

Lesson Title: Ethics and Professional Standards in Investing

Time: 30 minutes

Teaching Instructions:

- Students are introduced to the ethical and professional responsibilities of individuals who provide investment advice or make investment decisions for others.
- Begin with FINRA's SEC Regulation Best Interest and Form CRS: What You Need to Know. Focus on the section explaining Regulation Best Interest (Reg BI). Emphasize that when a broker-dealer makes a securities recommendation to a retail customer, the broker-dealer must act in the customer's best interest and cannot place its own interests ahead of the customer's. Discuss the importance of disclosure of services, fees, and conflicts of interest.
- Briefly review Form CRS as an example of how regulation helps investors evaluate financial professionals. Students should understand that it provides information about services, fees and costs, conflicts of interest, standards of conduct, and disciplinary history.
- Next, introduce the CFA Institute Code of Ethics and Standards of Professional Conduct as an example of professional ethical standards within the investment industry. Do not attempt to teach the entire Code. Focus students' attention on the following standards:
 - Duties to Clients: Loyalty, Prudence, and Care; Fair Dealing; Suitability
 - Investment Analysis: Diligence and Reasonable Basis
 - Conflicts of Interest: Disclosure of ConflictCFA Institute's current Code and Standards explicitly include each of these areas.
- Emphasize that laws and regulations establish required conduct, while professional ethical standards can impose additional expectations concerning judgment, diligence, fairness, and responsibility.

<https://www.finra.org/investors/insights/sec-regulation-best-interest-and-form-crs-what-you-need-know>

<https://www.cfainstitute.org/standards/professionals/code-ethics-standards>