**Lesson 3: Standard III: Duties to Clients**

**Know your fiduciary duties and to whom they are owed**

The duty of loyalty is owned to the ultimate ***beneficiary*** (e.g. manager of pension fund not to the company that hired him, CEO, president, but to the employees who’s the pensions belong to)

**Soft dollars (soft commissions/client brokerage) must benefit the client**

**Directed brokerage**

Client can direct manager to use a specific brokerage – manager has to make sure that it gets best price and best execution on all trades

**Standard III(B) Fair dealing**

**Disseminate information fairly** – and allocating limited (hot offering) shares fairly

**Clients get first shot at hot offerings –** limited shares or oversubscribed

* Members and candidates should forgo any sales to themselves or their family members with any beneficial interest (spouse, child, family member depended on you)
* Family account is ok ( it is a family member outside of spouse, child etc)

**You get what you pay for**

Members and candidates can provide more personal, specialized, or in-depth service. If the recommendation is not widely disseminated it is a problem.

**Pro rata is the way to go**

When full amount of order is not executed, pro rate based on order size and taking into consideration minimum lot size.

**Fair treatment does not mean equal treatment**

**Standard III(C) Suitability**

**Only recommend suitable investments**

**Inquire about a client’s situation before giving advice**

**Standard III(D) Performance Presentation**

1. **Using atypical accounts – use only best performing portfolios (cherry picking)**
2. **Varying time periods – use time periods when outperforming benchmark**

**Standard III(E) Preservation of Confidentiality**

Keep all client information confidentiality unless:

**The client gives you permission to disclose**

**Unless client is doing something illegal**

**Required to disclose by law** (even if not illegal)

**!!!If applicable law requires members and candidates to maintain confidentiality, even if the information concerns illegal activities on the part of the client, members and candidates should not disclose such info.**