

Standards

- 专业
 - Professional
 - Knowledge of the law
 - Objective & Independence
 - Misrepresentation
 - Misconduct
 - Capital Market
 - Non-public material information
 - Market manipulation
- 责任 Duties
 - Clients
 - Diligence, Care
 - Fairness
 - Suitability
 - Confidential
 - Performance
 - Employer
 - Loyalty
 - Additional arrangement
 - Responsibilities of Supervisors
- 投资
 - Investment Analysis, Recommendations, and Actions
 - Diligence and Reasonable Basis
 - Conflicts of Interests
- CFA
 - CFA Program
 - CFA Designation

III (B) Fair Dealing

- Guidance
 - Do not discriminate against any clients
 - Does not mean equally
 - Disclose different service levels
- Compliance
 - Limit the number of people
 - Shorten the time frame between decision and dissemination.
 - Maintain list of clients and holdings
 - Develop written trade allocation procedures
 - Disclose trade allocation procedures
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III (C) Suitability

- Consider
 - Risk and return objective
 - Investment experience

- Financial constraints
- Follow
 - Written objective, mandates, and constraints
 - In the context of total portfolio
- Guidance
- Guidance - Unsolicited Trade Requests
 - Discuss with client the reason (based on IPS)
 - Minimal effects
 - Follow firm's policy
 - Client: acknowledge the discussion and an understanding of why the trade is unsuitable
 - Material impact
 - Upgrade the IPS
 - Yes:
 - Reject to upgrade IPS
 - Follow firm policy
 - Can be made in a separate client-directed account
 - No other option
 - Reconsider whether to maintain the relationship
 - Compliance
 - Put needs into a written IPS for each client
 - Consider: objective (return and risk), constraints (liquidity, cash flow, time, tax, regulatory and legal circumstances) and performance measurement benchmarks.
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III (D) Performance Presentation

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III (E) Confidentiality

- Unless
 - Illegal activities
 - By law
 - Permits the disclosure
- Guidance
 - Clients: current, former, prospective
- Compliance
 - Can disclose to authorized co-workers
 - Follow firm procedures
 - Supervisor, compliance, legal advice
 - Disassociation

IV Duties to Employers

IV (A) Loyalty

- Guidance
 - Client interests > employer but consider
 - Integrity and sustainability
- Guidance - Employer

- Give a copy of Code & Standards
- Guidance – Independent Practice 兼职
 - Fully Disclose all aspects of service
 - Compensation, duration, nature of activities
 - Employer consents
- Guidance – Leaving an Employer 离职
 - Continue to act in the best interests

IV (B) Additional Compensation Arrangements

- Define
 - Cannot accept gifts, benefits, compensation, or considerations that **competes** with or might reasonably be expected to create a conflict of interest with their employer's interest unless they obtain written consent from all parties involved.
- Guidance
 - Direct and indirect compensation from a client and other benefits received from third parties.
 - Written consent: email
 - Work part time should discuss any arrangements that may compete with their employer's interest.
- Compliance
 - Make an immediate written report
 - Disclose compensation and services
 - Performance incentives should be verified by the offering party

IV (C) Responsibilities of Supervisors

- Define
 - Ensure anyone subject to their supervision or authority complies with applicable laws, rules, regulations, and the Code and Standards.
- Guidance - Compliance Procedures
 - Compliance system meet industry standards, regulatory requirements, and Code & Standards.
 - Bring an inadequate compliance system to the attention of firm's management and recommend corrective action.
 - Limit the suspected employee's activities
 - Decline supervisory responsibility in writing until adequate procedures are adopted by the firm.
- Compliance
 - Adequate compliance procedure
 - Clearly written, easy to understand, a compliance officer, scope, permitted conduct
 - Once instituted, should
 - Distribute it to proper personnel, update it as needed, educate staff regarding procedures, professional conduct evaluations, review employee actions to monitor compliance and identify violations.
 - Enforce procedures once a violation occurs

- Review procedures and identify any changes needed to prevent violation in the future

Standard V

V(A) Diligence and Reasonable Basis

- Define
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- Guidance
 - The degree of diligence, thoroughness of research, and the proper level of investigation
- Guidance – Reasonable Basis
 - Global and national economic conditions
 - Financial results, operating history, business cycle stage.
 - Fees and historical results for a mutual fund
 - Limitations of any quantitative models used
 - Determination of whether peer group comparisons for valuation are appropriate
- Guidance – Secondary or Third-Party Research
 - Review assumptions used
 - Determine how rigorous the analysis was
 - How timely the research is
 - Evaluate objectively and independence of the recommendations
- Guidance – Using Quantitative Research
 - Explain the basic nature of the quantitative research
 - How it is used to make investment decisions
 - Assess downside risk and time horizon
 - Ensure both positive and negative cycle results have been considered
- Guidance – Developing Quantitative Research
 - Greater diligence
 - Understand the technical details of the products
 - Test is thoroughly, including extreme scenarios with inputs that fall outside the range of historical data, before offering it to clients
- Guidance – External Advisors
 - Review advisers
 - Have adequate compliance and internal controls
 - Present returns information that is correct
 - Do not deviate from stated strategies
- Guidance – Group research and Decision making
 - Do not agree with results, but does not necessarily to decline to be identified with the report, as long as there is a reasonable and adequate basis
- Compliance
 - Written guidance for proper research and due diligence
 - Measurable criteria for judging the quality of research

V(B) Communications with Clients and Prospective clients

- Define

- Disclose to clients and prospective clients the **basic format** and **general principles** of the investment processes
- **Promptly** disclose any **changes** that might materially affect those process
- Significant **limitations and risks** associated with the investment process
 - Liquidity and capacity
- Identify which factors are important to their investment analyses and include them in communications with clients and prospective clients
- Distinguish between **fact and opinion** in the presentation of investment analysis and recommendations
- **Guidance**
- **Compliance**
 - Maintain records and be able to supply additional information upon requested

V(C) Record Retention

- Define
 - Develop and maintain appropriate records to support their investment analysis
- Guidance
 - Keep at least 7 years
 - All communications with clients through any medium, including emails and text messages, are records that must be retained
 - Change firms must **recreate** analysis documentation supporting her recommendation using **publicly** available information or information obtained from the company. Must not rely on memory or materials created at her previous firm.
- Compliance
 - Firm's responsibility

Standard VI Conflicts of Interest

Standard VI (A) Disclosure of Conflicts

- Define
 - Must make full and fair disclosure of all materials that could impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer.
- Guidance
 - Fully disclose to clients, prospects, and their employers all **actual** and **potential** conflicts in order to protect investors and employers.
 - Disclosure must be clearly stated.
- Guidance – Disclosure to Clients
- Guidance – Disclosure to Clients
- Compliance