CHARTA LEARNING · LESSON NOTES

The GARP Code of Conduct

FRM Part I

1 A story: the analyst and the awkward number

- Maya finds her model overstates safety
- The client meeting is tomorrow morning
- No law clearly tells her what to do
- A professional code is meant for moments like this

IN THE LESSON

- Picture a risk analyst called Maya.
- Late on a Thursday she finds that the model she built overstates how safe her firm's portfolio is.
- Her manager is about to show the figure to a client in the morning.
- Nobody else has noticed.
- She could say nothing and hope.
- She could soften the wording.
- Or she could raise the problem now.
- Notice that no law is obviously broken whichever way she goes, and yet one of those choices feels clearly right and the others do not.
- A professional code exists for exactly these moments, when the rules of the law are silent but the right answer still matters, because other people rely on the work being honest.

2 What the Code is, and why it binds

- Standards every GARP Member agrees to uphold
- Accepted as a condition of membership
- Binding standards, not optional guidance
- Organised around a few duties

IN THE LESSON

- The G A R P Code of Conduct sets out the standards that every G A R P Member agrees to uphold.
- The word agrees matters.
- Members accept these standards as a condition of membership, so the Code is a binding set of standards and not optional guidance or a list of suggestions.
- That is why a breach can have consequences, which we cover in the second half of the lesson.
- The Code can be organised around a few duties: professional integrity and ethical conduct, conflicts of interest, gifts, confidentiality, and following generally accepted practice.
- We will take them one at a time.
- The principles come from the course.
- The scenarios and examples that follow are our own illustrations, not extra rules of the Code.

3 The duties at a glance

The Code organised under five headings

Duty	In short
Integrity and ethical conduct	Honest, competent, no deceit
Conflicts of interest	Disclose, and manage
Gifts	None that compromise; disclosure no cure
Confidentiality	Protect it; never use for gain
Generally accepted practice	Laws, regulations, accepted practice

IN THE LESSON

- Here are the duties side by side, so you can keep them in your head.
- The first is professional integrity and ethical conduct: be honest and competent, use reasonable care and independent judgment, and never take part in deceit or fraud.
- The second is conflicts of interest: disclose actual or potential conflicts to the people affected, and where a conflict cannot be avoided, disclose it and manage it.
- Third, gifts, which are a separate matter, where disclosure does not cure the problem.
- Fourth, confidentiality: protect information gained through professional work and never use it for personal advantage.
- Fifth, generally accepted practice: follow applicable laws and regulations and accepted risk management practice.
- In questions on this topic, you match each scenario to the duty it breaches.

4 Duty one: professional integrity and ethical conduct

- Act honestly and competently
- Exercise reasonable care and independent judgment
- Never knowingly misrepresent facts
- Never take part in deceit or fraud

IN THE LESSON

- The first duty is the broadest.
- A member must act honestly and competently.
- A member must exercise reasonable care and independent judgment.
- And a member must never knowingly misrepresent facts or take part in deceit or fraud.
- Let us unpack the words.
- Honest means what you say is true.
- Competent means you do work you are able to do properly, and you do not pretend otherwise.
- Reasonable care means you do not cut corners.
- Independent judgment means your conclusions come from your own analysis and not from what someone wants to hear.
- Notice the word knowingly.
- Deliberately misleading someone is a clear breach, and an error through lack of care or competence can breach the other parts of this duty.
- Maya's softened wording would be a way of misrepresenting how safe the portfolio is.

5 Scenario 1: the flattering chart

Dilemma, duty touched, right action

Boss: leave out the poor result	Integrity: no misrepresenting	**Breach if omitted**
Client would never notice	Honesty is not about detection	**Still a breach**
Present the full picture	Honest, with fair explanation	**Right action**

IN THE LESSON

- Scenario one.
- A member prepares a report for a client.
- One of the results is poor, and the member's boss suggests quietly leaving it out so the chart looks better.
- The member knows the result is real, and the client would never find out.
- Which duty is touched?
- Professional integrity and ethical conduct, because leaving out a known result to give a false picture is a misrepresentation of facts.
- The right action is to present the full picture, including the poor result, and to explain it honestly.
- The member can still argue about how the result is described and what it means, since judgment is allowed.
- What the member cannot do is hide a fact in order to mislead.
- Being undetected does not matter.

6 Scenario 2: the borrowed answer

Dilemma, duty touched, right action

Copy a colleague's valuation	Care, own judgment	**Not own work**
Lacks the skill to value it	Competence means admitting it	**Say so honestly**
Do the analysis, compare	Own judgment, reasonable care	**Right action**

IN THE LESSON

- Scenario two.
- A member is asked to value an unusual instrument.
- A colleague at another firm tells the member the value they use, and the member is tempted to simply copy it into the report without checking.
- Which duty?
- Integrity and ethical conduct again, in its parts about reasonable care and independent judgment.
- A conclusion borrowed without any checking is not the member's own judgment.
- The right action is to do the analysis, use the colleague's number only as a comparison, and be open about what was done.
- There is a second possibility.
- If the member truly lacks the skill to value the instrument, honest and competent conduct means saying so, not pretending.
- Competence includes knowing the limits of what you can do properly.

7 Duty two: conflicts of interest

- Fully disclose actual or potential conflicts
- Actual: exists now. Potential: could arise
- Where unavoidable: disclose it and manage it
- Telling is the first step, not the last

IN THE LESSON

- The second duty concerns conflicts of interest.
- A conflict of interest exists when a member's own interest, or a loyalty to someone else, could pull against the duty owed to the people the member serves.
- The Code says a member must fully disclose actual or potential conflicts to those affected.
- Both words matter.
- An actual conflict is one that exists now.
- A potential conflict is one that could arise.
- Where a conflict cannot be avoided, the member must disclose it and manage it.
- Managing means taking sensible steps so that the conflict does not damage the advice or the work.
- So there are two moves: tell the affected people, and manage what remains.
- Disclosure alone is not the whole story.

8 Scenario 3: the advisor who owns the stock

Dilemma, duty touched, right action

Family holds the stock	Conflict: actual or potential	**Disclose it**
Stays silent, advises	Affected people must be told	**Breach**
Unavoidable, so manage it	Disclose and manage	**Right action**

IN THE LESSON

- Scenario three.
- A member writes a recommendation on a company, and the member's family owns a large holding in that company.
- Nobody at the client knows.
- Which duty?
- Conflicts of interest.
- A personal interest could pull against the independent advice the client expects.
- The right action is to disclose the holding to those affected, and then to manage the conflict, for example, and this is our own illustration, by letting someone with no such interest review the work.
- The course note deals with conflicts that cannot be avoided; avoiding one altogether is plainly consistent with that.
- Staying silent because the advice is honest anyway is the mistake.
- The client is entitled to know and to judge for themselves.

9 Scenario 4: the two clients

Dilemma, duty touched, right action

Two clients, opposed interests	Clash of loyalties	**Disclose**
Carry on quietly	Hidden conflict	**Breach**
Cannot avoid it	Disclose and manage	**Right action**

IN THE LESSON

- Scenario four.
- A member advises two clients whose interests are opposed.
- One wants to buy a business and the other wants to sell the very same business.
- The member realises that serving one well may mean serving the other less well.
- Which duty?
- Conflicts of interest.
- This time the conflict is not a personal holding but a clash between two loyalties.
- The right action begins with full disclosure to those affected.
- If the conflict cannot be avoided, the member must disclose it and manage it, which might mean separating the two pieces of work or stepping back from one of them.
- What the member must not do is carry on quietly and hope neither client notices.
- A conflict that is hidden is the version that does the damage.

10 Duty three: gifts, and disclosure does not cure

- Do not offer, solicit or accept gifts or benefits
- Includes compensation or consideration of any kind
- Test: could it compromise independence or objectivity?
- Disclosure does not cure one that does

IN THE LESSON

- Now the part that surprises many people.
- Gifts are a separate matter from conflicts of interest.
- The rule is that a member must not offer, solicit or accept a gift, benefit, compensation or consideration that could reasonably be expected to compromise independence or objectivity.
- Look at the wording.
- It covers offering as well as accepting, and soliciting, which means asking.
- It covers anything of value, not only presents in boxes.
- And the test is whether it could reasonably be expected to compromise independence or objectivity.
- Here is the crucial point: disclosure does not cure one that does.
- For conflicts, telling the affected people is a step toward handling the problem.
- For a gift that compromises independence, telling does not make it acceptable.

11 Scenario 5: the generous supplier

Dilemma, duty touched, right action

Vendor offers a holiday	Gift that could compromise	**Decline it**
Accept it and tell the boss	Disclosure does not cure it	**Still a breach**
Hint a present is welcome	Soliciting is covered	**Breach**
Offer a benefit to win a client	Offer that could compromise	**Breach**

IN THE LESSON

- Scenario five.
- A member is choosing which data vendor the firm will use.
- One vendor offers the member an expensive holiday, and says there is no obligation.
- The member thinks about telling the manager and then accepting.
- Which duty?
- The rule on gifts.
- A benefit of that size, from a party whose business the member is deciding, could reasonably be expected to compromise independence or objectivity.
- The tempting thought is that disclosure fixes it.
- It does not.
- Disclosure does not cure a gift that could compromise independence.
- The right action is to decline it.
- Equally, the member must not hint to the vendor that a present would be welcome, because soliciting is also covered.
- And offering a similar benefit to a client to win business is also covered, if it could compromise independence.

12 Scenario 6: telling a gift from courtesy

Apply the test, not a price list

Coffee at a meeting	Illustration: unlikely to sway	**Probably passes**
Valuable benefit from a bidder	Could compromise objectivity	**Decline**
Honest answer: it could	Honest test question	**Decline**

IN THE LESSON

- Scenario six asks a harder question: where is the line?
- The Code does not give a price.
- It gives a test: could the gift, benefit, compensation or consideration reasonably be expected to compromise independence or objectivity?
- As our own guidance, not a rule of the Code, a member can ask who is giving it, what it is worth, and whether the member has a decision to make that affects the giver.
- As an illustration of applying the test, a modest coffee at a meeting, from someone with no business before the member, probably passes it.
- A valuable benefit from a firm whose contract the member is about to award is a different matter.
- The course gives no memorised amounts.
- The member should ask the test question honestly.
- When the honest answer is that it could, the member declines.

13 Duty four: confidentiality

- Protect information gained through professional work
- Never use it for personal advantage
- Two halves: do not pass it on, and do not use it
- Silence alone is not enough

IN THE LESSON

- The next duty is confidentiality.
- A member must protect information gained through professional activities and must never use it for personal advantage.
- Read that carefully, because it has two halves.
- The first half is protection: keep the information safe and do not pass it on to people who should not have it.
- The second half is use: the member must not use that information to benefit himself or herself.
- That is the half people forget.
- The usual mistake is to think confidentiality only forbids passing information on.
- In fact, a member who tells nobody at all, but quietly uses what was learned at work to make a personal gain, has still breached the duty.
- Protecting the information and not exploiting it are both required.

14 Scenario 7: the whisper at lunch

Dilemma, duty touched, right action

Friend asks about the client	Confidentiality: do not pass on	**Decline politely**
Friend is no competitor	Not only competitors matter	**Still protected**
Share only a little	Information is still passed on	**Breach**

IN THE LESSON

- Scenario seven.
- At lunch, a member's friend asks about a client the member is working with, and wonders whether something big is coming.
- The member knows details from client work that have not been made public.
- Which duty?
- Confidentiality.
- Telling the friend would be passing on information gained through professional activities.
- The right action is to say politely that the member cannot discuss client matters.
- The friend does not need to be a competitor for this to matter.
- Information gained through professional work must not be passed to people who should not have it, whether or not they are competitors.
- The Code speaks of information gained through professional activities, so the duty reaches beyond the formal files in a drawer.
- What the member learned in doing the work is covered, and the right answer to the friend is a polite refusal.

15 Scenario 8: the private advantage

Dilemma, duty touched, right action

Learns market-moving news	Gained through the work	**Protect it**
Trades privately, tells no one	Use for personal advantage	**Breach**
No one else was told	Passing on is not the only test	**Still a breach**

IN THE LESSON

- Scenario eight is the half that people forget.
- A member learns through client work something that will clearly move the price of a security.
- The member tells absolutely nobody.
- But the member uses it, trading in a personal account before the news is out.
- Which duty?
- Confidentiality, in its second half: never use the information for personal advantage.
- No information was passed on, and yet there is a breach.
- This is exactly the mistake the course warns about, thinking confidentiality only forbids passing information on.
- Using it for oneself is forbidden too.
- The right action is not to trade on it, and to keep it protected.
- Notice that this may also run into laws and regulations, which bring in our fifth duty, but the confidentiality breach stands by itself.

16 Duty five: generally accepted practice

- Follow applicable laws and regulations
- Follow accepted risk management practice
- Do not drop accepted methods for a shortcut
- Our reading: an instruction does not lift the duty

IN THE LESSON

- The fifth item in our list is generally accepted practice.
- A member must follow applicable laws and regulations and accepted risk management practice.
- There are two pieces here.
- The first is law and regulation: whichever rules apply to the member, in the place and the job where the member works, must be followed.
- The second is accepted risk management practice: the methods and standards that the profession generally regards as sound.
- In our own reading, a member should not abandon them for a shortcut because it is easier or cheaper.
- This also suggests how to read a clash between a firm's wishes and the standard.
- In our reading, which follows from the duty to follow the law and accepted practice, an employer's instruction does not turn a breach into something permitted.

17 Scenario 9: the skipped stress test

Dilemma, duty touched, right action

Skip the usual stress tests	Accepted practice	**Do not skip**
Report 'comfortable' anyway	Also misleads: integrity	**Breach**
Run tests, no fake calm	Practice and integrity	**Right action**

IN THE LESSON

- Scenario nine.
- A risk manager's firm normally runs stress tests on its portfolio before reporting, and in this scenario we treat that as generally accepted practice.
- This quarter time is short, and a senior colleague proposes skipping the tests and reporting that risk is comfortable.
- Which duty?
- Generally accepted practice, because in our scenario running such tests is the accepted practice, and also integrity, because reporting comfort without evidence misleads.
- The right action is to run the tests properly and never to report comfort without them.
- If time truly runs out, saying plainly that the tests were not done removes the false comfort, but it does not make skipping them acceptable practice.
- The colleague's seniority changes nothing.
- Many scenarios touch more than one duty, and questions on this topic ask which duty is breached, so look for the clearest match and be ready to explain it.

18 Scenario 10: the rule that applies

Dilemma, duty touched, right action

Regulation requires a report	Follow applicable regulations	**Comply**
Employer: nobody checks	Duty does not depend on checks	**Still a breach**
Firm resists	Raise it, keep complying	**Right action**

IN THE LESSON

- Scenario ten.
- A member works in a place where a regulation requires certain risk information to be reported to the authority each quarter.
- The member's employer says reporting is a bother and nobody checks.
- Which duty?
- Following applicable laws and regulations, part of generally accepted practice.
- The right action is to comply, and to raise the issue inside the firm if it resists.
- The fact that nobody checks is irrelevant, just as in the flattering chart case.
- Duties do not depend on being caught.
- The course does not list specific regulations, and we should not invent any.
- All we need is the principle: applicable laws and regulations must be followed, and the same is true of accepted practice.
- If the law requires it, the member does it, whatever the pressure.

19 Match the scenario to the duty

What has gone wrong? Name the duty

What went wrong	Duty
Misled, fraud, or faked skill	Integrity and ethical conduct
Own interest or rival loyalty clash	Conflicts of interest
Valuable benefit could sway judgment	Gifts
Information leaked or used for gain	Confidentiality
Law or accepted method ignored	Generally accepted practice

IN THE LESSON

- Time to bring the five duties together as a matching exercise.
- When a scenario appears, ask what has gone wrong.
- If someone is being misled, or a member is pretending to a skill, that is integrity and ethical conduct.
- If a personal or competing interest could pull against the people served, that is conflicts of interest, and disclosure and management are the answer.
- If something of value is flowing that could compromise independence, that is a gift, and disclosure does not cure it.
- If information is leaking or being used for gain, that is confidentiality.
- If a law, regulation or accepted method is being ignored, that is generally accepted practice.
- The trick is to name the clearest match first, then check the second duty if a scenario seems to fit two.

20 Exercise: classify these four

Four quick classifications

Invests, then recommends, silent	Hidden personal interest	**Conflicts**
Takes tickets, tells the team	Disclosure does not cure	**Gifts**
Tells a relative a client's plans	Passing on information	**Confidentiality**
Copies a result known to be false	Knowing misrepresentation	**Integrity**

IN THE LESSON

- Let us practise matching.
- First: a member quietly invests in a firm just before recommending it, and tells no one.
- That is conflicts of interest, because a personal interest was hidden from those affected.
- Second: a member accepts free tickets from a vendor and announces it at the team meeting.
- That is the rule on gifts, and the announcement does not cure it if the tickets could compromise independence.
- Third: a member reads a client's private plans on the train and tells a relative.
- That is confidentiality.
- Fourth: a member copies a result into a report knowing it is false.
- That is integrity and ethical conduct, since that is knowingly misrepresenting facts.
- Run through them again on your own, covering the right-hand column and naming the duty.

21 Part two: what happens when the Code is breached

- The Code is binding on members
- GARP, the professional body, may discipline
- The consequences are professional ones
- Next: which sanctions, and what they are not

IN THE LESSON

- Now the second half of the lesson.
- Why does it matter if a member breaches the Code?
- The answer goes back to what the Code is.
- It is a binding set of standards that members accept as a condition of membership, not optional guidance.
- Because members have accepted it, G A R P, as the professional body, may take disciplinary action when it is breached.
- That is the key sentence: G A R P may take disciplinary action.
- The consequences are professional consequences.
- They concern the member's standing in the profession and the right to use its designations.
- In the next slides we look at exactly which sanctions are available, then at what the sanctions are not, and then at a few points that people often get wrong.

22 The sanctions GARP can apply

After a formal determination, GARP may apply

Sanction	Reaches
Temporary suspension of membership	Membership
Permanent removal of membership	Membership
Temporary removal of right to use designation	Designation
Permanent removal of right to use designation	Designation

IN THE LESSON

- Here are the sanctions.
- Following a formal determination, G A R P can apply temporary suspension of membership, or permanent removal of membership.
- It can also apply temporary removal, or permanent removal, of the right to use or refer to the F R M or another G A R P designation.
- Notice that there are two targets and two lengths.
- The targets are membership itself and the right to use a designation.
- The lengths are temporary and permanent.
- The outcomes therefore reach both membership and the designation.
- A member who loses the right to use the F R M title may not describe themselves as holding it.
- Remember both targets, since a question may tempt you to pick only one of them.

23 Professional consequences are separate

- Separate from employer, regulator or court action
- A dismissal or regulatory fine does not stop GARP
- GARP cannot impose criminal penalties
- Two tracks: professional, and everything else

IN THE LESSON

- These are professional consequences.
- They are separate from anything an employer, a regulator or a court may do.
- Imagine a member who breaches the Code and also breaks a rule that the member's regulator enforces.
- The regulator may act.
- The employer may dismiss the member.
- A court may become involved.
- None of that stops G A R P from acting as well.
- A dismissal or a regulatory fine does not prevent G A R P from taking its own action.
- Also, G A R P acts as a professional body and it cannot impose criminal penalties.
- Fines and prison belong to courts and authorities.
- G A R P deals in membership and designations.
- Keep the two tracks apart: what G A R P can do is professional, and what others do is separate.

24 Scenario 11: already dismissed

Dilemma, principle, correct answer

Dismissed and fined already	Other tracks are separate	**GARP can still act**
'Matter already dealt with'	Different bodies	**Argument fails**
What GARP may apply	Membership, designation	**Formal process**

IN THE LESSON

- Scenario eleven.
- A member has been dismissed by an employer for taking part in deceit and has also paid a regulatory fine.
- The member now argues that G A R P can do nothing further, since the matter has already been dealt with.
- Is that right?
- No.
- A dismissal or a regulatory fine does not prevent G A R P from acting.
- The employer and the regulator act under their own powers, and G A R P acts under the Code that the member accepted when joining.
- Following a formal determination, G A R P may apply its sanctions, which could include removal of membership or of the right to use the designation.
- The member's argument confuses the tracks.
- It is like thinking a driving fine from the police means a club cannot enforce its own rules.

25 Scenario 12: can GARP imprison?

Which outcomes belong to GARP?

Suspend or remove membership	Within GARP's sanctions	**Yes**
Remove designation right	Within GARP's sanctions	**Yes**
Impose criminal penalties	Not a power of GARP	**No**

IN THE LESSON

- Scenario twelve.
- A reader sees in a newspaper that a member lost a job and a designation after a serious breach of ethics.
- The candidate asks whether G A R P could also order a prison sentence.
- The answer is no.
- G A R P cannot impose criminal penalties.
- It can temporarily suspend or permanently remove membership, and it can temporarily or permanently remove the right to use the F R M or another G A R P designation, following a formal determination.
- Whether any conduct is also a crime is for the courts and the authorities, which are quite separate from G A R P.
- If a question lists criminal penalties among the sanctions G A R P can impose, that option is wrong.
- If it lists suspension of membership or removal of the right to use a designation, those are among the sanctions it may impose.

26 May, not must: no automatic result

- Sanctions are what GARP may impose
- A formal determination comes first
- Not an automatic result of any breach
- Temporary or permanent: the outcome is not fixed

IN THE LESSON

- Another point: sanctions are something G A R P may impose, not an automatic result of any breach.
- Remember that the sanctions apply following a formal determination.
- There is a process, and a determination comes first.
- A breach does not by itself instantly remove membership.
- That is why we say may.
- The sanctions are available to G A R P, not triggered by a switch.
- So when a question says that any breach automatically leads to permanent removal, be suspicious.
- The accurate version is that G A R P may take disciplinary action after a formal determination, and the available sanctions include temporary or permanent steps.
- I will not tell you which sanction fits which breach, because the course does not tie them together in that way.

27 Harm is not what makes it a breach

- A breach does not need a harmed client
- Gift rule: what could compromise independence
- Conflict rule covers potential conflicts
- Actual harm is not what makes a breach

IN THE LESSON

- One more trap.
- Some people think conduct is only a breach if a client was actually harmed.
- That is wrong.
- Actual harm to a client is not what makes conduct a breach.
- Think back to the scenarios.
- The member who accepted a gift that could compromise independence may have given perfectly good advice anyway.
- The member who traded on confidential information may have hurt nobody the client could name.
- Look at the language of the duties.
- The gift rule asks what could reasonably be expected to compromise independence.
- The conflict rule speaks of potential conflicts.
- The standards are about what the member does and the risks it creates, not only about whether a loss has already followed.

28 Scenario 13: no harm, no breach?

Dilemma, principle, correct answer

Valuable gift, good outcome	Test is 'could compromise'	**Still a breach**
'Client lost nothing'	Harm is not the test	**Argument fails**
Consequence	GARP may discipline	**Formal process**

IN THE LESSON

- Scenario thirteen.
- A member accepts a valuable gift from a supplier, and the supplier's product turns out to be the best choice anyway.
- The client lost nothing.
- The member argues that with no harm done, there was no breach.
- Which principle answers this?
- The gift rule asks whether the benefit could reasonably be expected to compromise independence or objectivity, and it makes no mention of whether harm followed.
- Actual harm to a client is not what makes conduct a breach.
- So the argument fails: harm is not what makes it a breach.
- G A R P may take disciplinary action, as it may for any breach, following a formal determination.
- Whether to do so, and which sanction to apply, is for G A R P, and that is a question the member cannot settle simply by pointing to a good outcome.

29 Putting both halves together

Breach of two duties: what follows?

Trades on client plans	Confidentiality: use for gain	**Breach**
Vendor pays for a trip	Gift that could compromise	**Breach**
GARP's possible response	Membership and designation	**May sanction**
Employer or regulator acts	Separate from GARP	**Does not bar GARP**

IN THE LESSON

- Let us end the scenarios with one that uses both halves.
- A member learns confidential details of a client's plans and buys shares in a connected company.
- The member also lets a vendor pay for a trip.
- A colleague reports both matters.
- Which duties are involved?
- Confidentiality, for using information for personal advantage.
- The gift rule, for a benefit that could compromise independence.
- What consequences?
- G A R P may take disciplinary action following a formal determination.
- The sanctions it may apply include temporary suspension or permanent removal of membership, and temporary or permanent removal of the right to use the designation.
- Anything the employer or a regulator does is separate, and G A R P cannot impose criminal penalties.
- Two duties, one process, and clear limits.

30 Four mistakes to avoid

- Disclosure does not cure a compromising gift
- Confidentiality also bans use for personal gain
- Dismissal or fine does not stop GARP
- Sanctions are 'may'; harm not required

IN THE LESSON

- Four mistakes are common.
- One: treating disclosure as a cure for every problem.
- Disclosure is a step for conflicts of interest, but it does not cure a gift that could compromise independence.
- Two: thinking confidentiality only forbids passing information on.
- It also forbids using it for personal advantage.
- Three: thinking that an employer's dismissal or a regulator's fine stops G A R P from acting, or that G A R P can impose criminal penalties.
- Neither is true.
- Four: believing sanctions are automatic, or that a breach needs actual harm to a client.
- G A R P may impose sanctions, following a formal determination, and the possible outcomes reach both membership and the right to use a designation.
- Say them aloud once more before you go on.

31 Recap

- Five: integrity, conflicts, gifts, confidentiality, practice
- Disclosure helps with conflicts, but does not cure a gift
- Confidentiality: protect and never use for gain
- GARP may sanction membership and designation use
- Separate from employer, regulator or court action

IN THE LESSON

- Let us recap.
- The Code of Conduct is a binding set of standards that every G A R P Member accepts as a condition of membership.
- It can be organised around five headings.
- Professional integrity and ethical conduct: honest, competent, reasonable care, independent judgment, no deceit or fraud.
- Conflicts of interest: disclose actual or potential conflicts, and manage those that cannot be avoided.
- Gifts: nothing that could compromise independence, and disclosure does not cure it.
- Confidentiality: protect information and never use it for personal advantage.
- Generally accepted practice: follow laws, regulations and accepted risk management practice.
- A breach can lead G A R P, after a formal determination, to suspend membership temporarily or remove it permanently, or to remove the right to use a designation temporarily or permanently.
- All of this is separate from what an employer, regulator or court may do, and G A R P cannot impose criminal penalties.

32 Try three quick questions

1. Member accepts an expensive trip from a vendor, and tells the manager. Cured?
   Answer: No. Disclosure does not cure a gift that could compromise independence.
2. Member tells nobody but trades privately on client information. Breach?
   Answer: Yes. Confidentiality also bars using it for personal advantage.
3. Member already dismissed and fined. Can GARP still act? Criminal penalties?
   Answer: Yes, after formal determination. No criminal penalties.

IN THE LESSON

- Now try three quick questions yourself.
- Pause after each one.
- Question one.
- A member accepts an expensive trip from a vendor whose contract the member is about to award, and tells the manager.
- Is the matter cured?
- No.
- A gift that could reasonably compromise independence is not cured by disclosure.
- Question two.
- A member tells nobody about client information, but trades on it privately.
- Is there a breach?
- Yes.
- Confidentiality also forbids using the information for personal advantage.
- Question three.
- A member has been dismissed and fined by a regulator.
- Can G A R P still act, and can it impose criminal penalties?
- It can still act, following a formal determination, but it cannot impose criminal penalties.