## CFA INSTITUTE

# ETHICS IN PRACTICE:
# Valuing Assets and Calculating Fees.

### CASE STUDY

Maalouf works in a branch office for a large wealth management firm. The firm's fees are based on a percentage of the value of the assets managed in each client account. The firm has a standard method for valuing assets and calculating fees for all of its clients, which is disclosed to each client at the outset of the relationship. Over time, the firm transitions to (1) using the market value of client assets at the end of the billing cycle instead of the average daily balance of the account; (2) including assets in the fee calculation, such as cash or cash equivalents, that were previously excluded; and (3) charging clients for a full billing period rather than prorating fees for clients that start or terminate accounts mid billing period. Maalouf

A. cannot use end-of-cycle valuations, include cash equivalents, or charge full fees for a full billing cycle for partial cycle accounts.

B. can change the valuation and fee calculation methodology as long as actual fees charged to clients are lower.

C. must notify clients of the changes in the valuation and fee calculation methods.

D. cannot change fundamental elements of the client relationship, such as valuation and fee calculation methodology, once it is disclosed to the client.