



# CFP<sup>TM</sup> Code of Ethics



# CFP™ Code of Ethics

APRIL 2005

## TABLE OF CONTENTS

<b>PREAMBLE AND APPLICABILITY</b> .....	<b>2</b>
<b>COMPOSITION AND SCOPE</b> .....	<b>2</b>
<b>COMPLIANCE</b> .....	<b>2</b>
<b>TERMINOLOGY IN THIS CODE</b> .....	<b>2</b>
<b>PART I - PRINCIPLES</b> .....	<b>3</b>
<b>INTRODUCTION</b> .....	<b>3</b>
<b>Principle 1: Integrity</b> .....	<b>3</b>
<b>Principle 2: Objectivity</b> .....	<b>3</b>
<b>Principle 3: Competence</b> .....	<b>3</b>
<b>Principle 4: Fairness</b> .....	<b>4</b>
<b>Principle 5: Confidentiality</b> .....	<b>4</b>
<b>Principle 6: Professionalism</b> .....	<b>4</b>
<b>Principle 7: Diligence</b> .....	<b>4</b>
<b>PART II - RULES</b> .....	<b>4</b>
<b>INTRODUCTION</b> .....	<b>4</b>
<b>Principle 1: Integrity</b> .....	<b>4</b>
<b>Principle 2: Objectivity</b> .....	<b>5</b>
<b>Principle 3: Competence</b> .....	<b>6</b>
<b>Principle 4: Fairness</b> .....	<b>6</b>
<b>Principle 5: Confidentiality</b> .....	<b>7</b>
<b>Principle 6: Professionalism</b> .....	<b>7</b>
<b>Principle 7: Diligence</b> .....	<b>8</b>

## **PREAMBLE AND APPLICABILITY**

The CFP™ Code of Ethics (the “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”, “Certified Financial Planner” and CFP flame logo trademarks (collectively, the “Marks”). These Marks are owned by the Financial Planning Standards Board Ltd. (“FPSB”), and FPSC is the sole organization authorized by FPSB to award them in Canada. FPSC determines who is recognized and certified to use these Marks. Implicit in FPSC’s acceptance of this authorization is an obligation not only to ensure compliance with the mandates and requirements of all applicable laws and regulations, but also to require its CFP-designated professionals to act in an ethical and professionally responsible manner becoming of the financial planning profession.

For purposes of this Code, a person recognized and certified by FPSC to use the Marks is called a CFP professional. This Code applies to CFP professionals actively involved in the practice of 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. In addition, some principles, specifically Principle 1 and Principle 6, also apply more generally to the activities of CFP professionals even when acting outside the scope of their capacity as financial planning practitioners.

## **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 professionals, ideals

they should strive to display in their professional activities. As such the Principles are intended to be a source of guidance for CFP professionals. 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 professionals 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**

The 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 professional’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 professionals who fail to comply with the applicable provisions of the Code.

## **TERMINOLOGY IN THIS CODE**

“**CFP professional**”: a person who holds the CFP designation from FPSC.

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

**“Conflicts of interest”**: circumstances, relationships or other facts about the CFP professional’s own financial, business, property and/or personal interests that may, as it may appear to a reasonable observer, impair the CFP professional’s ability to render disinterested advice, recommendations or services.

**“Contingency fee”**: a fee determined either as a percentage or otherwise, by reference to the results of the Financial Planning rendered.

**“Fee-for-service”**: a method of compensation where a CFP professional is paid directly by the client and where neither the CFP professional nor any related party receives compensation 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 professional as a result of implementing a recommendation made by the CFP professional.

**“Financial Planning”**: the process of creating strategies, considering all relevant aspects of a client’s financial situation, to manage financial affairs to meet the client’s life goals.

## **PART I – PRINCIPLES**

### **INTRODUCTION**

These Principles of the Code recognize the individual CFP professional’s responsibilities to the public, clients, colleagues, employers and to the profession. They apply to all CFP professionals in all aspects of their work, and provide specific guidance to them in the performance of financial planning.

### **PRINCIPLE 1: INTEGRITY**

***A CFP professional shall always act with integrity.***

CFP professionals may be placed by clients in positions of trust and confidence. The ultimate source of such public trust is the CFP professional’s personal integrity. In deciding what is right and just, a CFP professional 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 professional to observe not only the letter but also the spirit of this Code.

### **PRINCIPLE 2: OBJECTIVITY**

***A CFP professional shall be objective in providing financial planning 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 professional functions, a CFP professional should protect the integrity of his or her work, maintain objectivity, and avoid the subordination of his or her judgment, which would be in violation of this Code.

### **PRINCIPLE 3: COMPETENCE**

***A CFP professional shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the CFP professional 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 professional, by virtue of having earned the CFP designation, is deemed to be qualified to practice financial planning. However, in addition to assimilating the core competencies and knowledge required, and acquiring the necessary experience, a CFP professional shall make a commitment to continuous learning and professional development.

#### **PRINCIPLE 4: FAIRNESS**

***A CFP professional shall perform financial planning in a manner that is fair and reasonable to clients, principals, partners, and employers and shall disclose conflicts of interest in providing such services.***

Fairness requires impartiality, intellectual honesty, and disclosure of conflicts 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 one would want to be treated and is an essential trait of any professional.

#### **PRINCIPLE 5: CONFIDENTIALITY**

***A CFP professional shall maintain confidentiality of all client information.***

A client, by seeking the services of a CFP professional, expects to develop a relationship of personal trust and confidence. This type of relationship must be built upon the understanding that information supplied to the CFP professional will be confidential. In order to provide financial planning effectively and to protect the client's privacy, the CFP professional shall safeguard the confidentiality of such information.

#### **PRINCIPLE 6: PROFESSIONALISM**

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

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

#### **PRINCIPLE 7: DILIGENCE**

***A CFP professional shall act diligently in providing financial planning.***

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 professional shall always act with integrity.***

**Rule 101** – A CFP professional 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 professional has the following responsibilities regarding funds and/or other property of clients:

- a) A CFP professional 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 professional 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, etc.);
- c) A CFP professional shall identify and keep complete records of all funds or other property of a client in the custody, or under the discretionary authority, of the CFP professional;
- d) Upon receiving funds or other property of a client, a CFP professional 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 professional shall not commingle client funds or other property with a CFP professional's personal funds and/or other property or the funds and/or other property of a CFP professional'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 professional 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; and

- g) A client's assets in the custody of the CFP professional shall be used only for the means intended.

**Rule 103** – A CFP professional shall not solicit clients through false or misleading communications or advertisements, and for greater certainty:

- a) a CFP professional shall not make a false or misleading communication about the size, scope or areas of competence of the CFP professional's practice or of any organization with which the CFP professional is associated;
- b) a CFP professional shall not make false or misleading communications to the public or create unverifiable expectations regarding matters relating to financial planning or competence of the CFP professional; and
- c) a CFP professional shall not give the impression that he/she is representing the views of FPSC or any other group unless the CFP professional has been authorized to do so.

## **PRINCIPLE 2: OBJECTIVITY**

***A CFP professional shall be objective in providing financial planning to clients.***

**Rule 201** – A CFP professional shall exercise reasonable and prudent professional judgment in providing financial planning.

**Rule 202** – A CFP professional shall act in the interests of the client.

### **PRINCIPLE 3: COMPETENCE**

***A CFP professional shall provide financial planning to clients competently and maintain the necessary competence and knowledge to continue to do so in those areas in which the CFP professional is engaged.***

**Rule 301** – A CFP professional shall offer advice only in those areas in which the CFP professional is competent to do so. In areas where the CFP professional is not sufficiently competent, the CFP professional shall seek the counsel of qualified individuals and/or refer clients to such parties.

**Rule 302** – A CFP professional shall abstain from intervening in the personal affairs of the client on matters outside the scope of the engagement.

### **PRINCIPLE 4: FAIRNESS**

***A CFP professional shall perform financial planning in a manner that is fair and reasonable to clients, principals, partners, and employers, and shall disclose conflicts of interest in providing such services.***

**Rule 401** – A CFP professional 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 professional's compensation arrangements involve fee-for-service, commission, salary, or any combination of the foregoing. A CFP professional shall not hold out as a fee-for-service practitioner if the CFP professional 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 professional is compensated.

To this end, the CFP professional 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 professional (or his/her firm) has with third parties, including the nature of the compensation arrangements.
- d) A statement identifying any conflicts of interest; and
- 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 financial planning, a CFP professional shall inform the client of the scope of the services that shall be rendered and that the CFP professional is not taking on the responsibilities of a financial planner. 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** – A CFP professional 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) conflicts of interest;
- b) the CFP professional's business affiliation;
- c) compensation structure affecting the professional services to be rendered; and
- d) new or changed agency relationships.

**Rule 404** – Where financial planning may be compensated for on a contingency fee basis, such a fee arrangement must be disclosed in writing to the client.

**Rule 405** – A CFP professional shall not engage in discriminatory practices as defined in applicable human rights legislation.

### **PRINCIPLE 5: CONFIDENTIALITY**

***A CFP professional shall maintain confidentiality of all client information.***

**Rule 501** – A CFP professional shall not disclose any confidential client information without the specific consent of the client unless in response to proper legal or regulatory process. A client's name shall not be disclosed to another party unless specific consent has been granted for the use of the client as a reference.

**Rule 502** – A CFP professional 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 professional shall maintain the same standards of confidentiality for employers as for clients while employed and thereafter.

**Rule 505** – A CFP professional doing business as a partner or principal of a financial services firm owes to the CFP professional'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 professional's conduct in all matters shall reflect credit upon the profession.***

**Rule 601** – A CFP professional shall not engage in any conduct that reflects adversely on his or her integrity or fitness as a CFP professional, upon the Marks, or upon the profession.

**Rule 602** – A CFP professional shall use the Marks in compliance with the rules and regulations of FPSC, as established and amended from time to time.

**Rule 603** – A CFP professional who has knowledge that another CFP professional has committed a violation of this Code, which raises substantial questions as to the CFP professional's honesty, trustworthiness or fitness as a CFP professional 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 604** – A CFP professional shall not criticize another CFP professional without first submitting this criticism to the CFP professional for explanation. Where the criticism may result in a complaint being lodged with FPSC, the CFP professional must, where required, first submit that criticism in writing to the other CFP professional for explanation. Notwithstanding this rule, a CFP professional may first submit a criticism of another CFP professional to FPSC, should the matter be considered of such a nature that prior notice is not appropriate.

**Rule 605** – A CFP professional who has knowledge that raises a substantial question of unprofessional, fraudulent or illegal conduct by a CFP professional 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 606** – A CFP professional who has reason to suspect illegal conduct within the CFP professional’s organization shall make timely disclosure of the available evidence to the CFP professional’s immediate supervisor and/or partners or co-owners. If the CFP professional is convinced that illegal conduct exists within the CFP professional’s organization, and that appropriate measures are not taken to remedy the situation, the CFP professional shall, where appropriate, alert the appropriate regulatory authorities including FPSC in a timely manner.

**Rule 607** – A CFP professional shall perform financial planning in accordance with applicable laws, rules, regulations and established policies of governmental agencies or other applicable authorities including FPSC.

**Rule 608** – A CFP professional shall not adopt any method of obtaining or retaining clients that tends to lower the standard of dignity of the profession.

**Rule 609** – A CFP professional shall not practice any other profession or offer to provide such additional services unless the CFP professional is qualified to practice in those fields and is licensed or registered as required by law.

**Rule 610** – A CFP professional shall return the client’s original records in a timely manner after their return has been requested by the client.

**Rule 611** – A CFP professional 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 professional.

## **PRINCIPLE 7: DILIGENCE**

***A CFP professional shall act diligently in providing financial planning.***

**Rule 701** – A CFP professional shall enter into a client engagement only after securing sufficient information to be satisfied that the relationship is warranted by the individual’s needs and objectives, and that the CFP professional has the ability to either provide the requisite competent services or to involve and supervise other professionals who can provide such services.

**Rule 702** – A CFP professional shall make and/or implement only those recommendations that are suitable for the client.

**Rule 703** – Consistent with the nature and scope of the engagement, a CFP professional shall carry out a reasonable investigation regarding the financial products recommended to clients. Such an investigation may be made by the CFP professional or by others provided the CFP professional acts reasonably in relying upon such investigation.

**Rule 704** – Before ceasing to act for a client, a CFP professional 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 professional shall properly supervise subordinates with regard to their delivery of financial planning, and shall not accept or condone conduct in violation of this Code.



## **Financial Planners Standards Council**

Telephone: 416.593.8587 Toll Free: 1.800.305.9886 Fax: 416.593.6903

E-mail: [inform@cfp-ca.org](mailto:inform@cfp-ca.org) Website: [www.cfp-ca.org](http://www.cfp-ca.org)

CFP™, CERTIFIED FINANCIAL PLANNER™ and  are certification marks owned outside the U.S. by Financial Planning Standards Board Ltd. (FPSB). Financial Planners Standards Council is the marks licensing authority for the CFP marks in Canada, through agreement with FPSB.