FINANCIAL PLANNING STANDARDS BOARD IRELAND LIMITED

BYE LAW No 3

Financial Planning Practice Standards

Introduction

1. This Bye-Law is made by the Council of Financial Planning Standards Board Ireland Limited (the "Council" and "FPSB Ireland"), pursuant to article 32 of the articles of association of FPSB Ireland on 9th March 2011.

2. FPSB Ireland has a clear objective of establishing and maintaining high standards for the financial planning profession. This statement of financial planning practice standards (the "Practice Standards") has been adopted by FPSB Ireland to set out standards of service provision and performance of functions that are reasonably to be expected of a CFP® professional (being a person recognised and certified by FPSB Ireland to use the Marks, as defined in the articles of association of FPSB Ireland) during financial planning engagements. The Practice Standards

   (a) establish the level of practice expected of a CFP professional engaged in the delivery of financial planning to a client;

   (b) establish norms of professional practice and allow for consistent delivery of financial planning by CFP professional;

   (c) clarify the respective roles and responsibilities of CFP professional and their clients in financial planning engagements and

   (d) enhance the value of the financial planning process.

3. Financial planning is the process of creating strategies to manage the client's financial affairs in order to achieve their defined financial objectives. The process involves reviewing relevant aspects of a client's situation including inter-relationships among often conflicting objectives.

Format of the Practice Standards

4. Each Practice Standard set out in the schedule to this Bye-Law is a statement that relates to an element of the financial planning process. The statement is followed by a commentary upon or an explanation of the Practice Standard's intent, which guides interpretation and application of the Practice Standard and defines its relationship to FPSB Ireland's Code of Ethics and Professional Responsibilities. The commentary or explanation is not intended to establish a professional standard or duty beyond what is contained in the Practice Standard itself, should be interpreted based on a standard of reasonableness and having regard to the fact that CFP professionals range from sole practitioners to those employed by large corporate entities acting

inter alia as independent financial advisers, tied agents or employees of corporate entities in banking, insurance or other financial services.

5. The Practice Standards are not intended to prescribe the services to be provided or step-by-step procedures for providing any particular service. The financial planning process is an integrated one; functions may be combined and/or revisited based on the ongoing relationship between the CFP professional and the client.

Expressions used in Practice Standards

"Relevant firm" means a firm which the CFP professional represents.

Applicability of the Practice Standards

6. A CFP professional should consider all aspects of the client's financial situation in formulating strategies and making recommendations, and should follow these Practice Standards to the extent that they apply to any given situation, whether the client engagement relates to comprehensive financial planning or to the provision of services that represent only components of such planning, such as financial management, asset management, risk management, tax planning, retirement planning and estate planning.

7. Standard 1, dealing with establishing and defining the relationship with the client, and establishing clear and appropriate expectations for the client and the CFP professional, applies any time a CFP professional provides financial planning or components thereof to a client. Standards 2-6 (inclusive) apply to the extent that they are relevant to any particular engagement.

8. Nothing in this Bye-law and Practice Standards is intended to impose additional requirements and or responsibilities on a CFP Professional or a "Relevant firm" than the requirements and responsibilities which are provided for in applicable legislation and or regulations of regulatory authorities as may be enacted and amended from time to time.

9. Standards have been established and are set out in the schedule to this Bye-Law in respect of six elements of the financial planning process, as follows:

The Financial Planning Process	**Related Practice Standard(s)**
1. Establish and define the relationship with the client	1-1: Inform the client about financial planning and the CFP professional's competencies 1-2: Determine whether the CFP professional can meet the client's needs 1-3: Define the scope of the engagement
2. Collect the client's information	2-1: Identify the client's personal and financial objectives, needs and priorities 2-2: Collect quantitative information and documents

The Financial Planning Process	Related Practice Standard(s)
	2-3: Collect qualitative information
3. Analyse and assess the client’s financial status	3-1: Analyse the client’s information
	3-2: Assess the client’s objectives, needs and priorities
4. Develop the financial planning recommendations and present them to the client	4-1: Identify and evaluate financial planning strategies
	4-2: Develop the financial planning recommendations
	4-3: Present the financial planning recommendations to the client
5. Implement the client’s financial planning recommendations	5-1: Agree on implementation responsibilities
	5-2: Identify product(s) and service(s) for implementation
6. Review the client’s situation	6-1: Agree on responsibilities and terms for review of the client’s situation
	6-2: Review and re-evaluate the client’s situation

SCHEDULE

1. ESTABLISH AND DEFINE THE RELATIONSHIP WITH THE CLIENT

1-1. Inform the Client about Financial Planning and the CFP professional's Competencies

The CFP professional informs the client about the financial planning process, the services the CFP professional offers, and the CFP professional's competencies and experience.

Explanation

Prior to entering a financial planning engagement with the client, the CFP professional helps the client to understand the financial planning process and the nature of financial planning engagements, and provides information on the CFP professional's status. This information may include: how financial planning can help the client to meet financial objectives; a description of the CFP professional's methodology to providing financial planning; and information about the CFP professional's authorisation (or that of the firm which he or she represents, herein referred to as "the relevant firm"), experience and expertise. The CFP professional provides to the client, as required, information about the services the CFP professional provides as well as what charges may be incurred by the client.

1-2. Determine Whether the CFP professional Can Meet the Client's Needs

The CFP professional and the client determine whether the services offered by the CFP professional and his or her competencies meet the needs of the client. The CFP professional considers the scope of the services which he or she (or the relevant firm) is authorised to provide and his or her or its skills, knowledge and experience in providing the services requested or likely to be required by the client. The CFP professional determines if he or she or the relevant firm has, and discloses, any potential conflict(s) of interest.

Explanation

The CFP professional considers if he or she, or the relevant firm, has the appropriate authorisations, abilities, skills and knowledge to meet the client's expectations. The CFP professional considers if there are any personal conflicts of interest that would affect his or her ability or that of the relevant firm to work successfully with the client. The CFP professional determines if there are any other circumstances, relationships or facts that would place the interest(s) of the CFP professional in conflict with the client's interest(s), or the interest(s) of one client in conflict with another client. The CFP professional discusses the confidentiality of the client's information.

1-3. Define the Scope of the Engagement

The CFP professional (or the relevant firm) and the client agree on the services to be provided. The agreement must include, in writing, the scope of the engagement before any financial planning is provided, including details about: the responsibilities of each party (including third parties); the terms of the engagement; charges which may be imposed on the client; and

actual or potential conflict(s) of interest of the CFP professional (or the relevant firm). The scope of the engagement is set out in writing in a formal document signed by both parties and includes a process for terminating the engagement.

Commentary and explanation

Mutually defining the scope of the engagement establishes realistic expectations for both the client and the CFP professional. The CFP professional and the client may agree that the scope of the engagement covers one, several or all of the financial planning components (Financial Management, Asset Management, Risk Management, Tax Planning, Retirement Planning and Estate Planning).

A written document ensures mutual understanding and agreement between the CFP professional and the client about the terms of the financial planning engagement. In setting out the terms in an engagement letter or disclosure document, the CFP professional includes the following:

- specific services to be provided;
- the CFP professional's remuneration arrangements with respect to the engagement, including fees to be paid by the client;
- existing conflicts of interest, including those involving remuneration arrangements with third parties, and agreement to disclose subsequent conflicts of interest if or when they occur;
- specific parties to the engagement, including details of any legal and agency relationships which may exist;
- assurance of protection of client confidentiality;
- duration of the engagement;
- the client's responsibilities, including the full and timely disclosure of information;
- the CFP professional's responsibilities;
- provisions for terminating the client engagement; and
- procedures for resolving the client's claims and complaints against the CFP professional (or the relevant firm).

Additional information that may form part of the formal written document includes:

- the potential need to use other professionals during the engagement;
- an explanation of qualifications, authorisations and experience of individuals who will work with the client;
- specific limitations on the use of client information; and
- any other information necessary to adequately inform the client.

Circumstances may change the CFP professional's ability to provide services to the client, or the client may decide to terminate services or transfer to another professional. The CFP professional disengages the client or facilitates the client's transfer to another advisor in a professional manner.

2. COLLECT THE CLIENT'S INFORMATION

2-1. Identify the Client's Personal and Financial Objectives, Needs and Priorities

The CFP professional and the client identify the client's knowledge and experience, financial situation and personal and financial objectives that are relevant to the scope of the engagement before making and/or implementing any recommendations.

Commentary and explanation

The CFP professional strives to clearly understand the client's knowledge and experience relevant to the scope of the engagement, current financial situation and financial objectives, needs and priorities.

The client's financial objectives state intent, provide guidance and bring structure to the financial planning engagement. The CFP professional assists the client in clarifying and prioritising his/her short and long-term financial objectives, and discusses with the client the merit and feasibility of any objectives that appear to be unrealistic.

2-2. Collect Quantitative Information and Documents

The CFP professional collects sufficient quantitative information and documents about the client relevant to the scope of the engagement before making and/or implementing any recommendations.

Commentary and explanation

The CFP professional relies on information provided by the client and other sources to make appropriate recommendations and clearly communicates to the client the importance of collecting complete, current and accurate information. In return, the CFP professional respects the confidentiality of, and safeguards, client documents. The CFP professional collects relevant and sufficient client information and documents. If the CFP professional is unable to collect information necessary to develop and support recommendations, the CFP professional discusses this with the client, explaining how these limitations impact the engagement and the financial plan. These limitations could result in a revised engagement document or in termination of the engagement, where regulatory requirements prevent the provision of investment advice by the CFP professional to the client in the absence of relevant client information.

In assessing the client's financial knowledge and experience, the CFP professional will seek information, where relevant to the scope of the engagement, on:

- the type of investment services, transactions and financial instruments with which the client is familiar;
- the nature, volume and frequency of the client's transactions in financial instruments and the period over which they have been carried out;
- the level of education, profession or relevant former profession of the client.

In assessing a client’s financial situation, the CFP professional will seek information, where relevant to the scope of the engagement, on the source and extent of the client’s:

- regular income
- assets, including liquid assets, investments and real property, and
- regular financial commitments.

In assessing a client’s financial objectives, the CFP professional will seek information, where relevant to the scope of the engagement, on:

- the timespan of particular objectives
- the priority which the client attributes to particular objectives
- the client’s preferences regarding investment risk taking; and
- the client’s investment risk profile.

2-3. Collect Qualitative Information

The CFP professional collects sufficient qualitative information about the client relevant to the scope of the engagement that is required to develop a financial plan.

Commentary and explanation

The CFP professional gathers information to understand the client’s values, attitudes and expectations. This includes asking questions of the client and employing appropriate listening skills. The CFP professional determines the client’s level of sophistication and financial literacy. These areas are subjective and the CFP professional’s interpretation may be limited by what the client reveals.

3. ANALYSE AND ASSESS THE CLIENT’S FINANCIAL STATUS

3-1. Analyse the Client’s Information

The CFP professional analyses the client’s information, subject to the scope of the engagement, to gain an understanding of the client’s financial situation.

Commentary and explanation

The CFP professional analyses the client’s current financial situation and information, and works with the client to resolve obvious omissions and/or inconsistencies in the information collected. As part of this analysis, the CFP professional uses client-specified, mutually agreed upon objectives and is entitled to rely on the information provided by the client unless the CFP professional is aware that the information is manifestly out of date, inaccurate or incomplete.

3-2. Assess the Client's Objectives, Needs and Priorities

The CFP professional assesses the strengths and weaknesses of the client's current financial situation and compares them to the client's objectives, needs and priorities.

Commentary and explanation

The CFP professional considers the opportunities and constraints presented by the client's financial situation and current course(s) of action, and determines the likelihood of the client reaching his or her objectives by continuing present activities or making anticipated changes. The CFP professional may identify other issues that may impact the client's ability to achieve objectives, which he or she discusses with the client. It may be appropriate for the CFP professional to amend the scope of the engagement and/or to obtain additional information.

4. DEVELOP THE FINANCIAL PLANNING RECOMMENDATIONS AND PRESENT THEM TO THE CLIENT

4-1. Identify and Evaluate Financial Planning Strategies

The CFP professional considers one or more strategies relevant to the client's current situation that could reasonably meet the client's objectives, needs and priorities.

Commentary and explanation

The CFP professional identifies alternative strategies for achieving the client's confirmed objectives. The CFP professional evaluates the ability of each strategy to reasonably address the client's objectives, needs and priorities, taking full cognisance of the client's stated preferences regarding investment risk taking. This evaluation may involve discussing with the client the importance, priority and timing of the client's objectives and needs; considering multiple assumptions; and/or conducting research or consulting with other professionals. This process may result in a single strategy, multiple strategies or no change to the client's current course(s) of action. In considering alternative strategies, the CFP professional takes into account his or her legal and/or regulatory limitations or requirements (or those of the relevant firm) and his or her competence to address each of the client's objectives, needs and priorities. More than one strategy may meet the client's objectives, needs and priorities. Strategies identified by the financial planning professional may differ from those of other practitioners or advisers, illustrating the subjective nature of exercising professional judgment.

4-2. Develop the Financial Planning Recommendations

The CFP professional develops the financial planning recommendations based on the selected strategies to reasonably meet the client's confirmed objectives, needs and priorities.

Commentary and explanation

After identifying and evaluating various strategies and the client's current course(s) of action, the CFP professional develops financial planning recommendations that can reasonably meet the client's objectives, needs and priorities, within the client's stated preferences regarding investment risk taking. The recommendations may be an independent action or a combination of actions which may need to be implemented collectively. The recommendations may be to continue the current course(s) of action. If the CFP professional recommends a change, it may be general or specific in nature. It may be necessary for the CFP professional to recommend that the client modify an objective, need or priority. The recommendations developed by the CFP professional may differ from those of other practitioners or advisers, yet each may reasonably meet the client's objectives, needs and priorities. It is important that this part of the financial planning process be sufficiently documented.

4-3. Present the Financial Planning Recommendations to the Client

The CFP professional presents the financial planning recommendations and the supporting rationale in a way that allows the client to make an informed decision.

<u>Commentary and explanation</u>

When presenting the financial planning recommendations, the CFP professional helps the client understand the client's current financial situation, the factors and assumptions that were critical to the recommendation(s), and the likely impact of the recommendation(s) on the client's ability to meet his/her objectives. The CFP professional avoids presenting his or her opinion as fact. The CFP professional informs the client that the financial planning recommendations will likely need to be modified as the client's personal, economic and other conditions change. The CFP professional discloses to the client the general nature and source of any conflict(s) of interest not previously disclosed, and explains how such conflicts impact the financial planning recommendations. At this stage of the financial planning process, the CFP professional can further assess whether the financial planning recommendations meets the client's reasonable expectations, whether the client is willing to act on the recommendation(s), and whether modifications are necessary.

5. IMPLEMENT THE CLIENT'S FINANCIAL PLANNING RECOMMENDATIONS

5-1. Agree on Implementation Responsibilities

The CFP professional and the client agree on implementation responsibilities that are consistent with the scope of the engagement, the client's acceptance of the financial planning recommendations, and the CFP professional's ability to implement the financial planning recommendations.

<u>Commentary and explanation</u>

The CFP professional gains the client's agreement on implementation of the recommendations and provides the required documentation. The CFP professional may change the scope of the engagement, as originally defined, based on the agreement reached with the client. The CFP professional's responsibilities may include: identifying activities necessary for implementation; determining respective responsibilities of the CFP professional and the client; referring to, and coordinating with, other professionals; sharing client information as authorised; and selecting and securing products and/or services. If there are conflicts of interest, sources of remuneration or material relationships with other professionals that have not been previously disclosed, the CFP professional discloses these to the client. The CFP professional explains the rationale for referrals and the qualification(s) of the referred professional(s). If a CFP professional (or the relevant firm) is engaged by the client to provide only the implementation step of the financial planning process, this is clearly defined in writing in the scope of the engagement. This scope may include the extent to which the CFP professional relies on information, analysis or recommendations provided by others.

5-2. Identify Product(s) and Service(s) for Implementation

Based on the scope of the engagement, the CFP professional identifies appropriate product(s) and service(s) that are consistent with the financial planning recommendations accepted by the client.

Commentary and explanation

The CFP professional investigates products or services that are suitable to the client's financial situation and reasonably address the client's objectives, needs and priorities. The CFP professional uses professional judgment in identifying the products and services that are suitable to the client and in the client's best interest. Professional judgment incorporates both qualitative and quantitative information. Solutions identified by the CFP professional may differ from those of other professionals since more than one product or service may meet the client's needs. The CFP professional makes all disclosures to the client required by applicable regulatory requirements.

6. REVIEW THE CLIENT'S SITUATION

6-1. Agree on Responsibilities and Terms for Review of the Client's Situation

The CFP professional and client mutually define and agree on terms for reviewing and re-evaluating the client's situation.

Commentary and explanation

The CFP professional communicates to the client that financial planning is a dynamic process that may require updates due to changes in the client's personal, economic or other conditions. The CFP professional and the client mutually agree on, and understand, their respective roles, if any, in ensuring that the client's situation is being adequately reviewed. Consistent with the scope of the engagement, if the client engages the CFP professional solely for reviewing services, the CFP professional defines and communicates to the client the nature and scope of the reviewing activities that the CFP professional will provide. The reviewing process may require the CFP professional to modify the scope of engagement and the client acknowledges this in writing.

6-2. Review and Re-evaluate the Client's Situation.

If conducting a review, the CFP professional and the client review the client's financial situation to assess progress toward achievement of the objectives of the financial planning recommendations, determine if the recommendations are still appropriate, and confirm any revisions mutually considered necessary.

Commentary and explanation

The review process may include: confirming that the financial planning recommendations agreed on by the client and the CFP professional have been implemented; assessing progress toward and achievement of the objectives of the financial planning recommendations to date; re-evaluating initial or subsequent assumptions made by the CFP professional for reasonableness; determining whether changes in the client's circumstances or objectives require adjustments to the financial plan; and mutually agreeing on any required changes. As circumstances and needs change, a CFP professional may need to revisit earlier steps in the financial planning process.