



FS Club

News Events Partnerships

Ethical Commitment – Cultural Or Calculated?

Webinar

Tuesday 16 June 2020



CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

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 must abide by 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, 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.

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.



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A Word From Our Chairman



**Professor Michael
Mainelli**
Executive Chairman
Z/Yen Group





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Agenda



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- 09:00 – 09:05 Chairman Introduction
- 09:05 – 09:30 Keynote Address & Case Studies
- 09:30 – 09:45 Questions & Answers



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Ethical Commitment – Cultural Or Calculated?



Dr Tony Tan

Senior Head of Ethics
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Corey Cook

Member, Standards of
Practice Council

CFA Institute

AWARENESS OF ETHICAL BEHAVIOUR CASES

Dr. Tony Tan, CFA
Senior Head
Ethics Education & Professional Standards



CFA Institute

Corey Cook, CFA
Member, CFA Standards of Practice Council

TRADING ON PANDEMIC INFORMATION

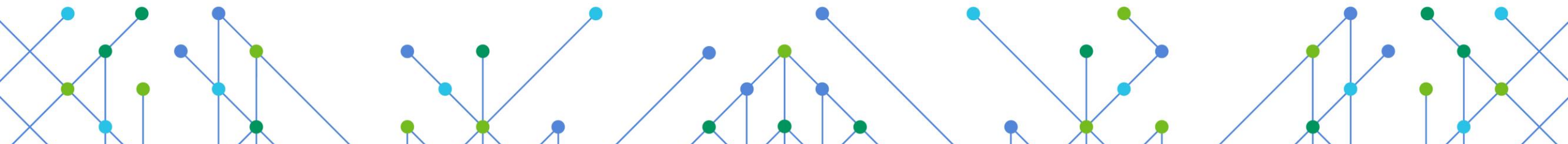
Tan is a high-ranking government official who, because of her work with the intelligence agencies, is regularly briefed on potential threats to the country, both from a military and economic perspective. During a recent briefing, she receives information from the intelligence community about the strong likelihood of the onset of a global pandemic in next three months. She recognizes that the pandemic will result in widespread economic shock and have a devastating negative effect on global capital markets. Tan contacts her investment adviser, Wong, and directs him to liquidate her investments. What should Wong do?



TRADING ON PANDEMIC INFORMATION

KEY FACTS:

- Client (Tan) is a high-ranking intelligence official who has access to classified and confidential information that indicates a global pandemic is likely to start. This information is not in the public domain. The pandemic will likely lead to widespread economic turmoil.
- Tan contacts his Advisor (Wong) to liquidate investments.
- What should Advisor (Wong) do?



TRADING ON PANDEMIC INFORMATION

What should Wong do?

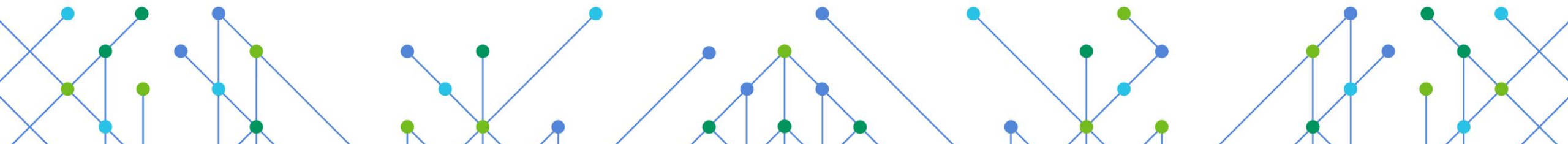
- A. Not execute the trades because they are a product of material non-public information.
- B. Sell the investments as directed by the client.
- C. Refuse to execute the trades because Tan's request is not in line with her previously established investment objectives, mandates, and constraints.
- D. Execute the trades but disclose any possible illegal activity to appropriate authorities.

TRADING ON PANDEMIC INFORMATION

- Key issue is material nonpublic information
- CFA Standard - Material nonpublic information
- Test. Material? Yes. Nonpublic? Yes. Tan in violation
- Is Wong aware of the MNPI? Not likely.
- If aware, Wong can disclose illegal activity CFA Standard - Preservation of Confidentiality.
- What about the instruction? CFA Standard -Suitability
- Choice (B) is the best option

MANAGING CLIENT ASSETS DURING A GLOBAL PANDEMIC

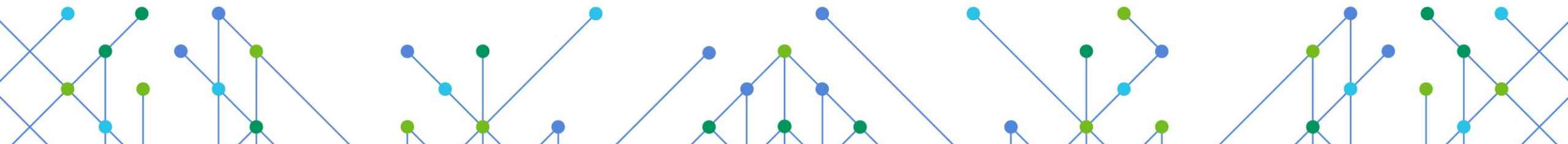
During a severe economic downturn brought on by a global pandemic, major stock indexes and the equities of previously safe, blue chip companies are losing 3% to 4% of their value on a daily basis. Khoo is a discretionary investment adviser for several retired clients in the same social circle. During the market collapse, several of Khoo's clients are on an Eco-tour vacation on a cruise ship to South America and Antarctica. Almost 60% of the passengers on the ship have contracted the virus, and the trip has been aborted. But because of fears of contamination, the cruise ship has been denied entry to many ports and is currently headed to the Japan. But it will take several weeks for the ship to arrive, and regular communication with passengers is severely disrupted. Although the accounts are discretionary, Khoo's practice is to meet with clients in person at least twice a year and whenever their financial picture changes or major swings in the market signal a need to review their investment policy statements. But now, the fast-moving nature of the markets and the clients' isolation make it impossible to meet with them to discuss how to manage their portfolios.



MANAGING CLIENT ASSETS DURING A GLOBAL PANDEMIC

KEY FACTS:

- Covid19 outbreak has left Advisor (Khoo) unable to contact his clients who are on a quarantined cruise ship.
- Although the account is discretionary, Khoo's practice was to meet clients twice a year to discuss market swings and update investment policy statements.
- Client portfolios are losing 3-4% a day. Khoo cannot contact clients. What does he do?
 - Trade or wait?



MANAGING CLIENT ASSETS DURING A GLOBAL PANDEMIC

What should Khoo do?

- A. Make no major changes to his clients' portfolio until they can be consulted.
- B. Protect client assets by moving their investments to cash.
- C. Contact close family members of his clients to get insight on a permissible course of action.
- D. Seek permission from his employer to freeze client accounts until he can consult with them in person in compliance with his usual practice.

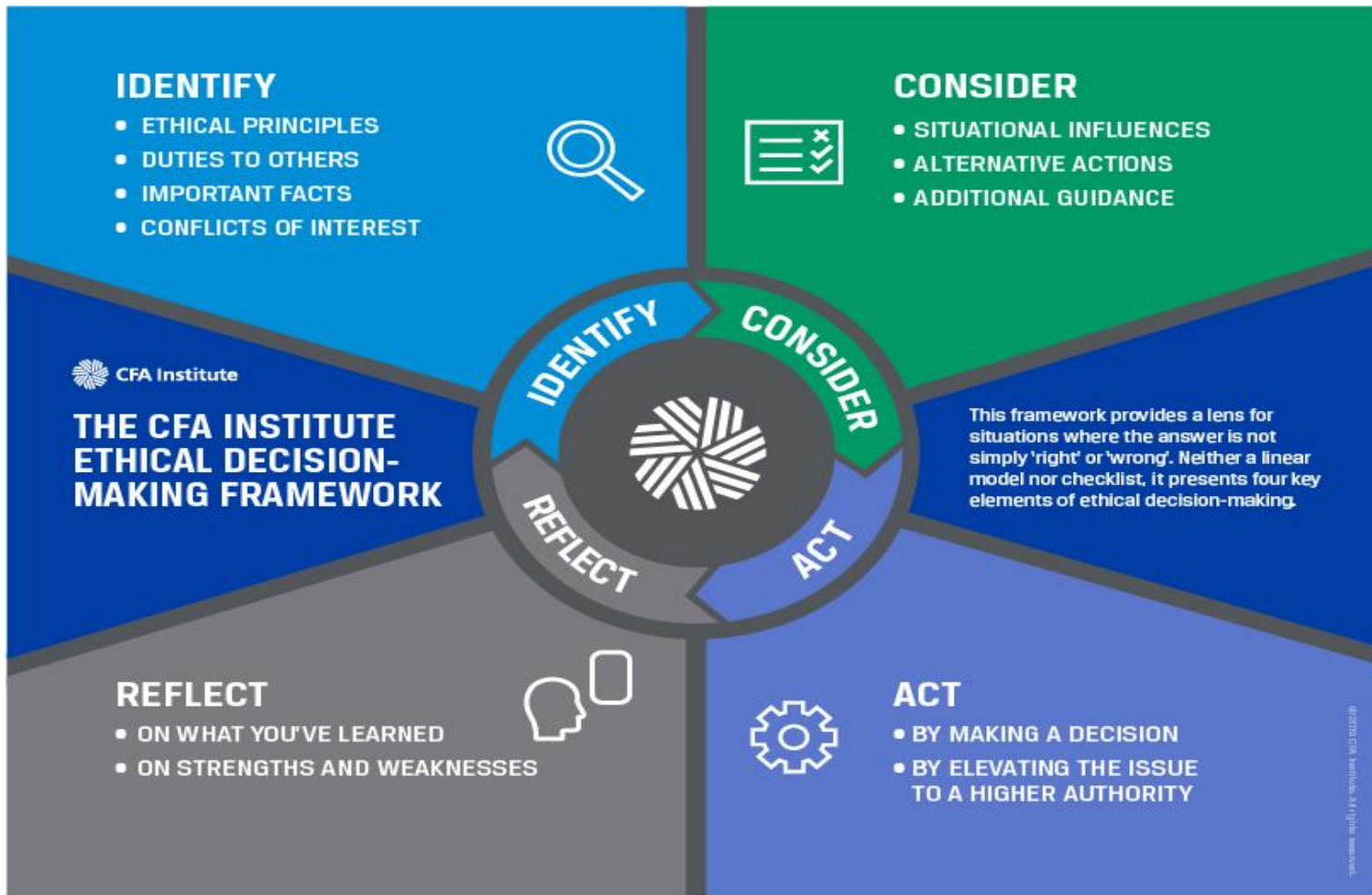


MANAGING CLIENT ASSETS DURING A GLOBAL PANDEMIC

- Key issue is on dealing with clients' interest
- CFA Standard– Loyalty, Prudence, and Care
- Have IPS & client agreement
- Situation is extraordinary.
 - Cash inappropriate due to mandate
 - Discussion with others inappropriate due to confidentiality
 - Freezing constraints discretion
- Choice (A) is the best option



ETHICAL DECISION-MAKING FRAMEWORK



Ethics Resources

www.cfainstitute.org/ethics

Questions, Comments & Answer(s)?



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**Professor Michael
Mainelli**

Executive Chairman

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Thank You

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- 17 June 2020 (12:00) [Insurance Carriers & Brokers: Parasitic Or Symbiotic Relationship?](#)
- 18 June 2020 (09:00) [Financial Centres Of The World 2020: Focus On Busan](#)
- 18 June 2020 (11:30) [CommunityZ Chest - Vinay Gupta In Conversation With Michael Mainelli](#)
- 19 June 2020 (12:00) [Quantum-Resistant Encryption](#)

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