An Investment Odyssey
- early 2019 Global Market Perspective

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CFA Institute is a global not-for-profit organization and the world’s largest association of investment professionals. **We are dedicated to developing and promoting the highest standards of ethics, education, and professional excellence in the investment industry, for the ultimate benefit of society.** Our goal is to create an environment where investors’ interests come first, markets function at their best, and economies grow.

Being a CFA charter holder means more than earning the right to use the CFA designation. Charter holders are committed to uphold the CFA’s ‘Code of Ethics and Standards of Professional Conduct’. This is a pledge that each charter holder needs to recommit every year.
Ethics in Practice:

Would you like to analyze an ethics case study?
ETHICS IN PRACTICE:
Designation Is Like a Degree, Right?

CASE STUDY
Bilal Ahmed recently earned his CFA designation and joined a medium-sized hedge fund as a senior analyst. His supervisor, Elizabeth Bennett, the founder of the firm, earned her CFA designation 10 years ago. But she has not paid her CFA Institute membership dues for the past four years and no longer participates in the organization’s continuing education program. Bennett uses the CFA designation on her business card and on all the marketing materials for the fund. When Ahmed asks Bennett about her using the designation, Bennett tells him that since she passed the exam and earned the charter, the credential is similar to a degree from university that cannot be taken away. Later, during a marketing pitch by Ahmed and Bennett to a potential investor, the investor notes that he has narrowed down his manager search to firms that only employ CFA charterholders in senior positions. He asks Bennett if everyone in the firm on the investment side is a CFA charterholder. Bennett responds “Yes, that is correct.” Ahmed does not respond. Did either Ahmed or Bennett violate the CFA Institute Standards of Professional Conduct?

A. Ahmed violated the CFA Institute Standards of Professional Conduct.
B. Ahmed did not violate the CFA Institute Standards of Professional Conduct.
C. Bennett violated the CFA Institute Standards of Professional Conduct.
D. Bennett did not violate the CFA Institute Standards of Professional Conduct.
ANALYSIS FOR THE CASE STUDY

Please visit the CFA Society St. Louis website for a detail analysis on the case study that you just read.

http://www.cfascience.org/stlouis/Pages/Ethics_in_Practice.aspx
UPCOMING EVENTS

- February 26, 2019, Speed Reading and Memory Class
  - Christopher Korycki, Instructor, Iris Reading
  - Luncheon event at Hilton St. Louis Frontenac

- March 7, 2019, Examining ESG: The Good, the Bad, and the Impact
  - Katherine Collins, Maria Negrete-Gruson, Priya Parrish,
    - Expert Panel, Luncheon event at St. Louis Club

- March 20, 2019, Examining ESG: The Good, the Bad, and the Impact
  - Katherine Collins, Maria Negrete-Gruson, Priya Parrish,
    - Luncheon event at St. Louis Club

- Please visit the CFA Society St. Louis website to sign up for the upcoming events
  http://www.cfasociety.org/stlouis/Pages/default.aspx
ETHICS IN PRACTICE: Designation Is Like a Degree, Right?

ANALYSIS
This case relates to CFA Institute Standard VII(B): Reference to CFA Institute, the CFA Designation, and the CFA Program, which states that when referring to the CFA designation, CFA Institute members and candidates "must not misrepresent ... holding the designation." The CFA designation is unlike a degree from university in that once granted the right to use the designation, individuals must also satisfy CFA Institute membership requirements (including paying dues) to maintain the right to refer to themselves as CFA charterholders. Although Bennett earned her charter, her membership is considered lapsed because she has not been paying dues to CFA Institute. Until her membership is reactivated, she must not present herself as a charterholder, and by continuing to use the CFA designation and representing herself as a charterholder to a potential client, Bennett has violated Standard VII(B).

Participation in the CFA Institute Continuing Education Program is not mandatory for maintaining your designation, but it is encouraged as a way to meet the CFA Institute Code of Ethics provision that calls for members to maintain and improve their professional competence. Ahmed hears Bennett refer to herself as a charterholder, but knows that Bennett's CFA Institute membership has lapsed. Standard I(A): Knowledge of the Law prohibits members from knowingly participating or assisting in the violations of others and requires members to dissociate from any unethical or illegal conduct. The issue for Ahmed is whether his acquiescence and silence in the face of Bennett’s misrepresentation rises to the level of assisting or participating in Bennett’s violation of the standard.

It could be argued that Ahmed’s participation in a sales meeting in which he knows false information is given to a potential investor, and which could cause harm to that investor, constitutes assisting in the violations of those who provide that false information even if there is no active conduct by Ahmed. Best practice would be for Ahmed to address Bennett directly about her conduct and ask her to reinstate her membership or correct the statement made to the potential investor. If Bennett refuses to take corrective action, Ahmed could bring this conduct to the attention of the fund's compliance department for them to address and dissociate from the activity by not participating in any additional sales meetings with Bennett.