

Code of Ethics

Standards of Professional Conduct

STUDY SESSION 1

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Professionalism Subsections

Integrity of Capital Markets Subsections

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- I. Professionalism
- II. Integrity of Capital Markets
- III. Duties to Clients
- IV. Duties to Employers
- V. Investment Analysis, Recommendations, and Actions
- VI. Conflicts of Interest
- VII. Responsibilities as a CFA Institute Member or CFA Candidate

- Act with integrity, competence, diligence, respect, and in an ethical manner.
- Place the integrity of the investment profession and the interests of clients above your own interests.
- Use reasonable care and judgment with analysis, recommendations and investment actions.
- Practice and encourage others to practice in an ethical manner.
- Promote the integrity of and uphold the rules governing capital markets.
- Maintain and improve your professional competence and strive to do so for other investment professionals.

- A. **Material Nonpublic Information.** Nonpublic information that could affect the value of an investment cannot be acted upon. Cannot cause others to act upon such information.
- B. **Market Manipulation.** Cannot take action to distort prices or artificially inflate trading volume with the intent to mislead market participants.

- A. **Knowledge of the Law.** Understand and comply with all applicable laws. Follow the more strict law or regulation. Must not knowingly participate or assist in and must disassociate from violations.
- B. **Independence and Objectivity.** Use reasonable care and judgment to maintain independence and objectivity. No gifts or benefits that can compromise their independence or objectivity.
- C. **Misrepresentation.** No misrepresentations related to analysis, recommendations, actions or other professional activities.
- D. **Misconduct.** No professional conduct involving dishonesty, fraud or deceit.

Duties to Clients Subsections

Duties to Employers Subsections

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Investment Analysis, Recommendations, and Actions  
Subsections

Conflicts of Interest Subsections

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- A. **Loyalty.** Must act for the benefit of their employer, not withhold skills and abilities, or divulge confidential information.
- B. **Additional Compensation Arrangements.** Must not accept gifts, benefits, compensation or consideration that might create a conflict of interest with their employer's interest unless there's written consent from all parties involved.
- C. **Responsibilities of Supervisors.** Must make reasonable effort to detect and prevent violations of applicable laws, rules, regulations, and the Code and Standards by anyone subject to their supervision.

- A. **Disclosure of Conflicts** Must disclose all matters that could impair their independence and objectivity or interfere with duties to clients and employer. Must ensure such disclosures are prominent and delivered in plain language.
- B. **Priority of Transactions.** Transactions for clients and employers must have priority over transactions in which a Member or Candidate is the beneficial owner.
- C. **Referral Fees.** Must disclose to their employer, clients and prospective clients, as appropriate, any compensation, consideration or benefit received from or paid to others for the recommendation or products or services.

- A. **Loyalty, Prudence and Care.** Must act with reasonable care. Place clients' interests before their employer's or their own interests.
- B. **Fair Dealing.** Deal fairly and objectively with all clients when providing analysis, recommendations or taking investment action.
- C. **Suitability.**

- 1. When in an advisory relationship with a client:
  - a. Consider the client's investment experience, risk and return, and financial constraints. Must update this information regularly.
  - b. Determine suitability before taking action or making a recommendation.
  - c. Judge the suitability of investments in the context of the entire portfolio.
- 2. When managing to a specific mandate, strategy or style, recommendations and actions must be consistent with those objectives.

- D. **Performance Presentation.** Make reasonable efforts to ensure performance information is fair, accurate and complete.
- E. **Preservation of Confidentiality.** Must keep information confidential unless:
  - 1. The information concerns illegal activities.
  - 2. Disclosure is required by law.
  - 3. The client or prospective client permits disclosure of the information.

- A. **Diligence and Reasonable Basis.** Members and Candidates must:
  - 1. Use diligence, independence, and thoroughness in analysis, recommendations, and investment actions.
  - 2. Support analysis, recommendation and action with research and investigation.
- B. **Communications with Clients and Prospective Clients.** Members and Candidates must:
  - 1. Disclose to clients basic investment processes and any changes that materially affect those processes.
  - 2. Use judgment identifying investment factors and include those factors in communications with clients.
  - 3. Distinguish between fact and opinion in presentation of analysis and recommendation.
- C. **Record Retention.** Maintain appropriate records to support their analysis, recommendations, actions, and other communications with clients and prospective clients.

Responsibilities as a CFA Member or Candidate Subsections

- A. **Conduct as Members and Candidates in the CFA Program.** Must not engage in any conduct that compromises the reputation of the CFA Institute, the CFA designation or the CFA exam.
- B. **Reference to CFA Institute, the CFA Designation, and the CFA Program.** Must not misrepresent or exaggerate the meaning or implications of holding the CFA designation or candidacy in the CFA program.