

**SIDE-BY-SIDE COMPARISON OF CURRENT AND PROPOSED
STANDARDS OF PROFESSIONAL CONDUCT**

PRACTICE STANDARDS and RULES

NOTE: CFP Board considers the *Financial Planning Practice Standards* as the best practices for financial planning professionals, and CFP Board's Disciplinary and Ethics Commission and Appeals Committee use them in evaluating conduct to determine if the *Rules of Conduct* have been violated. A few minor revisions to the introductory and explanatory materials in the *Financial Planning Practice Standards* have been proposed to ensure their consistency with the *Rules of Conduct*.

Specific elements of the guidelines in the *Financial Planning Practice Standards* have been restated as binding Rules within the proposed *Rules of Conduct*, as outlined below.

**STANDARDS FROM CURRENT
FINANCIAL PLANNING PRACTICE STANDARDS**

Practice Standard 100-1

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

**RULES FROM PROPOSED
RULES OF CONDUCT**

Rule 1.1

The certificant and the client shall mutually agree upon the client's personal financial goal(s) that are relevant to the services to be provided by the certificant.

Rule 1.2

If the services include financial planning or material elements of the financial planning process, prior to entering into an agreement, the certificant and the prospective client shall discuss:

- a. The obligations and responsibilities of each party under the agreement with respect to:
 - i Defining the client's 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 the cost to the client, how client decisions benefit the certificant and the relative benefit to the certificant.
- c. Terms under which the agreement permits the certificant to offer the client proprietary investment products.
- d. Terms under which the certificant will use other firms to meet any of the agreement's obligations.



Practice Standard 200-1

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.

Practice Standard 200-2

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.

Practice Standard 400-1

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.

Practice Standard 400-2

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.

Practice Standard 400-3

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.

Practice Standard 500-1

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

Rule 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 with the client 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,
- d. The services to be provided as part of the Agreement as a result of the discussion required by Rule 1.2.

Rule 1.1

The certificant and the client shall mutually agree upon the client’s personal financial goal(s) that are relevant to the services to be provided by the certificant.

Rule 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 client or prospective client of any and all material deficiencies.

Rule 4.3

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

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Rule 1.2

If the services include financial planning or material elements of the financial planning process, prior to entering into an agreement, the certificant and the prospective client shall discuss:

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

Side-by-Side Comparison of Current Practice Standards and Proposed Rules

- i Defining the client’s 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.

Practice Standard 500-2

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

Rule 4.3

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

Rule 4.4

A certificant shall make and/or implement only recommendations that are suitable for the client.

Practice Standard 600-1

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

Rule 1.2

If the services include financial planning or material elements of the financial planning process, prior to entering into an agreement, the certificant and the prospective client shall discuss:

- a. The obligations and responsibilities of each party under the agreement with respect to:
 - i Defining the client’s 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.