

"I want employees to ask themselves whether they are willing to have any contemplated act appear the next day on the front page of their local paper – to be read by their spouses, children and friends - with the reporting done by an informed and critical reporter."



Ethics: Beyond the Textbook

Presented by:

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Write one sentence that defines ethics for you

The ethical agenda

Ethical Codes are enlightened self-interest...
...economies operate on trust and integrity

- | Its easy to be ethical when there are no costs.
- | $\pm 95\%$ of cases are errors of judgement...
- | ... but it happens all the time!
- | Ethics is often gray... fraud/illegality is not.
- | Sharing experience builds ethical filters.
- | We each believe we are highly ethical... so we stop questioning.
- | *Best Practice versus Highest Standard*

I Integrity or Split-Personality?



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Above average?

- 0% 1. I am more ethical than the average person
- 0% 2. I am as ethical as the average person

Above average?

37% 1. I have no pirated music on my computer

63% 2. I might have some pirated music on my computer

CFA Code of Ethics & Standards of Professional Conduct

CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT



PREAMBLE

The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by setting high standards of education, integrity, and professional excellence. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® [CFA®] designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program, and revocation of the right to use the CFA designation.

THE CODE OF ETHICS

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

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

STANDARDS OF PROFESSIONAL CONDUCT

I. PROFESSIONALISM

- A. Knowledge of the Law.** Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.
- B. Independence and Objectivity.** Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.
- C. Misrepresentation.** Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.

- D. Misconduct.** Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

II. INTEGRITY OF CAPITAL MARKETS

- A. Material Nonpublic Information.** Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.
- B. Market Manipulation.** Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

III. DUTIES TO CLIENTS

- A. Loyalty, Prudence, and Care.** Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests.
- B. Fair Dealing.** Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

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C. Suitability

- 1. When Members and Candidates are in an advisory relationship with a client, they must:**
- a. Make a reasonable inquiry into a client's or prospective client's investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.
 - b. Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.
 - c. Judge the suitability of investments in the context of the client's total portfolio.
- 2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must make only investment recommendations or take only investment actions that are consistent with the stated objectives and constraints of the portfolio.**

- D. Performance Presentation.** When communicating investment performance information, Members and Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.

- E. Preservation of Confidentiality.** Members and Candidates must keep information about current, former, and prospective clients confidential unless:

1. The information concerns illegal activities on the part of the client or prospective client,
2. Disclosure is required by law, or
3. The client or prospective client permits disclosure of the information.

IV. DUTIES TO EMPLOYERS

- A. Loyalty.** In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.
- B. Additional Compensation Arrangements.** Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with or might reasonably be expected to create a conflict of interest with their employer's interest unless they obtain written consent from all parties involved.
- C. Responsibilities of Supervisors.** Members and Candidates must make reasonable efforts to detect and prevent violations of applicable laws, rules, regulations, and the Code and Standards by anyone subject to their supervision or authority.

V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS

- A. Diligence and Reasonable Basis.** Members and Candidates must:
1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.

- 2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.**

B. Communication with Clients and Prospective Clients.

- Members and Candidates must:
1. Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
 2. Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
 3. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.
- C. Record Retention.** Members and Candidates must develop and maintain appropriate records to support their investment analyses, recommendations, actions, and other investment-related communications with clients and prospective clients.

VI. CONFLICTS OF INTEREST

- A. Disclosure of Conflicts.** Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.
- B. Priority of Transactions.** Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.
- C. Referral Fees.** Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from or paid to others for the recommendation of products or services.

VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

- A. Conduct as Members and Candidates in the CFA Program.** Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of the CFA examinations.
- B. Reference to CFA Institute, the CFA Designation, and the CFA Program.** When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA program.

CFAI Code of Ethics: Motherhood & Apple Pie

Commonality in most moral codes...

- I Act with integrity, competence, diligence, respect, and in an ethical manner...
- I Place the integrity of the investment profession and the interests of clients above their own...
- I Use reasonable care and exercise independent professional judgment ...
- I Practice, and encourage others to practice, in a professional and ethical manner ...
- I Promote the integrity of, and uphold the rules governing, capital markets.
- I Maintain and improve your (and other's) skills.

Cases: Applying the Codes & Standards

- **Identify facts, issues, duties owed, and the ethical principles involved.**
- **If one Standard is breached, then it's likely several were.**
- **Think about what motivates the role players' behaviour**
- **Cases are intentionally vague. Think laterally for all possible violations.**

Case #1: Proudfoot and the Rugby Game

- I Proudfoot, a credit analyst at Furthergroove A.M., participates in a competition to pick the winners of a series of Rugby matches. The game is sponsored by a merchant bank, and is open only to its institutional clients (+75 players)
- There are 14 weekly prizes (of R1,000 gift certs), and 5 final prizes (R1,000/R2,000 gift certs).
- Matching contributions are made to a charity of winner's choice.
- At the end, Proudfoot wins R2,000 gift certificates.

- 13% a) It's okay, Rugby is not in the scope of his work
- 46% b) It's okay if he tells his employer.
- 42% c) It's not okay.

Case #1: Proudfoot and the Rugby Game - CPT

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There are 14 weekly prizes (of R1,000 gift certs), and 5 final prizes (R1,000/R2,000 gift certs).
Matching contributions are made to a charity of winner's choice.
At the end, Proudfoot wins R2,000 gift certificates.

- 0% a) It's okay, Rugby is not in the scope of his work
- 21% b) It's okay if he tells his employer.
- 79% c) It's not okay.

Proudfoot: Applying the Code & Standards

- I 6.a: Conflicts of Interest – Disclosure of Conflicts
..disclose matters that could impair independence & objectivity
- I 1.b: Professionalism – Independence & Objectivity
... maintain independence and objectivity...
- I 4.b: Duties to Employers –Additional Compensation Arrangements
...must not accept gifts... that might be expected to create conflict of interest
- I 1.d: Professionalism-Misconduct
...must not engage in...any act that reflects adversely on their reputation or integrity...

What should Proudfoot's employer (Carter CFA) do?

- 4.c. Responsibilities of Supervisors ...detect and prevent violations...



Proudfoot & the Rugby Game

Observations

- | No one was intentionally unethical
- | Merely errors of judgement
- | Could have damaged reputations
- | Gifting is pernicious, persistent and personal, affects the entire industry

Solving the gifting challenge – Highest standard

- I Highest standard = No gifts
- I Why are they giving it to you?
- I Why are you giving it to them?
- I Would you go to the match with them if you were paying your own way... or is it a bribe?



“Attachment” is an issue in dealing with gifts and inside information...

...if it comes to you by virtue of position then its not yours!



Case #2: Lucas and the Bloomberg terminal

- I Lucas Investment Managers, a recently established black-owned firm, rents office space in the same building as Stallone Stockbrokers, a leading brokerage firm. To help Lucas save costs in their start-up Stallone has moved one of their Bloomberg terminals to the Lucas office. This arrangement was made on the oral understanding that Lucas would direct half of their first year's equity trades to Stallone.

- 2% a) It's okay for Lucas to be assisted by Stallone in this way
- 18% b) It's okay provided Lucas informs all of its clients of the arrangement
- 80% c) It's not okay

Case #2: Lucas and the Bloomberg terminal - CPT

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- 0% a) It's okay for Lucas to be assisted by Stallone in this way
- 35% b) It's okay provided Lucas informs all of its clients of the arrangement
- 65% c) It's not okay

Lucas and the Bloomberg terminal

Applying the Code & Standards



- | Principle: Placing hard limits on softing
- | 1.a Knowledge of the law (Bloomberg licences)
- | 1.b Independence
- | 3.a Loyalty, prudence & care...place their clients' interests before their employer's
- | 5.b.2 Communication with clients...include the factors important to their actions
- | 6.a Disclosure of conflicts... that impair their independence & objectivity

CFA Institute's Soft Dollar standards

Principles

- I Soft dollars belong to the client
- I Investment managers may only purchase research with soft dollars if the primary use is investment decision making process, not firm management
- I Investment managers must disclose all relevant benefits they receive through client brokerage

Detail

- I Definition of soft dollars
- I Appropriate products and services to purchase with client brokerage
- I Establishment of standards for soft dollars use
- I Model disclosure guidelines
- I The manager's role and responsibility to clients

Coffee Break



The Ultimatum Game

- I Pair up... Choose a *Proposer* & *Responder*
- I Proposer has ZAR1,000
- I Proposer must make an offer of a (any) portion of the ZAR1,000 to the Responder.
- I The Responder may accept or refuse the offer.
 - If Responder accepts, **both** keep their shares
 - If Responder declines, **neither** get their share, and the money is lost

...we place an economic value on fairness..
... and if its not fair, we don't play..
...or we fight back!

Case #3: Greystoke's PA trading policy

I Greystoke Asset Manager's largest client (about 20% of AUM) has strongly urged that all Personal Account (PA) trading by Greystoke staff be prohibited, and the Greystoke MD agrees. Penberthy, Greystoke's CIO, believes "skin in the game" by investment staff is a good thing. Xolisa CFA has been asked by Penberthy to formulate a robust P.A. Trading policy which will satisfy the client and MD.

- 54% a) P.A. trading at asset managers SHOULD be allowed
- 46% b) P.A. trading at asset managers SHOULD NOT be allowed

What rules or controls should be in place so that P.A. trading can be allowed?

Case #3: Greystoke's PA trading policy - CPT

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- 73% a) P.A. trading at asset managers **SHOULD** be allowed
- 27% b) P.A. trading at asset managers **SHOULD NOT** be allowed

What rules or controls should be in place so that P.A. trading can be allowed?

Greystoke: Factors

- | Front running/priority of concerns
- | Impairment of objectivity
- | Disclosure
- | Inside information
- | P.A. trading rules

Personal Account (PA) trading

- | Client trades always come first (100% of client execution; time delay between client trade and p.a. trade in small cap shares).
- | Positions reported annually to compliance (register of interests).
- | Trades pre-approved by Sr. Inv staff, check for client orders or pending strategy shift.
- | Window period for execution of signed P.A. Form (2 days)
- | Dealing through the firm's dealing desk.
- | Positions to be recorded at any relevant team/investment meeting.
- | Brokerage accounts must have direct reporting to compliance (or, firm may stipulate which broker to use).
- | Position size "manageable & suitable" for the employee (i.e. not large or geared positions).
- | Minimum holding periods to deter short-term trading.
- | Probably not in hedge fund teams (or highly incentivised funds).
- | Disclose P.A. Trade policy to clients

Case #4: Harbinger and AfroBank

I Harbinger CFA is a credit analyst for MegaBank.

In reviewing AfroBank's monthly management accounts she sees a material degradation in operations and profitability, and a rise in loans in arrears.

MegaBank's investments exclude equity positions, and no shares are held.

Harbinger calls her mother and tells her to sell her shares of Afro-Bank.

6% a) **Okay**

21% b) **Might be okay, under certain conditions**

73% c) **Not okay**

Case #4: Harbinger and AfroBank - CPT

I Harbinger CFA is a credit analyst for MegaBank.

In reviewing AfroBank's monthly management accounts she sees a material degradation in operations and profitability, and a rise in loans in arrears.

MegaBank's investments exclude equity positions, and no shares are held.

Harbinger calls her mother and tells her to sell her shares of Afro-Bank.

5% a) **Okay**

22% b) **Might be okay, under certain conditions**

73% c) **Not okay**

Harbinger and AfroBank: Applying the Code & Standards

- I Principle: Material Nonpublic Information
- I 2.a Material Nonpublic information
- I 1.a Knowledge of Law (this includes regulations and, in this case, her employer's P.A. trading rules)
- I 1.d Misconduct
- I 4.a Loyalty to employer - Not divulge confidential information
- I 4.c Responsibilities of Supervisors
- I 7.a Conduct as members

Insider Trading

What is insider trading?

Trading on **or** disclosing inside information

What is inside information?

specific or precise information,

which has not been made public; **and**

from an insider; **and**

if made public will have a material effect on price.

All **four** conditions have to be present.

***Either keep it confidential (if you are an insider), or
Seek to have it made public ASAP***

Who is an insider?

INSIDER

TIPPEE

**REMOTE
TIPPEE**

Director

Employee

Shareholder

**Family
member**

Banker

Accountant

Lawyer

Analyst

Journalist

Friend

Trustee

**3rd party
connected to
tippee**

Values: Walking the Talk

COMMUNICATION

We have an obligation to communicate. Here, we take the time to talk with one another... and to listen. We believe that information is meant to move and that information moves people.

RESPECT

We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment.

INTEGRITY

We work with customers and prospects openly, honestly and sincerely. When we say we will do something, we will do it; when we say we cannot or will not do something, then we won't do it.

EXCELLENCE

We are satisfied with nothing less than the very best in everything we do. We will continue to raise the bar for everyone. The great fun here will be for all of us to discover just how good we can really be.

The "Lived" Culture Trumps Codes & Rules!



What are the top three things that give you satisfaction and commitment in your workplace?

78%	1. Challenging, Meaningful Work	50.0
36%	2. Leadership Credibility and Trust	84.8
40%	3. Opportunity for Growth and Development	50.0
	4. Organizational Culture and Purpose	69.6
12%	5. Ownership	24.4
26%	6. Quality of Life/Work Balance	28.3
4%	7. Relationships with Coworkers, Customers	39.1
34%	8. Total Compensation	50.0
24%	9. Work Recognition	39.1

What are the top three things that give you satisfaction and commitment in your workplace? CPT

72%	1. Challenging, Meaningful Work	50.0
15%	2. Leadership Credibility and Trust	84.8
38%	3. Opportunity for Growth and Development	50.0
	4. Organizational Culture and Purpose	69.6
18%	5. Ownership	24.4
54%	6. Quality of Life/Work Balance	28.3
15%	7. Relationships with Coworkers, Customers	39.1
31%	8. Total Compensation	50.0
13%	9. Work Recognition	39.1

Case #5: AlphaMax and trustee education

- I AlphaMax Asset Managers has recently been appointed to manage a balanced portfolio for the Bleakfuture Pension Fund. Ray Chingbull one of the trustees of Bleakfuture Pension Fund asks Thembela Mdini of AlphaMax to arrange for the firm to sponsor an educational event for the group of 12 trustees with a R50,000 donation. The two-day event will take place at one of Johannesburg's top hotels with the trustees' annual gala dinner included on the first night.

- 10% a) **AlphaMax should sponsor the event and the dinner as a client service and relationship building opportunity.**
- 52% b) **Its okay if Alphamax only sponsors the education event**
- 38% c) **It's not okay.**

Case #5: AlphaMax and trustee education - CPT

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- 5% a) **AlphaMax should sponsor the event and the dinner as a client service and relationship building opportunity.**
- 45% b) **Its okay if Alphamax only sponsors the education event**
- 50% c) **It's not okay.**

AlphaMax and trustee education : Applying the Code & Standards

- | **Question: Are there any situations where gifting is acceptable?**

- | 1.b Independence & objectivity
- | 3.b Fair dealing...with all clients when engaging in professional activities
- | 6.a Disclosure of conflicts...of all matters that could impair their independence
- | 1.a. Knowledge of Law (FAIS Act: R1000 p.p.p.a.).
 - | How to deal with the “Trustee Loophole”?
- | 6.c Duties to Employers – Responsibility of Supervisors

Case #6: The sale of Whistlestop Ltd

I Damon is a trainee investment administrator at a medium-sized asset management firm and a CFA Level II candidate as he wishes to become an equity analyst.

He noticed recently that Bourne, one of the portfolio managers, appears to have favoured some of his larger clients' funds in allocating the sale of Whistlestop Ltd, an illiquid equity security, across all his portfolios.

Damon investigates and finds this also appears to have happened a number of times in the past on the sale of larger market cap equity holdings but was not picked up by compliance.

- 0% a) Nothing needs to be done – this is acceptable practice
- 88% b) Damon should challenge Bourne and report the matter to the firm's compliance officer
- 12% c) Damon should report the issue immediately to the regulatory authorities

Case #6: The sale of Whistlestop Ltd - CPT

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He noticed recently that Bourne, one of the portfolio managers, appears to have favoured some of his larger clients' funds in allocating the sale of Whistlestop Ltd, an illiquid equity security, across all his portfolios.

Damon investigates and finds this also appears to have happened a number of times in the past on the sale of larger market cap equity holdings but was not picked up by compliance.

- 3% a) Nothing needs to be done – this is acceptable practice
- 66% b) Damon should challenge Bourne and report the matter to the firm's compliance officer
- 32% c) Damon should report the issue immediately to the regulatory authorities

The sale of Whistlestop Ltd : Applying the Code & Standards

- | Principle: Equal treatment of clients = Treating Customers Fairly
- | 1.a The law 1.b Objectivity 1.d Misconduct...dishonesty, fraud
- | 3.a Loyalty, prudence and care...act for the benefit of their clients
- | 3.b Fair dealing...in taking investment action
- | Guidelines
- | obtain advance indications of client interest for new issues,
- | allocate new issues by client rather than by portfolio manager,
- | adopt a pro rata or similar objective method or formula for allocating trades,
- | treat clients fairly in terms of both trade execution order and price,
- | execute orders timely and efficiently,
- | keep accurate records of trades and client accounts, and periodically review all accounts to ensure that all clients are being treated fairly.

**Write down what it means to
“be a fiduciary”**

What are fiduciary obligations?

I **Duty of Loyalty**

- I Act in best interest of client
- I Act for client first
- I Avoidance of conflicts (avoid, disclose, recuse)
- I Act in Good Faith
- I Act only within powers granted

I **Duty of Care**

- I Apply skill and ability
- I Pay adequate attention
- I Exercise diligence
- I Be Reasonable & Prudent
- I Have unfettered thinking

Pre-requisite: The duty must be wilfully taken on.

Do unto others as you would have them do unto you.

Do for others as you would have them do for you

Case #7: Van Rensburg and the Money Market Fund

- I Van Rensburg is a portfolio manager at HardDrive Asset Management. Jackson, HardDrive's client services manager, introduces him to an agent with a potential R100 million money market fund client. The agent indicates he is placing the funds for "6 to 9 months". In the course of discussions, the agent negotiates aggressively for a 1.5% initial fee (commission) to be paid for introducing the client, and indicates this is the same commission he's been offered by another firm. The agent will not disclose the client's identity.
- I Van Rensburg suspects the agent is "flipping" the client's funds regularly to earn repeated commissions. Jackson argues that it is normal to pay commissions to agents, and within the firm's policy.
 - a) **Is there a potential breach of the Code & Standards?**
 - b) **What should van Rensburg do?**

Van Rensburg and the Money Market Fund: Applying the Code & Standards

- | **Question: It's not yet his client... what are his duties, if any?**
- | Ensure disclosure to end-client
- | Question why the client would be willing to "flip" fund: Kickbacks?
- | Report agent to FSB to ensure he's registered.
- | FICA/Money laundering regulations
- | Report entire situation appropriately: FSB, FIC

Moral High Ground:

"We would rather do no business than do bad business"

Self Preservation: *Smelly deals come back at you*

What are the top 3 ethical issues facing our industry?

10% 1. Softing

44% 2. Gifting

59% 3. Lack of ethical knowledge

4. Lack of disclosure

12% 5. Churning/flipping of funds

32% 6. Retirement fund trustee conduct

44% 7. Incentives

15% 8. Personal Account (PA) trading

2% 9. Other issues

What are the top 3 ethical issues facing our industry? - CPT

15% 1. Softing

54% 2. Gifting

59% 3. Lack of ethical knowledge

4. Lack of disclosure

13% 5. Churning/flipping of funds

31% 6. Retirement fund trustee conduct

38% 7. Incentives

10% 8. Personal Account (PA) trading

3% 9. Other issues

Defence Against the Dark Side

- | **Principle-based rather than rules-based:** Be consistent where there are rules
- | **Awareness/Identify Conflicts:** We all face ethical issues & choices all the time.
- | **Exercise your inner voice:** Avoid attachment
- | **Disclose, Disclose, Disclose:** “Would I tell this to my clients? my boss? my family? When in doubt, disclose!
- | **Discuss, Discuss, Discuss:** Question, engage, share, learn, practice candour; Engage Filters
- | **Build a true fiduciary culture:** Putting the client first...Not just on paper
- | **Employ Self Restraint:**
- | **Self Interest:** What’s the value of your reputation? What’s the PV of your career?
- | **Enable and protect whistle blowers**

My compliance department...

- 70% 1. Assists me in my work
- 9% 2. Obstructs me in my work
- 21% 3. Has no impact on what I do

Conclusions: Ethics is Good Business

- | Errors are made, but 95% are errors of judgment, not wilful malfeasance
- | “Bad guys don’t wear black hats”
- | Ethical dilemmas appear regularly
- | Ethical codes are enlightened self-interest
- | Every firm has some Code of Ethics...
- | ...but culture trumps rules! Walk the Talk!
- | Firms have a longer life than individuals...
- | ... but firms are made up people, errors are made.
- | Efficient Capital Markets depend on trust & integrity
- | Employer the problem?: Time to leave? report?
- | Do the right thing...lead by example...question.. discuss

A Canter/Futuregrowth 09/2008



| ends

