



Financial Planning  
Institute of Southern Africa

**THE PROFESSIONAL STANDARD**

**FPI Code of Ethics and  
Practice Standards  
Incorporating  
The FPI Rules of  
Professional Conduct**



# REVISED FPI CODE OF ETHICS COMES INTO EFFECT IN EARLY 2016

We are pleased to announce our revised Code of Ethics and Practice Standards - a truly world class code for financial planners and financial advisors in South Africa. The code has been adopted by the Institute to provide principles and rules to those who are recognised and certified to use our certification marks, our local and international affiliates as well as all practicing financial planners in South Africa.

The code prescribes the ethical principles and rules of conduct that all FPI members will be expected to uphold and be measured against. As a professional body that ultimately benefits the public, we take great interest in the professional conduct and integrity of our members and this document sets the benchmark for values, principles and standards that our members have to adhere to when dealing with the public.

We embarked on this process of reviewing our Code of Ethics and Professional Responsibility just under two years ago with a view to ensure that it not only serves the members better, but that it is also benchmarked against international best practice. Since inception we have consulted various stakeholders extensively, including our members, consumers, regulators and policymakers, other professional bodies in South Africa and around the world, Financial Planning Standards Board (FPSB) and Ethics Institute of South Africa (EthicsSA).

This new code would not have been possible without the help of various professionals and institutions. With this said, we would like to thank the following members of the FPI Practice Standards Working Group for their valued time, expertise and huge effort in putting together the first draft document:

- Anton Swanepoel, CFP®
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- Gail Gibson, CFP®
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- Lee Rossini, CFP®
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Also a special thanks to our sister professional bodies around the world for giving us insights into the workings of their respective Code of Ethics and for giving us permission to make extensive use of extracts from these documents. Some of the organisations include, but is not limited to,

- The Financial Planning Association of Australia (FPA); and
- The CFP Board of Standards of the United States of America.

This new FPI Code of Ethics and Practice Standards will come into effect on Monday, 1 February 2016. We strongly urge all members and employers of financial planning professionals to familiarise yourself with the new code as it will assist, guide and direct you with ethics discussions, choices, decisions as well as professional conduct.

## Regards

Adv. Sankie Morata, CFP®  
FPI Chairperson

## VISION:

Professional financial planning for all.

## OUR MISSION:

The FPI's mission is to advance and promote the pre-eminence and status of financial planning professionals, while at all times acting in the interests of the society (community, constituency) whom the profession serves, by:

1. Improving the quality and accessibility of professional financial planning for all in Southern Africa.
2. Acting as advocate for professional financial planning, building a recognition of the importance and need for such planning by the general public.
3. Providing a framework within which members can achieve qualifications and maintain competence to create greater value for their clients, practices and employers.
4. Ensuring that members maintain the highest ethical standards in the pursuance of their profession.
5. Providing a leadership role within financial services by providing balanced, credible input and commentary to government and the public.
6. Facilitating transformation within the profession.

By implementing our mission, we enable CERTIFIED FINANCIAL PLANNER® professionals to provide a service of the highest excellence to their clients that are underpinned by clear and defined standards.

The professional statuses of our members are elevated on many levels; not only do they stand out in a group of financial advisors who do not carry the designation, but they can confidently deliver their services with the highest standards of knowledge, expertise and ethical conduct.

Being an FPI Approved Professional Practice™ makes you stand out amongst your peers and sends a clear message to your clients that your practice adheres to the highest levels of standards and ethics. It also validates that your practice is following the six step financial process and that you place the needs and objectives of your clients at the heart of your business.

## Preamble to the code

### PHILOSOPHY OF THE CODE

Professions play an important role in ensuring an ordered society. As such, a profession will publish a code of ethics to protect its clients and society at large by guiding their members to conduct themselves ethically. This contributes to the reputation and credibility of the profession and its members. It also guarantees sustainable development of the profession.

### THE PURPOSE OF THE CODE

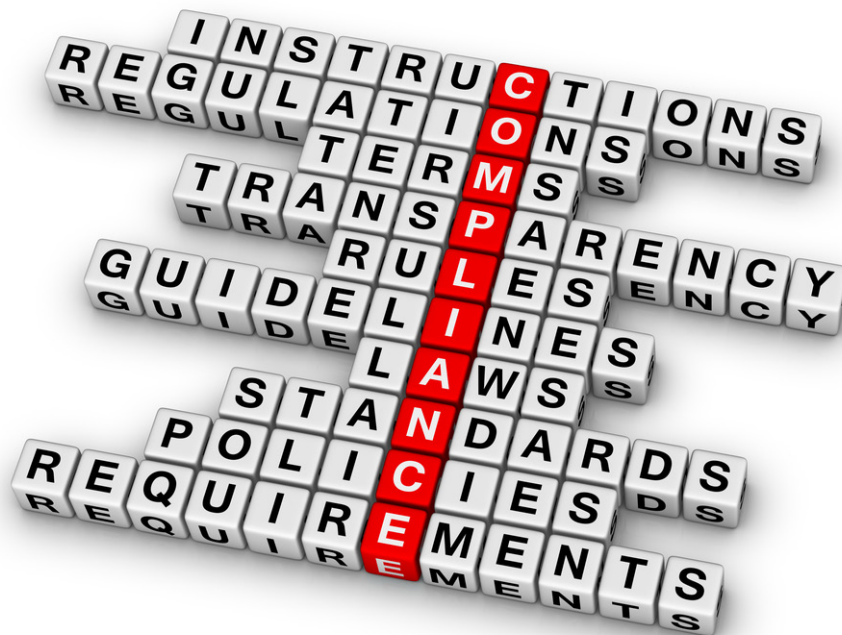
The FPI Code of Ethics is intended to promote ethical behaviour and to prevent unethical behaviour by its members. The guidelines provided in the code instils confidence in the members in that it gives them clear conduct boundaries. It also stimulates ethical awareness and decision-making.

### THE FORMAT OF THE CODE

The FPI Code of Ethics is directional in nature. It is thus rules-based. These rules however, rests on a foundation of ethical aspirations such as integrity and fairness. A list of ethical rules can never be exhaustive though and members therefore have an obligation to use their ethical discretion when confronted with ethical challenges that the rules may not provide for.

### CODE VIOLATION

FPI professional members will subject themselves to disciplinary action should they violate the rules contained in the code. Members are also ethically obliged to report unethical behaviour by fellow professionals should they become cognisant of such conduct.



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# PART 1: DEFINITIONS

"FPI"	means the Financial Planning Institute of Southern Africa NPC
"FPI regulations"	means all the rules, policies, regulations and similar documentation established under or through FPI's Memorandum of Incorporation or through a decision of the FPI Board of Directors and shall include, but not be limited to, the Membership Regulations, Certification Standard, Code of Ethics, Rules of Conduct, Practice Standards and the Disciplinary Regulations, as determined from time to time.
"FPI professional member"	means a member of FPI, irrespective of their category of membership, affiliation or professional designation (hereafter referred to as the 'FPI member' or 'member').
"Financial planning"	Financial planning is the process of developing strategies to assist clients in managing their financial affairs to meet life and financial goals. The process of financial planning involves reviewing all the relevant aspects of the client's current situation and comparing them with the client's desired situation and designing a plan to assist the client on this journey of financial independence.
"Client"	means a person or persons, excluding the general public, that engages an FPI professional member and to whom FPI professional member renders professional services, with or without direct or indirect remuneration. For purposes of this definition, an FPI professional member is engaged by a client when, based on the relevant facts and circumstances, the person reasonably relies on information or services provided by such FPI professional. Where the services of the FPI professional member are provided to an entity, the Client is deemed to be the entity acting through its authorised representative(s). For the purposes of this definition "customer" shall have a similar meaning.
"Formal document"	means any contractual agreement that indicates the existence of a contractual relationship between parties such as the FPI professional member and his/her client. Examples of such formal document may include but is not limited to a Service Level Agreement and an Advice Agreement.
"Service(s) and/or professional service(s)"	unless otherwise stated, has the same meaning as both "advice" and "Intermediary Services" described in Section 1 of the Financial Advisory and Intermediary Services Act 37 of 2002 (as amended) but shall not be limited to that description and, for the purposes of this definition, "service(s) and/or professional service(s)" shall include all such activities, enquiries, investigations, recommendations, guidance or proposals which are directly or indirectly related to any aspect of a client's financial management, asset management, risk management, tax planning, retirement planning, estate planning and/or any matter incidental thereto.
"Person"	means any natural or juristic person including but not limited to a partnership, trust, any company incorporated under any law and any body of persons.
"Product"	unless otherwise stated, has the same meaning as "Financial Product" described in Section 1 of the Financial Advisory and Intermediary Services Act 37 of 2002 (as amended) but shall not be limited to that description. For the purposes of this definition, "product" shall also include to mean any tangible or intangible item of monetary value and includes legal structures, credit facilities, money, and property, and rights to performance of similar nature.
"Remuneration"	means the compensation that one has agreed with a client to receive in exchange for work and or services performed, which includes any amount of income which is paid or is payable to any person by means of any fee(s), commission and/or emolument, whether in cash or otherwise.
"Writing"	means and includes communication by telefax or any appropriate electronic medium that is accurately and readily reducible to written or printed form; and "written" has a corresponding meaning. This definition is consistent with the meaning of "writing" found in Section 1 of the General Code of Conduct for Authorised Financial Services Providers and Representatives.

# PART 2: CODE OF ETHICS

(WITH GUIDANCE NOTES)

## PRINCIPLE 1 - CLIENT FIRST

Placing the client’s interests first is a hallmark of professionalism and is a core value of any profession. It requires the FPI members to act honestly at all times and not place personal interest or advantage, in any form, before their clients’ interests.

### GUIDANCE NOTE:

FPI members are faced with many pressures: their client’s needs; employers’ expectations; the expectations of principals or franchisors and the like; and their own need to grow and maintain a successful and sustainable business. The client’s interests must, however, be served above all these competing demands.

FPI members has an obligation to maintain an ethical practice, regardless of their manner of compensation and as such advise their clients based on what is in their best interest over and above of what is in the interest of the FPI member and/or another party.



## PRINCIPLE 2 - INTEGRITY

Integrity requires adherence to practices of honesty, fairness, consistency and candour in all professional matters. FPI members are placed in a position of trust by a client and the ultimate source of that trust is the member’s personal integrity. Allowances can be made for legitimate differences of opinion, but integrity cannot co-exist with deceit or subordination of one’s principles. Integrity requires the member to observe both the letter and the spirit of the Principles of Conduct, the Professional Conduct Rules and the Practice Standards.

### GUIDANCE NOTE:

Adherence to the Principle of Integrity requires the FPI member to fairly and consistently do the right thing in the best interest of their clients even when no one is watching or will find out. Further examples of integrity are: keeping to one’s promises, standing up for what is ethically acceptable even when it is not self-serving to do so, acting on principles that go beyond mere legal compliance, making recommendations as if every decision and action would be open to public scrutiny, and continuously enhancing the credibility of and trust in the profession. The FPI member delivers on the service promise made to the client and every client should get the best efforts of the member, within the limits of their engagement.

To test their integrity, FPI members ask themselves:  
Am I prepared to read about my actions and decisions in a newspaper?





## PRINCIPLE 3 - OBJECTIVITY

Objectivity requires intellectual honesty and impartiality. Regardless of the services delivered or the capacity in which a FPI member functions, objectivity requires members to identify and manage conflicts of interest and exercise sound professional judgment.

### GUIDANCE NOTE:

Being objective means demonstrating the ability to evaluate information and circumstances without letting one's own emotions or competing priorities (such as compensation) cloud judgment. Objectivity also encompasses rendering advice or making recommendations based on thorough research and subsequent knowledge and understanding of the client's needs, sound analysis of products and optimally matching clients' needs with the products best suited to them.

Regardless of the service rendered or the capacity in which members function, personal bias, undue influence and personal interest never play a role in the way members render their professional services.



## PRINCIPLE 4 - FAIRNESS

Fairness requires providing clients with what they are due, owed, or could legitimately expect from a professional relationship. FPI members are fair and consider the needs and expectations of all stakeholders to their transactions in a balanced and unbiased manner. Information required by clients is provided in an unbiased and way and in an easy to understand format. Members identify and disclose real and potential material conflicts of interest in a timely manner. Fairness implies treating others in the same manner that you would want to be treated.

### GUIDANCE NOTE:

Fairness requires an application of the 'reasonable man'-test. As such, fairness does not necessarily mean that everyone receives the same treatment, but rather that clients consistently receive at least what FPI members, acting reasonably and responsibly, would determine that the clients need and what the members have committed to provide. There may be situations where it is necessary for FPI members to withdraw their services and refer the client elsewhere as a result of a conflict of interest.

Fairness requires impartiality and the disclosure of all facts by FPI members that are relevant to their clients' situation. FPI members suppress their personal feelings, prejudices and needs in all professional dealings.

FPI members communicate at a level that is understandable to each of their clients. This applies to all communications (verbal or written). Fairness implies that FPI members are able to consistently justify their decisions. Even in hindsight they should be able to declare that they would have provided the same advice at the time if they had the opportunity to again consider those decisions and advice. In this way fairness is linked to reliability.





## PRINCIPLE 5 - COMPETENCE

Competence requires attaining and maintaining a high level of knowledge, skills and abilities in the provision of professional services. Competence also includes the wisdom to recognise one's own limitations, consulting with other professionals when in doubt and referring clients to other professionals should one not have the time, ability or inclination to optimally respond to a client's needs. Competence requires the FPI member to make a commitment to continued learning and professional development.

### GUIDANCE NOTE:

At a minimum, the FPI member meets certification requirements. Members maintain their knowledge and skill by keeping up with changes in economic and regulatory environments and any changes in the financial services industry and areas of specific technical knowledge.

Through their registration with the FPI members make a commitment to Continuing Professional Development (CPD). FPI members regularly consult the FPI CPD Policy and events calendar to maintain an awareness of the methods available to members to maintain and build the competence they require to effectively serve their clients. CPD takes the form of relevant industry conferences, seminars, courses, research, writing, reading, teaching/presentation, pro bono work or mentoring others. FPI members communicate their competence and limits to their competence when initially engaging with clients. Thereafter competence is demonstrated in every client interaction. If, at any time, FPI members doubt their ability to adequately fulfil their obligations to a client, they need to withdraw from that engagement either temporarily or permanently.

Members execute proper due diligence enquiries and fully consider available information when providing recommendations. Should the situation merit an alternative approach, members need to fully rationalise and substantiate their advice in defying prevailing norms.

FPI members are not expected to be experts in all fields that may affect a client's financial portfolio, and should therefore not represent themselves in this way. In guiding the client to solutions that meet the client's objectives, members are expected to apply evidence-based knowledge obtained through proper analysis or consulting with other experts.

## PRINCIPLE 6 - CONFIDENTIALITY

Confidentiality requires client information to be protected and maintained in such a manner that allows access only to those who are authorised. A relationship of trust and confidence with the client can only be built on the understanding that the client's information will not be disclosed inappropriately.

### GUIDANCE NOTE:

It is the FPI member's duty to ensure the confidentiality of all client information. A member does not divulge or share any details about a client to any person in any setting without the client's consent. This includes, but is not limited to, the client's name or identity, any information about a client's financial or personal affairs, or to even mention a specific client by name to a third party without the client's consent. The confidentiality obligation can only be nullified by a court order or legislation.

The FPI member takes all reasonable steps to protect and securely store all client documents and communications, in whatever form they may exist, from unauthorised access. This includes maintaining privacy and confidentiality during the destruction or return of all records when these are no longer needed. Furthermore, FPI members heed recently introduced legislative provisions regarding the protection of personal information.



## PRINCIPLE 7 - DILIGENCE

Diligence requires fulfilling agreed upon professional commitments in a timely and thorough manner, and taking due care in planning, supervising and delivering professional services.

### GUIDANCE NOTE:

Diligence is the degree of attentiveness, care and skill expected from FPI members in their professional service rendering. Diligence ensures the delivery of optimal value for the client.

It requires a high degree of care and attention to detail in all client dealings. A member's responsibility to be diligent applies to the entire process of engagement with the client and includes, but is not limited to, thorough collection and analysis of client information, prudent evaluation of options; and meaningful and clear presentation of recommendations.

Work that is done carelessly, or delegated to a subordinate who does not have adequate qualifications or expertise, may lead to inaccurate analyses or compromised advice that may not be in the client's best interest. Preservation of the member and the financial planning profession's reputation is paramount. Applying diligence also protects FPI members from civil claims, regulatory action or disciplinary action in the event where a client suffered damage as a result of the member's negligence.

The FPI member is reliable and responsive to the client's needs. Given that financial markets and the client's personal situation may change at short notice, it is important that analyses be completed and recommendations implemented in a timely manner.

When FPI members have an on-going mandate, they proactively, and at least annually, address the changing needs of all their clients within the context of the changing external context.

Diligence also refers to the opportunity for members to educate clients about the value of financial planning and the importance of engaging in sound financial practices and behaviours to meet their unique financial goals. Although it is ultimately the client's decision to follow the advice offered, the FPI member endeavours to motivate their clients to take actions that will ultimately benefit them.

## PRINCIPLE 8 - PROFESSIONALISM

Professionalism requires behaving with dignity and showing respect and courtesy to clients, fellow professionals, and others in business-related activities, and complying with appropriate legislation, regulations, rules and professional requirements. Professionalism requires the FPI member, individually and in co-operation with peers, to enhance and maintain the profession's reputation and public image and its ability to serve the public interest.

### GUIDANCE NOTE:

Professionalism refers to conduct that inspires confidence, trust and respect from clients and the broader community, and embodies all of the other Principles of Conduct. Professionalism is an outcome of following the other seven Principles of Conduct.

Beyond the expertise required to practice in a particular field, professionalism is marked by high standards of ethics, behaviour and service, and the manner in which services are delivered, that set an individual apart as an FPI professional member.

FPI members take pride in their work and strive to always do the right thing, regardless of the type of business or services, their particular job function or level, their corporate title or designation, or their mode of compensation.

Inherent to professionalism is a sincere desire to assist clients to achieve their goals and to focus on "the greater good". True professionals continually focus on providing high quality advice and service.

FPI members are always committed to act in the interests of others and are unselfish in their motives. They inform clients tactfully on what they need to hear. Members use their professional acumen to develop ideas and to present these in a clear and succinct way to the client.

FPI members represent their employers, businesses, colleagues, the FPI and the profession with the utmost dignity and respect, thereby promoting their field in the eyes of the public, regulators and the relevant authorities.

FPI certification represents an individual's commitment to maintain the characteristics of professionalism and a commitment to represent financial planning as a recognised and respected profession.

## **A FPI professional member's guide to displaying professional ethics**

To assess whether one's analyses, decisions and actions are ethically sound, FPI members ask themselves the following eight questions as related to the principles underlying the Code of Ethics:

1. Clients first: Did I act in the best interest of the client?
2. Integrity: Am I prepared to read about my actions in tomorrow's newspaper?
3. Objectivity: Am I convinced that I did not allow any emotions to cloud my judgement?
4. Fairness: Have I done what any reasonable person would have done under the same circumstances, or if had the power of hindsight at some point in the future, would I have given the same advice?
5. Competence: Do I have the collective and sufficiently updated knowledge and skills to render the best advice and service?
6. Confidentiality: Am I sure that I have made all efforts to protect confidential information?
7. Diligence: Have I applied all my skill and motivation to act in the best interest of the client in a timely manner?
8. Professionalism: Have I inspired trust in myself as a professional and in the profession as a whole through dignity and respect in all my actions?

# PART 3: PRACTICE STANDARDS

(INCL. NOTES AND RULES OF CONDUCT)

## PRACTICE STANDARD 1 (STEP 1)

### CLIENT ENGAGEMENT

#### 1.1 Introduction to the client

**EXPLANATORY NOTE:**

*As a first step to engaging with a client FPI members introduce themselves to the client and explain who they are and what they do. The member provides the client with any necessary written confirmation such as a Letter of Introduction/ Disclosure Letter.*

#### 1.2 Inform the client about the purpose and value of financial planning as well as FPI professional member's competencies;

**EXPLANATORY NOTE:**

*The FPI member informs the client about the financial planning process, the member's role, the services the member offers, and the member's competencies and experience. The member informs the client about the nature of the member's role and the duties that follow and provides the client, as required, with information about the services the member provides and how these services will be charged.*

#### 1.3 Conduct a high-level discussion to determine the client's needs.

**EXPLANATORY NOTE:**

*FPI members and their clients determine whether the services offered by the members and their competencies could meet the client's needs. The capacity in which the client will require professional services from the member is also determined. Members evaluate their skills, knowledge and experience in being able to provide the services requested or likely to be required by the client. Prior to entering into a relationship with the client, the member determines whether any conflicting duty or interest, or any threat to compliance with professional requirements, would be created by the engagement with the client. Members always decline potentially unethical engagements.*

#### 1.4 Define scope of engagement between the FPI professional member and the client.

**EXPLANATORY NOTE:**

*The member and the client agree, in writing, on the services to be provided. At the client's request or instruction, the member may limit the services to be provided in a manner consistent with the client's circumstances and expectations in seeking professional services. The member describes, in writing, the scope of the engagement before any financial planning is provided. The member includes the following details: the responsibilities of each party (including third parties), the terms of the engagement, remuneration, and actual or potential conflict(s) of interest of the FPI member. The scope*

*of the engagement that includes a process for terminating the engagement, is set out in writing in a formal document signed by both the member and the client.*

### RULES RELATING TO PRACTICE STANDARD 1 CLIENT ENGAGEMENT

#### 1.1 In engaging with a client, the FPI member:

- (a) Informs the client in writing, in language and a format that the client is likely to understand, and in addition to any legislative requirements, of:
  - (i) The financial planning process;
  - (ii) The nature of engagements to provide financial planning services;
  - (iii) The full range of professional services which can be offered by the member;
  - (iv) The capacity (including any limitation) in which the member is able to provide professional services;
  - (v) Any conflicts which the member is unable to avoid and the arrangements in place to manage such conflicts;

#### 1.2 The FPI member:

- (a) Makes reasonable and appropriate enquiries in respect of the prospective client's circumstances and expectations in seeking professional services from the member;
- (b) Correctly identifies the client relationship(s) in which the member may be required to provide professional services to the client; and
- (c) Declines to accept any engagement which may lead to a breach of the FPI's requirements, legislative provisions, common law prescriptions, or that may bring the profession into disrepute, including engagements in
  - (i) which the FPI professional member is unable to enter into fairly, for the benefit of the client, and in keeping with the member's professional obligations; or
  - (ii) any illegal, deceptive or misleading activities.

#### 1.3 A FPI member does not, in the course of engaging with a client, by any act or omission, misrepresent any skill, competency, experience, expertise, capacity, association, or remuneration or benefit received or receivable.

#### 1.4 Subject to the FPI member's capacity to provide professional services, the member limits the scope of the services at the request or instruction of the client.

- 1.5 Where the client limits the scope of the services, the FPI member records, in writing:
- (a) That the scope of the services to be provided by the FPI professional member is limited;
  - (b) The limitations on the scope of the services to be provided; this includes financial planning services that will not be provided;
  - (c) Any limitations to the member's responsibility in providing the services; and
  - (d) The client's consent to such limitations.

Rule 1.5 applies in addition to the requirements in Rules 1.8 and 1.9 below.

- 1.6 The FPI member adequately identifies the client to whom professional services will be provided.

- 1.7 The FPI member, prior to providing any professional services to a client:

- (a) Informs the client, in writing, of the terms of the member's engagement; this includes any matter required to be disclosed by Rules 1.5, 1.8 and 1.9 and any legislative requirements, as determined from time to time;
- (b) Provides written terms of the engagement with the client including any matter required to be disclosed by Rules 1.5, 1.8 and 1.9 in a manner, language and format that the client is likely to understand; and
- (c) Provides a copy of the documented terms of engagement to the client.

- 1.8 If the engagement relates to the provision of a financial planning service, the terms of engagement document includes, in addition to any legislative requirements as determined from time to time:

- (a) The name, contact details and regulatory licence details of the FPI member and the member's employer, principal and/or supervisor;

- (b) The nature and type of the services to be provided;
- (c) Service deliverables and timeframes;
- (d) Expected frequency of contact with the client;
- (e) Remuneration, or any other pecuniary or non-pecuniary benefit whether direct or indirect, received or receivable by the member in connection with the professional service;
- (f) Any other benefit reasonably capable of influencing a financial planning recommendation by the member;
- (g) Remuneration payment/collection arrangements;
- (h) Particulars of remuneration calculation and charging, both in monetary and percentage terms, where applicable;
- (i) Any applicable service standards;
- (j) Any conflicts of interest or material limitations and the member's arrangements for identifying and managing such conflicts of interest or limitations;
- (k) The duration of the engagement and how the engagement may be terminated;
- (l) The client's responsibilities, including the full and timely disclosure of information and the dangers of providing insufficient, inaccurate or false information;
- (m) Any benefit that a third party may receive in connection with the service to be rendered to the client;
- (n) Any other costs or charges to be borne by clients should they accept all or part of the service;
- (o) Access to, and particulars of internal, regulatory and FPI complaint procedures;
- (p) Any other information necessary to adequately orientate the client.

- 1.9 If the engagement relates to a product or service not categorised, recognised, otherwise regulated under relevant legislation, the FPI member informs the client accordingly in writing and takes reasonable steps to ensure that the client understands the increased risk and exposure ordinarily associated with such products or services. It should be noted that, if such a product or service is rendered/recommended, it will fall within the definition of "Service(s)/professional service(s)" referred to above.



## PRACTICE STANDARD 2 (STEP 2)

### COLLECTING THE CLIENT'S INFORMATION

- 2.1 Identify client's personal and financial, qualitative and quantitative needs, objectives, and priorities.

**EXPLANATORY NOTE:**

*FPI members and their clients identify the clients' personal and financial, qualitative and quantitative needs, objectives and priorities that are relevant to the scope of the engagement before making and/or implementing any recommendations.*

- 2.2 Collect, in writing, quantitative and qualitative information.

**EXPLANATORY NOTE:**

*The member collects sufficient quantitative and qualitative information and documents about the client, relevant to the scope of the engagement and works with the client to resolve obvious omissions and inconsistencies in the information collected before making and/or implementing any recommendations.*

- 2.3 Obtain client's written authorisation to gather information from third parties.

**EXPLANATORY NOTE:**

*Members ensures that they have the necessary written authorisation, issued by the client, to source and collect the client's information or documents which are held by third parties.*

- 2.3 During the process of collecting client information members inform the client that:

- (a) the development of relevant financial planning recommendations is based on the member having a reasonable understanding of the client's relevant personal circumstances, needs, objectives, and priorities;
- (b) the client needs to ensure that information provided by them is current, complete and accurate and that any changes to the information provided must be communicated to the member as soon as practically possible; and
- (c) should the client omit relevant information requested by the member, any recommendations made may be inaccurate or inappropriate.

- 2.4 For the purposes of Rule 2.1, the FPI member exercises professional judgment and determines whether the information gathered as to the client's relevant personal circumstances, needs, objectives, and priorities, enables the client engagement to proceed as scoped. Where the information is insufficient, or inconsistent with the engagement as scoped, the member either seeks the client's consent to vary the nature of the engagement, or discontinues the engagement.

### RULES RELATING TO PRACTICE STANDARD 2 COLLECTING CLIENT'S INFORMATION

- 2.1 An FPI member gains sufficient understanding of the client's needs, objectives, and priorities, and relevant personal circumstances to establish and confirm with the client the scope of the financial planning engagement, which will form the basis for the development of any relevant recommendations.
- 2.2 For the purposes of Rule 2.1, a member takes reasonable steps and applies a legally defensible process to:
- (a) Gather and record the client's quantitative and qualitative information;
  - (b) Ensure that the information is current, complete and accurate; and
  - (c) Avoid omissions and inconsistencies in the information.



## ANALYSE AND ASSESS THE CLIENT'S FINANCIAL STATUS

### 3.1 Analyse the client's Information

**EXPLANATORY NOTE:**

*The FPI member analyses the client's information, subject to the scope of the engagement, to gain an understanding of the client's financial situation.*

### 3.2 Assess and confirm the client's needs, objectives and priorities.

**EXPLANATORY NOTE:**

*The member assesses and confirms the client's needs, objectives, and priorities.*

### 3.3 Provide the client with a written quotation or cost estimate and obtain written approval thereof.

**EXPLANATORY NOTE:**

*Based on the anticipated course of action the member provides the client with a written quotation or cost estimate; the latter includes the cost of the services (remuneration) and the costs likely to be associated with particular services or products.*

### RULES RELATING TO PRACTICE STANDARD 3 ANALYSIS AND ASSESSMENT

3.1 The FPI member identifies and confirms relevant personal circumstances, needs, objectives, and priorities with the client to form the basis for the member's development of appropriate strategies and financial planning recommendations. For the purposes of this Rule 3.1, the member:

- (a) Informs the client on the extent to which any of the client's stated objectives or needs conflict with one another;
- (b) Reaches agreement on the client's priorities in respect of conflicting objectives or needs; and
- (c) Documents the client's confirmed and prioritised objectives and needs.

3.2 The member conducts adequate analysis and assessment of a client's information prior to preparing any strategy or recommendation, and should consider:

- (a) The client's confirmed, needs, objectives and priorities;
- (b) The client's personal circumstances and current financial situation;
- (c) The capacity of the client's current financial situation to tolerate risk of capital loss;
- (d) Any reasonable assumptions based upon the client's circumstances known to the member; and
- (e) Whether the client's confirmed, needs, objectives and priorities are likely to be satisfied by the client's current position.





PRACTICE STANDARD 4 (STEP 4)

**IDENTIFY SUITABLE FINANCIAL PLANNING STRATEGIES AND DEVELOP THE FINANCIAL PLANNING RECOMMENDATIONS AND SOLUTIONS**

4.1 Identify and evaluate financial planning strategies, products and/or services.

EXPLANATORY NOTE:

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

4.2 In writing, develop financial planning recommendations, and where applicable, recommend financial product solutions.

EXPLANATORY NOTE:

*The member, in writing, develops the financial planning recommendations based on the selected strategy (ies) to reasonably meet the client's confirmed needs, objectives, and priorities.*

4.3 Present, in writing, financial planning recommendations and/or solutions to the client

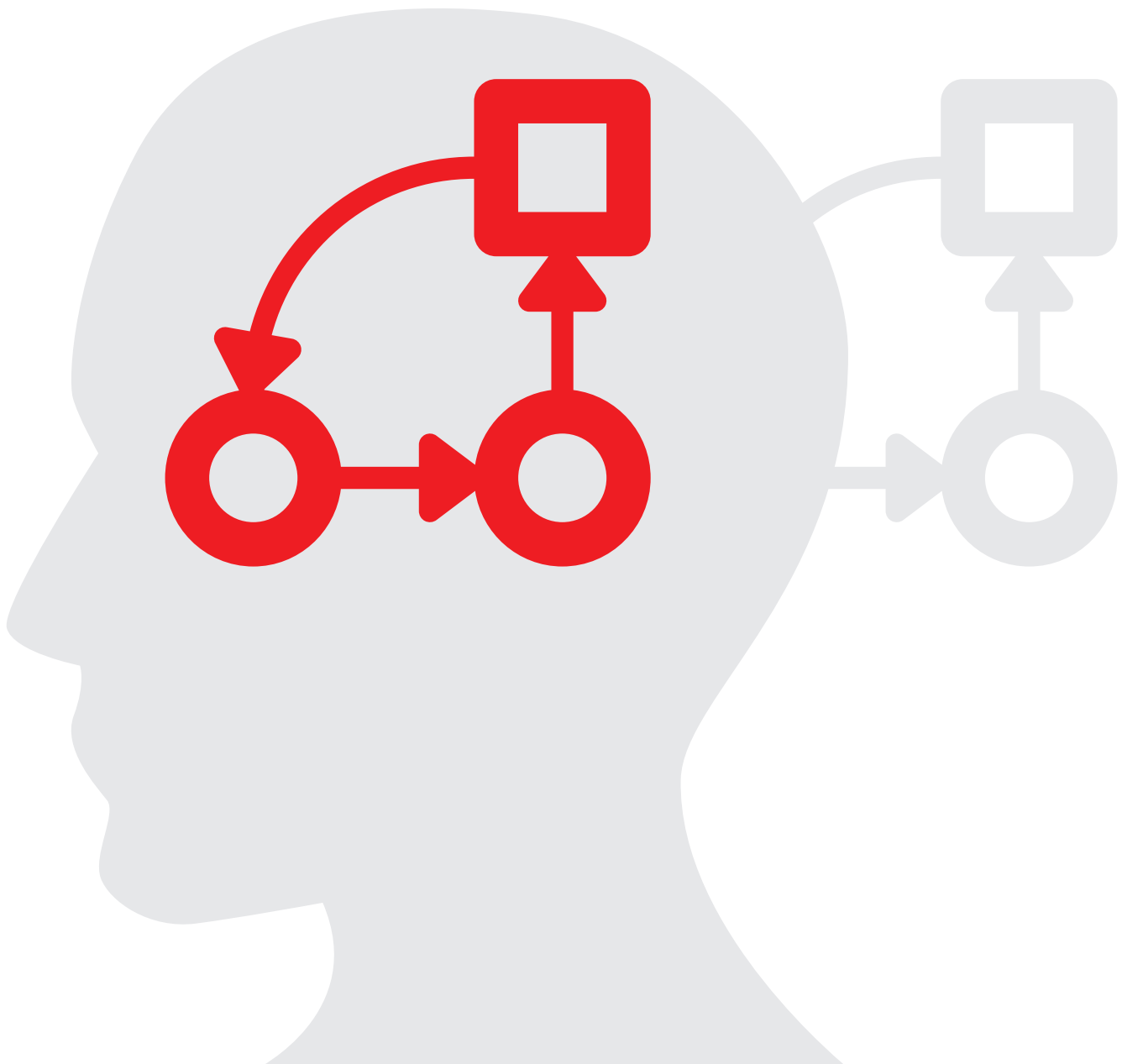
EXPLANATORY NOTE:

*Based on the member's competencies (1.1 above) and scope of the engagement (1.3 above), the member presents appropriate product(s) and/or service(s) that are consistent with the financial planning recommendations*

4.4 Agree with Client, in writing, on products and/or services to be implemented

EXPLANATORY NOTE:

*Following a meaningful presentation of the member's recommendations, the member and the client agree, in writing, on the client's elected course of action.*



## RULES RELATING TO PRACTICE STANDARD 4 DEVELOPMENT OF STRATEGIES AND RECOMMENDATIONS

- 4.1 The FPI member does not recommend a financial planning strategy, product or service (or a combination thereof) unless the member fully understands the nature, characteristics, associated risks and key features of such strategy, product or service.
- 4.2 In selecting a financial planning strategy (ies), product(s) and/or service(s) for inclusion in a financial planning recommendation to a client, the member identifies and evaluates strategies, product(s) and/or service(s), including the client's current course, product(s) and/or service(s) that reasonably address:
- (a) Clients' personal circumstances, including but not limited to clients' attitude to risk and their capacity or tolerance for risk;
  - (b) Any reasonable assumption(s) established during the financial planning engagement;
  - (c) One or more of the client's confirmed needs, objectives and priorities as established during the financial planning engagement; and
  - (d) The cost, usefulness, duration, benefit, and complexity of any proposed strategy, product or service.
- 4.3 FPI members ensure that they have done a reasonable investigation/due diligence inquiry into the legality, viability and sustainability (both actual and financial) and overall appropriateness of each product or service they intend recommending to their client.
- 4.4 Where a member is unable to identify a suitable strategy, product or service (or a combination thereof) in accordance with Rule 4.2, the member informs the client in writing as soon as practical, of the following:
- (a) that the member is unable to identify and select a suitable strategy, product or service (or a combination thereof);
  - (b) the reasons for the member being unable to do so with reference to the criteria in Rule 4.2 (a) to (c); and
  - (c) any proposed course of action for the client's consideration.
- 4.5 The FPI member only recommends the acquisition, sale, cancellation or replacement of product or service if it is reasonably necessary to the overall agreed financial planning strategy of the client. Also if the client's current product(s) or service(s) cannot reasonably meet their (new) agreed financial planning strategy and only after having due regard for, and documenting any cost, benefit, risks or adverse consequence of:
- (a) Acquiring the replacement product or service;
  - (b) Maintaining the existing service or retaining the existing product; and
  - (c) Disposing of, or cancelling, the existing product or service.
- 4.6 The FPI member provides the financial planning recommendations and information, in writing, to assist the client to understand the recommendations. Information that is likely to assist the client to understand the financial planning recommendations includes the following:
- (a) The client's confirmed needs, objectives, priorities and personal circumstances that the member needs to utilise when providing recommendations;
  - (b) The financial planning recommendations including details of any strategy, product or service recommended;
  - (c) The basis for the financial planning recommendations including an explanation of each; and
  - (d) The reasonably foreseeable risks and consequences of each recommendation.
- 4.7 In providing the financial planning recommendations to the client a member discloses to the client, in addition to any legislative requirements, the following:
- (a) Any remuneration, or any other monetary or non-monetary benefit whether direct or indirect, received or receivable by the member or their employer or principal in connection with the financial planning recommendations;
  - (b) The member's charging model;
  - (c) Should the recommendations be accepted and implemented, the impact of any costs and benefits of the member's charging model on:
    - (i) the client's confirmed needs, objectives and priorities; and
    - (ii) any selected strategy;
  - (d) Any other benefit or association reasonably capable of influencing the member's recommendations;
  - (e) Any benefit that a third party may receive in connection with the recommendations;
  - (f) The total costs borne by clients should they accept all or part of the recommendations; and
  - (g) The time period after which the recommendations may no longer be implemented.

## PRACTICE STANDARD 5 (STEP 5)

### IMPLEMENT RECOMMENDATIONS

- 5.1 The FPI member and client agree, in writing, on the financial and/or product advice provided/implemented, as well as the ongoing implementation responsibilities of the respective parties to the relevant contract or transaction

**EXPLANATORY NOTE:**

*The member 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 member's ability to implement the financial planning recommendations.*

- 5.2 Implement the agreed products and/or services

**EXPLANATORY NOTE:**

*In terms of the agreed responsibilities the member diligently takes the necessary action to implement the agreed products and/or services and reports to the client accordingly.*

### RULES RELATING TO PRACTICE STANDARD 5 IMPLEMENTATION OF RECOMMENDATIONS

- 5.1 FPI members meet any legal requirements to identify their client prior to implementing any relevant financial planning recommendations or rendering services to the client.

- 5.2 The member:

- (a) Obtains the client's written consent before implementing any financial planning recommendations.
- (b) Does not implement a product and/or service recommendation in which the member has a direct or indirect material personal interest, without first informing clients, in a manner that the clients are likely to understand, of:
  - (i) the member's direct or indirect material personal interest;
  - (ii) any potential conflict between members' and clients' interests; and
  - (iii) any relevant conflict of duty;
- (c) Does not charge a client, or cause a client to be charged, for a service or product without the client's consent to the service or product.
- (d) Does not implement a service or product for which the client is to be charged on an ongoing basis without first agreeing a review point for the service or product.

- 5.3 The FPI member diligently implements all client-agreed financial planning and/or product recommendations. Where a) circumstances change, b) a significant period of time has passed since the provision of a financial planning and/or product recommendation (with reference to Rule 5.6), or c)

the implementation of the agreed financial planning and/or product recommendation may no longer reasonably be appropriate for the client, the member:

- (a) Does not implement the recommendation;
- (b) Documents the basis and/or reason for declining to implement; and
- (c) Advises the client in writing, at the earliest reasonable opportunity, that the recommendation or direction has not been implemented and explains the basis for such non-implementation.

- 5.4 Where a client's decision to implement is likely to have a significant impact on the client's confirmed needs, objectives and priorities, or on the client's previously implemented financial planning recommendations, the member informs the client in writing of any cost, benefit, risks or adverse consequences of implementing on the client's:

- (a) Confirmed needs, objectives and priorities; or
- (b) Previously implemented financial planning and/or product recommendations.

- 5.5 Where members take custody of client asset(s), are authorised to exercise investment discretion or to exercise supervision of any client asset(s), they do so in a fiduciary capacity. The member identifies, records and maintains the following information, as soon as practically possible:

- (a) The date on which the member took custody, received authority, or was granted discretion in respect of the client's asset(s);
- (b) The name and contact details of the client whose asset(s) is held;
- (c) Particulars and/or documentation sufficient to identify the client's asset(s);
- (d) The value or amount of the client's asset(s); and
- (e) The date on which the member's custody, authority or discretion ceased/will cease in respect of the client's asset(s).

- 5.6 The FPI member declines to implement a financial planning and/or product recommendation that is no longer current or appropriate, whether the recommendation was provided by the member or otherwise.

## REVIEW THE CLIENT'S SITUATION

- 6.1 Subject to the scope of the FPI member and the client engagement they agree, in writing, on the terms and responsibilities for the review and re-evaluation of the client's situation. The member and client mutually define and agree the terms for reviewing and re-evaluating the client's situation.

**EXPLANATORY NOTE:**

*The member 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 member and the client mutually agree on, and understand, their respective roles, if any, in ensuring that the client's situation is being adequately reviewed. The member defines and communicates to the client the nature and scope of the reviewing activities that the member will provide. The reviewing process may require the member to modify the original scope of engagement or initiate a new engagement.*

- 6.2 Review and re-evaluate client's situation as agreed

**EXPLANATORY NOTE:**

*The FPI member and the client review the client's situation to assess progress toward achievement of the objectives of the financial planning recommendations, determine whether the recommendations are still appropriate, and confirm any revisions mutually considered necessary.*

### RULES RELATING TO PRACTICE STANDARD 6 REVIEW

- 6.1 Prior to providing any review service to a client, the FPI member:
- (a) Informs the client of the purpose and scope of the services proposed;
  - (b) Provides the client with the opportunity to review any operative terms of engagement including the cost of a review service; and
  - (c) Complies with Rule 1.7 in respect of any engagement to provide on-going professional services.
- 6.2 The member does not misrepresent the nature of any review to a client or prospective client.
- 6.3 In conducting a review, the member:
- (a) Evaluates the client's current situation against the client's confirmed needs, objectives and priorities and previously implemented financial planning and/or product recommendations;
  - (b) Confirms delivery of any previously agreed services;
  - (c) Identifies any services previously agreed to but not utilised by the client; and
  - (d) Assesses the suitability of any continuing services.
- 6.4 In evaluating the client's current situation for the purposes of a review, the member gathers quantitative and qualitative information and analyses and assesses such information.
- 6.5 Should the member's financial planning and/or product recommendations vary from the client's implemented recommendations when conducting a review, the member complies with Practice Standard 4 and its related Rules in identifying, developing and presenting any new or amended financial planning recommendations.
- 6.6 Members communicate in writing to a client at the conclusion of a review service:
- (a) Any changes to the client's:
    - (i) confirmed needs, objectives and priorities;
    - (ii) personal circumstances; and
    - (iii) implemented financial planning and/or product recommendations;
  - (b) Any recommendation to the client to continue the implemented financial planning and/or product recommendations (if applicable); and
  - (c) Any additional financial planning and/or product recommendations made.
- 6.7 The member complies with Rules 1.7 and 5.2 in implementing any agreed financial planning recommendations as a consequence of a review.



# GENERAL PROFESSIONAL CONDUCT RULES

## PROFESSIONAL CONDUCT AND PROFESSIONAL JUDGEMENT

- 7.1 FPI members display courtesy, respect and candour in all interactions.
- 7.2 Members do not, in the conduct of professional and business activities, engage in any act or omission of a misleading, deceptive, dishonest or fraudulent nature. Nor do members engage in any act or omission that is likely to mislead or deceive.
- 7.3 Members do not engage in conduct that adversely reflects on their integrity and/or fitness as FPI members and/or that brings the FPI and/or the profession into disrepute.
- 7.4 Members ensure their compliance with all legislation, regulatory codes and requirements, and FPI regulations at all times. Members do not conduct themselves or their affairs in a manner that may give rise to:
- (a) A civil judgment, and/or regulatory action, and/or Ombud, tribunal or disciplinary action, for:
    - (i) the repayment of money, irrespective of the amount and cause;
    - (ii) their provisional or final sequestration;
    - (iii) their removal from an office of trust (including, but not limited to directorships and trusteeships);
    - (iv) their dishonest, fraudulent, deceitful or misrepresentative conduct;
    - (v) their unprofessional or negligent conduct.
  - (b) A criminal conviction, irrespective of sentencing, in which an element dishonestly, theft, fraud, misrepresentation or deceit is present.
- 7.5 Members ensure that all their services are provided honestly, fairly and diligently.
- 7.6 Members only act with proper legal authorisation, and in accordance with legislative, regulatory and FPI requirements.
- 7.7 Members ensure that their personal biases or interests do not adversely affect their services to clients.
- 7.8 Members only make and/or implement recommendations that are suitable for the client.
- 7.9 Members ensure, in the course of the provision of professional services, that any communication (whether oral or written):
- (a) is courteous;
  - (b) avoids offensive or provocative language or conduct;
  - (c) is not misleading or deceptive, or likely to mislead or deceive;
  - (d) is done in a manner, language and format that the client is likely to understand.
- 7.10 Members do not misrepresent the status of their FPI certification to any person.
- 7.11 Members do not misstate their authority to represent the FPI. Specifically, members do not write, speak or act in such a way as to lead another to believe that they are officially representing the FPI, unless members have been duly authorised to do so by an authorised representative of the FPI.
- 7.12 Unless compelled to by law, or required to fulfil a legal obligation, any person who by reason of their FPI certification or through an engagement (such as a board, committee, workgroup, pro bono initiative or the like) with the FPI is exposed to, learns of, or has access to information and knowledge concerning the FPI and/or FPI members, maintain the confidentiality of all such information and knowledge and are not entitled to communicate or divulge that information or knowledge or any part thereof, unless specifically authorised to do so by an authorised representative of the FPI.
- 7.13 Where members undertake pro bono engagements, irrespective of the type of engagement, the Code of Ethics, Practice Standards and Rules of Professional Conduct apply to the members, to the full extent, during such engagements.
- 7.14 Members comply with the FPI's rules and requirements in respect of certification and recertification, complaints handling, disciplinary procedures, member audit, trademark and commissioner of oaths-status, as well as maintain adherence with all FPI's regulations made or amended from time to time.
- 7.15 Members ensure that any personal information or documents given to or gathered by them in the course of or in connection with the provision of financial planning services, are securely retained and kept confidential. This rule applies to personal information and documents belonging to or related to members' clients or to other persons.
- 7.16 Member do not use any information or documents given to or gathered by them in the course of or in connection with the provision of financial planning services for their direct or indirect personal benefit, whether or not it causes detriment to the client.
- 7.17 For the purposes of rules 7.15 and 7.16 members maintain the confidentiality and refrain from distributing or using without due authorisation:
- (a) Any client information obtained in the provision of professional services; and
  - (b) Any commercial information belonging to the member's employer or principal obtained in the course of the member's employment or agency with a particular employer or principal.
- 7.18 As a professional courtesy, members on becoming aware that a client had a previous financial planning services engagement with another financial planning business or financial planner, undertake to obtain authority, in writing,

from the client to communicate and facilitate the transfer of copies of documentation from the previous financial planning business or financial advisor;

- 7.19 Members take all reasonable steps, consistent with a client's interest(s), to facilitate the orderly and effective transfer of the client's business to another professional upon receipt of written consent, request or instruction from the client or another person authorised by the client, advising that the client has retained another professional in substitution of the FPI member.
- 7.20 Upon receiving a written request by the client, and subject to the legal requirements of the FPI professional member's employer or principal, Members provide the client or a person authorised by the client, with any original documents and electronic files related to the provision of professional services within 7 (seven) days from the date of the request. Unless compelled by law, this requirement does not include documents that have been prepared or received by members in the provision of professional services, such as internal notes, memoranda, quotes or other working documents.
- 7.21 Member who are legally responsible for the management or conduct of a financial services provider or the supervision of others or the mentoring of mentees, ensure that they exercise their legal, mentoring or supervisory authority in a manner that ensures compliance with legislative, common law, regulatory or FPI requirements.
- 7.22 Members provide reasonable and prudent professional supervision of, or direction to, any subordinate, mentee or third party to whom responsibility for any professional services is assigned.
- 7.23 Members satisfy all Continuing Professional Development (CPD) requirements set by FPI from time to time.
- 7.24 Members offer advice only in those areas in which they are professionally competent.
- 7.25 Members do not commingle their property with that of clients, members' employers or principals unless the commingling is permitted by law, is explicitly authorised and defined in a written agreement between the parties. Members have sufficient record-keeping to track each client's assets accurately.
- 7.26 Members do not borrow or otherwise obtain money from a client. This Rule does not apply when:
- (a) The client is a member of the member's immediate family and the borrowing in this instance is not incidental or relates to services rendered by member; 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 member.
- 7.27 Members do not lend money to clients. This Rule does not apply when:

- (a) The client is a member of the FPI member's immediate family and the lending in this instance is not incidental or relates to services rendered by the FPI member; or
- (b) The member is a representative of an institution in the business of lending money and the money lent is that of the institution and not of the member.

## PROMOTION OF SERVICES

- 7.28 FPI members refrain from:
- (a) communicating, directly or indirectly, to clients or any other parties any false or misleading information directly or indirectly related to their qualifications, skills, experience or services.
  - (b) misleading clients or any other parties about the potential benefits of their service.
  - (c) making false or misleading statements about
    - (i) the scope or areas of their competence;
    - (ii) their practice or any organisation with which they are associated, in whatsoever form;
    - (iii) any association or organization they are a member or otherwise affiliated to;
    - (iv) any remuneration or benefit received or receivable;
    - (v) any charging model for financial planning services provided by the FPI professional member, their employer or principal and/or and any other party;
  - (d) making false or misleading statements to the public, service providers and colleagues, or create unfounded expectations regarding matters relating to financial planning, their own professional activities, the business they represent, or any organisation with which they are associated or whatsoever form.
  - (e) making unsubstantiated comparisons of the FPI member's services against another;
  - (f) making unsubstantiated statements with regard to the character of other professionals;
  - (g) false advertising, or advertising in a way that is misleading or deceptive, or is likely to mislead or deceive any person.
- 7.29 Members advise their clients, in writing in timely manner, of any changes to the financial planning engagement which reasonably could adversely impact the clients' interest(s) including (but not limited to) changes:
- (a) to the professional services/product(s) provided;
  - (b) to the FPI member's capacity or authority to provide professional services; or
  - (c) that may increase the member's remuneration received or receivable under the engagement.
  - (d) in any such other matter that may be reasonable or deemed material or relevant under the particular circumstances;
- 7.30 Members comply with the FPI's requirements in using the FPI's name, logos and FPI professional member designation trademarks.



# GENERAL PROFESSIONAL CONDUCT RULES (...continued)

7.31 Members exercise reasonable and prudent professional judgment in providing professional services at all times.

## CONFLICT OF INTEREST

7.32 Members advise clients, in writing, of any actual, potential, or perceived conflict(s) of interest(s) including those that developed after the commencement of a financial planning engagement.

7.33 Members do not recommend a product or service in which they have a direct or indirect material personal interest without disclosing, in writing to the client at the time the recommendation is made, the FPI member's direct or indirect material personal interest in the product or service.

7.34 Members do not implement a product or service in which they have a direct or indirect material personal interest without disclosing to their clients, at the time the product or service is implemented, and in terms the client is likely to understand:

- (a) The member's direct or indirect material personal interest in the product or service;
- (b) The potential conflict between the member's interest and the client's interest; and
- (c) Any relevant conflict of duty.

## REMUNERATION

7.35 Members do:

- (a) Explain, in writing, the precise range of professional services that their fee(s) is intended to cover, the basis on which the fee is computed and any billing arrangements, in a manner, language and format that the client is likely to understand;
- (b) Disclose to the client, in writing, any commissions received, both as a percentage and in monetary terms, in a manner, language and format that the client is likely to understand;
- (c) Disclose to the client, in writing, any penalties, cancellation/termination fees or the like which may arise and under which circumstances, both as a percentage and in monetary terms (where possible), in a manner, language and format that the client is likely to understand;

7.36 Members may be remunerated based on a fee or commission, or both. Irrespective of the remuneration charged, the judgment of reasonableness of remuneration will be based on fairness and what is equitable in the circumstances for both the client and FPI member.

7.37 Members may be engaged by a client irrespective of whether the member receives remuneration or not.

7.38 Excessive commissions, inequitable to industry/service or product norms, offered by product or service providers should be critically questioned and investigated by members

before promoting or recommending such products and/or services.

7.39 In determining what constitutes a fair and equitable remuneration, members consider the value of the professional service to the client, the usual charge for similar services by other similar professionals, and any special circumstances deemed material in the particular circumstances and agreeing on acceptable remuneration is a matter for negotiation between the professional and the client.

7.40 Members do not advise a client to undertake any action that would merely generate remuneration for the member without any benefit to the client.

## PROVISIONS APPLICABLE TO FPI PROFESSIONAL MEMBERS WHO ARE TAX PRACTITIONERS

7.41 In addition to the requirements set out in rule 7.4 above, an FPI member who is also a tax practitioner ensures compliance with all relevant laws and regulations in their personal tax affairs.

7.42 Members who are tax practitioners do not charge a contingency fee for the completion of tax returns and adhere to the principles of the Contingency Fees Act of 1997 (as amended) where contingency fees are charged in other circumstances.

7.43 Members who are tax practitioners meet the minimum tax related continuous professional development requirement annually, as determined from time to time.

## MEMBERSHIP TO OTHER INDUSTRY ORGANISATIONS

7.44 FPI members, who are also members, affiliates or associates of another organisation, institute, regulatory or controlling body, association, or the like, ensure adherence to such entities' rules, regulations and codes of conduct, and are obliged to inform the FPI, at the earliest possible time, of any administrative, punitive or disciplinary action taken against them by such an entity.





Financial Planning  
Institute of Southern Africa

**THE PROFESSIONAL STANDARD**



**FINANCIAL PLANNING INSTITUTE OF SOUTHERN AFRICA NPC**

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