

CFP BOARD REPORT

News From Financial Planning's Professional Regulatory Organization

DECEMBER 5, 2007

FOCUS ON ETHICS:

“CERTIFICANTS AND THEIR EMPLOYERS AND PRINCIPALS”

CFP Board's **revised *Standards of Professional Conduct*** which becomes effective July 1, 2008, sets forth the ethical standards that those who hold CFP® certification are expected to uphold. While CFP Board's ethical standards focus primarily on individual CFP® professionals and the obligations they have to their clients, the updated *Standards* also recognizes that CFP® professionals may receive assistance from employers and principals in meeting their ethical obligations. Certificants also have ethical obligations to their employers and principals.

Among several important changes to the terminology used in the updated *Standards* is the addition of the term “Certificant’s Employer”: “*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.” The updated *Standards* refers to this new term several times, including a notable mention in the Introduction: “a CFP® certificant will be considered in compliance with CFP Board’s standards if the certificant’s employer has completed the required actions on his or her behalf.”

There are many actions that an employer or principal may take on behalf of a CFP® certificant. For example, disclosures made to a client by the certificant’s employer or principal will fulfill the certificant’s obligations if they include the **required elements of disclosure** stated in Rules 1.2 and 2.2 of the updated *Standards*. Certificants’ employers and principals may also enter into written agreements with clients that govern the financial planning services to be provided by the certificant and thereby satisfy **the Agreement requirement of Rule 1.3**. Many firms have made strong efforts to assist their employees and affiliates who hold CFP® certification in complying with their obligations under CFP Board’s ethical standards.

CFP Board also recognizes that CFP® professionals hold specific obligations to their employers and principals. Section 5 of the updated *Standards* sets forth two specific requirements for certificants who are employed by or hold an agency relationship with a firm:

- 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.

CFP Board’s authority extends only to the individuals to whom it has granted CFP® certification, not the firms or other entities with which they may be associated. Nevertheless, many certificants’ employers and principals provide great assistance to certificants as they work to uphold the high standards represented by CFP® certification. CFP Board appreciates the responsibility firms undertake to hold their employees and agents to high standards and to ensure they comply with their professional responsibilities. Some firms may choose to bring their compliance procedures in line with the updated *Standards* and require all their associates to follow those procedures, even those who do not currently hold CFP® certification. The updated *Standards* were designed to help CFP® professionals provide a high level of ethical service to their clients, and CFP Board believes that clients will benefit from the practices outlined in its ethical standards, even if those ethical practices are conducted by people who do not hold CFP® certification.

CFP Board is working with representatives of many firms to assist them in aligning the updated *Standards* to their compliance procedures. If you would like to put your firm’s representatives in touch with CFP Board, or if you have questions about any aspect of the revised *Standards*, please don’t hesitate to contact CFP Board at standards@CFPBoard.org.

About the Revised *Standards of Professional Conduct*:

On May 31, 2007, CFP Board’s Board of Directors announced the adoption of a revised version of CFP Board’s *Standards of Professional Conduct*, which sets forth the ethical standards for CERTIFIED FINANCIAL PLANNER™ professionals. The revised standards are available online at www.CFP.net/aboutus/Standards.asp. They become effective July 1, 2008 and apply to the more than 56,000 financial planners in the U.S. who are authorized by CFP Board to use the CFP® certification marks. Questions about the revised Standards may be sent to mail@CFPBoard.org. CFP Board encourages CFP® professionals to begin applying the revised *Standards* to their daily practice well in advance of the July 1, 2008 effective date.



CERTIFIED FINANCIAL PLANNER™

CFP®

Certified Financial Planner Board of Standards Inc. owns these certification marks in the U.S., which it awards to individuals who successfully complete CFP Board’s initial and ongoing certification requirements.