CFA Institute

EXPOSURE DRAFT

RECOMMENDED CHANGES TO THE CFA INSTITUTE CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

5 January 2023

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The Standards of Practice Council (SPC) is recommending to the CFA Institute Board of Governors a number of revisions to the CFA Institute Code of Ethics and Standards of Professional Conduct. These potential changes—and the committee's views supporting these revisions—are set out in this exposure draft. The goal for the exposure draft is to elicit feedback on the recommended revisions that will be under consideration by the Board of Governors. Your input on these ideas and issues will help the Board of Governors evaluate the SPC's recommendations for changes to the CFA Institute Code and Standards. **All comments must be received by 6 March 2023 to be considered.**

Providing Feedback

Public commentary on this exposure draft will help the CFA Insitute Board of Governors determine if revisions are needed to the Code and Standards. Comments should be provided in the designated response form and submitted to standards@cfainstitute.org. You may address as few or as many of the exposure draft's questions as you wish. The exposure draft and the designated response form are available on the CFA Institute website at https://www.cfainstitute.org/en/ethics-standards/codes.

The deadline for providing feedback is 6 March 2023. **Comments received after 6 March 2023 will not be considered**.

A summary of the comments may be made publicly available at the conclusion of the comment period. If so, identifying information or attribution of the specific comments made by those responding to the consultation paper will **not** be made public.

Guidelines for Submission

Comments are most useful when they

- directly address a specific issue or question,
- provide a rationale and support for the opinions expressed, and
- suggest alternative solutions in the event of disagreement.

Positive comments in support of a proposal are equally helpful as those that provide constructive suggestions for improvement.

Requirements for Submission

In order for comments to be considered, please adhere to the following requirements:

- Insert responses to numbered questions in the designated areas of the response form.
- Assign a unique file name to your response form before submitting.
- Provide all comments in English.
- Submit the response form as a Microsoft Word document.
- Submit the response form to standards@cfainstitute.org by 5:00 p.m. E.S.T. on 6 March 2023.

RECOMMENDED CHANGES TO THE CFA INSTITUTE CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

Introduction

The CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards) are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. All CFA Institute members, including holders of the Chartered Financial Analyst® designation and holders of the CIPM® designation, must comply with the Code and Standards. The same requirements apply to candidates for the CFA designation as well. Members must attest annually to their compliance with the Code and Standards and are subject to discipline for any violations.

For over 40 years, CFA Institute has charged a volunteer committee of charterholders with periodically reviewing the Code and Standards to ensure that the Code and Standards remain robust and relevant and represent the vanguard of ethical conduct applicable to investment professionals. The purpose of this committee, the Standards of Practice Council (the SPC or the Committee), is to foster the integrity of the capital markets through its work in developing and maintaining the CFA Institute Code and Standards. To achieve this purpose, the SPC identifies and receives input from members and other stakeholders on ethical issues not covered by existing standards and recommends revising or amending existing standards or developing new standards, as required. The SPC, with support from CFA Institute staff, periodically recommends revisions to the Code and Standards to be considered and approved by the CFA Institute Board of Governors that the SPC believes are necessary to maintain the relevance and rigor of the Code and Standards. In the past, revisions have included adding or consolidating standards, updating the language of the Code and Standards to reflect the growing global membership of CFA Institute, and clarifying the language of a number of Standards. CFA Institute publishes the proposed revisions for comment by CFA Institute members and the public. The SPC reviews public comments and makes adjustments to reflect input, as appropriate. The Board of Governors reviews and provides final approval of any revisions to the Code and Standards because they directly affect membership and candidate obligations.

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Summary of Recommendations to Revise the Code and Standards

In May 2022, CFA Institute published a Consultation Paper describing a number of potential changes to the Code and Standards under consideration and soliciting input on these potential changes from CFA Institute members, candidates, and other stakeholders. CFA Institute received a strong response to the Consultation Paper from individual members, volunteer committees, and local societies.

After weighing the comments and input, the SPC is recommending five changes to the Code and Standards. The recommended changes are as follows:

1. Revise the conflict of interest standard to require members and candidates to avoid conflicts of interest when feasible.
2. Add a new standard requiring members and candidates to achieve and maintain competency.
3. Revise the confidentiality standard to establish an exception that protects impaired clients.
4. Add a new standard requiring disclosures relating to the nature of the services and costs and fees of those services.
5. Add a new standard on transparency relating to disclosures about professional activities.

The SPC believes these changes will strengthen the Standards, ensuring that CFA Institute members and candidates continue to adhere to the highest standards of ethical and professional conduct in the investment industry.

In November 2022, the CFA Institute Board of Governors approved publication of these recommendations for public comment to solicit input on the specific language of the new or revised standards. Upon completion of the public comment period, the SPC will consider responses and make final recommendations to the Board of Governors. The Board will review the recommendations of the SPC and may accept, modify, or reject any of the suggested changes to the Standards.

The specific language of the proposed changes—and the Committee's thinking about why these changes may be necessary—are set forth below. The Committee is seeking public comment on these recommendations. The goal for this Exposure Draft is to share the SPC's thinking on important potential changes and to elicit your feedback. Feedback on these proposed changes is crucial. Your input will inform the final recommendations of the SPC to the Board of Governors and, ultimately, the final requirements for professional conduct of CFA Institute members and candidates included in the Code and Standards.

The SPC is planning to submit its final recommendations to the Board in May 2023. If approved by the Board, the effective date of the revised Code and Standards is expected to be 1 January 2024.

Please provide your comments on this consultation paper **by 6 March 2023**. Comments can be sent to standards@cfainstitute.org.

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Revisions to the Code and Standards

The following enumerates the SPC's recommendations for revising the Code and Standards, details the proposed language of the new or revised standard, sets forth the SPC's reasons for the recommendations, describes the public comment to the Consultation Paper and the Committee's reaction to those comments, and sets forth specific questions to solicit public comment.

1. **Revise the conflict of interest standard to require avoiding conflicts of interest when feasible.**

The SPC recommends that the current conflict of interest standard be revised to require members and candidates to avoid conflicts of interest when feasible and to fully disclose those conflicts that are unavoidable. The revised standard would state:

> VI. CONFLICTS OF INTEREST
>
> A. Avoidance and Disclosure of Conflicts of Interest
>
> Members and Candidates must, when feasible, avoid ~~make full and fair disclosure of~~ all matters that could reasonably be expected to impair their independence and objectivity and interfere with their duties to clients, prospective clients, and employer. When conflicts of interest are unavoidable, Members and Candidates must make full disclosure of those conflicts. ~~Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively~~.

The current guidance for the CFA Institute Conflicts of Interest standard found in the Standards of Practice Handbook states, "Best practice is to avoid actual conflicts or the appearance of conflicts of interest when possible." Changing the standard to include an explicit requirement to avoid conflicts of interest is consistent with the organization's well-established guidance as well as with the requirements of a number of other professional associations governing the conduct of individuals in the investment profession. Professional standards set by the American Institute of Certified Public Accountants (AICPA), the Association of Certified International Investment Analysts (ACIIA), and the European Federation of Financial Analysts Societies (EFFAS), for instance, all address avoiding or resolving conflicts of interest.

The Consultation Paper sought comment on revising the conflict of interest standard to go beyond a "disclosure" standard and require members to avoid conflicts of interest when feasible. Where conflicts are unavoidable, members would continue to be required to mitigate their impact and make full and fair disclosure to relevant parties. A majority of commenters support strengthening the conflict of interest standard to include avoiding conflicts of interest. As commenters to the Consultation Paper pointed out, avoiding conflicts of interest is the "minimum requirement,"

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follows "prevailing regulatory requirements and best practice," and is "the industry standard." The Committee believes that current Standard VI(A)'s "disclosure only" language does not go far enough in requiring members to avoid conflicts of interest and should explicitly require avoidance of conflicts of interest when feasible—that is, when they are capable of doing so. CFA Institute must require members to avoid conflicts of interest for the Code and Standards to remain rigorous and relevant.

Members will not be capable of avoiding *all* conflicts because there may be systematic or employer-mandated circumstances that create conflicts that the member, as an individual, is unable to avoid. The term "when feasible" will exempt members and candidates from avoiding conflicts when they are powerless to do so. However, the new language makes clear that the default requirement for members will be to avoid conflicts. The presumption is that members must avoid conflicts when they are capable of doing so. They are exempted from this requirement only when conflicts cannot be avoided. If challenged, members will have the burden to show that the conflict could not be avoided. The Standard will continue to require members to mitigate and make full and fair disclosure of all conflicts, including those that cannot be avoided.

There was significant comment to the Consultation Paper regarding the term "when feasible" and whether that term was appropriate or too ambiguous and vague. While many commenters supported the phrase as clear and straightforward, other commenters suggested a number of alternatives, including avoiding conflicts "whenever possible," "when practical," "when reasonably expected," or "when appropriate" and members should "take all necessary steps to avoid conflicts" or "only be allowed to disclose conflicts that are unavoidable." The SPC debated these alternatives at length and believes that the language as recommended is the best option. However, the Committee is committed to defining the meaning of "when feasible," in the guidance to the Code and Standards, as generally meaning something that is capable of being done or carried out. The guidance will provide examples of circumstances where it is feasible to avoid a conflict and when conflicts should be deemed unavoidable so that members can understand their responsibilities under the Standard.

The phrase "when feasible" will be included in a glossary of defined terms found in the Code and Standards that will accompany the Code and Standards. Publishing a glossary will address many commenters' observations that terms should be precisely defined and their meaning made clear. The glossary will include terms in the recommendations for new standards (e.g., "when feasible") as well as words used throughout the current standards, such as "reasonable," "material," "appropriate," "timely," and "complete." The SPC believes a glossary will greatly assist members in fulfilling their responsibilities under the Code and Standards, as well as those responsible for enforcing the Code and Standards and adjudicating member conduct.

The revised standard eliminates the description of the manner in which disclosures of conflicts should be made. This was done in conjunction with the SPC's recommendation that a new, general transparency standard be adopted that addresses how communications about all professional activities should be made (see Recommendation 5). The new transparency standard would apply

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to all disclosures, including disclosures regarding conflicts of interest, and would require using plain language to provide information that is appropriate, accurate, timely, and complete.

Request for comment: Do you agree with revising the conflict of interest standard in the Code and Standards as written, and why? What other language, if any, would you suggest to more clearly state the requirements of CFA Institute members under this standard? What guidance would you suggest CFA Institute publish to clarify the language of the standard and explain a CFA Institute member's obligation under this standard? What specific circumstances would you like to see addressed by examples providing guidance for this standard?

2. Add a new standard requiring members and candidates to achieve and maintain competency.

The SPC recommends that CFA Institute add a new standard that would require members and candidates to demonstrate and maintain a baseline level of competency. The new standard would state:

> I. PROFESSIONALISM
>
> A. . . .
>
> E. Competency
>
> Members and Candidates must act with and maintain the competence necessary to fulfill their professional responsibilities.
>
> F. Misconduct . . .

The SPC believes CFA Institute should include a standard that requires members to maintain competence for the Code and Standards to remain rigorous and relevant. Given the diverse range of professional services engaged in by members, the skills and abilities necessary to successfully fulfill their role will vary according to the nature and complexity of their professional duties. Over time, a member's role may expand, requiring new or different knowledge, skills, and abilities. Members will develop and refine their skills and abilities throughout their professional careers. A standard requiring members to act with and maintain appropriate levels of competence will help ensure they provide a high standard of professional service to their clients.

Currently, the Code of Ethics requires members 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." The new standard is consistent with and directly supports the requirements of the Code of Ethics and stresses the need to not just achieve but also maintain competence. Such a new standard would make the requirement of the Code of Ethics more

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explicit and emphasize the need for members to continuously maintain or improve the competence required of their professional position.

Commenters to the Consultation Paper generally recognize the importance of investment professionals demonstrating and maintaining competence but noted that CFA Institute members have a wide variety of professional responsibilities. The knowledge, skills, and abilities necessary for members to successfully fulfill their role vary according to the nature and complexity of their professional duties, and competence would be different for each role. As a result, some commenters expressed concern that there will be different criteria for competence for different members, making a "standard" for conduct difficult to determine.

The SPC recognizes that there would not be a "standard" course of conduct for all members to meet the competency requirement under the new standard. However, the Committee notes that this would be the case for other current CFA Institute Standards of Professional Conduct. For instance, the standard of Loyalty, Prudence, and Care requires members to act with "reasonable care and prudent judgment" when fulfilling their professional responsibilities to clients. The standard of Diligence and Reasonable Basis requires members to "exercise diligence, independence, and thoroughness" in taking investment actions. What constitutes reasonable care and prudent judgment, or diligence and thoroughness, will vary for each member depending on his or her position and professional responsibilities.

While the specific conduct that leads to competence may be different for each member, the principle of competence is straightforward and the concept will be defined in the guidance to the Code and Standards. Consistent with the application of existing standards, an examination of the facts and circumstances of each member will dictate the expected conduct under a competence standard.

Some commenters to the Consultation Paper questioned whether adding this standard is an indirect way for CFA Institute to implement a mandatory continuing education requirement for members. That is not the case. CFA Institute will make clear in guidance that this standard does not require members to engage in any specific program of professional development or continuing education and that there are a variety of ways members can demonstrate and maintain competence in their professional responsibilities.

Request for comment: Do you agree with adding this competency standard to the CFA Institute Code and Standards as written, and why? What other language, if any, would you suggest to more clearly state the requirements of CFA Institute members under this standard? What guidance would you suggest CFA Institute publish to clarify the language of the standard and explain a CFA Institute member's obligation under this standard? What specific circumstances would you like to see addressed by examples providing guidance for this standard?

3. Revise the confidentiality standard to establish an exception that protects impaired clients.

The SPC recommends revising the current confidentiality standard to allow members to disclose confidential information to third parties if a client demonstrates diminished capacity that prevents

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the client from making informed decisions and such disclosure protects the interests of the client. The revised standard would state:

III. DUTIES TO CLIENTS

A. . . .

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~~.~~, or
4. Disclosure protects the interest of the clients who demonstrate diminished mental or cognitive capacity that prevents making informed decisions.

Investment professionals trying to protect the interests of their clients who exhibit an inability or a decreasing ability to make informed decisions about their financial circumstances is a growing concern. CFA Institute members trying to effectively meet their duty of loyalty to their clients, who would like to protect them from negative outcomes arising from their diminished cognitive faculties, can feel hampered from seeking assistance from outside parties, such as family and health care professionals, by the absolute requirement to maintain client confidentiality.

Under the revised confidentiality standard, when a member has good reason to suspect a client is no longer capable of engaging in informed investment decision making, the member will not be prevented from taking steps to protect client interests by the restrictions of the current confidentiality standard. The revised standard would only serve as a "safe harbor" for members when they feel compelled to reach out to third parties for the limited purpose of protecting clients.

Commenters to the Consultation Paper generally support this concept, believe the language is clear, and see the idea of "diminished mental or cognitive capacity" as straightforward. Commenters indicated that adding the exception reflects leading industry practice and "is the need of the hour." But commenters expressed concern about how investment professionals, without medical expertise, can competently evaluate and make a determination of client incapacity. While investment professionals can be expected to have some awareness of potential signs of mental or cognitive decline, they are not expected to make proactive determination and should be highly deferential to other sources of specialized expertise where available. The SPC understands that clear guidance on the criteria and circumstances members can use to make a determination of incapacity is necessary for members to understand the circumstances for utilizing this safe harbor.

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The guidance for this standard will also recommend that members address this potential situation at the outset of the client relationship, when the client has full mental capacity. The member and the clients should agree upon parameters for reaching outside the relationship and designate a family member, a friend, or any other party who can be contacted in case of diminished mental or cognitive capacity of the client. Establishing agreed-upon procedures in advance will eliminate uncertainty.

The new standard would not require members to take any steps if a client exhibited mental or cognitive incapacity. The language being added to the confidentiality standard would not impose a proactive duty on members to bypass the duty of confidentiality or make a definitive determination of incapacity. Members would be under no obligation to continuously make an assessment of client cognitive ability and report issues if and when they arose. Members could not be found in violation of the standard if they decide *not* to break the confidentiality of their clients and remain silent in the face of a client exhibiting cognitive loss.

The SPC also notes that, under Standard I(A) Knowledge of the Law, members must comply with the stricter requirements of either the Code and Standards or applicable law. If applicable law requires members to maintain confidentiality in these situations, the member would be required to abide by applicable law and not violate confidentiality even if doing so would be allowed by the Code and Standards.

Request for comment: Do you agree with adding this exception to the confidentiality standard to the CFA Institute Code and Standards as written, and why? What other language, if any, would you suggest to more clearly state the requirements of CFA Institute members under this standard? What guidance would you suggest CFA Institute publish to clarify the language of the standard and explain a CFA Institute member's obligation under this standard? What specific circumstances would you like to see addressed by examples providing guidance for this standard?

4. Add a new standard requiring disclosures relating to the nature of the services and costs and fees of those services.

The SPC recommends adding a new standard that requires members and candidates to describe to clients and potential clients the services that they can expect from the investment professional, as well as the fees and costs of those services. The language of the new standard would state:

> V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS
>
> B. Communication with Clients and Prospective Clients
>
> Members and Candidates must:
>
> 1. Provide disclosures to clients and prospective clients about the nature of the services provided, along with costs and fees associated with those services.
> 2. Disclose to clients and prospective clients the basic format . . .

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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 true cost they will pay for those services is critical to achieving this goal. The disclosures required by this new standard will permit clients to make informed decisions as to whether to engage with the member or candidate and the firm. This new standard will strengthen the expectation of members on how to inform clients of their services and the associated costs and fees from the perspective of the client.

Public comment to the Consultation Paper overwhelmingly agreed that full and fair disclosure builds trust with clients and that disclosure of costs and fees is a critical and fundamental requirement to benefit clients and protect their interests. Currently, the standard on Communications with Clients and Prospective Clients 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 changes. The associated financial impact is an important part of the investment process but is not explicitly addressed as part of this disclosure. A new standard would fill this gap. It would also strengthen the Code and Standards by extending required disclosure to go beyond the investment process and cover all non-investment-related professional services.

Some commenters to the Consultation Paper pointed out that this standard would affect only client-facing members, a subset of CFA Institute membership. Including a standard for a subset of members is consistent with current Standards of Professional Conduct that affect only certain members. For instance, the Suitability standard addresses the conduct of only those members who manage money for clients and undertake suitability analysis of those investments. The Responsibility of Supervisors standard addresses the conduct of only those members who have employees subject to their supervision. The Performance Presentation standard addresses the conduct of only those members presenting investment performance history to investors. CFA Institute has historically adopted standards that address the conduct of a subset of members as reflected by the current version of the Code and Standards.

Other commenters pointed out that disclosures regarding the nature of services and fees are governed by the rules, policies, and practices of the member's firm. While this may be true, it does not relieve members of their responsibility to provide this information when that is part of their professional responsibilities. Information regarding performance history of the firm or the policies regarding record keeping are generally controlled by employers implementing firm-wide policies. The Code and Standards still address that conduct through the Performance Presentation standard and Record Retention standard directed at members.

Request for comment: Do you agree with revising this standard to require disclosure of the nature of the services and their associated costs and fees to the CFA Institute Code and Standards as written, and why? What other language, if any, would you suggest to more clearly state the requirements of CFA Institute members under this standard? What guidance would you suggest

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CFA Institute publish to clarify the language of the standard and explain a CFA Institute member's obligation under this standard? What specific circumstances would you like to see addressed by examples providing guidance for this standard?

5. Add a new standard on transparency relating to disclosures about professional activities.

The SPC recommends adding a new standard that requires members and candidates to communicate in an appropriate, accurate, timely, and complete manner and use plain language when providing information about their professional activities. The requirement would apply to communications with clients and potential clients and also to communications in a wide variety of contexts, such as to employers, regulators, professional associations, and other parties. The language of the new standard would state:

I. PROFESSIONALISM

A. . . .

D. Transparency

> When communicating information about their professional activities, Members and Candidates must use plain language to provide information that is appropriate, accurate, timely, and complete.

Transparency is a fundamental ethical concept embedded throughout the Code and Standards. Many of the Standards of Professional Conduct address transparency: Misrepresentation, Performance Presentation, Communication with Clients and Prospective Clients, Disclosure of Conflicts, and Reference to CFA Institute, the CFA Designation, and the CFA Program. These standards already address and give specific direction to members regarding their conduct in the key areas of communication: communicating with clients, disclosing conflicts of interest to both clients and employers, and prohibiting misrepresentation in all communications. The SPC believes members should not be limited to providing transparency only in these situations and that a broader transparency requirement is called for.

Commenters to the Consultation Paper generally supported the principle of transparency but questioned how broadly and practically it can be applied outside the client relationship and in what contexts. Levels of transparency can be situational depending on industry and competitive dynamics and will, therefore, depend on the member's relationship to the party receiving the communication. Commenters highlighted that a requirement of transparency, outside the scope of the client relationship, would significantly broaden the applicability of the Code and Standards. There is a nuanced level of transparency in many instances and contexts.

In response to this public comment to the Consultation Paper, the SPC has narrowed the language and targeted the transparency standard to address only the manner of communications

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by members and candidates regarding their professional activities, *in the event they are made.* The language would not expand *when* communications had to be made or *to whom* but would give guidance to members on the ethical expectations of the communications when they provide information regarding their professional activities. The Committee believes this standard, as written, would meet the goal of strengthening requirements of transparency in the Code and Standards without overreaching, creating new duties where none existed, or placing an undue burden on members.

The SPC recognizes that the amount of information and the manner in which it is provided can vary and depend on the receiver of the information and the circumstances of the communication. Including in the language of the standard that the information provided is "appropriate" allows the context of the communication to be a factor in determining what conduct and what disclosures meet the transparency requirement. Also, the term "professional activities" will have to be clearly defined in the guidance to define and limit the scope of the required communications.

The proposed wording is consistent with current language and terms already used in the Code and Standards. The Disclosure of Conflicts standard requires disclosures to be "delivered in plain language." The Diligence and Reasonable Basis standard requires actions to be supported by "appropriate" research and investigation. The Performance Presentation standard requires communications that are "accurate and complete." The SPC recognizes that all these terms should be clearly defined. The Committee is committed to including a glossary of terms found in the Code and Standards as part of the guidance so that members can understand how to fulfill their responsibilities under the Code and Standards.

Request for comment: Do you agree with adding this standard requiring transparency to the CFA Institute Code and Standards as written, and why? What other language, if any, would you suggest to more clearly state the requirements of CFA Institute members under this standard? What guidance would you suggest CFA Institute publish to clarify the language of the standard and explain a CFA Institute member's obligation under this standard? What specific circumstances would you like to see addressed by examples providing guidance for this standard?

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CFA INSTITUTE CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

With recommendations for revisions in red

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 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.

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- 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. Transparency

When communicating information about their professional activities, Members and Candidates must use plain language to provide information that is appropriate, accurate, timely, and complete.

E. Competency

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

F. 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.

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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.

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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, or
4. Disclosure protects the interest of the clients who demonstrate diminished mental or cognitive capacity that prevents making informed decisions.

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.

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B. Communication with Clients and Prospective Clients

Members and Candidates must:

1. Provide disclosures to clients and prospective clients about the nature of the services provided, along with costs and fees 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. Avoidance and Disclosure of Conflicts of Interest

Members and Candidates must, when feasible, avoid ~~make full and fair disclosure of~~ all matters that could reasonably be expected to impair their independence and objectivity and interfere with their duties to clients, prospective clients, and employer. When conflicts of interest are unavoidable, Members and Candidates must make full disclosure of those conflicts. ~~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

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.

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VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

A. Conduct as Participants in CFA Institute Programs

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

B. Reference to 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 CFA Institute, holding the CFA designation, or candidacy in the CFA Program.

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