

ETHICS OPPORTUNITY

DANA DAY

PARTNERSHIPS DIRECTOR, EMEA
CFA INSTITUTE

#CFADifference @CFAINstitute @CFA_SA



1
CFA Institute



147
Member Societies



137,000
CFA Institute Members





CFA Society
South Africa

1,619

Society Members

CFA Institute





CFA Society
South Africa

CFA Institute



1,619

Society Members

3,230

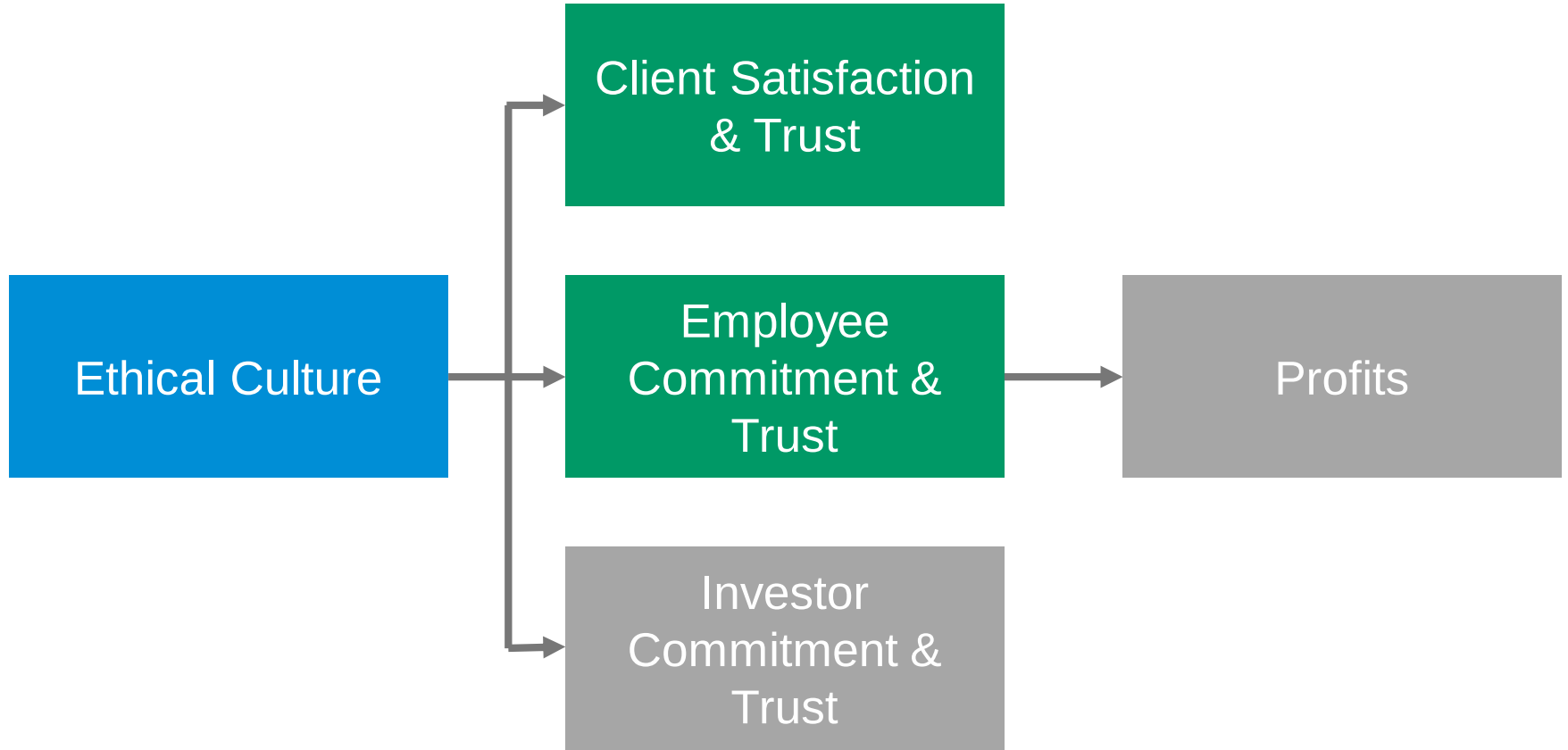
CFA Candidates

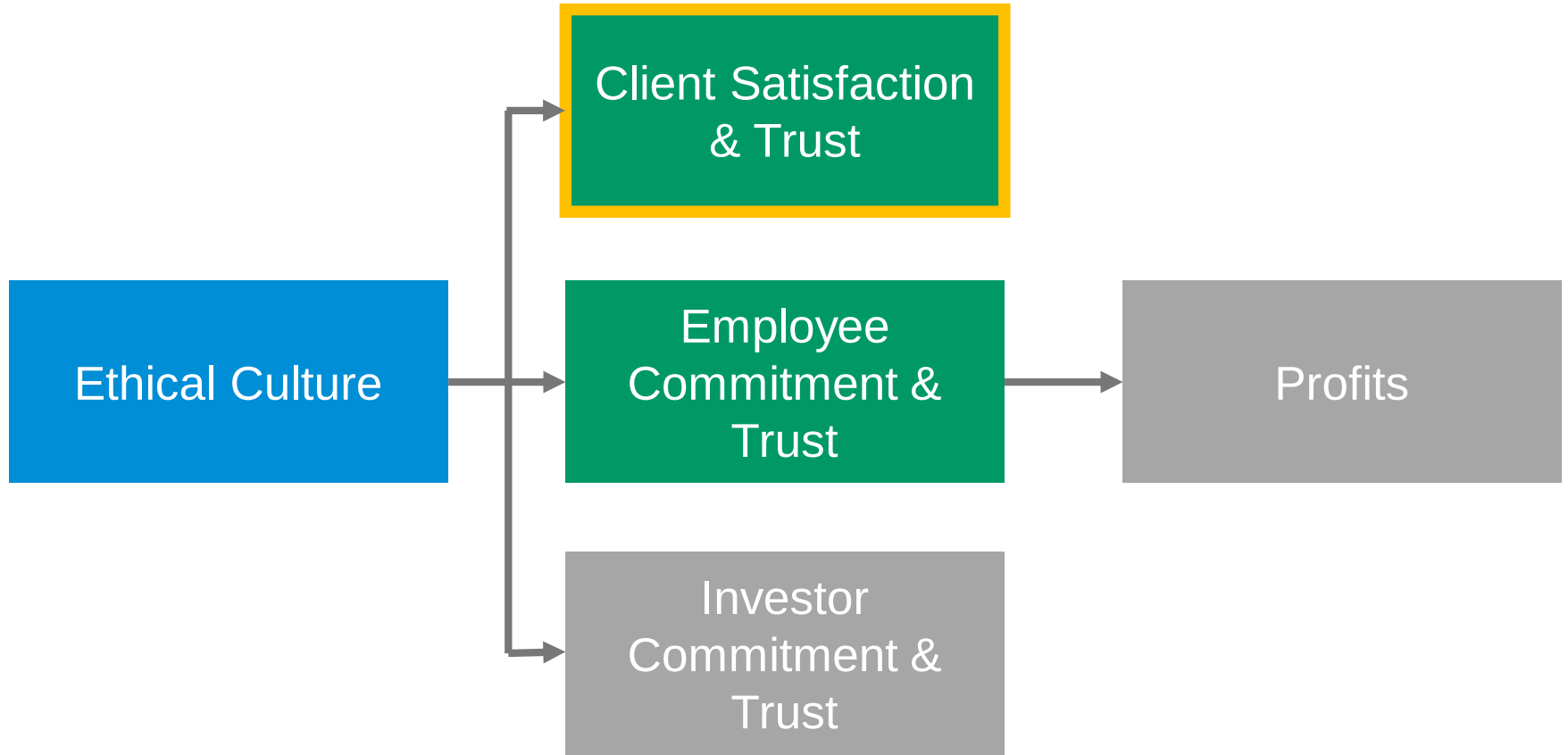




CFA Institute

To lead the investment profession globally by promoting the highest standards of **ethics, education,** and **professional excellence** for the ultimate benefit of society.







FROM TRUST TO LOYALTY:

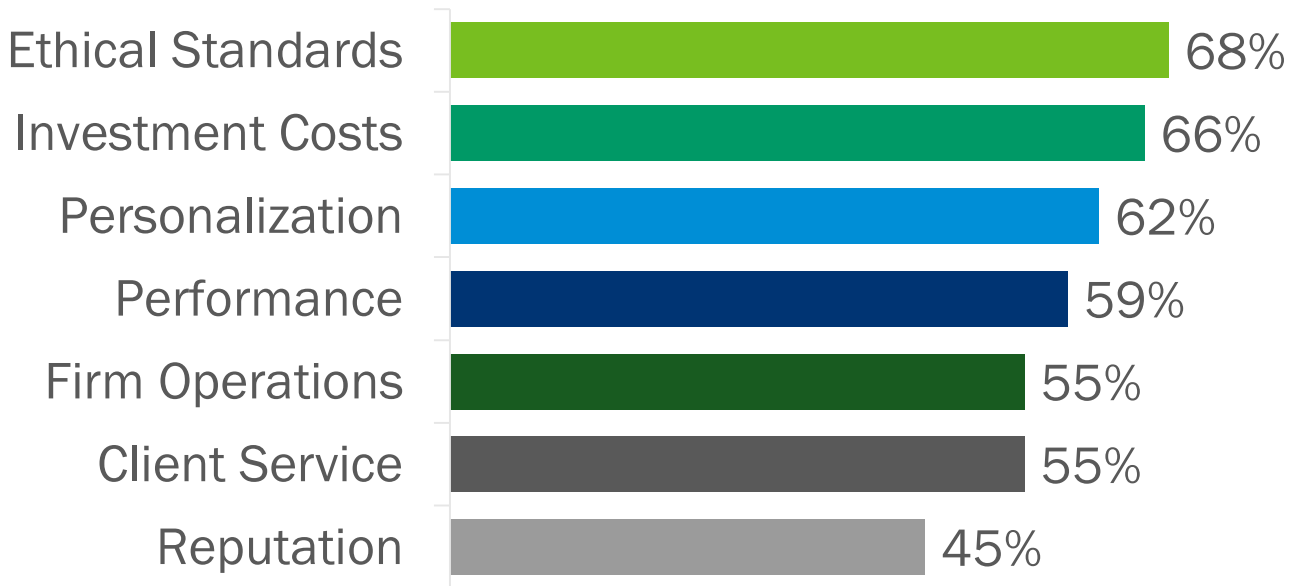
A GLOBAL SURVEY OF

WHAT INVESTORS WANT

2016

<http://cfa.is/1ZvA8Jm>

How Important?



Total Institutional Investors (n=502). Below are a number of statements that could describe an Investment Firm. In thinking about your investment needs, how important is it to you that an Investment Firm do the following. Use a 9-point scale where 1 means that the statement is “not at all important” and 9 means it is “most important” for an Investment Firm to do.

Competitive Advantage

Expected

Valued

Differentiators

ESSENTIALS	INVESTORS WOULD PAY MORE FOR	DIFFERENTIATORS
Has adopted a recognized code of conduct for the industry Has never had regulatory or compliance violations Sets fee arrangements so my financial interests and the firm's are aligned Emphasizes its commitment to ethical behavior in communications to me and the market	Acts in an ethical manner in all our interactions Fully discloses fees and other costs Has reliable security measures to protect my data Generates returns similar to or better than a target benchmark Generates returns similar to or better than other firms (in comparable products) Takes time to understand my organization's priorities, liability structure, and political dynamics with different stakeholders	Acts as a partner in problem solving; goes beyond a specific mandate to lend insight on our investment concerns Communicates proactively about market dynamics and their effect on my portfolio Employs investment professionals with credentials from respected industry organizations

Source: 2016 CFA Institute Global Investor Survey.

Competitive Advantage

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Differentiators

ESSENTIALS

Has adopted a recognized code of conduct for the industry

Has never had regulatory or compliance violations

Sets fee arrangements so my financial interests and the firm's are aligned

Emphasizes its commitment to ethical behavior in communications to me and the market

INVESTORS WOULD PAY MORE FOR

Acts in an ethical manner in all our interactions

Fully discloses fees and other costs

Has reliable security measures to protect my data

Generates returns similar to or better than a target benchmark

Generates returns similar to or better than other firms (in comparable products)

Takes time to understand my organization's priorities, liability structure, and political dynamics with different stakeholders

DIFFERENTIATORS

Acts as a partner in problem solving; goes beyond a specific mandate to lend insight on our investment concerns

Communicates proactively about market dynamics and their effect on my portfolio

Employs investment professionals with credentials from respected industry organizations

ASSET MANAGER CODE OF PROFESSIONAL CONDUCT

1,300 +

The Asset Manager Code of Professional Conduct outlines the ethical and professional responsibilities of firms ("Managers") that manage assets on behalf of clients. By adopting and enforcing a code of conduct for their organizations, Managers demonstrate their commitment to ethical behavior and the protection of investors' interests.

GENERAL PRINCIPLES OF CONDUCT

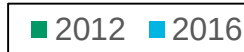
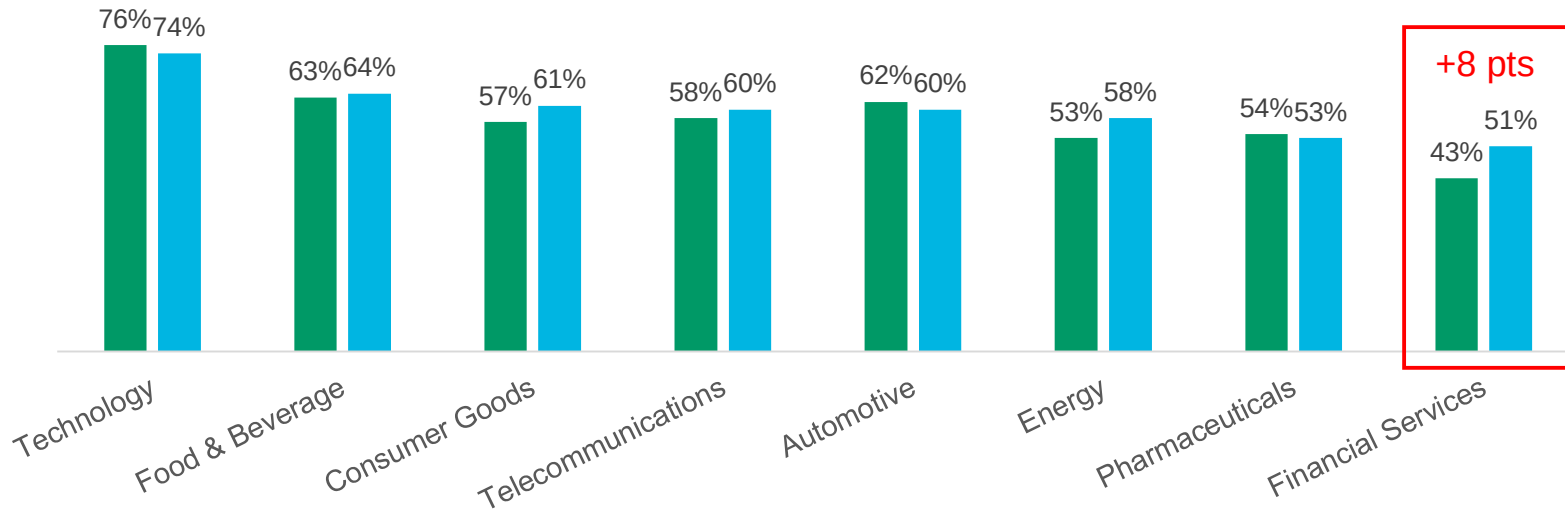
Managers have the following responsibilities to their clients.

Managers must:

1. Act in a professional and ethical manner at all times.
2. Act for the benefit of clients.
3. Act with independence and objectivity.
4. Act with skill, competence, and diligence.
5. Communicate with clients in a timely and accurate manner.
6. Uphold the applicable rules governing capital markets.

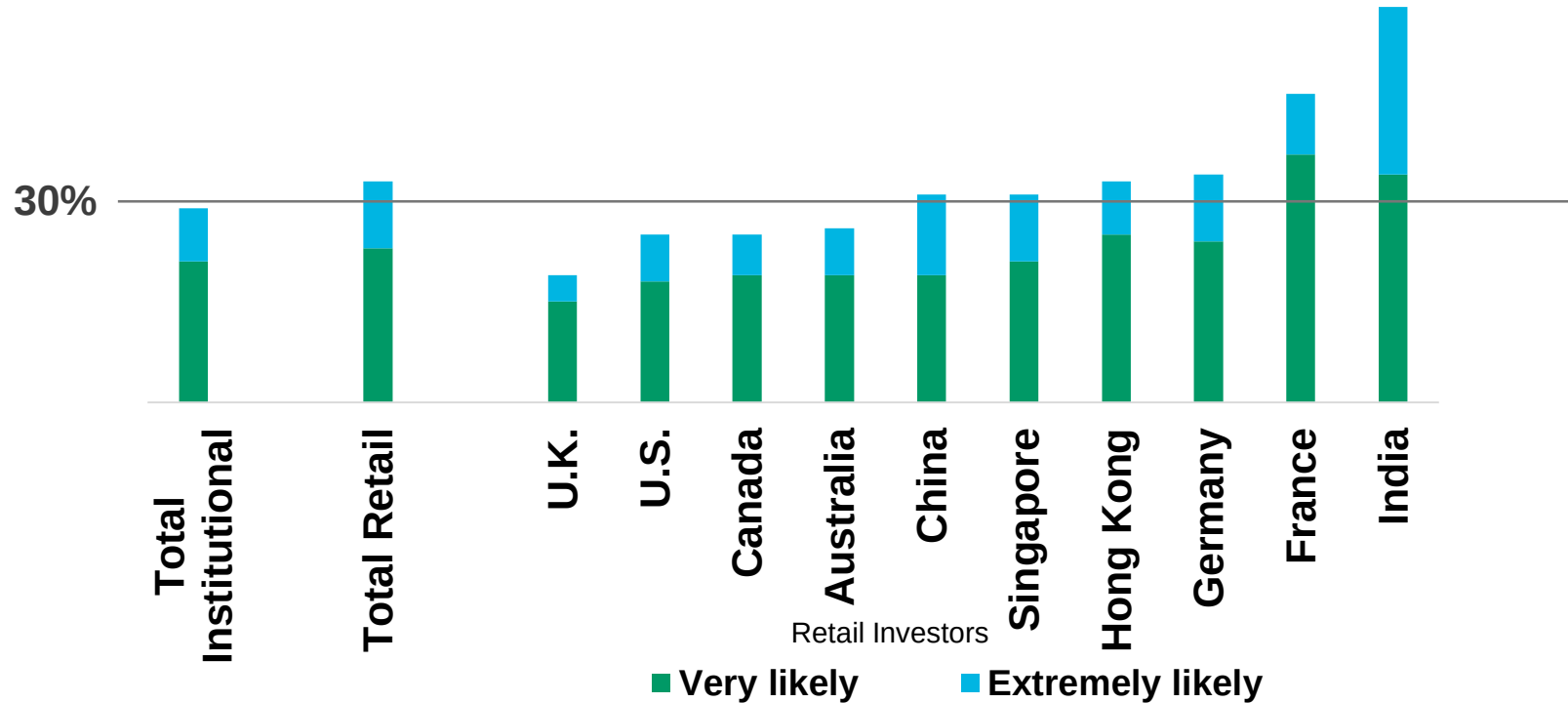
Progress, But Work to Do

How much do institutional investors trust businesses in these industries to do what is right?



Source: 2012 & 2016 Edelman Trust Barometer

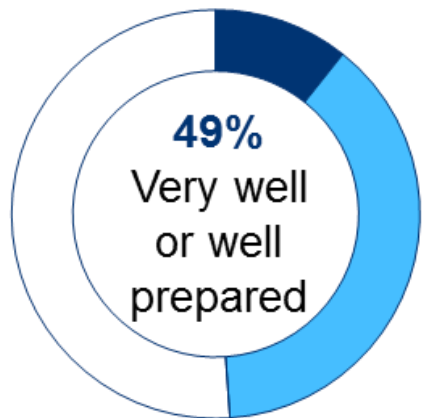
Nervous Investors



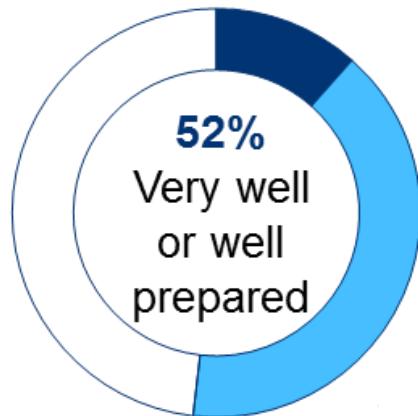
Source: 2016 CFA Institute Global Investor Survey. How likely it is that there will be another financial crisis within the next 3 years?
Total respondents; % "extremely / very likely"

Perception

Total Institutional Investors

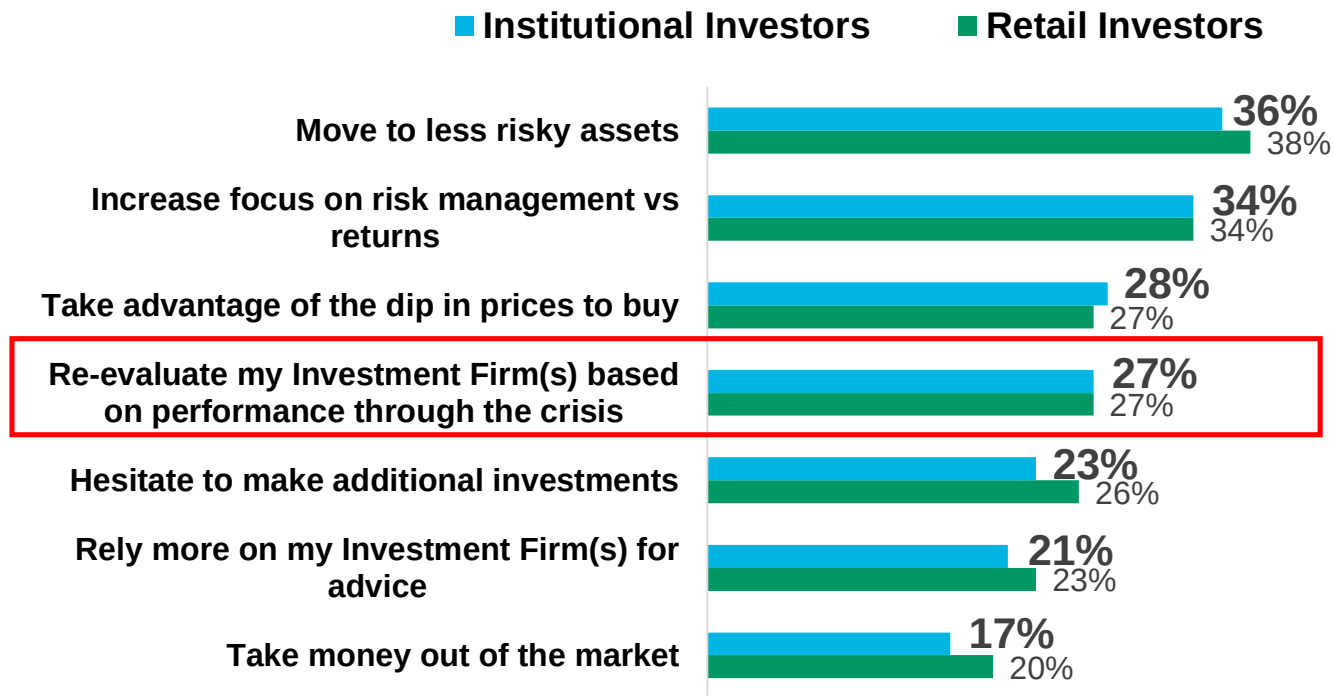


Total Retail Investors

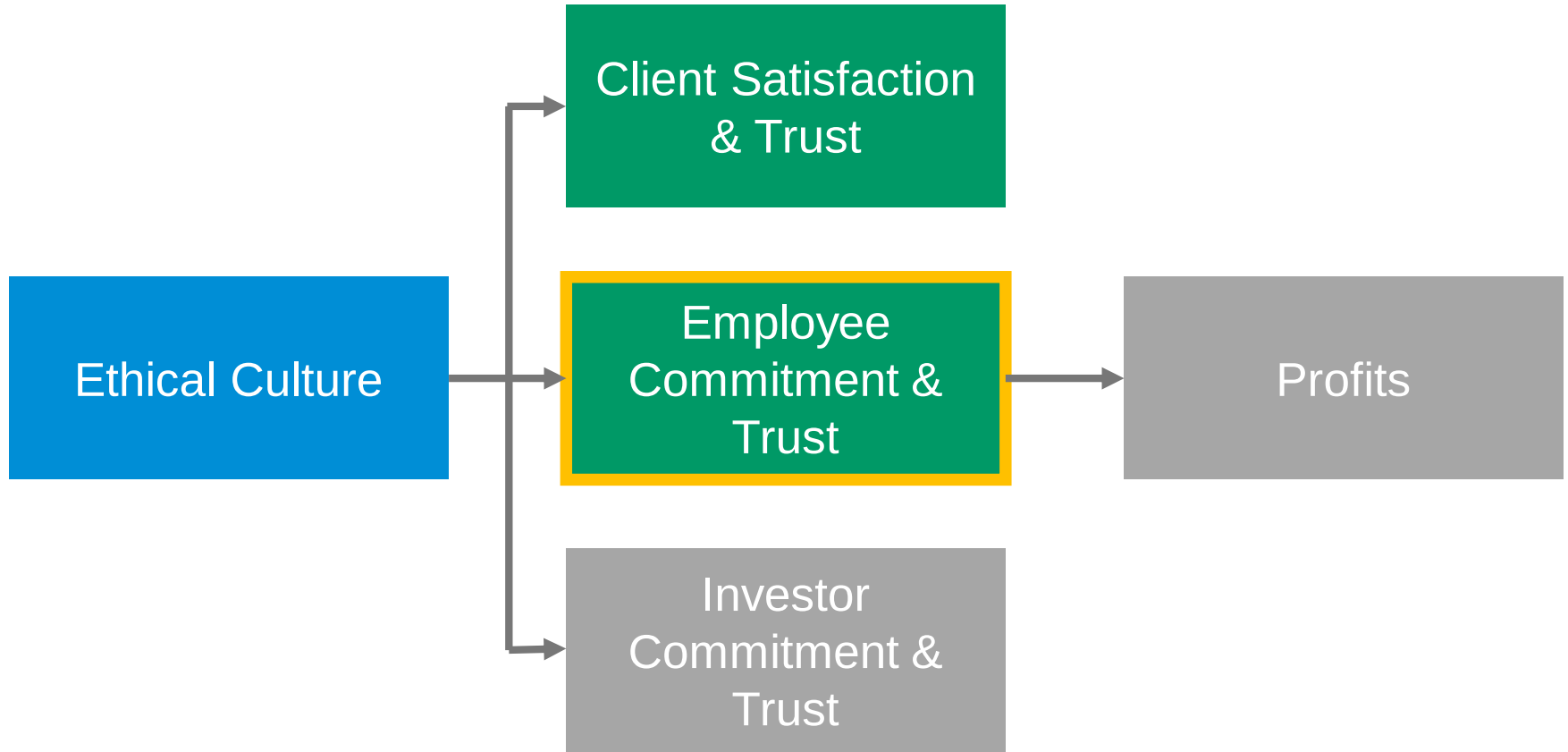


How prepared do you think your investment firm(s) are to manage your portfolio through a financial crisis? Total Respondents; % "very well prepared/well prepared"]

Pressure



In what ways would a financial crisis impact your investment behavior? Total Respondents; Respondents selected up to 3 responses



Knowledge



Security Analysis



Portfolio Analysis



Investment
Industry
Understanding

Knowledge Ethics



137,000

CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

THE CODE OF ETHICS

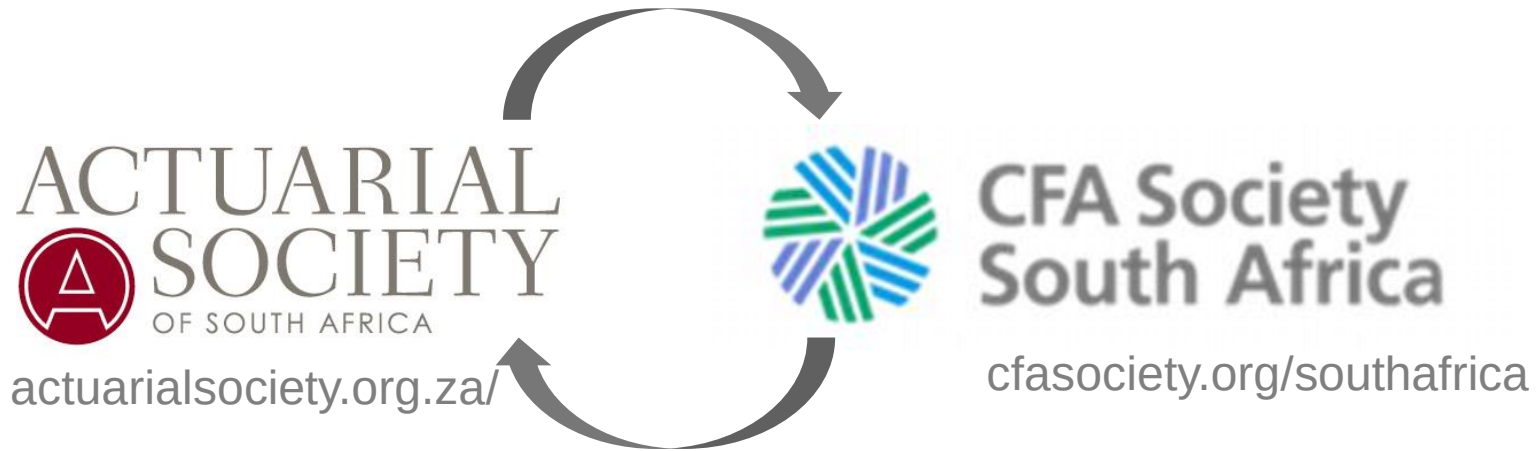
Members of CFA Institute (including CFA charterholders) and candidates for the CFA designation ("Members and Candidates") must:

- 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 and viability of the global capital markets for the ultimate benefit of society.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

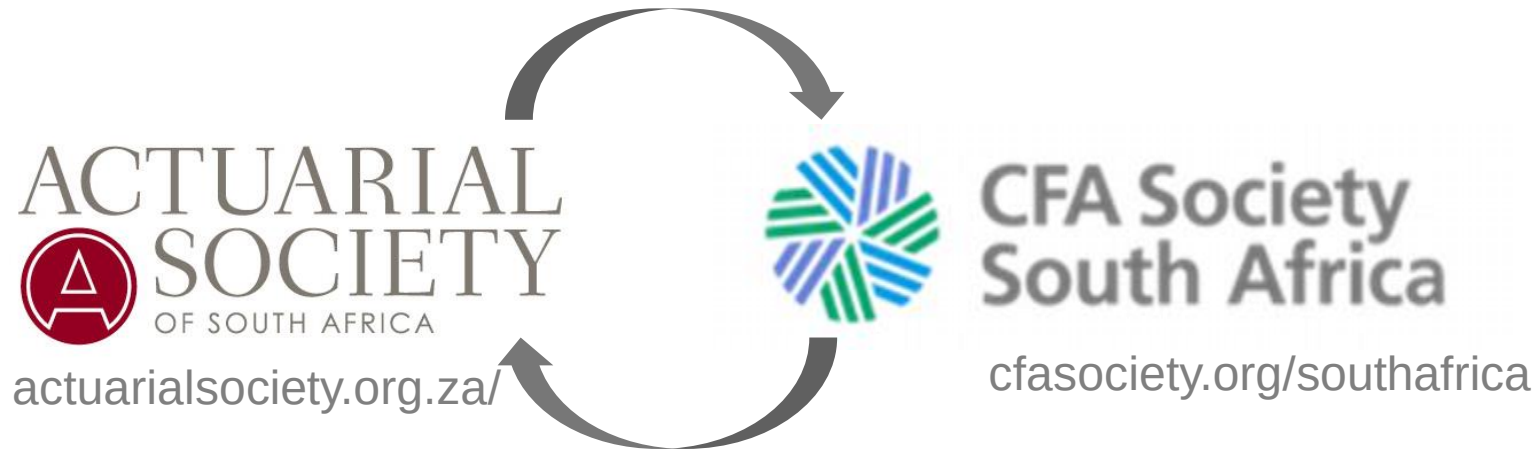
STANDARDS OF PROFESSIONAL CONDUCT

<http://cfa.is/1IBvSk3>

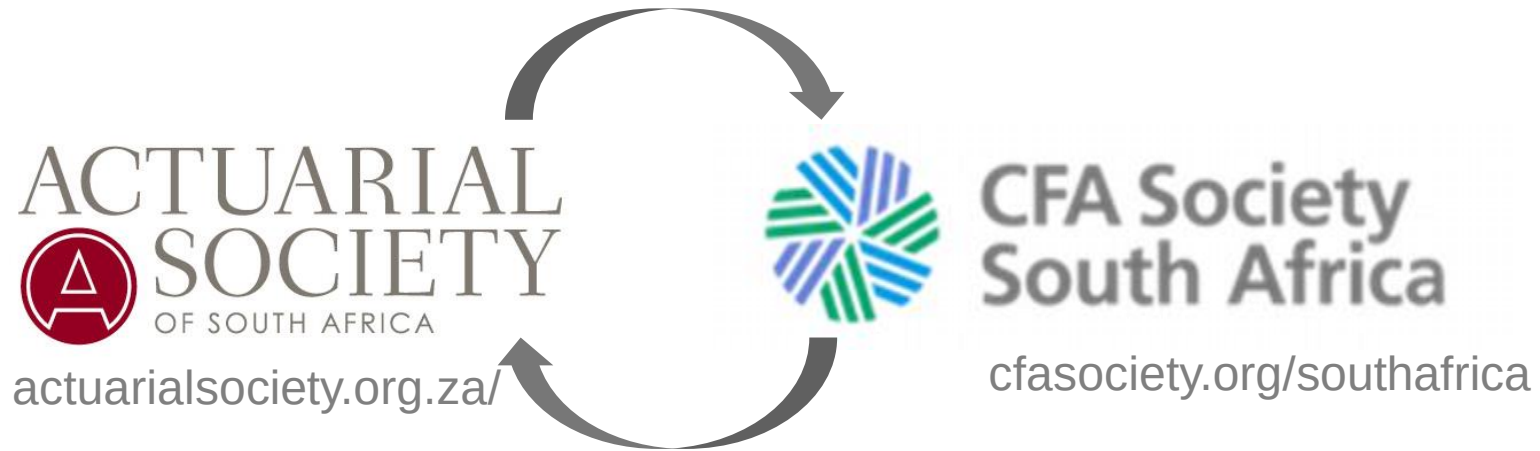
Perspective



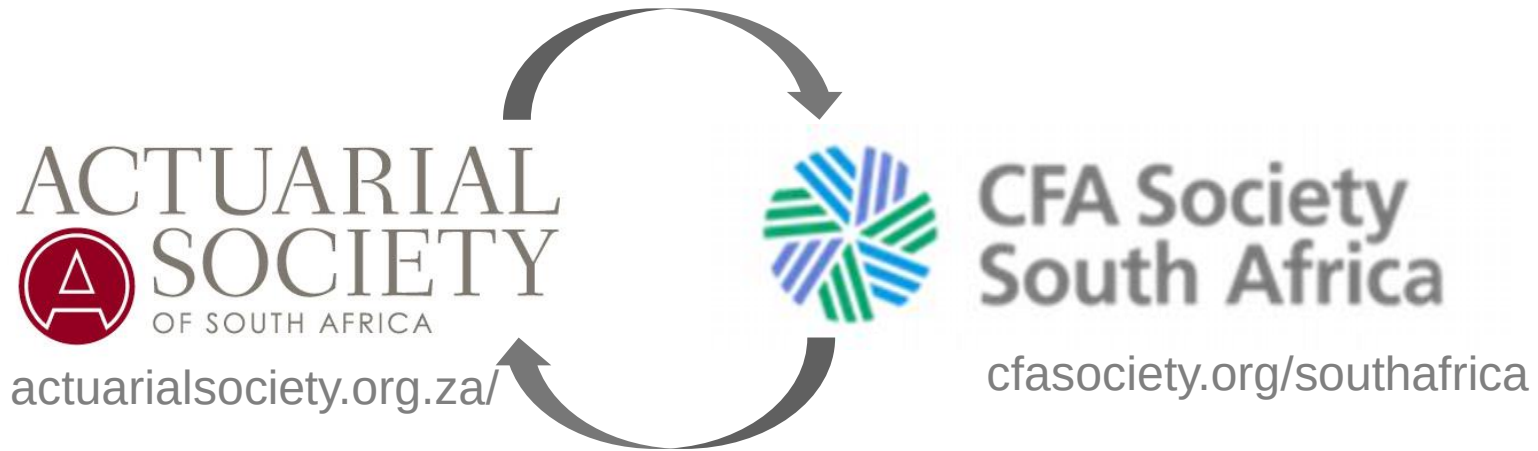
Perspective



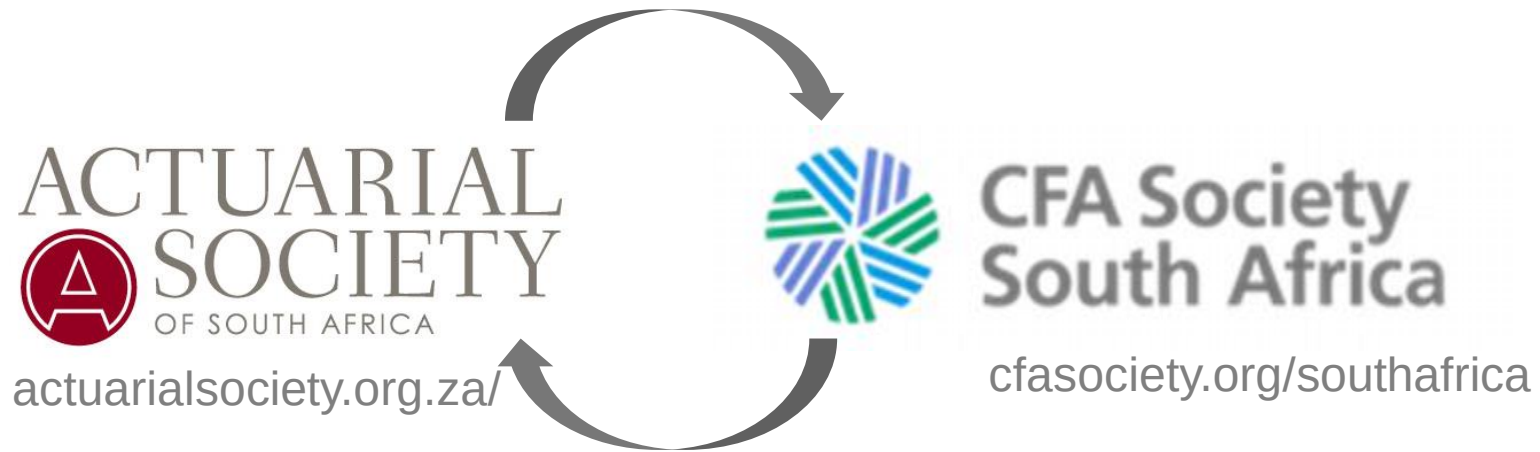
Perspective



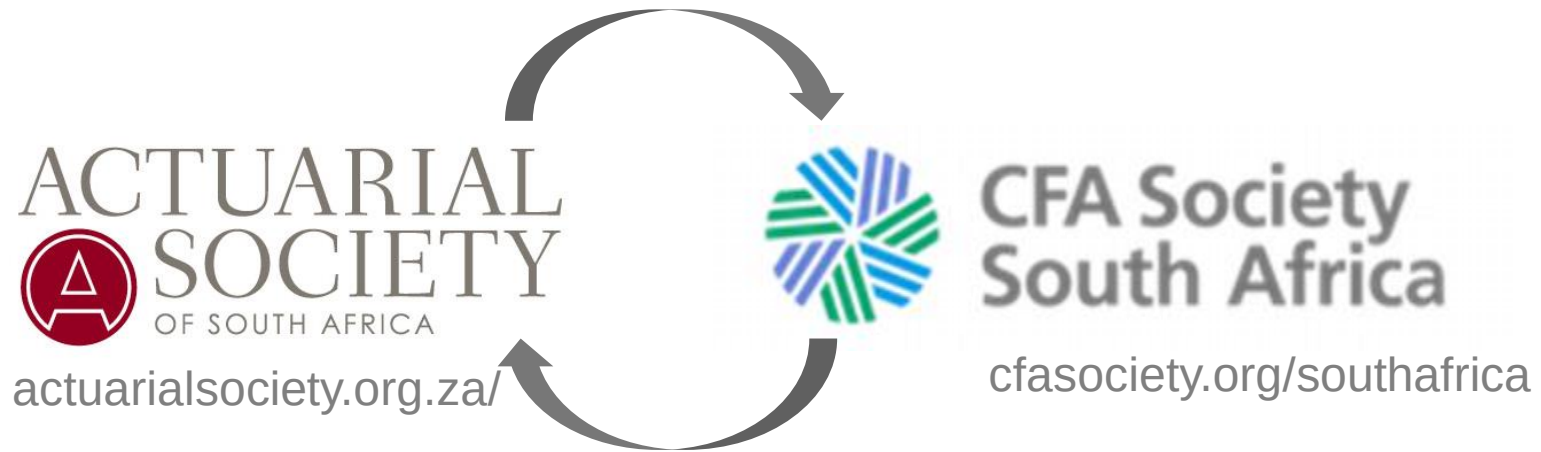
Perspective



Perspective

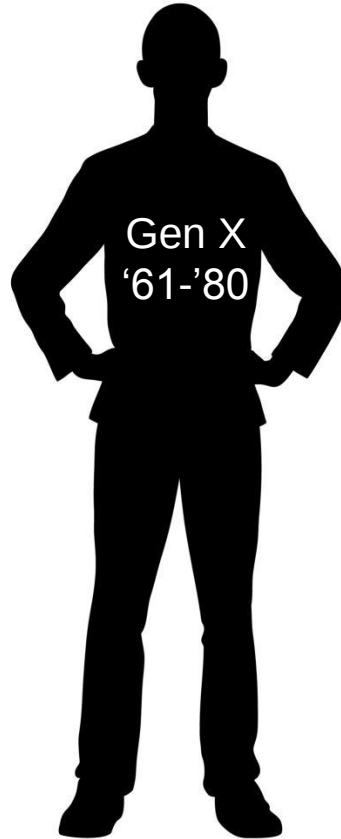


Perspective



Millennials!

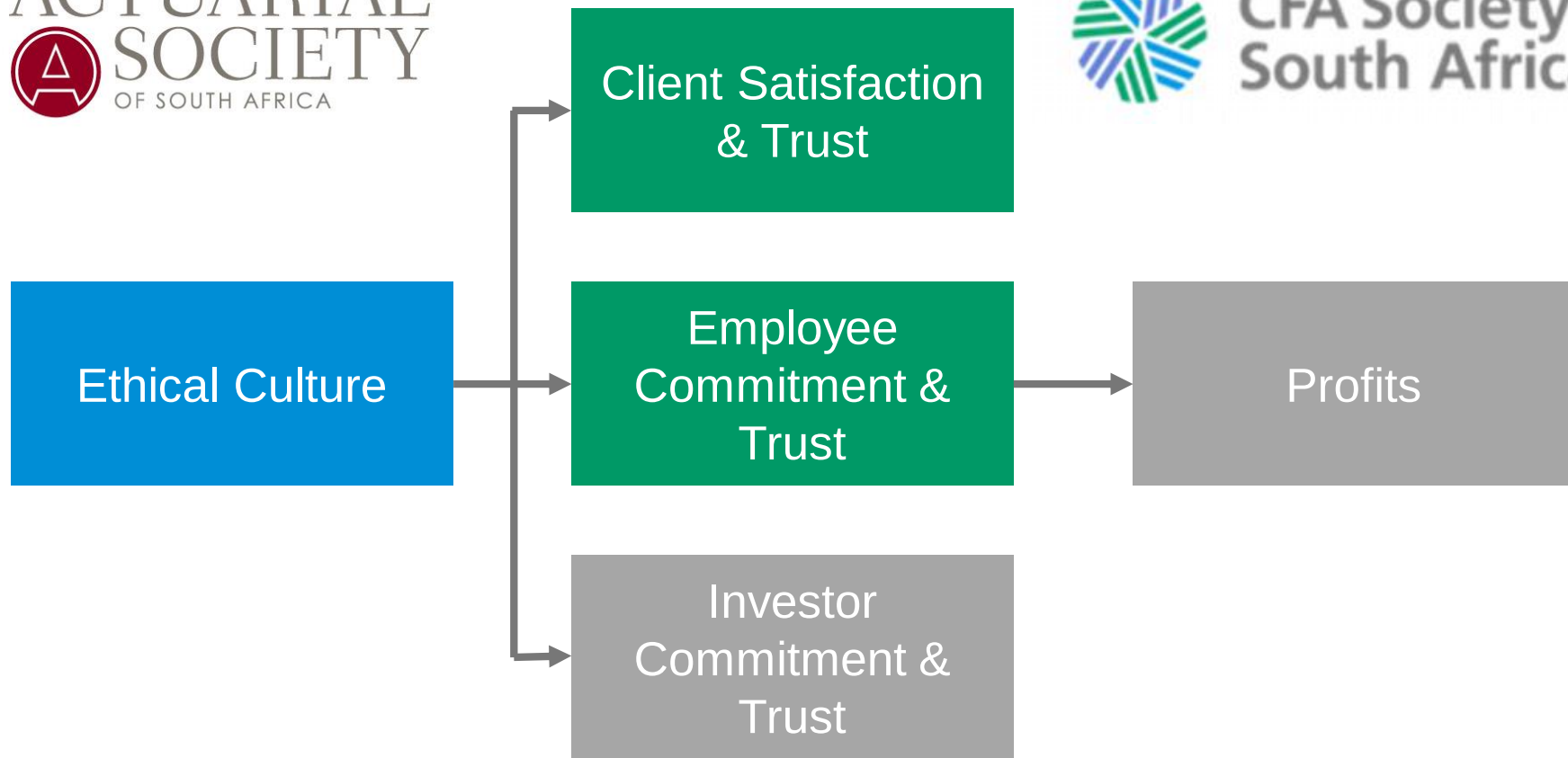
Exercise



Millennials

- Purpose-driven
- Lower tolerance for unethical behaviours
- Seek structured development pathways & mentors





ETHICS

CONSEQUENCES & OPPORTUNITIES

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Audience / Methodology

We conducted a global quantitative survey among 3,312 retail investors in 10 countries (US, Canada, UK, France, Germany, Australia, China, Hong Kong, Singapore and India) and 502 institutional investors in 6 countries (US, Canada, UK, Australia, Hong Kong and Singapore). Data was collected from October 19th-November 11th, 2015.

Who?



- **Retail Investors** — 25+ years old and have investible assets of at least \$100,000
- **Institutional Investors** — 25+ years old and responsible for institution's investible assets of \$10 million or more

How many?



- **N=3312 Retail Investors** — 502 US, 501 Canada, 500 UK, 251 France, 251 Germany, 500 Australia, 100 China, 331 Hong Kong, 125 Singapore, 251 India
- **N=502 Institutional Investors** — 172 US, 49 Canada, 173 UK, 41 Australia, 23 Hong Kong, 44 Singapore

How?



15-minute online survey

When?



Data collection occurred
October 19th – November 11th,
2015

Note: Margin of Error for Total Retail Investors: $\pm 1.7\%$; Margin of Error for Total Institutional Investors: $\pm 4.5\%$