




**Level I
of the
CFA® Program**

Ethics and Professional Standards
GUIDANCE FOR STANDARDS I–VII &
ETHICS APPLICATIONS



Learning Outcome Statements

- 
- LOS** : Demonstrate the **application** of the Code of Ethics and Standards of Professional Conduct to situations involving issues of professional integrity.
 - LOS** : Distinguish between **conduct that conforms** to the Code and Standards and **conduct that violates** the Code and Standards.
 - LOS** : Recommend **practices and procedures** designed to **prevent violations** of the Code of Ethics and Standards of Professional Conduct.

Standards of Professional Conduct

- Standard I – Professionalism
- Standard II – Integrity of Capital Markets
- Standard III – Duties to Clients and Prospective Clients
- Standard IV – Duties to Employers
- Standard V – Investment Analysis, Recommendations, and Action
- Standard VI – Conflicts of Interest
- Standard VII – Responsibilities as a CFA Institute Member or CFA Candidate**
 - (A) Conduct as Participants in CFA Institute Programs**
 - (B) Reference to CFA Institute, CFA Designation, and CFA Program**

Standard VII(A) Conduct as Participants in CFA Institute Programs

According to the Standards of Practice Handbook:

*Members and Candidates must not engage in any conduct that **jeopardizes CFA Institute's or the CFA designation's reputation or integrity**, as well as the integrity, validity, or security of CFA Institute programs.*



This standard specifically addresses the integrity or validity of the CFA examination process.



It holds members and candidates to a **high ethical criterion** while participating in CFA Institute's programs.



CFA members are **proud of their accomplishments** and want to see the integrity of the examination process upheld. The CFA charter must be awarded on merit.

Standard VII(A) Conduct as Participants in CFA Institute Programs

Key areas:

1 Confidential Information



All aspects of the exam are considered confidential until such a time the Institute decides otherwise.

- That includes **questions**, broad **topical areas**, and **formulas** – tested or not tested.

Standard VII(A) Conduct as Participants in CFA Institute Programs



A statement along these lines would be in violation of this standard:

- “I counted **10 questions** from Fundamentals of Credit Analysis.”
- “There were very **few questions** on options pricing.”
- “The bond equivalent yield **formula** was featured twice.”
- “I think I performed fairly well, although there were **too many questions** on Standard VII.”



Crucially, the standard **does not prohibit** candidates from discussing non-confidential information or **curriculum material** with others or in **study groups** in preparation for the exam.

Standard VII(A) Conduct as Participants in CFA Institute Programs

Key areas:

2 Program Restrictions



Candidates must abide by a host of **exam policies**.

- These include the **calculator policy**, **personal belongings policy**, and the **candidate pledge**.
- The candidate's pledge highlights the respect candidates must have for the integrity, validity, and security of the CFA exam.



Member volunteers must not disclose confidential information gained prior to, during, or even after the exam.

- That includes **questions appearing on the exam**, deliberations related to the exam process, and **scoring details**.

Standard VII(A) Conduct as Participants in CFA Institute Programs

Key areas:

3 Opinions



Members and candidates are **free to express opinions** regarding CFA Institute programs without fear of punishment.

- A candidate could tweet “the CFA curriculum contains too many readings.”









One can disagree with specific policies, procedures, or any advocacy positions advanced by the Institute.

- However, when expressing an opinion, a candidate is prohibited from disclosing **content-specific information**, e.g., the questions answered on the exam.

Standard VII(A) Conduct as Participants in CFA Institute Programs

Which Activities Would Be Considered a Violation of Standard VII-A?

-  **Cheating** on any CFA Institute examination.
-  Violating the rules, regulations, and **testing policies** of CFA Institute programs.
-  Providing **confidential exam** information to candidates or to the public.
-  Not following or attempting to circumvent the CFA exam administration rules, e.g., security measures.
-  Improperly using an **association with CFA Institute** to further personal or professional goals.
-  **Misrepresenting information** on the Professional Conduct Statement or in the CFA Institute Continuing Education Program.

Standard VII(A) Conduct as Participants in CFA Institute Programs

Example Question

Douglas Wright, an Australian CFA Level I candidate, just completed the CFA Level I examination. Immediately after the exam, he posts a series of tweets that highlight his exam experience.

He posts the following:

"The CFA Institute is a joke! The Level I exam was truly awful, the examiners expected too much. It was far too difficult. I was extremely prepared for the financial reporting and analysis section and was disappointed that there weren't as many questions as expected. I counted 25 in total; this is far different from the 48 I expected. I was also surprised to see no derivatives questions in the second session. I think I did enough to pass..."

How has Wright most likely violated Standard VII(A) – Conduct as Participants in CFA Institute Programs?

- A. By expressing his opinion about the difficulty of the Level I exam.
- B. By revealing details about parts of the Candidate Book of Knowledge (CBOK) that were tested or omitted in the Level I exam.
- C. By expressing a negative opinion about the CFA Institute and examiners.

Standard VII(A) Conduct as Participants in CFA Institute Programs

Example Question

Solution

*"The CFA Institute is a joke! The Level I exam was truly awful, the examiners expected too much. It was far too difficult. I was extremely prepared for the financial reporting and analysis section and was disappointed that there weren't as many questions as expected. **I counted 25 in total; this is far different from the 48 I expected. I was also surprised to see no derivatives questions in the second session. I think I did enough to pass...**"*

How has Wright most likely violated Standard VII(A) – Conduct as Participants in CFA Institute Programs?

- A. By expressing his opinion about the difficulty of the Level I exam.
- B. By revealing details about parts of the Candidate Book of Knowledge (CBOK) that were tested or omitted in the Level I exam.**
- C. By expressing a negative opinion about the CFA Institute and examiners.

Wright has violated Standard VII(A) – Conduct as Participants in CFA Institute Programs by sharing parts of the CBOK that weren't covered in the Level I exam. **By revealing what was or what wasn't tested**, Wright may have inadvertently assisted other candidates.

Options A and C are incorrect. Wright is allowed to express his opinion about the CFA Institute and the difficulty of the exam.

Standard VII(B) Reference to CFA Institute, CFA Designation, and CFA Program

According to the Standards of Practice Handbook:

*Members and Candidates must not **misrepresent or overstate the meaning or implications of membership** in CFA Institute, holding the CFA designation, or candidacy in the CFA Program when referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program.*

This Standard exists primarily to **promote and protect the CFA** as a unique **brand name**.

- It elevates the CFA charter as a **high-level achievement** earned on merit.
- It helps remind charterholders not to cheapen what they have painstakingly achieved.

Standard VII(B) Reference to CFA Institute, CFA Designation, and CFA Program

Key Points:

1 CFA Institute Membership



The term “CFA Institute member” refers to “regular” and “affiliate” members of CFA Institute who have satisfied the membership requirements as outlined in the CFA Institute Bylaws.



CFA Institute membership requires:

- I. Completion of the **professional conduct statement (PCS) annually.**
- II. Payment of **membership dues annually.**
 - Failure to comply with above results in an **inactive member status.**

Standard VII(B) Reference to CFA Institute, CFA Designation, and CFA Program

Key Points:

2 Using the CFA designation:



Members must use the marks “Chartered Financial Analyst” or “CFA” in a manner that does not misrepresent or exaggerate the meaning or implications of holding the CFA designation.



It’s a violation to **claim or imply superior investment performance** because of holding the charter.

Standard VII(B) Reference to CFA Institute, CFA Designation, and CFA Program

Key Points:

3 Referring to candidacy in the CFA program:



Candidates may reference participation in CFA program but must not imply achievement of any type of **partial designation**.

- One may state, "I have completed Level I and II of the CFA Program", but that's as far as one should go. **Until all three levels are completed, one is considered a candidate.**

Standard VII(B) Reference to CFA Institute, CFA Designation, and CFA Program



A person is a candidate in the CFA Program if:

- I. The person's application for registration in the CFA Program has been accepted by CFA Institute, and they are **enrolled to sit** for a specified exam.
- II. The registered person has sat for a specified examination but **exam results have not yet been received**.

Standard VII(B) Reference to CFA Institute, CFA Designation, and CFA Program

Key Points:

4 Improper use of the CFA marks:



The “Chartered Financial Analyst” and “CFA” marks must always be used either after a charterholder’s name or as adjectives, not as nouns.

Example:

Incorrect: “I am one of five CFAs in the investment department.”

Correct: “ I am one of five CFA charterholders in the investment department.”

Standard VII(B) Reference to CFA Institute, CFA Designation, and CFA Program

Key Points:

4 Improper use of the CFA marks:



Always capitalize "CFA", and do not use periods after "C", "F" and "A".

Example:

Incorrect: John Flanagan, cfa

Incorrect: John Flanagan, C.F.A.

Correct: John Flanagan, CFA

Standard VII(B) Reference to CFA Institute, CFA Designation, and CFA Program

Additional points to note:



The CFA designation cannot be used as a part of a firm's name.

Example:

Incorrect: Brighter World Chartered Financial Analysts LLC

Correct: Brighter World LLC

Standard VII(B) Reference to CFA Institute, CFA Designation, and CFA Program

Additional points to note:



In writing, the CFA designation should **not appear larger than other text** or **bolded** and can be used **before or after other designations**.

Example:

Incorrect: John Flanagan, **CFA, FRM**

Correct: John Flanagan, CFA, FRM

Correct: John Flanagan, FRM, CFA

Standard VII(B) Reference to CFA Institute, CFA Designation, and CFA Program

Example Question

Which of the following is an improper reference to the CFA Program and/or designation?

- A. “Enrolling in the CFA program has made me a better equity valuation analyst than my peers.”
- B. “I am February 2022 CFA Level I candidate.”
- C. “I have passed all three levels of the CFA Program and may be eligible for the charter subject to the completion of the required work experience.”

Solution

Standard VII(B) Reference to CFA Institute, CFA Designation, and CFA Program

Example Question

Which of the following is an improper reference to the CFA Program and/or designation?


- A. **“Enrolling in the CFA program has made me a better equity valuation analyst than my peers.”**
- B. “I am February 2022 CFA Level I candidate.”
- C. “I have passed all three levels of the CFA Program and may be eligible for the charter subject to the completion of the required work experience.”

Solution

Claiming superior ability by obtaining the designation or passing the examinations is *strictly prohibited* under Standard VII(B).

Answers B and C make correct reference to the CFA Program and Designation.

Learning Outcome Statements

- 
- LOS** : Demonstrate the **application** of the Code of Ethics and Standards of Professional Conduct to situations involving issues of professional integrity.
 - LOS** : Distinguish between **conduct that conforms** to the Code and Standards and **conduct that violates** the Code and Standards.
 - LOS** : Recommend **practices and procedures** designed to **prevent violations** of the Code of Ethics and Standards of Professional Conduct.