



Purpose

- ◉ Understand the CFP Board Code of Ethics & Professional Responsibility.
- ◉ Foster awareness of ethical issues in the profession.
- ◉ Resolve “gray” areas using ethical decision making skills.



Agenda

- ◉ CFP Board Code of Ethics & Professional Responsibility
- ◉ Ethical Decision Making Tool
- ◉ Case Application



Common Sense Ethics

- ◉ Doing the Right Thing: Rules, Principles and Respect
- ◉ Character: Values and Identity
- ◉ Sound Judgment: Using your Head



Professional Ethics

	CHARACTER	SOUND JUDGMENT
INDIVIDUAL	PERSONAL VALUES and IDENTITY	DECISION MAKING SKILLS
PROFESSIONAL SOCIETY	VALUES TRADITIONS LEADERSHIP	STANDARDS PRACTICES RESOURCES



CFP Board Code of Ethics & Professional Responsibility

- ◉ Applicability of the Code
- ◉ Scope of the Code
- ◉ Compliance & Terminology
- ◉ Principles
 - Rules of Conduct and Practice Standards
- ◉ Quiz



Preamble & Applicability

- ◉ Source = CFP Board of Standards
- ◉ Principles & Rules guide behavior
- ◉ Applies to all CFP® Board certificants and registrants
- ◉ Accepting right to use CFP® marks = Agreeing to be bound by Code



Composition & Scope

○ Principles

- General statements of ethical ideals
- Aspirational
- Apply to all CFP® certificants



Composition & Scope

Rules

- Practical
- Specific to given situations
- Not all Rules apply to all CFP® certificants



Terminology

- Enhances clarity of Code
- Certain terms are unique to CFP Board Code
 - “Certificant”
 - “Registrant”
- Other terms defined specifically for CFP Board Code
 - “Commission”
 - “Personal financial planning”
- Other terms = standard meanings
 - “Client”
 - “Fee-only”
 - “Conflict of interest”
- CFP Board designees must know terminology



Principles

- ◉ Aspirational standards of exemplary professional conduct
- ◉ CFP Board certificants strive toward that level of professional conduct

1. Integrity

2. Objectivity

3. Competence

4. Fairness

5. Confidentiality

6. Professionalism

7. Diligence



Principles 1 and 2

1. **INTEGRITY:** A CFP Board certificant shall offer and provide professional services with integrity.
2. **OBJECTIVITY:** A CFP Board certificant shall be objective in providing professional services to clients.



Principles 3 and 4

3. **COMPETENCE:** A CFP Board certificant shall provide services to clients competently & maintain the necessary knowledge and skill to do so in those areas in which he/she is engaged.
4. **FAIRNESS:** A CFP Board certificant shall perform professional services in a manner that is fair and reasonable to clients, principals, partners and employers, and shall disclose conflicts of interest in providing such services.



Principles 5 and 6

5. Confidentiality: A CFP Board certificant shall not disclose confidential client information without the specific consent of the client unless

- In response to legal process
- To defend against charges of wrongdoing
- In connection with a civil dispute

6. PROFESSIONALISM: A CFP Board certificant's conduct in all matters shall reflect credit upon the profession.



Principle 7

7. DILIGENCE: A CFP Board certificant shall act diligently in providing professional services.



Test Your Knowledge

- ◉ Bud Boaster, CFP®, has a habit of bragging about the net worth of his high-end clients.
- ◉ Polly Procrastinator, CFP®, is known for her extraordinary expertise in asset allocation, but she also has a reputation for not returning calls and missing deadlines.



Test Your Knowledge

- Charlie Chatter, CFP®, heard an unsubstantiated rumor about the financial stability of a local broker-deal firm. Without further investigation, he shared this information with 2 colleagues, 3 clients, and his barber.



Rules of Conduct

- ◉ Rules: standards of behavior that apply in a given situation.
 - Relate back to specific Principles.
 - Not all Rules will apply to all CFP Board certificants.
 - CFP Board certificants are responsible for understanding applicable rules.



Rule 1.1 – 1.4 Defining the Relationship

- Rule 1.1: There must be a mutual agreement of services to be provided between the prospective client/client.
- Rule 1.4: The client's interests shall at all times be placed ahead of the certificant's.



Rule 2.1–2.2 Information Disclosure

- Rule 2.1: Communications with prospective clients and clients must not, directly or indirectly, create any false or misleading information related to the certificant's professional qualifications or services, nor mislead about the potential benefits of the certificant's service.



Rule 3.1–3.10 Client Information and Property

- ◉ Rule 3.1: Treat all information as confidential.
- ◉ Rule 3.5: Keep complete records of funds or property under his or her custody or exercise discretion or supervision.



Rule 4.1–4.7 Obligations to Clients

- ◉ Rule 4.1: Treat prospective clients and clients fairly and provide professional services with integrity and objectivity.
- ◉ Rule 4.3: Maintain compliance with applicable regulatory requirements and obligations.



Rules 5.1 and 5.2 Obligations to Employers

- ◉ Rule 5.1: Obey the rules and requirements of an employer *and* be in accordance with CFP Board's Code of Ethics.
- ◉ Rule 5.2 Advise employers and/or Principals of any certification suspension or revocation he or she receives from CFP Board.



Rule 6.1–6.5 Obligations to CFP Board

- ◉ Rule 6.1: Abide by the terms of all agreements with CFP Board.
- ◉ Rule 6.5: Not engage in conduct which reflects adversely on his or her integrity or fitness as a certificant, upon the CFP® marks, or upon the profession.



Practice Standards

- Developed by CFP Board for the ultimate benefit of consumers of financial planning services.
- Establishes the level of professional practice that is expected of certificants engaged in financial planning.



Practice Standards Comparisons to Financial Planning Process

- Establishing and defining the relationship with a client
Practice Standard 100-1: Defining the Scope of the Engagement
- Gathering client data
200-1: Determining a client's personal and financial goals, needs and priorities
200-2: Obtaining quantitative information and documents



Practice Standards Comparisons to Financial Planning Process

- Analyzing and evaluating the client's financial status

Practice Standard 300-1: Analyzing
and evaluating the client's
information



Practice Standards Comparisons to Financial Planning Process

- ◉ Developing and presenting financial planning recommendations

Practice Standard 400-1: Identifying and evaluating financial planning alternative(s)

400-2: Developing the financial planning recommendation(s)

400-3: Presenting the financial planning recommendation(s)



Practice Standards Comparisons to Financial Planning Process

- ◉ Implementing the financial planning recommendations
 - Practice Standard 500–1: Agreeing on implementation responsibilities
 - Practice Standard 500–2: Selecting products and services for implementation
- ◉ Monitoring
 - Practice Standard 600–1: Defining monitoring responsibilities



Compliance

- ◉ All CFP Board certificants must comply
- ◉ Drivers for compliance:
 - Understanding/knowledge of Code
 - Influences of fellow professionals & public opinion
 - Disciplinary proceedings



Five Questions Guidelines

1. Why is this bothering me?
2. Who else matters? Clients? Carriers? Professional Colleagues? Employees? Regulators?
3. What is my responsibility?
4. What are the ethical concerns? What Principles & Rules of the Codes apply?
5. Am I being true to myself? To the values of CFP Board?



Case Discussion Instructions

- ◉ Read the case.
- ◉ Select a discussion leader and a recorder who will give a brief report to the whole group.
- ◉ Discuss and answer the questions at the end of the case.
- ◉ Agree on key points to present to the whole group.



Summary

- ◉ Read and understand the Code.
- ◉ Use the Code for guidance.
- ◉ Use the Five Questions Guidelines too.
- ◉ Ask for help!
- ◉ Share questions, ideas, information, application examples.