Describe the structure of the CFA Institute (CFAI) Professional Conduct Program and the process for the enforcement of the Code and Standards
Structure of CFAI Professional Conduct Program

- Professional Conduct Program (PCP)
- Who must comply?
- Two principles
  - Fairness
  - Confidentiality
Structure of CFAI Professional Conduct Program

• Who conducts?
• Enquiry …when?
  – Professional Conduct Statement (PCS)
  – Written complaints
  – Media or public sources
  – CFA exam proctors
Process for enforcement of the Code and Standards

- First up…investigation
- Afterwards…
  - Written explanation
  - Interview
  - Documents and records
Process for enforcement of the Code and Standards

• Review
  – Caution
  – Disciplinary sanction
  – Hearing panel - final
Summary

• Describe the structure of the CFA Institute (CFAI) Professional Conduct Program
  – PCP
  – Fairness and confidentiality
  – Four situations trigger PCP
Summary

- Process for the enforcement of the Code and Standards
After thoroughly investigating the member, Beatrice Arnold decides that the best course of action is to impose disciplinary sanctions on the member. Which sequence best describes a possible outcome of this event?

A. Member accepts sanction > Attends hearing before panel of CFA Institute members > Member is condemned by peers.

B. Member rejects sanction > Attends hearing before panel of CFA Institute members > Panel decides, upon review, that no disciplinary actions are necessary

C. Member rejects sanction > Designated officer issues a cautionary letter.
Solution

• B.
State the six components of the Code of Ethics and the seven Standards of Professional Conduct
The Code Of Ethics

- Use reasonable care and exercise independent professional Judgement 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.

- Place the integrity of the investment profession and the interests of clients above their own personal interests.
The Code Of Ethics

• **M**aintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

• **A**ct 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.

• **P**romote the integrity of, and uphold the **R**ules governing, capital markets
Standards of Professional Conduct

1. Professionalism
2. Integrity of the Capital Markets
3. Duties to clients
4. Duties to employer
5. Investment Analysis, Recommendation and Action
6. Conflict of Interest
7. Responsibility of CFA Institute Member or CFA candidate
Summary

• **State the six components of the Code of Ethics**
  – Use mnemonic **JEPMAR**

• **State seven Standards of Professional Conduct**
  – One generic
  – Six specific
According to The Code of Ethics, members of CFA Institute shall: “Act with _____, competence, dignity and in an ethical manner when dealing with the public, clients, prospects, employers, employees and fellow members.”

A. Honorability 
B. Integrity 
C. Morality
Solution

• B.