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Codes of Ethics and Professional Responsibility

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Financial Planning
Institute of Southern Africa

THE PROFESSIONAL STANDARD



Code of Ethics and Professional Responsibility

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.

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Introduction

The purpose of the Code of Ethics and Professional Responsibility ("the Code") is to set the ethics standards for business practice and individual business conduct in the financial planning profession. It seeks to assist, guide and direct all stakeholders with ethics deliberations, choices, decisions and conduct.

The Code shall be binding on all members of the Financial Planning Institute (FPI), at every level of membership.

The Code is comprised of three components:

1. The **Principles of Conduct**, which serve to describe the qualities that professional members should aspire to in practicing their profession.
2. **Standards of Conduct**, which set out how professional members should direct their conduct in practising their profession, while adhering to the Principles of Conduct and applying the Financial Planning Practice Standards.
3. The **Financial Planning Practice Standards**, which set out the process according to which professional members should practise their profession.

These three components are interdependent and none of them takes precedence over another in the interpretation of the Code.

Definitions

Articles of Association: The Articles of Association of the Financial Planning Institute of Southern Africa (FPI), which is an association incorporated not for gain under Section 21 of the Companies Act, 1973 (as amended) and Articles shall have a similar meaning.

CFP® professional: Current professionals, candidates for certification and individuals who have any entitlement, direct or indirect, to the CFP® mark/s.

Client: A person, persons or entity that engages a professional member and to which professional services are rendered. For purposes of this definition, a professional member is engaged when, based on the relevant facts and circumstances, an individual reasonably relies on information or services provided by that professional member. Where the services of the professional member are provided to an entity, such as a company, close corporation, trust, partnership or estate, the client is deemed to be the entity acting through its legally authorised representative.

Commission: The compensation received by a professional member, calculated as a percentage of the amount of his or her purchase transactions.

Compensation: Any economic benefit a professional member or related party receives from performing his or her professional activities.

Conflict(s) of interest: This occurs when a professional member's financial, business, property and/or personal interests, relationships or circumstances may reasonably impair his or her ability to offer objective advice, recommendations or services.

Continuous Professional Development (CPD): Activities that develop and maintain the capabilities of professional members to perform competently within their professional environment.

Fee only: A method of compensation whereby only a fee is received from a client, with neither the professional member nor any related party receiving compensation contingent upon the purchase or sale of any financial product. For this purpose, a 'related party' shall mean an individual or entity from whom the professional member derives any direct or indirect economic benefit, as a result of the party implementing a recommendation made by the professional member.

Fiduciary: One who acts in utmost good faith, in a manner that he or she reasonably believes to be in the best interest of the client.

Financial planning: The process of determining whether and how an individual can meet life goals through the proper management of financial resources. Financial planning integrates the financial planning process with the financial planning subject areas. In determining whether the professional member is providing financial planning or material elements of the financial planning process, issues that may be considered include, but are not limited to:

- The client's understanding and intent in engaging the professional member.
- The degree to which multiple financial planning subject areas are involved.
- The comprehensiveness of data collection.
- The extent of the recommendations.

Financial planning may take place even if the elements are not provided to a client simultaneously, are delivered over a period of time, or are delivered as distinct subject areas. It is not necessary to provide a written financial plan to engage in financial planning.

[A] financial planning engagement: When, based on the relevant facts and circumstances, a client reasonably relies on information or services provided by a professional member, using the financial planning process as approved by the FPI, provided that it is not necessary that a professional member receives a fee, commission or benefit to be

engaged by the client and any absence or defect in performing the financial planning process shall not affect the existence of such an engagement.

Financial planning process: The process which typically includes, but is not limited to, some or all of these six elements:

- Establishing and defining the client-planner relationship.
- Collecting client data, including goals.
- Analysing and evaluating the client's current financial status.
- Developing and presenting recommendations and/or alternatives.
- Implementing the recommendations.
- Monitoring the recommendations.

Financial planning components: The basic components covered in the financial planning process which include, but are not limited to:

- Financial Management
- Asset Management
- Risk Management
- Tax Planning
- Retirement Planning
- Estate Planning.

Professional member: A person who engages in financial planning, using the approved financial planning process for working with clients and any person that has been accepted for membership by the FPI, irrespective of the level of membership, provided that any absence or defect in performing the financial planning process shall not exclude a member from this definition. This will include the RFP™; AFP™ and CFP® designation levels described in the membership regulations and other related rules and by-laws of the FPI, as approved by the Board of Directors from time to time.

Part 1: Principles and Standards of Conduct

PREAMBLE: GOAL AND SCOPE OF THE CODE

This document incorporates the rules of conduct according to the Financial Services Board (FSB) model, the existing Code of Professional Responsibility and the Generally Accepted Planning Practice (GAPP). The Code applies to all professional members, irrespective of level of membership and is binding on all professional members. It is not goal-orientated in nature, but directional and, as such, adherence to the contents of the Code is obligatory for all professional members. Any contravention of the Code is grounds for action under disciplinary regulations. In the interpretation of the Code, a zero-tolerance approach to fraud and corruption will be taken.

PRINCIPLES OF CONDUCT

The FPI is committed to and requires professional members to adhere to the following principles:

Principle 1: Client First

Place the client's interests first.

Placing the client's interests first is a hallmark of professionalism, requiring professional members to act honestly and not place personal and/or employer gain or advantage, economic or otherwise, before the client's interests.

Principle 2: Integrity

Provide professional services with integrity.

Integrity requires honesty, candour, fair dealing and truthfulness in all professional matters. Professional members are placed in a position of trust by clients and the ultimate foundation of that trust is their 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 Professional members to observe both the letter and the spirit of the Code.

Integrity further implies that professional members shall not:

- Give recommendations that they suspect, or reasonably should have suspected, to be false or misleading, and/or
- Conduct services in a dishonourable and disrespectful manner, and/or
- Omit or obscure information that clients, employers or any other stakeholders rely on in the course of their professional endeavours.

Principle 3: Objectivity

Provide objective professional services.

Objectivity requires intellectual honesty and impartiality. Regardless of the services rendered or the capacity in which professional members' function, objectivity requires that they ensure the integrity of their work, manage conflict and exercise sound professional judgment.

Threats to objectivity may occur in various situations and forms, including, but not limited to, the following:

- A personal or economic interest of the professional member, a family member, or a person of close relationship or acquaintance with the professional member.
- The promotion of a specific opinion, service or product by a professional member, due to personal or economic interest.
- Actual or perceived intimidation of a professional member to promote a certain opinion, service or product.

Principle 4: Fairness

Be fair and reasonable in all professional relationships.

Disclose and manage conflicts of interest.

Fairness requires providing clients with their due, whatever they are owed, or what may be expected from a professional relationship and includes honesty, and disclosure of material conflicts of interest. It involves managing one's own feelings, prejudices and desires to achieve a proper balance of interests. Fairness is treating others as you would want to be treated.

Principle 5: Professionalism

Act in a manner that demonstrates exemplary professional conduct.

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

The elements of professionalism include the following:

- To acquire and master intellectual skills acquired through continuing professional development and experience.
- To accept and embrace duties to the general public, clients and employers.
- To render services of a high standard, in accordance with the Code and the applicable laws of the Republic of South Africa.

Principle 6: Competence

Maintain the abilities, skills and knowledge necessary to provide competent professional services.

Competence requires attaining and maintaining an adequate level of knowledge, skills and abilities in the performance of professional services. Competence also includes the wisdom to recognise one's own limitations and whether consultation with other professionals or referral to other professionals would be appropriate or necessary. Competence requires the financial planner to make a continuing commitment to learning and professional improvement.

Principle 7: Confidentiality

Protect the confidentiality of all client information.

Confidentiality requires client information to be protected and maintained in such a way that access is only allowed to those who are authorised or entitled, according to the laws of the Republic of South Africa. A relationship of trust and confidence can only be built on the understanding that the client's information will not be disclosed inappropriately.

Principle 8: Diligence

Provide professional services diligently.

Diligence requires fulfilling professional commitments promptly and thoroughly, and taking due care when planning, supervising and delivering professional services.

STANDARDS OF CONDUCT

The standards of conduct serves to direct the professional member in respect of how the principles of conduct must be applied within their conduct toward their clients, other professional members, employers and other stakeholder to the financial planning environment.

The ten elements of the Code are as follows:

- Relationships with clients and prospects
- Promotion of services
- Remuneration
- Disclosures
- Professional conduct
- Fiduciary responsibilities
- Duty to employers
- Conflict of interest
- Responsibilities to the FPI
- Continuous Professional Development.

1. Relationships with clients and prospects

1.1 Duty of care

- 1.1.1 Professional members shall at all times place the interests of the client first, before their own or those of their employer.
- 1.1.2 Professional members shall treat the client fairly and provide professional services with integrity and objectivity.
- 1.1.3 Professional members shall ensure that their personal bias or interests do not adversely affect their services to clients.
- 1.1.4 Professional members shall provide professional services promptly and thoroughly.
- 1.1.5 Professional members shall know and apply the Code in their professional activities.
- 1.1.6 Professional members shall disclose all relevant facts, where disclosure is necessary, to avoid misleading clients or any other parties.
- 1.1.7 Professional members shall not engage in conduct involving dishonesty, fraud, deceit or misrepresentation, or knowingly make a false or misleading statement to clients or any other parties.
- 1.1.8 Professional members shall exercise reasonable and prudent professional judgment in providing professional services.
- 1.1.9 It is obligatory for any professional member who has had his/her professional certification, suspended or terminated by the FPI or regulatory authority to inform all existing clients of the change to his/her professional status.
- 1.1.10 Whenever professional members are dealing with a client or potential client, it is obligatory that they fully divulge those products and services in respect of which they are bound to a particular supplier, and, where relevant, disclose any limitations or constraints placed on them, and the consequences thereof, in respect of services or products that may be provided to such clients.
- 1.1.11 In terms of the Code, a professional member is precluded from professing to be a principal when acting as an agent. Whether acting as an agent for a principal, employed by a financial planning firm or an investment institution, or self-employed, such a professional member shall ensure that the scope of his or her authority is clearly defined and properly documented. When representing a corporate persona, the professional member should provide full details regarding the legal nature of such an entity and, where relevant, disclose the identity of its major shareholders.
- 1.1.12 Professional members shall properly supervise subordinates with regard to their delivery of financial planning services and shall not accept or condone any conduct that is in violation of this Code.

1.2 The client / professional member engagement

- 1.2.1 The professional member and the client shall mutually agree on the services to be provided by the professional member.
- 1.2.2 The professional member shall take all reasonable steps to ensure that the client understands the financial planning recommendation(s), so that informed decisions may be made by the client.

- 1.2.3 The professional member shall know and reasonably apply the Financial Planning Practice Standards relevant to the scope of the engagement with the client.
- 1.2.4 If the services include financial planning or material elements of the financial planning process, the Professional member shall provide the following information in writing and/or in discussion with the client, prior to entering into an agreement:
 - 1.2.4.1 The obligations and responsibilities of each party under the agreement with respect to defining the client's objectives, needs and priorities, collecting and providing appropriate data, examining the results of the client's current course(s) of action without changes, the formulation of any recommended actions, implementation responsibilities for the financial planning recommendations and responsibilities for reviewing the financial planning recommendations.
 - 1.2.4.2 Compensation that any party to the agreement or any affiliate to a party to the agreement would or could receive under the terms of the agreement; factors or terms that determine costs to the client; how decisions would benefit the professional member and the relative benefit to the professional member.
 - 1.2.4.3 Terms under which the professional member will utilise proprietary products.
 - 1.2.4.4 Terms under which the professional member will use other entities/professionals to meet any of the obligations in the agreement.
 - 1.2.4.5 Procedures for resolution of client claims and complaints against the professional member.
- 1.2.5 If the services include financial planning or material elements of the financial planning process, the professional member shall disclose the following information in writing to the client:
 - 1.2.5.1 An accurate and understandable description of the compensation arrangements being offered. This description must include information related to costs to the client and the general form and source of compensation to the professional member and/or his or her employer, terms under which the professional member and/or his or her employer may receive compensation from any other sources, and, if applicable, the sources of these payments and on what they are based.
 - 1.2.5.2 A general summary of likely conflicts of interest between the client and the professional member, his or her employer, or any affiliates or third parties, including, but not limited to, information about any familial, contractual or agency relationship or any other arrangement between the professional member and such third party of the professional member or his or her employer that has a potential to materially affect the relationship with the client.
 - 1.2.5.3 Any information about the professional member or his or her employer that could reasonably be expected to materially affect the client's decision to engage the professional member.
 - 1.2.5.4 Any information that the client might reasonably want to know in establishing the scope and nature of the relationship, including, but not limited to, information about the professional member's areas of expertise.
 - 1.2.5.5 Contact information for the professional member and, if applicable, his or her employer or any relevant third party information.

- 1.2.5.6 On an on-going basis, the professional member shall make timely disclosure to the client of any material changes to the above information.
- 1.2.6 Consistent with the scope of the engagement, a professional member shall undertake a reasonable investigation of the products and services to be recommended to clients. A professional member may rely on an investigation undertaken by a third party, provided it is reasonable to rely on the quality of such an investigation and provided that ultimately, the professional member shall be liable for the information contained therein, taking the relevant factors into consideration, including, but not limited to, the following:
 - 1.2.6.1 The knowledge and skill of the third party.
 - 1.2.6.2 The thoroughness of the investigation by the third party.
 - 1.2.6.3 The nature of the relationship between the third party and the products and services investigated.
- 1.2.7 The professional members or their employer shall enter into a written agreement governing the services ("the Agreement"). The Agreement shall specify at least the following:
 - 1.2.7.1 The parties to the Agreement.
 - 1.2.7.2 The date of the Agreement and its duration.
 - 1.2.7.3 How and on what terms each party is able to terminate the Agreement.
 - 1.2.7.4 The services to be provided as part of the Agreement.
- 1.2.8 Professional members shall only make and/or implement recommendations that are suitable for the client.
- 1.2.9 When professional members provide investment advice, irrespective of whether an investment will constitute a "Financial Product" as defined in the Financial Advisory and Intermediary Services (FAIS) Act 37 of 2002 or not, to a client, they must:
 - 1.2.9.1 Enquire about the client's prior investment experience, the objectives of the investment and the client's understanding of risk and reward
 - 1.2.9.2 Enquire about the client's constraints, before any investment recommendation or action is proposed, and regularly reassess this information to determine whether the investment is still within the client's objectives.
 - 1.2.9.3 Determine the suitability of an investment, in relation to the client's financial situation and whether it is consistent with the client's written objective and constraints.
 - 1.2.9.4 Disclose the format and general principles of the investment processes used to analyse investments and investment products or vehicles, and the construction of investment portfolios.
 - 1.2.9.5 Distinguish between the professional member's opinion and factual information in the investment analysis, recommendation or proposal.
 - 1.2.9.6 Seek to determine the suitability of investment in the context of the client's entire portfolio.

- 1.2.9.7 If professional members are responsible for managing a portfolio according to a specific client mandate, investment strategy or investment style, any investment recommendations made or action taken must be consistent with the client's mandate and the objectives of the portfolio.
- 1.2.9.8 When professional members communicate investment performance information, reasonable efforts must be made to ensure that this information is fair, accurate and complete.
- 1.2.9.9 Objectivity, diligence and independence should be demonstrated when analysing investments or making investment recommendations.
- 1.2.9.10 Professional members must ensure that they have a sufficient basis, supported by appropriate knowledge, experience, research and investigation, for any investment analysis, recommendation or proposal.
- 1.2.10 Professional members shall keep a written record of their recommendations to each client and such a record shall clearly state the basis on which the recommendations were made.

1.3 Complaints

- 1.3.1 If a client has a complaint against a professional member, the professional member must, in addition to any other regulatory considerations, inform the client of the prescribed method for lodging the complaint with the FPI. This will, however, not be deemed to constitute an admission of guilt by the professional member.
- 1.3.2 Professional members are bound by the rules contained in the disciplinary regulations approved by the Board of Directors of the FPI.

1.4 Confidentiality

- 1.4.1 Professional members shall treat the client's information as confidential, except where required in response to proper legal process or regulatory requirements, according to the laws of the Republic of South Africa, where necessitated by obligations to a professional member's employer or partners; where defence has to be given against charges of wrongdoing; in connection with a civil dispute; or as needed to perform professional services on behalf of the client.
- 1.4.2 Professional members shall take reasonable and prudent steps to protect the security of the client's information and property, including the security of physically or electronically stored information, if it is within their control. The duty of confidentiality of professional members extends to the staff under their control and individuals from whom advice and assistance are obtained.
- 1.4.3 In the event that professional members wish to utilise any information pertaining to a client for their own personal benefit or that of another party, their client's written permission is required.
- 1.4.4 The confidential information of a given client should not be disclosed or divulged to other clients, under any circumstances.
- 1.4.5 Professional members shall maintain the same standard of confidentiality with employers as with clients.
- 1.4.6 A professional member doing business as a partner or principal of a financial services firm owes the firm's partners or co-owners a commitment to act in good faith, i.e. an expectation of reasonable confidentiality while in business together and thereafter.

1.5 Termination of relationship

- 1.5.1 If a client terminates the relationship, professional members are expected to act with integrity and professionalism, and give effect to the client's instructions as soon as possible, in the circumstances.
- 1.5.2 If professional members terminate a relationship with a client, they should provide written notice of the reasons, including the date from which termination will be effective.
- 1.5.3 Professional members shall, nevertheless, act in a professional manner until the final termination of services.
- 1.5.4 If a professional member terminates his/her relationship with a client, the professional member shall provide written notice to the client stating the reason for termination and the date from which it will be effective.

1.6 Lending and borrowing of monies

- 1.6.1 A professional member shall not borrow money from a client. This rule does not apply in the following cases:
 - 1.6.1.1 The client is a member of the professional member's immediate family.
 - 1.6.1.2 The client is an institution in the business of lending money and the borrowing is unrelated to the professional services performed by the professional member.
- 1.6.2 A professional member shall not lend money to a client, except in the following cases:
 - 1.6.2.1 The client is a member of the professional member's immediate family.
 - 1.6.2.2 The professional member is an employee of an institution in the business of lending money and the money lent is that of the institution, not the professional member.

1.7 Scope of competence

- 1.7.1 Professional members shall only offer advice to clients in their areas of competence. In areas where they are not competent, they shall seek the counsel of, and/or refer clients to, qualified professionals.
- 1.7.2 Professional members shall fully disclose to their clients the limitations of their knowledge or competence, in relation to the advice given, service or the product recommended.
- 1.7.3 Professional members shall maintain competence in all areas of their professional practice.
- 1.7.4 Professional members shall remain informed about developments in financial planning and participate in continuing professional development.

2. Promotion of Services

- 2.1 Professional members shall not communicate, directly or indirectly, to clients or any other parties any false or misleading information directly or indirectly related to their qualifications or services.
- 2.2 Professional members shall not mislead clients or any other parties about the potential benefits of their service.
- 2.3 Professional members may not make false or misleading statements about the size, scope or areas of their competence, their practice or any organisation with which they are associated, or where they are fulfilling an intermediary role.
- 2.4 Professional members may not make false or misleading statements to the public, service providers and colleagues, or create unjustified expectations regarding matters relating to financial planning, their own professional activities, the company they represent, or any organisation with which they are associated. Promotional activities include, but are not limited to, speeches, interviews, printed publications, seminars, radio and television shows, and video cassettes.
- 2.5 In the course of their professional activities, professional members shall not engage in conduct involving dishonesty, fraud, deceit or misrepresentation, or knowingly make false or misleading statements to a client, employer, employee, professional colleague, governmental or other regulatory body or authority or any other person or entity.

3. Remuneration

3.1 Commission and/or fees

- 3.1.1 Before the engagement, the professional member shall explain, in writing, the precise range of professional services that the fee is intended to cover, the basis on which the fee is computed and any billing arrangements. The professional member must disclose to the client, in writing, any commissions received, both as a percentage and in monetary terms.
- 3.1.2 Professional members may be remunerated in various ways, depending on the level of advice they are providing and whether payment is based on a fee or commission, or both. Irrespective of the remuneration charged, the main criteria are fairness and equitability for the client and the member. Excessive commissions offered by service providers should be questioned and investigated by the member before promoting such products and/or services. A professional member may be engaged by a client irrespective of whether the Professional member receives remuneration or not.
- 3.1.3 In determining what constitutes a fair remuneration, professional members may take into account the value of the professional service to the client, the customary charge for similar services by other professionals, banks, and management and business consultants, and any special circumstances. No single factor is necessarily the determining factor. Agreeing on an acceptable fee is primarily a matter for negotiation between the professional member and the client. The following factors should be taken into account when determining the fee:
 - 3.1.3.1 The skill and knowledge required for the type of professional service involved
 - 3.1.3.2 The level of training and experience of the persons necessarily engaged in performing the professional service
 - 3.1.3.3 The time necessarily taken by each person engaged in performing the professional service

3.1.3.4 The degree of responsibility and risk involved in performing this service

3.1.3.5 The level and extent of investment in technology and infrastructure to support the advice provided.

3.2 Advice tainted by dishonest gain

3.2.1 Where a professional member advises a client to undertake any action which does not hold any benefit for the client and where such advice would merely generate remuneration for the professional member, such a practice will be deemed to be a contravention of the Code.

3.2.2 Where the remuneration offered for procuring clients for any product or service is in excess of industry norms, professional members are warned to be extremely cautious before promoting such ventures or products, and to actively question whether there are underlying reasons why this is the case.

4. Disclosures

4.1 Where excessive returns are offered to clients investing with an institution or in a specific scheme, the professional member will be expected to bring to the client's attention that where returns are higher, so too are the risks associated with such investments. Once this has been brought to the client's attention and the client persists in investing in such a product or scheme, the professional member is obliged to record the client's decision in a written report to the client, pointing out the associated risks involved. Any failure to do so would be a contravention of the Code.

4.2 Where the employment of a tax concession is crucial for a scheme to be viable, the promotion of such a scheme would be deemed to be unprofessional, unless the member discloses the full extent of the client's position, should such concession be withdrawn.

4.3 Professional members are obligated to disclose their designation and FPI membership status to all new and existing clients. Such disclosure must state that the professional member adheres to the Code. Such disclosure must further advise the client of its avenues of redress against the professional member.

4.4 Professional members are obliged to prominently display their valid membership and designation certificate at their business premises.

4.5 Professional members are obligated to adhere to the disclosure requirements and regulations issued by their employer or the Financial Services Board (FSB) or contained in legislation of the Republic of South Africa.

5. Professional Conduct

5.1 Professional members shall comply with all applicable legal and regulatory requirements governing professional services provided to the client.

5.2 Professional members must use due skill, care, diligence, judgment, independence and objectivity in their professional activities. They may not offer, solicit or accept any gift, or other consideration that could reasonably be expected to compromise the independence and objectivity of themselves or others.

5.3 Professional members may not knowingly make any misrepresentations relating to investment analysis, a product and/or product supplier, competitor analysis, recommendations or proposals.

- 5.4 Where professional members give any advice or make any suggestion to a client to act in a manner that is in contravention of any law, such conduct will be deemed to be unprofessional.
- 5.5 Where professional members are approached for professional advice regarding any action that is illegal, or which they suspect or should have reasonably suspected to be illegal, due to their knowledge and expertise, such professional members are advised to decline any involvement and refer the client to a competent legal professional member for appropriate counsel.
- 5.6 All stakeholders in the financial planning profession shall be treated with dignity and respect. Professional members may not make disparaging remarks about other members, professionals, employers or a company's intermediaries to a client, the FPI or any other party. Such conduct will be considered unprofessional and in contravention of the Code.

6. Fiduciary Responsibilities

- 6.1 In exercising custody of, or discretion over, client funds or property, professional members shall fulfil the following responsibilities:
 - 6.1.1 Professional members shall act only in accordance with the Letter of Authority set forth in the governing legal instrument, i.e. access to obtain information, a broker's note, power of attorney, a letter of trust authority, or letters of executorship.
 - 6.1.2 Professional members shall identify and keep complete record of all funds or other property of a client in their custody or under their discretionary authority.
 - 6.1.3 Should professional members receive funds or property from a client, for any reason, they shall promptly, or as otherwise permitted by law or provided for by agreement with the client, deliver to the client or third party such funds and/or property which the client or third party is entitled to receive and, upon request of the client, render a full account regarding such funds or property.
 - 6.1.4 Professional members shall not commingle client funds or other property with their personal funds and/or property, or the funds and/or property of their firm or subsidiary of that firm.
 - 6.1.5 If professional members are operating a trading account into which more than one client's funds are being paid, e.g. a trading policies account, accurate record should be kept for each individual client's funds and/or property, subject to compliance with the applicable legal requirements at the time.
 - 6.1.6 Professional members, who take custody of all or any part of a client's assets for investment purposes, shall do so with the diligence and accountability required of a fiduciary or custodian of those funds.
- 6.2 Professional members shall return the client's property upon request as soon as practicable or consistent with the time frame specified in an agreement with the client.
- 6.3 In collaboration with the client, professional members shall clearly identify the assets, if any, over which they will take custody, exercise investment discretion or supervise.
- 6.4 Professional members shall identify and keep updated records of all funds or property of the client in their custody or under their discretionary authority.
- 6.5 Professional members shall not commingle the client's property with their own, that of their employer or that of other clients, unless the commingling is permitted by law, explicitly authorised and defined in

a written agreement between the parties and the professional member has sufficient record-keeping to track each client's assets accurately.

7. Duty to Employers

- 7.1 Professional members who are employees/agents shall perform professional services with dedication to the lawful objectives of the employer/principal and in accordance with the Code.
- 7.2 Professional members who are employees/agents shall advise their current employer/principal of any certification suspension they have received from the FPI.
- 7.3 Professional members must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, reveal confidential information, or otherwise cause harm to their employer.
- 7.4 Professional members may not accept gifts, benefits, compensation or consideration that competes with, or might reasonably be expected to create a conflict of interest with their employer's interests, unless they obtain written consent from all parties involved.
- 7.5 Professional members must make reasonable efforts to detect and prevent violations of applicable laws, rules, regulations and the Code by anyone subject to their supervision or authority.

8. Conflict of Interest

- 8.1 Professional members must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity, or interfere with their respective duties to their clients, prospective clients and employer. Professional members must ensure that such disclosures are prominent, delivered in plain language and that the relevant information is communicated effectively.
- 8.2 Where appropriate, professional members must disclose any compensation, consideration or benefit received from, or paid to, others for the recommendation of products or services, to their employer, clients and prospective clients.

9. Responsibilities to the FPI

- 9.1 Professional members shall comply with all applicable renewal requirements specified by the FPI, including but not limited to, payment of annual fees.
- 9.2 Professional members shall abide by the terms of all agreements with the FPI, including, but not limited to, the proper use of all relevant trademarks and professional members must co-operate fully with the FPI's trademark, and professional review operations and requirements.
- 9.3 Professional members shall meet all FPI requirements, including those regarding continuing professional development, in order to retain the right to use the relevant trademarks.
- 9.4 Professional members shall update changes to contact information, including e-mail address, telephone number(s) and physical address, by way of the FPI's renewal process within the time frame specified by the FPI.
- 9.5 Professional members shall not engage in conduct that reflects adversely on their integrity or fitness as a professional member, the trademarks, or the profession as a whole.

- 9.6 Professional members must not engage in any conduct that compromises the reputation, integrity, validity or security of the FPI board examinations.
- 9.7 Professional members are obliged to co-operate with fellow professional members to enhance and maintain the profession, and the FPI's public image, and to work jointly with other professional members to improve the quality of services, both internally and to the public.
- 9.8 Professional members shall show respect for other financial planning professionals and related occupational groups, by engaging in fair and honourable competitive practices.
- 9.9 Should professional members have reasonable knowledge of another professional member having committed a violation of this Code or any other law, which raises substantial questions regarding the professional member's honesty, trustworthiness or fitness as a member of the FPI, they shall promptly inform the Standards Manager of the FPI. This principle does not require disclosure of information or reporting based on knowledge gained as a consultant or expert witness in anticipation of, or related to, litigation or other dispute resolution mechanisms.
- 9.10 Professional members who have such knowledge which could, under the circumstances, reasonably warrant further investigation of a case of unprofessional, fraudulent or illegal conduct by another professional member or other financial professional, or his or her firm, shall promptly inform the appropriate regulatory authority and/or the FPI. This principle does not require disclosure of information or reporting based on knowledge gained as a consultant or expert witness in anticipation of, or related to, litigation or other dispute resolution mechanisms.
- 9.11 Professional members shall not use this section of the Code to report, or threaten to report, information to the FPI, if the only substantial reason for such report is to harass, maliciously injure, embarrass and/or unfairly prejudice or burden another professional member.
- 9.12 Professional members must comply with the FPI's disciplinary regulations concerning the handling of complaints, dispute resolution and disciplinary procedures.
- 9.13 Professional members of the FPI shall not give the impression that they are representing the views of the FPI or any other group, unless they have been authorised to do so by the FPI or that group. Therefore, personal opinions shall be clearly defined as representing the views of the professional member and not those of the FPI or any other group.
- 9.14 In all professional activities, professional members shall perform services in accordance with the applicable laws, rules and regulations of government and other applicable authorities, including the Code established by the FPI, as amended from time to time. Any advice given that contravenes the applicable governmental laws established and amended from time to time constitutes a criminal offence.

10. Continuous Professional Development (CPD)

- 10.1 FPI professional members are obligated to ensure that they comply with the requirements regarding continuing professional development, as determined by the FPI from time to time.
- 10.2 FPI professional members are obligated to comply with the requirements regarding continuing professional development governed by any laws or regulations.
- 10.3 Professional members falsifying information regarding their continuous professional development status shall be in contravention of the Code.

- 10.4 Professional members who do not comply with the FPI requirements regarding CPD may have their membership suspended and subsequently terminated. Re-instatement of membership will be governed by the membership regulations, as determined by the FPI.

11. Guidance

Guidance in respect of the application of this Code can be obtained from the FPI at the following contact details:

Tel: 086 1000 FPI (374)

E-mail: standards@fpimail.co.za

Part 2: Financial Planning Practice Standards

Financial Planning Standards Board Ltd. (FPSB) has defined standards of performance for the following:

- Establishing the level of practice expected of a financial planning professional engaged in the delivery of financial planning to a client.
- Establishing the norms of professional practice and allowing for consistent delivery of financial planning by financial planning professionals.
- Clarifying the respective roles and responsibilities of financial planning professionals and their clients in financial planning engagements.
- Enhancing the value of the financial planning process.

The FPI has accepted FPSB's defined standards as part of the Code and therefore support and require the following:

FPSB's Financial Planning Practice Standards

Financial planning is the process of developing strategies to assist clients with managing their financial affairs to meet life goals. The process of financial planning involves reviewing all relevant aspects of a client's situation across a wide range of financial planning activities, including inter-relationships between often conflicting objectives.

The Practice Standards establish the level of professional practice reasonably expected of financial planning professionals during financial planning engagements, regardless of practice type, setting, location or method of compensation. FPSB expects that clients of financial planning professionals will benefit from a globally accepted set of Practice Standards for financial planning professionals.

Applicability of the Practice Standards

Professional members shall always consider all aspects of the client's financial situation when formulating strategies and making recommendations, and shall follow these Practice Standards where they apply. At least some of these Practice Standards apply to both comprehensive financial planning and the provision of services that only represent components of financial planning (financial management, asset management, risk management, tax planning, retirement planning and estate planning).

Consistent with applicable proposed regulations within the financial services industry, Standard 1, dealing with establishing and defining the relationship with the client, applies whenever a professional member provides financial planning or components thereof to a client. This serves to establish clear and appropriate expectations for the client and the professional member. Standards 2 to 6 apply to the extent to which they are relevant to that engagement. The scope of the engagement document will dictate the applicability of the other standards.

The Financial Planning Process	Related Practice Standard(s)
1. Establish and define the relationship with the client.	1.1 Inform the client about financial planning and the financial planning professional's competencies. 1.2 Determine whether the financial planning professional can meet the client's needs. 1.3 Define the scope of the engagement.
2. Collect the client's information.	2.1 Identify the client's personal and financial objectives, needs and priorities. 2.2 Collect quantitative information and documents. 2.3 Collect qualitative information.
3. Analyse and assess the client's financial status.	3.1 Analyse the client's information. 3.2 Assess the client's objectives, needs and priorities.
4. Develop the financial planning recommendations and present them to the client.	4.1 Identify and evaluate financial planning strategies. 4.2 Develop the financial planning recommendations. 4.3 Present the financial planning recommendations
5. Implement the client's financial planning recommendations.	5.1 Agree on implementation responsibilities. 5.2 Identify product(s) and service(s) for implementation.
6. Review the client's situation.	6.1 Agree on responsibilities and terms for review of the client's situation. 6.2 Review and re-evaluate the client's situation.

Notes

Financial Planning Institute of Southern Africa

Palms Office Court, Block A, Ground Floor

Kudu Avenue, Allen's Nek

PO Box 6493, Weltevredenpark, 1715

Tel: 086 1000 FPI (374)

E-mail: fpimail.co.za

www.fpi.co.za