

STUDY SESSION

2

Ethical and Professional Standards (2)

This study session uses case studies to illustrate the practical application of the CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards). A number of fictional, but realistic, case studies of individuals facing ethical dilemmas in their day-to-day activities are presented first. Each case includes a discussion on key violations under the Code and Standards, recommendations for corrective actions, and potential policy statements a firm might use to discourage similar violations. The session concludes with an examination of two real world violations and the regulatory actions taken in response to each. Analysis of each violation from the perspective of the Code and Standards is provided.

READING ASSIGNMENTS

Reading 3	Application of the Code and Standards
Reading 4	Trade Allocation: Fair Dealing and Disclosure
Reading 5	Changing Investment Objectives

LEARNING OUTCOMES

READING 3. APPLICATION OF THE CODE AND STANDARDS

The candidate should be able to:

- a** evaluate policies and practices for a firm and an individual in relation to the CFA Institute Code of Ethics and Standards of Professional Conduct;
- b** explain the appropriate action to take in response to conduct that violates the CFA Institute Code of Ethics and Standards of Professional Conduct.

READING 4. TRADE ALLOCATION: FAIR DEALING AND DISCLOSURE

The candidate should be able to:

- a** evaluate trade allocation practices and determine whether they comply with the CFA Institute Standards of Professional Conduct addressing fair dealing and client loyalty;
- b** describe appropriate actions to take in response to trade allocation practices that do not adequately respect client interests.

READING 5. CHANGING INVESTMENT OBJECTIVES

The candidate should be able to:

- a** evaluate the disclosure of investment objectives and basic policies and determine whether they comply with the CFA Institute Standards of Professional Conduct;
- b** describe appropriate actions needed to ensure adequate disclosure of the investment process.