

STUDY SESSION

2

Ethical and Professional Standards

Application

This study session uses case studies as an aid to understanding and internalizing the values and standards presented in the CFA Institute Code of Ethics and Standards of Professional Conduct.

The first three readings present realistic but fictional situations that closely approximate how individuals practicing in the investment industry encounter ethical issues in their day-to-day activities. The discussions following each case identify key violations of the Standards of Professional Conduct, recommend corrective actions, and, when appropriate, present policy statements a firm could use in seeking to prevent the violations. The final two readings present regulatory actions taken in response to actual cases of violations and explain how the violations would be viewed from the perspective of the Code of Ethics and Standards of Professional Conduct.

READING ASSIGNMENTS

Reading 4	The Glenarm Company by Glen A. Holden, Jr., CFA
Reading 5	Preston Partners by Jules A. Huot, CFA
Reading 6	Super Selection by Zoe L. Van Schyndel, CFA
Reading 7	Trade Allocation: Fair Dealing and Disclosure
Reading 8	Changing Investment Objectives

LEARNING OUTCOMES

READING 4. THE GLENARM COMPANY

The candidate should be able to:

- a** evaluate the practices and policies presented;
- 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 5. PRESTON PARTNERS

The candidate should be able to:

- a** evaluate the practices and policies presented;
- 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 6. SUPER SELECTION

The candidate should be able to:

- a** evaluate the practices and policies presented;
- 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 7. 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 8. 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.