CFP BOARD

ETHICS CE:
CFP BOARD'S REVISED *CODE AND STANDARDS*

ETHICAL PRACTICES FOR CFP PROFESSIONALS

Your Instructor

CFP BOARD

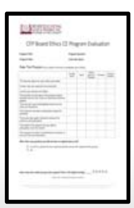
- Edward J. Barrett
  - Founder and CEO of Broker Educational Sales & Training, Inc. (BEST)
  - CFP® certification (1987)
- BEST CFP® Provider # 2155
- Questions
  - AskEd@brokered.net
  - 800-345-5669

CFP®, ChFC®, CLU®, RPA®, CEBS®, CRPC®, CRPS® and CPFA®

Conditions For Earning CE Credit

CFP BOARD

- Each attendee must sign-in using their own log-in
- Attendee must be logged-in at the start of the webinar and remain logged in to the end of the program.
- Attendee must actively participate in all vignettes and polling activities at the end of each module, and complete the 5-question quiz at the end of the webinar
- Attendee must complete the formal evaluation form at the conclusion of the program.



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 is effective on October 1, 2019 with a compliance date of June 30, 2020.

CFP Board created and provided this slide deck to the CE Sponsor for presentation. Any comments that I may make during the presentation are my own and they do not necessarily represent those of CFP Board.

All material associated with this program is the property of the CFP Board and may not be resold, republished or copied without the prior written consent of CFP Board.

Learning Objectives

CFP BOARD

1. Identify the structure and content of the revised *Code and Standards*, including significant changes and how the changes affect CFP® professionals.
2. Act in accordance with CFP Board's fiduciary duty.
3. Apply the Practice Standards when providing Financial Planning.
4. Recognize situations when specific information must be provided to a Client.
5. Recognize and avoid, or fully disclose and manage, Material Conflicts of Interest.

CFP BOARD

STRUCTURE, CONTENT AND SIGNIFICANT CHANGES

LEARNING OBJECTIVE 1

The Revised *Code and Standards*

CFP BOARD

- Significant Changes to Content of the Code and Standards
- The New Structure and Organization
- Duties to:
  - Clients
  - Firms and Subordinates
  - CFP Board

Most Significant Changes to Content

CFP BOARD

- Expanded Application of Fiduciary Duty
- Updated Duties to Clients (15 duties)
- Revised Definition of Financial Planning
- Modernized Practice Standards (7)
- New Process for Bankruptcy
- Enhanced Requirements for Reporting(30 days)

The Structure Has Changed

CFP BOARD

Old Standards	Revised Standards (Effective October 1, 2019)
Introduction	Preamble
Code of Ethics and Professional Responsibility	Code of Ethics
Rules of Conduct	Standards of Conduct (6)
Financial Planning Practice Standards	Practice Standards for the Financial Planning Process
Terminology	Glossary (14 definitions)

Code of Ethics

CFP BOARD

A CFP® professional must:

1. Act with honesty, integrity, competence, and diligence.
2. Act in the client's best interests.
3. Exercise due care.
4. Avoid or disclose and manage conflicts of interest.
5. Maintain the confidentiality and protect the privacy of client information.
6. Act in a manner that reflects positively on the financial planning profession and CFP® certification.

Standards of Conduct – Six Sections

CFP BOARD

(Section A) Duties Owed to Clients	**(Section B)** Financial Planning and Application of Practice Standards
(Section C) Practice Standards For the Financial Planning Process	**(Section D)** Duties Owed to Firms and Subordinates
(Section E) Duties Owed to CFP Board	**(Section F)** Prohibition on Circumvention

Integrity, Competence, Diligence

CFP BOARD

Integrity (A-2)

- Demands honesty and candor that is not subordinated to personal gain or advantage

Competence (A-3)

- Must provide professional services with competence, which means relevant knowledge and skill to apply that knowledge.
- Gain competence, obtain assistance, limit or terminate engagement, and/or refer the Client

Diligence (A-4)

- Provide professional services on a timely and thorough manner, including responding to reasonable client inquiries

Objectivity, Professionalism, Communications

CFP BOARD

Sound and Objective Professional Judgment (A-6)
- Exercise professional judgment on behalf of your client that is not subordinated to your own interests or others.
- Avoid any considerations (gift, gratuity, entertainment, non-cash compensation) that could compromise objectivity.

Professionalism (A-7)
- Treat Clients and others with dignity, courtesy, and respect.

Comply With the Law (A-8)
- 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

Duties When Communicating With A Client (A-11)
- Provide accurate information in an understandable manner and format.

Confidentiality/Privacy and Technology

CFP BOARD

Confidentiality and Privacy (A-9)
- Must keep confidential and may not disclose any non-public personal information (NPPI) about any prospective, current, or former client
- Exceptions for ordinary business with Client's consent and for legal/enforcement
- 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 Selecting, Using and Recommending Technology(A-14)
- Use reasonable care in selecting, using and recommending
- Have a reasonable understanding of assumptions and outcomes
- Have a reasonable basis for believing the technology produces reliable, objective, and appropriate outcomes.

Refrain from Borrowing, Lending, and Commingling Financial Assets (A-15)

Representation of Compensation Method

CFP BOARD

Specific Representations

- Fee-Only vs. Fee-Based
- Sales-Related Compensation
- Related Party Compensation
- Misrepresentation by a CFP® Professionals Firm

Fee-Only Application

CFP BOARD

Working With Additional Persons (A-13)

CFP BOARD

Duties When Engaging or Recommending

- Develop reasonable basis for the recommendation or engagement based on the person's reputation, experience, and qualifications
- Disclose to the client, at the time of recommendation or prior to the engagement, any arrangement by which someone other than the client will compensate or provide some other material economic benefit to you or your firm or related party for the recommendation or engagement

Duties When Engaging

- Required to 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

Duties Owed to Firms and Subordinates

CFP BOARD

Standards of Conduct (Section D):

- Standard D-1: Use Reasonable Care When Supervising
- Standard D-2: Comply with Lawful Objectives of CFP® Professional's Firm
- Standard D-3: Provide Notice of Public Discipline

Duties Owed to CFP Board

CFP BOARD

Standards of Conduct (Section E):

- Standard E-1: Definitions
- Standard E-2: Refrain from Adverse Conduct
- Standard E-3: Report Incidents of Apparent Adverse Conduct (30 days)
- Standard E-4: Provide Narrative Statement
- Standard E-5: Cooperate with CFP Board
- Standard E-6: Comply with the *Terms and Conditions of Certification and License*

Quick Review

CFP BOARD

- **New Structure and Organization**
- **Duties to:**
  - Clients
  - Firms and Subordinates
  - CFP Board

VIGNETTE

CFP BOARD

- A CFP® Professionals Firm's Sales Related Compensation:
  - Mildred is a CFP® professional employed by Alpha Advisory Services, Inc. ("Alpha"), a registered investment adviser. Mildred tells Thomas, a client of Alpha, that her compensation method is "fee-only." Thomas asks Mildred for investment recommendations. Mildred gathers the information that she needs, conducts an appropriate analysis, and recommends that Thomas invest in an Alpha-approved family of mutual funds after making the required disclosures. Thomas is pleased with Mildred's recommendation and directs her to make the investment. The only compensation that Mildred receives is a salary from Alpha. Mildred does not receive any additional compensation when Thomas invests in the mutual fund. Although her firm discloses the information to Clients, Mildred does not realize that Alpha receives revenue sharing payments from the mutual funds she recommends, including the Alpha-approved family of mutual funds in which Thomas has invested.

Has Mildred complied with the Duties When Representing Compensation Method (Standard A-12)?

- **Response Options:**

A. Yes. Mildred accurately informed Thomas that she is "fee-only" because her only source of compensation is her salary and she does not receive any additional compensation when Thomas invests in the mutual fund.

B. No. Mildred may not refer to her compensation method as "fee-only" because her firm, Alpha, receives revenue sharing payments from mutual funds.

C. Yes. Mildred may refer to her compensation method as "fee-only" because she is not aware that Alpha receives revenue sharing payment from mutual funds, and thus she has no incentive to recommend the mutual funds to Client.

Correct Response: B is correct:

- A CFP® professional may not make false or misleading representations regarding the CFP® professional's or the CFP® Professional's Firm's method(s) of compensation. A CFP® professional may represent his or her or the CFP® Professional's Firm's compensation method as "fee-only" if:
  - The CFP® professional and the CFP® Professional's Firm receive no Sales-Related Compensation; and
  - 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.
- Mildred may not refer to her compensation method as "fee-only" because her firm will receive Sales-Related Compensation. Mildred's failure to know that her firm receives Sales-Related Compensation does not excuse her representation that her compensation method is "fee-only." Whether a CFP® professional may represent his or her compensation as "fee-only" depends on the objective facts, not on his or her subjective beliefs. Mildred is responsible for knowing whether she or her firm receives Sales-Related Compensation, and whether any Related Parties receive Sales-Related Compensation in connection with any Professional Services she or her firm provides to Clients.

Polling Questions

1. There are new Duties to Clients when Selecting, Using, and Recommending Technology, Engaging, and Working with Additional Persons.
   Answer Options: True False
2. The term "fee-based" may only be used if the CFP® Professional satisfies the standard for being "fee-only."
   Answer Options: True False
3. There's been no change in the reporting to the CFP Board concerning events that may reflect a violation of the Code and Standards.
   Answer Options: True False

CFP BOARD

CFP BOARD'S FIDUCIARY DUTY

LEARNING OBJECTIVE 2

The Fiduciary Duty (Standard A-1)

CFP BOARD

- Fiduciary duties that must be fulfilled to act in the clients' best interests.
- Application of the new and revised Fiduciary Duty
- Define who is a Client
- Define Financial Advice

Act in the Client's Best Interests

CFP BOARD

Duty of Loyalty (A-1a)
- Place Client's interests ahead of your own
- Avoid conflicts of interest and fully disclose any Material Conflicts of interest and obtain consent, & properly manage those conflicts
- Act without regard to interests of others

Duty of Care (A-1b)
- Act with 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's Instructions (A-1c)
- Comply with Terms of Engagement
- Follow Client's reasonable and lawful directions

Application of Fiduciary Duty

CFP BOARD

- Application:
  - Must act as a fiduciary when providing "Financial Advice to a Client" therefore, act in the best interests of the client at all times, when providing financial advice to a client.

Who Is A Client?

CFP BOARD

- 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."
- An "Engagement" is an "oral or written agreement, arrangement or understanding."
- Therefore, unless there is an agreement, arrangement or understanding that the CFP® profession will be providing professional services, the person receiving the information is not a "client," and the CFP® professional does not have a fiduciary duty to that person.

What Is Financial Advice?

CFP BOARD

- A communication that, based on its content, context, and presentation, **would** reasonably be viewed as a recommendation that the Client takes or refrains from taking a particular course of action" with respect to:
  - The development or implementation of a financial plan
  - The value of or the advisability of investing in, purchasing, holding, or selling Financial Assets
  - Investment policies or strategies, portfolio composition, or asset management
  - The selection and retention of other persons to provide financial or Professional Services to the Client, or
  - The exercise of discretionary authority over Financial Assets.

The more individually tailored the communication is to the client, the more likely the communication will be viewed as financial advice.

What Is **Not** Financial Advice?

CFP BOARD

- A communication that, based on its content, context, and presentation, **would not** reasonably be viewed as a recommendation that the client takes or refrains from taking a particular course of action with respect to:
  - Responses to directed orders; and
  - The following, if a reasonable CFP® professional would not view it as Financial Advice:
    - Marketing Materials;
    - General Financial Education; and
    - General Financial Communications.

The determination of whether Financial Advice has been provided is an objective rather than subjective inquiry.

Quick Review

CFP BOARD

- Fiduciary Duty applies at all times when providing Financial Advice to a client, and the following duties must be fulfilled:
  - Duty of **Loyalty**
  - Duty of **Care**
  - Duty to **Follow Client Instructions**

VIGNETTE

CFP BOARD

- The Fiduciary Duty to A Rollover Recommendation
  - Sarah, a CFP® professional, is engaged by Betty, who is retiring soon, to provide Financial Advice. Betty has most of her retirement funds invested in her employer's 401(k) plan. Sara does not obtain any information about the 401(k) plan because she assumes that there are more investment options available in an individual retirement account ("IRA") than in Betty's 401(k) plan. Based on this, Sarah believes Betty's portfolio would be better off in an IRA. Sarah, properly discloses her Material Conflicts of Interest to Betty. Sarah then recommends that Betty take a distribution from her 401(k) plan and roll the assets into an IRA, which Sarah would manage. Sarah intends to analyze and recommend an investment strategy for the IRA after the funds have been distributed to the IRA.

CFP BOARD

Question: Did Sarah satisfy her fiduciary duty?

- **Response Options:**

A. Sara satisfied her Fiduciary Duty in recommending the distribution rollover.
B. Sarah did not satisfy her Fiduciary Duty in recommending the distribution rollover.

CFP BOARD

Correct Response: B is correct:

In this case, Sarah has an engagement with Betty, and has recommended that Betty take a distribution from her 401(k) plan and roll the assets into an IRA. Therefore, Sarah has provided Financial Advice to a Client and is subject to the Fiduciary Duty, including the Duty of Care. To satisfy the Duty of Care, Sarah should act in light of Betty's goals, risk tolerance, objectives, and financial and personal circumstances. Sarah should compare the features of the 401(k) plan and the potential IRA when making her recommendation to Betty. Sarah should apply the factors that a prudent CFP® professional would determine are relevant, including the relative features and options of the 401(k) plan compared to a rollover IRA, and determine which choice is best for Betty given her goals, risk tolerance, objectives, and financial and personal circumstances. FINRA has identified a non-exhaustive list of factors that are relevant to this analysis, such as the fees and expenses, investment options, services, availability of penalty-free withdrawals, protection from creditors and legal judgments, required minimum distributions, and issues related to investments in employer stock. Sarah did not act with the care, skill, prudence and diligence that the duty of care requires because she recommended the distribution and rollover without analyzing how the features and options of the 401(k) plan compare to the potential IRA. Sarah also should have consulted her firm's policies and procedures, which may specifically address potential rollovers of 401(k) plan assets.

Polling Questions

CFP BOARD

1. A CFP® Professional may provide Financial Advice without owing a Fiduciary Duty.
   Answer Options: True False
2. In order for there to be Financial Advice, there must be compensation.
   Answer Options: True False
3. A CFP® Professional who provides marketing materials and general financial education materials is "Providing Financial Advice."
   Answer Options: True False
4. Duties of Loyalty, Care and to Follow Client Instructions are components of the Fiduciary Duty that is owed to Clients.
   Answer Options: True False

CFP BOARD

APPLYING THE PRACTICE STANDARDS

LEARNING OBJECTIVE 3

Updated Practice Standards

CFP BOARD

- Updated definition of Financial Planning
- The Revised Standard for Determining Whether the Practice Standards Apply
- Options (four) When Required to Comply with the Practice Standards but the Client Does Not Want Financial Planning
- Documentation standard that applies when financial planning is required
- Updates to the Steps (seven) in the Financial Planning Process

An Updated Financial Planning Definition (B-1)

CFP BOARD

Old Standards	Revised Standards (Effective October 1, 2019)
"Personal financial planning" or "financial planning" denotes the process of determining whether and how an individual can meet life goals through the proper management of financial resources. Financial planning integrates the financial planning process with the financial planning subject areas.	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.

Application of the Practice Standards (B-3)

CFP BOARD

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

When Integration Is Required (Standard B-4)

CFP BOARD

The Integration Factors (five):

- Number of relevant elements that the Financial Advice may affect;
- Portion and amount of the Client's assets affected;
- Length of time the Client's circumstances may be affected;
- Effect on exposure to risk; and
- Barriers to modification of Financial Advice

CFP Board Evaluation (B-5)

CFP BOARD

- 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.

Clients Who Do Not Want Financial Planning (B-6)

CFP BOARD

If a 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 but still provide Financial Advice
- Provide the requested service but explain the benefits of Financial Planning and limitations on services
- Terminate the Engagement

Documentation Requirement

CFP BOARD

If required to comply with the Practice Standards, a CFP® professional must act prudently in documenting information, 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 interests and
- The CFP® Professional's Firm's policies and procedures

Old Practice Standards	New Practice Standards (Effective October 1, 2019)
1. Establishing and Defining the Relationship with the Client	Moved to Section A.10: Provide Information to a Client
2. Gathering Client Data	1. Understanding the Client's Personal and Financial Circumstances
	2. Identifying and Selecting Goals
3. Analyzing and Evaluating the Client's Financial Status	3. Analyzing the Client's Current Course of Action and Potential Alternative Course(s) of Action
4. Developing and Presenting the Financial Planning Recommendations (Identifying and Evaluating Alternatives)	
5. Developing and Presenting Financial Planning Recommendations (Developing Recommendations)	4. Developing the Financial Planning Recommendation(s)
6. Developing and Presenting Financial Planning Recommendations (Presenting Recommendations)	5. Presenting the Financial Planning Recommendation(s)
7. Implementing the Financial Planning Recommendations	6. Implementing the Financial Planning Recommendation(s)
8. Monitoring	7. Monitoring Progress and Updating

Steps 1-3: Circumstances, Goals, Options

CFP BOARD

Step 1: Understanding Personal and Financial Circumstances (C-1)
- Obtaining Qualitative and Quantitative Information
- Analyzing Information
- Addressing Incomplete Information

Step 2: Identifying and Selecting Goals (C-2)
- Identifying Potential Goals
- Selecting and Prioritizing Goals

Step 3: Analyzing the Client's Current and Potential Alternative Course(s) of Action (C-3)
- Analyzing Current Course of Action
- Analyzing Potential Alternative Course(s) of Action

Steps 4-5: Developing and Presenting

CFP BOARD

Step 4: Developing the Financial Planning Recommendation(s) (C-4)
- Select recommendation(s) to maximize the potential for meeting the Client's goals. For each recommendation, you must consider:
  - Assumptions and Estimates
  - Basis for Recommendation
  - Timing/Priority
  - Interdependency of Recommendation

Step 5: Presenting the Financial Planning Recommendation(s) (C-5)
- Present recommendations
- Present information considered in developing the recommendation(s). This does not always require a written plan

Steps 6-7: Implementing and Monitoring

CFP BOARD

Step 6: Implementing the Financial Planning Recommendation(s) (C-6)
- Address implementation responsibilities
- Identify, analyze and select actions, products and services
- Recommend actions, products, and services for implementation
- Select and implement actions, products, and services

Step 7: Monitoring Progress and Updating (C-7)
- Monitoring and updating responsibilities
- Monitor the Client's progress
- Obtain current qualitative and quantitative information
- Update goals, recommendations or implementation decisions

Quick Review

CFP BOARD

- **Updated Definition** - Financial Planning
- **Revised Standard** - Determining Whether the Practice Standards Apply
- **Updated Steps** - Financial Planning Process

VIGNETTE

CFP BOARD

- Practice Standards for the Financial Planning Process
  - Lance, a CFP® professional, has an initial meeting with a new prospect, Shelly. After agreeing to prepare a financial plan, Lance gathers information about her personal and financial goals, needs and priorities. Shelly provides some documentation, but says she'll need more time to collect additional documents from home. Lance immediately begins reviewing the initial documents and developing recommendations and decides that Shelly's goals are outdated. Several weeks later, Lance presents Shelly with a financial plan that makes several recommendations he believes are in Shelly's best interest.

CFP BOARD

Which of the following statements about this scenario are true?

Response Options:

A. Lance complied with the first three steps of the Practice Standards by gathering Client data and developing recommendations.
B. Lance has not complied with the Practice Standards because he failed to: obtain information from Shelly; analyze the information to assess Shelly's personal and financial circumstances; and work with Shelly to identify and select goals. Lance also failed to analyze Shelly's current course of action prior to recommending an alternative course of action.
C. Lance has complied with the Practice Standards because he developed recommendations that he believes are in Shelly's best interests.

CFP BOARD

Correct Response: B is correct.

- The revised Practice Standards for the Financial Planning Process are set forth in Section C of the revised *Code and Standards*. Under Standards C.1. and C.2., a CFP® professional must obtain information concerning the Client's personal and financial circumstances needed to fulfill the Scope of the Engagement, analyze the information to assess the Client's personal and financial circumstances, and then help the Client identify and select goals. The purpose of this revised process is to understand the Client's personal and financial circumstances before working collaboratively with the Client to identify and select goals. Standard C.3. also requires a CFP® professional to analyze a Client's current course of action and then analyze potential alternative courses of action, which Lance did not do in this case. A is incorrect because it reflects the process that was in place under the prior version of the Practice Standards. C is incorrect because Lance's belief that his recommendations are in the best interests of Shelly does not mean Lance complied with the Practice Standards.

Polling Questions

CFP BOARD

1. A CFP® professional providing Financial Planning must document all communications with the Client.
   Answer Options: True False
2. There are seven steps in the Financial Planning process.
   Answer Options: True False
3. CFP® professional may limit the scope of the Engagement to services that do not require application of the Practice Standards.
   Answer Options: True False
4. A CFP® professional must analyze both quantitative and qualitative information.
   Answer Options: True False

CFP BOARD

INFORMATION THAT MUST BE PROVIDED TO THE CLIENT

LEARNING OBJECTIVE 4

Providing Information to a Client (A-10)

CFP BOARD

- Timing, delivery, and updating requirements
- Eight (8) categories of information that must be provided to a client when providing Financial Advice
- Additional requirements when providing Financial Planning

Timing, Delivery, and Updating

CFP BOARD

Timing (A-10a):
- Required information must be presented prior to or at the time of the Engagement

Delivery (A-10-b):
- When providing Financial Advice: No written requirement, but must document
- When providing Financial Planning: Required to provide in one or more written documents
- Material Conflicts of Interest: Not required to be provided in writing, but evidence of oral disclosure will be given such weight

Updating (A-10-d):
- Ongoing duty to provide Client with a Material change or update
- Updates to disciplinary history or bankruptcies within 90 days

The Information That Must Be Provided

CFP BOARD

- A description of the services and products to be provided
- How the Client pays for the products and services, and a description of the additional types of costs the Client may incur
- How the CFP® professional, the CFP® Professional's Firm, and any Related Party are compensated for providing the products and services
- Relevant public websites that have information about public discipline and bankruptcies
- Other information that is Material to a Client's decision to engage or continue to engage
- Full disclosure of all Material Conflicts of Interest
- Policies regarding the protection, handling, and sharing of non-public personal information
- Information required under the Engagement and in response to reasonable Client requests

Terms of Engagement

CFP BOARD

When Providing Financial Planning: The Terms of the Engagement include:

(a) the Scope of the Engagement and any limitations,
(b) when the services will be provided, and
(c) the Client's Responsibilities

Quick Review

CFP BOARD

- ✓ Information provided to Clients
- ✓ **Timing**, **Delivery**, and **Updating**

VIGNETTE

CFP BOARD

- Provide Information to a Client
  - Carlos is a CFP® professional with no bankruptcy or disciplinary history. Jayla, a prospect, meets with Carlos and hires him for Financial Advice not requiring Financial Planning. Carlos orally discloses all Material Conflicts of Interest. Both sign a written Engagement describing the services and products to be provided, how Jayla pays for them, the additional types of costs Jayla may incur, and how Carlos, his firm, and Related Parties are compensated for providing the products and services. The agreement makes Jayla responsible for implementation, monitoring, and updating. Carlos provides another document describing his firm's policies regarding the protection, handling, and sharing of Jayla's non-public personal information.

Has Carlos provided the required information to Jayla?

Response Options:

A. Carlos has provided the required information set forth in the revised Code and Standards.

B. Carlos has not provided the required information to Jayla because he cannot say that a Client is responsible for implementation, monitoring, and updating.

C. Carlos has not provided the required information to Jayla because the agreement does not include a written disclosure of all Material Conflicts of Interest.

D. Carlos has not provided all required information to Jayla because he failed to provide her with the location of the webpages where any governmental authority, self-regulatory organization, or professional organization that may set forth any public disciplinary history or personal bankruptcy or business bankruptcy where the CFP® professional was a Control Person.

Correct Response: A is correct

- The agreement includes the information that Standard A.10 of the revised Code and Standards requires. Because Carlos does not have any bankruptcy or disciplinary history, Carlos is not required to disclose the location of the webpages of all relevant public websites of any governmental authority, self-regulatory organization, or professional organization that sets forth his public disciplinary history or any personal or business bankruptcy with respect to which the CFP® professional was a Control Person. B is not correct because the Code and Standards states that a CFP® professional is responsible for implementing, monitoring or updating the Financial Planning recommendations unless those services are specifically excluded from the Scope of Engagement. C is not correct because the Code and Standards does not require Conflict of Interest disclosures to be provided in writing. D is not correct because Carlos only would have to provide that information if there is a disclosure set forth on the relevant webpage. Since Carlos does not have a bankruptcy or disciplinary history, he does not need to provide the location of the webpage(s).

RECOGNIZE AND AVOID OR DISCLOSE AND MANAGE CONFLICTS

LEARNING OBJECTIVE 5

Conflict of Interest Obligations (A-5)

CFP BOARD

- Avoid or Disclose Material Conflicts of Interest
- For Material Conflicts that are not avoided:
  - Provide Full Disclosure
  - Obtain Informed Consent
  - Manage the Conflict in the Client's Best Interests

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

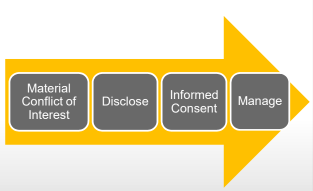
- Written consent is not required
- When will consent be inferred?

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



Quick Review

CFP BOARD

- **Disclose** Material Conflicts of Interest
- **Obtain** Informed Consent
- **Manage** the Conflicts

VIGNETTE

CFP BOARD

- Sufficiently Specific Facts
  - Charlie, a CFP® professional, is the sole owner and employee of Charlie Company, a small investment adviser and broker-dealer that has several Clients. In an effort to increase revenue, Charlie Company enters into revenue sharing arrangements with several mutual fund companies. Charlie realizes that he will have to disclose these arrangements to his Clients and decides to include the following disclosure in his Client agreement: "Charlie Company may receive revenue sharing when providing you with services."

CFP BOARD

Is Charlie's Conflict of Interest disclosure adequate?

Response Options:

A. Yes. Charlie disclosed that he might receive revenue sharing, which is sufficiently specific information for a Client to give informed consent to the Conflict of Interest. A reasonable Client receiving the disclosure would understand the conflict and how it could affect the advice provided.

B. No. Charlie did not provide sufficiently specific information. Charlie should have explained revenue sharing, stated which products and services are involved in the revenue sharing arrangements, and informed his Clients that his receipt of revenue sharing payments presents a Conflict of Interest, so that his Clients would be able to understand the Conflict of Interest and how it could affect the advice provided.

C. Yes. Charlie disclosed that he might receive revenue sharing. Clients can ask for more information if they do not understand the conflict and how it could affect the advice provided.

D. No. Charlie failed to disclose to Clients in writing how he would manage the Conflict of Interest. As a result, no Client could give informed consent to the Conflict of Interest.

CFP BOARD

Correct Response: B is the correct response.

- Under Standard A.5.a., Charlie needs to provide sufficiently specific information so that his Clients are able to understand any Conflicts of Interest and the business practice that gives rise to the Conflicts of Interest. Charlie should have at least explained revenue sharing and how his receipt of revenue sharing payments presents a Conflict of Interest, given that he has an economic incentive to recommend products or services that will result in revenue sharing payments to his firm. While Charlie is required to manage Conflicts of Interest, Charlie is not required to provide a written disclosure to his Client explaining how he will do so. Therefore, D is not the correct response.

Polling Questions

CFP BOARD

1. A Conflict of Interest is present when the interests of the CFP® professional and the interests of the Client are adverse.
   Answer Options: True False
2. Ambiguity in a Conflict of Interest disclosure provided to a Client will be interpreted in favor of the Client.
   Answer Options: True False
3. Acting in the best interest of the Client excuses failure to make full disclosure of the Material Conflict of Interest.
   Answer Options: True False
4. A CFP® professional must adopt and follow business practices reasonably designed to prevent Material Conflicts of Interest.
   Answer Options: True False

QUIZ QUESTION #1

CFP BOARD

Q1: How many steps are now in the Financial Planning Process?

Answer Options:

1. Six
2. Seven
3. Five
4. Eleven

QUIZ QUESTION #2

CFP BOARD

Q2: The Professional Services to be provided pursuant to an Engagement is defined as the Scope of _________.

Answer Options:

1. Engagement
2. Responsibility
3. Authority
4. Planning

QUIZ QUESTION #3

CFP BOARD

Q3: A CFP® professional must act as a ____________ at all times when providing Financial Advice to a Client.

Answer Options:

1. Investor
2. Planner
3. Fiduciary
4. Client

QUIZ QUESTION #4

CFP BOARD

Q4: There is a _________ when a CFP® professional has duties to one Client that are adverse to another Client.

Answer Options:

1. Conflict
2. Advantage
3. Opportunity
4. Collusion

QUIZ QUESTION #5

CFP BOARD

Q5: Professionals who exercise care, skill, prudence, and diligence to act in the best interest of the Client is fulfilling the ________.

Answer Options:

1. Duty of Loyalty
2. Duty to CFP Board
3. Duty to Follow Client's Instructions
4. Duty of Care

Recommended Resources

CFP BOARD

Go to www.CFP.net

- Full version new *Code and Standards*
- Commentary on the new *Code and Standards*

CFP BOARD

Reporting of CE Credit Hour

- BEST will report your CE Ethics credit to the CFP Board within 24 hours of this webinar (meeting CE requirements).
- Student's will receive a Certificate of Completion within 7 – 10 business days of the webinar participation.
- Must complete evaluation form to receive credit

DON'T FORGET….

CFP BOARD

✓ **Importance of the Program Evaluation Form:**

The CFP Board Ethics CE Curriculum is designed to ensure all CFP ® professionals receive value for their time and perceive the content delivered as meaningful to their daily experiences. The Participant evaluation process is a critical component to ensuring the CFP Board meets this goal.

I will end the webinar. A message will pop up on your screen, click close. The Evaluation Form will then appear for you to fill out.

(A copy of the form may be found within the "Handouts" section of this webinar. You will also receive an email with a link to the online survey 24 hours AFTER the webinar has concluded.)

CFP BOARD

THANK YOU