

CFA 一级知识框架图

Ethics (3)

专业来自101%的投入!

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Framework

Study Session 1 **Ethical and Professional** **Standards**

- R1 Ethics and Trust in the Investment Profession
- R2 Code of Ethics and Standards of Professional Conduct
- R3 Guidance for Standards I-VII
- R4 Introduction to the Global Investment Performance Standards(GIPS)
- R5 The GIPS Standards

VI(A) Disclosure of Conflicts

条款 要点

- Make full and fair disclosure of all conflicts of interest (一般是针对research的角色) :
 - corporate financing or market making relationship;
 - Security holding;
 - Directorship;
 - Individual relationship.
- 也可以将有conflict of interest的股票放在restricted list里面(只陈述fact, 不表达自己的opinion) .

VI(A) Disclosure of Conflicts

案例 总结

- Conflict of interest的表现：
 - Candidate's colleagues sit on the board of directors of subject company's subsidiaries;
 - Subject company是本公司的股东；
 - Candidate's wife inherits \$3 million of subject company's stock；
 - compensation arrangement that may create a conflict of interest.
- Candidate violated Standard VI (A) by failing to disclose the additional compensation to his clients and employer, this conflict of interest would interfere his independence and objectivity. →也违反IV(B) & I(B)
- Standard VI(A) would not require candidate to disclose her personal or retirement investments in large diversified mutual funds.

VI(B) Priority of Transactions

条款要点

- Client > employer > individual.
- 这个条款主要强调的是不能front running (先于客户而交易)。
- Must have enough time to let clients have opportunities to respond to our recommendation.

案例总结

- Seven minutes after informed the sell recommendation for a stock in an in-house meeting, Riley closes out a long call option in that stock and establishes a sizable put position. → Riley exploited the sell recommendation and did not give customers the opportunity to act before the firm itself did. It's a violation.
- Toffler has violated Standard VI(B) by breaching her duty to her parents by treating them differently from her other accounts simply because of the family relationship. As fee-paying clients of Esposito Investments, Toffler's parents are entitled to the same treatment as any other client of the firm.
→也违反III(B)

VI(C) Referral Fees

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| <p>条款要点</p> | <ul style="list-style-type: none"> ➤ Members and candidates must inform their employer, clients, and prospective clients of any benefit received for referrals of customers and clients. |
| <p>案例总结</p> | <ul style="list-style-type: none"> ➤ A broker directs certain prospective accounts to an asset manager in exchange for research service and commission business. The asset manager must inform the client the referral fee payable in services and commissions to a broker. ➤ Handley works for the trust dept. and receives compensation for each referral he makes to brokerage dept. and the personal management dept. He must disclose the referral arrangement even within the firm. ➤ A portfolio manager for a bank, receives additional monetary compensation from his employer when he is successful in assisting in sales process. He must disclose. →如果不disclose, 违反VI(C)和IV(B) |

VII(A) Conduct as Members and Candidates

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| 条款要点 | <ul style="list-style-type: none"> ➤ 遵守考场纪律。 ➤ Improperly using an association with CFA Institute to further personal or professional goals, 违反VII(A). ➤ Expressing opinions regarding the CFA Program or CFA Institute is OK. |
| 案例总结 | <ul style="list-style-type: none"> ➤ By revealing portions covered on the exam and areas not covered, she did violate Standard VII(A). ➤ She tells her clients that her Executive Committee membership will allow her to better assist her clients in keeping up with changes to the Standards and facilitating their compliance with the changes.→ violate VII(A) |

VII(B) Reference to CFA Institute, Designation

条款 要点

- Mustn't cite the expected date of exam completion and award of charter.
- A candidate who has passed level III but has not received charter can't use CFA designation.
- It's only appropriate to use CFA logo on the business card or letterhead of each individual CFA charter holder.
- The order of CFA and other institute membership doesn't matter.
- If a charter holder fails to meet membership requirements, he can't use CFA designation. Until membership is reactivated, can only state that they were charter holders in the past.
- If a candidate passes each level of the exam on the first try and wants to state that he or she did so, that is not a violation because it is a statement of fact, but must not over-promise the competency and future investment results.

VII(B) Reference to CFA Institute, Designation

案例 总结

- Implying that:
 - CFA charter holders achieve better investment results, violate VII(B).
 - those who pass the exams on the first try are more successful would violate Standard VII(B).
- The candidate has violated Standard VII(B) because his right to use the CFA designation was suspended when he failed to file his Professional Conduct Statement and stopped paying dues.
- The CFA Logo must not be incorporated in a company name.
- Must include the charter holder's full name along with any reference to the CFA designation.

Reading 4

Introduction to the Global Investment Performance Standards(GIPS)

Introduction to GIPS(概念)

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| Why need GIPS | ➤ GIPS are a set of ethical principles based on a standardized, industry-wide approach. |
| | ➤ Enable performance comparability in practices. |
| Who can claim compliance | ➤ Complying is voluntary. |
| | ➤ Only an investment management firm that actually manage assets can claim compliance with the Standards. |
| | ➤ Firm-wide and full compliance. |
| Who benefits | ➤ investment management firm. |
| | ➤ prospective clients. |

Introduction to GIPS(概念)

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| Composites | ➤ A grouping of individual discretionary portfolios representing a similar investment strategy, objective, or mandate. |
| | ➤ must include all portfolios (current and past) that the firm has managed in accordance with this particular strategy. |
| | ➤ Identify which managed portfolio to be included before its performance is known. |
| Verification | ➤ review of an investment management firm's performance measurement processes and procedures by an independent third-party "verifier". |
| | ➤ Whether the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis. |
| | ➤ Whether the firm's processes and procedures are designed to calculate and present performance results in compliance with the GIPS standards. |

Reading 5

The GIPS Standards

Major sections of GIPS (概念)

0. **Fundamentals** **of compliance**

- Firm-wide basis; Full compliance.
- Prohibited statement referring to calculation methodology.
- Firms must document their policies and procedures used in establishing and maintaining compliance with the GIPS standards.
- Firms must provide a complete list of composite descriptions to any prospective client on request.
- Firms must provide a compliant presentation for any composite listed on the firm's list of composite descriptions to any prospective client on request.
- Firms must be defined as an investment firm, subsidiary, or division held out to clients or prospective clients as a distinct business entity.

Major sections of GIPS (概念)

0. **Fundamentals** **of compliance**

- total firm assets must be the aggregate fair value of all discretionary and non-discretionary assets managed by the firm.
- Changes in a firm's organization must not lead to alteration of historical composite performance.
- When the firm jointly markets with other firms, must be sure that clearly defined and separate relative to other firms being marketed.
- Fair value.

Major sections of GIPS (概念)

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| <u>1. Input data</u> | <p>➤ For periods beginning on or after 1 January 2011, portfolios must be valued in accordance with the definition of <u>fair value</u> and the GIPS Valuation Principles.</p> |
| <u>2. Calculation methodology</u> | <p>➤ Firms must calculate <u>time-weighted</u> rates of return that adjust for external cash flows. Both periodic and sub-period returns must be <u>geometrically</u> linked.</p> |
| <u>3. Composite construction</u> | <p>➤ All <u>actual, fee-paying, discretionary</u> portfolios <u>must</u> be included in at least one composite. Although non-fee-paying discretionary portfolios may be included in a composite (with appropriate disclosure), non-discretionary portfolios must not be included in a firm's composites.</p> |
| | <p>➤ Firms must not link performance of simulated or model portfolios with actual performance.</p> |

Major sections of GIPS (概念)

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| <u>5. Presentation and reporting</u> | <p>➤ At least <u>5 years</u> of performance (or since inception if less than five years) that meets the requirements of the GIPS standards.</p> |
| <u>7. Private Equity</u> | <p>➤ Firms must calculate the annualized since-inception internal rates of return (SI-IRR).</p> |
| <u>8. Wrap fee/separately managed account (SMA) portfolios</u> | <p>➤ <u>Wrap fee</u>: A type of bundled fee and are specific to a particular investment product.</p> |
| | <p>➤ <u>A wrap fee portfolio</u> is sometimes referred to as a “<u>Separately managed account</u>” (SMA) or “<u>managed account</u>”.</p> |