Response Form for the *Consultation Paper of the CFA Institute Code of Ethics and Standards of Professional Conduct*

The Standards of Practice Council (SPC) is considering recommending to the CFA Institute Board of Governors a number of changes to the CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards). These potential changes, and the committee's rationale for why these changes may be necessary, are set out in a Consultation Paper. The SPC is seeking public comment on the potential revisions. Your input will help the SPC shape its final recommendations to the Board of Governors on revisions to the CFA Institute Code and Standards.

Providing Feedback

Comments should be provided in this designated response form and submitted to standards@cfainstitute.org. This Consultation Paper and the designated response form are available here on the CFA Institute website.

The deadline for providing feedback is 8 July 2022. **Comments received after 8 July 2022 will not be considered**.

A summary of the comments will be made publicly available at the conclusion of the comment period. Identifying information or attribution of the specific comments made by those responding to the Consultation Paper will NOT be made public.

Guidelines for submission

Comments are most useful when they:

- directly address a specific issue or question,
- provide a rationale and support for the opinions expressed, and
- suggest alternative solutions in the event of disagreement.

Positive comments in support of a proposal are equally as helpful as those that provide constructive suggestions for improvement.

Requirements for submission

For comments to be considered, please adhere to the following requirements:

- Insert responses to numbered questions in the designated areas of the response form.
- Assign a unique file name to your response form before submitting.
- Provide all comments in English.
- Submit the response form as a Microsoft Word document.

Submit the response form to standards@cfainstitute.org by 5:00 PM E.S.T. on8 July 2022.

General Information (required)

Respondent: *(Please enter your full name if you are submitting as an individual or the name of the organization if you are submitting on behalf of an organization.)*	Indian Association of Investment Professionals (IAIP), a member society of the CFA Institute
Stakeholder Group: *(Please select the stakeholder group with which you most closely identify.)*	CFA Institute Member/Charterholder
Region: *(If you are submitting as an individual, please selectthe region in which you live.If you are submitting on behalf of an organization and the organization has a significant presence in multiple regions, please select "Global". Otherwise, please select the region in which the organization has its main office.)*	Asia-Pacific
Country: *(If you are submitting as an individual, please enterthe country in which you live. If you are submitting on behalf of an organization, please enter the country in which the organization has its main office.)*	India

QUESTIONS FOR EACH PROPOSED CHANGE

1) Adding a General Transparency Standard

1. Is the new standard too onerous or does it set a bar that is too high for professional conduct? Or, does the new standard not go far enough in requiring the expected ethical conduct of investment professionals?

Response: The standards do not seem to be onerous. We believe that the CFA Institute Code of Ethics and Standards of Professional Conduct should be the gold standard for professional and not a minimum requirement.

Currently, the CFA standards are lagging behind and most of the global financial institutions have much more stringent code of conducts for their employees.

Also, most of the financial regulators around the world like SEC, EMIR, SEBI etc. also mandate much stricter standards for the investment professionals.

We believe CFA Standards should be the touchstone for investment professionals.

2. Should investment professionals be expected to be transparent with parties other than their clients?

Response: We believe investment professionals need to be transparent with all the stakeholders, not just clients. There needs to be underlying responsibility put on investment professionals to communicate transparently to all the parties involved and across all platforms.

We believe that in today's world, investment professional and financial companies are communicating and interacting with their clients and stakeholders on multiple levels and multiple platforms, and there is a need to have a broad level transparency standard, so that the message is clear and same across the board.

3. Is the new standard too vague or aspirational in nature, making it difficult to comply with or enforce?

Response: We suggest that the proposed CFA standard language of "reasonable effort" needs to be replaced with "all possible effort".

This again comes from believing that CFA standard should be the leading light in terms of ethics and code of conduct in the financial industry, only than CFA Charter will be able to maintain its edge.

4. Is the conduct addressed by the new standard primarily undertaken by investment professionals in an individual capacity or does the new standard more directly apply to firm-level conduct? Can individual members be expected to influence the employers on these matters?

Response: The standard should apply to both individuals and firm-level conduct.

We believe limiting it to only individual members may lead to members and firms side-stepping the standards and the spirit of the standards would be diluted.

The individual members should be held responsible for any breach of conduct either at individual level or at firm level, only than members and firms would not be able to shriek responsibility.

5. Is the potential language of the new standard clear in establishing the conduct that is required?

Response: We suggest that the proposed CFA standard language of "reasonable effort" needs to be replaced with "all possible effort".

Similar to our response to Question 3 above.

6. What other comments do you have for this new standard?

Response: We strongly believe that the current set of CFA standards are lagging behind and the institutions and regulators have moved much ahead.

We appreciate this effort to update the CFA standards as this will make sure that CFA Charter retains the value that is associated with it.

2) Revising the Conflict of Interest Standard to Address Avoiding Conflicts of Interest

1. Is the revised standard too onerous or does it set a bar that is too high for professional conduct? Or, does the revised standard not go far enough in requiring the expected ethical conduct of investment professionals?

Response: We believe that avoiding conflicts of interest may not be practical in the current interconnected world.

The standards needs to be designed considering so that they are implementable.

The individuals or firm cannot be expected to avoid conflicts of interest, they need to be transparent about the same with all stakeholders, including their clients.

We understand that sometimes just declaring the conflict is not enough and disclosures are being used as a way to perpetrating conflict.

This needs to be addressed by outlining the methods to make conflict of interest disclosures more effective and transparent.

2. Is the revised standard too vague or aspirational in nature, making it difficult to comply with or enforce?

Response: We believe that the new standards proposed may be aspirational in nature and it would not be possible to enforce the same.

We would suggest that instead of avoiding conflict of interest, the standards should focus on mandating that investment professionals should have transparent and upfront disclosure on the areas of conflict to all stakeholders.

Further, the standard should cover areas of conflict in all areas and not just focus on fees. The standard can actually outline what could be the potential areas of conflict and what could be the good practices to mitigate those conflicts.

3. Is the potential language of the revised standard clear in establishing the conduct that is required?

Response: We believe that the CFA members should be expected to mitigate conflict and wherever mitigation of conflict of interest is not possible, the CFA standards should mandate a clear and transparent method to declare conflict.

We would suggest that standards should recommend investment professionals to have an “Investment Charter” signed with their clients and put in public domain, which outlines the services offered along with the potential areas of conflict.

The Indian Financial Market regulator SEBI has mandated similar “Investment charter” under its Investment Advisor (IA) regulations.

4. Is the phrase “when feasible” straight-forward or is there better terminology for this concept?

Response: We actually suggest that avoiding conflict of interest is not practical, it is better to suggest ways of conflict mitigation and improving disclosure standards.

5. Is the conduct addressed by the revised standard primarily undertaken by investment professionals in an individual capacity or does the revised standard more directly apply to firm-level conduct? Can individual members be expected to influence the employers on these matters?

Response: The standard should apply to both individuals and firm-level conduct.

We believe limiting it to only individual members may lead to members and firms side-stepping the standards and the spirit of the standards would be diluted.

The individual members need to ensure that both senior management and team members are apprised of the potential areas of conflict.

6. What other comments do you have for this revised standard?

Response: We believe that financial institutions are much ahead than CFA standards in terms of conflict of interest regulations, so CFA standards can focus on imbibing those changes.

3) Adding a Standard Requiring Disclosures Relating to Nature of Services and Fees, Costs, or Compensation

1. Is the new standard too onerous or does it set a bar that is too high for professional conduct? Or, does the new standard not go far enough in requiring the expected ethical conduct of investment professionals?

   Response: We support the recommendation that investment professionals clearly declare the cost and fees associated with their service to the clients.

   But, we believe that the standards should not just focus on fees or brokerage.

   There is need to have broader standards to include declarations by investment professionals and firms, regarding soft dollar commissions and total cost components, to its client and other stakeholders.

2. Is the new standard too vague or aspirational in nature, making it difficult to comply with or enforce?

Response: We believe the new standard is in the right direction. We would suggest that it should be made even wider in reach.

3. Is the potential language of the new standard clear in establishing the conduct that is required?

Response: We believe the new standard is in the right direction. We would suggest that it should be made even wider in reach.

4. Is the conduct addressed by the new standard primarily undertaken by investment professionals in an individual capacity or does the new standard more directly apply to firm-level conduct? Can individual members be expected to influence the employers on these matters?

Response: The standard should apply to both individuals and firm-level conduct.

We believe limiting it to only individual members may lead to members and firms side-stepping the standards and the spirit of the standards would be diluted.

5. What other comments do you have for this revised standard?

Response: No Comments

4) Supplementing the Supervisory Standard to Require Senior Leaders to Promote Ethical Culture

1. Does the revised standard fill a gap in the current Code and Standards or is the change redundant to existing standards?

Response: We support the changes in standards to make senior leaders and supervisors responsible for promoting a culture of ethical conduct.

We agree that it is not enough to ensure that all rules and regulations are being followed. Supervisors and senior leaders need to make an effort to promote a culture of ethical conduct.

But, we would also suggest that all investment professionals should be made responsible for promoting ethical culture. By limiting the scope of promoting culture to seniors, this may lead to juniors shrieking their responsibility.

2. Is the concept of "a culture of ethical conduct" straightforward or is it too vague or aspirational in nature, making it difficult to comply with or enforce?

Response: We support that the standard is focusing on promoting an ethical culture in the organization. We have seen several examples where just by writing manuals and written guidance and not focusing on their implementation, senior leaders have shrieked from the responsibility.

It is important that if there is a decay in ethical culture, investment professionals across the strata are held responsible.

3. Is the concept of "senior leader" straight forward or is it too vague?

Response: We would also suggest instead of senior leaders, the standard should focus on all investment professionals.

By limiting the scope of promoting culture to seniors, this may lead to juniors shrieking their responsibility.

It is important that all investment professionals are included, as most of times the real ground work or client facing role may be handled by juniors.

4. Would this change be too onerous, or does it set a bar that is too high for professional conduct?

Response: We suggest broadening this standard to apply to all investment professionals across the strata.

We had a case where perpetual bonds issued by Private bank in India were being sold to retail customers by the bank's executives without clearly defining and declaring the risk associated. And the senior management was taking the plea that they have created manuals to be followed by juniors and shrieking responsibility. It was only after regulator intervened that they have been held accountable.

This case outlines the need for having this standard in place.

5. Is establishing an ethical culture primarily undertaken by investment professionals in an individual capacity or does the revised standard more directly apply to firm-level conduct?

Response: The standard should apply to both individuals and firm-level conduct.

We believe limiting it to only individual members may lead to members and firms side-stepping the standards and the spirit of the standards would be diluted.

6. What other comments do you have for this revised standard?

Response: No Comments

5) Establishing an Exception to the Confidentiality Standard to Protect Impaired Clients

1. Is adding this exception to the confidentiality standard appropriate?

Response: We completely support and appreciate this change in the standard.

As the world demography is changing, we believe that it's a progressive step to update standard to protect impaired clients.

There are several financial institutions, which have already included these requirements in their code of conducts and investment professionals are already being trained to imbibe these changes.

2. Is the potential language of the revised standard clear in establishing the conduct that is required?

Response: We agree to the suggested changes.

3. Is the concept of "diminished mental or cognitive capacity" straightforward or is it too vague?

Response: We agree to the suggested changes.

The investment professional will need to make this call going forward as the world population gets older and this will always be subjective and vary with situations.

4. Is the revised standard too onerous or does it set a bar that is too high for professional conduct? Can investment professionals be expected to evaluate the mental and cognitive capacity of their clients?

Response: We believe that the revision in the standard is the need of hour.

5. What other comments do you have for this revised standard?

Response: No comments

6) New Standard Specifically Requiring Competency

1. Does the new standard fill a gap in the current Code and Standards or is the change redundant to existing requirements of the Code and Standards?

Response: We support the changes in the standard to broaden the definition of competency and make it more explicit.

In the current fast evolving world, every professional need to improve constantly to keep up and it is even more important for investment professionals.

2. Is the concept of "competency" straightforward? Or would a competency standard be too vague or aspirational in nature?

Response: We would suggest that CFA standard can recommend that the requirement to complete CE credits be made more stringent and institute may take steps to ensure that members are encouraged to continue their education and enhance their competency.

3. Is the potential language of the new standard clear in establishing the conduct that is required?

Response: We support the changes.

4. What other comments do you have for this new standard?

Response: No comments

7) Consolidating and combining certain Standards

1. Should the requirements of the performance presentation standard be subsumed in another standard or remain as a separate standard?

Response: No comments

2. Should the requirements of the additional compensation standard be subsumed in another standard or remain as a separate standard?

Response: No comments

3. Should the requirements of the disclosure of referral fees standard be subsumed in another standard or remain as a separate standard?

Response: No comments

4. What other comments do you have for these potential changes?

Response: No comments

OVERALL / SUMMARY COMMENTS

Are there other ways in which the Code and Standards should be revised that are not reflected in these potential changes?

Response: We believe that the CFA Standard II – Integrity of Capital markets, also needs to be overhauled.

The capital markets have evolved considerably and so have ways to manipulate the markets.

The markets around the world are being run by Algos, HFTs and dark pools. There is a need for CFA Standard to be overhauled to guide investment professionals and update standards considering these potential new areas of market manipulations.

Overall / summary comments on the Consultation Paper:

We support and appreciate the efforts to update the CFA Institute Code of Ethics and Standards of Professional Conduct.

The financial institutions and regulators have moved far ahead in defining the code of conducts and standards. It is high time that the CFA Standards are being updated.

We believe the CFA standards should be the gold standard for investment professional.