



CFA Institute

REALIZE YOUR RIGHTS

Using the Statement of Investor Rights to Find the Right Financial Professional

The Statement of Investor Rights is a tool to help investors clarify what to expect from a financial professional. The questions inside correspond to each of the investor rights and should help you determine whether the person or firm you hire is willing to put your interests first and is committed to the ethical principles critical to achieving your goals.

Ask These Questions

What This Means for You

1. **Honest, competent, and ethical conduct that complies with applicable law**

- Is your practice governed by an ethical or professional code of standards, and may I have a copy?
- Are you and your firm familiar with and willing to abide by the [Statement of Investor Rights](#)?

It is important that investors consider factors beyond historical performance when hiring a financial professional. Look for someone who demonstrates integrity and adheres to professional codes and ethical standards.

One such code is the [Asset Manager Code \(AMC\)](#), a voluntary code of conduct developed by CFA Institute. The AMC was created to help investors easily identify asset managers who uphold an ethical foundation that promotes transparency and resolves conflicts of interest in favor of investors.

2. **Independent and objective advice and assistance based on informed analysis, prudent judgment, and diligent effort**

- Who will be working on my portfolio, and what are their credentials and experience?
- What happens to my portfolio if you or members of the team leave the firm?
- Can you provide me with examples of the analysis and process you perform to arrive at investment decisions?

The key consideration is that the person or team you have identified is careful, judicious, and diligent. CFA® charterholders have proven their investment knowledge and annually attest to a code of ethics and professional standards. You should understand the firm's depth of expertise and what might happen if your main contact moves to another firm.

It is important to understand the investment philosophy and the decision-making processes of the team that you are entrusting your money to.

3. **My financial interests taking precedence over those of the professional and the organization**

- What regulatory standard, if any, governs our relationship?
- Are you a fiduciary, and would our relationship be held to a fiduciary standard?
- How do you decide which investments to recommend? Are you free to recommend investments sponsored or managed by other companies?

Though it may not be a legal requirement in all places, you should demand that all financial service providers put your interests before theirs and their organizations'.

If your financial service provider is a fiduciary, generally speaking they have a legal duty to uphold your interests in decision making. Some financial professionals are only required to recommend or sell you financial products that are suitable for you, not necessarily ideal or even in your best interest. It is important to ensure that your interests supersede those of the financial service provider before you make a hiring decision.

4. **Fair treatment with respect to other clients**

- What policies are in place to make sure clients receive fair treatment relative to each other?
- How do you ensure clients have appropriate access to products and investment opportunities?
- How do you make sure clients receive adequate support and customer service, especially during a crisis?

To ensure that you are treated fairly in relation to other clients, it is important to understand how the firm is structured to provide access to services and communication in different market or business scenarios. Clients' needs are often different, so fairness does not mean the same thing is equally relevant or appropriate for all. However, all firms should be willing to be transparent about any differences in client service levels while still maintaining confidentiality.

Ask These Questions

What This Means for You

5. *Disclosure of any existing or potential **conflicts of interest** in providing products or services to me*

- What is your process for identifying and communicating conflicts of interest?
- How are conflicts of interest addressed and mitigated, and can you share an example?

It is important to realize that conflicts of interest do come up, but the important thing is that you trust the person you work with to handle them responsibly and with transparency. Some conflicts of interest arise from fee arrangements. Others result from the fact that professionals must serve two masters: their clients and their employer.

Your finance service provider's professional standards and code of ethics should demand transparency in all things, including how potential conflicts are identified, communicated, and resolved.

6. *An **understanding** of my circumstances so that any advice provided is suitable and based on my financial objectives and constraints*

- How do you get to know your clients and assess their financial needs and goals?
- How do you determine whether recommended products and services are appropriate for my portfolio and can help me achieve my financial goals?
- Will you provide me with a written personal financial plan designed to fulfil my financial needs and goals?

Your financial objectives should drive all decision making, including investment strategy, risk management, and security selection. It is important that you and your financial service provider understand your financial needs and any constraints that could affect strategy or tactics.

Become familiar with the organization's services and how they match up with both your current needs and longer-term goals. Make sure that your service professional understands your financial ability and emotional willingness to take risk and how that is factored into your financial plan and investment strategy.

7. *Clear, accurate, complete, and timely **communications** that use plain language and are presented in a format that conveys the information effectively*

- What means of communication (email, phone, etc.) do you use, and how often should I expect to hear from you?
- How often will we meet in person?
- Can you provide me with examples of reports, performance statements, and other types of communication I may receive from you?

The nature of your relationship and how clearly and frequently your provider communicates with you matters. Your provider should listen to your concerns and answer your questions—this is an important foundation.

Be clear with your financial service provider about the type of contact you are most comfortable with and establish what you expect from them early on so there is no miscommunication.

Ask These Questions

What This Means for You

8. *An explanation of all **fees** and costs charged to me and information showing these expenses to be fair and reasonable*

- On what basis are you compensated: fee only, fee based, commission, percentage of assets under management, fixed or flat fee?
- How are the fees calculated, billed, and collected?
- Could the proposed fee arrangements lead to conflicts of interest?

Clients should keep in mind that fees can (and should) be viewed as a tool to align the manager's and the client's interests.

Whatever the goal or objective, the key is for clients to understand what they are paying and be comfortable with what they are receiving from their financial service professionals in return for those fees.

9. ***Confidentiality** of my information*

- What is your privacy policy for client information?
- How can you certify that my financial and personal information is secure?
- Have you ever had information lost or stolen? If so, how was the situation resolved?

In addition to trusting your financial service provider to manage your portfolio appropriately, you must be confident that your provider can safeguard any sensitive information about you. Cybersecurity breaches are now happening with disturbing frequency. You want to be confident that your private information and money are secure.

10. *Appropriate and complete **records** to support any work done on my behalf*

- How long will my records be retained at your firm, and can I request them at any time?
- Does the firm claim compliance with the [Global Investment Performance Standards](#) (GIPS® standards)?

One of the ways that trust is built is through clear and transparent reporting that facilitates an open dialogue between report preparers and users.

The GIPS standards are a voluntary set of standards developed by CFA Institute to establish global protocols for how companies should present their investment performance to help investors evaluate it.

The Future of Finance is a long-term, global effort to shape a trustworthy, forward-thinking investment profession that better serves society. To learn more, please visit www.cfainstitute.org/futurefinance.