FREQUENTLY ASKED QUESTIONS:
PROPOSED REVISIONS TO CFP BOARD’S STANDARDS OF PROFESSIONAL CONDUCT
FREQUENTLY ASKED QUESTIONS

CFP Board provides answers to the following Frequently Asked Questions (FAQs) concerning CFP Board’s proposed Code of Ethics and Standards of Conduct (the “Proposed Standards”). Answers to additional FAQs may be provided on a periodic basis.

Question 1: The current Standards of Professional Conduct requires a CFP® professional to act as a fiduciary when providing Financial Planning or material elements of Financial Planning. The Proposed Standards requires a CFP® professional to act as a fiduciary when providing Financial Advice to a Client. What is the difference between Financial Planning and Financial Advice?

Answer 1: The proposed definition of Financial Advice in the Proposed Standards is broad, and has no exceptions or exemptions. Financial Advice is defined as:

A. A communication that, based on its content, context, and presentation, would reasonably be viewed as a suggestion that the Client take or refrain from taking a particular course of action with respect to:

1. The development or implementation of a financial plan addressing goals, budgeting, risk, health considerations, educational needs, financial security, wealth, taxes, retirement, philanthropy, estate, legacy, or other relevant elements of a Client’s personal or financial circumstances;

2. The value of or the advisability of investing in, purchasing, holding, or selling Financial Assets;

3. Investment policies or strategies, portfolio composition, the management of Financial Assets, or other financial matters;

4. The selection and retention of other persons to provide financial or Professional Services to the Client; or


The determination of whether Financial Advice has been provided is an objective rather than subjective inquiry. The more individually tailored the communication is to the Client, the more likely the communication will be viewed as Financial Advice. The provision of services or the furnishing or making available of marketing materials, general financial education materials, or general financial communications that a reasonable person would not view as Financial Advice, does not constitute Financial Advice.

The Proposed Standards defines Financial Planning as follows:

“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 a Client’s personal and financial circumstances.”

As set forth in the definition, Financial Planning is provided “through Financial Advice.” Financial Planning, therefore, requires Financial Advice.

Not all Financial Advice, however, requires Financial Planning. The Proposed Standards identifies factors that CFP Board will weigh in determining whether a CFP® professional providing Financial Advice is required to provide Financial Planning, and thus is required to comply with the Practice Standards (see Question 2). Where application of those factors to a particular situation leads to the conclusion that Financial Planning is not required, the Proposed Standards does not require a CFP® professional to comply with the Practice Standards.

The Proposed Standards provides that a CFP® professional must at all times act as a fiduciary when providing Financial Advice to a Client. As noted above, since Financial Planning requires Financial Advice, a CFP® professional also must at all times act as a fiduciary when providing Financial Planning to a Client.
**Question 2:** The *Proposed Standards* identifies factors that CFP Board will weigh in determining whether a CFP® professional providing Financial Advice is required to integrate relevant elements of the Client’s personal and/or financial circumstances in order to act in the Client’s best interest. The *Proposed Standards* also contains a rebuttable presumption that a CFP® professional providing Financial Advice is required to integrate relevant elements of the Client’s personal and/or financial circumstances in order to act in the Client’s best interest, and thus is required to comply with the *Practice Standards*. Would you please explain the relationship between the factors and the rebuttable presumption?

**Answer 2:** The *Proposed Standards* identifies factors that CFP Board will weigh in determining whether a CFP® professional providing Financial Advice is required to integrate relevant elements of the Client’s personal and/or financial circumstances in order to act in the Client’s best interest, as follows:

a. The number of relevant elements of the Client’s personal and financial circumstances that the Financial Advice affects;

b. The portion and amount of the Client’s Financial Assets that the Financial Advice may affect;

c. The length of time the Client’s personal and financial circumstances may be affected by the Financial Advice;

d. The effect on the Client’s overall exposure to risk if the Client implements the Financial Advice; and

e. The barriers to modifying the actions taken to implement the Financial Advice.

The rebuttable presumption does not alter these factors. Under the rebuttable presumption, a CFP® professional providing Financial Advice is presumed to be required to comply with the *Practice Standards* to provide Financial Advice in the Client’s best interest, but if through a weighing of these factors the CFP® professional is able to rebut the presumption, then the CFP® professional will not be required to comply with the *Practice Standards*.

The rebuttable presumption recognizes that Financial Planning is beneficial to the public and that the CFP® professional providing Financial Advice is in the best position to establish – applying the relevant factors – why Financial Planning was not required to act in the Client’s best interest.

**Question 3:** The *Proposed Standards* includes a standard that applies when a CFP® professional must comply with the *Practice Standards* to provide the requested services, but the Client does not agree to engage the CFP® professional to provide Financial Planning. Would you please explain that standard?

**Answer 3:** In that circumstance, the *Proposed Standards* requires the CFP® professional to inform the Client how the decision not to engage the CFP® professional to provide Financial Planning may constrain the CFP® professional’s Financial Advice, and:

a. Limit the scope of the Engagement to services that do not require application of the *Practice Standards*, and describe to the Client the services the Client requests that the CFP® professional will not be performing;

b. Not enter into, or terminate the Engagement; or

c. Provide the requested services subject to the constraint that occurs from not providing Financial Planning.

This standard recognizes that a Client who does not want to enter into a Financial Planning engagement should be able to work with a CFP® professional, and should not be required to obtain services from a non-CFP® professional. The CFP® professional may provide the requested services so long as the CFP® professional has informed the Client that the decision not to engage for Financial Planning may constrain the Financial Advice and the CFP® professional is able to act as a fiduciary when providing the Financial Advice.
Question 4: The Proposed Standards provides that a CFP* professional may not engage in conduct that reflects adversely on his or her integrity or fitness as a CFP* professional, upon the CFP* marks, or upon the profession, and identifies as an example of such conduct a personal bankruptcy or business bankruptcy filing or adjudication where the CFP* professional was a Control Person of the business, unless the CFP* professional can rebut the presumption that the bankruptcy demonstrates an inability to manage the CFP* professional’s or the business’s financial affairs responsibly. How is this different from the current practice?

Answer 4: CFP Board currently applies the Bankruptcy Disclosure Procedures, which provide that when a CFP* professional has filed bankruptcy one time, the matter is not adjudicated by the Disciplinary and Ethics Commission; instead, CFP Board notes the bankruptcy filing on the CFP* professional’s public profile on CFP Board’s websites and issues a news release identifying the CFP* professional as having filed bankruptcy. Under the Proposed Standards, a bankruptcy filing by a CFP* professional is conduct that reflects adversely on his or her integrity or fitness as a CFP* professional, upon the CFP* marks, or upon the profession. To avoid discipline, a CFP* professional must rebut the presumption that the bankruptcy demonstrates an inability to manage the CFP* professional’s or the business’s financial affairs responsibly.

Question 5: The Proposed Standards contains Practice Standards that provide for seven steps in the Financial Planning process. Would you please explain the general nature of the changes to the Practice Standards?

Answer 5: The Proposed Standards provides a comprehensive update to the Practice Standards that is intended to reflect the modern delivery of Financial Planning. The revised Practice Standards also increases the number of steps in the Financial Planning process from six to seven. This FAQ highlights three structural changes:

1. The first step in the process under the existing Practice Standards – “Defining the Scope of the Engagement” – is not included in the proposed Practice Standards. Instead, the terms of the Engagement are addressed in section A.11 of the Standards of Conduct (the Duty to “Provide Information to a Client”).

2. The second step in the process under the existing Practice Standards – Gathering Client Data – is divided into two steps and re-ordered. The second step of the existing Practice Standards has two components: (1) Determining a Client’s Personal and Financial Goals, Needs and Priorities, and (2) Obtaining Quantitative Information and Documents. Under the proposed Practice Standards, Understanding the Client’s Personal and Financial Circumstances is the first step in the process, and Identifying and Selecting Goals is the second step in the process.

3. The fourth step in the process under the existing Practice Standards is titled Developing and Presenting the Financial Planning Recommendation(s), and contains standards for Identifying and Analyzing Financial Planning Alternative(s), Developing the Financial Planning Recommendation(s), and Presenting the Financial Planning Recommendation(s). The proposed Practice Standards addresses these standards in three separate steps of the Financial Planning process.
The chart below compares the existing and proposed *Practice Standards*:

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<th>Existing Practice Standards</th>
<th>Proposed Practice Standards</th>
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| **1. Establishing and Defining the Relationship with the Client**  
  • Defining the Scope of the Engagement | [Moved to section A.11 of the Standards of Conduct (the Duty to “Provide Information to a Client”).] |
| **2. Gathering Client Data**  
  • Determining a Client’s Personal and Financial Goals, Needs and Priorities  
  • Obtaining Quantitative Information and Documents | **1. Understanding the Client’s Personal and Financial Circumstances**  
  • Obtaining Qualitative and Quantitative Information  
  • Analyzing Information  
  • Addressing Incomplete Information |
| **3. Analyzing and Evaluating the Client’s Financial Status**  
  • Analyzing and Evaluating the Client’s Information | **2. Identifying and Selecting Goals**  
  • Identifying Goals  
  • Selecting Goals |
| **4. Developing and Presenting Financial Planning Recommendations**  
  • Identifying and Evaluating Financial Planning Alternative(s) | **3. Analyzing the Client’s Current Course of Action and Potential Recommendation(s)**  
  • Analyzing Current Course of Action  
  • Analyzing Potential Recommendations |
| **4. Developing and Presenting Financial Planning Recommendations**  
  • Developing the Financial Planning Recommendation(s) | **4. Developing the Financial Planning Recommendation(s)**  
  • Developing the Recommendation(s) |
| **5. Implementing the Financial Planning Recommendations**  
  • Agreeing on Implementation Responsibilities  
  • Selecting Products and Services for Implementation | **5. Presenting the Financial Planning Recommendation(s)**  
  • Presenting Recommendations |
| **6. Monitoring**  
  • Defining Monitoring Responsibilities | **6. Implementing the Presenting Financial Planning Recommendation(s)**  
  • Addressing Implementation Responsibilities  
  • Identifying, Analyzing, and Selecting Actions, Products and Services  
  • Recommending Actions, Products and Services for Implementation  
  • Selecting and Implementing Actions, Products, or Services |
| **7. Monitoring Progress and Updating**  
  • Addressing Monitoring and Updating Responsibilities  
  • Monitoring the Client’s Progress  
  • Obtaining Current Qualitative and Quantitative Information  
  • Updating Goals, Recommendations or Implementation Decisions |