

Financial Planner Duty of Care to Clients

Financial Planning Standards Board Ltd. (FPSB) has developed the following principles to guide the activities and behavior of financial planners with clients during financial planning engagements.

(1) Behave like a fiduciary.

A financial planner places the interest of the client first, at all times acting honestly, in utmost good faith, and in a manner he or she reasonably believes to be in the best interest of the client. The relationship between a financial planner and client is one of trust, requiring confidence on the part of the client that the financial planner is exercising his or her discretion or expertise for the benefit of the client. When holding out as a financial planner, regardless of whether he or she is engaging in financial planning services or in product sales, the financial planner owes the client a duty of care consistent with that of a fiduciary, regardless of employment arrangement, and provides advice and product recommendations that are suitable for the client.

(2) Act in accordance with professional expectations.

A financial planner meets professional conduct and ethical standards, developed and enforced by his or her professional or certification body. In addition to demonstrating ethical judgment and intellectual honesty and impartiality, the financial planner recognizes the public interest role of the profession and acts accordingly.

(3) Provide full and appropriate disclosure.

A financial planner discloses all relevant facts to the client, initially and on an ongoing basis where changes take place, where the disclosure is necessary to avoid misleading the client or any other parties and to retain ongoing agreement between the parties in a financial planning engagement. Such disclosure includes:

- a) an accurate and understandable description of the compensation arrangements being offered, including information related to the costs to the client and general form and source of compensation to the financial planner and/or the financial planner's employer; and terms under which the financial planner and/or the financial planner's employer may receive any other sources of non-salary compensation, and if so, what the sources of these payments are and on what they are based;
- b) a summary of likely conflicts of interest between the client and the financial planner, the financial planner's employer or any affiliates or third parties, including information about any familial, contractual or agency relationship of the financial planner or the financial planner's employer that has a potential to materially affect the relationship with the client;
- c) any information about the financial planner or the financial planner's employer that could reasonably be expected to materially affect the client's decision to engage the financial planner;
- d) any information that the client might reasonably want to know in establishing the scope and nature of the relationship, including information about the financial planner's areas of expertise.

(4) Act with transparency.

A financial planner-client relationship is transparent and based on open and regular communication that alerts the client to any potential conflict or bias, to any change in business

practices or philosophy, or to any impending actions or consequences so that the client can anticipate or mitigate their impacts.

(5) Manage conflicts of interest.

The financial planner manages his or her personal biases and avoids, or manages and mitigates unavoidable conflicts, so that they do not adversely affect his or her services or recommendations to clients. The financial planner does not place personal gain or advantage before the client's interests, and evaluates the client's situation or other professional relationships without bias, recognizing that legitimate differences of opinion exist among professionals.

(6) Secure fully informed client consent.

The financial planner ensures that the client fully understands the nature and scope of services provided by the financial planner, as well as the financial planner's areas of competence and practice. Additionally, the financial planner ensures that the client is fully aware of what services and products he or she is paying for and the financial planner secures the client's acceptance of the terms and conditions of the professional engagement.

(7) Communicate the compensation/remuneration model

The financial planner's non-salary compensation/remuneration is disclosed to the client in a manner that is clear, concise, understandable and comparable, and aligned to services that deliver value to the client. The cost for financial planning advice are separately and clearly identified from other services provided by the financial planner and are disclosed as an amount rather than a percentage, unless the total costs are unknown at the time of disclosure. Regardless of compensation model used, the financial planner communicates to the client sufficient information about the likely consequences for the client of the use of a particular charging model.

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