

origination. The applicable laws and regulations of the countries or regions of origination and expected sale should be understood by those responsible for the supervision of the services or creation and maintenance of the products or packages. Members or candidates should make reasonable efforts to review whether associated firms that are distributing products or services developed by their employing firm also abide by the laws and regulations of the countries and regions of distribution. Members and candidates should undertake the necessary due diligence when transacting cross-border business to understand the multiple applicable laws and regulations in order to protect the reputation of their firm and themselves.

Given the complexity that can arise with business transactions in today’s market, there may be some uncertainty surrounding which laws or regulations are considered applicable when activities are being conducted in multiple jurisdictions. Members and candidates should seek the appropriate guidance, potentially including the firm’s compliance or legal departments and legal counsel outside the organization, to gain a reasonable understanding of their responsibilities and how to implement them appropriately.

**Exhibit 1    Global Application of the Code and Standards**

Members and candidates who practice in multiple jurisdictions may be subject to varied securities laws and regulations. If applicable law is stricter than the requirements of the Code and Standards, members and candidates must adhere to applicable law; otherwise, they must adhere to the Code and Standards. The following chart provides illustrations involving a member who may be subject to the securities laws and regulations of three different types of countries:

- NS:     country with no securities laws or regulations
- LS:     country with *less* strict securities laws and regulations than the Code and Standards
- MS:     country with *more* strict securities laws and regulations than the Code and Standards

Applicable Law	Duties	Explanation
Member resides in NS country, does business in LS country; LS law applies.	Member must adhere to the Code and Standards.	Because applicable law is less strict than the Code and Standards, the member must adhere to the Code and Standards.

(continued)

**Exhibit 1 Global Application of the Code and Standards** (continued)

<b>Applicable Law</b>	<b>Duties</b>	<b>Explanation</b>
Member resides in NS country, does business in MS country; MS law applies.	Member must adhere to the law of MS country.	Because applicable law is stricter than the Code and Standards, member must adhere to the more strict applicable law.
Member resides in LS country, does business in NS country; LS law applies.	Member must adhere to the Code and Standards.	Because applicable law is less strict than the Code and Standards, member must adhere to the Code and Standards.
Member resides in LS country, does business in MS country; MS law applies.	Member must adhere to the law of MS country.	Because applicable law is stricter than the Code and Standards, member must adhere to the more strict applicable law.
Member resides in LS country, does business in NS country; LS law applies, but it states that law of locality where business is conducted governs.	Member must adhere to the Code and Standards.	Because applicable law states that the law of the locality where the business is conducted governs and there is no local law, the member must adhere to the Code and Standards.
Member resides in LS country, does business in MS country; LS law applies, but it states that law of locality where business is conducted governs.	Member must adhere to the law of MS country.	Because applicable law of the locality where the business is conducted governs and local law is stricter than the Code and Standards, member must adhere to the more strict applicable law.
Member resides in MS country, does business in LS country; MS law applies.	Member must adhere to the law of MS country.	Because applicable law is stricter than the Code and Standards, member must adhere to the more strict applicable law.

(continued)

**Exhibit 1 Global Application of the Code and Standards** (continued)

<b>Applicable Law</b>	<b>Duties</b>	<b>Explanation</b>
Member resides in MS country, does business in LS country; MS law applies, but it states that law of locality where business is conducted governs.	Member must adhere to the Code and Standards.	Because applicable law states that the law of the locality where the business is conducted governs and local law is less strict than the Code and Standards, member must adhere to the Code and Standards.
Member resides in MS country, does business in LS country with a client who is a citizen of LS country; MS law applies, but it states that the law of the client's home country governs.	Member must adhere to the Code and Standards.	Because applicable law states that the law of the client's home country governs (which is less strict than the Code and Standards), member must adhere to the Code and Standards.
Member resides in MS country, does business in LS country with a client who is a citizen of MS country; MS law applies, but it states that the law of the client's home country governs.	Member must adhere to the law of MS country.	Because applicable law states that the law of the client's home country governs and the law of the client's home country is stricter than the Code and Standards, the member must adhere to the more strict applicable law.

**Recommended Procedures for Compliance*****Members and Candidates***

Suggested methods by which members and candidates can acquire and maintain understanding of applicable laws, rules, and regulations include the following:

- *Stay informed:* Members and candidates should establish or encourage their employers to establish a procedure by which employees are regularly informed about changes in applicable laws, rules, regulations, and case law. In many instances, the employer's compliance department or legal counsel can provide such information in the form of memorandums distributed to employees in the organization. Also, participation in an internal or external continuing education program is a practical method of staying current.

### ***Omissions***

The omission of a fact or outcome can be misleading, especially given the growing use of models and technical analysis processes. Many members and candidates rely on such models and processes to scan for new investment opportunities, to develop investment vehicles, and to produce investment recommendations and ratings. When inputs are knowingly omitted, the resulting outcomes may provide misleading information to those who rely on it for making investment decisions. Additionally, the outcomes from models shall not be presented as fact because they represent the expected results based on the inputs and analysis process incorporated.

Omissions in the performance measurement and attribution process can also misrepresent a manager's performance and skill. Members and candidates should encourage their firms to develop strict policies for composite development to prevent cherry picking—situations in which selected accounts are presented as representative of the firm's abilities. The omission of any accounts appropriate for the defined composite may misrepresent to clients the success of the manager's implementation of its strategy.

### ***Plagiarism***

Standard I(C) also prohibits plagiarism in the preparation of material for distribution to employers, associates, clients, prospects, or the general public. Plagiarism is defined as copying or using in substantially the same form materials prepared by others without acknowledging the source of the material or identifying the author and publisher of such material. Members and candidates must not copy (or represent as their own) original ideas or material without permission and must acknowledge and identify the source of ideas or material that is not their own.

The investment profession uses a myriad of financial, economic, and statistical data in the investment decision-making process. Through various publications and presentations, the investment professional is constantly exposed to the work of others and to the temptation to use that work without proper acknowledgment.

Misrepresentation through plagiarism in investment management can take various forms. The simplest and most flagrant example is to take a research report or study done by another firm or person, change the names, and release the material as one's own original analysis. This action is a clear violation of Standard I(C). Other practices include (1) using excerpts from articles or reports prepared by others either verbatim or with only slight changes in wording without acknowledgment, (2) citing specific quotations as attributable to "leading analysts" and "investment experts" without naming the specific references, (3) presenting statistical estimates of forecasts prepared by others and identifying the sources but without including the qualifying statements or caveats that may have been used, (4) using charts and graphs without stating their sources, and (5) copying proprietary computerized spreadsheets or algorithms without seeking the cooperation or authorization of their creators.

In the case of distributing third-party, outsourced research, members and candidates may use and distribute such reports as long as they do not represent

themselves as the report's authors. Indeed, the member or candidate may add value for the client by sifting through research and repackaging it for clients. In such cases, clients should be fully informed that they are paying for the ability of the member or candidate to find the best research from a wide variety of sources. Members and candidates must not misrepresent their abilities, the extent of their expertise, or the extent of their work in a way that would mislead their clients or prospective clients. Members and candidates should disclose whether the research being presented to clients comes from another source—from either within or outside the member's or candidate's firm. This allows clients to understand who has the expertise behind the report or whether the work is being done by the analyst, other members of the firm, or an outside party.

Standard I(C) also applies to plagiarism in oral communications, such as through group meetings; visits with associates, clients, and customers; use of audio/video media (which is rapidly increasing); and telecommunications, including electronic data transfer and the outright copying of electronic media.

One of the most egregious practices in violation of this standard is the preparation of research reports based on multiple sources of information without acknowledging the sources. Examples of information from such sources include ideas, statistical compilations, and forecasts combined to give the appearance of original work. Although there is no monopoly on ideas, members and candidates must give credit where it is clearly due. Analysts should not use undocumented forecasts, earnings projections, asset values, and so on. Sources must be revealed to bring the responsibility directly back to the author of the report or the firm involved.

### ***Work Completed for Employer***

The preceding paragraphs address actions that would constitute a violation of Standard I(C). In some situations, however, members or candidates may use research conducted or models developed by others within the same firm without committing a violation. The most common example relates to the situation in which one (or more) of the original analysts is no longer with the firm. Research and models developed while employed by a firm are the property of the firm. The firm retains the right to continue using the work completed after a member or candidate has left the organization. The firm may issue future reports without providing attribution to the prior analysts. A member or candidate cannot, however, reissue a previously released report solely under his or her name.

## **Recommended Procedures for Compliance**

### ***Factual Presentations***

Members and candidates can prevent unintentional misrepresentations of their qualifications or the services they or their firms provide if each member and candidate understands the limit of the firm's or individual's capabilities and the need to be accurate and complete in presentations. Firms can provide guidance for employees who make written or oral presentations to clients or potential clients by providing

**Example 6 (Additional Services for Select Clients):**

Jenpin Weng uses e-mail to issue a new recommendation to all his clients. He then calls his three largest institutional clients to discuss the recommendation in detail.

*Comment:* Weng has not violated Standard III(B) because he widely disseminated the recommendation and provided the information to all his clients prior to discussing it with a select few. Weng's largest clients received additional personal service because they presumably pay higher fees or because they have a large amount of assets under Weng's management. If Weng had discussed the report with a select group of clients prior to distributing it to all his clients, he would have violated Standard III(B).

**Example 7 (Minimum Lot Allocations):**

Lynn Hampton is a well-respected private wealth manager in her community with a diversified client base. She determines that a new 10-year bond being offered by Healthy Pharmaceuticals is appropriate for five of her clients. Three clients request to purchase US\$10,000 each, and the other two request US\$50,000 each. The minimum lot size is established at US\$5,000, and the issue is oversubscribed at the time of placement. Her firm's policy is that odd-lot allocations, especially those below the minimum, should be avoided because they may affect the liquidity of the security at the time of sale.

Hampton is informed she will receive only US\$55,000 of the offering for all accounts. Hampton distributes the bond investments as follows: The three accounts that requested US\$10,000 are allocated US\$5,000 each, and the two accounts that requested US\$50,000 are allocated US\$20,000 each.

*Comment:* Hampton has not violated Standard III(B), even though the distribution is not on a completely pro rata basis because of the required minimum lot size. With the total allocation being significantly below the amount requested, Hampton ensured that each client received at least the minimum lot size of the issue. This approach allowed the clients to efficiently sell the bond later if necessary.

**Example 8 (Excessive Trading):**

Ling Chan manages the accounts for many pension plans, including the plan of his father's employer. Chan developed similar but not identical investment policies for each client, so the investment portfolios are rarely the same. To minimize the cost to his father's pension plan, he intentionally trades more frequently in the accounts of other clients to ensure the required brokerage is incurred to continue receiving free research for use by all the pensions.

*Comment:* Chan is violating Standard III(B) because his trading actions are disadvantaging his clients to enhance a relationship with a preferred client. All clients are benefiting from the research being provided and should incur their fair portion of the costs. This does not mean that

- the person's application for registration in the CFA Program has been accepted by CFA Institute, as evidenced by issuance of a notice of acceptance, and the person is enrolled to sit for a specified examination or
- the registered person has sat for a specified examination but exam results have not yet been received.

If an individual is registered for the CFA Program but declines to sit for an exam or otherwise does not meet the definition of a candidate as described in the CFA Institute Bylaws, then that individual is no longer considered an active candidate. Once the person is enrolled to sit for a future examination, his or her CFA candidacy resumes.

CFA candidates must never state or imply that they have a partial designation as a result of passing one or more levels or cite an expected completion date of any level of the CFA Program. Final award of the charter is subject to meeting the CFA Program requirements and approval by the CFA Institute Board of Governors.

If a candidate passes each level of the exam in consecutive years and wants to state that he or she did so, that is not a violation of Standard VII(B) because it is a statement of fact. If the candidate then goes on to claim or imply superior ability by obtaining the designation in only three years, however, he or she is in violation of Standard VII(B).

**Exhibit 3** provides examples of proper and improper references to the CFA designation.

### **Exhibit 3 Proper and Improper References to the CFA Designation**

<b>Proper References</b>	<b>Improper References</b>
"Completion of the CFA Program has enhanced my portfolio management skills."	"CFA charterholders achieve better performance results."
"John Smith passed all three CFA examinations in three consecutive years."	"John Smith is among the elite, having passed all three CFA examinations in three consecutive attempts."
"The CFA designation is globally recognized and attests to a charterholder's success in a rigorous and comprehensive study program in the field of investment management and research analysis."	"As a CFA charterholder, I am the most qualified to manage client investments."
"The credibility that the CFA designation affords and the skills the CFA Program cultivates are key assets for my future career development."	"As a CFA charterholder, Jane White provides the best value in trade execution."

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**Exhibit 3 Proper and Improper References to the CFA Designation**  
(continued)

Proper References	Improper References
"I enrolled in the CFA Program to obtain the highest set of credentials in the global investment management industry."	"Enrolling as a candidate in the CFA Program ensures one of becoming better at valuing debt securities."
"I passed Level I of the CFA exam."	"CFA, Level II"
"I am a 2010 Level III candidate in the CFA Program."	"CFA, Expected 2011" "Level III CFA Candidate"
"I passed all three levels of the CFA Program and will be eligible for the CFA charter upon completion of the required work experience."	"CFA, Expected 2011" "John Smith, Charter Pending"
"As a CFA charterholder, I am committed to the highest ethical standards."	

***Proper Usage of the CFA Marks***

Upon obtaining the CFA charter from CFA Institute, charterholders are given the right to use the CFA marks, including Chartered Financial Analyst®, CFA®, and the CFA logo (a certification mark):



These marks are registered by CFA Institute in countries around the world.

The Chartered Financial Analyst and CFA marks must always be used either after a charterholder's name or as adjectives (never as nouns) in written documents or oral conversations. For example, to refer to oneself as "a CFA" or "a Chartered Financial Analyst" is improper.

Members and candidates must not use a pseudonym or fictitious phrase meant to hide their identity in conjunction with the CFA designation. CFA Institute can verify only that a specific individual has earned the designation according to the name that is maintained in the membership database.

The CFA logo certification mark is used by charterholders as a distinctive visual symbol of the CFA designation that can be easily recognized by employers, colleagues, and clients. As a certification mark, it must be used only to directly refer to an individual charterholder or group of charterholders.



**Exhibit 4** provides examples of correct and incorrect use of the marks. CFA charterholders should refer to the complete guidelines published by CFA Institute for additional and up-to-date information and examples illustrating proper and improper use of the CFA logo, Chartered Financial Analyst mark, and CFA mark. These guidelines and the CFA logo are available on the CFA Institute website ([www.cfainstitute.org](http://www.cfainstitute.org)).

#### **Exhibit 4 Correct and Incorrect Use of the Chartered Financial Analyst and CFA Marks**

<b>Correct</b>	<b>Incorrect</b>	<b>Principle</b>
He is one of two CFA charterholders in the company.	He is one of two CFAs in the company.	The CFA and Chartered Financial Analyst designations must always be used as adjectives, never as nouns or common names.
He earned the right to use the Chartered Financial Analyst designation.	He is a Chartered Financial Analyst.	
Jane Smith, CFA	Jane Smith, C.F.A. John Doe, cfa	No periods. Always capitalize the letters "CFA".
John Jones, CFA	John, a CFA-type portfolio manager. The focus is on Chartered Financial Analysis. CFA-equivalent program. Swiss-CFA.	Do not alter the designation to create new words or phrases.
John Jones, Chartered Financial Analyst	Jones Chartered Financial Analysts, Inc.	The designation must not be used as part of the name of a firm.
Jane Smith, CFA John Doe, Chartered Financial Analyst	Jane Smith, <b>CFA</b> John Doe, <b>Chartered Financial Analyst</b>	The CFA designation should not be given more prominence (e.g., larger or bold font) than the charterholder's name.
Level I candidate in the CFA Program.	Chartered Financial Analyst (CFA), September 2011.	Candidates in the CFA Program must not cite the expected date of exam completion and award of charter.

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**Exhibit 4    Correct and Incorrect Use of the Chartered Financial Analyst and CFA Marks** (continued)

Correct	Incorrect	Principle
Passed Level I of the CFA examination in 2010.	CFA Level I. CFA degree expected in 2011.	No designation exists for someone who has passed Level I, Level II, or Level III of the exam. The CFA designation should not be referred to as a degree.
I have passed all three levels of the CFA Program and may be eligible for the CFA charter upon completion of the required work experience.	CFA (Passed Finalist) CFA Charter Pending Pending CFA Charterholder	A candidate who has passed Level III but has not yet received his or her charter cannot use the CFA or Chartered Financial Analyst designation.
CFA Charter, 2009, CFA Institute (optional: Charlottesville, Virginia, USA)	CFA Charter, 2009, CFA Society of the UK	In citing the designation in a resume, a charterholder should use the date that he or she received the designation and should cite CFA Institute as the conferring body.
John Smith, CFA	Crazy Bear CFA (Online social media user name)	Charterholders should not attach the CFA designation to anonymous or fictitious names meant to conceal their identity.

**Recommended Procedures for Compliance**

Misuse of a member’s CFA designation or CFA candidacy or improper reference to it is common by those in a member’s or candidate’s firm who do not possess knowledge of the requirements of Standard VII(B). As an appropriate step to reduce this risk, members and candidates should disseminate written information about Standard VII(B) and the accompanying guidance to their firm’s legal, compliance, public relations, and marketing departments (see [www.cfainstitute.org](http://www.cfainstitute.org)).

## APPENDIX A: SAMPLE COMPLIANT PRESENTATIONS

**Sample 1**  
**Investment Firm**  
**Balanced Growth Composite**  
**1 January 2002 through 31 December 2011**

Year	Composite Gross Return (%)	Composite Net Return (%)	Custom Benchmark Return (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)	Composite Assets (\$ M)	Firm Assets (\$ M)
2002	-10.5	-11.4	-11.8			31	4.5	165	236
2003	16.3	15.1	13.2			34	2.0	235	346
2004	7.5	6.4	8.9			38	5.7	344	529
2005	1.8	0.8	0.3			45	2.8	445	695
2006	11.2	10.1	12.2			48	3.1	520	839
2007	6.1	5.0	7.1			49	2.8	505	1,014
2008	-21.3	-22.1	-24.9			44	2.9	475	964
2009	16.5	15.3	14.7			47	3.1	493	983
2010	10.6	9.5	13.0			51	3.5	549	1,114
2011	2.7	1.7	0.4	7.1	7.4	54	2.5	575	1,236

**Sample 1 Investment Firm claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sample 1 Investment Firm has been independently verified for the periods 1 January 2000 through 31 December 2010. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.**

*Notes:*

1. Sample 1 Investment Firm is a balanced portfolio investment manager that invests solely in U.S.-based securities. Sample 1 Investment Firm is defined as an independent investment management firm that is not affiliated with any parent organization. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
2. The Balanced Growth Composite includes all institutional balanced portfolios that invest in large-cap U.S. equities and investment-grade bonds with the goal of providing long-term capital growth and steady income from a well-diversified strategy. Although the strategy allows for equity exposure ranging between 50–70%, the typical allocation is between 55–65%. The account minimum for the composite is \$5 million.
3. The custom benchmark is 60% YYY U.S. Equity Index and 40% ZZZ U.S. Aggregate Bond Index. The benchmark is rebalanced monthly.
4. Valuations are computed and performance is reported in U.S. dollars.
5. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Composite and benchmark returns are presented net of non-reclaimable withholding taxes. Net-of-fees returns are calculated by deducting the highest fee of 0.83% from the monthly gross composite return. The management fee schedule is as follows: 1.00% on the first \$25 million; 0.60% thereafter.
6. This composite was created in February 2000. A complete list of composite descriptions is available upon request.
7. Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year.
8. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for 2002 through 2010 because monthly composite and benchmark returns were not available and is not required for periods prior to 2011.

**Sample 2**  
**Asset Management Company**  
**Active World Equity Composite**  
**Creation Date: 1 July 2005**  
**Reporting Currency: EUR**

Year	Gross Return (%)	XYZ World Index Return (%)	Dispersion (Range) (%)	# of Portfolios	Composite Assets (€ M)	% of Firm Assets
2011	-1.9	-0.5	0.2	6	224.9	2.1
2010	16.3	13.5	0.7	8	256.7	2.0
2009	29.0	25.8	1.5	8	205.6	1.9
2008	-39.8	-36.4	1.3	7	164.1	1.5
2007	-2.8	-2.7	n/a	≤ 5	143.7	1.2
2006	9.3	7.5	n/a	≤ 5	62.8	0.4
2005*	14.2	12.6	n/a	≤ 5	16.1	< 0.1

\*Returns are for the period from 1 July 2005 (inception date) through 31 December 2005.

### Compliance Statement

Sample 2 Asset Management Company claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sample 2 Asset Management Company has not been independently verified.

### Definition of the Firm

Sample 2 Asset Management Company is an independent investment management firm that was established in 1997. Sample 2 Asset Management Company manages a variety of equity, fixed-income, and balanced assets for primarily European clients.

### Policies

Sample 2 Asset Management Company's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

### Composite Description

The Active World Equity Composite includes accounts whose objective is to exceed the XYZ World Index by 2% over a rolling three-year period. Securities are selected using the firm's proprietary analytics tool, which selects securities expected to be the top performers from within the XYZ World Index universe. Portfolios are more concentrated, typically holding approximately 100–120 securities, versus the benchmark, which reflects the performance of more than 500 holdings. Composite returns may, therefore, have a lower correlation with the benchmark than a more diversified global equity strategy.

### Benchmark

The benchmark is the XYZ World Index, which is designed to measure the equity market performance of developed market countries. The benchmark is market-cap weighted and is composed of all XYZ country-specific developed market indices. Sources of foreign exchange rates may be different between the composite and the benchmark; however, there have not been material differences to date. Benchmark returns are net of withholding taxes.

### Fees

Returns are presented gross of management fees, custodial fees, and withholding taxes but net of all trading expenses.

### List of Composites

A list of all composite descriptions is available upon request.

**Fee Schedule**

The standard fixed management fee for accounts with assets under management of up to €50 million is 0.35% per annum; 0.25% thereafter.

**Minimum Account Size**

The minimum portfolio size for inclusion in the composite is €1 million.

**Internal Dispersion**

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross-of-fees returns of those portfolios that were included in the composite for the entire year. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented.

**Ex-Post Standard Deviation**

The three-year annualized ex-post standard deviation of the composite and benchmark as of each year end is as follows:

Year	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)
2011	12.9	14.6
2010	13.2	14.1
2009	17.0	16.3
2008	15.6	14.2