



Code of Ethics and Professional Practice

A guide to members and Certified Financial Planner licensees

The Code of Ethics and Professional Practice has been adopted by the Council of the Institute of Financial Planning to provide principles and guidelines to all persons who are either members of the Institute of Financial Planning or hold a Certified Financial Planner™ (CFP®) Licence in the UK. The Code replaces the previously separate code of ethics (members) and Code of Practice (CFP Licensees). In this document, the term “member” shall apply equally to members and Certified Financial Planner licensees.

Composition and Scope

The code consists of two parts, the Code of Ethics and the Code of Practice.

The Code of Ethics comprised general statements expressing in general terms the ethical and professional ideas expected of all members of the Institute and were referred to and expanded in the guidelines contained in the Code of Practice.

The Code of Practice was embodied in a set of guidelines. These guidelines provided practical guidelines derived from the tenets embodied in the Code of Ethics. As such, the guidelines set forth the standards of ethical and professionally responsible conduct expected to be followed in particular situations. This combined Code of Ethics and Professional Practice does not undertake to define standards of professional conduct of members for the purposes of civil liability, or for statutory or other legal requirements.

Due to the formal regulatory nature of a member or licensee's practice or employment, not all of these guidelines may be applicable to a member's activities. The member is therefore required to abide by those guidelines which can be judged relevant to that member's activities.

A member is obliged to determine what responsibilities the member has in each professional relationship, including, for example, duties that arise in particular circumstances from a position of trust or confidence that a member may have. Members are obliged to meet those responsibilities.

Compliance

The Board of the Institute requires adherence to the Code by all those it recognises as members or who hold a Certified Financial Planner licence in the United Kingdom. Compliance with the Code depends on each member's knowledge of and voluntary compliance with its principles and guidelines, on the influence of fellow professionals and public opinion.

Terminology

'*Client*' denotes the member of the public, corporate body or trust with whom the member has or did have an agreement to provide financial planning services.

'*Commission*' denotes the remuneration received by the member as a result of a financial transaction implemented by him or her, when the same is calculated as a percentage on the value of the transaction.

'*Conflict of Interest*' denotes circumstances, relationships or other facts about the member's own financial, business, property and or personal interests or employers which will or reasonably may impair the member's rendering of objective advice, recommendations, or services.

'*Fee based*' denotes a method of remuneration in which remuneration is received in the form of a fee, whether this is paid direct by the client, or out of commission received by the member or by any related party in respect of any transactions carried out on behalf of the client which is then offset against fees payable to the member. A '*related party*' for this purpose shall mean an individual or entity from whom any direct or indirect economic benefit is derived by the member as a result of implementing a recommendation made by the member.

'*Financial Planning*' denotes the process of determining whether and how a client can meet financial objectives through proper management of financial resources. The process would typically include, but is not limited to, the six elements of data gathering, goal/objective setting; identification of financial issues; preparation of alternatives and recommendations; implementation of client decisions from among the alternatives, and periodic review and revision of the plan.

The basic subjects covered in the financial planning process would typically include, but are not limited to, financial statement preparation and analysis (including cash flow analysis planning and management), investment planning (including portfolio design, ie asset allocation, and portfolio management), tax planning, education expenses planning, risk management, retirement planning and estate planning.

General Principles

Ethical conduct is a hallmark of any profession. A member owes duties to the public to the profession of financial planning itself, and to other members. These duties form the basis of the Code of Ethics which specifies the minimum of ethical conduct expected of members.

Integrity

All advice by a member must be tendered in an honest manner with full disclosure of relevant information and always have regard to factors which might reflect adversely upon the member's integrity. A member should conduct his or her affairs in accordance with not just the letter, but also the spirit of the law.

Objectivity

A member should be and be seen to be, free of any interest which might detract from objectivity in financial planning, always ensuring that the member's interests are clearly subordinate to the best interests of the member's client. Any potential conflict of interest must always be disclosed at the earliest opportunity.

Competence

A member should continuously endeavour to maintain and improve his or her professional competence, and should not undertake work in

areas in which he or she is not competent unless he or she obtains advice and assistance from a competent practitioner in those areas.

Confidentiality

Information acquired in the course of professional work should not be disclosed except where authorised by the client unless there is a legal duty so to do. A member should never use, nor appear to use, such information for the advantage of him- or herself or for a third party.

Courtesy

A member should conduct him- or herself with courtesy and consideration to all with whom he or she comes into contact in the course of professional work. He or she should seek to establish and maintain helpful relationships with members of other professions or disciplines.

General

A member should not engage in any conduct or activity, the consequences of which would bring the profession or the Institute into disrepute.

Detailed Guidelines

1. Integrity

As discussed in composition and scope above, members may be placed by clients in positions of trust and confidence. The ultimate source of such public trust is the member's personal integrity. In deciding what is right and just, a member should rely on his or her integrity as the appropriate touchstone. Integrity demands honesty and candour which must not be subordinated to personal gain and advantage. Within the characteristic of integrity, allowance can be made for innocent error and legitimate difference of opinion, but integrity cannot co-

exist with deceit or subordination of one's principles.

Integrity requires members to observe not only the letter but also the spirit of this Code.

Guidelines that relate to the principle of Integrity

- 1.01** A member providing financial planning shall disclose in writing, prior to establishing a client relationship, relationships which reasonably may compromise the member's objectivity or independence.
- 1.02** Prior to establishing a client relationship, and consistent with the confidentiality requirements of guideline 4.01, a member may provide references which may include recommendations from present or former clients.
- 1.03** A member shall enter into an engagement only after securing sufficient information to satisfy him- or herself that
- (a) the relationship is warranted by the client's needs and objectives, and
 - (b) the member has the ability either to provide competently the required services or to involve other professionals who can so provide such services.
- 1.04** In rendering professional services, a member shall disclose to the client material information relevant to the professional relationship, including but not limited to conflict of interest, changes in the member's business affiliation, address, telephone number, credentials, qualifications, licences, remuneration structure and any agency relationships and the scope of the member's authority in that capacity.
- 1.05** These guidelines are intended for the

member as an individual whether acting as principle or as an employee. They do not refer to the member's practice or employer.

A member shall make timely written disclosure of all material information relative to the professional relationship. In all circumstances such disclosure shall include conflict of interest and sources of remuneration relating to the member, his family or business associates. Written disclosures that include the following information are considered to be in compliance with this requirement:-

- (a) A statement of the basic philosophy of the member (or firm or employing body) in working with clients, including principles or financial planning, and
- (b) A resume of the member who is expected to provide financial planning services to the client, including professional qualifications and areas of specialisation, and a description of those services, and
- (c) A statement indicating the member's basis of remuneration for the work carried out including remuneration derived from transactions undertaken on behalf of, or recommendations made to, clients and
- (d) A statement of remuneration, which in reasonable detail discloses the source and any contingencies or other aspects material to the fee or commission arrangement. Any estimates made shall be clearly identified as such and shall be based on reasonable assumptions. Referral fees, if any, shall be fully disclosed, and
- (e) A statement describing all material agency or employment relationships a member (or his or her firm) has with third parties and the fees or commissions or other payments

resulting from such relationships, and
(f) A statement identifying actual or potential conflict of interest.

1.06 In addition to the disclosure by members regarding sources of remuneration required under the above rule, such disclosure shall be made annually thereafter unless the individual amount is trivial.

1.07 On entering into an engagement to provide financial planning services to a client, a member shall enter into a client agreement by means of a letter of engagement, countersigned by the client, setting out the services to be provided for that client which may or may not include the terms of business, including remuneration as set out in 1.05 above.

1.08 Should conflict of interest develop after a professional relationship has been commenced, but before the services contemplated by that relationship have been completed, a member shall promptly disclose the conflict of interest to the client or other necessary persons.

1.09 If a member enters into a business transaction with a client, the transaction shall be on terms which are fair and reasonable to the client and the member shall disclose the risks of the transaction, conflict of interest of the member and any other relevant information, if any, necessary to make the transaction fair to the client. The member shall make the client aware of the advantages of taking advice independently in this instance.

1.10 A member shall not solicit clients through false or misleading communications or advertisements.
(a) Misleading Advertising : A member shall not make a false or misleading

communication about the size, scope or areas of competence of the member” practice or of any organisation with which the member is connected, and

(b) Promotional Activities : In promotional activities, a member shall not make materially false or misleading communications to the public or create unjustified expectations regarding matters relating to financial planning or the professional activities and competence of the member. The term “promotional activities” includes, but is not limited to speeches, interviews, books and/or printed publications, seminars, radio and television shows, and audio and video cassettes, and

(c) Representation of Authority : A member shall not give the impression that a he or she is representing the views of the Institute or any other group unless the member has been authorised to do so. Personal opinions shall be clearly identified as such.

1.11 In the course of professional activities, a member shall not engage in conduct involving dishonesty, fraud, deceit or misrepresentation, or knowingly make a false or misleading statement to a client, employer, employee, professional colleague, governmental or other regulatory body or official, or any other person or entity.

1.12 A member has the following responsibilities regarding funds and/or other property of clients:-

(a) In exercising custody of or discretionary authority over client property, a member shall act only in strict accordance with the authority given by the governing legal

instrument (eg, power of attorney, trust, client agreement, etc) and

- (b) A member shall identify and keep complete records of all funds or other property of a client in the custody of or under the discretionary authority of the member, and
- (c) Upon receiving funds or other property of a client, the member 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 which the client or third party is entitled to receive, and upon request by the client, render a full account of such funds or other property, and
- (d) A member shall not mix client funds or other property with a member's personal funds or other property or the funds or other property of a member's firm. Mixing one or more client's funds or other property together is permitted, subject to strict compliance with applicable legal requirements and provided accurate records are maintained for each client's funds or other property.

1.13 When acting as an agent for a principal, a member shall ensure that the scope of his or her authority is clearly defined and properly documented.

1.14 A member shall not engage in any conduct which reflects adversely on his or her integrity as a member of the Institute or as a Certified Financial Planner licensee (where applicable).

2. Objectivity

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 member functions, a member should protect the integrity of his or her work, maintain objectivity, and avoid subordination of his or her judgement such that would be in violation of this Code. Regardless of the method of remuneration, a member is required to exercise the same standards of objectivity, expertise and diligence.

Guidelines that relate to the principle of Objectivity

2.01 A member shall exercise reasonable and prudent professional judgement in providing professional services.

2.02 A member shall always act and advise in the best interest of the client.

3. Competence

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 recognise the limitations of that knowledge and when consultation or client referral is appropriate.

A member shall make a continuing commitment to learning and professional improvement.

Guidelines that relate to the principle of Competence

3.01 A member shall keep informed of developments in the field of financial planning and participate in continuing education throughout his or her professional career in order to improve professional competence in all areas in which he or she is engaged. As a distinct part of this requirement, a member shall satisfy all minimum continuing education

requirements established for members or CFP Licensees by the Institute.

- 3.02 A member shall offer advice only in those areas in which he or she has competence. In areas where the member is not professionally competent, he or she shall seek the counsel of qualified individuals or refer clients to such parties.
- 3.03 A member shall only make or implement recommendations, which are suitable for the client in the attainment of that client's objectives.
- 3.04 Consistent with the nature and scope of the engagement, a member shall make a full investigation regarding the financial products recommended to such clients. Such investigation may be made by the member or by others provided that the member acts reasonably in relying upon such investigation.
- 3.05 Where the client requires services beyond those that the member is capable of or authorised to provide, the member shall disclose this. The member will agree with the client suitable third party arrangements which will enable the member to prepare an initial financial plan and to conduct periodic reviews of this.

4. Confidentiality

A client by seeking the services of a member may be interested in creating a relationship of personal trust and confidence with the member. This type of relationship can only be built upon the understanding that information supplied to the member or other information will be confidential. In order to provide the contemplated services effectively and to protect the client's privacy, the member shall safeguard the confidentiality of such information.

Guidelines that relate to the principle of Confidentiality

- 4.01 A member shall not reveal or use for his own benefit without the client's consent, any personally identifiable information relating to the client relationship or the affairs of the client, except and to the extent disclosure or use is reasonably necessary:-
 - (a) To establish an advisory or brokerage account to effect a transaction for the client, or as otherwise authorised in order to carry out the client engagement, or
 - (b) To comply with legal requirements, or legal process, or
 - (c) To defend the member against charges of wrongdoing, or
 - (d) In connection with a civil dispute between the member and the client.

For the purposes of this guideline, the prescribed use of client information is improper whether or not it actually causes harm to the client.

- 4.02 A member doing business as a partner or principal of a financial services firm owes to the member'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 to conduct periodic reviews of this.

5. Courtesy

Courtesy is treating others in the same fashion that one would wish to be treated and is an essential quality of any professional.

Guidelines that relate to the principle of Courtesy

- 5.01 A member shall show respect for other

financial planning professionals and related occupational groups, by engaging in fair and honourable competitive practices.

5.02 A member shall respond to client communications promptly. A member shall return the client's original records in a timely manner after their return has been requested by the client.

5.03 A member shall inform his employer, partners or co-owners of remuneration or other benefit arrangements in connection with his services to clients which are in addition to remuneration from the employer or profits from the business arising from such services.

5.04 A member shall join a financial planning organisation as a partner or principal only on the basis of mutual disclosure of relevant and material information regarding credentials, competence, experience, licensing and/or legal status, and financial stability of the parties involved.

5.05 A member who is a partner or co-owner of a financial services firm or organisation who elects to withdraw from the firm shall do so in compliance with any applicable agreement, and shall deal with his or her business interest in a fair and equitable manner.

General Guidelines on Diligence

6.01 A member shall comply with all applicable post-certification or post-qualification requirements established by the Board of the Institute including, but not limited to, payment of the annual subscription and/or CFP Licence fee as applicable, as well as signing and returning the CFP Licensee's Declaration

of Compliance annually in connection with the Licensee renewal process, as applicable.

6.02 In all professional activities, a member shall perform services in accordance with (a) Applicable laws, rules and regulations of governmental bodies and other applicable authorities, and (b) Applicable rules, regulations, and other established policies of the Institute.

6.03 A member shall not practise any other profession or offer to provide such services unless the member is qualified to practise in those fields and is authorised as required by law.

6.04 A member shall properly supervise subordinates with regard to their delivery of financial planning services, and shall not accept or condone conduct in violation of this Code.

6.05 A member shall:

- (a) Advise the member's employer of outside affiliations which reasonably may compromise service to an employer, and
- (b) Provide timely notice to the employer and clients, unless precluded by contractual obligation, in the event of change of employment or status as an Institute member.

6.05 A member doing business as a partner or principal of a financial services firm owes to the member's partners or co-owners a responsibility to act in good faith. This includes, but is not limited to, disclosure of relevant and material financial information while in business together.