

Financial Planners Standards Council

Code of Ethics

June 2000

FINANCIAL PLANNERS STANDARDS COUNCIL

Certified Financial Planner™ CFP™

Code of Ethics

Preamble and Applicability

This Code of Ethics (Code) has been adopted by Financial Planners Standards Council (FPSC) to provide principles and rules to all persons whom it has recognized and certified to use the CFP certification mark and the marks CFP and Certified Financial Planner (collectively the “marks”). These marks are owned by the CFP Board of Standards Inc., and FPSC has been licensed to award them in Canada. FPSC determines who is recognized and certified to use these marks. Implicit in the acceptance of this authorization is an obligation not only to comply with the mandates and requirements of all applicable laws and regulations, but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities.

For purposes of this Code, a person recognized and certified by FPSC to use the marks is called a CFP licensee or Certified Financial Planner licensee. This Code applies to CFP licensees actively involved in the practice of personal financial planning, in other areas of financial services, in industry, in related professions, in government, in education or in any other professional activity in which the marks are used in the performance of their professional responsibilities.

Composition and Scope

The Code consists of two parts: **Part 1 - Principles** and **Part II - Rules**. The Principles are statements expressing in general terms the ethical and professional ideals of CFP licensees, ideals they should strive to display in their professional activities. As such the Principles are intended to provide a source of guidance for a CFP licensee. The comments following each Principle further explain the meaning of the Principle. The Rules provide practical guidelines derived from the tenets embodied in the Principles. As such, the Rules set forth the standards of ethical and professional conduct expected to be followed in particular situations. This Code does not undertake to define standards of professional conduct of CFP licensees for purposes of civil liability.

The Code is structured so that the presentation of the Rules parallels the presentation of the Principles. For example, the Rules which relate to Principle 1 (Integrity) are numbered in the 100 to 199 series while those Rules relating to Principle 2 (Objectivity) are numbered in the 200 to 299 series.

Compliance

FPSC Board of Directors requires adherence to this Code by all those it recognizes and certifies to use its marks. Compliance with the Code, individually and by the profession as a whole, depends on each CFP licensee’s knowledge of and adherence to the Principles and applicable Rules, the influence of fellow professionals and public opinion, and disciplinary proceedings, when necessary, involving CFP licensees who fail to comply with the applicable provisions of the Code.

Terminology In This Code

“Commission” denotes the compensation received by an agent or broker calculated as a percentage of the sales or purchase amount.

“Conflict(s) of interest” denotes circumstances, relationships or other facts about the CFP licensee’s own financial, business, property and/or personal interests which may, as it may appear to a reasonable observer, impair the CFP licensee’s rendering of disinterested advice, recommendations or services.

“Contingency fee” denotes a fee determined either as a percentage or otherwise, by reference to the results of the professional services rendered.

“Fee-only” denotes a method of compensation is received solely from a client with neither the CFP licensee nor any related party receiving compensation which is related to the purchase or sale of any financial product. A “related party” for this purpose shall mean an individual or entity from whom any direct or indirect economic benefit is derived by the CFP licensee as a result of implementing a recommendation made by the CFP licensee.

“Personal financial planning” or **“financial planning”** denotes the process of determining if and how an individual can meet life goals through the proper management of financial resources. It is a process, not a product. Financial planning can be performed in conjunction with providing financial products or it can also be performed as a distinct and separate function from the practice of any other profession or occupation.

“Personal financial planning process” or **“financial planning process”** denotes the process which normally includes the six elements of establishing the engagement, data gathering and goal setting, identification of present financial issues and problem areas and opportunities, development of the plan, implementation of client decision from among the alternatives, and periodic review and revision of the plan.

“Personal financial planning subjects” or **“financial planning subjects”** denotes the basic fields covered in the financial planning process that include, but are not limited to, general principles of financial planning (including regulatory requirements, economics and analysis of financial information), investment planning, income tax planning, risk management, retirement planning, estate planning, family law and small business considerations in financial planning.

“Personal financial planning professional” or **“financial planning professional”** denotes a person who is capable and qualified to offer objective, integrated, and comprehensive financial advice to or for the benefit of individuals to help them achieve their financial objectives. A financial planning professional must have the ability to provide financial planning services to clients, using the financial planning process to cover the basic financial planning subjects.

“Personal financial planning practitioner” or **“financial planning practitioner”** denotes a financial planning professional who is engaged in financial planning, using the financial planning process in working with clients.

Part I - Principles

Introduction

These Principles of the Code recognize the individual CFP licensee's responsibilities to the public, clients, colleagues, employers and to the profession. They apply to all CFP licensees and provide guidance to them in the performance of their professional services.

Principle 1: Integrity

A CFP licensee shall offer and provide professional services with integrity.

CFP licensees may be placed by clients in positions of trust and confidence. The ultimate source of such public trust is the CFP licensee's personal integrity. In deciding what is right and just, a CFP licensee should rely on his or her integrity as the appropriate touchstone. Integrity demands honesty and candor that must not be subordinated to personal gain and advantage. Within the characteristic of integrity, allowance can be made for legitimate difference of opinion; but integrity cannot co-exist with deceit or subordination of one's principles. Integrity requires the CFP licensee to observe not only the letter but also the spirit of this Code.

Principle 2: Objectivity

A CFP licensee shall be objective in providing professional services to clients.

Objectivity requires intellectual honesty and impartiality. It is an essential quality for any professional. Regardless of the particular service rendered or the capacity in which a CFP licensee functions, a CFP licensee should protect the integrity of his or her work, maintain objectivity, and avoid subordination of his or her judgment that would be in violation of this Code.

Principle 3: Competence

A CFP licensee shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the licensee is engaged.

One is competent only when one has attained and maintained an adequate level of knowledge and skill, and applies that knowledge effectively in providing services to clients. Competence also includes the wisdom to recognize the limitations of that knowledge and when consultation or client referral is appropriate. A CFP licensee, by virtue of having earned the CFP designation, is deemed to be qualified to practice financial planning. However, in addition to assimilating the common body of knowledge required and acquiring the necessary experience for designation, a CFP licensee shall make a continuing commitment to learning and professional improvement.

Principle 4: Fairness

A CFP licensee shall perform professional services in a manner that is fair and reasonable to clients, principals, partners, and employers and shall disclose conflict(s) of interest in providing such services.

Fairness requires impartiality, intellectual honesty, and disclosure of conflict(s) of interest. It involves a subordination of one's own feelings, prejudices, and desires so as to achieve a proper balance of conflicting interests. Fairness is treating others in the same fashion that you would want to be treated and is an essential trait of any professional.

Principle 5: Confidentiality

A CFP licensee shall maintain confidentiality of all client information.

A client, by seeking the services of a CFP licensee, is interested in creating a relationship of personal trust and confidence. This type of relationship can be built upon the understanding that information supplied to the CFP licensee will be confidential. In order to provide the contemplated services effectively and to protect the client's privacy, the CFP licensee shall safeguard the confidentiality of such information.

Principle 6: Professionalism

A CFP licensee's conduct in all matters shall reflect credit upon the profession.

A CFP licensee shall behave in a manner that maintains the good reputation of the profession and its ability to serve the public interest. A CFP licensee shall avoid activities that adversely affect the quality of his or her professional advice.

Principle 7: Diligence

A CFP licensee shall act diligently in providing professional services.

Diligence is the provision of services in a prompt and thorough manner. Diligence also includes proper planning for and supervision of the rendering of professional services.

Part II - Rules

Introduction

These Rules provide practical guidelines derived from the tenets embodied in the Principles. As such, the Rules set forth the standards of ethical and professionally responsible conduct expected to be followed in particular situations.

Principle 1: Integrity

A CFP licensee shall offer and provide professional services with integrity.

Rule 101

In the course of professional activities, a CFP licensee shall not engage in or associate with conduct involving dishonesty, fraud, deceit or misrepresentation, or knowingly make a false or misleading statement.

Rule 102

A CFP licensee has the following responsibilities regarding funds and/or other property of clients:

- (a) A CFP licensee who takes custody of all or any part of a client's assets for investment purposes, shall do so with the care required of a fiduciary.
- (b) In exercising custody of or discretionary authority over client funds or other property, a CFP licensee shall act only in accordance with the authority set forth in the governing legal instrument (e.g., special power of attorney, trust deed, letters testamentary).
- (c) A CFP licensee shall identify and keep complete records of all funds or other property of a client in the custody of or under the discretionary authority of the CFP licensee.
- (d) Upon receiving funds or other property of a client, a CFP licensee shall promptly or as otherwise permitted by law or provided by agreement with the client, deliver to the client or third party any funds or other property that the client or third party is entitled to receive and, upon request by the client or any person duly authorized, render a full accounting regarding such funds or other property.
- (e) A CFP licensee shall not commingle client funds or other property with a CFP licensee's personal funds and/or other property or the funds and/or other property of a CFP licensee's firm. Commingling one or more clients' funds or other property together is permitted, subject to compliance with applicable legal requirements and provided accurate records are maintained for each client's funds or other property.
- (f) A CFP licensee shall not use, transfer, withdraw or otherwise employ funds or property for his or her fees, or for any other purpose not provided for in the engagement, except when authorized in writing by the client.
- (g) Client's assets, including interest thereon, under the custody of the CFP licensee are considered to be the property of the client. These funds can be used only for the means so intended.

Rule 103

A CFP licensee shall not solicit clients through false or misleading communications or advertisements:

- (a) A CFP licensee shall not make a false or misleading communication about the size, scope or areas of competence of the CFP licensee's practice or of any organization with which the CFP licensee is associated.
- (b) In promotional activities, a CFP licensee shall not make false or misleading communications to the public or create unverifiable expectations regarding matters relating to financial planning or the professional activities and competence of the CFP licensee. The term "promotional activities" includes, but is not limited to, speeches, interviews, books and/or printed publications, seminars, radio and television shows, and video cassettes.
- (c) A CFP licensee shall not give the impression that he/she is representing the views of FPSC or any other group unless the CFP licensee has been authorized to do so. Personal opinions shall be clearly identified as such.

Principle 2: Objectivity

A CFP licensee shall be objective in providing professional services to clients.

Rule 201

A CFP licensee shall exercise reasonable and prudent professional judgment in providing professional services.

Rule 202

A CFP licensee shall act in the interests of the client.

Principle 3: Competence

A CFP licensee shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the licensee is engaged.

Rule 301

A CFP licensee shall keep informed of developments in the field of financial planning and participate in continuing education throughout the CFP licensee's professional career in order to improve professional competence in all areas in which the CFP licensee is engaged. As a distinct part of this requirement, a CFP licensee shall satisfy all minimum continuing education requirements established for CFP licensees by FPSC.

Rule 302

A CFP licensee shall offer advice only in those areas in which the CFP designee has competence. In areas where the CFP licensee is not professionally competent, the CFP designee shall seek the counsel of qualified individuals and/or refer clients to such parties.

Rule 303

A CFP designee shall abstain from intervening in the personal affairs of the client on matters outside the scope of the engagement.

Principle 4: Fairness

A CFP licensee shall perform professional services in a manner that is fair and reasonable to clients, principals, partners, and employers, and shall disclose conflict(s) of interest in providing such services.

Rule 401

A financial planning practitioner shall make timely written disclosure of all material information relative to the professional relationship. Written disclosures that include the following information are considered to be in compliance with this Rule:

- (a) A statement indicating whether the CFP licensee's compensation arrangements involve fee-only, commission-only, salary, fee and commission, or salary and commission. A CFP licensee shall not hold out as a fee-only practitioner if the CFP licensee receives commissions or other forms of economic benefit from parties other than the client.
- (b) Where financial products are used in implementing the planning strategy, the client must be informed of the basis upon which the CFP licensee is compensated. To this end, the CFP licensee is governed by the accepted sales disclosure guidelines and regulations covering securities, mutual funds, real estate, insurance and other financial products utilized in fulfilling the plan.
- (c) A statement describing material agency or employment relationships a CFP licensee (or firm) has with third parties, including the nature of the compensation arrangements.
- (d) A statement identifying any conflict(s) of interest.
- (e) The information required by all laws and regulations applicable to the relationship in a manner complying with such.

Rule 402

In rendering services (such as taking an order for securities or insurance coverage) that do not encompass the CFP licensee functioning as a financial planning practitioner, the CFP licensee shall inform the client of the scope of the services that shall be rendered and that the CFP licensee is not taking on the responsibilities of a financial planning practitioner. Such understanding obtained at the start of a relationship need be updated only when the nature of the services to be performed changes.

Rule 403

In rendering professional services, a CFP licensee shall inform the client of changes in circumstances and material information that arise subsequent to the original engagement that may have an impact on the professional relationship or services to be rendered. Such changes include, but are not limited to:

- a) conflict(s) of interest;
- b) the CFP licensee's business affiliation;
- c) compensation structure affecting the professional services to be rendered;
- d) new or changed agency relationships.

Rule 404

Prior to establishing a client relationship, and consistent with the confidentiality requirements of Rule 501, a CFP licensee may provide references that may include recommendations from present and/or former clients.

Rule 405

Professional services may be compensated for on a contingency fee basis. Such a fee arrangement must be disclosed in writing to the client.

Rule 406

A CFP licensee shall not refuse to provide services on the basis of race, national or ethnic origin, political conviction, religion or gender, and more specifically, shall adhere to applicable human rights legislation.

Principle 5: Confidentiality

A CFP licensee shall maintain confidentiality of all client information.

Rule 501

A CFP licensee shall not disclose any confidential client information without the specific consent of the client unless in response to proper legal or regulatory process.

Rule 502

A CFP licensee is bound to professional secrecy and may not disclose confidential information revealed by reason of his or her position or profession unless required by law.

Rule 503

The use of client information for personal benefit is improper, whether or not it actually causes harm to the client.

Rule 504

A CFP licensee shall maintain the same standards of confidentiality for employers as for clients while employed and thereafter.

Rule 505

A CFP licensee doing business as a partner or principal of a financial services firm owes to the CFP licensee's partners or co-owners a responsibility to act in good faith. This includes, but is not limited to, adherence to reasonable expectations of confidentiality both while in business together and thereafter.

Principle 6: Professionalism

A CFP licensee's conduct in all matters shall reflect credit upon the profession.

Rule 601

A CFP licensee shall use the marks in compliance with the rules and regulations of FPSC, as established and amended from time to time.

Rule 602

A CFP licensee who has knowledge that another CFP licensee has committed a violation of this Code, which raises substantial questions as to the licensee's honesty, trustworthiness or fitness as a CFP licensee in other respects, shall promptly inform FPSC. This rule does not require disclosure of information or reporting based on knowledge gained as a consultant or expert witness in anticipation of or related to litigation or other dispute resolution mechanisms. For purposes of this rule, knowledge means no substantial doubt.

Rule 603

A CFP licensee shall not criticize another CFP licensee without first submitting this criticism to the licensee for explanation. Where the criticism may result in a complaint being lodged with FPSC, the licensee must, where required, first submit that criticism in writing to the other CFP licensee for explanation.

Notwithstanding this rule, a CFP licensee may first submit a criticism of another CFP licensee to FPSC, should the matter be considered of such a nature that prior notice to that designee is not appropriate.

Rule 604

A CFP licensee who has knowledge which raises a substantial question of unprofessional, fraudulent or illegal conduct by a CFP licensee or other financial professional, shall promptly inform the appropriate regulatory and/or professional disciplinary body. This rule does not require disclosure or reporting of information gained as a consultant or expert witness in anticipation of, or related to litigation or other dispute resolution mechanisms. For purposes of this Rule, knowledge means no substantial doubt.

Rule 605

A CFP licensee who has reason to suspect illegal conduct within the CFP licensee's organization shall make timely disclosure of the available evidence to the CFP licensee's immediate supervisor and/or partners or co-owners. If the CFP licensee is convinced that illegal conduct exists within the CFP licensee's organization, and that appropriate measures are not taken to remedy the situation, the CFP licensee shall, where appropriate, alert the appropriate regulatory authorities including FPSC in a timely manner.

Rule 606

In all professional activities a CFP licensee shall perform services in accordance with:

- (a) Applicable laws, rules, and regulations of governmental agencies and other applicable authorities, and
- (b) Applicable rules, regulations, and other established policies of FPSC.

Rule 607

A CFP licensee shall not engage in any conduct which reflects adversely on his or her integrity or fitness as a CFP licensee, upon the marks, or upon the profession.

Rule 608

A CFP licensee shall not adopt any method of obtaining clients which tends to lower the standard of dignity of the profession.

Rule 609

A CFP licensee shall not practice any other profession or offer to provide such services unless the CFP licensee is qualified to practice in those fields and is licensed or registered as required by law.

Rule 610

A CFP licensee shall return the client's original records in a timely manner after their return has been requested by the client.

Rule 611

A CFP licensee shall not bring or threaten to bring a disciplinary proceeding under this Code, or report or threaten to report information to FPSC pursuant to Rules 602 or 603 or make or threaten to make use of this Code for no substantial purpose other than to harass, maliciously injure, embarrass and/or unfairly burden another CFP licensee.

Rule 612

A CFP licensee shall comply with all applicable post-certification requirements established by FPSC including, but not limited to, continuing education requirements, payment of the annual CFP licensee fee as well as signing and returning the Licensee's Statement annually in connection with the license renewal process.

Principle 7: Diligence

A CFP licensee shall act diligently in providing professional services.

Rule 701

A CFP licensee shall enter into a client engagement only after securing sufficient information to be satisfied that:

- a) The relationship is warranted by the individual's needs and objectives; and
- b) The CFP licensee has the ability to either provide the requisite competent services or to involve other professionals who can provide such services.

Rule 702

A CFP licensee shall make and/or implement only those recommendations which are suitable for the client.

Rule 703

Consistent with the nature and scope of the engagement, a CFP licensee shall make a reasonable investigation regarding the financial products recommended to clients. Such an investigation may be made by the CFP licensee or by others provided the CFP licensee acts reasonably in relying upon such investigation.

Rule 704

Before ceasing to act for a client, a CFP licensee shall give the client reasonable advanced notice of his or her intent and shall make sure the withdrawal will not prejudice the client.

Rule 705

A CFP licensee shall properly supervise subordinates with regard to their delivery of financial planning services, and shall not accept or condone conduct in violation of this Code.