

## CFA Society Hong Kong Code & Standards

CFA Society Hong Kong adopts the CFA Institute's Code of Ethics and Standards of Professional Conduct.

### THE CODE OF ETHICS

Members of CFA Society Hong Kong 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 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 organisation, licensing agency, or professional association governing their professional activities. In the event of conflict, Members must comply with the more strict law, rule, or regulation. Members must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.
- B. Independence and Objectivity.** Members must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members 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 must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.
- D. Misconduct.** Members 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 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 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 have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members 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 must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

**C. Suitability.**

1. When Members 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 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 must make reasonable efforts to ensure that it is fair, accurate, and complete.

**E. Preservation of Confidentiality.** Members 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 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 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 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 must:

1. Exercise diligence, independence, and thoroughness in analysing 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 must:

1. Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyse 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 analysis, 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 must develop and maintain appropriate records to support their investment analysis, recommendations, actions, and other investment-related communications with clients and prospective clients:

## **VI. Conflicts of Interest**

- A. Disclosure of Conflicts.** Members 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 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 is the beneficial owner.
- C. Referral Fees.** Members 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 Society Hong Kong Member**

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