

CODE OF ETHICS

CFP Board's *Code of Ethics* reflects the commitment that all CFP® professionals make to high standards of competency and ethics.

A CERTIFIED FINANCIAL PLANNER™ 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.



CFP BOARD

CFP Board is committed to providing resources that will help CFP® professionals understand and comply with the new *Code and Standards*. Initial resources, including an FAQ, are available on CFP Board's website (CFP.net/Code).

As a CFP® professional, you play an important role in this process. CFP Board has assembled a team of professionals — the Standards Resource Commission — that will be developing additional guidance materials to educate and inform CFP® professionals about the *Code and Standards*. If there are resources that you believe would be valuable to you, your firm, or your clients, please email your suggestions to SRC@CFPBoard.org. The Standards Resource Commission will carefully consider your feedback as it develops future guidance materials. Additional resources will be posted to CFP Board's website at the link above as they become available.

CFP BOARD

CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS, INC.

1425 K St NW #800 Washington DC 20005

P 202-379-2200 | F 202-379-2299

mail@CFPBoard.org | CFP.net

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**HAVE YOU READ THE NEW
CODE OF ETHICS
AND STANDARDS
OF CONDUCT?**



YOUR COMMITMENT TO HIGH STANDARDS

As a CFP® professional, you've already demonstrated your dedication to high standards for competency and ethics. CFP® certification signifies the commitment that all CFP® professionals make to acting in the best interests of their clients. This has made CFP® certification the most respected and sought-after certification for financial planning professionals.

CFP Board's newly-revised *Code of Ethics and Standards of Conduct* reflects your commitment to high standards. Under the *Code and Standards*, which take effect on October 1, 2019, a CFP® professional must act in the client's best interests whenever providing financial advice. This is a bold step for CFP Board and the financial planning profession, and will bring major benefits to CFP® professionals, their firms, and the public.

We want you to have a comprehensive and practical understanding of the new *Code and Standards*.

This brochure highlights key elements of a CFP®

professional's obligations and lets you know how to tell us what resources you believe would help CFP® professionals adopt and comply with the *Code and Standards*.



YOUR COMMITMENT TO AN EXPANDED FIDUCIARY DUTY

The *Code and Standards* introduces several new requirements. The cornerstone is the obligation to act as a fiduciary, and therefore, act in the best interests of the client at all times when providing financial advice. This is a significant change from the prior standard, which required a CFP® professional to act as a fiduciary when providing financial planning.

What does it mean to act as a fiduciary? A CFP® professional must fulfill the following duties:

- **Duty of Loyalty** — A CFP® professional must place the interests of the client above the interests of the CFP® professional and the CFP® professional's firm. A CFP® professional also must avoid conflicts of interest, or fully disclose material conflicts of interest to the client, obtain the client's informed consent, and manage the conflict.
- **Duty of Care** — A CFP® professional must act with the care, skill, prudence, and diligence that a prudent professional would exercise in light of the client's goals, risk tolerance, objectives, and financial and personal circumstances.
- **Duty to Follow Client Instructions** — A CFP® professional must comply with the terms of the client engagement and follow all directions of the client that are reasonable and lawful.

WHAT ARE THE OTHER SIGNIFICANT CHANGES?

Conflicts of Interest

- More detailed requirements for fully disclosing material conflicts of interest, obtaining informed consent, and managing those conflicts.

Practice Standards

- A substantially updated and reorganized financial planning process that has more detailed requirements and expands from a six- to a seven-step process.
- A new definition of financial planning that will better enable a CFP® professional to describe financial planning to clients and potential clients.
- A detailed standard for determining when a CFP® professional is required to comply with the Practice Standards for the Financial Planning Process.
- A new standard for addressing situations 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.

Providing Information to Clients

- An updated standard that requires a CFP® professional to provide clients information, and describes when that information needs to be provided in writing, including:
 - A description of products and services offered;
 - How the client pays for the products and services; and
 - How a CFP® professional and the CFP® professional's firm are compensated for providing the products and services.

Compensation Methods

- A specific standard for using "fee-based" and other similar terms that a consumer may confuse with "fee-only."

Reporting Requirements

- Expanded obligations for reporting potential misconduct to CFP Board within 30 calendar days.

