STUDY SESSION

16

Ethical and Professional Standards (2)

The Asset Manager Code of Professional Conduct uses the basic tenets of the Code and Standards to establish ethical and professional standards for firms managing client assets. The Asset Manager Code of Professional Conduct also extends the Code and Standards to address investment management firm practices regarding trading, compliance, risk management, security pricing, and disclosure.

The Global Investment Performance Standards (GIPS®) contain ethical and professional standards for presenting investment performance to prospective clients. These guidelines provide for standardized performance calculation and presentation among investment managers, enabling investors to objectively compare manager return histories and evaluate performance. Coverage provides a grounding in the requirements and recommendations of GIPS.

READING ASSIGNMENTS

Reading 34	Asset Manager Code of Professional Conduct by Kurt N. Schacht, JD, CFA, Jonathan J. Stokes, JD, and Glenn Doggett, CFA
Reading 35	Overview of the Global Investment Performance Standards by Philip Lawton, PhD, CFA, CIPM

LEARNING OUTCOMES

READING 34. ASSET MANAGER CODE OF PROFESSIONAL CONDUCT

The candidate should be able to:

a explain the purpose of the Asset Manager Code and the benefits that may accrue to a firm that adopts the Code;

b explain the ethical and professional responsibilities required by the six General Principles of Conduct of the Asset Manager Code;

c determine whether an asset manager's practices and procedures are consistent with the Asset Manager Code;

d recommend practices and procedures designed to prevent violations of the Asset Manager Code.

READING 35. OVERVIEW OF THE GLOBAL INVESTMENT PERFORMANCE STANDARDS

The candidate should be able to:

a discuss the objectives and scope of the GIPS standards and their benefits to prospective clients and investors, as well as investment managers;

b explain the fundamentals of compliance with the GIPS standards, including the definition of the firm and the firm's definition of discretion;

c discuss requirements of the GIPS standards with respect to return calculation methodologies, including the treatment of external cash flows, cash and cash equivalents, and expenses and fees;

d explain requirements of the GIPS standards with respect to composite return calculations, including methods for asset-weighting portfolio returns;

e explain the meaning of "discretionary" in the context of composite construction and, given a description of the relevant facts, determine whether a portfolio is likely to be considered discretionary;

f explain the role of investment mandates, objectives, or strategies in the construction of composites;

g explain requirements of the GIPS standards with respect to composite construction, including switching portfolios among composites, the timing of the inclusion of new portfolios in composites, and the timing of the exclusion of terminated portfolios from composites;

h explain requirements of the GIPS standards with respect to presentation and reporting;

i explain the conditions under which the performance of a past firm or affiliation may be linked to or used to represent the historical performance of a new or acquiring firm;

j explain the recommended valuation hierarchy of the GIPS standards;

k discuss the purpose, scope, and process of verification.