



CFA INSTITUTE

ETHICS IN PRACTICE:

Stick to IPS during Volatile Markets?

CASE STUDY

Barry Van Wagenen manages the portfolios of high-net-worth clients. He completes an individualized IPS for each client when opening their account. He then develops a personal asset allocation formula based on each client's risk tolerance, financial goals, and so forth. Over the past two days, the domestic and global equity securities markets fell more than 6%. Fearing a continued drop in the markets, Van Wagenen liquidates his personal investments and moves to cash until the financial markets stabilize. But he keeps his clients' portfolios fully invested pursuant to the directives in their IPS. Van Wagenen's actions are

- A. unacceptable because he is trading ahead of his clients for his personal account.
- B. unacceptable because his personal investment decisions do not match the investment recommendations he has made to his clients.
- C. unacceptable because he is not acting in a diligent and reasonable manner by leaving his clients assets fully invested in a rapidly declining securities market.
- D. acceptable because he is following his client's directives, as detailed in their IPS, by keeping them fully invested.

