Standard seven: member and candidate duties

Ethics

1 A story: the badge on the coat

- A badge is only worth what people trust it to mean
- Guard one: the entry test must stay secret
- Guard two: the badge must be worn honestly
- Standard VII is those two guards

IN THE LESSON

- Picture a small club that gives out a badge.
- The badge is only worth something because members guard two things.
- The first is the entry test: if the questions leak, the badge stops meaning that someone really passed.
- The second is the badge itself: if people wear it after they have left, or pin on a half badge, or promise one they have not yet earned, the public stops trusting it.
- Standard seven is those two guards.
- One protects the integrity of the program, and the other protects the honest use of the name.
- Everything in this lesson is a case of one of the two.

2 Standard VII in plain words

- VII(A): conduct as a participant in the programs
- Protect the integrity and security of the exams
- VII(B): how you refer to CFA Institute and the CFA
- Never misstate or exaggerate what it means

IN THE LESSON

- Standard seven is titled responsibilities as a C F A Institute member or C F A candidate, and it has two subsections.
- Standard seven A, the first part, is conduct as a participant in the C F A Institute programs.
- A member or candidate must not do anything that damages the integrity, validity or security of those programs, or the reputation of C F A Institute and the designation.
- Standard seven B is reference to C F A Institute, the designation and the program.
- When you talk about any of them, you must not misrepresent or exaggerate what membership, the designation or candidacy means.

3 VII(A): what it forbids and what it allows

- Forbidden: cheating, or helping others cheat
- Forbidden: exam content, topics, formulas, grading
- Same duty for volunteers who help with exams
- Allowed: opinions on CFA Institute policies

IN THE LESSON

- Start with seven A.
- What damages the program?
- Cheating on an exam is the obvious one.
- So is bringing banned items into the room, helping someone else cheat, or giving false facts on an application.
- But the case the exam asks about most is disclosure of confidential exam information.
- That means specific questions, and it also means broad topic areas and formulas that were tested or not tested, and anything about how answers were graded.
- Volunteers who help write or mark exams carry the same duty.
- What is allowed?
- You may criticise C F A Institute's policies, fees or curriculum.
- An opinion about the organisation is not a leak.

4 What counts as confidential exam information

Confidential, or open to discuss?

What it is	Status
Exam questions	Confidential
Broad topics tested or not	Confidential
Formulas, grading details	Confidential
Published curriculum	Open

IN THE LESSON

- Here is the line in a table, and it is worth memorising.
- Specific exam questions are confidential, no surprise.
- Broad topics that were tested, or not tested, are confidential too, and this is the one candidates forget.
- A sentence like nothing on swaps this time sounds harmless, yet it tells next year's candidates where not to study.
- Formulas that appeared, or did not appear, are confidential, and so is how answers were scored.
- And the published curriculum, the readings and formulas the institute itself makes public, is open for anyone to discuss.
- The test is simple: did the information come from a sat exam or its marking, or from the public syllabus.

5 Four cases under VII(A): the facts

- 1. Rosa posts which topics were missing from her exam
- 2. Tomas, panel volunteer, tells a friend what papers stress
- 3. Elena writes that the exam fee rise is unfair
- 4. Mia tells her class to skip a formula she did not see

IN THE LESSON

- Now the cases.
- Read them one at a time.
- Case one.
- Rosa is a Level Two candidate.
- Straight after her exam she posts in a study forum that there was no derivatives at all on her paper.
- Case two.
- Tomas volunteers on a panel that reviews exam questions.
- Over coffee he tells a friend, who is a candidate, what the papers lean towards this year.
- Case three.
- Elena is a charterholder.
- She writes in a trade magazine that the rise in exam fees is unfair to candidates.
- Case four.
- Mia is a tutor who sat the exam last month.
- She tells her class to skip a formula because she did not see it tested.

6 Four cases under VII(A): the verdicts

Which cases breach Standard VII(A)?

Rosa's forum post	VII(A): topics are confidential	**Breach**
Tomas tells a friend	VII(A): panel information	**Breach**
Elena's magazine article	VII(A) allows policy opinions	**No breach**
Mia's tip to her class	Kind, but formulas count	**Breach**

IN THE LESSON

- Now the verdicts.
- Rosa breached seven A.
- Saying what was missing from a sat exam is disclosing topics not tested, which gives later candidates an edge.
- Tomas breached it too.
- Volunteers hold the exam information of the panel, and passing even a general lean to a candidate compromises the exam.
- Elena did not breach anything.
- Criticising policy, fees and the curriculum is a legitimate opinion, and she revealed no exam content.
- Mia is the interesting one.
- She meant well, she wanted to save her students time, but telling them a formula was not tested still discloses exam content.
- Good intentions do not cure a breach.

7 A test to run before you speak

Before you post

Is it about a sat exam or its marking? →

Yes: keep it confidential →

No: a policy opinion is allowed

In a study group

Discuss the published curriculum →

Never what was on a paper →

Never how it was graded

IN THE LESSON

- Here is a quick test you can run in your head before you post, tweet or chat.
- Follow the top row.
- First ask: is this about something I saw on a sat exam, or about how it was marked?
- If yes, the answer is to keep it confidential, whatever your reason.
- If no, and it is an opinion about policy, fees or the curriculum, it is allowed.
- Now the bottom row, for study groups.
- Groups may discuss the published curriculum together, which is the whole point of a group.
- What they may never discuss is what appeared on a paper that one of them sat, or how it was graded.
- Same line, different setting.

8 VII(B): referring to the designation

- Use CFA only while in good standing
- Candidates say candidate, never a partial designation
- No expected date for the charter
- No link between the CFA and superior performance

IN THE LESSON

- Now seven B, the badge.
- It rests on one idea: you may say what is true about your status, and nothing that stretches it.
- A charterholder keeps the right to use the designation only while in good standing.
- That means paying the annual dues and filing the annual Professional Conduct Statement.
- A candidate must call themselves a candidate, and never imply a partial designation, so no C F A Level Two.
- You may not state an expected date for receiving the charter.
- And you may not link the designation to better results, such as promising higher returns because your managers hold it.
- Facts, like passing a level at the first attempt, may be stated.

9 What each person may write

Status decides the wording

Who you are now	May write
Charterholder, good standing	Name, CFA
Lapsed charterholder	Held it before
Enrolled for next level	Level N candidate
Passed, not enrolled	Passed Level N

IN THE LESSON

- Let us match status to wording, row by row.
- A charterholder in good standing may put C F A after the name.
- A charterholder who has lapsed may not, but may say in the past tense that the charter was held.
- A person enrolled for the next level may describe themselves as a candidate in the program.
- A person who has passed a level but has not enrolled for the next one is no longer a candidate, so they may only state the level they passed.
- What matters in every row is what you are today.

10 Good standing: the two yearly duties

Keeping the right to use CFA

Pay the annual dues → File the Conduct Statement → In good standing: use CFA

If either is missed

Dues or statement missed → Stop using CFA → Reinstate, then use again

IN THE LESSON

- Look at the two rows.
- In the top row, a charterholder keeps the right to the designation by doing two things every year.
- Pay the dues.
- File the Professional Conduct Statement.
- Do both, and the person is in good standing and may use the letters.
- The bottom row is what happens when one of them is missed.
- The right to use the designation stops at once, whatever the person has earned in the past.
- Nothing is lost for ever, though.
- Once membership is reinstated, the letters can be used again.
- And in between, a lapsed member may say, truthfully, that they earned the charter in an earlier year.

11 Four cases under VII(B): the facts

- 5. Omar: dues lapsed, card still says CFA
- 6. Lena: enrolled, bio says Level III candidate, passed I, II
- 7. Hugo: passed three levels, card says CFA Level III
- 8. Brochure: charterholder managers mean higher returns

IN THE LESSON

- Four more cases, this time about wording.
- Case five.
- Omar earned the charter in two thousand fourteen.
- For two years he has not paid dues or filed the statement, yet his business card still reads Omar, C F A.
- Case six.
- Lena has passed Level One and Level Two at her first attempts and is enrolled for Level Three.
- Her biography says Level Three candidate, and that she passed the first two levels first time.
- Case seven.
- Hugo has passed all three levels but has not been awarded the charter.
- His card reads C F A Level Three, charter expected in June.
- Case eight.
- A firm brochure says its managers are charterholders, so clients earn more.

12 Four cases under VII(B): the verdicts

Which cases breach Standard VII(B)?

Omar's card: CFA	VII(B): not in good standing	**Breach**
Lena's candidate bio	Enrolled; facts stated	**No breach**
Hugo's card: CFA Level III	Partial designation, due date	**Breach**
Brochure promise of returns	VII(B): superior returns	**Breach**

IN THE LESSON

- The verdicts.
- Omar breached seven B.
- He is not in good standing, so he may not put the letters after his name.
- He may say he earned the charter in two thousand fourteen, and he can use the letters again after reinstatement.
- Lena did not breach anything.
- She is enrolled, so candidate is correct, and passing two levels first time is a fact.
- Hugo breached it twice.
- C F A Level Three is a partial designation, and an expected charter date is not allowed.
- He should write that he passed all three levels of the program.
- The brochure breached it as well, because it links the designation to superior returns, which the designation cannot promise.

13 Mistakes to avoid on Standard VII

- 1. Policy opinion is allowed; only exam content is not
- 2. Good intent does not excuse sharing what was tested
- 3. CFA Level II is a title; passed Level II is a fact
- 4. Passed but not enrolled means no longer a candidate
- 5. Lapsed dues end the letters, not the history

IN THE LESSON

- Before the second half, here are the traps.
- One.
- Treating an opinion about policy as a breach.
- Criticising fees or the curriculum is allowed, and only exam content is off limits.
- Two.
- Believing good intent excuses sharing.
- Mia wanted to help, and it was still a breach.
- Three.
- Treating a level passed as a title.
- C F A Level Two is a partial designation, but passed Level Two is a fact.
- Four.
- Thinking you are still a candidate after passing, with no new enrolment.
- Candidacy ends.
- Five.
- Thinking lapsed dues erase the history.
- You lose the right to use the letters, but you can still say you earned the charter.

14 What you may always say

- Passed each level first time (a fact, no boast)
- Level N candidate, while enrolled or awaiting results
- Earned the charter in 2014, if membership has lapsed
- Opinions on CFA Institute policies and fees

IN THE LESSON

- The good news is that Standard seven leaves you plenty to say.
- You may state that you passed each level at your first attempt, as long as you do not use that to claim you are a better investor.
- You may say you are a candidate in the program for as long as you are enrolled for the next exam or waiting on a result.
- If your membership has lapsed, you may say that you earned the charter in an earlier year.
- And you may voice opinions about C F A Institute's policies, fees and curriculum in the press, in a talk or in a letter.
- All of these are true statements about your status, and none leaks the exam.

15 A story: the signature that outlived the dues

- Signatures are written once and never rechecked
- Dues lapse, statements are missed, people drift away
- The text stays; the person's status changes
- So a firm needs a system that checks

IN THE LESSON

- A firm sets up its email signatures once, five years ago.
- Every charterholder gets the letters after the name.
- Nobody ever looks again.
- Meanwhile, one person stopped paying dues, another never filed the yearly statement, and a third passed a level and drifted away from the program.
- Their signatures are now all wrong, and no one did anything on purpose.
- The text did not change, only the person did.
- That is why the second outcome is about procedures.
- Standard seven B breaches are mostly slow, quiet and accidental, so the cure is a system that checks, rather than relying on each person remembering.

16 The firm's chain of controls

Set it up

Send guidance to legal, compliance, marketing → Approve template wording

Keep it right

Review bios, cards, signatures, profiles → Annual check of each charterholder

IN THE LESSON

- Here is the chain a firm can build.
- Follow the top row first, which sets things up.
- Send the Standard seven guidance to the legal, compliance and marketing teams, because they write the material.
- Then approve template wording once: the designation after a name, candidacy described as candidacy, and passed levels stated as facts.
- The bottom row keeps it right.
- Review every biography, business card, email signature and social profile that mentions C F A Institute against the templates.
- And check, once a year, that every charterholder's membership is still current.
- The template stops mistakes at the start, and the yearly check catches the ones that arrive later.

17 Where to look, and what to check

Review list for compliance

Where it appears	Check against
Website biographies	Template
Business cards	Template
Email signatures	Candidate wording
Brochures	No return claims

IN THE LESSON

- To make the review concrete, here is where the designation shows up and what each place is checked against.
- Website biographies are checked against the template.
- Business cards are checked against the template, and they are easy to forget because they are printed in batches.
- Email signatures are checked for candidate wording, because that is where people write Level Two candidate when they are no longer enrolled.
- And brochures and marketing pages are read for one thing in particular, any claim that the designation brings better returns.
- A compliance team can run this list in an afternoon.

18 Example: reviewing four email signatures

Compliance reviews four signatures

Nadia: Level I candidate	Not enrolled for Level II	**Rewrite**
Karl: Karl Berg, CFA	Statement not filed this year	**Remove CFA**
Yusuf: Level II candidate	Enrolled for Level II	**Approve**
Sam: passed Level III first try	A fact, no boast	**Approve**

IN THE LESSON

- Let us do a review.
- Compliance at a made up firm checks four signatures.
- Nadia passed Level One last year and has not enrolled for Level Two, yet her signature says Level One candidate.
- She is no longer a candidate, so it should be rewritten as passed Level One.
- Karl paid his dues but has not filed this year's Professional Conduct Statement, so his C F A comes off until he files.
- Yusuf is enrolled for Level Two and writes Level Two candidate, which is correct.
- Sam writes that he passed Level Three at the first attempt, a plain fact.
- Nadia's is the one a quick review misses, because she really was a candidate once.

19 Example: the annual membership check

Firm with 18 charterholders, checked against the roll

Charterholders listed	firm records	**18**
Membership current	after the check	**16**
Lapsed	18 − 16	**2**
Share lapsed	2 ÷ 18	**11.1%**
Items to correct	2 people × bio and signature	**4**

IN THE LESSON

- Now the yearly check, with numbers.
- A firm lists eighteen charterholders in its records.
- Compliance compares the list with the membership roll and finds that sixteen are current.
- So eighteen minus sixteen leaves two lapsed.
- Two out of eighteen is about eleven per cent of the charterholders, a share large enough to matter.
- Each of the two has the letters in two places, a website biography and an email signature, so there are four items to correct.
- None of those four was written with bad intent.
- They simply went out of date, which is exactly the thing an annual check exists to catch, before a client or a regulator does.

20 Training for staff who sit the exam

- Study groups may discuss the published curriculum
- Nobody discusses what appeared on a sat exam
- Nobody discusses how answers were graded
- Brief staff before exam season and just after it

IN THE LESSON

- Standard seven A needs prevention too, and the people most at risk are the firm's own staff taking the exams.
- So training should state the rule in one clear breath.
- Study groups may discuss the published curriculum, the readings and the practice problems, and that is healthy.
- But nobody may discuss what appeared on a sat exam, or how the answers were graded, whether in a group, in a chat channel or at lunch.
- The training works best twice: before exam season, and again just after the sittings, because the temptation to compare notes is strongest right after a paper.
- It also helps to say the rule applies to volunteers.

21 Example: rewriting wrong wording

Wrong wording, and the fix

'CFA Level II'	partial designation	**Passed Level II**
'Charter expected next year'	expected date	**Delete it**
'Level I candidate'	not enrolled any more	**Passed Level I**
'CFA holders beat the market'	superior performance	**Delete it**
'CFA' after lapsed dues	not in good standing	**Used to hold it**

IN THE LESSON

- A last review exercise, this time rewriting.
- Take C F A Level Two.
- It is a partial designation, so replace it with passed Level Two.
- Take charter expected next year.
- An expected date is not allowed, so delete it.
- Take Level One candidate, written by someone who passed and did not enrol again.
- They are no longer a candidate, so write passed Level One.
- Take a line saying C F A holders beat the market.
- That ties the designation to superior performance, so delete it.
- And take C F A used after lapsed dues.
- The person has to stop, and may write that they used to hold it.
- Each fix follows from the real status.

22 Your own practices as a member or candidate

- Check your own standing before using CFA
- Ask compliance to approve new wording
- Say candidate only while enrolled or awaiting results
- Keep exam talk to the published curriculum
- Correct errors in print and online promptly

IN THE LESSON

- Firm systems help, but you are the last line of defence for your own name.
- So adopt five habits.
- First, check your own standing before you write the letters anywhere: are the dues paid, is the statement filed.
- Second, ask compliance to approve any new wording for a biography or a profile, instead of improvising.
- Third, call yourself a candidate only while you are enrolled for the next exam or waiting on a result.
- Fourth, when you talk about the exams in public, stay with the published curriculum.
- Fifth, if you spot an old error, in print or online, correct it promptly.
- A small fix now is better than a conduct inquiry later.

23 Recap: Standard VII in five lines

- VII(A): no exam content, topics, formulas or grading talk
- Opinions on CFA Institute policy are allowed
- VII(B): good standing, honest candidacy, facts only
- Firm controls: templates, reviews, annual check, training
- Member habits: check status, ask first, correct errors

IN THE LESSON

- Let us pull it together.
- Standard seven A protects the programs: never share exam questions, topics, formulas or grading details, even kindly, and remember that opinions about policy are allowed.
- Standard seven B protects the name: use the designation only in good standing, call yourself a candidate only while enrolled, never write a partial designation or an expected charter date, and never link the letters to better returns.
- Facts about levels passed may be stated.
- And to prevent breaches, a firm sends the guidance to the right teams, approves templates, reviews every place the letters appear, runs a yearly membership check, and trains exam takers.

24 Try three quick questions

1. A tutor tells her class a topic she did not see on her exam. Breach?
   Answer: Yes. Topics tested or not are confidential.
2. Dues and statement skipped. May the card still say CFA?
   Answer: No; she may say she held it in the past.
3. Passed Level I, not enrolled for Level II. A candidate?
   Answer: No. Write: passed Level I of the CFA Program.

IN THE LESSON

- Now try three quick questions yourself.
- Pause after each one.
- Question one.
- A tutor tells her class which topic she did not see on the exam she sat.
- Is that a breach?
- The answer is yes.
- Topics tested or not tested are confidential under seven A.
- Question two.
- A charterholder skipped her dues and the yearly statement.
- Can her card still say C F A?
- The answer is no, though she may say she earned it in the past.
- Question three.
- A person passed Level One and has not enrolled for Level Two.
- Is she a candidate?
- The answer is no.
- She may say she passed Level One of the program.
- Well done, and keep practising.