Draft *Rules of Conduct*

Use of Technology

(28) When relying on or using technology in the financial planning process, a Certificant:

a) Must have a general and reasonable understanding of the methodologies and assumptions underlying the technology;

b) Must validate that the inputs and assumptions used are reasonable and appropriate for the client; and

c) Must validate that the outputs generated are reasonable and appropriate for the client before relying on them, or presenting the final recommendations or strategies to the client.

Guidance

For the purpose of Rule 28 and 29, *methodologies* means the embedded design logic, factors and workflow principles used by the digital tool or technology. Methodologies may include, but are not limited to: calculation logic used within scenario analyses; the timing of contributions and withdrawals; tax calculation; plan year vs. calendar year and withdrawal order.

For the purpose of Rule 28 and 29, *assumptions* are the factors used in the digital tool or technology that influence the planning outcomes. Assumptions may be embedded (pre-populated) in the tool or technology or may require input by the financial planner. Assumptions may include, but are not limited to: marginal/average tax rates; rates of return; benchmarks used as proxies, the rate of interest to be charged on debt; the client's anticipated life expectancy; the client's anticipated retirement age; inflation; government benefit entitlement and planning priorities.

Technology includes any digital tool used or relied on when providing financial planning services to clients including, without limitation, online discovery tools, financial projection and planning software/tools, portfolio management software/tools, other digital software/tools and digital advice platforms.

In accordance with this Rule, FP Canada™ Certificants are required to validate the correctness of the inputs used as well as validating the reasonability of the output produced. The requirement relating to validating outputs serves, in part, to ensure that any errors that might have occurred when inputting the data are captured by the Certificant. For example, should a Certificant enter a change to pension income when updating inputs, but instead of replacing old pension income inadvertently records the new pension income as an additional entry, the output will reveal a significant increase in revenue that could lead to unsuitable financial planning decisions if the mistake is not caught. In this case, the output shows what it is "supposed" to show based on the inputs, but it is by validating the output that the planner will find the mistake made in input. The Rule requires that FP Canada Certificants understand not only what the output states, but where the outcome comes from.

Technology is widely used in the provision of financial planning services and Certificants have multiple digital options to support their clients. If financial planning services are offered digitally, the same level of transparency and disclosure should be applied as with traditional mediums. Certificants should ensure their client's aptitudes for financial tools and technologies have been taken into consideration.

(29) In all cases, irrespective of the data used, the material assumptions used as well as the rationale must be documented, and clearly communicated to clients.

Guidance

Certificants may use client specific data, assumptions and projections provided by their firm/dealer, their own experience, or a combination of these inputs when modifying assumptions and using digital tools. In all instances and circumstances, the expectation is that the material assumptions and rationale are documented. Assumptions should be discussed with clients to ensure they understand them and are comfortable with their use, and may be included in the financial plan document or otherwise communicated, in writing, to the client.

The use of the Projection Assumption Guidelines (the “PAG”), published jointly by the Institut québécois de planification financière (IQPF) and FP Canada, while not mandatory, is beneficial for both the financial planning professional and the client. Use of the PAG for long term projections provides a level of protection for financial planners as they provide rates of return that are transparent, objective and based on reliable sources. There may be instances when it is appropriate to deviate from the rates of return provided in the PAG. Regardless of the underlying data source, the financial planner should document the rates used and the rationale to ensure the assumptions are both sound and supported.