

# Exposure Draft Spring 2008

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PROPOSED CHANGES TO THE ELIGIBILITY REQUIREMENTS FOR OBTAINING CERTIFIED FINANCIAL PLANNER® (CFP®) CERTIFICATION



Financial Planners Standards Council (FPSC) is a not-for-profit organization established in 1995 to lead the development of the financial planning profession through CFP certification. FPSC develops and enforces the most rigorous standards in financial planning competency and ethics for individuals who hold CERTIFIED FINANCIAL PLANNER® Certification in Canada. These individuals are licensed by FPSC to use the registered certification marks: CFP®, CERTIFIED FINANCIAL PLANNER® and CFP (with flame logo). There are currently more than 17,000 CFP professionals in Canada and more than 110,000 individuals in 20 countries worldwide who have earned and who maintain CFP certification.

## Overview

In 2006, Financial Planners Standards Council (FPSC) released its CFP Professional Competency Profile (the Profile) that defines FPSC's expectations of current and future CFP professionals and the profession of financial planning in Canada. Subsequently, the international CFP community adopted the Profile as the basis for defining professional financial planning worldwide.

FPSC has initiated several changes to the CFP certification program here in Canada to bring it in line with the Profile, including improving the alignment of our Core Curriculum and Continuing Education requirements, and the CFP Examination, with the competencies outlined in the Profile.

At the time of finalizing the Profile, FPSC, working in concert with an advisory committee comprised of educators and industry representatives, identified the appropriateness of structural changes to the CFP certification program to better meet the expectations set out in the Profile and the needs of the Canadian public. Since that time much research and consultation has been undertaken in an effort to define the best certification program to meet current and future needs for the profession. This work has culminated in the proposed changes to the CFP certification program, detailed in this document.

We welcome comments regarding the changes detailed in this exposure draft from all stakeholders. Please forward comments to [exposuredraft@fpsccanada.org](mailto:exposuredraft@fpsccanada.org). Detailed instructions for responses follow at the end of this document.

## History of the Proposed Changes

With the completion of the Professional Competency Profile for CFP Professionals, FPSC undertook an extensive review of all aspects of its certification program. The work included several task forces, surveys of students and industry, formal and informal communications with regulators, industry and allied organizations, consultation with our international affiliate organizations, and a review of the policies of other financial industry certification programs in Canada.

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### Current Status of Proposed Changes

In April and May 2008, FPSC's Certification Scheme Committee, a standing committee of the FPSC Board of Directors charged with overseeing all changes to FPSC's certification program and made up of experts from industry, academia, the CFP community and certification experts from allied professions, reviewed and approved the work conducted over the previous two and a half years.

In June 2008, the proposed changes were accepted by the FPSC Board of Directors, pending any changes deemed appropriate as a result of this public consultation process.

Formal release of the new CFP certification program guidelines will follow the close of this public consultation, pending any amendments resulting from comments. FPSC will direct, by email, all known stakeholders to [www.fpscscanada.org](http://www.fpscscanada.org) for online publication of the finalized details of changes to the CFP certification program.

### Components of FPSC's CFP Certification Program

FPSC has structured the CFP certification program around a "4E" model that stipulates specific requirements in each of four domains:

1. Education
2. Experience
3. Examination
4. Ethics

As such, candidates must demonstrate competence in and/or adherence to each requirement to earn CFP certification.

To remain in good standing with FPSC as an individual who holds CFP certification (a CFP professional), individuals must also meet FPSC's annual requirements in continuing education and adhere to FPSC's standards of professional ethics and practice.

All CFP certification requirements are based on three sets of standards for CFP Professionals – the Professional Competency Profile, Code of Ethics, and Practice Standards.

### Guiding Principles

The following principles guided FPSC's work in developing these proposed changes:

1. All certification requirements should be appropriately and sufficiently rigorous to allow FPSC to meet its standard-setting mandate.
2. The certification requirements should be fair and accessible to candidates.

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### Guiding Principles - CONTINUED

3. All certification requirements should provide a meaningful opportunity for candidates to advance their competence.
4. The path to CFP certification should align with the normal development path that a student would follow, from initial introduction to the financial planning profession through to full CFP certification.
5. The transition plan to the new program requirements should allow reasonable opportunity for 'candidates in process' to complete the CFP certification program under the current program requirements.

### Proposed Changes

#### PRIMARY CHANGES

The key changes from the current program include:

1. Requirement for the successful completion of a **Capstone** course, which focuses on integrating knowledge gained in the core curriculum across the financial planning competency and knowledge domains, and requiring the completion of a financial plan.
2. Increase in financial planning work experience requirement from two years to **three years**.
3. Move to a **two-stage exam** process where candidates will be required to successfully complete the Professional Competence Exam 1 (PCE1) and the Professional Competence Exam 2 (PCE2).

#### NEW PROGRAM EFFECTIVE DATE

The new program will be in full effect as of 1 January 2010.

#### CHANGES IN DETAIL

The following table outlines the main changes to the program, showing both the current and proposed requirements and policies.

In this table, Approved Education candidates (AE candidates) are candidates who have completed an FPSC-approved education program covering FPSC's Core Curriculum for CFP certification (the vast majority of current candidates are in this category). Approved Prior Credential candidates (APC candidates) are candidates who have come to the CFP certification program with an FPSC-approved prior credential. If not specified, a given requirement applies to all candidates.

Professional Competence Examination 1 (PCE1) and Professional Competence Examination 2 (PCE2) are the names given to the two new exams making up the Examination requirement for CFP certification. Details of these exams can be found the sections that follow.

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|  | Current Rule   | → | 2010 Rule  |
|--|--|---|--|
| CERTIFICATION PROGRAM FOR AE CANDIDATES  | <p>AE candidates must complete:</p> <ul style="list-style-type: none"> <li>▶ Core Curriculum education.</li> <li>▶ CFP Examination.</li> <li>▶ Two years of financial planning work experience.</li> <li>▶ Agree to adhere to the Code of Ethics.</li> </ul> |   | <p>AE candidates must complete:</p> <ul style="list-style-type: none"> <li>▶ Core Curriculum education.</li> <li>▶ Professional Competence Exam 1 (PCE1).</li> <li>▶ Capstone course.</li> <li>▶ Professional Competence Exam 2 (PCE2).</li> <li>▶ Three years of financial planning work experience.</li> <li>▶ Agree to adhere to the Code of Ethics.</li> </ul> |
| CERTIFICATION PROGRAM FOR APC CANDIDATES | <p>APC candidates must complete:</p> <ul style="list-style-type: none"> <li>▶ CFP Examination.</li> <li>▶ Three years of financial planning work experience.</li> <li>▶ Agree to adhere to the Code of Ethics.</li> </ul>                                    |   | <p>APC candidates must complete:</p> <ul style="list-style-type: none"> <li>▶ Professional Competence Exam 1 (PCE1).</li> <li>▶ Capstone course.</li> <li>▶ Professional Competence Exam 2 (PCE2).</li> <li>▶ Three years of financial planning work experience.</li> <li>▶ Agree to adhere to the Code of Ethics.</li> </ul>                                      |
| CONTINUOUS REGISTRATION                  | <p>There is no requirement to abide by a Code of Conduct while completing the CFP certification program.</p>   |   | <p>To remain eligible for CFP certification, all candidates must abide by a Code of Conduct and maintain continuous registration with FPSC from the first time they receive FPSC's approval to write the PCE1 until CFP certification.</p>   |
| CERTIFICATION PROGRAM TIME WINDOW        | <p>Unlimited number of years to obtain CFP certification.</p>  |   | <p>There can be no more than 12 years from completion of Core Curriculum education to CFP certification for AE candidates.</p> <p>There can be no more than 8 years from first attempt at PCE1 to CFP certification for APC candidates.</p>  |
| EDUCATION REQUIREMENT                    | <p>Candidates may qualify by completing Core Curriculum education (AE) or through the Approved Prior Credentials (APC) policy.</p>   |   | <p>Candidates may qualify for PCE1 by completing Core Curriculum education or through the Approved Prior Credentials (APC) policy.</p> <p>While APC candidates are not required to complete a Core Curriculum education (AE) program, all candidates must successfully complete an approved Capstone course to be eligible for PCE2.</p>                           |
| EDUCATION TIME WINDOW                    | <p>First attempt at the CFP Examination by AE candidates must be made within five years following completion of Core Curriculum education program.</p>   |   | <p>First sitting of the PCE1 by AE candidates must be made within four years following completion of Core Curriculum education program.</p> <p>First sitting of the PCE2 by all candidates must be within four years following successful completion of a Capstone course.</p>   |

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### CHANGES IN DETAIL - CONTINUED

|                                  | Current Rule  | → | 2010 Rule   |
|----------------------------------|---|---|---|
| <b>EXPERIENCE REQUIREMENT</b>    | <p>Candidates require two years full-time or the equivalent financial planning work experience.</p> <p>APC Candidates require three years full time or the equivalent financial planning work experience.</p>   |   | <p>All candidates require three years full-time or the equivalent financial planning work experience. What is considered to qualify as financial planning experience remains unchanged.</p>   |
| <b>EXPERIENCE TIME WINDOW</b>    | <p>AE candidates must complete two years of work experience within a single five-year span. This span must occur within the five years on either side of successful completion of the CFP Exam.</p> <p>APC candidates must complete three years of work experience prior to qualifying for the CFP Exam. This experience must be completed within 10 years prior to writing the CFP Exam.</p> |   | <p>All candidates must complete three years of work experience within the eight years prior to obtaining CFP certification.</p> <p>All candidates must complete at least one year of the three years qualifying work experience prior to attempting PCE2. This one year of work experience must be no more than four years old.</p> |
| <b>EXAMINATION REQUIREMENT</b>   | <p>All candidates must pass the single six-hour competency-based multiple choice CFP Examination.</p>   |   | <p>The exam requirement will be met via a staged approach comprising two exams: PCE1 and PCE2.</p> <p>Candidates must pass the PCE1 prior to registering for PCE2.</p> <p>PCE1 will be comprised of competency-based multiple choice questions. PCE2 will be comprised of a variety of competency-based question types.</p>         |
| <b>EXAMINATION REWRITE RULES</b> | <p>AE candidates are not limited in the number of times they can attempt the CFP Exam.</p> <p>APC candidates are limited to two attempts, after which they must complete an approved Core Curriculum education program.</p>   |   | <p>The maximum number of attempts for all candidates is four for PCE1 and four for PCE2.</p>  |
| <b>EXAMINATION TIME WINDOW</b>   | <p>To maintain exam eligibility, Candidates must re-attempt the CFP Exam within five years of their most recent attempt.</p>  |   | <p>To maintain eligibility for either PCE1 or PCE2, candidates must re-attempt within four years of their most recent attempt of the same part.</p>   |

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### ADDITIONAL GUIDANCE ON PCE1 AND PCE2

#### **General**

PCE2 flows from PCE1, and the content will be based on where a candidate would be expected to be along the path to CFP certification. By this we mean that we expect candidates to grow in their competence in a progressive nature toward meeting all components of the CFP Competency Profile. As such, the content of each exam will reflect the relative competence and knowledge expected of candidates at the different stages in their learning.

The current CFP Examination Blueprint, based on the CFP Competency Profile, will be unchanged, except that coverage will be across two examinations.

#### **PCE1**

PCE1 will cover the entire CFP Competency Profile, with greater weight on Collection (category 1.1) and Analysis (category 2.1) competencies.

The Core Curriculum education is considered sufficient to sit the PCE1 exam.

The PCE1 will initially be offered twice a year, currently scheduled for each June and October.

#### **PCE2**

PCE2 will cover the entire CFP Competency Profile, with greater weight on advanced Analysis competencies (category 2.2), Synthesis competencies (category 3.1) and Fundamental Financial Planning Practices. PCE2 will also be the medium for assessing more of the qualitative Collection competencies (category 1.2). Assessment of integration and synthesis competencies will be central to PCE2. PCE2 is also where Code of Ethics application and Professional Skills may be assessed.

The Core Curriculum and Capstone education, along with at least one year of financial planning work experience, is considered sufficient to sit the PCE2 exam.

The PCE2 will employ item types other than multiple-choice.

The PCE2 will initially be offered once a year, currently scheduled for October each year (occurring on the same day as the PCE1).

### TRANSITION RULES

Candidates applying to FPSC to challenge the Examination requirement of the CFP certification program on or after 1 January 2010 will be enrolled in the new program.

Candidates applying to FPSC to repeat the current CFP Examination on or after 1 January 2010 will be enrolled in the new program and must abide by the new requirements.

Candidates applying to FPSC to repeat the current CFP Examination, and candidates applying to FPSC for the first time, on or before 31 December 2009 may sit a special final administration of the current CFP examination that will be administered in June 2010. These candidates must register for this examination before the end of 2009 and will have until one month before the examination date to provide a transcript attesting to completion of an approved Core Curriculum education program (completed within five years prior to June 2010).

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### TRANSITION RULES - CONTINUED

Notwithstanding the above, candidates who sit and fail the November 2009 CFP Examination will have the opportunity to sit the special final administration of the current CFP Examination in June 2010. These candidates will have until 31 January 2010 to register for the final administration of the current CFP Examination in June 2010 (providing them with approximately one month following receipt of results from the November 2009 CFP Examination).

Any candidate who has passed the (current) CFP Examination by June 2010 must follow all current requirements for obtaining their licence to use the CFP Marks. Any candidate who has not passed the (current) CFP examination by June 2010 must follow all the new requirements for obtaining their licence to use the CFP Marks.

### RATIONALES FOR PROPOSED CHANGES

1. Programs should always naturally be reviewed and modified as the industry and needs of the public change – this is part of the natural evolution of the profession – to make sure it remains leading edge, relevant and appropriate to serve its mandate.
2. The release of the 2006 Competency Profile has led us to review all of our entry requirements to the profession to ensure maximum alignment.
3. A single six-hour examination proves difficult to assess all of the competencies of the Competency Profile at the appropriate level of proficiency.
4. Students have indicated that they want a more staged path to CFP certification and want to have measures of success along the way.
5. Not all students, candidates, or employees working in the industry will necessarily want or need to become CFP professionals to be qualified in their jobs. A staged approach to CFP certification provides an opportunity for candidates and employers to objectively assess candidates' progress towards competence as a CFP professional.

## Instructions for Providing Comment

Please provide comment in electronic form (i.e., using Microsoft Word or PDF format) where possible. Depending on the volume of responses, FPSC may include your comment as is or in a paraphrased and aggregated form on our website following the close of the public comment period. Unless otherwise indicated, FPSC will assume that you permit the publication of your comment on our website.

In formulating your comment, please consider the following questions:

1. What are the key merits of the proposed new CFP certification program rules?
2. What are potential drawbacks to the proposed new CFP certification program rules?
3. Are the proposed new CFP certification program rules generally positive or negative for the financial planning, broader financial services communities and the Canadian public?
4. Are the transition rules fair, reflecting both the need to meet the public interest and the needs of candidates in progress?

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## Instructions for Providing Comment - CONTINUED

COMMENTS BY POST SHOULD BE MADE TO:

Laura Fraser  
Project Coordinator  
Financial Planners Standards Council  
902-375 University Avenue  
Toronto, ON M5G 2J5

COMMENTS BY EMAIL SHOULD BE MADE TO:

[exposuredraft@fpsccanada.org](mailto:exposuredraft@fpsccanada.org)

THE DEADLINE FOR RECEIVING RESPONSES IS:

23 September 2008