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Ethics & Professional standards

CFA培训项目



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注意:

1. 红色字体代表第11版handbook新增的比較重要的内容
2. 案例总结是把case当中容易判断错的结论摘录了下来, 简单或者常规案例没有列出

I (A) Knowledge of law

条款要点	<p>知法→守法→发现违法现象应该怎么做</p> <ol style="list-style-type: none">1. 知法：不要成为法律专家(not expert on compliance)，must comply with law directly governing (和你本职工作相关的法律法规)2. 守法：most strict (law or CFA institute Standards)3. 发现违法：<ol style="list-style-type: none">(1) 确切知道：<ul style="list-style-type: none">• 原则：dissociate, no requirement to report violations to governmental authorities• 正确顺序：report给supervisor或compliance department →如果他们不处理，再dissociate，即使辞职也在所不惜(2) 怀疑：Consult, but can't be absolved from requirements to compliance
案例总结	<ol style="list-style-type: none">1. Members and candidates will need to <u>be aware of the differences between cultural and religious laws</u> (文化方面的惯例也要遵守)2. comply with the new guidance and regulation governing use of <u>social media</u>

I (B) Independence and Objectivity

条款要点

1. Gift:
 - (1) Best Practice: Reject gift that could be expected to compromise independence and objectivity.
 - (2) Gift from subject company (to research): 拒绝奢侈礼物, modest and normal gift is OK
 - (3) Gift from client (to asset manager): Client's gift should be disclosed, if not → violate I(B) IV (B); Disclose, 但没有收到雇主同意 → violate IV (B), 不违反I(B) (只要disclose, 就不违反I(B))
2. 各种关系:
 - (1) Buy-Side clients: Institutional clients, portfolio managers会对sell side analyst造成压力
 - (2) Fund manager relationships and Custodial Relationships: hiring and retaining outside managers and third-party custodians要独立客观
 - (3) Investment banking: research analyst不能受到投行的影响
 - (4) Performance Measurement and Attribution:** 作为performance analysts, 要披露基金经理是否有 stray from their mandate, alter the construction of composite的现象, performance analyst的独立客观性可能会受到基金经理和sales的影响
 - (5) Public companies: analyst must not promise favorable report about the firm
 - (6) Credit rating agency opinions: 评级机构也要保持自己的独立客观性
 - (7) Influence during the Manager Selection:** 不能贿赂别人, 也不能收受贿赂
 - (8) Issuer-Paid research: 只能收flat fee, 和结论有关的任何bonus都不能收
 - (9) Travel Funding: 最好自己付钱, 可以接受一个modestly arranged travel

案例总结

1. As credit analyst, must refuse to push the problematic bond to clients
2. tickets to World Cup属于比较奢侈的礼物
3. Travel Expense from External Manager: should avoid the trip experience to impede his independence and objectivity in selection of managers

I (C) Misrepresentation

条款要点	<ol style="list-style-type: none"> 1. 常规性的禁止吹牛： <ul style="list-style-type: none"> • A company is prohibited from saying “we can provide all services you need”. Proper way is to provide a list of services available. • not misrepresent qualifications or services • 禁止Guarantee the investment performance of volatile investment, 但是如果本身return是可以保证的, 也可以guarantee 2. Omissions <ul style="list-style-type: none"> • 使用models and technical analysis时, 不能把expected result说成fact • 展示业绩时prevent cherry picking (cherry picking指挑一个好的披露) 3. Performance Reporting: 可以没有benchmark (比如hedge fund), 但是如果有, benchmarks要跟投资风格相匹配 4. Plagiarism 5. Using third-party information: 必须要disclose
案例总结	<ol style="list-style-type: none"> 1. typographical error不属于, 但是要及时改正 2. Use somebody's report ,change a few words, sign your name, and get it out→剽窃 3. P/E ratio, standard deviation →用自己语言总结, 可以没有引用; 若直接copy, 要有引用 4. learns from a media→先verify, 再引用原著 5. Unless the returns of a single fund reflect the performance of a firm as a whole, the use of a singular fund for performance comparisons should be avoided.

I (D) Misconduct

条款要点	<ol style="list-style-type: none">1. lying, cheating, stealing, or other dishonest conduct2. negatively affects ability to perform professional activities (和本职工作相关的, 个人信仰不属于违反)
案例总结	<ol style="list-style-type: none">1. Personal bankruptcy: 不违反I (D), 但如果破产是因为fraudulent or deceitful business conduct, 那么就违反I (D)2. intoxicated after lunch: 影响正常工作, 违反I (D)3. environmental activist, 破坏petrochemical plant, 不违反I (D)

II(A) Material nonpublic information

条款要点	<ol style="list-style-type: none">1. 原则: Trading or inducing others to trade on material nonpublic information → violate II(A)2. MNI?<ol style="list-style-type: none">(1) Reliable source(2) Clear impact<ul style="list-style-type: none">• Company-related information: Earnings、M&A、Changes in assets、Innovations、New licenses、Developments regarding customers or suppliers、Changes in management、auditor notification、Events、legal disputes• Macro-economy• Large orders• Well known analyst• Qualified personnel(3) Non-public: Selective disclosure may violate MNI. (这种信息不算是public, 不能使用)3. Mosaic Theory: material public and nonmaterial nonpublic information → 不违反II (A)4. Using Industry Experts: 要管理好从行业专家获得的MNI, 自己不能用, 也不能给别人用
案例总结	<ol style="list-style-type: none">1. Selective Disclosure: In a meeting with the finance director of the manufacturer and the other 10 largest shareholders of that company → 只是这几个人知道, 属于选择性披露, 还是nonpublic2. 从高管那里获得了MNI, 虽然质疑信息的可靠性, 但是仍然买了这只股票 → 违反II (A) (只要有MNI, 并且进行了交易, 就违反II (A), 不管有什么理由推脱)

II(B) Market manipulation

条款要点	<ol style="list-style-type: none">1. Info-based: Dissemination of false or misleading information2. Transaction-based: artificially affect prices or volume to give misleading impression of price movement3. 不违反II(B)的:<ul style="list-style-type: none">• To increase liquidity, Futures Exchange insure the minimum trading volume• Not prohibit trading strategies that exploit a diff in market power, info.• Not prohibit trade for tax purposes, selling then buying back.
案例总结	buy and sell the stock using the multiple accounts to raise the trading volume → violate II(B)

III(A) Loyalty, prudence and care

条款要点

1. Identify Client →特殊的:
 - Beneficiary: 主要体现在pension plans or trusts
 - Mandate: 主要体现在mutual fund
2. Soft dollar:
 - 要为客户seek “best price” and “best execution”
 - Soft dollar要直接有利于investment manager帮助客户做投资决策. Whenever using client brokerage to purchase goods or services that do not benefit the client, should disclose to clients the methods or policies followed in addressing the potential conflict.
3. Proxy Voting Policies:
 - 要作出有利于客户的投票
 - voting proxies may not be necessary in all instances, 要做cost-benefit分析
 - Members and candidates should disclose to clients their proxy voting policies.
4. **Understanding the Application of Loyalty, Prudence, and Care**
 - Fiduciary duty: 主要是investment manager和advisor
 - Standard III(A) does not render all members and candidates fiduciaries. Trade execution professional没有fiduciary duty, 但是trader也必须要use their skills and diligence to execute trades in the most favorable terms for clients.

案例总结

1. Investment manager did not obtain best execution for clients and indirectly used clients' brokerage to cover overhead expense, it is clear violation.
2. Responsibility of asset manager of mutual fund is to manage the fund according to the investment policy statement of the fund. His actions should not be influenced by the needs of any particular fund investor.

III(B) Fair dealing

条款要点	<ol style="list-style-type: none"> 1. Fairly ≠ equally; Premium level service is okay, if not disadvantage or negatively affect other clients. Should be disclosed to clients and available to everyone 2. Trade: equitable system, pro rata on order size, not on account size.(为了能够买到相应份额, 可以取整) 3. Analyst's Recommendation: <ul style="list-style-type: none"> • 第一时间发给所有客户。 • Material changes in prior recommendations should be communicated to all current clients • Clients who do not know the changed recommendation and who place orders contrary to a current recommendation should be advised of the changed recommendation.
案例总结	<ol style="list-style-type: none"> 1. Weng uses email to issue a new recommendation to all his clients and then calls his 3 biggest clients to discuss the recommendation in detail. →not violate 2. Burdette has violated Standard III(B) by sending an investment recommendation to <u>a select group</u> (只发给Twitter follower) of contacts prior to distributing it to all clients. →violate 3. The recommended reports of <u>helping the firm conduct after-the-fact reviews</u> of how effectively the firm's advisers are dealing with their client's portfolios. →not violate

III(C) Suitability

条款要点	<p>了解客户→写IPS→要完全依据IPS来投资</p> <ol style="list-style-type: none">1. Updating the IPS should be repeated <u>at least annually and also prior to material changes</u>.2. Diversification: 是否适合客户要站在<u>portfolio</u>的角度, 不能只看这个资产本身(主要是derivatives, 衍生品虽然风险高, 但是还有风险对冲的作用)3. Managing to an Index or Mandate: consistent with the stated mandate4. Addressing Unsolicited Trade Requests: unsolicited trade指的是和IPS不一致, 但是客户自己要求做的trade。 →原则: the member or candidate should refrain from making the trade until he or she <u>discusses</u> the concerns with the client.
案例总结	<ol style="list-style-type: none">1. covered call options in the equity portfolio → 风险对冲的作用, 不违反III(C)2. high-income mutual fund, buys zero-dividend stock → 违反, 因为不符合fund的投资风格3. When <u>selecting an external or subadviser</u>, candidate needs to ensure that the new manager's services are appropriate for his clients.

III(D) Performance presentation

条款要点	<ol style="list-style-type: none"> 1. Not misrepresent past performance or reasonably expected performance. <ul style="list-style-type: none"> • Not state or imply to obtain what was achieved in the past 2. Include <u>terminated portfolio</u> as part of performance history. 3. The performance of <u>weighted rate of return</u> rather than a single performance. 4. If the presentation is brief, must make available to clients and prospects, on request, the <u>detailed information</u> 5. Apply GIPS standards: 这是recommended, 不是必须的, 但是如果宣称遵守但实际没有遵守, 就违反III(D) 6. Full disclosure: whether simulated, when the performance record is that of a prior entity, whether gross of fees, net of fees, or after tax. <ul style="list-style-type: none"> • 模拟的业绩可以包含在业绩中, 但是必须要disclose
案例总结	<ol style="list-style-type: none"> 1. The standard does not prohibit showing past record so long as it is <u>fully disclosed where the performance comes from and the person's role in it.</u> 2. Modifying the performance attribution methodology without proper notifications to clients would fail to meet the requirements of Standard III(D). <ul style="list-style-type: none"> • 如果candidate真的认为新的模型对于performance attribution更好 → 正确做法: He would need to report the results of both calculations to the client. The report should also include the reasons why the new methodology is preferred, which allow the client to make a meaningful comparison to prior results and provide a basis for comparing future attributions. 3. <u>Full information</u> is provided when clients have sufficient information to judge the performance generated by the firm.

III(E) Preservation of confidentiality

条款要点	<ol style="list-style-type: none">1. Must keep information about current, former, and prospective clients confidential unless:<ul style="list-style-type: none">• The information concerns <u>illegal activities</u> on the part of the client;• Disclosure is required by law; or• The client or prospective client permits disclosure of the information.2. If <u>applicable law requires maintaining confidentiality</u>, even if the information concerns illegal activities on the part of the client, should not disclose.3. Must continue to maintain the confidentiality of client records <u>even after the client relationship has ended</u>.
案例总结	<p>使用social media:</p> <ul style="list-style-type: none">• <u>Under the direction of her firm's technology and compliance departments</u>, she established a new group page on an existing social media platform specifically for her clients. →✓• <u>The instructions also advised</u> clients that all comments posted would be available to the public and thus the platform was not an appropriate method for communicating personal or confidential information. →✓

IV(A) Loyalty to Employers

Core rule: Whether injure the firm, deprive the firm of its profit, or compromise the advantage of employee's skill and capability

1. 在职时:

- Independent Practice: 即competitive business。Should not render services until they receive consent from their employer to all of the terms of the arrangement.
- 可以在下班时间做兼职(非competitive business), 只要不影响正常工作即可。
- 自己开公司: 可以在下班时间做跟新公司注册相关的事务。但如果业务是跟现在雇主相竞争, 离职前不可以正式开展业务。

2. Leaving an Employer:

(1) Before leaving, the following will cause a violation:

- Misappropriation of trade secrets
- Misappropriation of client lists. Memorizing client lists (name/address) is not permitted.
- Misuse of confidential information.
- Soliciting employer's clients prior to cessation of employment.

(2) After leaving, the following will cause a violation:

- Violation of terms in existing non-compete contract
- 只能带走the skills and experience that an employee obtained
- Simple knowledge of names and existence of clients is not confidential information。可以通过 public information (比如网络)找到客户
- Firm records or research (即使是自己写的) should be erased or returned to employer.

3. **Use of Social Media:** should adhere to the employer's policies and procedures

- 原则: placed her employer's interests ahead of her own personal interests

IV(A) Loyalty to Employers(续)

案例总结

1. 和雇主是part time working agreement → 也要遵守IV (A)
2. It is not a violation as long as candidate only prepares her new business on her own time outside the office
3. 业余时间的兼职是mayor, 如果兼职是so extensive and time consuming影响了正常工作, 也是违反。
4. Whistleblowing不违反IV (A)
5. Candidate is in violation of Standard IV(A) for disclosing confidential firm information through his personal blog. The recommendations on the firm's blog to clients are not freely available across the internet, but his blog provides the firm's recommendation. Additionally, by posting research commentary on his personal blog, Gupta is using firm resources for his personal advantage. To comply with Standard IV(A) members and candidates must receive consent from their employer prior to using company resources.

IV(B) Additional compensation arrangements

条款要点	<p>No gifts, benefits, compensation or consideration are to be accepted which may create a conflict of interest with the employer's interest unless written consent is received from all parties.</p> <p>注意：只有跟本职工作相关的，可能会create a conflict of interest的，才是additional compensation</p>
案例总结	<ol style="list-style-type: none">1. 客户给的trip to Monaco → disclose，并且收到雇主written consent才能收2. 目标公司给的non-monetary benefits → disclose，并且收到雇主written consent才能收



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IV(C) Responsibility of supervisors

条款要点	<ol style="list-style-type: none">1. 预防→发现→下属违反如何行动？<ol style="list-style-type: none">(1) 积极预防和发现：<ul style="list-style-type: none">• establishing <u>policies and procedures</u> to achieve compliance with the code and applicable law, and reviewing employee actions to determine whether they are following the rules.• members and candidates should implement education and training programs• establishing incentives—monetary or otherwise—for employees not only to meet business goals but also to reward ethical behavior(2) 下属违反：<ul style="list-style-type: none">• Should take steps to <u>ensure that the violation will not be repeated</u>, by placing limits on the employee's activities or increasing the monitoring of the employee's activities.2. Can <u>delegate</u>, but not relieve of supervisory responsibility.
案例总结	<ol style="list-style-type: none">1. Candidate violated Standard IV (C) by not exercising reasonable supervision when he agrees to send out the memo without reasonable and adequate basis.2. Members and candidates should ensure that their firm has appropriate policies and procedures in place to detect inappropriate actions.3. Supervisor <u>should establish reasonable procedures to prevent the unauthorized dissemination</u> of company research through social media networks.

V(A) Diligence and reasonable basis

条款要点	<p>基本原则：Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.</p> <ol style="list-style-type: none"> Using Secondary or Third-Party Research: <ul style="list-style-type: none"> make reasonable and diligent efforts to determine whether it is sound. 如果发现第三方研究报告确实好，当成自己的发给客户→违反I(C)，剽窃 Using Quantitatively Oriented Research: <ul style="list-style-type: none"> Candidates are not required to become experts in every technical aspect of the models, they must understand <u>the assumptions and limitations</u> inherent in any model. Candidates should make reasonable efforts to <u>test</u> the output. Developing Quantitatively Oriented Techniques: higher level of diligence <ul style="list-style-type: none"> A thorough testing of the model and resulting analysis should be completed prior to product distribution. Members and candidates need to consider the source and time horizon of the data used as inputs in financial models. Group Research: If <u>the consensus opinion has a reasonable and adequate</u> basis and is independent and objective, 可以在团体报告上签名
案例总结	<ol style="list-style-type: none"> Always recommend “hot” issue indicates NO reasonable basis. The selection of an <u>external adviser or subadviser</u> should be based on a full and complete review of the advisers’ services, performance history, and cost structure. Analysis of an investment that results in a reasonable basis for recommendation does not guarantee that the investment will have no down-side risk. (即使审慎分析和研究，结果仍然可能有损失)

V(B) Communication with clients

条款要点	<ol style="list-style-type: none">1. Disclose to clients and prospective clients the basic format and general principles of the investment processes<ul style="list-style-type: none">• If recommendations are in capsule form (such as a recommended stock list), should notify clients that <u>additional information and analyses are available upon request</u>.2. Must promptly disclose any <u>material changes</u> that might materially affect those processes.3. Distinguish between <u>fact and opinion</u> in the presentation of investment analysis and recommendations.4. Identifying risk and Limitations of Analysis:<ul style="list-style-type: none">• Examples of such factors and attributes include but are not limited to investment liquidity and capacity.
案例总结	<ol style="list-style-type: none">1. Candidate should disclose a material error in the investment process.2. If significant limitations are complicated to grasp and clients do not have the technical background required to understand them, <u>candidate should either educate the clients or ascertain whether the fund is suitable for each client</u>.

V(C) Record retention

条款要点	<ol style="list-style-type: none">1. Records may be maintained either in <u>hard copy or electronic form</u>.<ul style="list-style-type: none">• If no regulatory guidance, CFA Institute recommends maintaining records for at least <u>7 years</u>. If there is a legal requirement for retention period, <u>follow the legal requirement</u>.2. Records created in professional activities are the property of the firm. When leaving the firm, cannot take those records, including originals or copies of supporting records of his work, to the new employer without the express consent of the previous employer. →如果带走，既违反IV(A)，又违反V(C)。正确做法是：re-create the supporting records at the new firm
案例总结	The records created by candidate supporting the research model he developed at previous firm are the records of previous employer. He can't take the record without the permission.

VI(A) Disclosure of conflicts

条款要点	<ol style="list-style-type: none"> 1. make full and fair disclosure of all conflicts of interest (一般是针对research的角色) <ul style="list-style-type: none"> • corporate financing or market making relationship; • Security holding • Directorship • Individual relationship 2. 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) 3. 只要违反VI(A), 就违反I(B)
案例总结	<ol style="list-style-type: none"> 1. Conflict of interest的表现: <ul style="list-style-type: none"> • 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. 2. Candidate violated Standard VI (A) by <u>failing to disclose the additional compensation to his clients and employer</u>, this conflict of interest would interfere his independence and objectivity. →也违反IV(B) I(B) 3. Standard VI(A) would not require candidate to disclose her personal or retirement investments in large diversified mutual funds.

VI(B) Priority of transaction

条款要点	<p>Client > employer > individual</p> <ul style="list-style-type: none">• 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 your recommendation.
案例总结	<ol style="list-style-type: none">1. <u>Seven minutes</u> 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 <u>and did not give customers the opportunity to act before the firm itself did. It's a violation.</u>2. Toffler has violated Standard VI(B) by <u>breaching her duty to her parents by treating them differently from her other accounts</u> 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

条款要点	Members and candidates must inform their employer, clients, and prospective clients of any benefit received for referrals of customers and clients.
案例总结	<ol style="list-style-type: none">1. A broker directs certain prospective accounts to a 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.2. 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.3. 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

条款要点	<ol style="list-style-type: none">1. 考场纪律2. Improperly using an association with CFA Institute to further personal or professional goals, 违反VII(A)3. Expressing opinions regarding the CFA Program or CFA Institute is OK.
案例总结	<ol style="list-style-type: none">1. By revealing portions covered on the exam and areas not covered, she did violate Standard VII(A).2. 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	<ol style="list-style-type: none">1. Mustn't cite the expected date of exam completion and award of charter.2. A candidate who has passed level III but has not received charter can't use CFA designation.3. It's only appropriate to use CFA logo on the business card or letterhead of each individual CFA charterholder.4. The order of CFA and CPA doesn't matter.5. If a charterholder fails to meet membership requirements, he can't use CFA designation. Until membership is reactivated, can only state that they were charterholders in the past.6. 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
案例总结	<ol style="list-style-type: none">1. Implying that (1) CFA charterholders achieve better investment results and (2) those who pass the exams on the first try are more successful would violate Standard VII(B).2. The candidate has violated Standard VII(B) because his right to use the CFA designation was suspended when he <u>failed to file his Professional Conduct Statement and stopped paying dues.</u>3. The CFA Logo must not be incorporated in a company name.4. Must include the charterholder's full name along with any reference to the CFA designation.

*Thank
You!*

