



## TERMS OF ENGAGEMENT: Guidance for the Profession and the Public

### About the FP Canada Standards Council™:

A division of FP Canada™, the FP Canada Standards Council (the “Standards Council”) establishes and enforces financial planning standards, sets the certification requirements for professional financial planners and develops and delivers certification examinations. The Standards Council ensures that FP Canada Certificants (CFP® professionals and QAFP™ professionals) meet appropriate standards of competence and professionalism through rigorous requirements of education, examination, experience and ethics.

### About the Standards Panel:

An independent panel of the Standards Council, the Standards Panel is composed of CFP professionals, Financial Planners from the province of Québec and public members.

The Standards Panel is responsible for and has delegated responsibility from the Board over the *FP Canada Standards Council Standards of Professional Responsibility* and the *FP Canada Standards Council Competency Profile*. The Standards Panel also oversees the FP Canada Standards Council Projection Assumption Guidelines Committee which maintains and updates the Projection Assumption Guidelines.

### Documenting the Terms of Engagement

The purpose of this notice is to provide guidance to FP Canada Certificants and members of the public regarding Terms of Engagement documents.

The Terms of Engagement is a document that sets out the agreement between the parties at the outset of the engagement. The use of a Terms of Engagement document, while not mandatory, may help ensure that CFP® professionals and QAFP™ professionals are compliant with their disclosure obligations as outlined in the *FP Canada Standards Council Rules of Conduct*.

The purpose of the Terms of Engagement document is to:

- Establish clear and appropriate expectations for the client(s) and the financial planner;
- Help ensure mutual understanding and agreement;
- Promote shared responsibility, commitment and accountability for the success of the engagement; and
- Establish consistency of service delivery and raise client confidence.

The Terms of Engagement should include:

- The specific financial planning services the planner will perform for the client(s);
- Any information that the client(s) might reasonably want to know in establishing the scope and nature of the relationship, including information about the planner's areas of expertise and qualifications;
- An accurate and understandable description of the known costs of the services and products to the client(s);
- Any contingency or referral fees received by the Certificant or the Certificant's employer or firm, in relation to services provided to the client;
- A general summary of potential conflicts of interest between:
  - The client and the planner;
  - The client and the planner's employer and affiliates; and
  - In the case of a joint engagement, the clients themselves;
- Any information about the planner or the planner's employer that could reasonably be expected to materially affect the client relationship/engagement; and
- Contact information for the planner and, if applicable, the planner's employer, firm or sponsor; and
- The planner's and the client's signature attesting to their mutual agreement and acceptance of the terms of the engagement.

A Terms of Engagement might also include these optional clauses:

- An assurance to protect the client's confidentiality and (where appropriate) the client's specific written consent permitting the planner to share information with identified third parties including, for example, members of the planner's firm or a trusted contact for the client;
- Financial planning assumptions;
- Client responsibilities;
- Termination provisions; and
- How to file a complaint.

## Required Disclosure

Where a Terms of Engagement document is not provided, it is important to note that CFP professionals and QAFP professionals are still required to meet the disclosure obligations set out in the *FP Canada Standards Council Rules of Conduct*. In particular, in accordance with Rules 7 (reproduced below), FP Canada Certificants are required to disclose, in writing: compensation arrangements; potential conflicts of interest and information relevant to the FP Canada Certificant's practice and services. FP Canada Certificants are also required to disclose an

accurate and understandable description of how the planner and/or the planner’s firm are compensated for providing the products and services. These disclosures may be made orally or in writing.

## Applicable Practice Standards:

The *Standards of Professional Responsibility* include the following Practice Standards and *Rules of Conduct*:

Applicable Practice Standards (PS)	
<b>PS.2</b>	<p><b>Define the Terms of the Engagement</b></p> <p>The Certificant will work with the client to define and agree on the scope of the financial planning engagement, whether an initial or review engagement.</p>

Applicable Rule of Conduct	
<b>Rule 7:</b>	<p><b>A Certificant shall disclose the following information to the client in writing, with the exception of subsection (b) below. The information under subsection (b) below may be disclosed orally:</b></p> <ul style="list-style-type: none"> <li>a) An accurate and understandable description of the known costs of the services and products, to the client;</li> <li>b) When the services include financial planning or elements of the financial planning process, an accurate and understandable description of how the Certificant, the Certificant's firm are compensated for providing the products and services;</li> <li>c) Any contingency or referral fees received by the Certificant or the Certificant’s firm, in relation to services provided to the client;</li> <li>d) A general summary of potential conflicts of interest between the client and the Certificant, between the Certificant’s clients in the case of a joint engagement, the Certificant’s employer, or any affiliates or third parties, including, but not limited to, information about any familial, contractual or agency relationship of the Certificant or the Certificant’s employer that has a potential to materially affect the relationship with the client;</li> <li>e) The specific financial planning services the Certificant will perform for the client;</li> <li>f) Any information about the Certificant or the Certificant’s employer that could reasonably be expected to materially affect the client relationship/engagement;</li> <li>g) Any information that the client might reasonably want to know in establishing the scope and nature of the relationship, including, but not limited to, information about the Certificant’s areas of expertise; and</li> <li>h) Contact information for the Certificant and, if applicable, the Certificant’s employer.</li> </ul>

