

Ethical and Professional Standards

LEARNING OUTCOMES

Code of Ethics and Standards of Professional Conduct

The candidate should be able to:

- describe the structure of the CFA Institute Professional Conduct Program and the disciplinary review process for the enforcement of the CFA Institute Code of Ethics and Standards of Professional Conduct
- explain the ethical responsibilities required by the Code and Standards, including the sub-sections of each standard

Guidance for Standards I–VII

The candidate should be able to:

- demonstrate a thorough knowledge of the CFA Institute Code of Ethics and Standards of Professional Conduct by interpreting the Code and Standards in various situations involving issues of professional integrity
- recommend practices and procedures designed to prevent violations of the Code and Standards

Application of the Code and Standards: Level III

The candidate should be able to:

- evaluate practices, policies, and conduct relative to the CFA Institute Code of Ethics and Standards of Professional Conduct
- explain how the practices, policies, or conduct does or does not violate the CFA Institute Code of Ethics and Standards of Professional Conduct

Asset Manager Code of Professional Conduct

The candidate should be able to:

- explain the purpose of the Asset Manager Code and the benefits that may accrue to a firm that adopts the Code
- explain the ethical and professional responsibilities required by the six General Principles of Conduct of the Asset Manager Code
- determine whether an asset manager's practices and procedures are consistent with the Asset Manager Code
- recommend practices and procedures designed to prevent violations of the Asset Manager Code

Overview of the Global Investment Performance Standards

The candidate should be able to:

- discuss the objectives and scope of the GIPS standards and their benefits to prospective clients and investors, as well as investment managers
- 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
- explain the recommended valuation hierarchy of the GIPS standards
- explain requirements of the GIPS standards with respect to composite return calculations, including methods for asset-weighting portfolio returns
- 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
- explain the role of investment mandates, objectives, or strategies in the construction of composites
- 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
- explain requirements of the GIPS standards with respect to presentation and reporting
- 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
- discuss the purpose, scope, and process of verification