CFP BOARD

ETHICS CE

SELF-STUDY (ONLINE)

ASSESSMENT GUIDE

BASED ON CFPBOARD

CODE OF ETHICS AND STANDARDS OF CONDUCT

EFFECTIVE DATE: JULY 1, 2024

Self-Study (Online) Final Assessment

TABLE OF CONTENTS

[ASSESSMENT REQUIREMENTS](#) 3

[CFP BOARD ETHICS – ASSESSMENT QUESTIONS FOR LO1](#)

Recognize when a CFP® professional is providing Financial Advice 4

[CFP BOARD ETHICS – ASSESSMENT QUESTIONS FOR LO2](#)

Apply the Fiduciary Duty 6

[CFP BOARD ETHICS – ASSESSMENT QUESTIONS FOR LO3](#)

Describe when Financial Advice requires Financial Planning and the additional obligations that apply 12

[CFP BOARD ETHICS – ASSESSMENT QUESTIONS FOR LO4](#)

Identify Duties when using or referring other persons or technologies 15

[CFP BOARD ETHICS – ASSESSMENT QUESTIONS FOR LO5](#)

Describe the process CFP Board follows to uphold the Code and Standards 16

[CFP BOARD ETHICS – ASSESSMENT QUESTIONS FOR LO6](#)

Determine what information must be provided to Client and when to document exchange of information 17

ASSESSMENT REQUIREMENTS

Self-study in Ethics (online) involves completing a **12**-question assessment, ensuring at least 2 questions per learning objective. Additional assessment questions from the provided list may also be included.

Each learning objective has been weighed and each question was designed to test the understanding and application of stated competencies.

In addition, CE Sponsors are required to follow these rules when administering the assessment:

1. Only questions from the question bank will be used; supplemental questions can be added under these terms:
    a. They tie specifically to a learning objective and competency.
    b. They are submitted with CFP Board, in advance, for verification.
    c. The CE Sponsor understands that CFP Board will add submitted and verified questions to the question bank.
    d. CFP Board will update and share the question bank with self-study (online) sponsors on a periodic basis.
2. Questions will be randomized for each assessment and include a specific number of questions for each learning objective (see Assessment Questions Summary chart);
3. A score of 70% or higher is considered passing.
4. After three (3) consecutive unsuccessful attempts, the participant will be required to retake the program and/or there will be a pre-determined waiting period.
5. When the assessment has been successfully completed, a summary of the correct assessment response for each question will be viewable.
6. Before the program is considered complete and access is given to the Certificate of Completion a program evaluation must be completed.

CFP Board Ethics - Assessment Questions for LO1

Learning Objective 1: Recognize when a CFP® professional is providing Financial Advice

LO 1.1

Adina is expecting her first child. She reached out to Tomas her CFP® to learn more about 529 savings plans. During a 30-minute meeting Tomas provides an overview of how 529 savings plans work. He addresses some of Adina's general questions about 529 savings plans. Then he provides a document titled "529 Plans and Other College Savings Options." Adina thanks Tomas for his time and says she will follow up with him in the next few weeks.

Did Tomas provide Financial Advice when he met with Adina and gave her the 529 savings plan document?

A. Yes, because he made a recommendation.
B. No, because Adina did not pay Tomas for the meeting.
C. No, because Tomas provided Adina only general financial education materials. [KEY]
D. Yes, because a Tomas addressed some of Adina's general questions about 529 savings plans.

Rationale:

A. Incorrect, because Tomas's communications were general in nature and not individually tailored to Anna.
B. Incorrect. Whether Tom provided Financial Advice does not depend upon whether he received compensation.
C. Correct, because a reasonable CFP® professional would conclude that when Tomas provided Adina with an overview of how 529 savings plans work, addressed her general questions about 529 savings plans, and provided an educational document on 529 savings plans, Tomas was providing general financial education and not Financial Advice.
D. Incorrect, the relative importance of a financial topic is not a component of the definition of Financial Advice.

LO 1.2

Lajita is a CFP® professional who is a registered representative of a broker-dealer. Lajita provides brokerage services to her client, Wasi. Wasi routinely asks Lajita for her opinion on a specific stock before making a stock purchase.

Wasi asked Lajita about a specific stock he intends to purchase. Lajita told Wasi that she likes the stock and believes it is undervalued after she investigated the company. Wasi then directed Lajita to purchase the stock.

Does Lajita have a Fiduciary Duty?

A. No, Wasi identified the specific stock at issue.
B. Yes, Lajita provided Financial Advice when she communicated with Wasi regarding the advisability of purchasing the stock. [KEY]
C. No, Wasi directed Lajita to buy the stock after discussing the advisability of the purchase with Lajita.
D. Yes, Lajita fulfilled the stock purchase for Wasi.

Rationale:

A. Incorrect, because Lajita provided an opinion concerning a specific Financial Asset, which is Financial Advice, even if it was the Client who asked for information about that Financial Asset.
B. Correct, because Lajita provided an opinion concerning a specific Financial Asset, which is Financial Advice, even if it was the Client who asked for information about that Financial Asset.
C. Incorrect, because Wasi directed Lajita to buy the stock after receiving her opinion, which was Financial Advice.
D. Incorrect, because providing the opinion about the Financial Asset, not the fulfillment of the order, was the Financial Advice that triggered the Fiduciary Duty.

LO1.3

Identify which CFP® professionals are providing Financial Advice.

A. Megan does not charge Asher for analyzing her financial information and provides her with a financial plan. Meghan hopes to earn a commission if Asher decides to implement the plan through her firm. [KEY]
B. Samantha gives her neighbor Max a marketing flyer about her firm.
C. Doug provides his sister with a book he authored titled Managing Your Budget.
D. Steve speaks to someone he meets at a cocktail party about how the stock market has performed over the past year.

Rationale:

A. Correct, because whether a CFP® professional receives compensation is not relevant to the determination of whether they provided Financial Advice.
B. Incorrect, because this is general marketing material not tailored to the Client.
C. Incorrect, because this is general educational information not tailored to the Client.
D. Incorrect, because the content, context, and presentation would not reasonably be viewed as a recommendation that the person take or refrain from taking a particular course of action.

CFP Board Ethics - Assessment Questions for LO2

Learning Objective 2. Apply the Fiduciary Duty

Duty of Care (half of LO2 questions must come from this subsection)

LO 2.1

Ivy works with Jade, who is a CFP® professional with over 25 years of industry experience. Ivy has a 401(k) through her company and wants to set up a new Roth IRA account to supplement her retirement savings. Ivy is a new investor and engaged with Jade because of her many years of experience in the industry.

During their meeting, Jade recommends three mutual funds to Ivy for investment. Jade always recommends these funds to investors because she has done due diligence on them, they have had positive results, and investors seem to like them.

Did Jade meet her Duty of Care to Ivy?

A. No, because a prudent CFP® professional would not recommend a new investor invest in mutual funds.
B. Yes, because Ivy has done her due diligence into the mutual funds.
C. Yes, because Ivy's experience with past clients shows that these mutual funds return positive results for investors.
D. No, because Jade did not consider Ivy's individual circumstances before providing the investment recommendations. [KEY]

Rationale:

A. Incorrect. The Duty of Care does not prohibit new investors from investing in any category of products.
B. Incorrect. Analyzing investment alternatives are necessary steps in the Duty of Care but insufficient to fulfill the Duty of Care. The Duty of Care also requires a CFP® professional to analyze a client's individual circumstances before providing recommendations.
C. Incorrect. The Duty of Care is based on a client's individual circumstances and not the collective experiences of other clients or investors.
D. Correct. The Duty of Care requires a CFP® professional to consider the financial and personal circumstances of a client as part of the Duty of Care.

LO2.2

Maya wants to open a 529 investment plan for her daughter. She meets with her CFP® professional, Kia, to discuss her interest and get recommendations on plans that fit her needs. Kia reviews Maya's 529 options and finds that:

1) The 529 plan in Maya's state provides Maya with a state tax deduction. The administrative fee is waived. However, the investment options are very limited.

2) A 529 plan in a different state offers more diverse investment vehicles. The option is more expensive because Maya will not receive the tax deduction for the out-of-state option and will pay an administrative fee.

What should Kia do to fulfill her Duty of Care?

A. Compare all the costs and features for both options. [KEY]
B. Choose the in-state option because it has lower costs.
C. Present both options to Maya and let Maya choose.
D. Choose the out-of-state option to provide Maya more diverse investment vehicles.

Rationale

A. Correct, because a prudent CFP® professional fulfilling their Duty of Care reviews all the costs and features considering the Client's goals, risk tolerance, objectives, and financial and personal circumstances.
B. Incorrect, because costs analysis alone is insufficient to fulfill the Duty of Care and the requirement to consider the Client's personal and financial circumstances.
C. Incorrect, because Maya is seeking a recommendation from Kia. While Kia can present more than one option to Maya, Kia needs to exercise care, skill, and diligence to provide Financial Advice in Maya's best interests.
D. Incorrect, because analysis of the diversity of investment vehicles alone is insufficient to fulfill the Duty of Care and the requirement to consider the Client's personal and financial circumstances.

LO2.3

Ofra is a CFP® professional who provides asset management services to several Clients. Ofra manages assets in accordance with a standard investment management agreement that she tailors to meet each Client's investment needs. The agreement gives Ofra discretionary authority to buy or sell securities and to select broker-dealers to execute transactions. Ofra's firm charges each Client an advisory fee based on the average value of assets held in the account each quarter.

Ofra receives a call from her client Markus who is a novice investor. Markus tells Ofra that he wants to help advance his sister Xara's career. He asks Ofra to begin using Xara's firm to execute trades for his non-qualified investment account.

Ofra discovers that Xara's firm has a higher cost for executing trades than firms she regularly uses to execute trades. Her assessment of Xara's firm does not identify an off-setting benefit that justifies the higher fee.

How should Ofra proceed?

A. Tell Markus that she cannot use Xara's firm to execute trades. Ofra's Fiduciary Duty to Markus requires Ofra to seek the best option for executing Markus's trades.
B. Agree to Markus's reasonable and lawful direction. Ofra has an obligation to follow this request.
C. Inform Markus that using Xara's firm will result in a higher cost for executing trades which will adversely impact his investment returns. If Markus still wants to make the change, Ofra should begin to use Xara's firm to execute trades. [KEY]
D. Review the Client Agreement with Markus. Then begin to execute trades using Xara's firm.

Rationale:

A. Incorrect, because a CFP® professional must to comply with all reasonable and lawful directions of the Client.
B. Incorrect, because while a CFP® professional must comply with all reasonable and lawful directions to the Client, they must also fulfill their Duty of Care by explaining to the Client why they believe the directions would not be in the Client's best interests and the potential consequences of the direction.
C. Correct, because a CFP® professional has both (i) a Duty of Care to inform the Client that they believe the direction is not in their best interests and the potential consequences of the direction and (ii) an obligation to comply with all reasonable and lawful directions of the Client.
D. Incorrect, because reviewing the Client agreement with Markus would not fulfill the CFP® professional's Duty of Care to explain with they believe the directions would not be in the Client's best interests and the potential consequences of the action.

LO2.4

Donna is a retired 65-year-old customer with high net worth. She has a limited tolerance for risk. Her objectives include preservation of principal and generation of income. Most of Donna's investments are in bonds, treasury bills, and money market funds that primarily generate income for Donna.

Donna schedules a meeting with her CFP® professional, Brooke. She expresses unhappiness with her current returns from investments. She understands the S&P 500 is performing well. Donna says she wants to sell some of her investments to invest more in the S&P 500. Brook does not believe this action is in Donna's best interests.

Which response by Brooke best satisfies the Duty of Care?

A. Shifting some of Donna's investments into an S&P 500 ETF, consistent with Donna's instructions.
B. Explaining that she is not allowed to change Donna's current investments because it would not be consistent with her conservative investor profile.
C. Explaining why Brooke believes this action would not be in Donna's best interests. [KEY]
D. Diversifying some of Donna's investments into four mutual funds that are currently performing well.

Rationale:

A. Incorrect, because the Duty of Care requires a CFP® professional to consider the Client's personal and financial circumstances, and the investment might be inconsistent with the customer's investor profile. In addition, though Donna inquired about the S&P 500, she did not expressly instruct Brooke to invest.
B. Incorrect, because, even if Brooke does not believe that changing Donna's current investments is in Donna's best interests, she is not prohibited from making the change. Brooke is required to follow the legal and reasonable directions of her client if that is what Donna ultimately directs after Brooks discusses why the action is not in Donna's best interests.
C. Correct, because Brooke is required to explain to Donna 1) why she believes the investment would not be in her best interests and 2) the potential consequences of the investment.
D. Incorrect, because the Duty of Care requires a CFP® professional to consider the Client's personal and financial circumstances, and the investment may be inconsistent with the customer's investor profile.

Duty of Loyalty (half of LO2 questions must come from this subsection)

LO2.5

How can a CFP® professional appropriately manage Material Conflicts of Interest?

A. By fully disclosing sufficiently specific facts about conflicts in writing and requiring the Client to sign the document acknowledging the Conflict.
B. By avoiding Sales-Related Compensation for Financial Advice.
C. By following a prudent process reasonably designed to result in Financial Advice in the Client's best interests. [KEY]
D. By selecting the investment among reasonable alternatives that results in the lowest compensation to the CFP® professional and the CFP® professional's firm.

Rationale:

A. Incorrect. Management of a conflict is a requirement under the *Code and Standards* distinct from the obligation to fully disclose the conflict and obtain informed consent.
B. Incorrect. All compensation models have Conflicts of Interest.
C. Correct. A CFP® professional may manage compensation conflicts through a process, consistent with the CFP® professional's Duty of Care, that is reasonably designed to result in Financial Advice that is in the Client's best interests despite the conflicts of interest.
D. Incorrect. The product that results in the lowest compensation might not be the product in the Client's best interests.

LO2.6

Edgar calls his CFP® professional Jae to discuss a real estate investment. Edgar is close to his retirement age. He asks Jae if he should invest in a real estate investment trust (REIT) to fund his retirement.

Edgar needs to liquidate a portion of the assets held in his investment account managed by Jae to invest in the REIT. The purchase must be made through another account not managed by Jae.

The account Jae manages will receive better returns than an investment in the REIT. Jae will receive a smaller commission for the REIT investment than the management fee earned if the assets remained in the current investment account. The account that holds the REIT will not pay Jae a management fee.

What should Jae do?

A. Recommend to Edgar not to invest in the REIT based on her professional judgment. Jae does not need to disclose the compensation differential because her Financial Advice is in Edgar's best interests.
B. Disclose her conflict of interest to Edgar. Obtain informed consent to the conflict and ensure she has managed the conflict of interest before providing Edgar with her advice. [KEY]
C. Decline to provide Edgar with advice on the REIT purchase. Jae explains she has a Material Conflict of Interest and is prohibited from providing Financial Advice.
D. Prove to Edgar that he will own lower returns from the REIT than in his managed account.

Rationale:

A. Incorrect, because Jae has an obligation to fully disclose the Material Conflict of Interest, gain informed consent, and manage the Conflict even if she believes she is not acting on the Conflict of Interest.

B. Correct, because Jae has a Material Conflict of Interest, as she will earn less money if Edgar withdraws assets from the account she manages.
C. Incorrect, because a Conflict of Interest does not prohibit a CFP® professional from providing Financial Advice.
D. Incorrect, because she did not disclose her Material Conflict of Interest.

LO2.7

Pacey is a CFP® professional. She identifies three single premium annuities that will best meet the needs of her client, Gael. A life insurance product from AR2 Mutual is one of the annuities that meets Gael's needs. AR2 Mutual, Inc. is affiliated with Pacey's firm, AR2 Advisers.

Pacey will receive the same compensation if Gael purchases any of the three annuities. Her firm and the firm's affiliate will receive additional economic benefit if Gael purchases the AR2 Mutual annuity.

How should Pacey proceed?

A. Pacey should disclose the relationship between her firm and the AR2 Mutual annuity. Then Pacey should explain the additional economic benefit that her firm and the firm's affiliate will receive if Gael purchases the AR2 Mutual annuity. [KEY]
B. No further disclosure is required. The insurance company and Pacey's firm have the same name. Gael will recognize they are affiliated. She understands the economic benefit the firms will receive from the purchase.
C. Pacey should disclose that she cannot recommend annuity contracts that are issued by the affiliated company.
D. Pacey should disclose the compensation she will receive based on Gael's purchase decision but does not need to disclose the benefits to the firm because Pacey will not receive the compensation the firm will earn.

Rationale:

A. Correct, because the affiliation creates a Material Conflict of Interest. Pacey's firm would benefit from the sale, which Pacey must fully disclose the conflict sufficient to obtain informed consent and manage the conflict.
B. Incorrect, because Pacey must fully disclose the Material Conflict of Interest and the interest it creates even if she believes the Material Conflict of Interest is self-evident.
C. Incorrect, because Pacey is not prohibited from providing Financial Advice if there is a Conflict of Interest.
D. Incorrect, because the definition of Conflict of Interests includes interests of a CFP® professional's firm.

LO2.8

Anne is a CFP® professional. She works for a firm that is dually registered. The firm serves clients as a registered broker dealer and an investment advisor firm.

Sam is a new client who asks Anne to help him invest in mutual funds.

Anne can recommend that Sam open non-discretionary advisory account or a brokerage account.

Every time Sam buys or sells an investment in a brokerage account he will pay a commission to Anne. In contrast, he will pay Anne an annual fee of 1.25% of assets in an advisory account.

The compensation from an advisory account will provide more revenue to Anne and her firm. Sam will also receive more services in an advisory account than a brokerage account.

Anne recognizes the Material Conflict of Interest presented by the higher compensation that she and her firm will receive. She discloses the Material Conflict of Interest in recommending the advisory account to Sam. She also discloses the added incentive. Sam indicates to Anne that he understands the conflict.

Has Anne completed all the steps to fulfill her Duty of Loyalty?

A. Yes, she disclosed the Material Conflict and received Sam's informed consent.
B. No, Anne also needs to manage the Material Conflict to prevent the Material Conflict from compromising her ability to act in Sam's best interests. [KEY]
C. No, Anne was required to avoid the Material Conflict by recommending the brokerage account.
D. No, Anne needed to obtain Sam's written consent to the Material Conflict.

Rationale:

A. Incorrect, because full disclosure and informed consent, while necessary to fulfill the Duty of Loyalty, is insufficient. The CFP® professional must also manage the Conflict of Interest.
B. Correct, while Anne fully disclosed the conflict and obtained informed consent, Anne also needs to ensure she manages the conflict to prevent the conflict of from compromising her ability to provide advice in the best interests of the Client.
C. Incorrect. Avoidance of Conflicts is one method of fulfilling the Duty of Loyalty; however, a brokerage account would also present Conflicts of Interest that would need to be fully disclosed with informed consent and managed.
D. Incorrect, informed consent is required, but it does not have to be in writing.

CFP Board Ethics - Assessment Questions for LO3

Learning Objective 3: Describe when Financial Advice requires Financial Planning and the additional obligations that apply

LO3.1

Arien is a CFP® professional who distributes flyers inviting prospects to attend a Financial Planning Seminar. There is a sign at the entrance of the event that says, “What Financial Planning Can Do for You.”

Reid is a prospect who attended the event. Reid meets with Arien in person the following week. Reid wants to be a Financial Planning Client with a specific focus on retirement planning.

Arian instructs Reid to complete an investment risk profile questionnaire. Arien does not clearly inform Reid that she will not be providing Financial Planning. Arien reviews Reid’s response to the questionnaire and only makes an investment recommendation instead of providing financial planning.

Is Arien required to comply with the Practice Standards for the Financial Planning Process and provide Financial Planning?

A. No, because Arien only provided investment planning to Reid.
B. Yes, because Arien provided Financial Advice to Reid when she conducted investment planning.
C. Yes, because Reid has a reasonable basis to believe that Arien will provide or has provided Financial Planning. [KEY]
D. No, because Arien only engaged in a brokerage transaction.

Rationale:

A. Incorrect, because the Client had a reasonable basis to believe Arien would be providing Financial Planning.
B. Incorrect, because Financial Advice might or might not require Financial Planning.
C. Correct, because the context of the event provided Reid with a reasonable bases to believe Arien would provide financial planning.
D. Incorrect, because the Client had a reasonable basis to believe Arien would be providing Financial Planning.

LO3.2

Quintin is 52 years old. He is divorced with no children. He rents his home. His only significant assets are $300,000 invested in a bank savings account and $200,000 in his firm’s 401(k) plan.

Eara is Quintin’s CFP® professional. Quintin wants to focus on his long-term financial outlook. They agree to have Eara develop recommendations for the assets in his bank savings account, make cashflow recommendations, and develop long term planning scenarios that include retirement projections.

An investment advisory agreement between Quintin and Eara allows Eara to manage the assets currently invested in Quintin’s bank savings account.

Is Eara providing Financial Advice that requires Financial Planning?

A. Yes, the services Eara provides to Quintin requires the integration of several factors that result in an agreement to provide financial planning. [KEY]
B. No, there are insufficient facts to conclude that the written Engagement contains language requiring Eara to provide Financial Planning.
C. No, Eara's Financial Advice does not integrate relevant elements of Quintin's personal and financial circumstances.
D. Yes, Eara will be managing the funds currently invested in Quintin's bank savings account, which has a higher value than any of Quintin's other assets. Therefore, Eara's advice will affect a significant portion and amount of Quintin's assets.

Rationale:

A. Correct, because Financial Planning is required when the Financial Advice requires integration of relevant elements of the Client's personal and/or financial circumstances to act in the Client's best interests.
B. Incorrect, because Financial Planning might be required even if it is not discussed in the written engagement
C. Incorrect, because the Financial Advice does integrate relevant elements of Quintin's financial and personal circumstances.
D. Incorrect, because the amount of the Client's assets by itself is only one factor in whether Financial Planning is required.

LO3.3

Diane is a CFP® professional who works with Gertrude to provide Financial Planning Advice. She prepares an Engagement Letter for her to review and sign.

Diane's compensation is detailed in the letter. She will receive a one-time fee. The Engagement Letter includes the Scope of Engagement. The Scope of Engagement clearly details the information Diane will collect from Gertrude, the types of recommendations Diane will provide, and Diane's responsibility to implement the advice.

Does Diane have responsibility to monitor and update the financial plan after she has implemented it?

A. Yes, because the CFP® professional has the responsibility to monitor and update a financial plan unless there is an explicit limitation concerning monitoring in the Scope of Engagement. [KEY]
B. No, because Diane is compensated by a one-time fee instead of an ongoing fee.
C. No, because the Engagement Letter does not explicitly state she will monitor the financial plan.
D. Yes, the CFP® professional always has the responsibility to monitor and update under the Financial Planning Practice Standards, regardless of the explicit Scope of Engagement.

Rationale:

A. Correct. A CFP® professional is required to monitor and update a financial plan unless specifically excluded from the Scope of Engagement.
B. Incorrect. Even if a CFP® professional charges a one-time fee, they have the responsibility to monitor and update a Financial Plan unless specifically excluded from the Scope of the Engagement.

C. Incorrect. A CFP® professional has the responsibility to monitor and update a Financial Plan unless it is specifically excluded from the Scope of the Engagement.
D. Incorrect. A CFP® professional is permitted to specifically exclude the responsibility to monitor and update a financial plan from the Scope of the Engagement.

CFP Board Ethics - Assessment Questions for LO4

Learning Objective 4: Identify Duties when using or referring other persons or technologies

LO4.1

Arya is a CFP® professional who works for a financial services firm. She is the relationship manager for Clients, Savon, and Piper. Savon and Piper intend to retire in ten years. They are looking for a financial advisor who is local to provide customized, active portfolio management. Arya's firm does not have a financial advisor who lives locally and is available to help them.

Several local registered investment advisors (RIAs) maintain custody of assets with Arya's firm. Arya's firm recently developed a list of RIA firms that meet reasonable standards for reputation, experience, and qualifications for referrals. When Arya recommends a firm-approved IRA to a client she receives a fee for the recommendation.

Arya arranges for Savon and Piper to meet with a local investment adviser representative from a firm-approved RIA. Area determines that the representative will be the best fit for the clients given the desire for custom active portfolio management.

What is Arya required to do when making investment adviser representative recommendations to the Clients?

A. Arya is not required to take any action because the Clients are not paying Arya or her firm the fee.
B. Arya is required to immediately disclose the compensation that will result from the recommendation if the Clients retain the local RIA. [KEY]
C. Arya is required to independently investigate at least three local RIA firms on the firm-approved list to determine the best fit for the Clients.
D. Arya must enter a written Engagement with the Clients before recommending an RIA firm.

Rationale:

A. Incorrect, because Arya is obligated to disclose the fee she receives even if the Client's do not directly pay the fee.
B. Correct, because Arya is obligated under the Code and Standards to disclose referral fees.
C. Incorrect because Arya may reasonably rely on her firm's due diligence.
D. Incorrect, because a written engagement is not required to refer other persons.

CFP Board Ethics - Assessment Questions for LO5

Learning Objective 5: Describe the process CFP Board follows to uphold the *Code and Standards*

LO5.1

A CFP® professional must provide written notice of reportable matters to CFP Board. The CFP® professional must fulfill the requirement within a set number of calendar days of both the initiation and conclusion of the reportable matter.

What is the latest period that will fulfill the requirement?

A. ten days
B. thirty days (KEY)
C. forty-five days
D. sixty days

[No rationale provided because it is a background knowledge question]

LO5.2

What is the Sanction Guideline for a CFP® professional found to violate the duty to report information to CFP® Board?

A. Private Censure for an unintentional violation, and Suspension for an intentional violation.
B. Private Censure regardless of whether the violation was intentional.
C. Public Censure regardless of whether the violation was intentional. [KEY]
D. Letter of Caution regardless of whether the violation was intentional.

Rationale

A. Incorrect. The Sanction Guideline is public censure and intent is irrelevant.
B. Incorrect. The Sanction Guideline is public censure.
C. Correct. [Key]
D. Incorrect. The Sanction Guideline is public censure.

LO5.3

Who determines sanction violations for CFP® professionals?

A. Head of Enforcement at CFP Board.
B. A panel of professional arbitrators hired by CFP Board.
C. CFP Board of Directors.
D. A commission of CFP® professionals and members of the public. [KEY]

[No rationale provided because it is a background knowledge question]

CFP Board Ethics - Assessment Questions for LO6

Learning Objective 6: Determine what information must be provided to the Client and when to document the exchange of information

Art Vandelay is a CFP® professional. He provides a client with Financial Advice. The client accepts the Financial Advice and purchases several stocks. Art sends an email to the client with the information required under CFP Board's *Code and Standards*. The email also confirms to the client that he has made the requested purchases. Has Mr. Vandelay satisfied his or her disclosure obligations under the Code and Standards?

A. Yes. Mr. Vandelay is required to provide the required information upon confirming execution of the trade.
B. No. Mr. Vandelay should have provided the required information prior to providing or implementing Financial Advice. [KEY]
C. Yes. Mr. Vandelay provided the information within 90 days, as required by the Code and Standards.
D. No. Mr. Vandelay was not permitted to provide the information in an email.

Rationale:

A. Incorrect, because Mr. Vandelay should have provided the required information prior to providing or implementing Financial Advice.
B. Correct, because information must be provided prior to providing or implementing Financial Advice.
C. Incorrect, because this is not the requirement under the *Code and Standards*.
D. Incorrect, because the *Code and Standards* does not prohibit providing information by e-mail prior to providing or implementing Financial Advice.

LO6.2

Alan meets with Chris for Financial Advice that does not require Financial Planning. Chris is a CFP® professional with no prior bankruptcy or disciplinary action.

Chris gives Alan a written copy of his firm's privacy policy during their preliminary meeting. He then addresses with Alan:

- The services Chris will provide.
- How Alan will pay for advice and investments.
- How Alan is and his firm are compensated.
- The referral fees his firm receives; and
- Chris's conflicts of interests.

What does Chris need to do next to fulfill his Duty to Provide Information to the Client?

A. Chris must follow up by providing all the information he discussed in writing.
B. No further action is needed. He has fulfilled the Duty to Provide Information to the Client.
C. Chris must provide written terms of engagement.
D. Chris must document that he provided the information to Alan. [KEY]

Rationale:

A. Incorrect. For engagements of Financial Advice that does not require Financial Planning, only the privacy policy must be provided in writing.
B. Incorrect. While Chris does not need to provide this information in writing, he must document that he provided information to the client.
C. Incorrect, written terms of engagement are not required for Financial Advice that does not require Financial Planning.
D. Correct. The Duty to Provide Information to the Client requires CFP® professionals to document that information has been provided to the Client.

CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS, INC.

1425 K St NW #800 Washington DC 20005
202-379-2221
CEsponsor@CFPBoard.org