



ETHICAL AND PROFESSIONAL STANDARDS

CFA[®] Program Curriculum
2027 • LEVEL III CORE • VOLUME 5

©2026 by CFA Institute. All rights reserved. This copyright covers material written expressly for this volume by the editor/s as well as the compilation itself. It does not cover the individual selections herein that first appeared elsewhere. Permission to reprint these has been obtained by CFA Institute for this edition only. Further reproductions by any means, electronic or mechanical, including photocopying and recording, or by any information storage or retrieval systems, must be arranged with the individual copyright holders noted.

CFA®, Chartered Financial Analyst®, AIMR-PPS®, and GIPS® are just a few of the trademarks owned by CFA Institute. To view a list of CFA Institute trademarks and the Guide for Use of CFA Institute Marks, please visit our website at www.cfainstitute.org.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

All trademarks, service marks, registered trademarks, and registered service marks are the property of their respective owners and are used herein for identification purposes only.

ISBN 979-8-89559-042-3 (pdf)

ISBN 979-8-89559-076-8 (ebook)

May 2026

CONTENTS

How to Use the CFA Program Curriculum		xiii
CFA Institute Learning Ecosystem (LES)		xiii
Designing Your Personal Study Program		xiii
Errata		xiv
Other Feedback		xiv
Ethical and Professional Standards		
Learning Module 1	Code of Ethics and Standards of Professional Conduct	3
	Preface	3
	Evolution of the CFA Institute Code of Ethics and Standards of Professional Conduct	4
	Standards of Practice Handbook	4
	Summary of the 2023 Changes to the Code and Standards	5
	New and Revised Standards of Professional Conduct	5
	CFA Institute Professional Conduct Program	7
	Adoption of the Code and Standards	8
	Acknowledgments	8
	Ethics and the Investment Industry	9
	Why Ethics Matters	9
	CFA Institute Code of Ethics and Standards of Professional Conduct	13
	Preamble	13
	The Code of Ethics	13
	Standards of Professional Conduct	13
	<i>Practice Problems</i>	18
	<i>Solutions</i>	20
Learning Module 2	Guidance for Standard I: Professionalism	23
	Standard I: Professionalism	23
	Standard I(A): Knowledge of the Law	24
	Guidance	24
	Standard I(A) Compliance Practices	28
	Standard I(A) Application of the Standard	29
	Example 1: Notification of Known Violations	29
	Example 2: Dissociating from a Violation	29
	Example 3: Dissociating from a Violation	29
	Example 4: Following the Highest Requirements	30
	Example 5: Following the Highest Requirements	30
	Example 6: Failure to Maintain Knowledge of the Law	30
	Example 7: Knowledge of Applicable Law	31
	Standard I(B): Independence and Objectivity	31
	Guidance	31
	Standard I(B) Compliance Practices	35
	Standard I(B) Application of the Standard	35

Example 1: Travel Expenses	35
Example 2: Research Independence	36
Example 3: Research Independence and Intrafirm Pressure	36
Example 4: Research Independence and Issuer Relationship Pressure	36
Example 5: Research Independence and Sales Pressure	37
Example 6: Research Independence and Prior Coverage	37
Example 7: Gifts and Entertainment from Related Parties	37
Example 8: Gifts and Entertainment from Clients	38
Example 9: Travel Expenses from External Managers	38
Example 10: Research Independence and Compensation Arrangements	39
Example 11: Influencing Manager Selection Decisions	39
Example 12: Fund Manager Relationships	39
Example 13: Intrafirm Pressure	40
Standard I(C): Misrepresentation	40
Guidance	40
Standard I(C) Compliance Practices	44
Description of Qualifications and Services	44
Monitoring Online Content	44
Avoiding Plagiarism	44
Standard I(C) Application of the Standard	44
Example 1: Representing the Firm's Abilities	44
Example 2: Disclosure of Issuer-Paid Research	45
Example 3: Correction of Unintentional Errors	45
Example 4: Not Correcting Known Errors	45
Example 5: Plagiarism	46
Example 6: Misrepresentation of Information	46
Example 7: Potential Information Misrepresentation	46
Example 8: Plagiarism	47
Example 9: Plagiarism	47
Example 10: Plagiarism	47
Example 11: Plagiarism	48
Example 12: Misrepresentation of Information	48
Example 13: Misrepresentation of Information	48
Example 14: Misrepresenting Composite Construction	49
Example 15: Presenting Out-of-Date Information	49
Example 16: Overstating ESG Claims	50
Example 17: Misleading Description of Services	50
Example 18: Inaccurate, Dated Performance History	50
Example 19: Insufficient, Omitted Information	51
Example 20: Misleading Description of Service, Misrepresenting Knowledge	51
Standard I(D): Misconduct	52
Guidance	52
Standard I(D) Compliance Practices	53
Standard I(D) Application of the Standard	53
Example 1: Professionalism and Competence	53
Example 2: Fraud and Deceit	53

Example 3: Fraud and Deceit	54
Example 4: Personal Actions and Integrity	54
Example 5: Misconduct as a CFA Institute Society Volunteer	54
Example 6: Identification as a CFA Charterholder	54
Example 7: Writing about Investments Outside the Workplace or Academia	55
Example 8: Actions Unrelated to Professional Conduct	55
Standard I(E): Competence	56
Guidance	56
Standard I(E) Compliance Practices	57
Standard I(E) Application of the Standard	57
Example 1: Maintaining Competence	57
Example 2: Improving Competence	58
Example 3: Change in Role	58
Example 4: Supervisory Responsibility	58
Example 5: Choosing Investments	59
Example 6: Understanding New Investment Products	59
<i>Practice Problems</i>	60
<i>Solutions</i>	62
Learning Module 3	
Guidance for Standard II: Integrity of Capital Markets	65
Standard II: Integrity of Capital Markets	65
Standard II(A): Material Nonpublic Information	66
Guidance	66
Standard II(A) Compliance Practices	69
Achieve Public Dissemination	69
Adopt Compliance Procedures	70
Issue Press Releases	70
Comply with Firewall Restrictions and Procedures	70
Comply with Personal Trading Limitations	71
Standard II(A) Application of the Standard	71
Example 1: Acting on Nonpublic Information	71
Example 2: Controlling Nonpublic Information	71
Example 3: Selective Disclosure of Material Information	72
Example 4: Determining Materiality	72
Example 5: Applying the Mosaic Theory	72
Example 6: Applying the Mosaic Theory	73
Example 7: Analyst Recommendations as Material Nonpublic Information	73
Example 8: Acting on Nonpublic Information	74
Example 9: Materiality Determination	74
Example 10: Using an Expert Network	74
Example 11: Using an Expert Network	75
Standard II(B): Market Manipulation	75
Guidance	75
Standard II(B) Compliance Practices	76
Standard II(B) Application of the Standard	77
Example 1: Independent Analysis and Company Promotion	77

	Example 2: Personal Trading Practices and Price	77
	Example 3: Creating Artificial Price Volatility	78
	Example 4: Personal Trading and Volume	78
	Example 5: Creating Artificial Price Volatility	78
	Example 6: Pump and Dump Strategy	79
	<i>Practice Problems</i>	80
	<i>Solutions</i>	82
Learning Module 4	Guidance for Standard III: Duties to Clients	85
	Standard III: Duties to Clients	85
	Standard III(A): Loyalty, Prudence, and Care	86
	Guidance	86
	Standard III(A) Compliance Practices	90
	Standard III(A) Application of the Standard	91
	Example 1: Identifying the Client—Plan Participants	91
	Example 2: Client Commission Practices	92
	Example 3: Brokerage Arrangements	92
	Example 4: Brokerage Arrangements	92
	Example 5: Client Commission Practices	93
	Example 6: Excessive Trading	93
	Example 7: Managing Family Accounts	93
	Example 8: Identifying the Client	94
	Example 9: Identifying the Client	94
	Example 10: Client Loyalty	94
	Example 11: Execution-Only Responsibilities	94
	Standard III(B): Fair Dealing	95
	Guidance	95
	Standard III(B) Compliance Practices	97
	Comply with Firm Policies	97
	Standard III(B) Application of the Standard	99
	Example 1: Selective Disclosure	99
	Example 2: Fair Dealing between Funds	99
	Example 3: Fair Dealing and IPO Distribution	100
	Example 4: Fair Dealing and Transaction Allocation	100
	Example 5: Selective Disclosure	101
	Example 6: Additional Services for Select Clients	101
	Example 7: Minimum Lot Allocations	101
	Example 8: Excessive Trading	102
	Example 9: Limited Social Media Disclosures	102
	Example 10: Performance Analysis	102
	Standard III(C): Suitability	103
	Guidance	103
	Standard III(C) Compliance Practices	106
	IPS	106
	Regular Updates	106
	Suitability Test Policies	106
	Standard III(C) Application of the Standard	107
	Example 1: Investment Suitability—Risk Profile	107

Example 2: Investment Suitability—Entire Portfolio	107
Example 3: IPS Updating	107
Example 4: Following an Investment Mandate	108
Example 5: IPS Requirements and Limitations	108
Example 6: Investment Suitability—Risk Profile	108
Example 7: Constraints	109
Example 8: Suitability Factors	109
Standard III(D): Performance Presentation	110
Guidance	110
Standard III(D) Compliance Practices	110
Compliance with the GIPS Standards	110
Standard III(D) Application of the Standard	111
Example 1: Performance Calculation and Length of Time	111
Example 2: Performance Calculation and Asset Weighting	111
Example 3: Performance Presentation and Prior Fund/Employer	111
Example 4: Performance Presentation and Simulated Results	112
Example 5: Performance Calculation and Selected Accounts Only	112
Example 6: Performance Attribution Changes	113
Example 7: Performance Calculation Methodology Disclosure	113
Standard III(E): Preservation of Confidentiality	113
Guidance	114
Standard III(E) Compliance Practices	115
Standard III(E) Application of the Standard	116
Example 1: Possessing Confidential Information	116
Example 2: Disclosing Confidential Information	116
Example 3: Disclosing Possible Illegal Activity	117
Example 4: Disclosing Possible Illegal Activity	117
Example 5: Accidental Disclosure of Confidential Information	117
Example 6: Vulnerable Investor	118
Example 7: Confidential Information to Family Members	118
<i>Practice Problems</i>	120
<i>Solutions</i>	124
Learning Module 5	
Guidance for Standard IV: Duties to Employers	127
Standard IV: Duties to Employers	127
Standard IV(A): Loyalty	128
Guidance	128
Standard IV(A) Compliance Practices	131
Standard IV(A) Application of the Standard	131
Example 1: Soliciting Current Clients and Prospects	131
Example 2: Former Employer's Documents and Files	132
Example 3: Ownership of Completed Prior Work	132
Example 4: Disparaging Employer	132
Example 5: Soliciting Former Clients	133
Example 6: Preparation for Leaving Employer	133
Example 7: Competing with Current Employer	134
Example 8: Soliciting Former Clients	134
Example 9: Leaving an Employer	134

Example 10: Confidential Firm Information	135
Standard IV(B): Additional Compensation Arrangements	135
Guidance	135
Standard IV(B) Compliance Practices	136
Standard IV(B) Application of the Standard	136
Example 1: Notification of Client Bonus Compensation	136
Example 2: Notification of Outside Compensation	136
Example 3: Prior Approval for Outside Compensation	137
Standard IV(C): Responsibilities of Supervisors	137
Guidance	137
Standard IV(C) Compliance Practices	139
Codes of Ethics or Compliance Procedures	139
Adequate Compliance Procedures	140
Implementation of Compliance Education and Training	141
Establish an Appropriate Incentive Structure	141
Standard IV(C) Application of the Standard	141
Example 1: Supervising Research Activities	141
Example 2: Supervising Trading Activities	142
Example 3: Supervising Trading Activities and Recordkeeping	142
Example 4: Accepting Responsibility	143
Example 5: Supervising Research Activities	143
Example 6: Supervising Branch Employees	144
Example 7: Detecting Violations	144
<i>Practice Problems</i>	145
<i>Solutions</i>	146
Learning Module 6	
Guidance for Standard V: Investment Analysis, Recommendations, and Actions	147
Standard V: Investment Analysis, Recommendations, and Actions	147
Standard V(A) Diligence and Reasonable Basis	148
Guidance	148
Standard V(A) Compliance Practices	151
Standard V(A) Application of the Standard	152
Example 1: Sufficient Due Diligence	152
Example 2: Timely Client Updates	152
Example 3: Group Research Opinions	153
Example 4: Reliance on Third-Party Research	153
Example 5: Due Diligence in Subadviser Selection	153
Example 6: Sufficient Due Diligence	154
Example 7: Use of Quantitatively Oriented Models	154
Example 8: Successful Due Diligence/Failed Investment	155
Example 9: Quantitative Model Diligence	155
Example 10: Selecting a Service Provider	155
Example 11: Subadviser Selection	156
Example 12: Technical Model Requirements	156
Standard V(B) Communication with Clients and Prospective Clients	157
Guidance	157
Standard V(B) Compliance Practices	161

Standard V(B) Application of the Standard	161
Example 1: Costs of Services to Clients	161
Example 2: Costs of Services to Clients	162
Example 3: Disclosure of Changed Fee Calculation Methodology	162
Example 4: Sufficient Disclosure of Investment System	163
Example 5: Providing Opinions as Facts	163
Example 6: Proper Description of a Security	163
Example 7: Notification of Fund Mandate Change	164
Example 8: Notification of Fund Mandate Change	164
Example 9: Notification of Changes to the Investment Process	164
Example 10: Notification of Changes to the Investment Process	165
Example 11: Sufficient Disclosure of Investment System	165
Example 12: Notification of Risks and Limitations	165
Example 13: Notification of Risks and Limitations	166
Standard V(C) Record Retention	166
Guidance	166
Standard V(C) Compliance Practices	167
Standard V(C) Application of the Standard	168
Example 1: Record Retention and IPS Objectives and Recommendations	168
Example 2: Record Retention and Research Process	168
Example 3: Records as Firm, Not Employee, Property	168
<i>Practice Problems</i>	170
<i>Solutions</i>	171
Learning Module 7	
Guidance for Standard VI: Conflicts of Interest	173
Standard VI: Conflicts of Interest	173
Standard VI(A): Avoid or Disclose Conflicts	174
Guidance	174
Standard VI(A) Application of the Standard	177
Example 1: Conflict of Interest and Business Relationships	177
Example 2: Conflict of Interest and Business Stock Ownership	177
Example 3: Conflict of Interest and Personal Stock Ownership	177
Example 4: Conflict of Interest and Personal Stock Ownership	177
Example 5: Conflict of Interest and Compensation Arrangements	178
Example 6: Conflict of Interest and Compensation Arrangements	178
Example 7: Conflict of Interest and Requested Favors	179
Standard VI(B): Priority of Transactions	179
Guidance	179
Standard VI(B) Compliance Practices	180
Standard VI(B) Application of the Standard	182
Example 1: Personal Trading	182
Example 2: Trading for a Family Member's Account	182
Example 3: Family Accounts as Equals	182
Example 4: Personal Trading and Disclosure	182
Example 5: Trading Prior to Report Dissemination	183
Standard VI(C): Referral Fees	183
Guidance	183

Standard VI(C) Compliance Practices	184
Standard VI(C) Application of the Standard	184
Example 1: Disclosure of Referral Arrangements and Outside Parties	184
Example 2: Disclosure of Interdepartmental Referral Arrangements	185
Example 3: Disclosure of Referral Arrangements and Informing Firm	185
Example 4: Disclosure of Referral Arrangements and Outside Parties	185
<i>Practice Problems</i>	187
<i>Solutions</i>	188

Learning Module 8

Guidance for Standard VII: Responsibilities as a CFA Institute Member or CFA Candidate	189
Standard VII: Responsibilities as a CFA Institute Member or CFA Candidate	189
Standard VII(A): Conduct as Participants in CFA Institute Programs	190
Guidance	190
Standard VII(A) Application of the Standard	191
Example 1: Sharing Exam Questions	191
Example 2: Filing a Fraudulent Deferral Request to Postpone Exam Date	192
Example 3: Disruptive Conduct at Test Center	192
Example 4: Bringing Written Material into Computer-Based Testing Centers	192
Example 5: Looking at Other Workstation Screens during CBT Exams	193
Example 6: Sharing Exam Content	193
Example 7: Sharing Exam Content	193
Example 8: Sharing Exam Content	194
Example 9: Discussion of Exam Grading Guidelines and Results	194
Example 10: Compromising CFA Institute Integrity as a Volunteer	194
Example 11: Compromising CFA Institute Integrity as a Volunteer	194
Standard VII(B): Reference to CFA Institute, the CFA Designation, and the CFA Program	195
Guidance	195
Standard VII(B) Compliance Practices	197
Standard VII(B) Application of the Standard	198
Example 1: Passing Exams in Consecutive Attempts	198
Example 2: Right to Use CFA Designation	198
Example 3: "Retired" CFA Institute Membership Status	198
Example 4: Stating Facts about the CFA Designation	199
Example 5: Use of Fictitious Name	199
<i>Practice Problems</i>	200
<i>Solutions</i>	201

Learning Module 9

Application of the Code and Standards: Level III	203
Introduction	203
Sovereign Investment Corporation Case	204
Anthony Corrales, CFA, Partner, Hedge Fund Investors	206
Ani Mehrotra, CFA, Junior Analyst, National Investments	208
Marcia Lopez	211
David Hockett and Team	212

	The Kochanskis	213
	Castle Biotechnology Case 1	217
	David Plume, PhD, CFA	217
	Castle Biotechnology Case 2	221
	Claris Deacon	225
	Lionsgate Limited & Bank of Australia Case 1	226
	Tony Hill and Team	227
	Lionsgate Limited & Bank of Australia Case 2	231
	Kirk Graeme, CFA	233
	The Delaneys	234
	David Milgram	235
	Global Harvest Bank Case	237
	<i>Practice Problems</i>	247
	<i>Solutions</i>	266
Learning Module 10	Asset Manager Code of Professional Conduct	273
	Introduction: Adopting the Code and Claiming Compliance	273
	Adopting the Code and Claiming Compliance	275
	Acknowledgement of Claim of Compliance to CFA Institute	275
	General Principles of Conduct and Asset Manager Code of Professional Conduct	276
	Asset Manager Code of Professional Conduct	276
	Appendix 6: A. Loyalty to Clients	279
	Appendix 6—Recommendations and Guidance	279
	A. Loyalty to Clients	279
	Appendix 6: B. Investment Process and Actions	280
	Managers must:	280
	Appendix 6: C. Trading	283
	Managers must:	284
	Appendix 6: D. Risk Management, Compliance, and Support	286
	Managers must:	286
	Appendix 6: E. Performance and Evaluation	289
	Managers must:	289
	Appendix 6: F. Disclosures	291
	Managers must:	291
	<i>Practice Problems</i>	295
	<i>Solutions</i>	300

How to Use the CFA Program Curriculum

The CFA® Program exams measure your mastery of the core knowledge, skills, and abilities required to succeed as an investment professional. These core competencies are the basis for the Candidate Body of Knowledge (CBOK™). The CBOK consists of four components:

A broad outline that lists the major CFA Program topic areas (www.cfainstitute.org/programs/cfa/curriculum/cbok/cbok)

Topic area weights that indicate the relative exam weightings of the top-level topic areas (www.cfainstitute.org/en/programs/cfa/curriculum)

Learning outcome statements (LOS) that tell you the specific knowledge, skills, and abilities you should gain from each curriculum topic area. You will find these statements at the start of each learning module and lesson. We encourage you to review the information about the LOS on our website (www.cfainstitute.org/programs/cfa/curriculum/study-sessions), including the descriptions of LOS “command words” on the candidate resources page at www.cfainstitute.org/-/media/documents/support/programs/cfa-and-cipm-los-command-words.ashx.

The CFA Program curriculum that candidates receive access to upon exam registration.

Therefore, the key to your success on the CFA exams is studying and understanding the CBOK. You can learn more about the CBOK on our website: www.cfainstitute.org/programs/cfa/curriculum/cbok.

The curriculum, including the practice questions, is the basis for all exam questions. The curriculum is selected/developed specifically to provide candidates with the knowledge, skills, and abilities reflected in the CBOK.

CFA INSTITUTE LEARNING ECOSYSTEM (LES)

Your exam registration fee includes access to the CFA Institute Learning Ecosystem (LES). This digital learning platform provides access to all the curriculum content and practice questions. The LES is organized as a series of learning modules consisting of short online lessons and associated practice questions. This tool is your source for all study materials, including practice questions and mock exams. The LES is the primary method by which CFA Institute delivers your curriculum experience. Here, you will find additional practice questions to test your knowledge, including some interactive questions.

DESIGNING YOUR PERSONAL STUDY PROGRAM

An orderly, systematic approach to exam preparation is critical. You should dedicate a consistent block of time every week to reading and studying. Review the LOS both before and after you study curriculum content to ensure you can demonstrate

the knowledge, skills, and abilities described by the LOS and the assigned learning module. Use the LOS as a self-check to track your progress and highlight areas of weakness for later review.

Successful candidates report an average of more than 300 hours preparing for each exam. Your preparation time will vary based on your prior education and experience, and you will likely spend more time on some topics than on others.

ERRATA

The curriculum development process is rigorous and involves multiple rounds of reviews by content experts. Despite our efforts to produce a curriculum that is free of errors, we must make corrections in some instances. Curriculum errata are periodically updated and posted by exam level and test date on the Curriculum Errata webpage (www.cfainstitute.org/en/programs/submit-errata). If you believe you have found an error in the curriculum, you can submit your concerns through our curriculum errata reporting process found at the bottom of the Curriculum Errata webpage.

OTHER FEEDBACK

Please send any comments or suggestions to info@cfainstitute.org, and we will review your feedback thoughtfully.

Ethical and Professional Standards

LEARNING MODULE

1

Code of Ethics and Standards of Professional Conduct

LEARNING OUTCOMES

<i>Mastery</i>	<i>The candidate should be able to:</i>
<input type="checkbox"/>	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
<input type="checkbox"/>	explain the ethical responsibilities required by the Code and Standards, including the subsections of each standard

PREFACE

1

- 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 subsections of each standard

The *Standards of Practice Handbook (Handbook)* provides guidance to the people who grapple with real ethical dilemmas in the investment profession on a daily basis; the *Handbook* addresses the professional intersection where theory meets practice and where the concept of ethical behavior crosses from the abstract to the concrete. The *Handbook* is written for a diverse global audience of CFA Institute members and investment professionals who are navigating ambiguous ethical situations and seeking to understand the nature of their responsibilities to each other, to existing and potential clients, and to the broader financial markets.

Events in global financial markets test the ethical mettle of financial market participants, including CFA Institute members and candidates. The CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards) taught in the CFA® Program and by which CFA Institute members and candidates must abide set

forth timeless ethical principles and professional conduct requirements. Through adherence to the Code and Standards, which serve as the model for ethical behavior in the investment profession globally, each market participant does his or her part to improve the integrity and efficient operations of the global capital markets.

The *Handbook* provides guidance and interpretation for understanding the principles and provisions of the Code and Standards. The Code contains high-level aspirational ethical principles that drive members and candidates to create a positive and reputable investment profession. The Standards contain practical principles of conduct that members and candidates must follow to meet investment industry expectations for ethical behavior. The Code and Standards should be viewed and interpreted as an interwoven tapestry of ethical requirements. Through members' and candidates' adherence to these principles as a whole, the integrity of and trust in the capital markets are improved.

Evolution of the CFA Institute Code of Ethics and Standards of Professional Conduct

The Code and Standards are regularly reviewed and updated so that they remain effective and continue to represent the highest ethical standards in the global investment industry. CFA Institute strongly believes that revisions of the Code and Standards are undertaken not for cosmetic purposes but to add value by addressing legitimate concerns and improving comprehension. In 2023, the CFA Institute Board of Governors approved revisions to the Code and Standards that are fully described later in this learning module.

Changes to the Code and Standards have far-reaching implications for the CFA Institute membership, the CFA Institute programs, and the investment industry as a whole. CFA Institute members and candidates are *required* to adhere to the Code and Standards. In addition, the Code and Standards are often adopted, in whole or in part, by firms and regulatory authorities.

Standards of Practice Handbook

The periodic revisions of the *Standards of Practice Handbook* have come in conjunction with updates of the Code and Standards. The *Handbook* is the fundamental element of the ethics education effort of CFA Institute and the primary resource for guidance in interpreting and implementing the Code and Standards. The *Handbook* seeks to educate members and candidates on how to apply the Code and Standards to their professional lives and thereby benefit their clients, employers, and the investing public in general. The *Handbook* explains the purpose of the Code and Standards and how they apply in a variety of situations. The sections discuss and amplify each standard and suggest procedures for compliance.

Examples in the "Application of the Standard" sections are meant to illustrate how each standard applies to hypothetical but factual situations. The names contained in the examples are fictional and are not meant to refer to any actual person or entity. Unless otherwise stated (e.g., one or more people are specifically identified), individuals in each example are subject to the requirements of the Code and Standards. Because factual circumstances vary so widely and often involve gray areas, the explanatory material and examples are not intended to be all-inclusive. Many examples set forth in the application sections involve standards that have legal counterparts. Members and candidates are strongly urged to discuss with their supervisors and legal and compliance departments the content of the Code and Standards and the members' and candidates' obligations under the Code and Standards.

CFA Institute recognizes that the presence of any set of ethical standards may create a false sense of security unless the documents are fully understood, enforced, and made a meaningful part of everyday professional activities.

The *Handbook* is intended to provide a useful frame of reference that outlines ethical professional conduct for the organization's members and candidates. The *Handbook* cannot, however, cover every contingency or circumstance, and it does not attempt to do so. The development and interpretation of the Code and Standards are evolving processes; the Code and Standards will be subject to continuing refinement.

Summary of the 2023 Changes to the Code and Standards

In 2023, the CFA Institute Board of Governors revised the Standards of Professional Conduct in three areas. This resulted in the inclusion of one new standard and revisions to two existing standards. The following is a summary of the changes:

1. Within Standard I: Professionalism, the Board approved a new standard, Standard I(E): Competence, to reinforce the principle set forth in the Code of Ethics. Standard I(E) requires members and candidates to act with and maintain the competence necessary to fulfill their professional responsibilities.
2. Within Standard V: Investment Analysis, Recommendations, and Actions, the Board revised Standard V(B): Communication with Clients and Prospective Clients to include a new requirement on disclosures about the nature of the services provided by members and candidates and the costs to the client associated with those services.
3. Within Standard VI: Conflicts of Interest, the Board renamed Standard VI(A) "Avoid or Disclose Conflicts" and revised the standard to require members and candidates to either avoid conflicts of interest or disclose those conflicts. Previously, there was no mention of avoiding conflicts of interest in the standard.

New guidance and examples have been added to the *Handbook* in this twelfth edition to fully explain these new requirements.

New and Revised Standards of Professional Conduct

Competence Standard

I. PROFESSIONALISM

E. Competence

Members and Candidates must act with and maintain the competence necessary to fulfill their professional responsibilities.

Given the diverse range of professional services engaged in by members and candidates, the knowledge, skills, and abilities necessary to successfully fulfill their role will vary according to the nature of their professional duties. Over time, a member's role may expand, requiring new or different knowledge, skills, and abilities. Members and candidates will develop and refine their skills and abilities throughout their professional careers. Requiring members and candidates to act with and maintain appropriate levels of competence will help ensure they provide a high standard of professional service for their clients and employers.

Currently, the Code of Ethics requires members and candidates to “act with integrity, competence, and diligence” and to “maintain and improve their professional competence and strive to improve the competence of other investment professionals.” This new standard is consistent with and directly supports the requirements of the Code of Ethics. Standard I(E) makes these requirements of the Code of Ethics more explicit and emphasizes the need for members and candidates to continuously maintain or improve the competence required by their professional position.

The skills and abilities necessary for members and candidates to successfully fulfill their role vary according to the nature and complexity of their professional duties. As a result, there will be different criteria for competence for different members. An examination of the facts and circumstances of each member or candidate will dictate their expected conduct under this standard.

Finally, Standard I(E) does not require members and candidates to engage in any specific program of professional development or continuing education. There are a variety of ways members and candidates can demonstrate and maintain competence when engaging in their professional responsibilities.

Revised Client Communication Standard with a New Requirement to Disclose the Nature of Services and Costs to the Client

V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS

B. Communication with Clients and Prospective Clients

Members and Candidates must:

1. Disclose to clients and prospective clients the nature of the services provided, along with information about the costs to the client associated with those services.

A fundamental goal of the Code and Standards is to protect client interests and allow clients to make fully informed decisions about their investments and financial well-being. Providing clients with information about the nature of the services they can expect from investment professionals and the financial impact they can expect from those services is critical to achieving this goal.

The new disclosures required by this revised standard will permit clients to make informed decisions as to whether to engage with the member or candidate and his or her firm.

Standard V(B) Communication with Clients and Prospective Clients also requires members to disclose the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and to promptly disclose any material changes to these processes.

The associated financial impact is an important part of the investment process but was not explicitly addressed as part of this disclosure until now. The revision to Standard V(B) to include a new requirement that requires the disclosure of the nature and costs of services fills this gap.

Revised Standard Relating to Conflicts

VI. CONFLICTS OF INTEREST

A. Avoid or Disclose Conflicts

Members and Candidates must avoid or 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. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.

Standard VI(A) Conflicts of Interest historically required members and candidates to disclose conflicts, but the language of the standard made no mention of avoiding conflicts. Nevertheless, the guidance for Standard VI(A) has long stated that best practice is to avoid conflicts or the appearance of conflicts. Including the option to avoid versus simply disclosing conflicts in the language of the standard emphasizes that members and candidates should avoid conflicts of interest whenever reasonably possible. Although avoiding conflicts altogether is preferred, often in the investment industry it may not be reasonable for members and candidates to avoid a conflict or the perception of a conflict. When it is not reasonable for members and candidates to avoid a conflict, Standard VI(A) continues to require clear and complete disclosure of the conflict.

CFA Institute Professional Conduct Program

All CFA Institute members and candidates for the CFA and CIPM® designations are required to comply with the Code and Standards. The CFA Institute Board of Governors maintains oversight and responsibility for the Professional Conduct (PC) group, which, in conjunction with the Disciplinary Review Committee (DRC), is responsible for enforcement of the Code and Standards. The PC staff investigates allegations of misconduct by members and candidates. The DRC is a volunteer committee of CFA charterholders who serve on hearing panels to review misconduct allegations and impose sanctions for violations of the Code and Standards. The DRC also partners with PC staff to establish and review professional conduct policies. The CFA Institute Bylaws and Rules of Procedure (Rules of Procedure) form the basic structure for enforcing the Code and Standards.

Professional conduct investigations arise from a number of sources. First, members and candidates must self-disclose on the annual Professional Conduct Statement all matters that question their professional conduct, such as involvement in civil litigation or a criminal investigation or being the subject of a written complaint. Second, written complaints received by PC staff can bring about an investigation. Third, CFA Institute staff may become aware of questionable conduct by a member or candidate through the media, regulatory notices, or another public source. Lastly, CFA Institute works with testing centers, conducts analyses of scores and exam materials after exams, and monitors online and social media to detect potential misconduct, including disclosure of confidential exam information.

When an inquiry is initiated, the PC staff conducts an investigation that may include requesting a written explanation from the member or candidate; interviewing the member or candidate, complaining parties, and third parties; and collecting documents and records relevant to the investigation. Upon reviewing the material obtained during the investigation, the PC staff may conclude the inquiry with no disciplinary sanction, issue a cautionary letter, or continue proceedings to discipline the member or candidate. If the PC staff believes a violation of the Code and Standards has occurred, the member or candidate has the opportunity to reject or accept any charges and the proposed sanction.

If the member or candidate does not accept the charges and proposed sanction, the matter is referred to a panel composed of DRC members. DRC panels evaluate materials and presentations from PC staff and from the member or candidate. In contested matters, the DRC panel's task is to determine whether the member or candidate

violated the Code and Standards or testing policies and, if so, what sanction should be imposed. DRC panels also review matters where members and candidates agree to PC's proposed charges and sanction to ensure that the findings are reasonable.

Sanctions imposed by CFA Institute may have significant consequences; sanctions include public censure, suspension of membership and use of the CFA designation, and revocation of membership and the right to use the CFA designation. Candidates enrolled in the CFA Program who have violated the Code and Standards or testing policies may be suspended or prohibited from further participation in the CFA Program.

Adoption of the Code and Standards

The Code and Standards apply to individual members of CFA Institute and candidates for the CFA and CIPM designations. CFA Institute does encourage firms to adopt the Code and Standards, however, as part of their code of ethics. Those who claim compliance should fully understand the requirements of each principle of the Code and Standards.

Once a party—nonmember or firm—ensures its code of ethics meets the principles of the Code and Standards, that party should make the following statement whenever claiming compliance:

[Insert name of party] claims compliance with the CFA Institute Code of Ethics and Standards of Professional Conduct. This claim has not been verified by CFA Institute.

CFA Institute welcomes public acknowledgment, when appropriate, that firms are complying with the CFA Institute Code of Ethics and Standards of Professional Conduct.

CFA Institute has also published the CFA Institute Asset Manager Code, which is designed, in part, to help asset managers comply with regulations mandating codes of ethics for investment advisers. Whereas the Code and Standards are aimed at individual investment professionals who are members of CFA Institute or candidates for CFA Institute designations, the Asset Manager Code applies to firms. The Asset Manager Code provides specific, practical guidelines for asset managers in six areas: loyalty to clients, the investment process, trading, compliance, performance, and disclosure. The Asset Manager Code and the appropriate steps to acknowledge compliance can be found on the CFA Institute website (www.cfainstitute.org).

Acknowledgments

CFA Institute is a not-for-profit organization that is heavily dependent on the expertise and intellectual contributions of member volunteers. Members devote their time because they share a mutual interest in the organization's mission to promote and achieve ethical practices in the investment profession. CFA Institute owes much to the volunteers' abundant generosity and energy in extending ethical integrity.

The CFA Institute Standards of Practice Council (SPC), a group consisting of CFA charterholder volunteers from many different markets, is charged with maintaining and interpreting the Code and Standards and ensuring that they are effective. The SPC draws its membership from a broad spectrum of organizations in the securities field, including brokers, investment advisers, banks, and insurance companies.

The SPC continually evaluates the Code and Standards, as well as the guidance in the *Handbook*, to ensure that they are

- representative of high standards of professional conduct,
- relevant to the changing nature of the investment profession,
- globally applicable, and

- sufficiently comprehensive, practical, and specific.

Over the years, many volunteer members of the SPC have spent countless hours reviewing and discussing revisions to the Code and Standards and updates to the guidance that make up the *Handbook*. CFA Institute would like to thank all the volunteers who generously donated their time and energy to this effort.

ETHICS AND THE INVESTMENT INDUSTRY

2

Society ultimately benefits from efficient markets where capital can freely flow to the most productive or innovative destination. Well-functioning capital markets efficiently match those needing capital with those seeking to invest their assets in revenue-generating ventures. In order for capital markets to be efficient, investors must be able to trust that the markets are fair and transparent and offer them the opportunity to be rewarded for the risk they choose to take. Laws, regulations, and enforcement play a vital role but are insufficient alone to guarantee fair and transparent markets. The markets depend on an ethical foundation to guide participants' judgment and behavior. CFA Institute maintains and promotes the Code and Standards in order to create a culture of ethics for the ultimate benefit of society.

Why Ethics Matters

Ethics can be defined as a set of principles or rules of conduct that provide guidance for our behavior when it affects others. Widely acknowledged fundamental ethical principles include honesty, fairness, diligence, and care and respect for others. Ethical conduct follows those principles and balances self-interest with both the direct and the indirect consequences of that behavior for other people.

Not only does unethical behavior by individuals have serious personal consequences—ranging from job loss and reputational damage to fines and even jail—but unethical conduct from market participants, investment professionals, and those who service investors can damage investor trust and thereby impair the sustainability of the global capital markets as a whole. Unfortunately, there seems to be an unending parade of stories bringing to light accounting frauds and manipulations, Ponzi schemes, insider-trading scandals, and other misdeeds. Not surprisingly, this situation has led to erosion in public confidence in investment professionals. Empirical evidence from numerous surveys documents the low standing of the people and institutions that are entrusted with the economic well-being and retirement security of society in the eyes of the investing public.

Governments and regulators have historically tried to combat misconduct in the industry through regulatory reform, with various levels of success. Global capital markets are highly regulated to protect investors and other market participants. However, compliance with regulation alone is insufficient to fully earn investor trust. Individuals and firms must develop a “culture of integrity” that permeates all levels of operations and promotes the ethical principles of stewardship of investor assets and working in the best interests of clients, above and beyond strict compliance with the law. A strong ethical culture that helps honest, ethical people engage in ethical behavior will foster the trust of investors, lead to robust global capital markets, and ultimately benefit society. That is why ethics matters.

Ethics, Society, and the Capital Markets

The CFA Institute mission is to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. CFA Institute includes the concept “for the ultimate benefit of society” as part of its mission to underscore that we want to live in a socially, politically, and financially stable society that fosters individual well-being and welfare of the public. A key ingredient for this goal is global capital markets that facilitate the efficient allocation of resources so that the available capital finds its way to places where it most benefits that society. These investments are then used to produce goods and services, to fund innovation and jobs, and to promote improvements in standards of living. Indeed, such a function serves the interests of society. Efficient capital markets, in turn, provide a host of benefits to those providing the investment capital. Investors are provided the opportunity to transfer and transform risk because the capital markets serve as an information exchange, create investment products, provide liquidity, and limit transaction costs.

However, a well-functioning and efficient capital market system is dependent on trust of the participants. If investors believe that capital market participants—investment professionals and firms—cannot be trusted with their financial assets or that the capital markets are unfair such that only insiders can be successful, they will be unlikely to invest or, at the very least, will require a higher risk premium. Decreased investment capital can reduce innovation and job creation and hurt the economy and society as a whole. Reduced trust in capital markets can also result in a less vibrant, if not smaller, investment industry.

Ethics for a global investment industry should be universal and ultimately support trust and integrity above acceptable local or regional customs and culture. Universal ethics for a global industry strongly supports the efficiency, values, and mission of the industry as a whole. Different countries may be at different stages of development in establishing standards of practice, but the end goal must be to achieve rules, regulations, and standards that support and promote fundamental ethical principles on a global basis.

Capital Market Sustainability and the Actions of One

Individuals and firms also have to look at the indirect impacts of their actions on the broader investment community. The interconnected nature of global finance brings to the fore an added consideration of market sustainability that was, perhaps, less appreciated in years past. In addition to committing to the highest levels of ethical behavior, today’s investment professionals and their employers should consider the long-term health of the market as a whole.

Apparently isolated and unrelated decisions, however innocuous when considered on an individual basis, in aggregate can precipitate a market crisis. In an interconnected global economy and marketplace, each participant should strive to be aware of how his or her actions or the products he or she distributes may have an impact on capital market participants in other regions or countries.

Investment professionals should consider how their investment decision-making processes affect the global financial markets in the broader context of how they apply their ethical and professional obligations. Those in positions of authority have a special responsibility to consider the broader context of market sustainability in their development and approval of corporate policies, particularly those involving risk management and product development. In addition, corporate compensation strategies should not encourage otherwise ethically sound individuals to engage in unethical or questionable conduct for financial gain. Ethics, sustainability, and properly functioning capital markets are components of the same concept of protecting the best interests of all. To always place the interests of clients ahead of both investment professionals’ own interests and those of their employer remains a key ethos.

The Relationship between Ethics and Regulations

Some equate ethical behavior with legal behavior: If you are following the law, you must be acting appropriately. Ethical principles, like laws and regulations, prescribe appropriate constraints on our natural tendency to pursue self-interest that could harm the interests of others. Laws and regulations often attempt to guide people toward ethical behavior, but they do not cover all unethical behavior. Ethical behavior is often distinguished from legal conduct by describing legal behavior as what is required and ethical behavior as conduct that is morally correct. Ethical principles go beyond that which is legally sufficient and encompass what is the right thing to do.

Given many regulators' lack of sufficient resources to enforce well-conceived rules and regulations, relying on a regulatory framework to lead the charge in establishing ethical behavior has its challenges. Therefore, reliance on compliance with laws and regulation alone is insufficient to ensure ethical behavior of investment professionals or to create a truly ethical culture in the industry.

Inevitably, some individuals will succeed at circumventing the regulatory rules for their personal gain. Only the application of strong ethical principles, at both the individual level and the firm level, will limit abuses. Knowing the rules or regulations to apply in a particular situation, although important, may not be sufficient to ensure ethical conduct. Individuals must be able both to recognize areas that are prone to ethical pitfalls and to identify and process those circumstances and influences that can impair ethical judgment.

Applying an Ethical Framework

Laws, regulations, professional standards, and codes of ethics can guide ethical behavior, but individual judgment is a critical ingredient in making principled choices and engaging in appropriate conduct. When faced with an ethical dilemma, individuals must have a well-developed set of principles; otherwise, their thought processes can lead to, at best, equivocation and indecision and, at worst, fraudulent conduct and destruction of the public trust. Establishing an ethical framework for an internal thought process prior to deciding to act is a crucial step in engaging in ethical conduct.

Most investment professionals are used to making decisions from a business (profit/loss) outlook. But given the importance of ethical behavior in carrying out professional responsibilities, it is critical to also analyze decisions and potential conduct from an ethical perspective. Using a framework for ethical decision making will help investment professionals effectively examine their conduct in the context of conflicting interests common to their professional obligations (e.g., researching and gathering information, developing investment recommendations, and managing money for others). Such a framework will allow investment professionals to analyze their conduct in a way that meets high standards of ethical behavior.

An ethical decision-making framework can come in many forms but should provide investment professionals with a tool for following the principles of the firm's code of ethics. Through analyzing the particular circumstances of each decision, investment professionals are able to determine the best course of action to fulfill their responsibilities in an ethical manner.

Commitment to Ethics by Firms

A firm's code of ethics risks becoming a largely ignored, dusty compilation if it is not truly integrated into the fabric of the business. The ability to relate an ethical decision-making framework to a firm's code of ethics allows investment professionals to bring the aspirations and principles of the code of ethics to life—transforming it from a compliance exercise to something that is at the heart of a firm's culture.

An investment professional's natural desire to "do the right thing" must be reinforced by building a culture of integrity in the workplace. Development, maintenance, and demonstration of a strong culture of integrity within the firm by senior management may be the single most important factor in promoting ethical behavior among the firm's employees. Adopting a code of ethics that clearly lays out the ethical principles that guide the thought processes and conduct the firm expects from its employees is a critical first step. But a code of ethics, while necessary, is insufficient.

Simply nurturing an inclination to do right is no match for the multitude of daily decisions that investment managers make. We need to exercise ethical decision-making skills to develop the "muscle memory" necessary for fundamentally ethical people to make good decisions despite the reality of conflicts of interest. Just as coaching and practice transform our natural ability to run across a field into the technique and endurance required to run a race, teaching, reinforcing, and practicing ethical decision-making skills prepare us to confront the hard issues effectively. It is good for business, individuals, firms, the industry, and the markets, as well as society as a whole, to engage in the investment management profession in a highly ethical manner.

Ethical Commitment of CFA Institute

For more than 60 years, CFA Institute members and candidates have been required to abide by the organization's Code and Standards. Although the investment world has become a far more complex place since the first publication of the *Standards of Practice Handbook*, CFA Institute has committed to revising and updating the Code and Standards to ensure that they remain relevant to the changing nature of the investment profession and representative of the highest standard of professional conduct.

New challenges will continually arise for members and candidates in applying the Code and Standards because many decisions are not unambiguously right or wrong. The dilemma exists because the choice between right and wrong is not always clear. Even well-intentioned investment professionals can find themselves in circumstances that may tempt them to cut corners. Situational influences can overpower the best of intentions.

CFA Institute has made a significant commitment to providing members and candidates with the resources to extend and deepen their understanding of how to appropriately apply the principles of the Code and Standards. Through publications, conferences, webcasts, and podcasts, the ethical challenges of investment professionals are brought to light. Archived issues of many of these items are available on the CFA Institute website (www.cfainstitute.org).

By reviewing these resources and discussing them with their peers, market participants can further enhance their abilities to apply an effective ethical decision-making framework. In time, this should promote the trust of clients, investors, and market participants.

Markets function to an important extent on trust. Investment professionals should remain mindful of the long-term health of financial markets and incorporate this concern for the market's sustainability in their investment decision making. CFA Institute and the Standards of Practice Council hope the *Handbook* will assist and guide investment professionals in meeting the ethical demands of the highly interconnected global capital markets for the ultimate benefit of society.

CFA INSTITUTE CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

3

Preamble

The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to continue to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® [CFA] designation) and CFA candidates have the personal responsibility to embrace and uphold the provisions of the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program, and revocation of the right to use the CFA designation.

The Code of Ethics

Members of CFA Institute (including CFA charterholders) and candidates for the CFA designation ("Members and Candidates") must:

- Act with integrity, competence, diligence, and 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.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity and viability of the global capital markets for the ultimate benefit of society.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

Standards of Professional Conduct

i. PROFESSIONALISM

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. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates 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. Members and Candidates 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 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.

E. Competence

Members and Candidates must act with and maintain the competence necessary to fulfill their professional responsibilities.

ii. INTEGRITY OF CAPITAL MARKETS

A. Material Nonpublic Information

Members and Candidates who possess material nonpublic 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 trading volume with the intent to mislead market participants.

iii. DUTIES TO CLIENTS

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. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests.

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

1. When Members and Candidates are in an advisory relationship with a client, they must:

- a. 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 and must reassess and update this information regularly.
- b. 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.
- c. Judge the suitability of investments in the context of the client's total portfolio.

2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must make only investment recommendations or take only investment actions that are consistent with the stated objectives and constraints of the portfolio.

D. Performance Presentation

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

E. Preservation of Confidentiality

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

1. The information concerns illegal activities on the part of the client or prospective client,
2. Disclosure is required by law, or
3. The client or prospective client permits disclosure of the information.

iv. **DUTIES TO EMPLOYERS**

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 applicable laws, rules, regulations, and the Code and Standards.

v. **INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS**

A. Diligence and Reasonable Basis

Members and Candidates must:

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

B. Communication with Clients and Prospective Clients

Members and Candidates must:

1. Disclose to clients and prospective clients the nature of the services provided, along with information about the costs to the client associated with those services.
2. Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
3. Disclose to clients and prospective clients significant limitations and risks associated with the investment process.
4. 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.
5. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.

C. Record Retention

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

vi. CONFLICTS OF INTEREST

A. Avoid or Disclose Conflicts

Members and Candidates must avoid or make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity and interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must 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