

**Ethics and Professional Standards**

* **Promote the integrity** and viability of the global capital markets for the ultimate benefit of the society.
* **Practice and encourage others to practice** in a professional and ethical manner that will reflect credit on themselves and the profession.
* **Use reasonable care and exercise independent professional judgment** when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.

**The member and candidates to get the CFA® designation must follow the given directions** *(underlying fundamental values the members and candidates must have. The standards are based on these codes)***:**

* **Place the integrity** of the investment profession and the interests of clients **above** their **personal interests.**

* **Act with integrity, competence, diligence, respect, and in an ethical manner** with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
* **Maintain and improve their professional competence** and strive to maintain and improve that of the other investment professionals.

**A. Knowledge of the Law:** Members and candidates:

* Must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities.
* Must comply with the more strict law, rule, or regulation in the event of conflict.
* Must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.

**B. Independence and Objectivity:** Members and candidates:

* Must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities.
* Must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another’s independence and objectivity.

**C. Misrepresentation:**

* Members and candidates must not knowingly make any misrepresentations relating to the investment analysis, recommendations, actions, or other professional activities.

**D. Misconduct:**

* Members and candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit, or commit any act that reflects adversely on their professional reputation, integrity, or competence.

**A. Material Non-Public Information:**

Members and candidates who possess material non-public information that could affect the value of an investment must not act or cause others to act on the information.

**B. Market Manipulation:**

Members and candidates must not engage in practices that distort prices or artificially inflate the trading volume with the intent to mislead market participants.

|  |  |  |
| --- | --- | --- |
| **Materiality** | **Awareness** | **Remarks** |
| Material | Non-public | Not Allowed |
| Material | Public | Allowed |
| Non-material | Public | Allowed |
| Non-material | Non-public | Allowed |

**A. Loyalty, Prudence, and Care:** Members and candidates:

* Have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment.
* Must act for the benefit of their clients and place their clients’ interests before the management’s or their own interests.
* Must determine the applicable fiduciary duty and comply with such duty to persons and interests to whom it is owed, in relationships with the clients.

**B. Fair Dealing:**

Members and candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

**C. Suitability:**

* When members and candidates are in an advisory relationship with a client, they must –
	+ Make a reasonable inquiry into a client’s or prospective client’s investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation, or taking investment action, wherein they must reassess and update this information regularly.
	+ Determine that an investment is suitable to the client’s financial situation and consistent with the client’s written objectives, mandates, and constraints before making an investment recommendation or taking investment action.
	+ Judge the suitability of investments in the context of the client’s total portfolio.
* When members and candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must only make investment recommendations or take investment actions that are consistent with the stated objectives and constraints of the portfolio.

**D. Performance Presentation:**

When communicating investment performance information, members or candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.

1. **Preservation of Confidentiality:**

Members and candidates must keep information about the current, former, and prospective clients confidential unless:

* + The information concerns illegal activities on the part of the client or prospective client
	+ Disclosure is required by law
	+ The client or prospective client permits to disclose the information

**A. Loyalty:**

In matters related to their employment, members and candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.

**B. Additional Compensation Arrangements:**

Members and candidates must not accept gifts, benefits, compensation, or consideration that competes with, or might reasonably be expected to create a conflict of interest with, their employer’s interest unless they obtain written consent from all parties involved.

**C. Responsibilities of Supervisors:**

Members and candidates must make reasonable efforts to ensure that anyone subject to their supervision or authority complies with the applicable laws, rules, regulations, and the code and standards.

1. **Diligence and Reasonable Basis:**

Members and candidates must –

* + Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
	+ Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.

###### Communication with Clients and Prospective Clients:

Members and candidates must –

* Disclose to clients and prospective clients the basic format and general principles of the investment processes used to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
* Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
* Distinguish between fact and opinion in the presentation of investment analysis and recommendations.
* Disclose to clients and prospective clients the significant limitations and risks associated with the investment process.

**C. Record Retention:**

Members and candidates must develop and maintain appropriate records to support their investment analysis, recommendations, actions, and other investment-related communications with clients and prospective clients.

**A. Disclosure of Conflicts:**

Members and candidates must –

* Make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer.
* Ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.

**B. Priority of Transactions:**

Investment transactions for clients and employers must have priority over investment transactions in which a member or candidate is the beneficial owner.

**C. Referral Fees:**

Members and candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from, or paid to, others for the recommendation of products or services.

**A. Conduct as Participants in CFA Institute Programs:**

Members and Candidates must not engage in any conduct that compromises the reputation or integrity of the CFA Institute or the CFA designation or the integrity, validity, or security of CFA Institute Programs.

**B. Reference to the CFA Institute, the CFA® Designation, and the CFA® Program:**

When referring to CFA Institute, CFA Institute membership, the **CFA®** designation, or candidacy in

the **CFA®** Program, members and candidates must not misrepresent or exaggerate the meaning or implications of membership in the CFA Institute, holding the **CFA®** designation, or candidacy in the

**CFA®** Program.

 **or C** Institute, the CFA® designation and the CFA® Program

**© EduPristine** For [CFA® Program Level-II] (Confidential)

Disclaimer: The content is partially owned by CFA Institute, such as knowledge check

, examples, diagrams, etc.



Thank You!