Judging cases and the Asset Manager Code

Ethical and Professional Standards

1 A story: the building inspector

- An inspector checks the building and the residents
- Judge the firm's policy: does it meet the Standards?
- Judge each person's conduct on its own
- A notice on the wall does not excuse a breach

IN THE LESSON

- Picture a building inspector arriving at an apartment block.
- She has two jobs.
- First she checks the building itself: do the fire doors, the wiring and the rules posted in the hallway meet the safety code?
- Then she checks the residents: did anyone break the code, whatever the notice in the hallway says?
- A notice saying it is fine to block the fire exit does not make blocking it safe.
- Level Three ethics cases work the same way.
- You are handed a firm's written manual, and then you are told what people did.
- Our firm is Harbourline Asset Management.
- Judge the manual and the people separately.

2 Two layers, judged separately

The firm

Read the policy → Compare with the Standard → If short, rewrite it

The person

Name the actor → Name duty and subsection → Required, recommended or prohibited

IN THE LESSON

- Here are the two layers as two rows.
- The top row is the firm.
- Read its policy, compare it with what the Standard requires, and if it falls short, say it must be rewritten.
- A policy stricter than the Standards is fine.
- The bottom row is the person.
- Name the actor, because members answer for their own acts.
- Name the duty owed and the subsection engaged.
- Then decide whether the conduct is required, recommended or prohibited.
- Notice that the rows never merge.
- A person who follows a loose policy has still breached the Standards, and a person who follows the Standards complies even where the manual is silent.
- Keep the layers apart and your answers stay clean.

3 Harbourline's manual, judged

Four policies, tested against the Standards

Harbourline policy	Verdict
Managers fill own accounts first	Falls short
Soft dollars buy firm software	Falls short
Staff never trained on the manual	Falls short
No personal trades in held stocks	Stricter: fine

IN THE LESSON

- Now we test four of Harbourline's policies.
- The first lets portfolio managers fill their own accounts before clients.
- That falls short, because clients' transactions must come before the member's own, which is Standard six B.
- The second lets commissions pay for software that helps only the firm.
- That falls short of Standard three A, loyalty, prudence and care, because client brokerage belongs to clients.
- The third is that nobody is ever trained on the compliance manual.
- That falls short of Standard four C, because supervisors must make reasonable efforts to see that procedures are followed.
- The fourth bans personal trades in any stock the firm holds.
- That goes further than the Standards, and a stricter policy is fine.

4 Example 1: Reyes buys first

Reyes buys 500 shares for himself, then 20,000 for Wexcombe

Actor and duty	Reyes owes clients first call	**VI(B)**
The act	500 own, then 20,000 client	**Prohibited**
His defence	the firm policy allowed it	**Fails**
The firm's policy	own account first	**Falls short**
Verdict	actor, duty, subsection	**Breach VI(B)**

IN THE LESSON

- Now the person.
- Tomas Reyes, a charterholder at Harbourline, decides to buy twenty thousand shares for Wexcombe Pension Fund.
- Before sending the order he buys five hundred shares for himself, and he says the firm's policy allowed it.
- Work through the layers.
- The actor is Reyes.
- The duty is that clients come before his own account, which is Standard six B.
- His act is prohibited.
- His defence fails, because a policy looser than the Standards never excuses a member.
- Separately, the firm's policy falls short and must be rewritten.
- Two verdicts, two layers.
- Notice the size of his purchase is not the test, because the order of the trades is what the Standard governs.

5 Required, recommended, prohibited

Only some statements can be breached

Conduct or practice	Kind
Disclose a conflict of interest	Required
Avoid a conflict where possible	Recommended
Keep records seven years, law silent	Recommended
Trade ahead of a client order	Prohibited

IN THE LESSON

- Before you call anything a breach, ask which kind of statement it is.
- Some conduct is required, and failing to do it breaches the Standards.
- Some is recommended, and failing to do it breaches nothing.
- Some is prohibited.
- Look at the rows.
- Disclosing a conflict of interest is required.
- Avoiding a conflict where that is possible is only recommended, so a firm that discloses fully, rather than avoids, has breached nothing.
- Keeping records for seven years is recommended where local law is silent, and where local law sets a period, the law governs.
- Trading ahead of a client order is prohibited.
- The trap is treating a recommendation as a requirement and finding breaches that are not there.

6 Example 2: the soft dollar policy

Harbourline's client commissions to one broker

Commissions paid	client money	**200,000**
Bought research for clients		**140,000**
Bought software for the firm		**60,000**
Share that helped only the firm	60,000 ÷ 200,000	**30%**
Verdict	client brokerage serves clients	**III(A) falls short**

IN THE LESSON

- Now a policy, judged with numbers.
- Soft dollars are commissions that clients pay a broker, where part of the payment buys services from that broker.
- Last year Harbourline sent two hundred thousand in client commissions to one broker.
- A hundred and forty thousand of it bought research that clients' portfolios use.
- Sixty thousand bought software for the firm's own back office.
- Sixty thousand over two hundred thousand is thirty per cent of client money spent on the firm's own benefit.
- Client brokerage belongs to the clients and should be used for their benefit, so the policy falls short of Standard three A.
- The fix is simple: use soft dollars only for research that helps clients, and disclose the practice.

7 A verdict needs a reason

Weak answer

Breach → It was unfair → No fact named

Strong answer

Breach → III(B) fair dealing → Largest client filled first

IN THE LESSON

- This outcome is about giving reasons.
- Think of a teacher marking a maths test where the pupil wrote only the answer.
- Even a right answer earns little without the working.
- Ethics answers are marked the same way.
- The top row is a weak answer about an allocation: breach, it was unfair, and no fact.
- That may be true, but it shows no knowledge.
- The bottom row names the Standard, which is three B, fair dealing, and then the fact in the case that decides it, that the largest client was filled first.
- Here is a good test of your reason.
- If changing that one fact would flip the verdict, you have named the right fact.

8 Example 3: the block order

Four accounts order 12,000 (6,000, 3,000, 2,000, 1,000); 9,000 filled

Fill rate	9,000 ÷ 12,000	**75%**
Wexcombe asked 6,000	6,000 × 75%	**4,500**
Client B asked 2,000	2,000 × 75%	**1,500**
Client B under the old rule	6,000 + 3,000 take all 9,000	**0**
Verdict	big clients first, others none	**III(B) breached**

IN THE LESSON

- Let us see the allocation case in numbers.
- Harbourline's four accounts ask for twelve thousand shares in one block order.
- Wexcombe wants six thousand, another account three thousand, client B two thousand, and the fourth account one thousand.
- Only nine thousand shares are filled, which is seventy five per cent.
- A fair approach is pro rata: Wexcombe gets six thousand times seventy five per cent, which is four thousand five hundred, and client B gets one thousand five hundred.
- Harbourline's old rule fills the largest accounts first, so the two biggest accounts take all nine thousand and client B gets nothing.
- The reason for the breach is the fact that smaller clients were left out, under Standard three B.
- Recording the intended allocation before the order is sent protects everyone.

9 Example 4: the composite

Five accounts; the two that left were dropped

Survivors: 9%, 7%, 8%	(9 + 7 + 8) ÷ 3	**8.0%**
All five, with 2% and −1%	(9 + 7 + 8 + 2 − 1) ÷ 5	**5.0%**
Overstatement	8.0 − 5.0	**3.0 points**
Verdict	results overstated	**III(D) breached**

IN THE LESSON

- Next, performance presentation.
- Harbourline's marketing team shows a composite, which is a group of similar accounts shown as one record.
- It contains five accounts.
- Three are still with the firm and returned nine, seven and eight per cent.
- Two left after poor results and returned two and minus one.
- Marketing drops the two that left.
- For simplicity we use plain averages.
- The three survivors average eight per cent.
- All five average five per cent.
- The presentation overstates the record by three percentage points.
- Standard three D requires performance to be presented fairly, accurately and completely, so dropping the terminated accounts breaches it.
- It does not matter that Harbourline makes no claim to follow GIPS, because the Standard applies to the member anyway.

10 Example 5: the referral fee

Consultant introduces an 80m mandate; fee 0.40%

Annual fee	80m × 0.40%	**320,000**
Referral payment	15% × 320,000	**48,000**
Disclosed before signing	client can weigh the bias	**Complies VI(C)**
Disclosed after signing	client already committed	**Breaches VI(C)**

IN THE LESSON

- Now a referral fee.
- A consultant introduces an eighty million mandate to Harbourline, and Harbourline will charge zero point four per cent a year.
- That is a fee of three hundred and twenty thousand.
- Harbourline agrees to pay the consultant fifteen per cent of the first year's fee, which is forty eight thousand.
- Standard six C requires members to disclose referral arrangements to clients and prospects before they enter into a formal agreement, so the client can weigh the referrer's bias.
- If Harbourline discloses in writing before signing, it complies.
- If it discloses only after signing, it breaches, because the client was already committed.
- Same payment, same people, one changed fact, and the verdict flips.

11 Compliant too: name the safeguard

Compliant conduct and the Standard it meets

Compliant conduct and its safeguard	Standard
Conflict disclosed in full, not avoided	VI(A)
Conclusion from public data and visits	II(A)
Records kept as local law requires	V(C)
Referral fee disclosed before signing	VI(C)

IN THE LESSON

- Compliant conduct also needs a reason, and the reason is the safeguard that makes it acceptable.
- Look at the four rows.
- A conflict that Harbourline discloses in full complies with Standard six A, even though avoiding it would have been better.
- An analyst who builds a conclusion from public data and company visits has used the mosaic approach, so Standard two A on material nonpublic information is met.
- Records kept for the period local law requires comply with Standard five C.
- And the referral fee disclosed before signing complies with six C.
- In each, the answer is the Standard plus the safeguard.
- Without the safeguard, the same conduct could easily be a breach.

12 Mistakes when judging a case

- Right verdict, wrong Standard
- Treating a 'should' as a 'must'
- Letting the manual excuse the person
- Judging the person but not the policy

IN THE LESSON

- Here are four mistakes that cost marks.
- First, a right verdict on the wrong Standard.
- If the manager traded ahead of clients, the Standard is six B, not a general feeling of unfairness.
- Second, treating a recommendation as a requirement.
- Disclosing rather than avoiding a conflict is not a breach.
- Third, letting the manual excuse the person.
- Members answer for their own acts even when the policy was loose.
- Fourth, judging the person but forgetting the policy.
- If a firm's manual falls short, say so and say how to fix it, because Level Three questions often ask for both.

13 A plan for every answer

Find the rule

Who is the actor? →
Which duty and subsection? →
Required, recommended or prohibited?

Give the answer

Which fact decides it? → Verdict and reason → Fix the policy if short

IN THE LESSON

- Here is a plan you can use on every case.
- The top row finds the law of the case.
- Who is the actor, the firm or a named person?
- Which duty is owed, and under which subsection?
- Is the conduct required, recommended or prohibited?
- The bottom row finishes the answer.
- Which fact in the case decides the verdict?
- State the verdict and the reason together.
- And if a policy fell short, propose the fix.
- A good answer is short but it contains all six steps.
- Practise saying them in order, because under time pressure the step people forget is the deciding fact.

14 A story: the food safety badge

- The Standards bind people; this Code binds the firm
- Adopting it is voluntary
- It suits any manager, whatever its size or strategy
- It complements the Standards and does not replace them

IN THE LESSON

- Think of a restaurant that displays a food safety badge in its window.
- Customers trust it because the restaurant has agreed to a set of rules and says so in public.
- The Asset Manager Code is a badge for investment firms.
- The Code and Standards bind people, the members and candidates.
- The Asset Manager Code binds the firm as an organisation, and it sets out what a firm managing client money should do.
- Adopting it is voluntary.
- It suits any manager, whatever its size, location, asset class or strategy.
- It complements the Code and Standards.
- Its aim is to make client first practice the way the whole firm works.

15 Three steps to a claim

Before Harbourline may claim

Meet every provision → Notify CFA Institute → Use the prescribed statement

IN THE LESSON

- Here is what Harbourline must do before it may say it complies.
- The first box is the hard one.
- The firm must meet every provision of the Code, across its whole business.
- There is no such thing as partial compliance, and a firm cannot claim compliance for only some of its products.
- Once it does comply, the second box: it notifies CFA Institute.
- The third box applies every time it makes the claim.
- It must use the prescribed statement, which says that CFA Institute has not verified the claim.
- So the claim belongs to the firm, and the firm is responsible for its being true.
- The Code is a promise made in public, not a certificate handed out.

16 The ground rules of the claim

Short answers to remember

Question	Answer
Who adopts the Code?	Firms
Which firms may adopt it?	Any
Is partial compliance allowed?	Not allowed
Local law is stricter?	Follow the law

IN THE LESSON

- Four ground rules are worth learning as short answers.
- Who adopts the Code?
- Firms, not individuals.
- Which firms may adopt it?
- Any, because the Code is written to suit every kind of manager.
- Is partial compliance allowed?
- No.
- A firm that meets most provisions has nothing to claim.
- And what if local law is stricter than the Code?
- The firm follows the law.
- If the law conflicts with the Code, the firm follows the law and discloses the conflict.
- In all these rules the pattern is the same: the Code sets a floor for the firm's own conduct, and the law of the land always comes first.

17 Example 6: a firm's first audit

Alderwick checks itself, one section at a time

Sections fully met	5 of 6	**83%**
The gap found	no continuity plan	**1 gap**
May the firm claim now?	partial is not enough	**No**
After the plan is tested	6 of 6	**100%**
Then	notify, use the statement	**Claim**

IN THE LESSON

- Take another firm, Alderwick Capital, which audits itself against the six sections of the Code.
- Five sections are fully met.
- The sixth, risk management with compliance and support, has a gap, because the firm has no business continuity plan.
- Five out of six is eighty three per cent.
- That sounds close, but the claim is all or nothing, so Alderwick may not claim yet.
- The compliance officer writes the plan and tests it.
- Now all six sections are met, which is one hundred per cent.
- Only then does the firm notify CFA Institute and use the prescribed statement.
- Any claim made before that day would be a false one, and a false claim is itself an ethical problem for the firm.

18 Why adopt it, and the trap

- Gain: credibility with clients and regulators
- Gain: a ready framework for its own policies
- Gain: a signal of a client first culture
- Trap: 'we meet most of it' is not a claim

IN THE LESSON

- So why would a firm go to the trouble?
- There are three gains.
- The first is credibility with clients and regulators, who can see a public commitment to client first conduct.
- The second is a ready framework: the firm does not have to invent its policies from a blank page, because the Code tells it what to cover.
- The third is a signal of culture, to staff as well as clients.
- The exam trap is the phrase we meet most of the provisions.
- That is not a claim of compliance.
- A related trap is to think the statement means CFA Institute checked the firm.
- It says the opposite.

19 Six principles, six questions

Principles one to three

Professional and ethical →
Act for clients' benefit →
Independent and objective

Principles four to six

Skilled, competent, diligent →
Accurate, timely reports →
Uphold market rules

IN THE LESSON

- The Code rests on six General Principles, and each is a question the firm must be able to answer yes to.
- The top row.
- Does the firm act in a professional and ethical manner at all times?
- Does it act for the benefit of its clients?
- Does it act with independence and objectivity?
- The bottom row.
- Does it act with skill, competence and diligence?
- Does it communicate with clients in an accurate and timely way?
- And does it uphold the rules that govern capital markets?
- Every specific provision in the Code serves one of these ideals.
- When you meet a case, your job is to say which ideal a practice offends.

20 Six sections of duties

Sections A to C

Loyalty to clients →
Investment process and actions → Trading

Sections D to F

Risk, compliance, support →
Performance and valuation → Disclosures

IN THE LESSON

- The Code turns those ideals into duties, sorted into six sections.
- The top row covers the client and the work.
- Loyalty to clients asks that client interests come first and that client information is protected.
- The investment process and actions section asks that funds are run to their stated mandates.
- Trading asks for best execution, fair allocation and soft commissions used for the clients.
- The bottom row covers the controls.
- Risk management, compliance and support asks for a compliance officer, independent confirmation of holdings, records and a continuity plan.
- Performance and valuation asks for fair prices.
- Disclosures asks for fees, conflicts and regulatory actions to be disclosed.

21 Example 7: practice to principle

Four findings at Harbourline, each mapped twice

Big accounts filled first	trading section	**Benefit of clients**
Trips paid for by issuers	loyalty to clients	**Independence**
Strategy launched untested	investment process	**Skill, diligence**
Six-month-old bond prices	performance, valuation	**Communication**

IN THE LESSON

- A review of Harbourline finds four practices, and each must be mapped twice, once to the principle it offends and once to the section it breaks.
- Block trades filled first for the largest accounts offend acting for the benefit of all clients, and they break the trading section.
- Analysts accepting trips paid for by issuers offend independence and objectivity, and they break loyalty to clients.
- A new strategy launched without testing offends skill, competence and diligence, and it breaks the investment process section.
- And bonds priced at a six month old trade offend accurate communication, and they break performance and valuation.
- Naming both halves is what turns an observation into an analysis.

22 Example 8: the stale price

Harbourline holds 40m face of an illiquid bond

Last trade, six months ago	40m × 98.0%	**39.2m**
Independent price today	40m × 92.5%	**37.0m**
Value overstated	39.2m − 37.0m	**2.2m**
Extra fee at 1% a year	1% × 2.2m	**22,000**
Verdict	fair prices, accurate reports	**Breached**

IN THE LESSON

- Let us put a size on the last finding.
- Harbourline holds bonds with a face value of forty million.
- They trade rarely, and the last trade was six months ago at ninety eight.
- At that price the holding is reported at thirty nine point two million.
- An independent pricing source says the bonds are worth ninety two and a half today, which is thirty seven million.
- The holding is overstated by two point two million.
- Harbourline charges one per cent a year on assets, so clients were overcharged twenty two thousand on that gap alone.
- Every statement and every performance figure built on that price tells clients something untrue, and that is why the breach is about accurate communication as well as valuation.

23 Reported value against fair value

Value (millions)

Reported	**39.2m**
Independent	**37.0m**
Overstated	**2.2m**

Bond holding, 40m face value

IN THE LESSON

- Here is the same finding as a picture.
- The vertical axis is value in millions.
- The first bar, in red, is the reported value of the bonds, thirty nine point two, built from the old trade.
- The second bar, in green, is the value from the independent price, thirty seven point zero.
- The difference between them is the third bar, two point two.
- It looks small beside the full holding, and that is the danger.
- A gap like this can sit unnoticed in every report for years, and it flatters performance each time.
- This is why the Code asks that holdings are valued at fair market prices, independently sourced where possible, and that the process is written down.

24 The audit routine

For each section

Read the provisions → Compare with practice → Pass or fail

For the firm

Any section fails? → No claim yet → Fix, then re-audit

IN THE LESSON

- Judging a firm against the Code is a provision by provision audit, and the routine has two rows.
- The top row is done for each section.
- Read the provisions.
- Compare them with what the firm actually does, not what its manual says.
- Then mark the section pass or fail.
- The bottom row is what the firm does with the results.
- If any section fails, there is no claim yet.
- The firm fixes the failure and audits again.
- Notice that a pass in one section never offsets a failure in another, and a firm that passes only for some products still cannot claim.
- The audit is all or nothing, like a fire door that is either closed or open.

25 Example 9: auditing Harbourline

Five findings, five sections of the Code

Statements come only from firm	risk and compliance	**Fails**
Costly gifts from brokers	loyalty to clients	**Fails**
New vendor prices the bonds	valuation	**Passes**
Fees and conflicts disclosed	disclosures	**Passes**
Fund drifts from its mandate	investment process	**Fails**

3 fail, 2 pass: no claim

IN THE LESSON

- Here are five findings from an audit of Harbourline, each marked pass or fail against its section.
- Client statements come only from the firm, with nothing from an independent custodian.
- That fails risk management and compliance, because a dishonest firm could show holdings that do not exist.
- Staff accept costly gifts from brokers with no policy.
- That fails loyalty to clients, as gifts could sway independence.
- Bonds are now priced by an independent vendor, introduced after the stale price finding.
- That passes valuation.
- Fees and conflicts are fully disclosed.
- That passes disclosures.
- And a fund drifts from its mandate.
- That fails the investment process.
- Three failures in three sections mean no claim, and the two passes earn nothing partial.

26 Example 10: the drifting fund

Value fund, 80m; mandate: at least 80% value stocks

Value stocks held	52m of 80m	**65%**
Mandate minimum	80% × 80m	**64m**
Value stocks short by	64m − 52m	**12m**
Gap in points	80% − 65%	**15 points**
Verdict	not run to its mandate	**Fails**

IN THE LESSON

- Let us size the drifting fund.
- Harbourline runs a value fund worth eighty million, and its mandate says at least eighty per cent must be in value stocks.
- A check finds fifty two million in value stocks, which is sixty five per cent.
- The mandate minimum is eighty per cent of eighty million, which is sixty four million.
- So the fund is twelve million short of its mandate, a gap of fifteen percentage points.
- Clients bought a value fund and now hold a blend.
- The Code asks that funds are run strictly to their stated mandate, and that each separate account's objectives and constraints are recorded and reviewed.
- The common trap is to call this good judgement by the manager.
- A stated mandate is a promise.

27 Close the gaps, then claim

Before the claim

Gap analysis of every provision → Close each gap → Notify CFA Institute

After the claim

Train staff each year → Monitor adherence → Revisit when things change

IN THE LESSON

- Now the proposal.
- The order matters.
- The top row happens once, before any claim.
- First a gap analysis, comparing every provision with current practice.
- Then each gap gets an owner and a fix.
- Only when nothing is left open does the firm notify CFA Institute.
- The bottom row repeats for as long as the firm uses the claim.
- Staff are trained every year.
- Compliance monitors whether the policies are followed.
- And the policies are revisited whenever the business or the law changes, for example when the firm launches a new product.
- A firm that skips the top row and goes straight to the claim is relying on luck.

28 Control, and the section it secures

Harbourline's proposed fixes

Control	Section
Custodian sends statements to clients	Compliance
Gift policy and gift register	Loyalty
Pre-trade mandate checks	Process
Allocation set on the order ticket	Trading

IN THE LESSON

- A good recommendation links each control to the provision it secures.
- Harbourline's audit found gaps, and here are the fixes.
- Custodian statements sent directly to clients close the hole in compliance, because holdings are now confirmed by someone outside the firm.
- A gift policy with a register protects loyalty to clients and independence.
- Pre trade mandate checks block a purchase that would take a fund outside its mandate, which secures the investment process.
- A written allocation rule, with the intended split recorded on the order ticket before it is sent, secures the trading section.
- Each of these controls can be tested, which is the part of the answer people forget.

29 Example 11: does the control work?

Compliance tests two controls on a sample

Clients sampled	chosen at random	**50**
Confirm custodian statements	47 of 50	**94%**
Trades screened in a month	before they are sent	**400**
Blocked: breached a mandate	6 of 400	**1.5%**
Verdict	3 clients not confirming	**Follow up**

IN THE LESSON

- A control is only as good as the evidence that it works.
- Ines Varga tests two of them.
- She picks fifty clients at random and asks whether they receive statements directly from the custodian.
- Forty seven confirm, which is ninety four per cent.
- The three who do not are followed up and fixed.
- She also reviews the pre trade checks.
- In one month four hundred trades were screened and six were blocked for breaching a mandate, which is one and a half per cent.
- Blocked trades show the check is catching things, and a month with none would make her ask whether the check works at all.
- The proposal should always say how the firm will know.

30 Policies to write and keep alive

- Personal trading and gifts
- Trade allocation and best execution
- Soft commissions and proxy voting
- Valuation, with a fair value process
- Train yearly, test the plan, revisit on change

IN THE LESSON

- A firm should write these policies down.
- Personal trading and gifts, so that staff trade after clients and are not swayed by hospitality.
- Trade allocation and best execution, so that every client is treated fairly and orders are placed to get the best result.
- Soft commissions and proxy voting, so that client commissions and votes are used for the clients.
- Valuation, with independent prices and a documented fair value process for illiquid assets.
- Finally the cycle: train staff every year, monitor adherence, test the continuity plan regularly, and revisit everything when the business or the law changes.
- A policy no one has read protects no one.

31 Recap: the lesson in five lines

- Judge the policy and the person separately
- A reason is the Standard plus the deciding fact
- The Code binds firms: all provisions, or no claim
- Map each practice to a principle and a section
- Audit, close the gaps, and test each control

IN THE LESSON

- Let us pull the lesson together.
- First, judge a case in two layers, the policy and the person, and name actor, duty, subsection and the kind of statement.
- Second, a full reason names the Standard and the deciding fact, and compliant conduct names its safeguard.
- Third, the Asset Manager Code binds firms, is voluntary, and allows a claim only when every provision is met, with notice to CFA Institute and the prescribed statement.
- Fourth, the six General Principles lead to six sections of duties, and a practice is mapped to both.
- Fifth, audit provision by provision, then close gaps with controls you can test.

32 Try three quick questions

1. Manager follows a policy letting her fill her own account first. Breach?
   Answer: Yes: VI(B). A loose policy is no defence.
2. Firm meets 5 of 6 sections of the Asset Manager Code. May it claim?
   Answer: No: all provisions must be met. 83% is not a claim.
3. 10m of bonds, last trade 98, independent price 92.5. Overstated by?
   Answer: 5.5% × 10m = 550,000. Valuation and communication breached.

IN THE LESSON

- Now try three quick questions yourself.
- Pause after each one.
- Question one.
- A manager follows a firm policy that lets her fill her own account before clients.
- Has she breached the Standards?
- Yes.
- Standard six B puts clients first, and a policy looser than the Standards is no defence.
- Question two.
- A firm meets five of the six sections of the Asset Manager Code.
- May it claim compliance?
- No.
- Every provision must be met, so eighty three per cent is not a claim.
- Question three.
- A firm holds ten million of bonds, last traded at ninety eight, with an independent price of ninety two and a half.
- By how much is the holding overstated?
- Five and a half per cent of ten million is five hundred and fifty thousand, which breaks the valuation and accurate communication provisions.