**Lesson 6: Standard VI: Conflicts of Interest**

## 6.1  Standard VI(A) Disclosure of Conflicts

**Make reasonable effort to avoid and disclose all conflicts** – actual and potential conflicts

If you sit on any board, you must disclose that.

**Material beneficial ownership** – spouse, children, immediate family member who is dependent on you (living with you)

Tier 1 – clients trades (individual (general and high net worth) and institutional)

Tier 2 – prop trades

Tier 3 – personal trades, beneficial ownership trades

## 6.2  Standard VI(B) Priority of Transactions

**The client comes first, then the employer**, then member or candidate (personal)

Family account – is not considered a beneficiary account. It is owned by a family member not living with you. They fall into tier 1.

**Material beneficial ownership falls under Tier 3 –** usually happens in tandem with hot issue (oversubscribed, limited shares) (example: IPO offerings)

**Treat family client account as any other account –** neither advantage not disadvantage

NO EXAMPLE PROVIDED BY CFA INSTITUTE

## 6.4  Standard VI(C) Referral Fees

**Disclose referral fee in writing –** disclose to employer, clients and prospective clients.

Standard VI(C) does not distinguish referral payments paid by a third party or internal payments paid within the firm to attract new business

**Exchange of cash not required** – quid pro quo