

**CFP BOARD**

# **FINANCIAL ADVICE ENGAGEMENTS COMPLIANCE GUIDE**

**REFERENCE GUIDE TO COMPLYING WITH THE  
*CODE AND STANDARDS* WHEN PROVIDING A  
CLIENT FINANCIAL ADVICE**

CFP Board designed this guide to help CFP® professionals evaluate whether they are providing information and services in accordance with CFP Board's *Code of Ethics and Standards of Conduct* ("Code and Standards") when they are providing Financial Advice. Under certain circumstances, a CFP® professional is required to update the information provided to a Client.

## SECTION A: THE FIDUCIARY DUTY

At all times when providing Financial Advice to a Client, a CFP® professional must act as a fiduciary and, therefore, act in the best interests of the Client. (Standard A.1.)

Duty of Loyalty:

- Have I placed the interests of the Client above the interests of me and my firm?
- Have I avoided Conflicts of Interest, or fully disclosed Material Conflicts of Interest to the Client, obtained the Client's informed consent, and properly managed the conflict
- Have I acted without regard to the interests of me and my firm, and any individual or entity other than the Client?

Duty of Care:

- Have I acted with the 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 Instructions:

- Have I complied with all objectives, policies, restrictions, and other terms of the Engagement, and all reasonable and lawful directions of the Client?

## SECTION B: IS THIS A FINANCIAL PLANNING ENGAGEMENT?

If the answer to any of the following is yes, then this is a Financial Planning Engagement and you must comply with the Practice Standards for the Financial Planning Process. If no, then the engagement for Financial Advice does not require Financial Planning, and you are not required to comply with the Practice Standards for the Financial Planning Process. (Standards B.3. and B.4.)

- Have I agreed to provide or provided Financial Planning?

- Does the client have a reasonable basis to believe that I will provide or have provided Financial Planning?
- Does the Financial Advice I agreed to provide require integration of relevant elements of the Client's personal and/or financial circumstances in order to act in the Client's best interests, taking into account the following Integration Factors?
  - The number of relevant elements of the client's personal and financial circumstances that the Financial Advice may affect;
  - The portion and amount of the Client's financial assets that the Financial Advice may affect;
  - The length of time the Client's personal and financial circumstances may be affected by the Financial Advice;
  - The effect on the Client's overall exposure to risk if the Client implements the Financial Advice; and
  - The barriers to modifying the actions taken to implement the Financial Advice.

If I otherwise must comply with the Practice Standards for the Financial Planning Process, but the Client does not agree to enter into a Financial Planning engagement, have I done one of the following:

- Not enter into the Engagement;
- Limited the Scope of Engagement to services that do not require application of the Practice Standards for the Financial Planning Process and described to the Client the services the Client requests that the CFP® professional will not be performing;
- Provided the requested services after informing the Client how Financial Planning would benefit the Client and how the decision not to enter into a Financial Planning engagement may limit the Financial Advice; or
- Terminated the Engagement.

## SECTION C: PROVIDING INFORMATION TO A CLIENT

Have I provided the following information orally or in writing, in one or more written documents:

### Services, Products, Compensation, Disciplinary History, Bankruptcy, and Other Material Information (Standard A.10.a.i. – v.)

- Have I provided the Client a description of the services and products to be provided?
- Have I explained how the Client pays for the products and services and described the additional types of costs that the Client may incur, including product management fees, surrender charges, and sales loads?
- Have I informed the Client how I, my firm, and any Related Party are compensated for providing the products and services?
- Do I have any public disciplinary history or personal bankruptcy or business bankruptcy where I was a Control Person? If so, have I notified the Client of the existence of the public discipline or bankruptcy and provided the Client with the location(s), if any, of the webpages of all relevant public websites of any governmental authority, self regulatory organization, or professional organization that sets forth my public disciplinary history or personal or business bankruptcy?

### Conflicts of Interest

(Standards A.5.a., A.10.a.v., and A.13.a.)

- Have I provided full disclosure of all Material Conflicts of Interest with the Client that could affect the professional relationship? Have I provided sufficiently specific facts so that the Client is able to understand the Material Conflicts of Interest and the business practices that give rise to the conflict?
- Have I obtained the Client's informed consent, either express or implied, to such Conflicts of Interest?

- Have I properly managed any Conflict of Interest by providing Financial Advice that is in the best interests of the Client and places the Client's interests above my own, notwithstanding the conflict, by adopting and following business practices reasonably designed to prevent Material Conflicts of Interest from compromising my ability to act in my Client's best interests?
- Have I disclosed any arrangement by which someone who is not the Client will compensate or provide some other material economic benefit to me, my firm, or a related Party for engaging or recommending the selection or retention of additional persons to provide financial or Professional Services to the Client?

### Confidentiality and Privacy

(Standard A.9.d.)

- Have I or has my firm adopted and implemented policies regarding the protection, handling, and sharing of the Client's non-public personal information?
- Have I or has my firm provided the Client with written notice of the policies regarding the protection, handling, and sharing of the Client's non-public personal information? (This must be provided in writing.)

### Other Requirements

(Standards A.10.a. and A.10.a.viii.)

- Have I provided the Client all other information Material to the decision to engage or continue to engage me or my firm?
- Have I documented that I have provided the Client with all of the information set forth above?



**CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS, INC.**

1425 K St NW #800 Washington, DC 20005  
800.487.1497 | f 202.379.2299 | [mail@CFPBoard.org](mailto:mail@CFPBoard.org) | [CFP.net](http://CFP.net)

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