

CFA INSTITUTE ETHICAL DECISION-MAKING FRAMEWORK

The CFA Institute Ethical Decision-Making Framework is a tool for analyzing and evaluating ethical scenarios in the investment profession. The Identify–Consider–Act–Reflect framework advances a decision-making structure for situations that often fall outside the clear confines of "right" and "wrong." Neither a linear model nor checklist, the framework provides a summary of the key elements of making ethical decisions. The framework is offered with the understanding that there likely will be additional influences, conflicts, and actions unique to each ethical scenario and beyond those detailed below.



IDENTIFY

ETHICAL PRINCIPLES

Which fundamental investment profession principles—fair dealing, full disclosure, loyalty, or diligence (among others)—are at issue?

DUTIES TO OTHERS

To whom do you owe a duty—your client(s), employer, colleagues, and/or others? Some duties, such as protecting the integrity of the capital markets, may be more important than others.

IMPORTANT FACTS

What facts do you know and what additional information do you need to make an informed decision?

CONFLICTS OF INTEREST

Are there any encumbrances, relationships, or incentives influencing your actions?



CONSIDER

SITUATIONAL INFLUENCES

Are outside pressures (such as conformity to group opinion, obedience to authority) or internal biases (such as overconfidence) affecting your decision making?

ALTERNATIVE ACTIONS

Have you brainstormed multiple solutions and avoided a particular preconceived path?

ADDITIONAL GUIDANCE

Have you sought the independent, objective assessment of other parties to gain additional perspective?



ACT

BY MAKING A DECISION

The specific action required may vary based on the individual aspects of the situation. Your decision may require multiple actions or steps, or none at all.

BY ELEVATING THE ISSUE TO A HIGHER AUTHORITY

Alternatively, the best course of action may be to elevate your concerns to a more appropriate party. You may remain connected to the scenario, so you may need to follow up with the other individual to ensure appropriate action is taken.



REFLECT

ON WHAT YOU'VE LEARNED

Once you have taken action, take the time to review the path taken. The lessons you learn will help you reach ethical decisions more quickly in the future.

ON STRENGTHS AND WEAKNESSES

Regardless of whether your decisions and actions bring about positive or negative consequences, understanding your strengths and weaknesses will help you make ethical decisions in the future.