to a systematic process for the development and presentation of the financial planning recommendations advances the financial planning profession. Development of customized strategies and recommendations enhances the public's perception of the objectivity and value of ~~the~~ financial planning ~~process~~. The public will seek out those professionals who embrace these *Practice Standards*.

Upon the Financial Planning Practitioner

Customizing strategies and recommendations forms a foundation to communicate meaningful and responsive solutions. This increases the likelihood that a client will accept the recommendations and act upon them. These actions will contribute to client satisfaction.

Implementing the Financial Planning Recommendation(s):

500-1: Agreeing on Implementation Responsibilities

The financial planning practitioner and the client shall mutually agree on the implementation responsibilities consistent with the scope of the engagement.

Explanation of this *Practice Standard*

The client is responsible for accepting or rejecting recommendations and for retaining and/or delegating implementation responsibilities. The financial planning practitioner and the client shall mutually agree on the services, if any, to be provided by the practitioner. The scope of the engagement, as originally defined, may need to be modified.

The practitioner's responsibilities may include, but are not limited to the following:

- Identifying activities necessary for implementation;
- Determining division of activities between the practitioner and the client;
- Referring to other professionals;
- Coordinating with other professionals;
- Sharing of information as authorized; and
- Selecting and securing products and/or services.

If there are conflicts of interest, sources of compensation or material relationships with other professionals or advisers that have not been previously disclosed, such conflicts, sources or relationships shall be disclosed at this time.

When referring the client to other professionals or advisers, the financial planning practitioner shall indicate the basis on which the practitioner believes the other professional or adviser may be qualified.
If the practitioner is engaged by the client to provide only implementation activities, the scope of the engagement shall be mutually defined in accordance with *Practice Standard* 100-1. This scope may include such matters as the extent to which the practitioner will rely on information, analysis or recommendations provided by others.

Effective Date

January 1, 2002.

Relationship of this *Practice Standard* to CFP Board's *Code of Ethics* and *Rules of Conduct.*

This *Practice Standard* relates to *CFP Board's Code of Ethics* and *Rules of Conduct* through Principle 3 – Competence, Principle 4 – Fairness, Principle 6 – Professionalism, Principle 7 – Diligence and Rules 1.2, 2.2, 4.1 and 4.4.

500-2: Selecting Products and Services for Implementation

The financial planning practitioner shall select appropriate products and services that are consistent with the client's goals, needs and priorities.

Explanation of this *Practice Standard*

The financial planning practitioner shall investigate products or services that reasonably address the client's needs. The products or services selected to implement the recommendation(s) must be suitable to the client's financial situation and consistent with the client's goals, needs and priorities.

The financial planning practitioner uses professional judgment in selecting the products and services that are in the client's interest. Professional judgment incorporates both qualitative and quantitative information.

Products and services selected by the practitioner may differ from those of other practitioners or advisers.

More than one product or service may exist that can reasonably meet the client's goals, needs and priorities.

The practitioner shall make all disclosures required by applicable regulations.

Effective Date

January 1, 2002.

Relationship of this *Practice Standard* to CFP Board's *Code of Ethics* and *Rules of Conduct.*

This *Practice Standard* relates to *CFP Board's Code of Ethics* and *Rules of Conduct* through Principle 2 – Objectivity, Principle 4 – Fairness, Principle 6 – Professionalism, Principle 7 – Diligence and Rules 1.2, 1.4, 2.2, 4.1, 4.4 and 4.5.

Anticipated Impact of these *Practice Standards*

Upon the Public

The public is served when the appropriate products and services are used to implement recommendations; thus increasing the likelihood that the client's goals will be achieved.

Upon the Financial Planning Profession

Over time, implementing recommendations using appropriate products and services for the client increases the credibility of the profession in the eyes of the public.

Upon the Financial Planning Practitioner

In the selection of products and services, putting the interest of the client first benefits the practitioner over the long-term.

Monitoring

600-1: Defining Monitoring Responsibilities

The financial planning practitioner and client shall mutually define monitoring responsibilities.

Explanation of this *Practice Standard*

The purpose of this *Practice Standard* is to clarify the role, if any, of the practitioner in the monitoring process. By clarifying this responsibility, the client's expectations are more likely to be in alignment with the level of monitoring services which the practitioner intends to provide.

If engaged for monitoring services, the practitioner shall make a reasonable effort to define and communicate to the client those monitoring activities the practitioner is able and willing to provide. By explaining what is to be monitored, the frequency of monitoring and the communication method, the client is more likely to understand the monitoring service to be provided by the practitioner.

The monitoring process may reveal the need to reinitiate steps of the financial planning process. The current scope of the engagement may need to be modified.

Effective Date

January 1, 2002.

Relationship of this *Practice Standard* to CFP Board's *Code of Ethics* and *Rules of Conduct.*

This *Practice Standard* relates to *CFP Board's Code of Ethics* and *Rules of Conduct* through Principle 7 – Diligence and Rules 1.2, 3.3, 3.4 and 4.1.

Anticipated Impact of this *Practice Standard*

Upon the Public

The public is served when the practitioner and client have similar perceptions and a mutual understanding about the responsibilities for monitoring the recommendation(s).

Upon the Financial Planning Profession

The profession benefits when clients are satisfied. Clients are more likely to be satisfied when expectations of the monitoring process are both realistic and clear. This *Practice Standard* promotes awareness that financial planning is a dynamic process rather than a single action.

Upon the Financial Planning Practitioner

A mutually defined agreement of the monitoring responsibilities increases the potential for client satisfaction and clarifies the practitioner's responsibilities.

CANDIDATE FITNESS STANDARDS

CFP Board has established specific character and fitness standards for candidates for certification to ensure an individual's conduct does not reflect adversely ~~on his or her fitness as a candidate for CFP® certification, or~~ upon the profession or the CFP® certification marks. CFP Board determined that such standards would also benefit individuals who are interested in attaining CFP® certification, as many candidates have indicated that if they had known that their prior conduct would bar or delay their certification, they would not have sat for the CFP® Certification Examination. These standards became effective January 1, 2007.

The following conduct is unacceptable and will always bar an individual from becoming certified:

- Felony conviction for theft, embezzlement or other financially-based crimes.
- Felony conviction for tax fraud or other tax-related crimes.
- Revocation of a financial (e.g. registered securities representative, broker/dealer, insurance, accountant, investment advisor, financial planner) professional license, unless the revocation is administrative in nature, i.e. the result of the individual determining not to renew the license by not paying the required fees.
- Felony conviction for any degree of murder or rape.
- Felony conviction for any other violent crime within the last five years.
- Two or more personal or business bankruptcies.

The following conduct is presumed to be unacceptable and will bar an individual from becoming certified unless the individual petitions the Disciplinary and Ethics Commission for reconsideration:

- One personal or business bankruptcy filed within the last five years.
- More than one judgment lien.
- Revocation or suspension of a non-financial professional (e.g. real estate, attorney) license, unless the revocation is administrative in nature, i.e. the result of the individual determining not to renew the license by not paying the required fees.
- Suspension of a financial professional (e.g. registered securities representative, broker/dealer, insurance, accountant, investment advisor, financial planner) license, unless the suspension is administrative in nature, i.e. the result of the individual determining not to renew the license by not paying the required fees.
- Felony conviction for non-violent crimes (including perjury) within the last five years.
- Felony conviction for violent crimes other than murder or rape that occurred more than five years ago.

Other matters that very rarely result in the delay or denial of certification will continue to be reviewed by staff and the Disciplinary and Ethics Commission under the current procedures, after the candidate has successfully completed the education, examination and experience requirements for certification. These include customer complaints, arbitrations and other civil proceedings, felony convictions for non-violent crimes that occurred more than five years ago, misdemeanor convictions, and employer reviews and terminations. CFP Board will continue to require candidates for CFP® certification to disclose certain matters on the ethics portion, i.e., the Declaration Page, of the Initial Certification Application.

PETITIONS FOR RECONSIDERATION

Individuals who have a transgression that falls under the “presumption” list must petition the Disciplinary and Ethics Commission for reconsideration and a determination whether their conduct will bar certification. The basic process for these reviews will be:

1. The individual will submit a written petition for reconsideration to Professional Review staff and sign a form agreeing to CFP Board’s jurisdiction to consider the matter.

2. Staff will review the request to ensure the transgression falls within the “presumption” list.

3. If the transgression does not fall within the “presumption” list, i.e., falls in the “always bar” list, staff will so notify the individual.

4. If the transgression falls within the “presumption” list, staff will request all relevant documentation from the individual. A fee will be charged all candidates submitting a reconsideration request.

5. All relevant information will be provided to the Disciplinary and Ethics Commission for a determination.

The Disciplinary and Ethics Commission may make one of the following decisions regarding your petition for reconsideration:

- Grant the petition after determining the conduct does not reflect adversely on the individual’s fitness as a candidate for CFP® certification, or upon the profession or the CFP® certification marks, and certification should be permitted; or
- Deny the petition after determining the conduct does reflect adversely on the individual’s fitness as a candidate for CFP® certification, or upon the profession or the CFP® certification marks, and certification should be barred.

The Disciplinary and Ethics Commission's decision regarding a petition for reconsideration is final and may not be appealed, unless the relevant professional revocation or suspension is vacated or the relevant felony conviction is overturned, at which time the individual may submit a new petition.