



ETHICS CE: CFP BOARD'S REVISED CODE AND STANDARDS

CFP BOARD ETHICS WORKSHOP

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Workshop Information

Program Title: *Ethics CE: CFP Board's Revised Code and Standards*

(Subtitle: *CFP Board Ethics Workshop*)

Date: November 3, 2022

Instructor(s): Lawrence Sangirardi, CFP®, ChFC® and Mark Badami, CFP®

Hosting organization: FPA Northeast Region

Location: Live Webinar

CFP Board program number: 249034

Type of program: Live/Webinar Presentation

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Number of continuing education credit hours awarded for this program: **2**

CFP Board subject code: G; CFP Board Code of Ethics

This course is approved by CFP Board for the *Code of Ethics* and *Practice Standards*.

Level of Complexity: Intermediate

Beacon Hill Financial Educators is CFP Board sponsor number 1008.

Program materials

CFP Board Ethics Workshop Power Point presentation, handout—©2021 Beacon Hill Financial Educators.

Program Learning Objectives: See slide #4, below.

About Beacon Hill Financial Educators

Beacon Hill Financial Educators is a continuing education provider of self-study and live-seminar programs for professionals in the financial services field. We are an approved CE sponsor for the Certified Financial Planner Board of Standards, National Association of State Boards of Accountancy, Internal Revenue Service, and Institute for Divorce Financial Analysts. For more information on our programs, please visit at www.bhfe.com or call us at 800-588-7039.

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Certificate of Completion and CE Credit Reporting

At the conclusion of the workshop, a link will be provided that will take you to an online attendee sign-in sheet and program evaluation form.

You will be submitting the form electronically.

Once we receive your form, we will issue you a certificate of completion via email and report your credits to CFP Board.

Presentation Slides with Notes

Slide 1




ETHICS CE: CFP BOARD'S REVISED CODE AND STANDARDS

SPONSOR: BEACON HILL FINANCIAL EDUCATORS, INC.
CFP BOARD SPONSOR # 1008
CFP BOARD COURSE ID # 249034 *"CFP BOARD ETHICS WORKSHOP"*

PRESENTED BY: Lawrence Sangirardi, CFP®, ChFC® and Mark Badami, CFP®
DATE: NOVEMBER 3, 2022
LOCATION: FPA NORTHEAST REGION (LIVE WEBINAR)


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About Your Instructor



- Lawrence Sangirardi, CFP®, ChFC®
- Mark Badami, CFP®

CFP Board CE Sponsor for this program:
BEACON HILL FINANCIAL EDUCATORS, INC.



CE QUALITY PARTNER

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Disclaimer

CFP BOARD

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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Learning Objectives

CFP BOARD

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.

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CFP BOARD

LEARNING OBJECTIVE 1

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

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Module 1: Learning Objective 1

Let's focus on the structure and content of the *Code and Standards*, as well as some of the significant changes set forth in the *Code and Standards*.

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CFP BOARD

The Revised *Code and Standards*

- 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

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We are going to begin by discussing the new structure of the *Code and Standards*. Next, we will discuss the duties of a CFP® Professional, followed by an introduction to the significant changes that were made to the content of the *Standards*, including the fiduciary duty, conflicts of interest, the duty to report, and the Duty to cooperate.

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Preamble to the *Code and Standards*

CFP BOARD

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.

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The revised *Code and Standards* opens with a brief, descriptive *Preamble* that captures the purpose and effect of the *Code and Standards*. A short *Code of Ethics* then delineates the general principles that guide the behavior of CFP® professionals, with elaboration provided in the *Standards of Conduct* that follow.

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Code of Ethics

CFP BOARD

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.

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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. The *Code of Ethics* applies at all times, and sets forth principles that guide the behavior of CFP® professionals, with elaboration provided in the *Standards* that follow. The cornerstone of the *Code and Standards* is a CFP® professional's duty to act as a fiduciary and, therefore, act in the best interests of the Client at all times when providing Financial Advice.

The *Code of Ethics* is principles-based and always applies. For example, the first item listed in the *Code* is to act with honesty, integrity, competence, and diligence. The last item provides that a CFP® professional must act in a manner that reflects positively on the financial planning profession and CFP® certification. Each item listed in the *Code of Ethics* is

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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	

(slide 8 continued)

addressed more specifically in the *Standards of Conduct*.

The *Standards of Conduct* is composed of six sections:

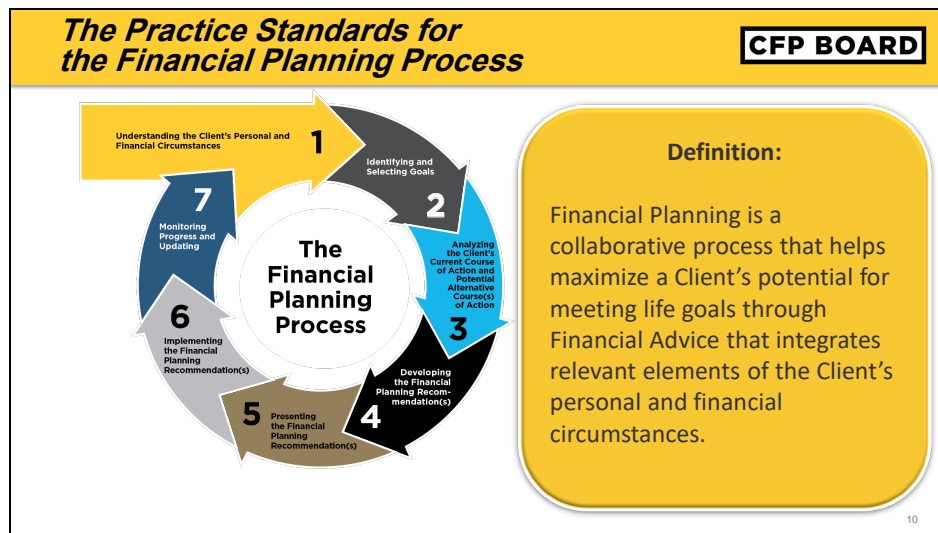
- A. **Duties Owed to Clients** – This section sets forth 15 “duties” that CFP® professionals owe to clients, such as the fiduciary duty, which we will discuss in greater detail today.
- B. **Financial Planning and Application of the Practice Standards for the Financial Planning Process** – This section updates the definition of “Financial Planning” and the standard for determining when Financial Planning is required.
- C. **Practice Standards for the Financial Planning Process** – This section updates the *Practice Standards* by beginning after the Engagement is formed. It also reorders and expands upon the previous steps of the Financial Planning process. The result is that there are now seven steps in the Financial Planning process.
- D. **Duties Owed to Firms and Subordinates** – This section updates the previous standard for supervising persons acting under the CFP® professional’s direction, following firm procedures, and notifying the CFP® Professional’s Firm about CFP Board discipline.
- E. **Duties Owed to CFP Board** – This section updates and provides greater detail concerning what conduct “reflects adversely on a CFP® professional’s fitness as a certificant, upon the CFP® marks, or upon the profession.” It also expands and provides greater detail regarding

(slide 9 continued)

a CFP® professional's reporting obligation to CFP Board.

- F. **Prohibition on Circumvention** – A CFP® professional may not do indirectly, or through or by another person, any act or thing that the *Code and Standards* prohibit the CFP® professional from doing directly.

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The Practice Standards have been Updated. There is an updated standard for determining when Financial Planning is required, and thus when the *Practice Standards* apply. There also are significant updates to the *Practice Standards*. The Financial Planning process now begins after the Engagement has been formed, and goals are selected after the CFP® professional has developed an understanding of the Client's personal and financial circumstances.

Financial Planning 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.

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Glossary

CFP BOARD

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.

- 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
- 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.

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The last two pages of the *Code and Standards* is made up of the Glossary. This is a critical resource for defining key terms used throughout the document.

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Significant Changes to Content

CFP BOARD

STANDARD A.1: FIDUCIARY DUTY

STANDARD A.5: CONFLICTS OF INTEREST

STANDARD E.3: DUTY TO REPORT

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CFP Board has updated the *Code and Standards* to benefit the public that CFP® professionals serve. The *Code and Standards* makes some significant changes to content. Among other things:

- **Expanded Application of Fiduciary Duty** – CFP® professionals previously were required to act as a fiduciary when providing financial planning or material elements of financial planning. In the revised *Code and Standards*, CFP® professionals are required to act as a fiduciary at all times when providing “Financial Advice” to a Client. “Financial Advice” is broadly defined. Thus, the application of the fiduciary duty has been expanded significantly.
- **Disclose and Manage Conflicts of Interest (Standard A.5.):** The revised *Code and Standards* sets forth several requirements concerning Conflicts of Interest.

(slide 12 continued)

- **Duty to Report and Cooperate:** The Duty to Report and the Duty to Cooperate are key elements of an enforcement program that seeks to detect potential misconduct and uphold the high standards of competency and ethics set forth in the *Code and Standards*.

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CFP BOARD

DUTIES of a CFP® Professional

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Duties of a CFP® Professional CFP BOARD

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® Professionals 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:

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The *Code and Standards* sets forth duties that a CFP® professional has to the client, the firm and subordinates, and CFP Board. Most of these duties apply at all times. Additional duties apply as the work of the CFP® professional increases. For example, a CFP® professional also has a fiduciary duty that applies when providing Financial Advice to a Client.

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Duties of a CFP® Professional: To Clients CFP BOARD

	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

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- Integrity (Standard A.2.):** A CFP® professional must perform professional services with integrity. Integrity demands honesty and candor, which may not be subordinated to personal gain or advantage. The standard also contains the standard anti-fraud language that exists in law and regulation, the interpretations of which will guide interpretation of this standard.
 - Key points:**
 - Honesty and candor that is not subordinated to personal gain or advantage
 - Standard anti-fraud language
- Competence (Standard A.3.):** A CFP® professional must provide Professional Services with competence, which means with relevant knowledge and skill to apply that knowledge. When the CFP® professional is not sufficiently competent in a particular area to provide the Professional Services,

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the CFP® professional must gain competence, obtain the assistance of a competent professional, limit or terminate the Engagement, and/or refer the Client to a competent professional. A CFP® professional is required to describe to the Client any requested Professional Services that the CFP® professional will not be providing.

- **Key Points:**

- Relevant knowledge and skill
- Gain competence, obtain assistance, limit or terminate engagement, and/or refer the Client.

- **Diligence (Standard A.4.):** A CFP® professional must provide Professional Services, including responding to reasonable Client inquiries, in a timely and thorough manner.

- **Key Points:**

- Timely and thorough

- **Sound and Objective Professional Judgment (Standard A.6.):** When exercising professional judgment, a CFP® professional must act objectively to serve the interests of Clients, rather than themselves, their firms, or anyone else. CFP® professionals may not solicit or accept any gift, gratuity, entertainment, non-cash compensation, or other consideration that could reasonably be expected to compromise their objectivity. CFP Board opted for a principles-based standard, rather than setting specific dollar amount limits.

- **Key Points:**

- Exercise professional judgment that is not subordinated.

(slide 15 continued)

- Avoid considerations that could compromise objectivity.
- **Professionalism (Standard A.7.):** Unlike many of the other “duties” on this list, the duty to act with Professionalism applies not just to Clients, but also to prospective Clients, fellow professionals, and others. It requires CFP® professionals to treat others with dignity, courtesy, and respect.
 - **Key Points:**
 - Treat Clients and others with dignity, courtesy, and respect.
- **Comply With the Law (Standard A.8.):** The *Code and Standards* also requires a CFP® professional to comply with the laws, rules, and regulations governing Professional Services, and prohibits a CFP® professional from intentionally or recklessly participating or assisting another person’s violation of these *Standards* or the laws, rules, or regulations governing Professional Services.
- **Confidentiality/Privacy (Standard A.9.):** A CFP® professional is required to keep confidential and protect the security of personal non-public information about Clients. The *Code and Standards* sets forth the circumstances when confidential information may be disclosed for ordinary business purposes or for legal and enforcement purposes. A CFP® professional also may not use the information for his or her personal benefit, whether or not it causes detriment to the Client, without the Client’s consent. A CFP® professional, either directly or through the firm, must take reasonable steps to protect the security of the information, and adopt

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policies governing the handling or sharing of the information. A CFP® professional must provide written notice of policies at the time of Engagement. There is a safe harbor for when a CFP® Professional's Firm is subject to, and the CFP® professional complies with, Reg S-P or substantially equivalent federal or state laws or rules.

- **Key Points:**
 - Applies to non-public personal information (NPPI)
 - Exceptions for ordinary business (four) and legal/enforcement (seven)
 - Can't benefit from NPPI
 - Must protect security and adopt, implement, and provide written notice of policies
 - Safe Harbor for Reg S-P (or equivalent).
- **Duties When Communicating with a Client (Standard A.11.):** A CFP® professional must provide a Client with accurate information in a manner and format that a Client reasonably could be expected to understand. The information must be provided in accordance with the terms of the Engagement (the oral or written agreement, arrangement, or understanding between the CFP® professional and the Client) and in response to reasonable Client requests.
 - **Key Points:**
 - Provide accurate information in an understandable manner and format.
- **Duties When Selecting, Using, and Recommending Technology (Standard A.14.):** CFP Board's revised *Code and Standards* impose a principles-based duty

(slide 15 continued)

that recognizes the important role that technology now plays in the delivery of Professional Services. CFP® professionals now have a “Duty to Use Reasonable Care When Selecting, Using, and Recommending Technology.” When selecting, using, or recommending any software, digital advice tool, or other technology to provide Professional Services to Clients, it is not enough to simply rely on the technology. CFP® professionals are required to act reasonably in selecting, using, and recommending the technology, understand its assumptions and outcomes, and have a reasonable basis for believing it will produce reliable, objective, and appropriate results.

- **Key Points:**

- Use reasonable care in selecting, using and recommending
- Have a reasonable understanding of assumptions and outcomes
- Have a reasonable basis for believing outcomes will be reliable, objective, and appropriate.

- **Refrain from Borrowing or Lending Money, and Commingling Financial Assets (Standard A.15.):** CFP Board modified, but largely retained, the standards on borrowing from or lending to a Client, and commingling. Borrowing and lending is allowed if the Client is a Family member or if the lender is an organization or entity in the business of lending money. The most significant change is that the standard now explicitly prohibits indirect borrowing. Commingling of Financial Assets is prohibited.

- **Key Points:**

(slide 15 continued)

- Refrain from Borrowing, Lending, and Commingling Financial Assets.

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L.O.1: REQUIRED EXERCISE 1
CFP BOARD

EXERCISE

Please play the video:

[Understanding the Term "Fee Based"](#)

Time 1:28 (min:sec)

The video is found on the Compliance Resources page at www.bhfe.net:
<https://www.cfp.net/ethics/compliance-resources/2019/02/understanding-the-term-fee-based>

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This is a required exercise (the Instructor will open the link).

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Duties: Representing Compensation
CFP BOARD

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

Are you
Fee Only?

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•**Representation of Compensation Method (Standard A.12.):** The focus here is on accurate representations. The new definition of fee-only is consistent with CFP Board's long-standing interpretation. The *Code and Standards* defines the term fee-only by exclusion, and addresses whose compensation the standard will consider for this purpose. A CFP® professional may describe his or her or the Firm's compensation method as fee-only only where: (1) the CFP® professional and the CFP® Professional's Firm receives no Sales-Related Compensation; and (2) Related Parties receive no Sales-Related Compensation in connection with any Professional Services the CFP® professional or the CFP® Professional's Firm provides to Clients. Sales-Compensation is a new term. The more commonly-

(slide 17 continued)

used term is commissions. Sales-Related Compensation is used because there are some fees that present an incentive for the purchase or sale of particular Financial Assets, such as a 12(b)1 fee. So, while someone who is fee-only only accepts fees, there are some fees that a fee-only planner may not accept. The definition of “Sales-Related Compensation” also includes referral compensation. There are several examples of what constitutes “Sales-Related Compensation.” Five things are explicitly excluded. These exclusions are found in Section A.12.a.iii

Compensation to Related Parties also is considered, but only if that compensation is received in connection with any Professional Services the CFP® professional or the CFP® Professional’s Firm provides to Clients.

There is also a new standard for “fee-based” and other similar terms. “Fee-based” is equivalent to “commission and fee.” A CFP® professional who represents his or her compensation method as fee-based must not suggest the CFP® professional or the CFP® Professional’s Firm is fee-only, and must clearly state either that the CFP® professional earns both fees and commissions, or is not fee-only.

If your Firm makes compensation representations that are inconsistent with CFP Board’s *Code and Standards*, and you do not control the firm, then you must correct any misrepresentation by accurately representing your compensation method to your clients.

(slide 17 continued)

Are you fee-only?

First, figure out whether YOU are earning Sales-Related Compensation. If so, then you aren't fee-only. Second, determine what will be considered your firm. A CFP® Professional's Firm is "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." You may have more than one firm that qualifies as a "CFP® professional's firm." Is your firm earning Sales-Related Compensation? If so, then you aren't fee-only.

Next, determine who is a Related Party. A Related Party is a "person or business entity (including a trust) whose receipt of Sales-Related Compensation a reasonable CFP® professional would view as benefiting the CFP® professional or the CFP® Professional's Firm, including, for example, as a result of the CFP® professional's ownership stake in the business entity." Family members and controlled business entities are presumed to be Related Parties. Are your Related Parties earning "Sales-Related Compensation"? If so, is it in connection with any Professional Services you or your Firm provides to Clients? A connection exists when the compensation results, directly or indirectly, from Client transactions referred (or facilitated) by the CFP® professional or the CFP® Professional's Firm. If your Related Party earns a

(slide 17 continued)

Sales-Related Compensation that is “in connection with,” you cannot use fee-only. Related There is a safe harbor to avoid compensation being “in connection with” if you (or your firm) adopt and implement reasonable policies and procedures designed to prevent recommendations to the Related Party.

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L.O.1: REQUIRED EXERCISE 2

CFP BOARD

EXERCISE

Please open the case study:

[A CFP® Professional Firm's Sales-related Compensation](#)

The case study is found in the Compliance Resources at [www. CFP.net](http://www.cfp.net):

<https://www.cfp.net/ethics/compliance-resources/2019/11/a-cfp-professional-firms-sales-related-compensation>

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This is a required exercise (the Instructor will open the link).

Duties: Working With Additional Persons CFP BOARD

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

At All Times	To Clients	To Firms and Supervisors	To CFP Board
<ul style="list-style-type: none"> Act in the best interest of the client Disclose and manage conflicts of interest Provide information to the client Exercise prudent judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment 	<ul style="list-style-type: none"> Act in the best interest of the client Disclose and manage conflicts of interest Provide information to the client Exercise prudent judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment 	<ul style="list-style-type: none"> Act in the best interest of the client Disclose and manage conflicts of interest Provide information to the client Exercise prudent judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment 	<ul style="list-style-type: none"> Act in the best interest of the client Disclose and manage conflicts of interest Provide information to the client Exercise prudent judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment Exercise reasonable care Exercise reasonable diligence Exercise reasonable skill Exercise reasonable judgment

Duties When Recommending, Engaging, and Working with Additional Persons (Standard A.13.): This is a new standard that sets forth requirements for CFP® professionals who recommend, engage, and work with additional persons. Because CFP® professionals often work with additional persons, CFP Board identified the need for a standard.

When engaging or recommending another professional, a CFP® professional must:

1. Have a reasonable basis for the recommendation or Engagement based on the other professional's reputation, experience, and qualifications; and
2. Disclose any arrangement by which someone other than the client will compensate the CFP® professional, the CFP® Professional's Firm, or a Related Party for the Engagement or recommendation.

For Engagements, the CFP® professional must take reasonable steps to protect the Client's interests.

When working with another professional on a Client's behalf, the CFP® professional must:

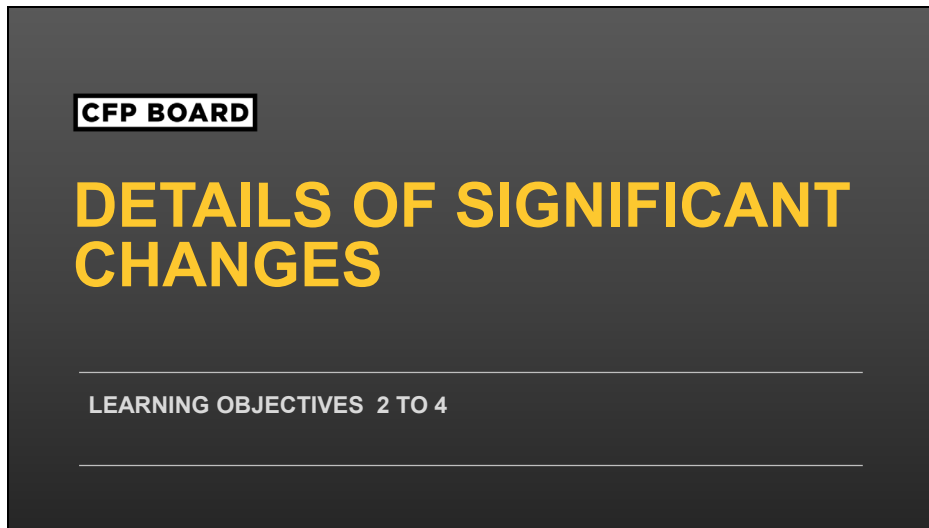
1. Communicate with the other professional about the services each will provide and their respective responsibilities; and
2. Timely inform the Client if the other professional did not perform the services in accordance with the scope of services to be provided and the allocation of responsibilities.

- **Key Points:**

(slide 19 continued)

- **Duties When Engaging or Recommending**
 - Develop a reasonable basis
 - Disclose compensation arrangements
- **Duties When Engaging**
 - Exercise reasonable care
- **Duties When Working With Additional Persons**
 - Communicate about services and responsibilities
 - Inform client if the other provider did not perform or uphold responsibilities.

Slide 20

A dark gray rectangular slide with a white border. In the top left corner, there is a small white box with the text "CFP BOARD" in black. Below this, the title "DETAILS OF SIGNIFICANT CHANGES" is written in large, bold, yellow capital letters. At the bottom, the text "LEARNING OBJECTIVES 2 TO 4" is written in white capital letters, flanked by two horizontal white lines.

CFP BOARD

DETAILS OF SIGNIFICANT CHANGES

LEARNING OBJECTIVES 2 TO 4

Module 2: Learning Objective 2

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CFP BOARD

LEARNING OBJECTIVE 2

DESCRIBE CFP BOARD'S FIDUCIARY DUTY

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Learning Objective 2

Since all CFP® professionals will be required to act as fiduciaries more frequently than in the past, it is important that you learn the actions required.

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Quiz: Fiduciary Duty & Financial Advice **CFP BOARD**

- Under the Code and Standards, whether a CFP® Professional has a fiduciary duty depends on whether the CFP® Professional is providing "Financial Planning." A CFP® Professional may provide Financial Advice without owing a Fiduciary Duty.
 - True
 - False
 - I'm guessing

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Quiz: The instructor has the option to select one or more of the following Quiz slides.

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Quiz: Fiduciary Duty & Financial Advice **CFP BOARD**

- In order for there to be Financial Advice, there must be compensation.
 - True
 - False
 - I'm guessing

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Slide 24

Quiz: Fiduciary Duty & Financial Advice **CFP BOARD**

- A CFP® Professional who provides marketing materials and general financial education materials is "Providing Financial Advice."
 - True
 - False
 - I'm guessing

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Quiz: Fiduciary Duty & Financial Advice

CFP BOARD

- A CFP® Professional's Duties of Loyalty, Care and to Follow Client Instructions are components of the Fiduciary Duty that is owed to Clients.
 - True
 - False
 - I'm guessing

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L.O.2: REQUIRED EXERCISE 1

CFP BOARD

Please play the video:

[The Fiduciary Obligation](#)

Time 1:50 (min:sec)

The video is found in the Compliance Resources at www. CFP.net:
<https://www.cfp.net/ethics/compliance-resources/2018/12/the-fiduciary-obligation>

EXERCISE

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This is a required exercise (the Instructor will open the link).

Fiduciary Duty
CFP BOARD

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

27

Fiduciary Duty (Standard A.1.): A fiduciary is required to act in the best interest of the Client. The Standards previously imposed a fiduciary duty whenever a CFP® professional was providing financial planning or material elements of financial planning to a client. The revised *Code and Standards* imposes a fiduciary duty at all times when a CFP® professional is providing Financial Advice to a Client. Financial Advice is broadly defined. CFP Board's new Fiduciary standard matches traditional fiduciary law.

- **Duty of Loyalty (Standard A.1.a.):** In a relationship of trust, the Client seeks advice from a fiduciary. The law requires the fiduciary to respond with loyalty and devotion. The fiduciary must act to benefit the Client, not benefit himself or herself.

A CFP® professional must place the Client's interest ahead of the CFP® professional's, the CFP® Professional's Firm, and any individual or entity other than the Client. There will be times when a CFP® professional's interests conflict with the Client's interests. When material conflicts are not avoided, they must be fully disclosed to the Client, the Client must provide informed consent, and the CFP® professional must "properly manage" the conflict. The Duty of Loyalty also requires CFP® professionals who work under a conflict to continue to act in the best interests of their Client after the conflict has been disclosed, without regard to the interests of others.

- **Duty of Care (Standard A.1.b.):** The Duty of Care requires a CFP® professional to act with the care, skill, prudence, and diligence of a prudent professional. This takes into account the Client's

(slide 27 continued)

goals, risk tolerances, objectives, and financial and personal circumstances.

- **Duty to Follow Client Instructions (Standard A.1.c.):** The Duty to Follow Client Instructions recognizes that a CFP® is an agent of the Client, and is required to carry out the terms of the Engagement, as well as all reasonable and lawful Client requests. If the CFP® professional does not believe that what the Client wants is in the Client's best interests, the CFP® professional must so advise the Client. But ultimately, the Client gets to decide what to do.

Slide 28

L.O.2: REQUIRED EXERCISE 2

CFP BOARD

EXERCISE

Please open the case study:

[Apply the Fiduciary Duty to Client Instructions that Conflict with the Duty of Care](#)

The case study is found in the Compliance Resources at [www. CFP.net](http://www.cfp.net):
<https://www.cfp.net/ethics/compliance-resources/2019/11/applying-the-fiduciary-duty-to-client-instructions-that-conflict-with-the-duty-of-care>

28

This is a required exercise (the Instructor will open the link).

Slide 29

L.O.2: REQUIRED EXERCISE 3

CFP BOARD

EXERCISE

Please open the case study:

[The Duty to Follow a Client's Instruction to Use a Specific Firm for Execution](#)

The case study is found in the Compliance Resources at www. CFP.net:
<https://www.cfp.net/ethics/compliance-resources/2019/10/the-duty-to-follow-a-clients-instruction-to-use-a-specific-firm-for-execution>

29

This is a required exercise (the Instructor will open the link).

Slide 30

L.O.2: REQUIRED EXERCISE 4

CFP BOARD

EXERCISE

Please open the case study:

[The Fiduciary Duty and an A Share Class Recommendation](#)

The case study is found in the Compliance Resources at www. CFP.net:
<https://www.cfp.net/ethics/compliance-resources/2019/11/the-fiduciary-duty-and-an-a-share-class-recommendation>

30

This is a required exercise (the Instructor will open the link).

Slide 31

CFP BOARD

LEARNING OBJECTIVE 3

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

31

Learning Objective 3

A CFP® professional must be able to recognize and either avoid or disclose, obtain informed consent, and manage Material Conflicts of Interest.

Slide 32

CFP BOARD

Quiz: Conflict of Interest

- A Conflict of Interest is present when the interests of the CFP® professional and the CFP® professional's duties to a Client are adverse.
 - True
 - False
 - I'm guessing

32

Quiz: The instructor has the option to select one or more of the following Quiz slides.

Slide 33

Quiz: Conflict of Interest

CFP BOARD

- A sincere belief by a CFP® professional with a Material Conflict of Interest that he or she is acting in the best interests of the Client is sufficient to excuse the CFP® professional's failure to make full disclosure of the Material Conflict of Interest.
 - True
 - False
 - I'm guessing

33

Slide 34

Quiz: Conflict of Interest

CFP BOARD

- A CFP® professional must adopt and follow business practices reasonably designed to prevent Material Conflicts of Interest from compromising the CFP® professional's ability to act in the Client's best interests.
 - True
 - False
 - I'm guessing

34

Slide 35

Conflicts of Interest

CFP BOARD

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.

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This requirement is addressed more fully in Standard A5, which requires a CFP® professional who is providing Financial Advice to make full disclosure of all Material Conflicts of Interest that could affect the professional relationship with a Client and provide sufficiently specific facts so that the Client is able to understand the conflicts and the business practices that give rise to the conflicts and give informed consent to such conflicts or reject them. (slide and notes source: <https://www.cfp.net/ethics/compliance-resources/2018/08/focus-on-ethics---avoiding-or-managing-and-disclosing-conflicts-of-interest>)

Slide 36

Examples of Conflicts of Interest

CFP BOARD

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

36

Compensation is always a conflict that must be disclosed to the Client. The last two examples come from Case Studies that might be used later in the presentation.

Slide 37

L.O.3: REQUIRED EXERCISE 1

CFP BOARD

EXERCISE

Please open the case study:

[The Duty to Disclose and Manage Material Conflicts of Interest Involving Proprietary Products](#)

The case study is found in the Compliance Resources at www. CFP.net:
<https://www.cfp.net/ethics/compliance-resources/2019/11/the-duty-to-disclose-and-manage-material-conflicts-of-interest-involving-proprietary-products>

37

This is a required exercise (the Instructor will open the link).

Slide 38

L.O.3: REQUIRED EXERCISE 2

CFP BOARD

EXERCISE

Please open the case study:

[The Duty to Disclose Material Conflicts of Interest When Recommending a Product Issued by an Affiliate](#)

The case study is found in the Compliance Resources at www. CFP.net:
<https://www.cfp.net/ethics/compliance-resources/2019/10/the-duty-to-disclose-material-conflicts-of-interest-when-recommending-a-product-issued>

38

This is a required exercise (the Instructor will open the link).

Slide 39

L.O.3: REQUIRED EXERCISE 3

CFP BOARD

EXERCISE

Please open the case study:

[The Duty to Disclose Material Conflicts of Interest When Responding to a Client's Investment Inquiry](#)

The case study is found in the Compliance Resources at www. CFP.net:
<https://www.cfp.net/ethics/compliance-resources/2019/10/the-duty-to-disclose-material-conflicts-of-interest-when-responding-to-a-clients-investment-inquiry>

39

This is a required exercise (the Instructor will open the link).

Slide 40

L.O.3: REQUIRED EXERCISE 4

CFP BOARD

EXERCISE

Please open the case study:

[The Duty to Disclose Material Conflicts of Interest When Making a Rollover Recommendation](#)

The case study is found in the Compliance Resources at www. CFP.net:
<https://www.cfp.net/ethics/compliance-resources/2019/10/the-duty-to-disclose-material-conflicts-of-interest-when-making-a-rollover-recommendation>

40

This is a required exercise (the Instructor will open the link).

Slide 41

How to Handle Conflicts of Interest **CFP BOARD**

For Material Conflicts that are not avoided:

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

41

Disclose and Manage Conflicts of Interest (Standard A.5.): The revised *Code and Standards* sets forth several requirements concerning Conflicts of Interest.

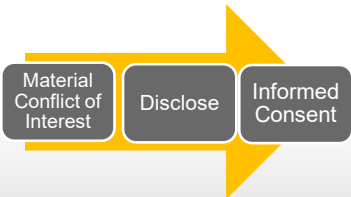
A CFP® professional must:

- Avoid Material Conflicts of Interest by providing sufficiently specific facts.
- Obtain informed consent and manage the conflict.

Slide 42

Full Disclosure and Informed Consent **CFP BOARD**

- **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?



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graph LR; A[Material Conflict of Interest] --> B[Disclose]; B --> C[Informed Consent]
```

42

Disclose Conflicts (Standard A.5.a.): The obligation in the revised *Code and Standards* requires a CFP® professional to provide the Client with sufficiently specific facts so that a reasonable Client is able to understand the CFP® professional’s Conflicts of Interest and the business practices that give rise to the conflicts, and give informed consent to such conflicts or reject them. A sincere belief by a CFP® professional with a Material Conflict of Interest that he or she is acting in the best interests of the Client is insufficient to excuse failure to make full disclosure.

A CFP® professional must make full disclosure and obtain the consent of the Client before providing any Financial Advice regarding which the CFP® professional has a Material Conflict of Interest.

In determining whether the disclosure of a Material

(slide 42 continued)

Conflict of Interest provided to the Client was sufficient to infer that a Client has consented to a Material Conflict of Interest, CFP Board will evaluate whether a reasonable Client receiving the disclosure would have understood the conflict and how it could affect the advice the Client will receive from the CFP® professional. The greater the potential harm the conflict presents to the Client, and the more significantly a business practice that gives rise to the conflict departs from commonly-accepted practices among CFP® professionals, the less likely it is that CFP Board will infer informed consent absent clear evidence otherwise. Ambiguity in the disclosure provided to the Client will be interpreted in favor of the Client.

Evidence of oral disclosure of a conflict will be given such weight as CFP Board in its judgment deems appropriate. As a best practice, CFP Board recommends that a CFP® professional disclose the Conflict of Interest in writing before or when providing the Financial Advice. Written consent to a conflict is not required.

Whether a Client has provided informed consent depends on the facts and circumstances and may be inferred when not explicit. For example, silence after disclosure may constitute informed consent if the disclosure contains sufficiently specific facts that are understandable to a reasonable Client, but may not constitute informed consent if that is not the case.

Slide 43

Must Also Manage Conflicts

CFP BOARD

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

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graph LR; A[Material Conflict of Interest] --> B[Disclose]; B --> C[Informed Consent]; C --> D[Manage];
```

43

Manage Conflicts (Standard A.5.b.): The management of Conflicts of Interest requires a CFP® professional to 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. This means that mere disclosure of conflicts is not enough. The Conflicts of Interest must be managed in the Client's best interests.

For example, in the case of a compensation conflict, the CFP® professional must take steps to ensure that recommendations are based on the Client's goals, risk tolerance, objectives, and financial and personal circumstances, and not his/her potential compensation.

Slide 44

CFP BOARD

LEARNING OBJECTIVE 4

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

44

Learning Objective 4

Slide 45

Duty to Report

CFP BOARD

- Applies at the initiation and the conclusion of the reportable matter.
- Within 30 days.
- A narrative statement that accurately and completely 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).
- Can seek guidance on the Duty to Report at compliance@cfpboard.org.

45

The Duty to Report information to CFP Board applies both to the initiation and the conclusion of the reportable matter that concerns a CFP® professional's conduct, as set forth below. A CFP® professional must provide written notice to CFP Board within thirty (30) calendar days of both the initiation and conclusion of the reportable matter and include a narrative statement that accurately and completely describes the material facts and the outcome or status of the reportable matter. CFP Board has established an online reporting form that is located at [CFP.net/ethics/reporting](https://www.cfp.net/ethics/reporting). Thereafter, a CFP® professional also must complete the CFP Board Ethics Declaration when renewing his or her certification. A CFP® professional may seek guidance on the Duty to Report by contacting compliance@cfpboard.org.

Slide 46

Duty to Cooperate

CFP BOARD

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.

46

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.

This means more than disclosure is required. The CFP

(slide 46 continued)

professional must provide a narrative statement regarding the underlying reportable event: Provide the facts that gave rise to the event, the current status of the event and any and all documents regarding the substance of the event.

Slide 47

Importance

CFP BOARD

- The Duty to Report and the Duty to Cooperate are key elements of an enforcement program that seeks to detect potential misconduct and uphold the high standards of competency and ethics set forth in 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.
- A failure to comply with the Duty to Cooperate constitutes a violation of the *Code and Standards*

47

The Duty to Report and the Duty to Cooperate are key elements of an enforcement program that seeks to detect potential misconduct and uphold the high standards of competency and ethics set forth in the *Code and Standards*. Not every reportable matter will result in an investigation or a finding that a CFP® professional has violated the *Code and Standards*. However, 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. A failure to comply with the Duty to Cooperate also constitutes a violation of the *Code and Standards* and may give rise to an adverse inference against the CFP® professional in an enforcement proceeding that presumes the CFP® professional would have provided the documents or information if they were not unfavorable to the CFP® professional.

Slide 48

L.O.4: REQUIRED EXERCISE

CFP BOARD

EXERCISE

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

[Duty to Report Information to CFP Board and Duty to Cooperate with CFP Board Investigations](#)

The document is found in the Compliance Resources at [www. CFP.net](http://www.cfp.net):
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>

Document PDF Link:
<https://www.cfp.net/-/media/files/cfp-board/standards-and-ethics/cfp-board-duty-to-report-and-cooperate.pdf>

48

This is a required exercise (the Instructor will open the link).

Slide 49

CFP BOARD

LEARNING OBJECTIVE 5

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

49

Learning Objective 5

Slide 50

Quiz: Financial Planning

CFP BOARD

- There are seven steps in the Financial Planning process.
 - True
 - False
 - I'm guessing

50

Quiz: The instructor has the option to select one or more of the following Quiz slides.

Slide 51

Quiz: Financial Planning

CFP BOARD

- To understand the Client's Personal and Financial Circumstances, a CFP® professional must analyze both quantitative and qualitative information.
 - True
 - False
 - I'm guessing

51

Slide 52

Quiz: Financial Planning

CFP BOARD

- If a Client has a reasonable basis for believing that a CFP® professional is providing Financial Planning, then the CFP® professional must comply with the Practice Standards.
 - True
 - False
 - I'm guessing

52

Slide 53

L.O.5: REQUIRED EXERCISE 1

CFP BOARD

EXERCISE

Please play the video:

[What is Financial Planning?](#)

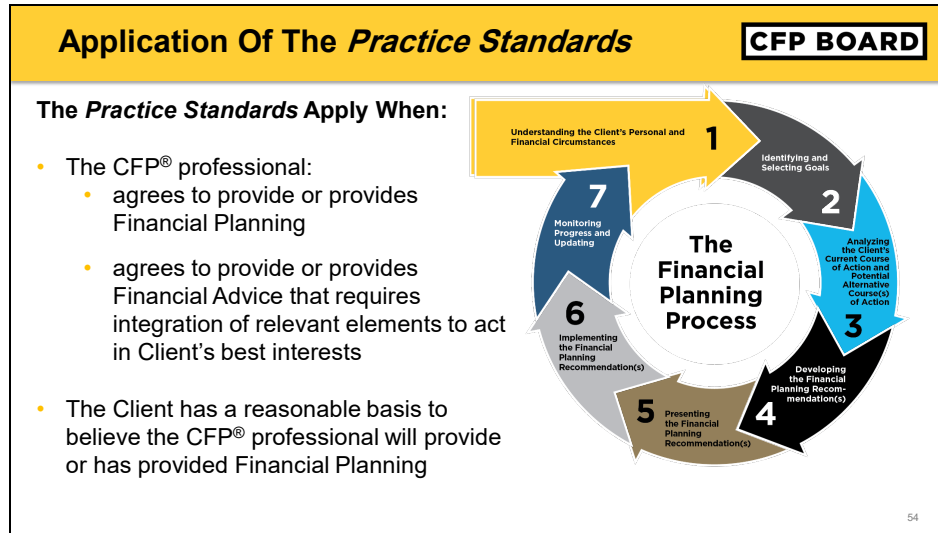
Time 1:22 (min: sec)

The video is found in the Compliance Resources at www.cfp.net:

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

53

This is a required exercise (the Instructor will open the link).



The *Practice Standards* Apply When:

- The CFP® professional agrees to provide or provides Financial Planning
- The CFP® professional 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.

Application of *Practice Standards* (Standard B.3.): CFP Board has redefined when a CFP® professional must comply with the *Practice Standards*. There are two major changes:

- Under the previous standard, the Client's subjective understanding and intent in engaging the CFP® professional was one relevant factor in determining whether Financial Planning was required. The revised *Code and Standards* adopt an objective standard that is sufficient, on its own if satisfied, to require Financial Planning. If the Client has no reasonable basis for believing that the CFP® professional will provide or has provided Financial Planning, the Client's understanding and intent in engaging the CFP® professional is not relevant.
- The revised *Code and Standards* provides that the Financial Advice you agree to provide to a Client may require you to provide Financial Planning to act in the Client's best interests.

CFP Board Evaluation (Standard B.5.): When CFP Board alleges that a CFP® professional was required to

(slide 54 continued)

provide Financial Planning, the CFP® professional must demonstrate that he or she was not required to comply with the *Practice Standards*. This standard thus functions as an evidentiary presumption that arises solely in the enforcement context. Since it will be your burden to show that Financial Planning was not required, you should consider documenting or maintaining evidence of your decision making.

- If CFP Board alleges a *Practice Standards* violation
- And the CFP® professional denies the allegations
- Then the CFP® professional has the burden of demonstrating that Financial Planning was not required.

Slide 55

L.O.5: REQUIRED EXERCISE 2

CFP BOARD

EXERCISE

Please play the video:
[Integration Factors](#)
Time 1:32 (min:sec)

The video is found in the Compliance Resources as www.cfp.net:
<https://www.cfp.net/ethics/compliance-resources/2019/05/integration-factors>

55

This is a required exercise (the Instructor will open the link).

Clients Who Do Not Want Financial Planning **CFP BOARD**

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

56

No Client Agreement to Engage for Financial Planning (Standard B.6.): This is a new standard that applies when a CFP® professional is required to comply with the *Practice Standards*, but the Client does not agree to engage the CFP® professional to provide Financial Planning. This standard reflects the policy judgment that if the Client does not want Financial Planning, it is better to allow the CFP® professional to provide Financial Advice to the Client, instead of requiring the Client to work with someone who has not satisfied CFP Board's high standards for competence and ethics.

To illustrate how this standard works, let's assume that a Client seeks Financial Advice on Topics 1, 2, and 3, and that the Financial Advice would require Financial Planning. If the Client refuses to engage the CFP® professional for Financial Planning, the CFP® professional has four options:

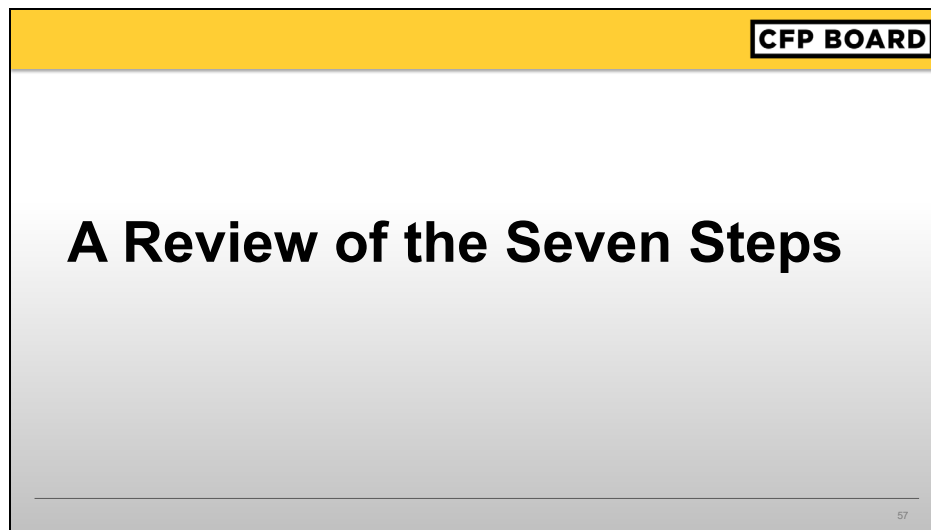
1. The CFP® professional may elect not to enter into the Engagement.
2. The CFP® professional may limit the Scope of the Engagement to Financial Advice on Topic 1 if that would not require Financial Planning, and inform the Client that the CFP® professional will not be providing Financial Advice on Topics 2 and 3.
3. The CFP® professional may inform the Client how Financial Planning would benefit the Client and how the decision not to engage the CFP® professional to provide Financial Planning may limit the CFP® professional's Financial Advice, and provide Financial Advice on Topics 1, 2, and 3

(slide 56 continued)

without being required to comply with the *Practice Standards*.

4. Assuming there is an Engagement, the CFP® professional also may elect to terminate the Engagement.

Slide 57



Documentation

CFP BOARD

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

58

Documentation (Standard C.): A CFP® professional who is required to comply with the *Practice Standards* 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 CFP® Professional's Firm's policies and procedures.

This is an objective, principles-based standard, the application of which depends on the facts and circumstances. CFP Board elected not to provide specific standards for how a CFP® professional must document the information, or where a CFP® professional must maintain the information, because a CFP® professional may have several options available. For example, it may be enough to write it down in a CRM. The circumstances will dictate what is appropriate.

L.O.5: REQUIRED EXERCISE 3**CFP BOARD****EXERCISE**

Please play the video:

[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 (min:sec)

The video is found in the Compliance Resources at www.cfp.net:

<https://www.cfp.net/ethics/compliance-resources/2019/08/the-first-three-steps-of-the-financial-planning-process>

59

This is a required exercise (the Instructor will open the link).

Step 1 (Standard C.1.): The first step in the revised seven-step Financial Planning process is to understand the Client's personal and financial circumstances. A CFP® professional satisfies this standard by obtaining qualitative and quantitative information, analyzing the information, and addressing any incomplete information. The standard provides examples of qualitative and quantitative information that a CFP® professional must collaborate with the Client to obtain that captures a myriad of circumstances that might arise. It is not sufficient for the CFP® professional to simply collect data from the Client. The purpose of obtaining data from the Client is to review the information and gain an understanding of the Client's personal and financial circumstances. It is only by understanding or knowing the Client's situation that a CFP® professional may collaborate with the Client to develop goals.

Step 2 (Standard C.2.): Once a CFP® professional determines that he or she has gathered the necessary information, the CFP® professional helps the Client identify and select goals. First, the CFP® professional must discuss the CFP® professional's assessment of the Client's financial and personal circumstances with the Client. Then – armed with that assessment – the CFP® professional and the Client work together to develop goals. This step envisions that a CFP® professional will discuss scenarios or potential goals with the Client, showing the Client how different decisions impact the likelihood of desired outcomes. The CFP® professional

(slide 59 continued)

may illustrate the scenarios in real time using software. This collaboration will lead Clients to select more realistic goals and be more engaged in the Financial Planning process. The CFP® professional must show the Client the interrelation of the Client's goals.

Step 3 (Standard C.3.): The next step is to analyze the Client's current course of action and potential recommendations. This requirement is new and reflects the possibility that no adjustments are necessary. A CFP® professional is required to determine whether the current course maximizes the potential for meeting the Client's goals. Where appropriate, the CFP® professional must analyze one or more potential alternative recommendations. In so doing, the CFP® professional must analyze:

1. The recommendation's advantages and disadvantages,
2. Whether the recommendation helps maximize the potential for meeting goals, and
3. How the recommendation integrates the relevant elements of the Client's personal and financial circumstances.

Slide 60

L.O.5: REQUIRED EXERCISE 4

CFP BOARD

EXERCISE

Please open the case study:

[Interpreting the Practice Standard for Identifying and Selecting Goals](#)

The case study is found in the Compliance Resources at [www. CFP.net](https://www.cfp.net/ethics/compliance-resources/2020/07/case-study-interpreting-the-practice-standard-for-identifying-and-selecting-goals):

<https://www.cfp.net/ethics/compliance-resources/2020/07/case-study-interpreting-the-practice-standard-for-identifying-and-selecting-goals>

60

This is a required exercise (the Instructor will open the link).

Slide 61

L.O.5: REQUIRED EXERCISE 5

CFP BOARD

EXERCISE

Please play the video:

[The Fourth and Fifth Steps of the Financial Planning Process](#)

Time: 1:16 (min:sec)

The video is found in the Compliance Resources at [www.cfp.net](https://www.cfp.net/ethics/compliance-resources/2019/08/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>

61

This is a required exercise (the Instructor will open the link).

Step 4 (Standard C.4.): A CFP® professional then develops the Financial Planning recommendation(s) by selecting, from among the potential courses of action, one or more recommendations designed to maximize the potential for meeting the Client's goals. For each recommendation, the CFP® professional must consider the assumptions and estimates, the basis for making the recommendation (including specific factors set forth in the standard), the timing and priority of the recommendation, and whether the recommendation is independent or must be implemented with one or more other recommendations. The rationale for making the recommendation provides substantial detail on what you must consider for the recommendation:

(slide 61 continued)

- How the recommendation is designed to maximize the potential to meet the Client's goals,
- The anticipated material effects of the recommendation on the Client's financial and personal circumstances, and
- How the recommendation integrates relevant elements of the Client's personal and financial circumstances (this requires a CFP® professional to look at how the recommendation takes into account other aspects of the Client's life).

Step 5 (Standard C.5.): The next step requires the CFP® professional to present to the Client the recommendation(s) and the information that was required to be considered when developing the recommendation(s). This does not always require a written plan. Rather, CFP® professionals must exercise professional judgment in determining how best to present recommendations to Clients.

It is notable that presenting the recommendation is its own step, separate from developing the recommendation(s). This reflects that developing and presenting the recommendation(s) are operationally distinct actions. A CFP® professional will select the recommendation(s) prior to meeting with and making a presentation to the Client. This step of the process involves analysis and development of the rationale. The presentation step of the process is Client-facing and involves explaining to the Client the recommendation(s) and the basis for the recommendation(s).

L.O.5: REQUIRED EXERCISE 6
CFP BOARD

EXERCISE

Please play the video:

The Sixth And Seventh Steps Of The Financial Planning Process

Time: 2:30 (min:sec)

The video is found in the Compliance Resources at [www.cfp.net](https://www.cfp.net/ethics/compliance-resources/2019/09/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>

62

This is a required exercise (the Instructor will open the link).

Step 6 (Standard C.6.): The new implementation step is more comprehensive. A CFP® professional must communicate with the Client the recommendation(s) being implemented and specify who will be responsible for implementation. A CFP® professional with implementation responsibilities must identify and analyze actions, products or services that are designed to implement the recommendation(s), determining how it does so, and what are its advantages and disadvantages compared to alternatives. Once the CFP® professional has arrived at implementation recommendations, he or she must make the recommendations. The CFP® professional must communicate to the Client:

1. The basis for selecting an action, product, or service,
2. The timing and priority of implementing the action, product, or service, and
3. Any Material Conflicts of Interest concerning the action, product, or service.

Finally, a CFP® professional must help the Client implement the recommendation(s). The CFP® professional must discuss with the Client any selection that deviates from the actions, products, and services the CFP® professional recommended. This step is to make the Client aware of any decisions that deviate from the CFP® professional's advice.

(slide 62 continued)

Step 7 (Standard C.7.): Monitoring and updating is a significant step in the seven-step process. For existing Client relationships, monitoring and updating may occur over many years, or even decades. This step requires a CFP® professional to (a) address monitoring and updating responsibilities (including by communicating very specific information to the Client concerning the scope of the respective responsibilities), (b) monitor the Client's progress, (c) obtain current qualitative and quantitative information, and (d) update goals, recommendations, or implementation decisions. Monitoring progress requires a CFP® professional to analyze, at appropriate intervals, the progress toward achieving the Client's goals. The CFP® professional must review with the Client the results of the CFP® professional's analysis.

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L.O.5: REQUIRED EXERCISE 7

CFP BOARD

EXERCISE

Please open the case study:

[Interpreting the Practice Standard for Implementing the Financial Planning Recommendation\(s\)](https://www.cfp.net/ethics/compliance-resources/2020/07/case-study-interpreting-the-practice-standard-for-implementing-the-financial-planning-recommendation)

The case study is found in the Compliance Resources at [www. CFP.net](https://www.cfp.net):
<https://www.cfp.net/ethics/compliance-resources/2020/07/case-study-interpreting-the-practice-standard-for-implementing-the-financial-planning-recommendation>

63

This is a required exercise (the Instructor will open the link).

Slide 64

CFP BOARD

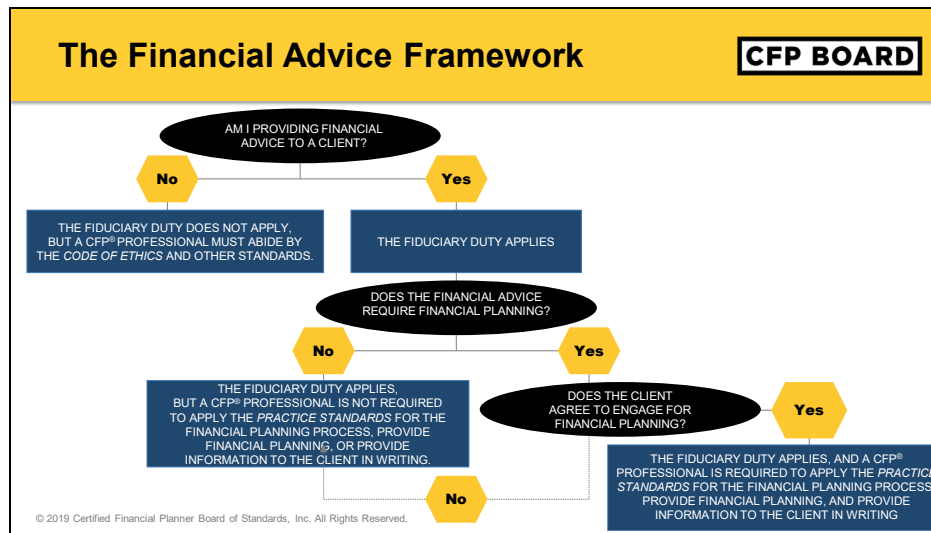
LEARNING OBJECTIVE 6

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

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Learning Objective 6

Slide 65



Definition of Financial Advice (Glossary): The Glossary provides a broad definition of Financial Advice. Financial Advice includes financial plans. It also includes recommendations to invest in, purchase, hold, gift, or sell Financial Assets. It includes recommendations concerning investment strategies, portfolio composition, and asset management. A recommendation to select and retain another professional to provide financial or Professional Services to a Client is Financial Advice. The exercise of "discretion" over a Client's Financial Assets constitutes "Financial Advice." CFP Board's fiduciary duty applies to all of these activities.

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.

(slide 65 continued)

The provision of services or the furnishing or making available of marketing materials, general financial educational materials, or general financial communications that a reasonable CFP® professional would not view as Financial Advice, does not constitute Financial Advice.

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Am I Providing Financial Advice?

CFP BOARD

WHAT IS FINANCIAL ADVICE?	WHAT IS NOT FINANCIAL ADVICE?
<ul style="list-style-type: none">• 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:<ul style="list-style-type: none">- 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.	<ul style="list-style-type: none">• 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:<ul style="list-style-type: none">- Marketing Materials;- General Financial Education; and- General Financial Communications.

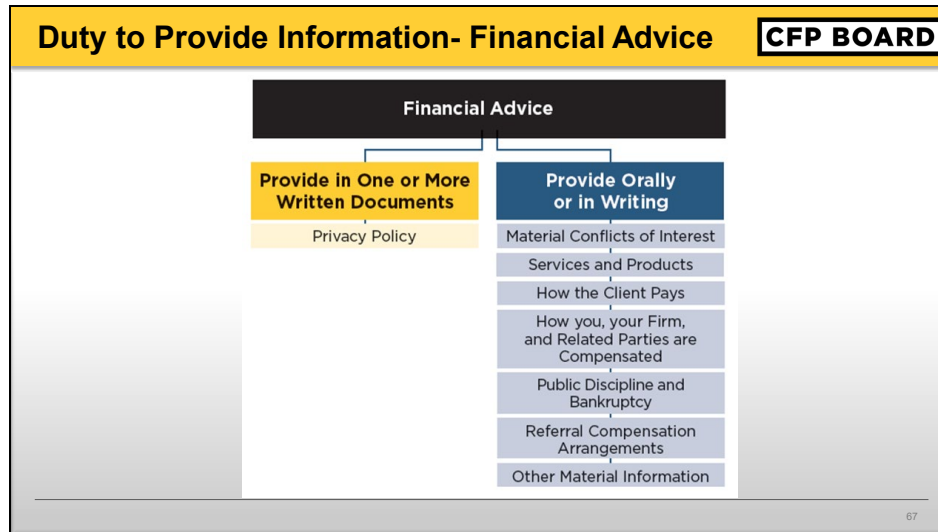
66

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.

Fiduciary Duty (Standard A.1.) and Definitions of Financial Advice and Client (Glossary): The fiduciary duty now applies to all Financial Advice provided to a Client, which is broader than when providing Financial Planning. Who is a Client? A 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.

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A CFP® professional has a duty to provide information to a Client. Whether information may be provided orally or must be provided in writing depends upon whether the Financial Advice that is being provided requires Financial Planning.

CFP Board has prepared a Financial Advice Engagements Disclosure Guide and a Financial Planning Engagements Disclosure Guide. The Disclosure Guides describe in detail the Duty to Provide Information to a Client. These flow charts are a brief summary of the categories of information that must be shared with the Client, and whether the information must be provided orally or in writing. The requirement to provide information to a Client set forth in CFP Board's *Code and Standards* is in addition to any requirements that apply under applicable law.

Provide Information to a Client (Standard A.10.): The Provide Information to a Client standard sets forth eight specific types of information that must be provided to a Client When providing or agreeing to provide Financial Advice that does not require Financial Planning:

1. A description of the services and products to be provided. **(Standard A.10.a.i.)**
2. How the Client pays for the products and services, and a description of the additional types of costs that the Client may incur, including product management fees, surrender charges, and sales loads. **(Standard A.10.a.ii.)**

(slide 67 continued)

3. How the CFP® professional, the CFP® Professional's Firm, and any Related Party are compensated for providing the products and services. **(Standard A.10.a.iii.)**
4. The existence of any public discipline or bankruptcy and the location(s), if any, of the webpages of all relevant public websites of any governmental authority, self-regulatory organization, or professional organization that sets forth the CFP® professional's public disciplinary history or any personal bankruptcy or business bankruptcy where the CFP® professional was a Control Person. **(Standard A.10.a.iv.)**
5. The information required under Section A.5.a (Conflict of Interest Disclosure) **(Standard A.10.a.v.)**
6. The information required under Section A.9.d. (Written Notice Regarding Non-Public Personal Information) **(Standard A.10.a.vi.)**
7. The information required under Section A.13.a.ii. (Disclosure of Economic Benefit for Referral or Engagement of Additional Persons) **(Standard A.10.a.vii.)**
8. A catch-all that requires disclosure of "any other information about the CFP® professional or the CFP® Professional's Firm that is Material to a Client's decision to engage or continue to engage the CFP® professional or the CFP® Professional's Firm." **(Standard A.10.a.viii.).**

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L.O.6: REQUIRED EXERCISE 1

CFP BOARD

EXERCISE

Please open the case study:

[The Delivery of Firm Research Does Not Constitute Financial Advice](#)

The Case Study is found in the Compliance Resources at www. CFP.net:
<https://www.cfp.net/ethics/compliance-resources/2019/11/the-delivery-of-firm-research-does-not-constitute-financial-advice>

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This is a required exercise (the Instructor will open the link).

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L.O.6: REQUIRED EXERCISE 2

CFP BOARD

EXERCISE

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

[Financial Advice Engagements Compliance Checklist](#)

The document is found in the Compliance Resources at www. CFP.net:

Page Link:
<https://www.cfp.net/ethics/compliance-resources/2020/06/compliance-checklist-financial-advice-engagements-and>

Document PDF Link:
<https://www.cfp.net/-/media/files/cfp-board/standards-and-ethics/Compliance-Resources/CFP-Board-Guidance-FA-Checklist.pdf>

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This is a required exercise (the Instructor will open the link).

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Am I Providing Financial Planning?		CFP BOARD
<p>Have I agreed to provide or have I provided Financial Planning?</p> <p><input type="checkbox"/> YES <input type="checkbox"/> NO</p>		
<p>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?</p> <p><input type="checkbox"/> YES <input type="checkbox"/> NO</p>		
<p>Does the Client have a reasonable basis to believe that I will provide or have provided Financial Planning?</p> <p><input type="checkbox"/> YES <input type="checkbox"/> NO</p>	<p>Integration Factors:</p> <ul style="list-style-type: none"> • 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. 	

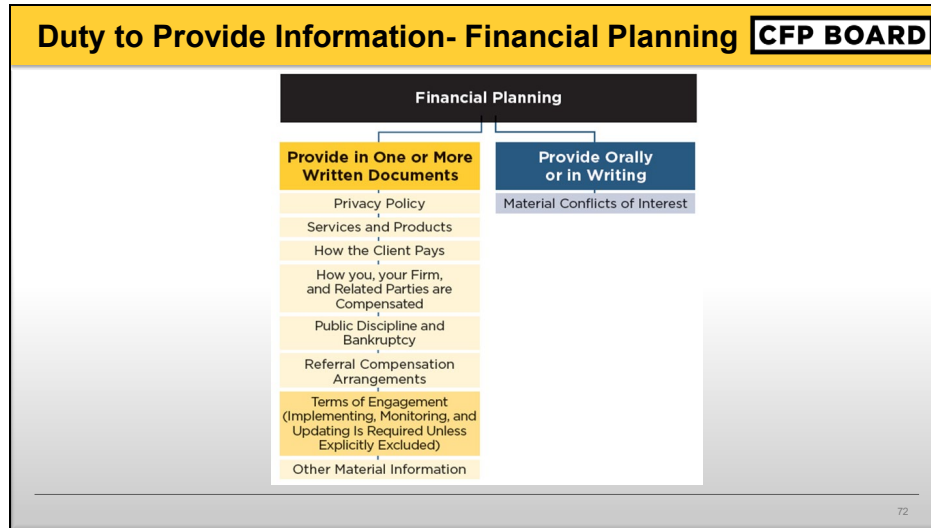
If the answer to any of the following is YES, then this is a Financial Planning Engagement, and you must comply with the *Practice Standards* for the Financial Planning Process. If NO, then the engagement for Financial Advice does not require Financial Planning, and you are not required to comply with the *Practice Standards* for the Financial Planning Process.

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Am I Providing Financial Planning?	CFP BOARD
<p>What do you do if the Client doesn't agree to engage you for Financial Planning? (Pick One.)</p>	
<ul style="list-style-type: none"> • Not enter into the Engagement; or • Limit the Scope of Engagement to services that do not require application of the <i>Practice Standards</i> for the Financial Planning Process, and describe to the Client the services the Client requests that the CFP® professional will not be performing; or • Provide the requested services after informing the Client how Financial Planning will benefit the Client and how the decision not to enter into a Financial Planning engagement may limit the Financial Advice; or • Terminate the Engagement. 	

What do you do if the Client doesn't agree to engage you for Financial Planning? Pick One.

- Not enter into the Engagement; or
- Limit the Scope of Engagement to services that do not require application of the *Practice Standards* for the Financial Planning Process, and describe to the Client the services the Client requests that the CFP® professional will not be performing; or
- Provide the requested services after informing the Client how Financial Planning will benefit the Client and how the decision not to enter into a Financial Planning engagement may limit the Financial Advice; or
- Terminate the Engagement.



Provide Information to a Client (Standard A.10.): The Provide Information to a Client standard sets forth eight specific types of information that must be provided to a Client when providing or required to provide Financial Planning. Note that all information, other than the conflict of interest disclosure described in A.10.a.v., must be provided in one more written documents.

1. A description of the services and products to be provided. **(Standard A.10.a.i.)**
2. How the Client pays for the products and services, and a description of the additional types of costs that the Client may incur, including product management fees, surrender charges, and sales loads. **(Standard A.10.a.ii.)**
3. How the CFP® professional, the CFP® Professional's Firm, and any Related Party are compensated for providing the products and services. **(Standard A.10.a.iii.)**
4. The existence of any public discipline or bankruptcy and the location(s), if any, of the webpages of all relevant public websites of any governmental authority, self-regulatory organization, or professional organization that sets forth the CFP® professional's public disciplinary history or any personal bankruptcy or business bankruptcy where the CFP® professional was a Control Person. **(Standard A.10.a.iv.)**

(slide 72 continued)

5. The information required under Section A.5.a (Conflict of Interest Disclosure) **(Standard A.10.a.v.)**
6. The information required under Section A.9.d. (Written Notice Regarding Non-Public Personal Information) **(Standard A.10.a.vi.)**
7. The information required under Section A.13.a.ii. (Disclosure of Economic Benefit for Referral or Engagement of Additional Persons) **(Standard A.10.a.vii.)**
8. A catch-all that requires disclosure of “any other information about the CFP® professional or the CFP® Professional’s Firm that is Material to a Client’s decision to engage or continue to engage the CFP® professional or the CFP® Professional’s Firm.” **(Standard A.10.a.viii.).**

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L.O.6: REQUIRED EXERCISE 3

CFP BOARD

EXERCISE

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

[Financial Planning Engagements Compliance Checklist](#)

The document is found in the Compliance Resources at www. CFP.net:
Page Link:
<https://www.cfp.net/ethics/compliance-resources/2020/06/compliance-checklist-financial-planning-engagements>
Document PDF Link:
<https://www.cfp.net/-/media/files/cfp-board/standards-and-ethics/Compliance-Resources/CFP-Board-Guidance-FP-Checklist.pdf>

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This is a required exercise (the Instructor will open the link).

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Timing, Delivery, and Updating

CFP BOARD

- **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.

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Timing (Standard A.10.a.). Now we will discuss the timing of the delivery. The required information must be provided prior to or at the time of the Engagement. This language mirrors the instructions for investment advisors when delivering the Form ADV Part 2 brochure.

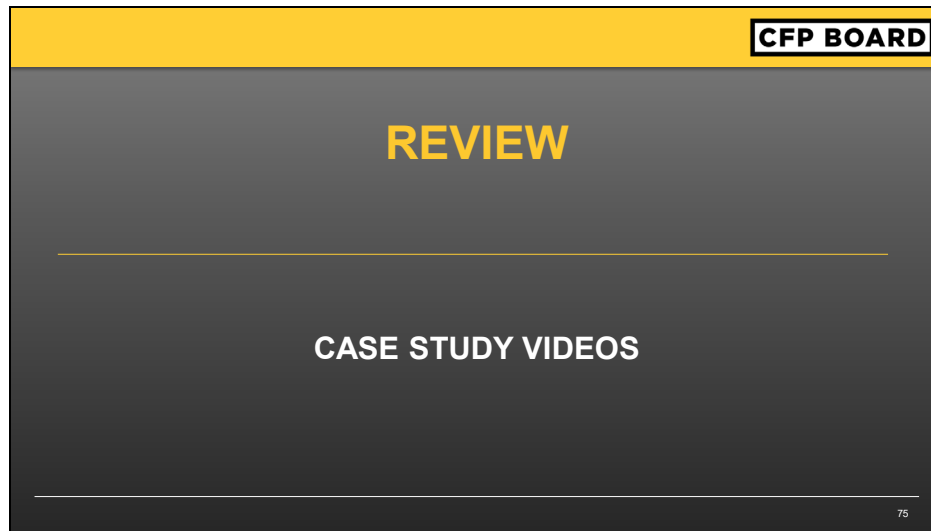
Delivery (Standard A.10.a.). The *Code and Standards* does not require the information be provided to the Client in writing when the CFP® professional is only providing Financial Advice. However, a CFP® professional must document the fact that the information was provided to the Client. This can be achieved, for example, by making a note in a CRM system. The *Code and Standards* does require CFP® professionals providing Financial Planning to provide the information to the Client in writing. CFP®

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professionals may provide the required information to a Client in one or more written documents. A CFP® professional is not required to provide Material Conflicts of Interest information in writing. However, the *Code and Standards* states that evidence of oral disclosure of a conflict will be given such weight as CFP Board in its judgment deems appropriate.

Updating (Standard A.10.d.). 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. Material changes and updates to public disciplinary history or bankruptcy information must be disclosed to the Client within ninety days, together with the location(s) of the relevant webpages that publish the disciplinary actions and bankruptcies.

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Review

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Review Case Study Videos

CFP BOARD

EXERCISE

Please play each case study video:

Case Study	(Compliance Resources Location)
The Fiduciary Duty Applies to an Opinion About a Financial Asset 1:28 (min:sec)	https://www.cfp.net/ethics/compliance-resources/2020/03/case-study-the-fiduciary-duty-applies-to-an-opinion-about-a-financial-asset
The Duty to Disclose Material Conflicts of Interest When Making a Rollover Recommendation 1:28 (min:sec)	https://www.cfp.net/ethics/compliance-resources/2020/03/case-study-the-duty-to-disclose-material-conflicts-of-interest-when-making-a-rollover-recommendation
The Fiduciary Duty To Obtain Factual Information When Working On A Team 1:45 (min:sec)	https://www.cfp.net/ethics/compliance-resources/2020/06/the-fiduciary-duty-to-obtain-factual-information

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This is a required exercise (the Instructor will open the links).

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Resources

CFP BOARD

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

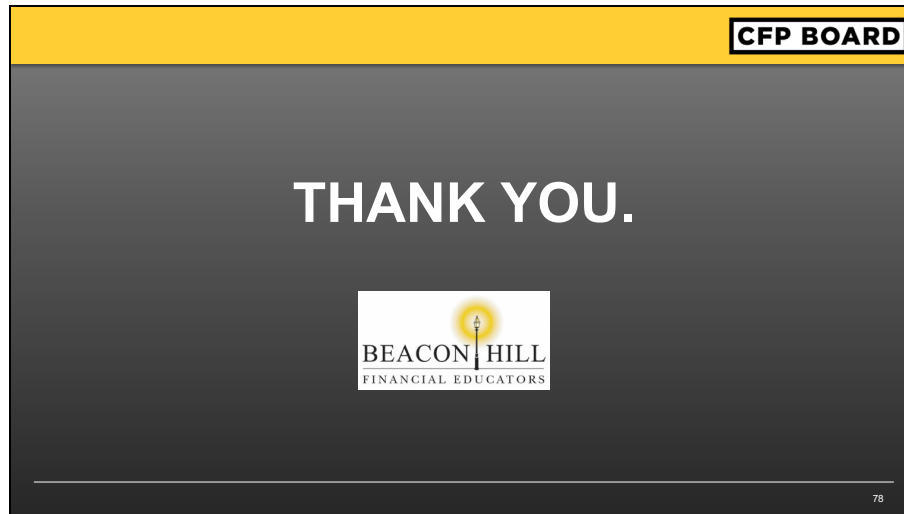
Additionally, more general information about the CFP Board *Code of Ethics* and *Standards of Conduct* can be found on this page: <https://www.cfp.net/ethics/our-commitment>

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<https://www.cfp.net/ethics/compliance-resources>

<https://www.cfp.net/ethics/our-commitment>

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Certificate of Completion and CE Credit Reporting

At the conclusion of the workshop, a link will be provided by the instructor to an online attendee sign-in sheet and program evaluation form. Please complete the form and submit it electronically.

Once we receive your form, we will issue a certificate of completion via email and report your credits to CFP Board.

Visit [Beacon Hill Financial Educators](http://www.bhfe.com) (www.bhfe.com) for self-study CE courses (CFP®, CPA, EA, and CDFA®). Use Coupon Code **F68B** for 20% off (no minimum quantity).