

# **JuiceNotes**<sup>TM</sup>

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Ethical and Professional Standards

CFA Level 1  
**2026**

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## **Ethics**

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# Ethical and Professional Standards

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# Your CFA Journey with FinTree

A Guided Roadmap from Enrollment to Exam Day

At FinTree, we believe in smart preparation driven by structure, support, and consistency. Our unique LPR Methodology – Learn, Practice, Revise – is designed to guide you through each stage of your CFA prep journey with clarity and confidence.

## Roadmap from Enrollment to Exam Day

### 1. Enrollment & Onboarding:

- Receive a welcome call from your dedicated Success Manager (RM)
- Added to a WhatsApp broadcast list for timely updates
- Join a peer group to engage in discussions, share queries, and stay motivated
- Get a personalized study plan and guidance on how to start your prep journey

### 2. Learning Phase (Initial Months)

- Watch Main Concept Videos and read the official CFA curriculum
- Focus on understanding foundational concepts topic-wise
- Attend live weekend classes to deepen understanding and clarify doubts

### 3. Practice Phase (Mid Journey)

- Watch EOC and Blue Box videos to apply concepts to CFA-style questions
- Attempt Learning Evaluation Sessions (LES) for topic-wise testing
- Give Weekly Tests based on a structured test calendar
- Weekly Test results are discussed in class on Sunday for deeper insight into common errors and personal improvement

### 4. Revision Phase (Final 60 Days)

- Revise thoroughly using Juice Notes and Crash Course videos
- Solve the LES twice –
- Vertically (topic by topic)
- Horizontally (across topics like in actual exams)
- Attempt mock exams as per our 60-day revision schedule
- Review mocks in detail, focusing on time management, accuracy, and weak areas

### 5. Final Phase - IPASS

# Ethics and Trust in the Investment Profession

## FinTree Fruit 1: Introduction

- Ethics can be defined as a set of moral principles or rules of conduct that provide guidance for our behavior when it affects others. Ethical principles include honesty, fairness, diligence, and care and respect for others.
- Unethical behavior by individuals have serious personal consequences—ranging from job loss and reputational damage to fines and even jail—but unethical conduct from market participants, investment professionals, and those who service investors can damage investor trust and thereby impair the sustainability of the global capital markets as a whole

## FinTree Fruit 2: Ethics, Society, and the Capital Markets

### Ethics, Society, and the Capital Markets

- Efficient capital market system is dependent on trust of the participants.
- If investors believe that the capital markets are unfair such that only insiders can be successful, they will be unlikely to invest & will require a higher risk premium.
- Decreased investment capital can reduce innovation and job creation and hurt the economy and society as a whole

## FinTree Fruit 3: Sustainability & relationship

### Capital Market Sustainability and the Actions of One

- In an interconnected global economy and marketplace, each participant should be aware of how his or her actions may have an impact on capital market participants in other regions or countries.
- Corporate compensation strategies should not encourage otherwise ethically sound individuals to engage in unethical or questionable conduct for financial gain

### The Relationship between Ethics and Regulations

- Ethical behaviour is often distinguished from legal conduct by describing legal behaviour as what is required and ethical behaviour as conduct that is morally correct.
- Therefore, reliance on compliance with laws and regulation alone is insufficient to ensure ethical behaviour of investment professionals or to create a truly ethical culture in the industry

## FinTree Fruit 4: Ethical Decision-Making Frameworks

### Applying an Ethical Framework -

- + Establishing an ethical framework for an internal thought process prior to deciding to act is a crucial step in engaging in ethical conduct.
- + Utilizing a framework for ethical decision making will help investment professionals effectively examine their conduct in the context of conflicting interests

### Commitment to Ethics by Firms -

- + Development, maintenance, and demonstration of a strong culture of integrity within the firm by senior management may be the single most important factor in promoting ethical behaviour among the firm's employees

### Ethical Commitment of CFA Institute -

- + CFA Institute's goal is to ensure that the organization and its members and candidates develop, promote, and follow the highest ethical standards in the investment industry
- + There are set of principles that define the overarching conduct CFA Institute expects from its members and CFA Program candidates

## Code of Ethics

### FinTree Fruit 1: Introduction

Members of CFA Institute (including CFA charterholders) and candidates for the CFA designation (“Members and Candidates”) must:

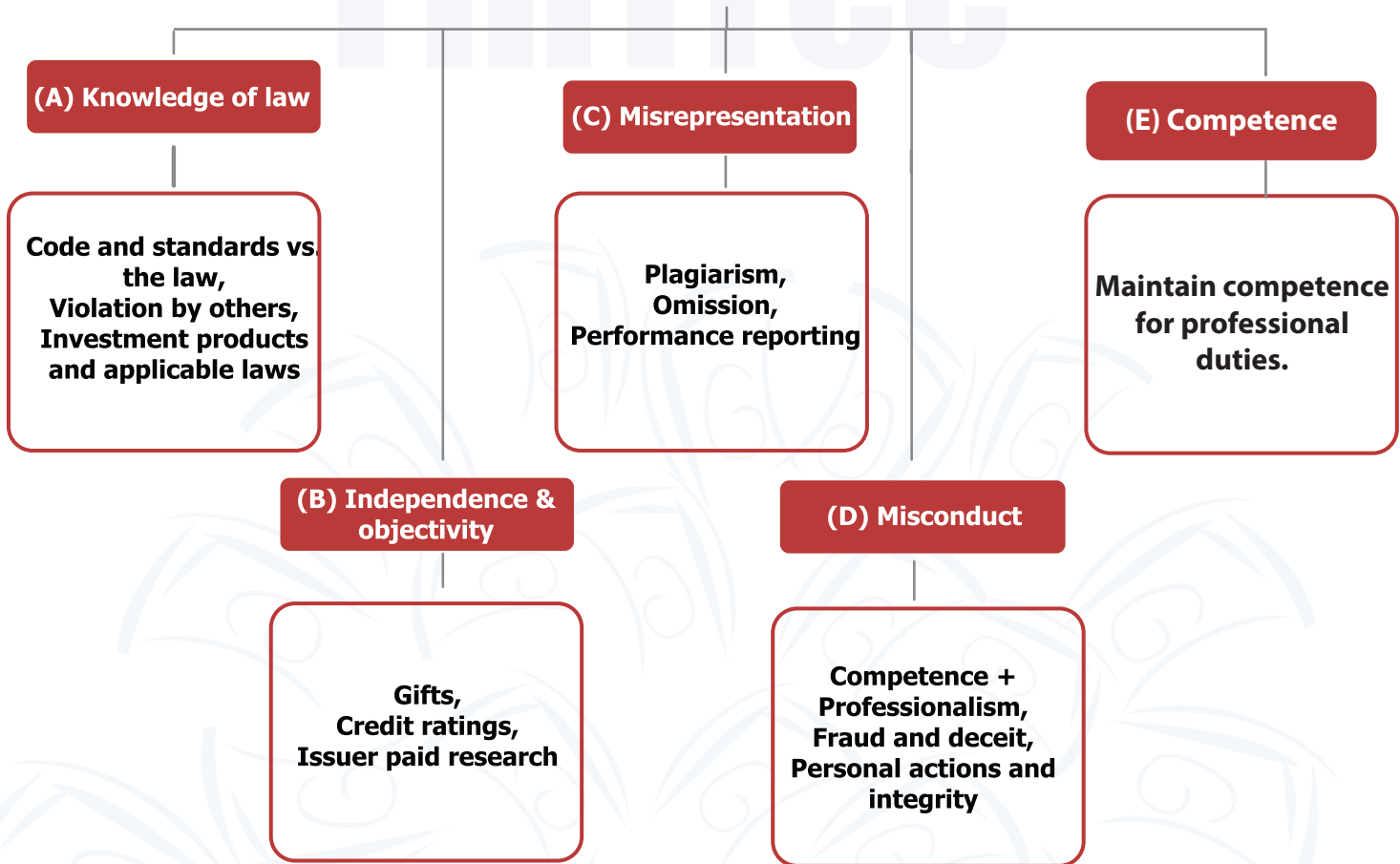
- **Act with integrity, competence, diligence, and respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.**
  - **Place the integrity of the investment profession and the interests of clients above their own personal interests.**
  - **Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.**
  - **Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.**
  - **Promote the integrity and viability of the global capital markets for the ultimate benefit of society.**
  - **Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.**
-

Guidance for Standards I–VII

FinTree Fruit 1: Standard I

**Standard I: Professionalism**

Professionalism



**(A) Knowledge of law**

- + Members & Candidates must understand & comply with all applicable laws, rules & regulations (including Code of Ethics & Standards of Professional Conduct)
- + In case of conflict, they must comply with more strict law, rule or regulation
- + Members & Candidates must not knowingly participate or assist & must dissociate from any violation of laws, rules or regulations

**Guidance in case of conflict**

- Members must know laws & regulations related to their professional activity in all countries where they work (conduct business)
- If they have to decide b/w local laws & codes & standards of CFAI, they must adhere to most strict rules
- However, they must never violate code & standards even if the activity is otherwise legal

## Guidance - Participation or association with violation by others

- **Members must dissociate or separate (does not mean resignation) themselves from any ongoing client or employee activity which is illegal or unethical**
  - **In extreme case they may have to leave the employer**
  - **May confront the individual involved first**
    - **If confrontation and discussion fails, member should approach the supervisor or compliance department**
    - **Continued association may be construed as knowing participation**
- 

## Recommended procedures for compliance - Members

- ✦ **Members should establish procedures which ensure employees are updated with applicable laws, rules & regulations**
  - ✦ **Compliance laws must be reviewed on an ongoing basis in order to ensure that they address prevailing laws, CFAI standards & regulations**
  - ✦ **Members should maintain current reference material for employees in order to keep up-to-date on laws, rules & regulations**
  - ✦ **In doubt members should seek advice of counsel or their compliance department**
  - ✦ **Members should document violation when they disassociate from prohibited activity**
  - ✦ **Members should encourage their employers to persuade the perpetrator(s) to end such activity**
  - ✦ **Under some circumstances it may be advisable or otherwise required by the law to report violations to governmental authorities**
  - ✦ **Standards (CFAI) do not require members to report violations to governmental authorities**
  - ✦ **Members are strongly encouraged to report other members' violations of the code & standards**
- 

## Recommended procedures for compliance - Firms

- ✦ **Members should encourage their firms to:**
    - **Develop and/or adopt a code of ethics**
    - **Provide information which highlights applicable laws and regulations and may be distributed to employees**
    - **Establish written procedures for reporting suspected violation of laws, regulations or company policies**
  - ✦ **Members in charge of supervision, creation and maintenance of investment services should:**
    - **Be aware of and comply with regulations and laws in their country of origin**
    - **They must be aware and comply with regulations of countries where products/services will be sold**
-

**(B) Independence & objectivity**

- + **Members & Candidates must use reasonable care & judgment to achieve & maintain independence & objectivity in professional activities**
- + **Not accept any gift, or any type of consideration that compromise their own or another's independence & objectivity**

**Guidance**

- **Investment process must not be influenced by any external sources**
- **Modest gifts by clients are permitted**
- **Allocation of shares in oversubscribed IPO to personal accounts is not permitted**
- **Distinguish b/w gifts from clients & entities seeking influence to the detriment of the client**
- **Gifts must be disclosed to the employer in any case either prior to acceptance or subsequently**

**Guidance - Investment banking relationships**

- **Do not get pressurized from sell-side analyst to issue favorable research on current or prospective investment-banking client**
- **Disclose conflicts and manage these appropriately while working with investment bankers in 'road shows'**
- **Make sure of effective 'firewalls' b/w research/investment management & investment banking activities**

**Guidance - Public companies**

- **Do not limit research to discussions with company management**
- **Use sources like:**
  - **Suppliers**
  - **Customers**
  - **Competitors**
- **Analyst must not be pressured to issue favorable research by the companies they follow**

**Guidance - Buy side clients**

- **Responsibility of portfolio managers to respect and foster intellectual honesty of sell side research**
- **Portfolio managers must not pressure sell side analysts**
- **They may have large positions in particular securities; rating downgrade may adversely affect portfolio performance**

### Guidance - Fund manager relationships

- Members responsible for selecting outside managers should not accept gifts, entertainment or travel that might be perceived as impairing independence and/or objectivity
- 

### Guidance - Credit rating agency

- Members employed by credit rating agencies should make sure they prevent undue influence by security issuing firms
  - Members using credit ratings must be aware of potential conflict of interest
  - Consider whether independent analysis is warranted
- 

### Guidance - Issuer paid research

- Analyst's compensation for such research should be limited
  - Preference is a flat fee
  - No reward must be attached with report's recommendation
- 

### Guidance - Travel

- Best practice - Analysts pay their own commercial travel while attending informative events or tours sponsored by the firm being analyzed
- 

### Recommended procedures for compliance

- ✦ Protect the integrity of opinions (unbiased opinion of the analyst) & design proper compensation systems
  - ✦ Create a restricted list (remove the controversial company from research universe)
  - ✦ Restrict special cost arrangements (limit the use of corporate aircraft to situations in which commercial transportation is not available)
  - ✦ Members and candidates should pay for commercial transportations & hotel charges
  - ✦ Limit the acceptance of gratuities and/or gifts to token items
  - ✦ Develop formal policies related to employee purchases of equity or equity related IPOs (strict limits on private placements)
  - ✦ Effective supervisory & review procedures
  - ✦ Ensure that research analysts are not supervised or controlled by any department that could compromise the independence of analyst
  - ✦ Appoint a senior officer with oversight responsibilities for compliance with firm's Code of ethics & all regulations concerning its business
-

### (C) Misrepresentation

- + Members and candidates must not knowingly make any misrepresentations relating to investment analysis, recommendation, actions or other professional activities

#### Guidance

- Misrepresentation causes mistrust
- Do not give false impressions in writing, oral or electronic communication
- Misrepresentation includes:
  - Guaranteeing investment performance
  - Plagiarism
- Plagiarism - Using someone else's work without giving him credit
- Misrepresentation also includes deliberate omission of information that could affect investment decisions
- Models and analysis developed by others at firm are the property of firm. Members can use them without attributing to developers
- A report written by another analyst employed by the firm cannot be released as another analyst's work

#### Recommended procedures for compliance

- + Firms should provide employees, who deal with clients, a written list of firm's available services and description of its employees' qualifications
- + Employees' qualification should be accurately presented as well
- + To avoid plagiarism firm must keep record of all sources and cite them
- + Generally understood and factual information need not to be cited
- + Members should encourage firms to establish procedures for verifying marketing claims of third parties whose information the firm provides to clients

### (D) Misconduct

- + Members and candidates must not involve in any professional misconduct dishonesty, fraud, deceit or commit any act that reflects adversely on their professional reputations, integrity or competence

#### Guidance

- CFAI discourage unethical behavior in all aspects of members and candidates's lives
- Do not abuse CFAI Professional Conduct Program by seeking enforcement of this standard to settle personal, political or other disputes not related to professional ethics

#### Recommended procedures for compliance

- + Firms are encouraged to adopt these policies and procedures to:
  - Develop and adopt a code of ethics and make clear that unethical behavior will not be tolerated
  - Give employees a list of potential violations and sanctions including dismissal
  - Check references of potential employees

**(V) Competence**

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

**Guidance**

- **Objective:**

Members and candidates must act with and maintain appropriate knowledge, skills, and diligence to provide a high standard of professional service.

- **Alignment with the Code of Ethics:**

Act with integrity, competence, and diligence.

Maintain and improve personal competence.

Strive to improve the competence of other investment professionals.

- **Competence Defined:**

**Knowledge:**

Information applied directly to professional functions and how effectively it is utilized.

**Skills:**

Role-specific capabilities to complete tasks and achieve goals.

**Abilities:**

Capabilities and attitudes that result in observable professional outcomes.

- **Role-Specific Expectations:**

Competence requirements differ based on the nature of professional duties and circumstances.

Competence is about being suitable for the role, not guaranteeing successful outcomes.

**Example:** A competent investment manager may still make unprofitable decisions.

- **Education and Experience:**

Competence is not solely determined by education.

Professionals may lack competence in areas outside their expertise despite high qualifications.

- **Ongoing Professional Development:**

Responsibilities evolve, requiring continuous improvement in knowledge, skills, and abilities.

Members must proactively maintain competence but are not mandated to follow specific development programs.

- **Professional Development Methods:**

Members and candidates have flexibility in how they attain and maintain competence, tailored to their professional roles.

- **Failure ≠ Lack of Competence:**

Negative outcomes do not inherently indicate incompetence, as diligence and thoroughness are critical factors.

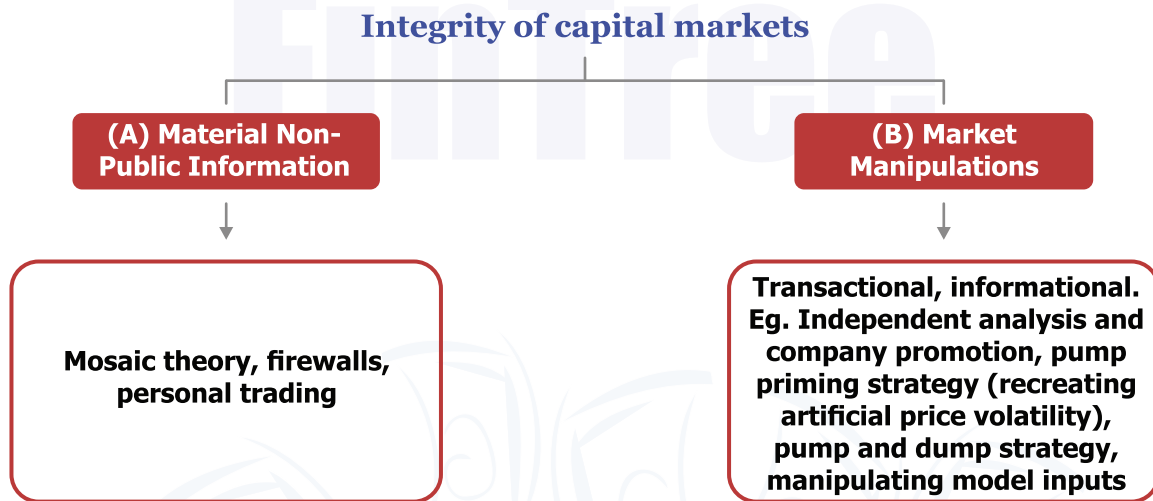
## Recommended procedures for compliance

To achieve and maintain competence, members and candidates should consider the following activities:

- Regularly engaging in a professional development or continuing education program
  - Studying for or earning professional certifications or designations
  - Attending conferences, seminars, or webinars
  - Regularly participating in training offered by their employer
  - Diligently engaging in informal continuing education or self-study, such as through outside reading of subject matter articles, treatises, and publications
  - Participating in expert groups or organizations
  - Becoming proficient with any new skill or knowledge, as necessary, when their professional responsibilities change
- 



# Standard II: Integrity Of Capital Markets



## (A) Material Non-Public Information

- + Members & Candidates must not act or cause others to act on the information that is material nonpublic (affect the value of investments)

### Guidance

- Material information - Disclosure would impact the price of security
- If reasonable investor would want the information before making an investment decision
- Nonpublic information - It is not available to the marketplace
- Analyst's conference call is not public disclosure
- Selective disclosure causes insider trading
- Prohibition against acting on material nonpublic information extends to securities, swaps, option contracts and mutual funds

### Guidance - Mosaic theory

- **No prohibition on reaching an investment decision through public and non-material nonpublic information**

### Recommended procedures for compliance

- + Make reasonable efforts to achieve public dissemination of information
- + Encourage firms to adopt procedures to prevent misuse of material nonpublic information
- + Use a 'firewall' within the firm with
  - Substantial control of relevant interdepartmental communication through a clearance like compliance/legal department
  - Review employee trades. Maintain watch, rumor and restricted lists
  - Monitor & prohibit proprietary trading if a firm possesses material non-public information
- + Prohibiting all proprietary trading may send a signal to the market. Firm should take the contra side of unsolicited customer trades

**(B) Market manipulations**

- + **Members & Candidates must not engage in practices that mislead market participants (distort prices or artificially inflate trading volume)**

**Guidance**

- **Spreading false rumors is prohibited (which can distort market)**
  - **Standard applies to transactions that deceive market:**
    - **By distorting the price-setting mechanism of financial instruments**
    - **Securing a controlling position to manipulate the price of a related derivative or the underlying asset**
-