

Response Form
for the
Exposure Draft of the
CFA Institute Code of Ethics and Standards of Professional Conduct

The Standards of Practice Council (SPC) is recommending to the CFA Institute Board of Governors a number of revisions to the CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards). These potential changes—and the committee’s views supporting these revisions—are set out in an exposure draft. The SPC is seeking public comment on the recommended revisions. Your input will help the SPC shape the committee’s final recommendations to the Board of Governors on revisions to the CFA Institute Code and Standards and will ultimately influence the required professional conduct of CFA Institute members and candidates for the CFA designation.

Providing Feedback

Comments should be provided in this designated response form and submitted to standards@cfainstitute.org. The Exposure Draft and the designated response form are available [here](#) on the CFA Institute website.

The deadline for providing feedback is 6 March 2023. **Comments received after 6 March 2023 will not be considered.**

A summary of the comments may 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. on 6 March 2023.

General Information (required)

Respondent: <i>(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.)</i>	Indian Association of Investment Professionals (IAIP), a member society of the CFA Institute
Stakeholder Group: <i>(Please select the stakeholder group with which you most closely identify.)</i>	CFA Institute Member/Charterholder
Region: <i>(If you are submitting as an individual, please select the 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.)</i>	Asia-Pacific
Country: <i>(If you are submitting as an individual, please enter the 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.)</i>	India

QUESTIONS FOR EACH PROPOSED CHANGE

1) Revise the conflict of interest standard to require avoiding conflicts of interest when feasible.

1. Do you agree with revising the conflicts of interest standard in the CFA Institute Code and Standards as written? Please explain why you agree or why you do not.

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. What other language, if any, would you suggest to more clearly state the requirements of CFA Institute members and candidates under this standard?

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. What guidance would you suggest CFA Institute publish to clarify the language of the standard and explain CFA Institute members' and candidates' obligations under this standard?

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. What specific circumstances would you like to see addressed by examples providing guidance for this standard?

The standards should be applicable at both individual and firm level, so that should be included in the example.

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

The standards should be applicable at both individual and firm level. 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.

2) Add a new standard requiring members and candidates to achieve and maintain competence

1. Do you agree with adding this competency standard to the CFA Institute Code and Standards as written? Please explain why you agree or why you do not.

We agree to the changes. 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. What other language, if any, would you suggest to more clearly state the requirements of CFA Institute members and candidates under this standard?

We agree to the language proposed.

3. What guidance would you suggest CFA Institute publish to clarify the language of the standard and explain CFA Institute members and candidates' obligations under this standard?

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.

4. What specific circumstances would you like to see addressed by examples providing guidance for this standard?

We would like to include the need for continued education via CE credits. The idea is not to penalize but to incentivize. For example, if member complete CE credits for 3 years in row, he gets a certificate or badge, which can be used as an incentive.

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

No other comments.

3) Revise the confidentiality standard to establish an exception that protects impaired clients.

1. Do you agree with adding this exception to the confidentiality standard to the CFA Institute Code and Standards as written? Please explain why you agree or why you do not.

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. What other language, if any, would you suggest to more clearly state the requirements of CFA Institute members and candidates under this standard?

None

3. What guidance would you suggest CFA Institute publish to clarify the language of the standard and explain CFA Institute members' and candidates' obligations under this standard?

None

4. What specific circumstances would you like to see addressed by examples providing guidance for this standard?

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.

Though, we believe this is very subjective in nature, so more examples, will help charterholders get some insights and learnings on how to follow this standard.

5. What other comments do you have for this exception within the standard?

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

4) Add a new standard of requiring disclosures relating to the nature of the services and costs and fees of those services

1. Do you agree with adding this standard to requiring disclosure of the nature of the services and their associated costs and fees to the CFA Institute Code and Standards as written? Please explain why you agree or why you do not.

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. What other language, if any, would you suggest to more clearly state the requirements of CFA Institute members and candidates under this standard?

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

3. What guidance would you suggest CFA Institute publish to clarify the language of the standard and explain CFA Institute members' and candidates' obligations under this standard?

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

4. What specific circumstances would you like to see addressed by examples providing guidance for this standard?

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 new standard?

No comments

5) Add a new standard on transparency relating to disclosures about professional activities

1. Do you agree with adding this standard requiring transparency to the CFA Institute Code and Standards as written? Please explain why you agree or why you do not.

We agree to this new standard. This is much needed.

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.

2. What other language, if any, would you suggest to more clearly state the requirements of CFA Institute members and candidates under this standard?

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

3. What guidance would you suggest CFA Institute publish to clarify the language of the standard and explain CFA Institute members and candidates' obligations under this standard?

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.

4. What specific circumstances would you like to see addressed by examples providing guidance for this standard?

No comments

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

No comments

OVERALL / SUMMARY COMMENTS

Please provide any additional, overall, or a summary of your comments on the proposed changes to the Code and Standards outlined in the Exposure Draft:

We see that one of the proposed revision for Supplementing the Supervisory Standard to Require Senior Leaders to Promote Ethical Culture, has not been included in the draft.

We believe the same needs to be considered. We believe that changes are required in standards to make senior leaders and supervisors responsible for promoting a culture of ethical conduct.

We believe 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.

We have seen several examples where just by writing manuals and written guidance and not focusing on their implementation, senior leaders have shirked from the responsibility.

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

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 shirking responsibility. It was only after regulator intervened that they have been held accountable.

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