JS INSIGHTS

Research-led learning in finance and quantitative methods

CFA LEVEL I • 2027

Ethical & Professional Standards

Intensive English Course

INSTRUCTOR

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Founder, JS Insights • CFA charterholder since 2013

About JS Insights and your instructor

JS INSIGHTS LTD

UK EDUCATION & TRAINING

An independent UK education and training company for Chinese-speaking learners and professionals.

Learning: digital education and open econometrics

Support: academic and quantitative training

Finance: CFA tutoring in English, Chinese, or bilingually

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PhD, University of Liverpool

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Expertise: financial econometrics, time series, quantitative methods and risk modelling

Tools: R and Python

This course is aligned to the 2027 exam

CURRENT BASIS

- CFA Level I, 2027 curriculum
- 2024 Code and Standards
- Standards of Practice Handbook, 12th ed.
- 2027 Level I curriculum errata

EXAM RELEVANCE

10–15%

of the Level I exam topic weight

The goal is reliable judgment under exam pressure

By the end, you should be able to identify the duty, test the facts, choose the required action, and explain why.

1. State the rule in precise English.
2. Recognize the fact that activates the rule.
3. Separate required action from best practice.
4. Eliminate answers that solve the wrong ethical problem.
5. Defend the final choice in one clean sentence.

Ten official modules become one reasoning chain

Ethics and Trust	Why judgment matters	**Standard IV**	Duties to employers
Code and Standards	Rules and enforcement	**Standard V**	Investment work
Standard I	Professionalism	**Standard VI**	Conflicts of interest
Standard II	Capital-market integrity	**Standard VII**	CFA responsibilities
Standard III	Duties to clients	**Application**	Integrated decisions

Every standard follows the same learning rhythm

Rule → Trigger facts → Required action → Prevention

- A short original case tests the boundary.
- The answer slide names the governing standard and the decisive fact.
- Exam traps distinguish *must*, *should*, and merely prudent conduct.

DECISION Do not memorize isolated slogans; connect facts to duties.

Use the deck in three passes

BEFORE CLASS

Preview section maps and vocabulary. Mark unfamiliar verbs.

DURING CLASS

Pause on each case. State the rule before revealing the answer.

AFTER CLASS

Rebuild each answer from the decisive fact, not from memory of the name.

English target: one rule sentence + one application sentence.

Use the 2027 structure for a 2027 exam

2027 LEVEL I

- Ten learning modules.
- Each Standard has its own module.
- Application remains a named module.
- Use the 2024 Code and Standards.

SCOPE CHANGE

- No independent GIPS module appears in the official 2027 Level I outline.
- The five-module 2026 structure is no longer the course map.

EXAM TRAP An accurate rule taught for the wrong curriculum year can still waste study time.

SECTION 01

Ethics and Trust

Why professional judgment begins where rules stop

Ethics is the discipline of making good choices

Ethics uses moral principles and rules of conduct to guide behavior.

- It asks what a person *should* do, not only what a person *can* do.
- It considers direct and indirect effects on clients, markets, colleagues, and society.
- It matters most when facts are incomplete, incentives conflict, or no rule gives an easy answer.

Law sets a floor; ethics can demand more

LEGAL STANDARD

- Enforceable minimum
- Defined by jurisdiction
- Often rule-based and reactive

ETHICAL STANDARD

- Principle-guided judgment
- Considers stakeholders and trust
- Can require restraint even when conduct is legal

EXAM TRAP "Legal" is not a synonym for "ethical."

Trust is economic infrastructure

- Clients delegate decisions they cannot fully observe.
- Information and expertise are unevenly distributed.
- Investment outcomes arrive late and remain uncertain.
- One professional’s misconduct can damage a firm and the wider market.

Trust lowers friction.

It supports participation, capital formation, and durable client relationships.

A profession earns trust through more than expertise

Specialized knowledge	Members apply a recognized body of expert knowledge.
Service orientation	Skills are used for clients and society, not only self-interest.
Common standards	A code makes expected conduct public and comparable.
Entry and development	Education, assessment, and continuing competence matter.
Oversight	Conduct is monitored and breaches can be disciplined.

Investment professionals face unusually strong ethical pressure

- **Agency:** professionals often control assets belonging to others.
- **Complexity:** clients may not be able to test advice independently.
- **Incentives:** compensation can reward sales, volume, or short-term results.
- **Uncertainty:** a sound process can lose money; a bad process can get lucky.
- **Scale:** weak conduct can spread through institutions and markets.

DECISION Judge the conduct and process, not merely the outcome.

Situational influences can bend good intentions

- Authority pressure
- Group conformity
- Aggressive incentives
- Time scarcity
- Framing and euphemisms
- Incremental escalation
- Diffused responsibility
- Loyalty to a team or firm

The ethical risk is often predictable even when the final misconduct is not.

Three mental shortcuts create blind spots

1. **Moral overconfidence:** "I am a good person, so my choice must be fine."
2. **Short-term focus:** immediate revenue hides longer-term harm to trust.
3. **Outcome bias:** profit is mistaken for proof that the process was ethical.

REQUIRED ACTION Slow the decision down, name the duty, and seek an independent view.

Use four verbs to structure an ethical decision

Identify → Consider → Act → Reflect

- **Identify** facts, stakeholders, duties, conflicts, and missing information.
- **Consider** pressures, alternatives, consequences, and independent guidance.
- **Act** consistently with duties; document and escalate when appropriate.
- **Reflect** on the result and strengthen the next decision.

A fast exam lens: facts, duty, action, explanation

FIRST PASS

- Who is the client?
- What information is known?
- Who benefits or is harmed?
- Which duty is triggered?

SECOND PASS

- What must happen next?
- What is only recommended?
- Which fact changes the answer?
- Can you explain it in one sentence?

Practice: the legal loophole

HYPOTHETICAL

A portfolio manager discovers that a local rule permits a sales practice that obscures a material fee. The disclosure satisfies the local form requirement, but ordinary clients are unlikely to understand the total cost. The manager proceeds because counsel says the wording is legal.

Which statement is most accurate? A. Legal approval resolves the ethical issue. B. The manager must still evaluate the ethical consequences. C. The manager violates every rule that is stricter in any country.

Answer: legality does not end the analysis

Ethical judgment goes beyond minimum legal compliance. The manager must consider whether the communication is fair, understandable, and consistent with duties to clients. **EXAM TRAP** Option C invents a global "strictest law anywhere"

rule. Only applicable law and the Code and Standards enter that analysis.

SECTION 02

The Code and Enforcement

Aspirations, conduct requirements, and accountability

The Code gives direction; the Standards govern conduct

CODE OF ETHICS

High-level aspirations that define the profession's ethical direction.

- Broad principles
- Public commitment
- Long-term professional purpose

STANDARDS OF CONDUCT

Practical requirements that members and candidates must follow.

- Specific duties
- Applied guidance
- Enforceable professional conduct

The six Code themes establish the profession’s compass

1. Act with integrity, competence, diligence, respect, and ethical judgment.
2. Place clients and the profession ahead of personal interests.
3. Use reasonable care and independent professional judgment.
4. Practice and encourage ethical professionalism.
5. Support trustworthy and sustainable global capital markets.
6. Maintain personal competence and encourage competence in others.

These are concept summaries for study; consult the official Code for governing wording.

Seven Standards organize 23 conduct requirements

I. Professionalism	Law; objectivity; misrepresentation; misconduct; competence
II. Capital Markets	Material nonpublic information; market manipulation
III. Clients	Loyalty; fair dealing; suitability; performance; confidentiality
IV. Employers	Loyalty; additional compensation; supervision
V. Investment Work	Reasonable basis; communication; records
VI. Conflicts	Avoid/disclose; transaction priority; referral fees
VII. CFA Institute	Program conduct; references to CFA Institute and the Program

The Code and Standards bind individuals

CFA Institute members and CFA Program candidates carry personal responsibility for compliance.

- A firm's weak policy does not erase an individual's duty.
- A supervisor's instruction is not a defense for knowing participation.
- The Code and Standards are distinct from firm-level frameworks.

Code and Standards	Personal duties of individual members and candidates
Firm policy	May strengthen controls but cannot reduce an individual's duty
Supervisor instruction	Does not excuse knowing participation in a violation

Professional Conduct can learn of a case in several ways

- Annual professional conduct self-disclosure
- A written complaint
- Regulatory action or credible public information
- Exam-center or testing evidence
- Score analysis, online activity, or social-media evidence

DECISION An inquiry is a starting point, not a finding of violation.

Enforcement follows an evidence-and-response process

Information → Investigation → Proposed outcome → Acceptance or hearing → Sanction

- Professional Conduct staff may request explanations, interview parties, and collect records.
- A matter may close without discipline, result in a cautionary outcome, or proceed as a disciplinary charge.
- If charges or sanctions are contested, a Disciplinary Review Committee hearing panel reviews the matter.

CFA Institute sanctions are powerful but bounded

POSSIBLE CONSEQUENCES

- Public censure
- Suspension of membership or designation rights
- Revocation of membership or designation rights
- Candidate suspension or prohibition

NOT ITS ROLE

- Criminal prosecution
- Industry-wide employment bans
- Regulatory fines under government law

EXAM TRAP Do not give CFA Institute powers that belong to courts or regulators.

Three 2024 changes are fully embedded in 2027

1. **New I(E) Competence:** act with and maintain role-appropriate competence.
2. **Revised V(B):** explain the nature of services and client costs, in addition to process, risks, and opinions.
3. **Revised VI(A):** avoid conflicts where reasonably possible; otherwise disclose them fully and effectively.

EXAM TRAP A pre-2024 slide set can be internally accurate yet incomplete for the 2027 exam.

Practice: what can CFA Institute do?

HYPOTHETICAL

A candidate admits sharing confidential exam content. A client asks what sanctions CFA Institute itself may impose.

Which answer is most accurate? A. It may revoke the candidate's eligibility to continue in the Program. B. It may fine the candidate under securities law. C. It may permanently ban the candidate from financial employment.

Answer: program and membership sanctions are within scope

CFA Institute may discipline candidates and members within its programs and membership framework. Government fines and industry employment bans require legal or regulatory authority it does not possess.

SECTION 03

Standard I: Professionalism

Law, independence, truthful communication, conduct, and competence

Standard I asks five different questions

I(A)	**Knowledge of the Law**	Which applicable requirement governs?
I(B)	**Independence and Objectivity**	Could a benefit or pressure distort judgment?
I(C)	**Misrepresentation**	Is the professional communication false or misleading?
I(D)	**Misconduct**	Does dishonest conduct impair professional integrity?
I(E)	**Competence**	Are knowledge, skills, and abilities sufficient and current?

I(A): identify the applicable requirements first

CORE RULE

Understand and comply with the laws, regulations, and professional requirements that govern your activities.

- If applicable requirements conflict, follow the more strict one.
- Do not knowingly participate in or assist a violation.
- When a violation continues, dissociate from it.

EXAM TRAP The most strict rule *anywhere in the world* is irrelevant unless it applies to the activity.

I(A): use a three-case hierarchy

Applicable law is stricter	Follow the law.
Code and Standards are stricter	Follow the Code and Standards.
No applicable law addresses the conduct	Follow the Code and Standards.

REQUIRED ACTION Determine jurisdiction and subject-matter applicability before comparing strictness. **EXAM TRAP** Residence, workplace, product domicile, and distribution market are clues–not automatic answers.

I(A): dissociation is an action, not a feeling

Detect → Attempt to stop → Escalate → Dissociate → Document

- Refuse to participate or remove your name from the work.
- Seek reassignment or restrict involvement.
- Resignation may become necessary when no effective dissociation is possible.

EXAM TRAP The Standards do not always require external reporting, but applicable law might.

I(A): products and distribution can create multiple duties

- Product creators must consider laws governing design, offering, disclosure, and ongoing maintenance.
- Distributors should reasonably review whether products and associated firms comply in the markets where they operate.
- A legal opinion helps identify obligations; it does not transfer the member's ethical responsibility to counsel.
- When uncertain, consult compliance or legal expertise and preserve the analysis.

Cross-border analysis begins with "Which rules apply to this activity?"

Practice I(A): the foreign distribution

HYPOTHETICAL

An analyst works in Country R and helps market a fund only to investors in Country S. Country S law governs the offering and is stricter than the Code and Standards. Country R law is less strict. The analyst follows Country R law because that is where her office is located.

What is the best conclusion? A. No violation because workplace law always controls. B. A violation because the stricter applicable Country S rule controls. C. No violation if legal counsel approved the brochure.

Answer I(A): applicability comes before location

The facts state that Country S law governs the offering. Because that applicable requirement is stricter, it controls. Office location and counsel approval do not change the duty.

I(B): protect judgment from influence and appearance

CORE RULE

Use reasonable care and judgment to maintain independence and objectivity. Do not offer, solicit, or accept a benefit that could reasonably be expected to compromise professional judgment.

- The test is objective: could the benefit reasonably influence judgment?
- Actual proof of changed judgment is not always necessary.
- Both giving and receiving improper influence can violate the Standard.

I(B): classify benefits by source, size, and purpose

Issuer or target company	High risk because favorable research or access may be expected.
Existing client	A reward for past service may be less threatening, but disclose it to the employer.
Prospective client	High risk if intended to influence selection or allocation.
Ordinary hospitality	May be acceptable when modest, business-related, and not influential.

EXAM TRAP A client gift is not automatically safe; IV(B) may also require written consent.

I(B): pressure can enter through the institution

Investment banking	Separate research decisions and avoid banker-controlled analyst pay.
Manager or custodian selection	Use objective criteria; reject gifts or contributions intended to influence procurement.
Performance measurement	Protect attribution and appraisal teams from commercial pressure.
Credit ratings	Separate analytical judgment from fee and client-retention pressure.
Covered issuers	Resist demands for favorable recommendations or selective access.

I(B): paid research and travel are fact-sensitive

ISSUER-PAID RESEARCH

- Not automatically prohibited
- Prefer a fixed fee unrelated to conclusions
- Maintain a reasonable basis
- Disclose the arrangement

TRAVEL FUNDING

- Prefer ordinary commercial transport paid by the analyst or firm
- Issuer funding may be justified when no practical alternative exists
- Keep arrangements modest and transparent

Practice I(B): the due-diligence trip

HYPOTHETICAL

A remote mine has no commercial transport. The issuer offers analysts seats on a basic charter flight, pays no entertainment, and permits unrestricted site access. The analyst's firm approves the arrangement and the report discloses it.

The analyst most likely: A. violates I(B) because issuer-funded travel is always prohibited. B. does not violate I(B) if judgment remains independent. C. complies only if the report is favorable.

Answer I(B): practical necessity can matter

Modest issuer-funded travel may be acceptable when no commercial alternative exists, the purpose is legitimate, and safeguards preserve objectivity. A favorable conclusion is never a condition of compliance.

I(C): a misrepresentation can be a statement or an omission

CORE RULE

Do not knowingly make a false or misleading representation about investment work or any other professional activity.

- Correct an unintentional error promptly after discovery.
- Do not create a false impression through selective facts.
- Qualifications, services, performance, models, and product features are all in scope.

I(C): four recurring forms of misleading communication

1. **False certainty:** presenting a forecast or model output as guaranteed fact.
2. **Material omission:** hiding assumptions, risks, negative scenarios, or relevant outcomes.
3. **False attribution:** taking credit for another person's words, data, charts, or method.
4. **Misleading selection:** cherry-picking accounts, dates, benchmarks, or valuation sources.

EXAM TRAP A product may contain a valid third-party guarantee; that does not guarantee the fund's overall return.

I(C): outside inputs remain your communication responsibility

- Disclose when an outside manager is used beyond the firm's core expertise.
- Review third-party data before presenting it as reliable.
- Use benchmarks that fit the strategy's opportunity set.
- Apply valuation sources consistently; explain justified changes.
- Present composites and terminated accounts without selective distortion.

DECISION A vendor citation does not cure a misleading conclusion.

I(C): attribution applies across media

ATTRIBUTE

- Distinctive ideas or language
- Data, tables, charts, and models
- Research obtained through an intermediary
- Reposted or summarized online content

CONTROL THE RECORD

- Keep links and citations current
- Correct stale social-media claims
- Do not let automation erase authorship or caveats
- Verify AI-assisted summaries before use

I(C): employer-owned work has a different attribution rule

- Research completed within employment is generally a firm work product.
- The firm may continue to issue an updated report without naming every former contributor.
- An individual may not take another analyst's report and present it as personal authorship.
- Third-party research may be distributed when the source and authorship are represented accurately.

Ask who owns the work, then ask whether authorship is being misrepresented.

Practice I(C): the corrected typo

HYPOTHETICAL

A report accidentally states revenue of USD 900 million instead of USD 90 million. The analyst notices the error after distribution, immediately stops further release, sends a correction to every recipient, and updates the archived report.

The analyst most likely: A. violated I(C) because every error is a misrepresentation. B. did not violate I(C) because the error was unintentional and promptly corrected. C. violated I(C) unless the stock price was unaffected.

Answer I(C): knowing conduct is the boundary

The initial error was not knowing, and the analyst acted promptly to correct the record. Delay after discovery could transform the situation into knowing misrepresentation.

I(D): misconduct requires a professional integrity link

CORE RULE

Do not engage in dishonest, fraudulent, or deceitful professional conduct, or other acts that adversely reflect on professional reputation, integrity, or competence.

- Lying, cheating, stealing, and fraud are clear warning facts.
- Personal conduct matters when it meaningfully reflects on professional duties.
- A poor investment result or ordinary personal financial difficulty is not automatically misconduct.

Practice I(D): a private loan default

HYPOTHETICAL

A candidate loses income after a family emergency and defaults on a personal education loan. She accurately disclosed her finances, made no false statement, and negotiates a repayment plan. Her work performance remains unaffected.

The default most likely: A. violates I(D) because any default shows poor judgment.   B. does not violate I(D) without dishonesty or a professional impact.   C. violates I(D) only because she is a candidate.

Answer I(D): financial trouble is not itself deceit

The facts show no fraud, dishonesty, or adverse professional effect. A fraudulent loan application or deceptive bankruptcy would change the analysis. **EXAM TRAP**

Weak analysis is usually tested under V(A) and possibly I(E), not automatically I(D).

I(E): competence is now an explicit Standard

CORE RULE

Act with and maintain the competence needed to fulfill professional responsibilities.

- Competence combines role-specific knowledge, skills, and abilities.
- It depends on actual responsibilities, not titles or credentials alone.
- It must evolve when a role, product, market, or technology changes.

EXAM TRAP Passing an exam does not, by itself, prove practical competence.

I(E): evaluate the process, not the outcome alone

MAINTAIN COMPETENCE

- Training and self-study
- Expert consultation
- Role-specific practice
- New tools and regulatory knowledge

WHEN A GAP EXISTS

- Build the skill before acting
- Add qualified expertise
- Narrow or decline the assignment
- Do not hide the gap to protect status

DECISION A diligent, competent decision can lose money; loss alone does not prove a violation.

Practice I(E): the new product rush

HYPOTHETICAL

A portfolio manager has never evaluated tokenized private-credit funds. After reading two promotional articles, he buys one for clients because competitors already offer it. He has not reviewed custody, liquidity, valuation, or legal structure.

The clearest conclusion is: A. no violation if the fund later earns a profit. B. a likely I(E) violation because he acted before developing necessary competence. C. no violation because innovation cannot be fully understood.

Answer I(E): urgency does not replace competence

The decisive fact is that he acted without sufficient knowledge of the product's core risks and structure. A later gain would not cure the deficient process; V(A) and III(C) may also be implicated.

Standard I: choose the right professional problem

Law	Applicable rule, strictness, participation, dissociation
Objectivity	Influence, gifts, pressure, paid access
Truthfulness	False statement, omission, attribution, correction
Misconduct	Dishonesty or conduct tied to professional integrity
Competence	Role-appropriate capability maintained over time

One fact pattern can trigger more than one Standard. Name the clearest violation first.

SECTION 04

Standard II: Integrity of Capital Markets

Protect information fairness and genuine price formation

Standard II protects two foundations of market trust

II(A) INFORMATION

Do not act on information that is both material and nonpublic.

II(B) MARKET CONDUCT

Do not distort price or volume with intent to mislead participants.

II(A) asks what you know. II(B) asks what you are trying to make the market believe.

II(A): both conditions must be present

CORE RULE

If information is **material** and **nonpublic**, do not trade or cause others to trade on it.

Material + nonpublic	Do not trade, change a recommendation, or tip.
Material + public	May analyze and act, subject to other duties.
Nonmaterial + non-public	May contribute to a lawful mosaic.

II(A): materiality depends on decision impact

- Would a reasonable investor consider the information important?
- Would disclosure likely affect the security's price?
- How specific, reliable, and different from market expectations is it?
- Does it concern earnings, financing, mergers, major contracts, litigation, products, or large orders?

EXAM TRAP A fact is not automatically immaterial because it came from a competitor, expert, or government source.

II(A): nonpublic ends only after broad availability

- Information is public when it is broadly available to the investing marketplace.
- A selective briefing to a small analyst group is not broad dissemination.
- You need not wait for the slowest possible channel after effective public release.
- Restricted online groups and private social channels still require a public-status check.

REQUIRED ACTION Encourage the issuer to make a public release before analysis or trading.

II(A): the mosaic theory rewards real research

Material public information + Nonmaterial nonpublic information = A lawful analytical conclusion

- The conclusion itself may be material even when no single nonpublic input is material.
- Preserve the research trail: sources, dates, assumptions, and independent analysis.
- The mosaic theory is not a label that legalizes a material confidential tip.

II(A): access does not create a trading safe harbor

Expert networks	Pay for expertise, not MNPI; screen experts and monitor calls.
Due diligence	Authorized access for a transaction does not grant trading or tipping rights.
Research reports	An analyst's own lawful conclusion may be distributed to paying clients first.
Large orders	Pending client or market orders can themselves be material and nonpublic.

EXAM TRAP An NDA protects confidentiality; it does not make insider trading ethical.

II(A): build controls before the information arrives

- Information barriers between public-side and private-side teams
- Restricted lists and watch lists
- Preclearance and review of personal trading
- Expert-network protocols and call documentation
- Escalation to compliance when materiality or public status is uncertain
- Records that support a mosaic-theory conclusion

DECISION When in doubt, stop trading while the information is assessed.

Practice II(A): the expert-network call

HYPOTHETICAL

A physician tells an analyst that enrollment in a major drug trial has been halted after severe adverse events. The issuer has made no announcement. The analyst believes the news will materially reduce the issuer's value and immediately buys put options.

The analyst most likely: A. violates II(A). B. complies because the physician is not an employee. C. complies because options are not the issuer's shares.

Answer II(A): source and instrument do not remove MNPI

The information is specific, likely price-sensitive, and not broadly available. Trading options is still acting on MNPI. The analyst must stop and consult compliance.

II(B): intent to mislead is central

CORE RULE

Do not engage in conduct that distorts prices or artificially inflates volume with the intent to mislead market participants.

- The conduct may involve information, orders, trades, or linked instruments.
- A large position or aggressive strategy is not automatically manipulation.
- The purpose, pattern, disclosure, and economic substance matter.

II(B): manipulation can target beliefs or trading signals

INFORMATION-BASED

- False rumors
- Promotional claims hiding an exit plan
- Misleading research or social posts

TRANSACTION-BASED

- Wash trades
- Orders intended to create false demand
- Trading one instrument to distort another

II(B): legitimate market activity has economic purpose

Disclosed liquidity program	Can support trading without misleading participants.
Aggressive view on mispricing	Can be lawful when trades express a genuine investment belief.
Tax-motivated sale and repurchase	Not automatically manipulation, though law still applies.
Dominant position	Not itself a violation; deceptive use of market power may be.

EXAM TRAP Do not convert a fact-sensitive example into a universal safe harbor.

Practice II(B): the closing-price signal

HYPOTHETICAL

A trader enters a series of small buy orders just before the close solely to raise a thinly traded stock's reported closing price. The higher close increases the value of a derivative position held by the trader's fund.

The trader most likely: A. violates II(B) because the orders are intended to distort the price. B. complies because each order is genuine. C. complies if the fund discloses its derivative position later.

Answer II(B): genuine orders can carry manipulative intent

The orders have no investment purpose beyond creating a misleading closing price that benefits another position. Later disclosure does not cure the manipulation.

Standard II: ask two clean questions

1. **Information:** Is it both material and nonpublic?
2. **Market conduct:** Is the action intended to create a false price, volume, or belief?

For II(A), two conditions must coexist. For II(B), intent often decides the case.

SECTION 05

Standard III: Duties to Clients

Put the right client's interests into the right decision context

Standard III moves from duty to delivery

III(A)	**Loyalty, Prudence, and Care**	Whose interests come first?
III(B)	**Fair Dealing**	Are clients treated fairly?
III(C)	**Suitability**	Does the action fit the client or mandate?
III(D)	**Performance Presentation**	Is performance fair, accurate, and complete?
III(E)	**Preservation of Confidentiality**	May client information be disclosed?

III(A): client interests are paramount

CORE RULE

Act with loyalty, reasonable care, and prudent judgment for the benefit of clients. Place client interests before employer and personal interests.

- Exercise the skill and diligence reasonably expected in the circumstances.
- Follow the governing mandate, law, and client documents.
- Treat client assets, brokerage, and voting rights as client resources.

III(A): identify the actual client before acting

Individual account	The person or entity whose assets and objectives are governed by the agreement
Pension or trust	Often the beneficiaries, subject to governing documents and law
Pooled fund	The fund or mandate, not each investor's separate preferences
Research for the public	Duties may extend to the investing public, depending on role and communication

EXAM TRAP A plan sponsor, trustee, executive, or vocal investor is not automatically the ultimate client.

III(A): prudence lives in the portfolio and mandate

- Develop the portfolio around realistic objectives, risk tolerance, liquidity, horizon, and constraints.
- Evaluate an investment in total-portfolio context, not only as a standalone position.
- Stay within the stated mandate for a fund or segregated account.
- Review whether the manager's or firm's incentives conflict with client outcomes.

DECISION A risky asset can be prudent in a diversified portfolio; a safe asset can be imprudent if it violates the mandate.

III(A): brokerage belongs to the client

SOFT-DOLLAR BENEFITS

Client commissions may pay for research or services only when they benefit the client and support investment decision making.

DIRECTED BROKERAGE

If a client directs a broker, explain any effect on execution quality and continue seeking the best available result within that direction.

EXAM TRAP The manager cannot use client brokerage to purchase ordinary firm overhead.

III(A): proxy votes have economic value

- Adopt and disclose a proxy-voting policy.
- Vote in an informed manner when voting can protect client value.
- A cost-benefit analysis may support not voting every item or every market.
- Do not automatically support management or ignore conflicts in the voting process.

REQUIRED ACTION Document material voting decisions and policy changes.

Practice III(A): who owns the pension duty?

HYPOTHETICAL

A corporate pension trustee asks the manager to buy the sponsor's low-yield bonds to support a refinancing. The plan documents require the portfolio to serve employee beneficiaries, and the purchase is not prudent for the plan.

The manager should most likely: A. follow the trustee's instruction because the trustee hired the manager. B. refuse because the duty is to the plan beneficiaries under the mandate. C. buy the bonds if the sponsor promises future business.

Answer III(A): the hiring voice is not always the client

The governing documents identify the beneficiaries’ interests as controlling. The manager must not sacrifice them to support the sponsor or secure future business.

III(B): fair does not mean identical

CORE RULE

Deal fairly and objectively with clients when providing analysis, recommendations, investment actions, and other professional activities.

- Differences may reflect mandates, suitability, timing, or disclosed service levels.
- The process must not intentionally favor selected clients at others' expense.
- Fair opportunity matters more than perfect simultaneity.

III(B): recommendations require fair dissemination

- Define who is affected by a recommendation or material change.
- Use channels designed to give affected clients a fair chance to act.
- Tell clients who are trading the opposite way that the recommendation changed.
- Do not selectively brief favored clients before general release.
- Monitor digital channels so access differences do not become hidden favoritism.

III(B): allocation needs a rule before the result is known

- Use written, consistently applied allocation procedures.
- Time-stamp orders and define treatment of partial fills.
- Block trades can use an average execution price across eligible accounts.
- Oversubscribed offerings require an objective allocation method.
- Do not alter allocations after seeing which trades performed best.

A fair method can vary; hindsight allocation is the danger.

III(B): service tiers and family accounts need classification

PREMIUM SERVICE

Allowed when differences are disclosed, available on stated terms, and do not disadvantage the standard service unfairly.

FAMILY ACCOUNTS

A fee-paying family account with no beneficial interest for the professional is an ordinary client. A beneficially owned account is personal.

EXAM TRAP Do not send every family account to the back of the line automatically.

Practice III(B): premium clients receive a call

HYPOTHETICAL

A firm emails a recommendation to all affected clients at the same time. Thirty minutes later, advisers call premium-service clients to discuss portfolio-specific implications. The service tiers were disclosed and standard clients can contact the advisory desk.

The firm most likely: A. violates III(B) because every client must receive identical service. B. complies if the basic dissemination was fair. C. violates III(B) because telephone contact is prohibited.

Answer III(B): fair access can coexist with service tiers

All affected clients received the material recommendation fairly. Disclosed premium follow-up is permissible when it does not deprive other clients of a fair opportunity to act.

III(C): suitability depends on the relationship

CORE RULE

In an advisory relationship, investigate the client's investment experience, objectives, risk tolerance, and constraints; then judge recommendations in total-portfolio context. For a stated mandate, remain consistent with the mandate.

ADVISORY CLIENT

Know the client and the portfolio.

FUND OR MANDATE

Follow the disclosed strategy and restrictions.

III(C): build and maintain the investment policy

- Gather financial circumstances, objectives, risk tolerance, experience, liquidity, horizon, taxes, and legal constraints.
- Put the governing objectives and constraints in writing.
- Review them periodically and when material circumstances change.
- Use the information reasonably available when advising on only part of a client's assets.
- Preserve client confirmations and material discussions.

III(C): diversification changes the unit of analysis

- A high-volatility security may fit a portfolio if size and correlation are appropriate.
- A low-risk security may be unsuitable if it violates liquidity, horizon, concentration, tax, or mandate constraints.
- Suitability is not a guarantee of profit.
- Reassess the recommendation when client circumstances or portfolio exposures change materially.

DECISION Ask "suitable for this portfolio now?"–not "good investment in general?"

III(C): an unsolicited order still requires judgment

Identify concern → Explain unsuitability → Assess portfolio impact → Document next step

- Limited impact: obtain informed confirmation before execution.
- Material impact: consider updating the investment policy.
- Client refuses a necessary update: consider an unmanaged account or ending the relationship.

EXAM TRAP “Unsolicited” is not an automatic exemption.

III(C): 2027 errata confirms mandate discipline

For a portfolio with a stated mandate, strategy, or style, keep recommendations and actions consistent with its objectives and constraints.

- The mandate defines the permitted investment universe and risk boundaries.
- Client ownership does not authorize a manager to ignore the governing agreement.
- If the mandate must change, obtain and document a valid change before managed action.

EXAM TRAP A printing omission does not remove the mandate-consistency requirement.

Practice III(C): the concentrated order

HYPOTHETICAL

A conservative client asks, without solicitation, to invest 45% of the portfolio in one speculative stock. The adviser explains that the order conflicts with the written policy. The client refuses to revise the policy but insists on execution.

The adviser should most likely: A. execute because the order is unsolicited. B. ignore the policy because the client owns the assets. C. decline or move the trade outside the managed mandate after proper discussion and documentation.

Answer III(C): a material conflict cannot be waved through

The order would materially alter the portfolio and conflict with the governing policy. The adviser should not treat “unsolicited” as permission to violate the mandate.

III(D): performance must be fair, accurate, and complete

CORE RULE

Make reasonable efforts to ensure performance information is presented fairly, accurately, and completely.

- Do not imply that past results guarantee future performance.
- Do not cherry-pick accounts, periods, or terminated portfolios.
- Explain whether results are gross or net of fees and whether they are actual, simulated, or model-based.

III(D): a short presentation can still be honest

- Use an appropriate, consistently constructed composite for similar accounts.
- Include material methodology, fee, benchmark, and limitation information.
- Identify performance from a prior employer or affiliation accurately.
- Offer supporting detail when a summary format cannot contain everything.
- Keep records supporting the calculation and presentation.

EXAM TRAP A concise advertisement is not automatically incomplete; hidden material limitations are the problem.

III(D): GIPS is guidance context, not a 2027 module

WITH GIPS

A recognized firm-wide framework supports fair representation and full disclosure.

WITHOUT GIPS

The professional can still comply by using fair, accurate, complete methods and disclosures.

The 2027 Level I outline has no independent GIPS module; this distinction remains only within III(D) guidance context.

Practice III(D): the surviving accounts

HYPOTHETICAL

A manager advertises the average return of accounts still open at year-end. Three poorly performing accounts closed during the year and are excluded without disclosure. The manager labels the figure "representative performance."

The presentation most likely: A. violates III(D) because it creates survivorship bias. B. complies because closed accounts are no longer clients. C. complies if the arithmetic is correct.

Answer III(D): accurate arithmetic can still mislead

Excluding terminated accounts selectively overstates the experience of the strategy. Correct calculation of a biased group is not a fair and complete presentation.

III(E): confidentiality covers the full client lifecycle

CORE RULE

Preserve confidential information about current, former, and prospective clients. Disclosure may be allowed when:

- the information concerns illegal client activity and law permits disclosure;
- law requires disclosure; or
- the client or authorized person permits disclosure.

III(E): exceptions are narrow and authority matters

- "It would help the client" is not consent.
- Confirm that the person granting permission has authority.
- If law requires confidentiality even when activity appears illegal, follow the law and seek counsel.
- Cooperation with a CFA Institute Professional Conduct inquiry is permitted when law allows.
- Relationship termination does not end the confidentiality duty.

III(E): security is part of confidentiality

- Use approved channels for messages, storage, and file transfer.
- Limit access to people who need information to serve the client.
- Follow policies for personal devices, remote work, and cloud systems.
- Train employees and vendors who can access client records.
- Escalate loss, misdirection, or suspected breach promptly.

A duty not to disclose includes a duty to handle information carefully.

Practice III(E): the helpful disclosure

HYPOTHETICAL

An adviser tells a university donor that the endowment is facing liquidity stress, hoping the donor will accelerate a gift. The trustees did not authorize disclosure, no law requires it, and no illegal activity is involved.

The adviser most likely: A. complies because the disclosure may help the client. B. violates III(E) because no exception applies. C. complies because donors are stakeholders.

Answer III(E): good intentions are not permission

The information is confidential and none of the recognized exceptions applies. The adviser must obtain valid authorization before disclosure.

Standard III: five questions in sequence

1. Who is the client and what duty is owed?
2. Is treatment fair across affected clients?
3. Does the action fit the client or mandate?
4. Is performance communication fair and complete?
5. Is client information protected or validly disclosed?

The answer often turns on client identity, portfolio context, or authority to disclose.

SECTION 06

Standard IV: Duties to Employers

Remain loyal, disclose outside compensation, and supervise effectively

Standard IV separates three employer duties

IV(A)	**Loyalty**	Do not harm or improperly compete with the employer.
IV(B)	**Additional Compensation**	Obtain written consent for conflicting outside benefits.
IV(C)	**Responsibilities of Supervisors**	Build, monitor, and enforce reasonable compliance systems.

IV(A): loyalty applies to employment-related matters

CORE RULE

Act for the employer's benefit in employment matters. Do not deprive the employer of your skills, disclose confidential information, or otherwise cause harm.

- Follow lawful employer policies that do not conflict with the Code and Standards.
- The duty is not a blanket command to sacrifice every personal or family obligation.
- Client interests and market integrity can take priority over employer interests.

IV(A): independent business requires a boundary

PERMISSIBLE PREPARATION

- Register a future entity
- Arrange premises or staffing
- Prepare materials on personal time
- Seek new employment

REQUIRES EMPLOYER CONSENT

- Provide a service offered by the employer
- Operate a competing business while employed
- Use employer time, property, or opportunities
- Render outside services for compensation

IV(A): a resignation letter does not end the duty

- Loyalty continues until the employment relationship actually ends.
- Before departure, do not solicit current or relevant prospective clients.
- Do not take client lists, research files, models, trade secrets, or other firm records without permission.
- Follow the firm's departure-notification and social-media policies.
- Do not disparage the employer to promote a new firm while still employed.

EXAM TRAP Notice of resignation may allow factual notice to clients, but not implicit solicitation.

IV(A): after departure, knowledge and property diverge

YOU MAY USE

- General skills and experience
- Publicly available contact information
- Knowledge not protected by law or agreement

YOU MAY NOT TAKE

- Client records or lists
- Firm models and research files
- Records stored on personal devices
- Material restricted by contract or law

IV(A): social media and whistleblowing require motive and control

- Firm-approved professional accounts are generally firm assets; transfer or delete them as policy requires.
- Keeping personal and professional accounts separate is a strong preventive practice.
- Whistleblowing may justify action that conflicts with employer interests when the purpose is to protect clients or market integrity.
- Retaliation, personal gain, or competitive advantage is not an ethical whistleblowing purpose.
- Unpaid interns can still owe loyalty because experience and access are benefits of employment.

Practice IV(A): the quiet launch

HYPOTHETICAL

Before resigning, an analyst registers a future advisory company and rents office space on weekends. She does not provide services or solicit clients. She then copies her current firm's client spreadsheet to use after departure.

Which conclusion is most accurate? A. Both actions violate IV(A). B. Preparation may comply, but copying the client file violates IV(A). C. Both actions comply because they occurred outside work hours.

Answer IV(A): preparation is not misappropriation

Preparing a future business on personal time can be permissible when no competition or harm occurs. The client spreadsheet is employer property and cannot be taken without consent.

IV(B): conflicting compensation needs written consent

CORE RULE

Do not accept a benefit that competes with or could reasonably create a conflict with employer interests unless all involved parties give written consent.

- Cash, contingent fees, trips, services, and other noncash benefits count.
- Disclose the payer, nature, amount or formula, timing, and conflict.
- Retrievable email can satisfy the written form.

IV(B): timing and purpose distinguish two gift problems

PROMISED PERFORMANCE REWARD

A prospective bonus can alter incentives. Obtain written consent from all parties before acceptance.

UNEXPECTED THANK-YOU GIFT

A modest after-the-fact client gift primarily raises I(B); disclose it promptly to the employer and follow policy.

EXAM TRAP Merely notifying the employer is not enough when IV(B) requires consent from all parties.

Practice IV(B): the client performance bonus

HYPOTHETICAL

A client promises a portfolio manager 5% of any return above the benchmark. The manager emails her employer with the formula, but the employer never approves it. The client signs the arrangement and the manager accepts.

The manager most likely: A. complies because disclosure is enough. B. violates IV(B) because written consent from all parties was not obtained. C. complies because the client consented.

Answer IV(B): notice and consent are different

The arrangement can conflict with employer interests and requires documented consent from all involved parties before acceptance. The employer's silence is not consent.

IV(C): supervisors own the compliance effort

CORE RULE

Make reasonable efforts to ensure that people under your authority comply with law, firm rules, and the Code and Standards.

- The duty covers members and nonmembers under supervision.
- Delegating tasks does not delegate away responsibility.
- An ethics code alone is not an adequate compliance system.

IV(C): an adequate system prevents and detects

- Written policies tailored to business size, products, incentives, and risk
- Training, clear responsibility, and accessible reporting channels
- Preapproval, monitoring, testing, and documented review
- Reasonable controls over vendors, remote teams, models, and automated outputs
- Periodic updates when regulation, technology, or business practices change

The control design must be workable, communicated, and actually implemented.

IV(C): red flags trigger investigation and restraint

- Investigate suspected misconduct promptly.
- Limit affected activity while facts are assessed.
- Increase monitoring and correct the control weakness.
- Escalate material failures to senior management or compliance.
- If no adequate system can be established, decline the supervisory role in writing until corrected.

EXAM TRAP A subordinate's hidden violation does not automatically prove supervisory failure; reasonableness is the test.

Practice IV(C): the missing review system

HYPOTHETICAL

A new research director learns that the firm has no procedure to review analysts' personal trading. Senior management refuses to fund controls but orders her to accept full supervisory responsibility immediately.

She should most likely: A. accept and rely on employee honesty. B. accept because supervisors are not responsible for systems. C. document the deficiency, propose controls, and decline the role until a reasonable system exists.

Answer IV(C): authority needs a workable system

A supervisor must make reasonable efforts to prevent and detect violations. Accepting responsibility while knowingly lacking any adequate system is not reasonable.

Standard IV: three permissions are easy to confuse

Employer consent	Needed before competing outside service under IV(A)
All-party written consent	Needed for conflicting additional compensation under IV(B)
Senior-management support	Needed to build systems, but does not remove the supervisor's IV(C) duty

Ask what activity, what conflict, and whose permission the rule requires.

SECTION 07

Standard V: Investment Analysis, Recommendations, and Actions

Build a sound basis, communicate it clearly, and preserve the evidence

Standard V follows the life of an investment decision

V(A)	**Diligence and Reasonable Basis**	Is the analysis sufficiently supported?
V(B)	**Communication with Clients and Prospective Clients**	Can the client understand services, costs, process, risks, and judgment?
V(C)	**Record Retention**	Can the decision and communication be reconstructed?

V(A): the basis must be diligent, independent, and thorough

CORE RULE

Exercise diligence, independence, and thoroughness in analysis and recommendations, and support every investment action with adequate research and investigation.

- The required depth varies with the role, product, market, and decision.
- Judge the basis using information reasonably available at the time.
- Escalate when resources or access are insufficient for sound work.

V(A): reasonable basis is role- and product-specific

- Company history, financial condition, industry, and economic cycle
- Fund strategy, fees, manager history, liquidity, and operational controls
- Securitized assets: collateral quality, structure, cash flows, and stress behavior
- Quantitative work: data, assumptions, parameters, model limits, and extreme scenarios
- Investment action: how the research fits the client or mandate

EXAM TRAP A checklist is evidence of process, not proof that every important risk was analyzed.

V(A): third-party research still needs professional review

Source quality	Who produced it and with what incentives or conflicts?
Analytical rigor	Are assumptions, methods, and conclusions coherent?
Timeliness	Is the information still current enough for the decision?
Objectivity	Is the work independent or commercially pressured?
Firm review process	Is reliance on the firm's approved-provider system reasonable?

DECISION Do not use approved research after a specific quality concern becomes apparent.

V(A): model users and model builders have different burdens

MODEL USER

Understand key inputs, assumptions, outputs, and limitations before relying on the model.

MODEL DEVELOPER

Design, validate, stress, document, monitor, and revise the model with greater technical depth.

EXAM TRAP A vendor model does not transfer professional responsibility to the vendor.

V(A): external advisers and group research require judgment

- Review an external adviser's code, controls, performance quality, strategy, resources, and operational capability.
- Reassess when the adviser, strategy, people, or risks change materially.
- A member may join a group recommendation that differs from a personal view when the group process is independent, reasonable, and adequately supported.
- Remove your name when the group conclusion lacks a reasonable basis.

V(A): process quality and investment outcome are different

CAN COMPLY

A careful, well-supported recommendation later loses money because of an unforeseeable event.

CAN VIOLATE

An unsupported "hot" idea earns a profit by luck.

The Standard evaluates diligence and basis at the decision time–not hind-sight alone.

Practice V(A): the approved vendor downgrade

HYPOTHETICAL

A firm's approved data vendor begins publishing ratings with unexplained methodology changes and repeated calculation errors. An analyst notices both issues but continues issuing recommendations based solely on those ratings because the vendor remains on the approved list.

The analyst most likely: **A. complies because firm approval is conclusive.**
B. violates V(A) by ignoring specific evidence that the research is unreliable.
C. complies if the recommendations later perform well.

Answer V(A): an approved source can become unreasonable

Firm review can support reasonable reliance, but the analyst has direct evidence of defects. He must investigate, seek an alternative basis, or stop using the ratings.

V(B): client communication now contains five duties

1. Explain the nature of services and associated client costs.
2. Explain the basic investment process and material changes.
3. Disclose significant limitations and risks.
4. Include factors important to the analysis or recommendation.
5. Distinguish facts from opinions.

V(B): clients need the service boundary and its economics

- Explain what services will and will not be provided.
- Describe costs expected to be charged to and paid by the client.
- Include relevant costs from affiliates, related entities, and third parties.
- Provide reasonable detail; exact future dollar amounts are not always required.
- Update affected clients when services or costs change.

EXAM TRAP A sophisticated client is still entitled to required disclosure.

V(B): communicate the process at decision-useful depth

- Describe the basic format and general principles used to analyze, select, and construct.
- Promptly disclose changes that could materially affect the process.
- Identify significant risks and limitations known at the time.
- Explain liquidity, capacity, leverage, counterparty, concentration, or model risk when material.
- A scoped report may omit unrelated matters if the scope is stated clearly.

V(B): future statements remain opinions

FACT

Verified historical data, contractual terms, current holdings, and observable market information.

OPINION OR ESTIMATE

Earnings forecasts, target prices, expected returns, scenario results, and statistical model outputs.

EXAM TRAP Writing “will” instead of “may” does not turn a forecast into fact; it may make the statement more misleading.

V(B): channel and role define the communication duty

- Reports, meetings, messages, social media, video, and broadcasts are all communication channels.
- An abbreviated recommendation should tell clients that additional analysis is available.
- Digital distribution must also satisfy fair dealing.
- The duty generally applies to client-facing members and those responsible for the communication.
- If firm language is insufficient, raise the issue, supplement where possible, document, and dissociate if necessary.

Practice V(B): the low-fee platform

HYPOTHETICAL

A digital adviser promotes “0.40% all-in advice.” Clients also pay custody and underlying fund fees. The adviser omits those costs, a liquidity limit in its model, and describes its return forecast as a guaranteed result.

The clearest conclusion is: A. compliance because only the advisory fee matters. B. multiple V(B) failures involving costs, limitations, and fact versus opinion. C. compliance if all fees appear somewhere in third-party documents.

Answer V(B): the client needs the full decision picture

Client-paid third-party costs are within scope; the model's material liquidity limit must be disclosed; and a forecast must be identified as an estimate, not a guarantee.

V(C): preserve the evidence supporting professional work

CORE RULE

Develop and maintain appropriate records supporting analysis, recommendations, investment actions, and investment-related communications.

- Paper or electronic form can be appropriate.
- Records must be complete enough to reconstruct the basis and message.
- Follow applicable law and employer retention policy.

V(C): retain inputs, judgment, action, and communication

- Data, source documents, meeting notes, and third-party research
- Assumptions, model versions, validation, and scenario tests
- Recommendation history, approvals, trades, and allocation records
- Client presentations, email, messages, social posts, and corrections
- Conflict disclosures, consent, and material compliance consultation

If the work cannot be reviewed later, the record is not doing its job.

V(C): records usually belong to the firm

- Professional records created for the employer are generally firm property.
- Do not take originals or copies to a new employer without express consent.
- Recreate prior research from public or authorized sources if needed.
- When neither law nor firm policy gives a period, CFA guidance recommends at least seven years.
- The seven-year period is a recommendation, not a universal statutory rule.

Practice V(C): the cloud archive

HYPOTHETICAL

A firm scans research files into a secure indexed archive, verifies the copies, follows its retention schedule, and destroys the paper originals. The archive is hosted off-site but remains accessible for review.

The firm most likely: A. complies because appropriate electronic records can replace paper. B. violates V(C) because originals must remain in the office. C. violates V(C) because cloud storage is always prohibited.

Answer V(C): format and location are not the core test

Secure, complete, accessible electronic records can satisfy the Standard when applicable law and firm policy permit the process.

Standard V: the defensibility chain

Evidence → Reasoned basis → Clear client communication → Reviewable record

A sound recommendation must be supported at the start, understandable at delivery, and reconstructable later.

SECTION 08

Standard VI: Conflicts of Interest

Avoid or reveal influence, protect transaction priority, and expose referral incentives

Standard VI separates three conflict mechanisms

VI(A)	**Avoid or Disclose Conflicts**	Can a relationship or incentive impair judgment or duty?
VI(B)	**Priority of Transactions**	Who receives the investment opportunity first?
VI(C)	**Referral Fees**	Is a recommendation influenced by paid or received benefits?

VI(A): the 2024 rule begins with avoidance

CORE RULE

Avoid conflicts where reasonably possible. Otherwise make full and fair disclosure of matters that could impair objectivity or interfere with duties to clients, prospective clients, or the employer.

- Disclosure must be prominent, plain-language, and effective.
- Address actual, potential, and apparent conflicts.
- Update disclosure when a conflict changes materially.

VI(A): use the sequence avoid, mitigate, disclose

Avoid → Mitigate → Disclose → Update

- Reassign coverage, recuse from a decision, or decline an incentive when practical.
- Reduce residual influence through controls, independent review, or trading restrictions.
- Tell affected parties enough to evaluate the remaining conflict.

EXAM TRAP Disclosure is not the first answer when reasonable avoidance is available.

VI(A): effective disclosure must be noticed and understood

- **Full and fair:** enough relevant detail for the circumstances
- **Prominent:** placed where the audience will actually notice it
- **Plain language:** concise wording without unnecessary jargon
- **Timely:** delivered before the audience relies on affected judgment
- **Current:** revised when ownership, compensation, or relationships change

EXAM TRAP A generic boilerplate footnote may be technically present yet ethically ineffective.

VI(A): conflicts commonly hide in four places

Ownership	Securities, private interests, family holdings, or beneficial control
Compensation	Bonuses, sales incentives, contingent fees, or nonstandard charges
Relationships	Directorships, consulting, family ties, or close personal relationships
Firm structure	Underwriting, banking, market making, cross-department pressure, or issuer ties

VI(A): disclosure follows the affected duty

TO THE EMPLOYER

Report interests or activities that could interfere with unbiased work or the employer's interests.

TO CLIENTS OR PROSPECTS

Reveal conflicts that could affect advice, recommendations, selection, execution, or fees.

REQUIRED ACTION Comply with reasonable employer restrictions designed to prevent even the appearance of conflict.

Practice VI(A): the inherited holding

HYPOTHETICAL

An analyst inherits a large position in an issuer she covers. Another qualified analyst can assume coverage without harming clients. She plans to keep coverage and place the holding in a dense appendix footnote.

The best response is to: A. seek reassignment; if avoidance is impractical, mitigate and disclose prominently. B. keep coverage because inherited assets never create conflicts. C. rely on the appendix because any disclosure satisfies VI(A).

Answer VI(A): avoid a conflict that can be avoided

The holding could reasonably raise questions about objectivity, and reassignment is practical. If avoidance is not reasonable, the residual conflict requires clear mitigation and effective disclosure.

VI(B): professional accounts receive transaction priority

CORE RULE

Transactions for clients and employers must receive priority over transactions in which the member or candidate is a beneficial owner.

- Do not front-run a pending recommendation or client order.
- Do not use client activity to obtain a personal advantage.
- Client duties may also place clients ahead of an employer's proprietary interest.

VI(B): beneficial ownership is broader than legal title

A person may be a beneficial owner when the person:

- ultimately owns the investment;
- controls or can direct the account or transaction;
- shares materially in gains or losses; or
- holds the interest through a family, trust, club, or other vehicle.

EXAM TRAP A family account without the professional's beneficial interest may be an ordinary fee-paying client under III(B).

VI(B): personal investing is controlled, not completely banned

- Give clients an adequate opportunity to act.
- Follow preclearance, restricted lists, and blackout periods.
- Report holdings and transactions as required.
- Apply special controls to IPOs and private placements.
- Review related and family accounts for beneficial ownership.

EXAM TRAP The Code sets no universal “seven-minute” or other numeric safe harbor. Firm policy and facts determine adequate opportunity.

Practice VI(B): the investment club

HYPOTHETICAL

A manager owns 15% of a private investment club and can direct its brokerage account. She buys a stock for the club immediately before executing a large client purchase of the same stock.

The manager most likely: A. complies because the club holds legal title. B. violates VI(B) because she has beneficial ownership and traded ahead of clients. C. complies if compliance precleared the club trade.

Answer VI(B): control and economic interest create ownership

The manager has both economic interest and control. Client transactions must receive priority, and administrative preclearance cannot cure a substantive front-running violation.

VI(C): referral benefits must be visible

CORE RULE

Disclose, as appropriate, compensation or benefits received from or paid to others for recommending products or services.

- The duty covers paid and received benefits.
- Cash, percentages, recurring fees, research, software, services, and other noncash benefits count.
- Disclosure lets clients and employers judge partiality and the full service cost.

VI(C): disclose before reliance on the referral

- Inform the client or prospect before entering the formal service agreement.
- Inform the employer as applicable.
- Describe the nature of the arrangement and its estimated value.
- State whether it is fixed or percentage-based, one-time or continuing, and cash or noncash.
- Update disclosure when the arrangement changes.

EXAM TRAP A vague statement such as “we may receive benefits” may not reveal the actual incentive.

VI(C): identify the conflict category before choosing the rule

Referral fee	Benefit for recommending a product or service: VI(C)
Additional compensation	Benefit conflicting with employer interests: IV(B)
Gift or sponsored access	Threat to independent judgment: I(B)
Client brokerage	Use of client commission assets: III(A)

The same benefit can trigger more than one disclosure or consent duty.

Practice VI(C): the software subscription

HYPOTHETICAL

An estate lawyer gives an adviser a software subscription worth about GBP 2,000 each year for client referrals. The adviser tells neither the employer nor referred clients before they sign with the lawyer.

The adviser most likely: A. complies because the benefit is noncash. B. violates VI(C) by failing to disclose the referral benefit and estimated value. C. complies if the lawyer's service is high quality.

Answer VI(C): noncash consideration is still consideration

The subscription is a continuing referral benefit. Appropriate parties need timely disclosure of its nature and estimated value before the service relationship is formalized.

Standard VI: disclosure has limits

- Disclosure cannot legalize market manipulation.
- Ownership disclosure does not waive client transaction priority.
- Conflict disclosure does not make an unsuitable recommendation suitable.
- A referral disclosure does not replace employer consent for additional compensation.
- A conflict that can reasonably be avoided should not be buried in text instead.

Use disclosure to inform judgment-not to excuse prohibited conduct.

SECTION 09

Standard VII: Responsibilities as a CFA Institute Member or CFA Candidate

Protect program integrity and describe CFA status with exact, current facts

Standard VII protects the program and the meaning of its credentials

VII(A)	**Conduct as Participants in CFA Institute Programs**	Does the conduct protect program integrity, validity, and security?
VII(B)	**Reference to CFA Institute, the CFA Designation, and the CFA Program**	Is every status and credential claim accurate, current, and proportionate?

VII(A) protects trust in every CFA Institute program

CORE RULE

Members and candidates must not compromise the reputation or integrity of CFA Institute or the CFA designation, or the integrity, validity, or security of CFA Institute programs.

- The rule reaches conduct before, during, and after an exam.
- It also applies when members volunteer in program development or administration.
- The protected interest is public confidence in the program–not freedom from criticism.

VII(A) covers assistance, deception, disclosure, and circumvention

- Giving or receiving assistance on a CFA Institute examination
- Violating program rules, testing regulations, or security policies
- Providing confidential program or exam information to anyone
- Disregarding or attempting to bypass examination security measures
- Misusing a CFA Institute association for personal or professional goals
- Misrepresenting information to CFA Institute about a program

Exam confidentiality includes topics and formulas–not only exact questions

CONFIDENTIAL

- Question-specific details
- Topics tested or not tested
- Formulas tested or not tested
- Answer discussions that reveal a question

NONCONFIDENTIAL

- Published curriculum content
- General study methods
- Personal views on difficulty or fairness
- Material CFA Institute has released publicly

EXAM TRAP The old shortcut “broad topics are safe” is inconsistent with the current guidance.

A private message can breach exam security just like a public post

- Confidentiality does not depend on audience size or platform privacy.
- Soliciting or accepting leaked content also undermines program integrity.
- Confidentiality continues after a candidate's own testing session ends.
- Testing policies can prohibit conduct even when no successful cheating occurs.

Attempt, possession, assistance, and disclosure can matter even without a higher score.

Security rules govern enrollment, testing, breaks, and results

- Provide truthful identity, registration, and deferral information.
- Follow proctor instructions and test-center security procedures.
- Do not access study material during the exam or an unscheduled break.
- Do not seek early results, alter results, impersonate another person, or evade a suspension.

EXAM TRAP Unsuccessful misconduct can still compromise or attempt to compromise exam security.

Program volunteers must protect deliberations as well as questions

Members helping to develop, administer, or grade a CFA Institute program must not disclose:

- questions appearing on an exam or under consideration;
- deliberations about the examination process; or
- information about question scoring.

DECISION Share confidential volunteer material only with authorized personnel for authorized work.

Cooperation is required at the test center and in conduct inquiries

PROGRAM SECURITY

Follow testing policies and reasonable proctor instructions; obstruction can compromise exam integrity or security.

PROFESSIONAL CONDUCT

Covered persons must provide requested information and records and cooperate fully, unless prevented by law.

EXAM TRAP Client confidentiality does not itself justify refusing a lawful CFA Institute Professional Conduct investigation.

Practice VII(A): the post-exam voice note

HYPOTHETICAL

After leaving the test center, a candidate sends a private voice note to three friends: “The exam felt fair. Duration was my hardest area, and there were no questions on private-company valuation.” She does not repeat any exact question.

The candidate most likely: A. complies because no exact question was quoted. B. violates VII(A) by revealing subject matter tested and not tested. C. complies because the message was private.

Answer VII(A): topic disclosure is still exam disclosure

Saying that the exam felt fair is a personal opinion. Identifying a tested area and an omitted area reveals confidential exam content, even without quoting a question and even in a private message.

Practice VII(A): deleting evidence is not cooperation

HYPOTHETICAL

Professional Conduct asks a candidate for screenshots of an exam-content group chat she joined. Local law permits production. She deletes the chat and refuses, arguing that the messages belong to other candidates.

The candidate most likely: A. may refuse because the messages are private. B. must cooperate and provide responsive material in her possession or control. C. may delete the chat if she did not write the leaked questions.

Answer VII(A): privacy is not a license to obstruct an inquiry

Covered persons must provide accurate, complete requested information and cooperate fully unless law prevents them. Deleting responsive evidence can itself create a serious conduct problem.

VII(B) requires every CFA reference to be factual and current

CORE RULE

Do not misrepresent or exaggerate the meaning or implications of CFA Institute membership, the CFA designation, or candidacy in the CFA Program.

- State only status that is true now.
- Separate exam progress from the CFA designation.
- Do not imply CFA Institute endorsement, licensure, or guaranteed ability.

The right to use CFA depends on current good standing

A charterholder may use the designation only while meeting the continuing membership requirements, including:

- completing the applicable Membership Agreement;
- submitting the Professional Conduct Statement; and
- paying required membership dues.

REQUIRED ACTION If membership lapses, remove current-member and CFA-designation references until rights are reactivated.

Membership alone is not the CFA designation

ACTIVE CHARTERHOLDER MEMBER

May use “Name, CFA” while in good standing and while the right is not suspended or revoked.

OTHER OR LAPSED STATUS

Membership or past charterholder status may be described factually, but it does not authorize current CFA post-nominals.

EXAM TRAP Associate membership is a membership status, not a designation; it never authorizes “CFA” after a name.

Candidacy is a temporary current status–not a lifetime result

An individual is a candidate when accepted into the program and either:

- enrolled to sit for a specified examination; or
- has sat for that examination and is awaiting results.

If the person is no longer enrolled and is not awaiting results, candidacy ends until a future enrollment restores it. **EXAM TRAP** Passing Level I does not by itself make someone a current Level II candidate.

Exam progress may be stated–partial designations may not

FACTUAL	MISLEADING
Passed Level I of the CFA Program	Name, CFA Level I
2027 Level II candidate for the CFA designation	CFA, Level II
Passed all three exam levels; charter award remains contingent on applicable requirements	CFA expected 2028 / charter pending

The CFA designation does not promise superior skill or returns

PERMISSIBLE

Factual discussion of the rigorous program, ethical commitment, or how the curriculum enhanced one's skills.

IMPERMISSIBLE

Claims that charterholders are the most qualified, produce superior performance, or receive CFA Institute endorsement.

Achievement can be described; investment outcomes cannot be promised from the credential.

The same accuracy rule follows every communication channel

- **Business card:** "Rina Malik, CFA" only for a charterholder member in good standing; never add the registered-symbol after the name.
- **Resume or LinkedIn:** describe candidacy and passed levels in a factual sentence, not as post-nominals.
- **Social media:** update status when enrollment or membership changes; do not attach CFA to a pseudonym designed to hide identity.
- **Firm marketing:** do not convert employee credentials into a claim of CFA Institute approval or superior performance.

Practice VII(B): the inactive candidate profile

HYPOTHETICAL

A professional passed Level I last year but is not registered for another exam and is not awaiting results. Her resume says "2027 CFA Level II Candidate–CFA expected 2028."

The best revision is: A. "Passed Level I of the CFA Program." B. "CFA Level I." C. keep the wording because passing Level I creates continuing candidacy.

Answer VII(B): describe the result, not a status she lacks

She may state the passed exam level as a fact. She is not currently a Level II candidate, may not claim a partial designation, and may not predict a charter award date.

Practice VII(B): lapsed rights cannot support a performance claim

HYPOTHETICAL

A former charterholder has not renewed membership or submitted the annual conduct statement. He prints "Omar Reid, CFA" on new business cards and posts, "CFA Institute certifies that I deliver superior risk-adjusted returns."

He most likely: A. complies because he earned the charter permanently. B. violates only the rule against performance claims. C. violates VII(B) through both lapsed designation use and an exaggerated endorsement claim.

Answer VII(B): earning the charter does not create perpetual usage rights

He must reactivate the required membership standing before using CFA after his name. Even an active charterholder could not claim that CFA Institute certifies superior investment performance.

Standard VII asks two questions before every action or claim

PROGRAM CONDUCT

Could this action weaken exam fairness, confidentiality, security, validity, or confidence in a CFA Institute program?

STATUS COMMUNICATION

Is the statement factual, current, channel-appropriate, and free of partial-designation or superior-performance implications?

Protect the assessment; then protect the meaning of the credential.

SECTION 10

Ethics Application

Convert a crowded fact pattern into a defensible professional decision

Application is where separate rules become one decision

- A vignette may activate several Standards at the same time.
- The best answer usually turns on one decisive fact or missing action.
- A correct conclusion needs a rule, an application, and a reason.
- Preventive procedures matter only when the question asks for them.

Do not count possible violations; identify the duty that controls the requested decision.

Command words tell you what kind of answer to build

Most likely violates	Find the clearest unmet requirement.
Least likely violates	Eliminate conduct with a real rule breach first.
Must	Select a requirement, not merely a recommended procedure.
Should	A recommended safeguard may be sufficient.
Most appropriate action	Solve the current problem in the correct sequence.

EXAM TRAP A sensible compliance practice can still be wrong when the question asks what the Standard requires.

The evidence ledger begins with fact and rule

Decisive fact	Rule element	Required response
Private earnings guidance	Material and nonpublic	Do not trade or cause others to trade.
Client-paid success bonus	Additional compensation	Obtain written consent from all parties.

Record only facts that change a rule element; background detail is often noise.

The evidence ledger also reveals the required action

Decisive fact	Rule element	Required response
Personal holding in a recommendation	Conflict of interest	Avoid or disclose effectively.
Unsupported model output	Reasonable basis	Investigate before use.

A strong answer connects one fact to one requirement before adding secondary duties.

The six-step exam method is deliberately mechanical

1. Read the command word and the named person.
2. Mark duties, benefits, information, transactions, and communications.
3. Name the primary Standard before evaluating the choices.
4. Test each required element against the facts.
5. Choose the action that cures the actual problem.
6. Explain the decisive fact in one sentence.

DECISION If two answers feel ethical, ask which one satisfies the exact command word.

Primary and secondary Standards are not competing answers

PRIMARY

The rule that directly governs the action named in the question. Example: trading on M N P I is

primarily II(A).

SECONDARY

Another duty created by the same facts or by the response. Example:

preserving research notes also raises V(C).

EXAM TRAP Do not ignore overlap, but do not let overlap replace the requested conclusion.

Five overlaps appear repeatedly

I(B), IV(B), VI(A)	Influence, outside compensation, and conflicts
II(A), V(C)	Information use and the evidence supporting the mosaic
III(A), III(B), VI(B)	Client loyalty, fair allocation, and transaction priority
V(A), V(B)	Sound analysis and honest communication of the process
VII(A), VII(B)	Program integrity and accurate status communication

Classify the mechanism: influence, information, allocation, communication, or credential.

Practice 1: the cross-border token launch

HYPOTHETICAL

Lina markets a token only in Country M. Country M law governs the offering and requires a risk disclosure that her home-country law does not. Counsel says enforcement is unlikely. Lina removes the disclosure and keeps her name on the brochure.

Lina most likely violates: A. I(A) because she ignores a stricter applicable rule and fails to dissociate. B. only I(C) because counsel decides legal compliance. C. neither Standard because the token is not a security at home.

Answer 1: applicable law and dissociation control

Country M law is stated to govern the offering. Lina knowingly participates after the required disclosure is removed and does not dissociate. Counsel's enforcement estimate does not transfer her responsibility.

Primary: I(A). Secondary: I(C) may also apply because the brochure omits a required risk.

Practice 2: the sponsored research stream

HYPOTHETICAL

A research analyst receives cash from an issuer to discuss its shares on a livestream. He performs independent work and states his valuation assumptions, but the sponsorship appears only in a hidden profile link. His employer knows nothing about the payment.

Which issue is most direct? A. No issue because the valuation is independent. B. I(C) only because livestreams are not professional communications. C. The payment can impair objectivity and requires prominent conflict disclosure; employer duties may also apply.

Answer 2: accurate analysis does not erase the incentive

Issuer compensation creates an independence and conflict problem even if the conclusion happens to be sound. A buried link is not prominent and effective disclosure. The analyst must also address employer approval and outside compensation requirements.

Primary: I(B) and VI(A). Possible overlap: IV(B) and I(C).

Practice 3: the expert call and the rumor

HYPOTHETICAL

An expert privately reveals that a drug trial missed its primary endpoint. The analyst stops the call, records what happened, and tells compliance. Before restrictions are imposed, she anonymously posts that the company is "hiding a disaster" to accelerate price discovery.

The analyst's post most likely violates: A. II(A) and possibly II(B). B. only V(C), because recording the call preserves the mosaic. C. neither Standard because she did not trade.

Answer 3: causing others to act can be enough

The failed trial is likely material and remains nonpublic. Publishing it can cause others to trade, so not placing a personal order is no defense. An exaggerated anonymous rumor may also create a manipulation issue.

Stopping the call and escalating were appropriate; the later post created the violation.

Practice 4: the pension allocation

HYPOTHETICAL

A pension manager directs brokerage to a dealer that helped the sponsor raise debt. A scarce I P O is then allocated first to the sponsor's executive account and next to the manager's investment club, leaving the pension with none.

Which combination best captures the conduct? A. III(A), III(B), and VI(B). B. IV(A) only because the sponsor is the employer. C. VI(C) only because the dealer made a referral.

Answer 4: identify the client and protect its priority

The pension plan and its beneficiaries are the client. Brokerage must serve that client, fair allocation cannot favor the executive, and the manager's beneficially owned club cannot receive transaction priority.

The sponsor's influence does not convert sponsor executives into the investment client.

Practice 5: the retired client’s private fund

HYPOTHETICAL

A retired client needs monthly liquidity. Her adviser recommends a ten-year private fund, does not update the I P S, omits layered administration costs, and emails her tax return to the fund sponsor without permission.

Which response is best? A. Only III(C) is relevant. B. Suitability, communication, and confidentiality duties are all implicated. C. No violation occurs if the private fund later earns a high return.

Answer 5: one recommendation can fail three duties

The liquidity mismatch raises III(C); omitted service costs raise the current V(B); unauthorized transmission of the tax return raises III(E). A later gain does not repair a defective process.

Outcome is evidence, not a substitute for suitability, communication, or permission.

Practice 6: the perfect track record

HYPOTHETICAL

A portfolio manager advertises "ten years without a losing account." She removes closed accounts, shows gross returns without explaining fees, and deletes model versions and allocation records once the advertisement is published.

The strongest conclusion is: A. only V(C) is violated. B. III(D), V(B), and V(C) may all be violated. C. no violation occurs if every displayed return is mathematically correct.

Answer 6: arithmetic can be accurate and presentation misleading

Excluding closed accounts creates a survivorship problem under III(D). The cost presentation may be incomplete under V(B), and deleting the supporting process and allocation evidence raises V(C).

Test the selection, context, and evidence–not only the calculation.

Practice 7: the quiet departure

HYPOTHETICAL

Before resigning, a manager copies client files, accepts a prospective partner's revenue share without written employer consent, and promises a referral payment to a consultant without telling referred clients.

Which combination is most relevant? A. IV(A), IV(B), and VI(C). B. II(A) and II(B). C. VII(A) and VII(B).

Answer 7: three different economic relationships matter

Copying employer-owned files violates loyalty. The outside revenue share needs written consent from all involved parties when it conflicts with employer interests. Referred clients need disclosure of the referral consideration.

Leaving, outside compensation, and referral economics require separate tests.

Practice 8: director, candidate, and influencer

HYPOTHETICAL

Maya serves on an issuer's board, uses confidential board information in a recommendation, writes "CFA Level Two" after her name, and posts remembered exam topics online to prove her expertise.

Which statement is most accurate? A. Only the board conflict matters. B. The facts implicate II(A), VI(A), VII(A), and VII(B). C. Candidate status permits partial-designation references.

Answer 8: information, conflict, exam, and status all matter

Confidential board information can be M N P I; the directorship creates a conflict; exam content is confidential; and passing a level is not a partial professional designation.

A single social-media post can activate multiple independent duties.

Practice 9: the untested A I portfolio engine

HYPOTHETICAL

A supervisor deploys a vendor A I model without understanding its inputs. Staff report unstable allocations, but she tells them to continue, suppresses the warnings, and describes the process to clients as “fully validated and human controlled.”

Which combination is most relevant? A. I(E), IV(C), V(A), and V(B). B. only II(B) because an algorithm moved prices. C. no violation unless clients lose money.

Answer 9: technology does not own the professional duty

The supervisor must be competent for her role, establish and enforce adequate controls, maintain a reasonable basis, and communicate the real process and limitations. Client loss is not required to prove those process failures.

A vendor can supply a tool; it cannot absorb the member's judgment or supervision duties.

A two-sentence explanation is usually enough

SENTENCE 1: RULE

"Standard [number] requires or prohibits [precise conduct]." **SENTENCE 2:**

APPLICATION

"Because [decisive fact], the person [did or did not] satisfy that requirement."

Name the rule element and the fact; do not retell the entire vignette.

Pacing improves when classification happens early

1. First pass: command word, person, and decision.
2. Second pass: decisive facts and likely Standard.
3. Choice test: requirement, sequence, and scope.
4. Final check: did the answer solve a different ethical problem?

EXAM TRAP Do not spend equal time on every sentence; spend time on facts that change a rule element. **DECISION** Commit after the rule and decisive fact agree.

Ethics Application: keep the reasoning visible

Command → duty → fact → requirement → answer

- Integrated facts do not change the wording of any Standard.
- The same fact may support more than one duty.
- The best explanation remains short because the analysis was structured.

Precision is faster than intuition once the method becomes habitual.

SECTION 11

Review and References

Compress the rules, preserve the distinctions, and verify the curriculum year

The one-minute ethics algorithm

1. Identify the command word and the responsible person.
2. Name the client, employer, market, and other affected parties.
3. Classify the issue: law, influence, information, client duty, employer duty, analysis, conflict, or credential.
4. Match the decisive fact to one rule element.
5. Select the required action in the correct sequence.
6. Explain the choice with rule plus fact.

A repeatable process protects you when the facts feel unfamiliar.

Standard I protects professional judgment

I(A)	**Law**	Follow the stricter applicable requirement; dissociate.
I(B)	**Objectivity**	Reject influence that can reasonably impair judgment.
I(C)	**Truth**	Do not knowingly mislead by statement, omission, or attribution.
I(D)	**Conduct**	Avoid dishonesty or acts damaging professional integrity.
I(E)	**Competence**	Act with and maintain role-appropriate competence.

Standard II protects market integrity

II(A)	**M N P I**	Do not act or cause others to act on material nonpublic information.
II(B)	**Manipulation**	Do not distort information, prices, or trading volume to mislead.

Information fairness and genuine price formation are separate market duties.

Standard III locates the client duty

III(A)	**Loyalty, prudence, care**	Put the actual client's interests first.
III(B)	**Fair dealing**	Treat clients fairly in dissemination and action.
III(C)	**Suitability**	Know the client or stay within the stated mandate.
III(D)	**Performance**	Present results fairly, accurately, and completely.
III(E)	**Confidentiality**	Protect information unless a narrow exception applies.

Standard IV protects the employment relationship

IV(A)	**Employer loyalty**	Do not compete, misappropriate, or injure the employer.
IV(B)	**Extra compensation**	Obtain written consent from all involved parties.
IV(C)	**Supervision**	Build, monitor, and enforce an adequate system.

Client and market duties can outrank employer interests, but they do not erase employer duties.

Standard V makes investment work defensible

V(A)	**Reasonable basis**	Use diligence, independence, research, and investigation.
V(B)	**Communication**	Explain services, costs, process, risks, factors, and opinions.
V(C)	**Records**	Preserve evidence supporting professional work.

Evidence, analysis, and communication form one professional chain.

Standards VI and VII protect trust at the boundary

VI(A)	**Conflicts**	Avoid or disclose prominently, plainly, and effectively.
VI(B)	**Transaction priority**	Put clients and employers before beneficial-owner trades.
VI(C)	**Referral fees**	Disclose referral consideration before reliance.
VII(A)	**Program conduct**	Protect program integrity, security, and confidentiality.
VII(B)	**CFA references**	State status accurately; never promise superior results.

All 23 conduct requirements are covered

STANDARD I

I(A), I(B), I(C), I(D), I(E)

STANDARD II

II(A), II(B)

STANDARD III

III(A), III(B), III(C), III(D), III(E)

STANDARD IV

IV(A), IV(B), IV(C)

STANDARD V

V(A), V(B), V(C)

STANDARDS VI AND VII

VI(A), VI(B), VI(C), VII(A), VII(B)

The 23 requirements sit within Ethics and Trust, enforcement, seven separate Standard modules, and integrated application.

Three 2024 changes are examinable now

I(E) Competence	A new explicit Standard requires sufficient and maintained competence for professional responsibilities.
V(B) Communication	The rule now expressly includes the nature of services and information about client costs.
VI(A) Conflicts	The title and rule now begin with avoiding conflicts when reasonable, with effective disclosure when not avoided.

EXAM TRAP Treat these as current requirements, not optional enrichment.

The 2027 errata confirms the Standard III mandate rule

- When a manager is responsible for a portfolio with a specific mandate, strategy, or style, actions must stay consistent with its stated objectives and constraints.
- The erratum completes a sentence that was truncated in the printed Standard III module.
- The online Learning Ecosystem is corrected during the year; static PDF and eBook users should check the errata page.

The governing mandate is a rule boundary, not background information.

Use 2027 scope for a 2027 exam

2027 LEVEL I

- Ethics weight: 10–15%
- Ten learning modules
- Each Standard is a separate module
- Application remains explicit

SCOPE BOUNDARY

- No independent GIPS module is listed
- The curriculum fully reflects Handbook v12 guidance
- Use the 2027 errata with static materials

EXAM TRAP Do not spend revision time on a module that is absent from the official outline for your exam year.

New public research adds context, not a new Standard

CFA Institute's 2026 finfluencer research highlights recurring weaknesses in sponsored digital content:

- paid collaborations may not be disclosed prominently;
- financial incentives and affiliations may remain opaque; and
- audiences may struggle to distinguish education, promotion, and recommendation.

Apply existing duties: truthful communication, independence, conflict disclosure, records, and supervision.

Five old shortcuts must be retired

1. "Any stricter law anywhere controls." Only a stricter *applicable* requirement controls.
2. "Future equals opinion; past equals fact." Assumptions and certainty determine the classification.
3. "Seven minutes makes a personal trade safe." No universal time-based safe harbor exists.
4. "Disclosure always cures a conflict." Avoid first when reasonably possible.
5. "Accurate numbers make performance fair." Selection, context, and completeness also matter.

Five more distinctions prevent avoidable errors

1. Client gift after service: disclose to the employer; conflicting compensation may need written consent.
2. Referral fee: disclose its nature and value before the client relies on the referral.
3. Unsolicited unsuitable order: discuss, document, and determine whether the mandate must change.
4. Competence: a loss does not prove incompetence; test the knowledge, skills, and process.
5. Mandate discipline: recommendations and actions must remain consistent with stated objectives and constraints.

Must, should, and may are different levels of force

Must or must not	The Standard imposes a requirement or prohibition.
Should	Guidance recommends a practice that supports compliance.
May	The action is permitted or fact-dependent, not automatically required.
Best practice	Strong professional guidance; do not silently convert it into rule text.

EXAM TRAP The exam can make every option sound prudent; choose the one with the correct level of force.

The final trap list begins with people and information

- Identify the actual client, not merely the person giving instructions.
- Separate actual influence from the appearance of influence–both can matter.
- Public availability requires broad dissemination, not a large private audience.
- Fair treatment is not identical treatment.

Start with the affected party and the status of the information.

The final trap list ends with action and scope

- A good outcome does not repair an unreasonable process.
- Consent, disclosure, and approval are not interchangeable.
- A recommended control is not automatically a mandatory rule.

When an option uses an absolute word, test whether the Standard is actually absolute.

Official sources: curriculum and current rules

- CFA Program Level I exam page and topic weights
- 2027 Level I Topic Outline
- Curriculum Changes for 2027
- Current Code and Standards hub
- Standards of Practice Handbook, 12th edition
- 2027 Level I Curriculum Errata Notice

Official sources: Standard guidance

- Standard I(E): Competence
- Standard III(C): Suitability
- Standard V(B): Communication
- Standard VI(A): Avoid or Disclose Conflicts
- Professional Conduct application guidance

Official sources: practice and current context

- Ethical Decision-Making Framework
- Professional Conduct Program
- Code and Standards hub
- Curriculum errata hub
- Clicks and Credibility 2.0

Finish with one disciplined habit

Name the duty.
Find the decisive fact.
Choose the required action.
Explain the link.

Ethics becomes manageable when every answer is evidence-backed.