

Concepts	Description
Ethics and Trust in the Investment Profession	
Ethics	Ethics : a set of shared beliefs about what is good/acceptable behaviour, and what is bad/unacceptable behaviour
Code of ethics	Code of ethics : written set of moral principles that can guide behaviour by describing what is considered acceptable behaviour Profession : group of people with specialised skills and knowledge who serve others and agree to be have in accordance with a code of ethics Role of code of ethics in defining a profession : a way to communicate to the public that its members will use their knowledge and skills to serve their clients in an honest and ethical manner Code of ethics for members of CFA Institute : - Act with integrity, competence, diligence, respect and in ethical manner with the public, clients, employees, colleagues in the investment profession, and other participants in the global capital markets - Place the integrity of the investment professional and the interest of clients above their own personal interests - Use reasonable care and exercise independent professional judgement when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities - Practice and encourage other to practice in a professional and ethical manner - Promote the integrity and viability of the global capital markets for the benefit of society - Maintain and improve their professional competence and other investment professionals
Challenge to ethical behaviour	- Individuals tend to overrate the ethical quality of their behaviour on a relative basis, and overemphasize the importance of their own personal traits in determining the ethical quality of their behaviour - Situational influences (loyal to employer, supervisor, organisation, etc.) could cause individuals to act unethical ways, as they place more importance of their self-interest and short-term result than long-term result and ethical quality of their decisions and behaviour
Need for high ethical standards	Responsibility of investment professionals : use their specialised knowledge and skills to protect and grow client assets. Investment advice and management are intangible products → trust in investment professionals is very important Consequence of ethical failure : - Damage client wealth ; impede the success of investment firms and investment professionals - Lack of trust in financial advisors → reduce funds entrusted to the financial advisors → ↑ cost of raising capital for - Misallocation of capital → reduce the growth of the economy and the well-being of its people
Ethical versus legal standards	Not all unethical actions are illegal, and vice versa. Laws are more specific, and often address prior unethical behaviour Ethical behaviour requires more judgement
Framework for ethical decision making	Framework for ethical decision making : to lead to better decisions. The framework is as follows: - Identify : relevant facts, affected stakeholders and duties owed, ethical principles and conflict of interest and problem - Consider : Situational influences, additional guidance, alternative actions - Decide and act - Reflect : was the outcome as anticipated? why or why not?

Preview from Notesale.co.uk
Page 1 of 4