



CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS, INC.

Board of Directors Preliminary Response to Task Force Report and Recommendations

Overview

On July 30, 2019, the Board of Directors of CFP Board (“The Board”) formed an Independent Task Force on Enforcement (“Task Force”). The Task Force was charged with the responsibility to deliver a report that examines CFP Board’s current enforcement program for its *Code of Ethics and Standards of Conduct* (“*Code and Standards*”) and proposes actionable recommendations for improvements.

The Board appointed Denise Voigt Crawford as Chair of the Task Force and granted her authority to appoint other Task Force members: Mercer E. Bullard, Michael Huggs, Richard Salmen, CFP®, and Nancy Smith.

The Board thanks Ms. Crawford and the Task Force members for their perspective, diligence and hard work throughout this important process. The Task Force delivered their report as promised in time for CFP Board’s November Board of Directors Meeting. The report is robust and comprehensive. The Board has read the report thoroughly, takes its recommendations seriously and is committed to strengthening CFP Board’s enforcement of its *Code and Standards* to benefit all Americans and to reinforce the confidence and security people gain from working with a CFP® professional.

CFP Board’s Current and Enhanced Enforcement Efforts

The enforcement of CFP Board’s *Code and Standards* is a vital component of CFP Board’s certification program. CFP Board’s objective for our enforcement program is to follow a well-defined process that both reassures the public and is fair to a CFP® professional.

This process begins when applying for CFP® certification. Prior to being certified, a candidate for CFP® certification undergoes an extensive background check to determine whether the candidate’s prior conduct is consistent with our ethical and fitness standards, and would not reflect adversely upon the profession or the CFP® certification mark. Individuals who do not meet our ethical requirements are denied certification. Once certified, a CFP® professional is required to comply with CFP Board’s *Code and Standards* and must complete regular ethics attestations. CFP Board has conducted hundreds of investigations each year and, since its inception, has issued more than 1,000 public sanctions for noncompliance with its *Code and Standards*.

In mid-2019, CFP Board introduced enhancements to its enforcement program in response to important issues raised publicly, many of which the Task Force addressed in its report. A primary issue has been the reliance on CFP® professionals self-reporting events that would

trigger an investigation. To address this concern and to strengthen the enforcement of its *Code and Standards*, CFP Board has taken the following preliminary actions:

- CFP Board no longer relies primarily on the self-disclosure of CFP® professionals;
- CFP Board has implemented annual background checks on all CFP® professionals, including reviews of FINRA's BrokerCheck, the SEC's IAPD, and other publicly available information;
- Those who are certified are required to make ongoing disclosures of an expanded category of information within 30 calendar days;
- CFP Board now provides consumers with access to BrokerCheck and IAPD information on letsmakeaplan.org and CFP.net/verify; and
- CFP Board staff have been continuously reviewing Broker Check for existing CFP® professionals and continue to monitor and follow up on regulatory actions by the federal government and self-regulatory agencies if CFP® professionals are named.

Task Force Recommendations and Initial CFP Board Actions

The Task Force concluded that there are opportunities to enhance CFP Board's governance, organizational structure and processes. While The Board disagrees with some of the assertions and characterizations made in the report, The Board is committed to making the following reforms to improve CFP Board's enforcement program for its *Code and Standards* for the benefit of the public:

- Retain individuals with governance expertise to evaluate CFP Board's governance structure, including with respect to Board of Director composition and Board oversight of the enforcement of CFP Board's *Code and Standards*.
- Define, in written policies, the specific enforcement outcomes that the Board of Directors expects CFP Board staff to achieve and to monitor rigorously the CEO's performance against those expectations.
- Make Enterprise Risk a CFP Board priority that is subject to a Board Committee's oversight. Enforcement and public awareness activities (including the letsmakeaplan.org website) to be included in the Enterprise Risk program.
- Require annual ethics attestation and improve the background checks on all CFP® professionals that includes access to and review of publicly available information according to the expanded due diligence process described in the above reforms.
- Strengthen the sanction for failing to self-report information to CFP Board. CFP Board will form a Commission in 2020 to review and develop recommendations for revisions to the existing *Fitness Standards* and *Sanction Guidelines*, and this will be part of the Commission's mandate. CFP Board will invite public comment on any proposed changes to these *Fitness Standards* and *Sanction Guidelines*.

CFP Board Committed to Enforcement Within its Scope

CFP Board is a professional body that issues a voluntary certification. The Board is committed to ensuring that CFP Board takes appropriate, pro-active steps to identify misconduct and to enforce its *Code and Standards*. However, The Board concluded that many of the recommendations require further deliberation to fully analyze their implications. The Board also believes some actions recommended by the Task Force are more properly reserved for a government regulator or government-authorized SRO, rather than a professional body.

Thus, the Board does not intend for CFP Board's enforcement program to include:

- Conducting desk audits, other periodic audits, on-site examinations, random sampling, or inspections of CFP® professionals; or
- Sanctioning a CFP® professional for a CFP® Professional Firm's refusal to provide documents and information to CFP Board, which could be inferred by reading Recommendation 10a of the Task Force's report. However, The Board will form a Commission in 2020 to consider revisions to the existing Fitness Standards and Sanction Guidelines, which will include consultations with all stakeholders, including firms, about cooperation with CFP Board's investigations, with proposed changes subject to a public comment period.

Timing and Process

The Board of Directors is firmly committed to strengthening CFP Board's enforcement program for its *Code and Standards*, and greatly appreciates the work done by the Task Force to help identify specific actions designed to achieve that goal. Before making its final decisions, The Board will continue to thoroughly digest, discuss and deliberate the Task Force's additional recommendations, as well as the potential implications of their implementation. Some changes may require additional public comment. Information about CFP Board's enhanced enforcement efforts will be made public as it becomes available.

While CFP Board continues to evaluate the Report and the Task Force's recommendations, and otherwise examines its enforcement activities, it will be guided by its mission of benefitting the public by granting the CFP® certification and upholding it as the recognized standard of excellence for competent and ethical personal financial planning.