



FIDUCIARY DUTY

Look here to understand CFP Board's fiduciary standard of care and how it is applied.

CFP Board wants all CFP® professionals to have a thorough understanding of the *Standards of Professional Conduct*. Questions not answered in these FAQs may be sent to standards@cfpboard.org for consideration and possible inclusion in future revisions of this document.

Question 2-1: Why doesn't CFP Board just say that all CFP® professionals are fiduciaries?

The *Standards* require that all CFP® professionals who provide financial planning services will be held to the duty of care of a fiduciary, as defined by CFP Board. Since some CFP® professionals are not involved in providing financial planning services to clients, it would be inappropriate to hold these individuals to a duty of care that may not apply to their professional activities. While CFP Board's fiduciary standard is reserved for financial planning services, the *Standards* nevertheless require a high duty of care for all CFP® professionals in any type of client relationship: "A CFP® professional shall at all times place the interest of the client ahead of his or her own." [See Rule 1.4]

Question 2-2: How can a CFP® professional be certain that a recommendation is the “best” for a client, given the enormous variety of financial strategies and products available? Does CFP Board expect CFP® professionals to investigate every conceivable option that might be available to a particular client?

CFP Board’s ethical standards have always emphasized the importance of professional judgment. The importance of a CFP® professional’s judgment is highlighted in the definition of “fiduciary” in the *Standards*: “One who acts in utmost good faith, in a manner he or she reasonably believes to be in the best interest of the client.” CFP Board expects CFP® professionals to provide only financial planning recommendations (services and/or products) that they reasonably believe to be the best possible options available to their clients.

CFP Board acknowledges that it is impossible to review all possible options to select the best. There can be nearly infinite options when one brings together an individual’s situation and goals with the ever-increasing range of choices available to the financial services industry. For a CFP® professional who works in a setting where business or regulatory requirements limit the services or investments that can be made available to clients (captive agents, for example), CFP Board expects any financial planning services provided to be the best services and recommendations available, given the CFP® professional’s reasonable professional judgment and the limitations placed on the CFP® professional by those business or regulatory requirements. In such situations, the CFP® professional would be expected to disclose the limitations to the client, including any contractual or agency relationships that have potential to affect the client and any terms under which proprietary products may be offered.

For the CFP® professional who is engaged in financial planning or material elements of financial planning, *Practice Standards* 400-2 explains that “the recommendations developed by the practitioner may differ from those of other practitioners or advisers, yet each may reasonably meet the client’s goals, needs and priorities.” Additionally, *Practice Standards* 500-2 explains that “products and services selected by the practitioner may differ from those of other practitioners or advisers [and m]ore than one product or service may exist that can reasonably meet the client’s goals, needs and priorities.”

Question 2-3: Is it possible for a CFP® professional to be subject to two different standards of care at the same time under CFP Board *Rules of Conduct*?

No. Rule 1.4 establishes the standard of care required by CFP® professionals. The rule establishes a baseline standard that requires that all CFP® professionals place the interest of the client ahead of their own at all times. When providing financial planning or material elements of financial planning, the CFP® professional’s duty of care rises to that of a fiduciary, as defined by CFP Board. A CFP® professional’s fiduciary status supersedes the baseline standard of care. [See Rule 1.4]

It should be noted that the current regulatory structure of the financial services industry in the U.S. assigns regulatory oversight to various bodies based on the type of product or service involved, rather than on the type of client relationship within which those products or services are provided. With the differences in the standards imposed by various regulatory bodies, CFP Board requires CFP® professionals to understand how particular regulators or certifying bodies apply standards of care pertinent to the client relationship. Failure to comply with regulatory requirements could subject a CFP® professional to discipline by CFP Board under Rule 4.3.

Did This Answer Your Question?

CFP Board welcomes questions about specific aspects of the *Standards of Professional Conduct* and their application to specific situations.

CFP Board will consider all questions submitted and draft a response where it determines that interpretation of the *Standards* is needed. For responses that it believes would be helpful to all CFP® professionals, CFP Board will publish its response in CFP Board's newsletters and on CFP Board's website.

Send your questions and requests for guidance documents to CFP Board at standards@cfpboard.org.

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