

STUDY SESSION

19

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 56	Ethics and Trust in the Investment Profession by Bidhan L. Parmar, PhD, Dorothy C. Kelly, CFA, Colin McLean, MBA, FIA, FSIP, Nitin Mehta, CFA, FSIP, and David B. Stevens, CIMC, CFA
Reading 57	Code of Ethics and Standards of Professional Conduct <i>Standards of Practice Handbook</i> , Eleventh Edition
Reading 58	Guidance for Standards I–VII <i>Standards of Practice Handbook</i> , Eleventh Edition
Reading 59	Introduction to the Global Investment Performance Standards (GIPS)
Reading 60	Ethics Application

LEARNING OUTCOMES**READING 56. 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** compare and contrast ethical standards with legal standards;
- h** describe a framework for ethical decision making.

READING 57. 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** identify 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 58. 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** identify 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 59. 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 benefitted by the standards;
- b** describe the key concepts of the GIPS standards for firms;
- c** explain the purpose of composites in performance reporting;

- d** describe the fundamentals of compliance, including the recommendations of the GIPS Standards with respect to the definition of the firm and the firm's definition of discretion;
- e** describe the concept of independent verification.

READING 60. ETHICS APPLICATION

The candidate should be able to:

- a** evaluate practices, policies, and conduct relative to the CFA Institute Code of Ethics and Standards of Professional Conduct;
- b** explain how the practices, policies, and conduct do or do not violate the CFA Institute Code of Ethics and Standards of Professional Conduct.