

1. Ethics, Trust & Profession

- **Ethics:** moral principles about acceptable behaviour; **Laws:** minimum standards, vary by jurisdiction.
- Investment industry relies on *trust* due to intangible products and info asymmetry.
- **Profession:** specialised knowledge, service to others, shared code, continuing education.

2. CFA Institute Code of Ethics

exititMembers and candidates must:

1. Act with integrity, competence, diligence, respect.
2. Place client and profession interests above own.
3. Use reasonable care and independent judgment.
4. Promote the integrity of capital markets.
5. Maintain and improve professional competence (self & others).

3. Standards I–VII Overview

I. Professionalism: Knowledge of Law; Independence & Objectivity; Misrepresentation; Misconduct.
II. Integrity of Capital Markets: MNPI; Market Manipulation.
III. Duties to Clients: Loyalty /Prudence /Care; Fair Dealing; Suitability; Performance Presentation; Confidentiality.
IV. Duties to Employers: Loyalty; Additional Compensation; Supervisor Responsibilities.
V. Investment Analysis, Recommendations & Actions: Diligence & Reasonable Basis; Communication; Record Retention.
VI. Conflicts of Interest: Disclosure; Priority of Transactions; Referral Fees.
VII. Responsibilities as CFA Member/Candidate: Conduct; Reference to CFA Designation.

4. Professionalism Key Points

- **Knowledge of Law:** follow strictest rule; dissociate from violations.
- **Independence&Objectivity:** no gifts that compromise research; use firewalls; self-paid due-diligence travel.
- **Misrepresentation:** no plagiarism; cite data sources; no guaranteed returns.
- **Misconduct:** no fraud, dishonesty, abuse of employer property.

5. Integrity of Capital Markets

- **Material Non-Public Info:** MNPI + likely price impact; mosaic theory allowed.
- Establish *firewalls*, watch /restricted lists, pre-clear trades, halt proprietary trading when in possession.
- **Market Manipulation:** no false rumours, wash trades, squeeze or corners.

6. Duties to Clients

- Loyalty /prudence: IPS, best execution, soft dollars benefit client.
- Fair Dealing: simultaneous dissemination; documented allocation; no front-running.
- Suitability: know-your-client, total-portfolio context, leverage appropriateness.
- Performance: GIPS preferred; full, fair, timely, comparable; include terminated accounts.
- Confidentiality: unless illegal, compelled by law, or client permits.

7. Duties to Employers

- Loyalty until final day; may prepare for departure without solicitation.
- Additional compensation needs written consent.
- Supervisors must design /enforce adequate compliance; decline in writing if impossible.

8. Investment Analysis & Records

- **Reasonable Basis:** thorough research, data integrity, peer review, stress tests.
- **Communication:** disclose process, assumptions, risks; separate fact & opinion.
- **Records:** 7-year retention (or local law longer); firm owns; recreate when switching firms.

9. Conflicts of Interest

- Full, prominent, plain-language disclosure—board seats, family holdings, fee arrangements.
- Transaction priority: Clients → Employer → Personal. Use blackout periods, pre-clearance, duplicate confirms.
- Referral fees: disclose nature and value to client and employer.

10. CFA Program Responsibilities

- No cheating, exam disclosure, or misuse of materials.
- Use marks as adjective: "John Doe, CFA", "CFA charterholder"; no partial designations, no "CFA Level III" after passing.
- Annual PCS & dues to maintain membership.

11. Ethical Decision-Making Framework

Identify facts & stakeholders → Consider duties, conflicts, situational influences → Decide & act → Reflect post-action. Use checklists, seek counsel, document process.

12. Compliance & Enforcement

- **Professional Conduct Program (PCP)** investigates via complaints, disclosures, exam proctor reports.
- Sanctions: cautionary letter, public censure, suspension, revocation.
- Firms: adopt Code of Ethics, written compliance, whistle-blower hotlines, ongoing training, incident logs.