5.1. Diligence and Reasonable Basis

重要知识点

5.1.1. **The requirements for research conclusions vary in relation to the role in investment decision-making process, but must make reasonable efforts to cover all pertinent issues when arriving at a recommendation.**

5.1.2. **Provide supporting information to clients enhance transparency**

5.1.3. **Defining diligence and reasonable basis.**

>- In providing investment service, often use a variety of resources.

>- current stage of the industry's business cycle; company's operating and financial history; mutual fund's fee structure and management history; output and potential limitations of quantitative models; quality of the assets included in a securitization; appropriateness of selected peer-group comparisons.

>-Can base decisions only on the information available at the time the decision is made. The steps taken in developing in a diligent and reasonable recommendation should minimize unexpected downside events.

5.1.4. **Secondary or third-party research.**

>-检查Criteria in forming an opinion on whether research is sound, If suspect the soundness, must not rely on that information.

>-May rely on others in the firm to determine soundness and use the information in good faith assuming the due diligence process was deemed adequate.

>-Should y verify that the firm has a policy about the timely and consistent review of approved research providers to ensure the quality of the research.

>-If such policy not in place, should encourage development and adoption.

5.1.5. **Quantitatively oriented research.**

>-Need to have an understanding of the parameters used in the model or quantitative research.

>-Although not required to be experts in technical aspects of the models, must be

able to explain to their clients the importance of the quantitative research and how the results were used in the decision-making process.

- Need to consider the time horizon of data input in financial models.
- In development of a recommendation, may need to test the models by using volatility and performance expectations that represent scenarios outside the observable databases.
- In reviewing computer models or the resulting output, pay attention to the assumptions and rigor of the analysis to ensure that the model incorporates negative market events.
- Members and candidates 需要对投资分析和建议报告所用到的数据来源进行调查，保证这些数据的准确性。对通过网络搜集到的信息，Members and candidates 需要进行更为严格的审核。如果公司没有这项制度，会员或者候选人需要鼓励公司采取这项制度。
- 新模型的创建者需要比模型最终使用者在审核模型的时候表现出更高的审慎原则，即模型开发者要比模型使用者更懂模型。
- 负责创建并且检验模型的 Members and candidates 需要对产品的技术有一个彻底的了解。在模型发布之前需要对模型以及模型运行结果进行全面彻底的检验。

5.1.6. Selecting external advisers and subadvisers

- Ensure that the firm has standardized criteria for reviewing external advisers,包含以下几方面。
  - Reviewing the adviser's established code of ethics;
  - Understanding the adviser's compliance and internal control procedures;
  - Assessing the quality of the published return information;
  - Reviewing the adviser's adherence to its stated strategy.

5.1.7. 关于 group research

- The conclusions or recommendations of the group report represent the consensus of the group, but may not necessarily be the views of the member or candidate, even though his name is included on the report.
- 如果不同意结论，但是 consensus opinion has a reasonable and adequate basis and is independent and objective，那么 need not decline to be identified with the report.
- 如果不同意结论，而且 not confident in the process, should dissociate from the report whether it does not reflect his opinion or not.
- Always recommending "hot" issue indicates without sound analysis→ **NO** reasonable basis.

5.1.8. Establish a policy requiring that research reports, credit ratings, and investment recommendations have a basis that can be substantiated as reasonable and adequate.

5.1.9. Develop detailed, written guidance for analysts and review committees for judging reasonable and adequate basis of a particular recommendation.

5.1.10. Develop measurable criteria for assessing the quality of research, the reasonableness and adequacy of the basis for any recommendation or rating, and the accuracy of recommendations over time.

5.1.11. Develop detailed, written guidance that establishes minimum levels of scenario testing of all computer-based models used in developing, rating, and evaluating financial instruments.

5.1.12. Develop measurable criteria for assessing outside providers.

➤ Adopt a standardized set of criteria for evaluating the adequacy of external advisers. The policy should include how often and on what basis the allocation of funds to the adviser will be reviewed.