

12:45 - 2:45 pm

October 24, 2011

Code of Ethics 2011

Symposium: Planning for Success

You are about to participate in an exciting and interesting interactive program. Yes, you heard us correctly, “exciting”! Has our financial planner, Jeff, gone overboard with his rhetoric? You will get the opportunity to be the “judge,” “jury” and possibly “executioner.” With more oversight created by the new Federal Securities Act and promises by the CFP Board to “keep fighting for more planner regulation,” recognizing ethical issues becomes more and more critical. What to do? We’ll examine a number of ethical case studies in which you, yes you, will have the opportunity to express your opinions, concerns and enlighten all of us as to how you would handle that particular situation. Sit back, relax and participate and complete your ethics’ requirements.

Detailed Content Outline:

- I. Overview of Ethics while providing Financial Services (10 minutes)
- II. CFP Board Focus on “Higher-Level” topics in exams (10 minutes)
- III. Why a Professional Code of Ethics? (5 minutes)
- IV. Financial Planning – To include Financial Planning Subjects, Definition and Process, and Material Elements (10 minutes)
- V. The Fiduciary Standard (10 minutes)
- VI. Overview of the CFP Board’s Code of Ethics (10 minutes)
- VII. Hearing Panels – Form for Case Studies (5 minutes)
- VIII. Video Case Study – Senior Moments (View, questions, convene hearing panels, discuss what violations of the Board’s Code of Ethics, if any, did the CFP® Professional violate (20 minutes)
- IX. Ethics of Written Agreements – (to include requirements of written agreements, elements, required disclosures) (10 minutes)
- X. Compensation Disclosure (5 minutes)
- XI. Video Case Study – Powers of Attorney, Who’s the client, Engagement, managing finances – (Understanding the financial planning process, Fiduciary Issues, potential violations of the Board’s Code of Ethics) (25 minutes)

Learning Objectives: By the end of the session, students will:

- Demonstrate an understanding of, and be able to define financial planning, the financial planning process, and financial planning subject areas including being able to describe the material elements of financial planning.
- Determine if a CFP® professional is providing financial planning or material elements of financial planning as well as demonstrating an understanding of the required elements of a written agreement when financial planning services are provided.
- Articulate disclosure requirements and apply disclosure requirements to their practices as well as to define and outline elements of the fiduciary standard and know when it applies.

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Professional Training Services, INC.
RULES OF CONDUCT (Rules 1 – 4)

1. Defining the Relationship with the Prospective Client or Clients

- 1.1 The Certificant and the prospective client or clients shall mutually agree upon the services to be provided by the Certificant.
- 1.2 If the Certificant's services include financial planning or material elements of financial planning prior to entering into an agreement, the Certificant shall provide written information or discuss with the prospective client or clients the following:
- a. The obligations and responsibilities of each party under the agreement with respect to:
 - i. Defining goals, needs and objectives,
 - ii. Gathering and providing appropriate data,
 - iii. Examining the result of the current course of action without changes,
 - iv. The formulation of any recommended actions,
 - v. Implementation responsibilities, and
 - vi. Monitoring responsibilities
 - b. Compensation that any party to the agreement or any legal affiliate to a party to the agreement will or could receive under the terms of the agreement; and factors or terms that determine costs, how decisions benefit the Certificant and the relative benefit to the Certificant.
 - c. Terms under which the agreement permits the Certificant to offer proprietary products.
 - d. Terms under which the Certificant will use other entities to meet any of the agreement's obligations.

If the Certificant provides the above information in writing, the Certificant shall encourage the prospective client or clients to review the information and offer to answer any questions that the prospective client or clients may have.

- 1.3 If the services include financial planning or material elements of financial planning, the Certificant or the Certificant's employer shall enter into a written agreement governing the financial planning services ("Agreement"). The Agreement shall specify:
- a. The parties to the Agreement,
 - b. The date of the Agreement and its duration,
 - c. How and on what terms each party can terminate the Agreement, and
 - d. The services to be provided as part of the Agreement.

The agreement may consist of multiple written documents. Written documentation that includes the items above and is used by a Certificant or Certificant's employer in compliance with state and/or federal law, or the rules or regulations of any applicable self-regulatory organization, such as the Securities and Exchange Commission's Form ADV or other disclosure documents, shall satisfy the requirements of this Rule.

- 1.4 A Certificant shall at all times place the interest of the client ahead of his or her own. When the Certificant provides financial planning or material elements of the financial planning process, the Certificant owes to the client the duty of care of a fiduciary as defined by CFP Board.

2. Information Disclosed to Prospective Client and Clients

- 2.1 A Certificant shall not communicate, directly or indirectly, to clients or prospective clients any false or misleading information directly or indirectly related to the Certificant's professional qualifications or services. A Certificant shall not mislead any parties about the potential benefits of the Certificant's service. A Certificant shall not fail to disclose or otherwise omit facts where that disclosure is necessary to avoid misleading clients.
- 2.2 A Certificant shall disclose to a prospective client or clients the following information:
- a. An accurate and understandable description of the compensation arrangements being offered. This description must include:
 - i. Information related to costs and compensation to the Certificant and/or the Certificant's employer, and
 - ii. Terms under which the Certificant and/or the Certificant's employer may receive any other sources of compensation, and if so, what the sources of these payments are and on what they are based.
 - b. A general summary of likely conflicts of interest between the client and the Certificant, 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.
 - c. Any information about the Certificant or the Certificant's employer that could reasonably be expected to materially affect the client's decision to engage the Certificant 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.
 - d. Contact information for the Certificant and, if applicable, the Certificant's employer.
 - e. If the services include financial planning or material elements of financial planning, these disclosures must be in writing. The written disclosures may consist of multiple written documents. Written disclosures used by a Certificant or Certificant's employer that includes the items listed above, and are used in compliance with state or federal laws, or the rules or requirements of any applicable self-regulatory organization, such as the Securities and Exchange Commission's Form ADV or other disclosure documents, shall satisfy the requirements of this Rule.

The Certificant shall timely disclose to the client any material changes to the above information.

3. Prospective Client and Client Information and Property

- 3.1 A Certificant shall treat information as confidential except as required in response to proper legal process; as necessitated by obligations to a Certificant's employer or partners; as required to defend against charges of wrongdoing; in connection with a civil dispute; or as needed to perform the services.
- 3.2 A Certificant shall take prudent steps to protect the security of information and property, including the security of stored information, whether physically or electronically, that is within the Certificant's control.
- 3.3 A Certificant shall obtain the information necessary to fulfill his or her obligations. If a Certificant cannot obtain the necessary information, the Certificant shall inform the prospective client or clients of any and all material deficiencies.
- 3.4 A Certificant shall clearly identify the assets, if any, over which the Certificant will take custody, exercise investment discretion, or exercise supervision.
- 3.5 A Certificant 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 Certificant.

- 3.6 A Certificant shall not borrow money from a client. Exceptions to this Rule include:
- a. The client is a member of the Certificant's immediate family, or
 - b. The client is an institution in the business of lending money and the borrowing is unrelated to the professional services performed by the Certificant.
- 3.7 A Certificant shall not lend money to a client. Exceptions to this Rule include:
- a. The client is a member of the Certificant's immediate family, or
 - b. The Certificant is an employee of an institution in the business of lending money and the money lent is that of the institution, not the Certificant.
- 3.8 A Certificant shall not commingle a client's property with the property of the Certificant or the Certificant's employer, unless the commingling is permitted by law or is explicitly authorized and defined in a written agreement between the parties.
- 3.9 A Certificant shall not commingle a client's property with other clients' property unless the commingling is permitted by law or the Certificant has both explicit written authorization to do so from each client involved and sufficient record-keeping to track each client's assets accurately.
- 3.10 A Certificant shall return a client's property to the client upon request as soon as practicable or consistent with a time frame specified in an agreement with the client.

4. Obligations to Prospective Client and Clients

- 4.1 A Certificant shall treat prospective client and clients fairly and provide professional services with integrity and objectivity.
- 4.2 A Certificant shall offer advice only in those areas in which he or she is competent to do so and shall maintain competence in all areas in which he or she is engaged to provide professional services.
- 4.3 A Certificant shall be in compliance with applicable regulatory requirements governing professional services provided to the client.
- 4.4 A Certificant shall exercise reasonable and prudent professional judgment in providing professional services to clients.
- 4.5 In addition to the requirements of Rule 1.4, a Certificant shall make and/or implement only recommendations that are suitable for the client.
- 4.6 A Certificant shall provide reasonable and prudent professional supervision or direction to any subordinate or third party to whom the Certificant assigns responsibility for any client services.
- 4.7 A Certificant shall advise his or her current clients of any certification suspension or revocation he or she receives from the CFP Board.

Financial Planning Disclosure and Agreement Sample (Form FPDA)

CFP Board is providing this sample disclosure document and agreement (Form FPDA) to assist you in satisfying the requirements of Rules 1.2, 1.3 and 2.2 of the Rules of Conduct, which require CFP® certificants to provide specific information and disclosures to prospective clients and clients prior to entering into an agreement to provide financial planning services. If applicable, references to similar questions in your Form ADV are provided for guidance.

Part I: Contact Information for Parties to the Agreement [See Rules 1.3 and 2.2(d)]

- A. Client's Name and Contact Information [Form ADV Part 1, Item 1]
- B. Certificant and Employer's (if applicable) Contact Information

Part II: Services to be Provided

- A. Describe the services to be provided under this Agreement with the Client [See Rule 1.3(d)] [Form ADV Part 1A, Item 5.G. Form ADV Part II, Item 1.A., 1.D., Item 4.A., 4.B., and 4.C. Item 10, Item 11.A. and 11.B. give general information on the services you offer clients. Don't forget to provide a specific list of the services you provide to this particular client.]
- B. Describe the obligations and responsibilities of each party with respect to: [See Rule 1.2(a)] [Be sure the services you plan to provide to your Client are allowed (or not prohibited) in your Form ADV.]
 - 1. Defining goals, needs and objectives
 - 2. Gathering and providing appropriate data
 - 3. Determining the results if no changes are made to the client/prospect's current course of action
 - 4. Determining recommendations and possible changes to the current course of action
 - 5. Determining implementation responsibilities
 - 6. Determining monitoring responsibilities
- C. Description of other professionals and/or firms the certificant may work with to provide the necessary services listed under this agreement [See Rule 1.2(d)] [Form ADV Part 1.A., Schedule D, Section 5.3(2), Section 7.A., Section 7.B. Form ADV Part II, Item 8., Item 12.B., Item 13.A. and 13.B.]

Part III: Material Information Relevant to the Relationship

- A. Sources of Compensation [See Rule 2.2(a)]
 - 1. Describe how the certificant and/or certificant's employer are compensated for the services provided [See Rule 2.2(a)] [Form ADV Part 1A, Item 5.E., Item 6.B.(3), Part II, Item 9.A., 9.B., 9.C., 9.D., and 9.E., Item 13.A. and 13.B.,]
 - 2. Describe costs incurred that may be charged separately to the client [See Rule 2.2(a)] [This is probably defined in your client agreement.]
 - 3. Describe other sources of [direct or indirect] compensation received but not yet listed. Include source(s) and terms for receipt of compensation (i.e., 12b-1 fees; soft dollars; etc.) [See Rule 2.2(a)]

4. Include compensation that any affiliate or affiliated entity to the certificant or certificant's employer may receive under the terms of this agreement [See Rule 1.2(b)]

B. Conflicts of Interest [See Rule 2.2(b)] [Form ADV Part 1, Item 8.A., 8.B., 8.C. and 8.d., Item 9.A., 9.B., 9.C., and 9.D., Item 12.B., Item 13.A. and 13.B.]

1. Describe the conflicts of interest the certificant or certificant's employers (including affiliates and affiliated entities) may have [See Rule 2.2(b)]

2. Describe the limitations placed on products, services and/or solutions the certificant may recommend under this agreement. These limitations may be caused by the relationship the certificant has with his/her employer or a limitation on products the certificant may offer, as examples [See Rule 1.2(c)]

C. Describe other material information relevant to the professional relationship that the client should know before making an informed decision [See Rules 2.2(b) and 2.2(e)]

Part IV: Additional Information

This agreement is effective as of the date signed below and will last in duration until [_____]. [See Rule 1.3(b)] To terminate the agreement, [list terms each party may follow to terminate the agreement]. [See Rule 1.3(c)] You are encouraged to review the information contained in this disclosure form and ask the certificant any questions you may have. [See Rule 1.2] Should any material changes occur to this information, updated information will be provided to you in a reasonable time frame. [See Rule 2.2] As a CFP® certificant, I acknowledge my responsibility to adhere to the standards established in CFP Board's *Standards of Professional Conduct*, including the duty of care of a fiduciary, as defined by CFP Board. [See Rule 1.4] If you become aware that my conduct may violate the *Standards*, you may file a complaint with CFP Board at www.CFP.net/complaint.

(Optional)

I hereby acknowledge the terms of this Agreement and the disclosures made above.

_____/_____
Client's Signature / Date

_____/_____
Client's Signature / Date

Client's Printed Name

Client's Printed Name

_____/_____
Certificant's Signature / Date