

STUDY SESSION

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Ethical and Professional Standards

This study session introduces ethics, related challenges to ethical behavior, and the role played by ethics and professionalism in the investment industry. A framework to support ethical decision-making is provided to help guide behavior. The CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards) are examined, with attention given to each standard and its application. The session concludes with coverage of the Global Investment Performance Standards.

READING ASSIGNMENTS

Reading 1	Ethics and Trust in the Investment Profession by Bidhan L. Parmar, PhD, Dorothy C. Kelly, CFA, and David B. Stevens, CIMC, CFA
Reading 2	Code of Ethics and Standards of Professional Conduct <i>Standards of Practice Handbook</i> , Eleventh Edition
Reading 3	Guidance for Standards I–VII <i>Standards of Practice Handbook</i> , Eleventh Edition
Reading 4	Introduction to the Global Investment Performance Standards (GIPS)
Reading 5	Global Investment Performance Standards (GIPS)

LEARNING OUTCOMES

READING 1. ETHICS AND TRUST IN THE INVESTMENT PROFESSION

The candidate should be able to:

- a explain ethics;

- b** describe the role of a code of ethics in defining a profession;
- c** describe professions and how they establish trust;
- d** describe the need for high ethical standards in investment management;
- e** explain professionalism in investment management;
- f** identify challenges to ethical behavior;
- g** distinguish between ethical and legal standards;
- h** describe a framework for ethical decision making.

READING 2. CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

The candidate should be able to:

- a** describe the structure of the CFA Institute Professional Conduct Program and the process for the enforcement of the Code and Standards;
- b** state the six components of the Code of Ethics and the seven Standards of Professional Conduct;
- c** explain the ethical responsibilities required by the Code and Standards, including the sub-sections of each Standard.

READING 3. GUIDANCE FOR STANDARDS I–VII

The candidate should be able to:

- a** demonstrate the application of the Code of Ethics and Standards of Professional Conduct to situations involving issues of professional integrity;
- b** distinguish between conduct that conforms to the Code and Standards and conduct that violates the Code and Standards;
- c** recommend practices and procedures designed to prevent violations of the Code of Ethics and Standards of Professional Conduct.

READING 4. INTRODUCTION TO THE GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS)

The candidate should be able to:

- a** explain why the GIPS standards were created, what parties the GIPS standards apply to, and who is served by the standards;
- b** explain the construction and purpose of composites in performance reporting;
- c** explain the requirements for verification.

READING 5. GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS)

The candidate should be able to:

- a** describe the key features of the GIPS standards and the fundamentals of compliance;

- b** describe the scope of the GIPS standards with respect to an investment firm's definition and historical performance record;
- c** explain how the GIPS standards are implemented in countries with existing standards for performance reporting and describe the appropriate response when the GIPS standards and local regulations conflict;
- d** describe the nine major sections of the GIPS standards.