

STUDY SESSION 1

ETHICAL AND PROFESSIONAL STANDARDS

The readings in this study session present a framework for ethical conduct in the investment profession by focusing on the CFA Institute Code of Ethics and Standards of Professional Conduct as well as the Global Investment Performance Standards (GIPS®).

The principles and guidance presented in the CFA Institute *Standards of Practice Handbook* (SOPH) form the basis for the CFA Institute self-regulatory program to maintain the highest professional standards among investment practitioners. “Guidance” in the SOPH addresses the practical application of the Code of Ethics and Standards of Professional Conduct. The guidance reviews the purpose and scope of each standard, presents recommended procedures for compliance, and provides examples of the standard in practice.

The Global Investment Performance Standards (GIPS) facilitate efficient comparison of investment performance across investment managers and country borders by prescribing methodology and standards that are consistent with a clear and honest presentation of returns. Having a global standard for reporting investment performance minimizes the potential for ambiguous or misleading presentations.

READING ASSIGNMENTS

- Reading 1** Code of Ethics and Standards of Professional Conduct
Standards of Practice Handbook, Ninth Edition
- Reading 2** “Guidance” for Standards I–VII
Standards of Practice Handbook, Ninth Edition
- Reading 3** Introduction to the Global Investment Performance Standards (GIPS®)
- Reading 4** Global Investment Performance Standards (GIPS®)

LEARNING OUTCOMES

Reading 1: Code of Ethics and Standards of Professional Conduct

The candidate should be able to:

- a. describe the structure of the CFA Institute Professional Conduct Program and the process for the enforcement of the Code and Standards;
- b. state the six components of the Code of Ethics and the seven Standards of Professional Conduct;
- c. explain the ethical responsibilities required by the Code and Standards, including the multiple sub-sections of each Standard.

Reading 2: “Guidance” for Standards I–VII

The candidate should be able to:

- a. demonstrate a thorough knowledge of the Code of Ethics and Standards of Professional Conduct by applying the Code and Standards to situations involving issues of professional integrity;
- b. distinguish between conduct that conforms to the Code and Standards and conduct that violates the Code and Standards;
- c. recommend practices and procedures designed to prevent violations of the Code of Ethics and Standards of Professional Conduct.

Reading 3: Introduction to the Global Investment Performance Standards (GIPS®)

The candidate should be able to:

- a. explain why the GIPS standards were created, what parties the GIPS standards apply to and who is served by the standards;
- b. explain the construction and purpose of composites in performance reporting;
- c. explain the requirements for verification of compliance with GIPS standards.

Reading 4: Global Investment Performance Standards (GIPS®)

The candidate should be able to:

- a. describe the key characteristics of the GIPS standards and the fundamentals of compliance;
- b. describe the scope of the GIPS standards with respect to an investment firm’s definition and historical performance record;
- c. explain how the GIPS standards are implemented in countries with existing standards for performance reporting and describe the appropriate response when the GIPS standards and local regulations conflict;
- d. characterize the eight major sections of the GIPS standards.