

***Practical Ethics:***

**Following the MTA's Code of Ethics  
in the Real World**

**A Webinar Presentation March 13, 2007 – Charles Comer**

# One approach to Ethics



*"Honesty is the best policy.' O.K.! Now, what's the second-best policy?"*

# Definition of 'Ethics'

- A system or set of moral principles
- The rules of conduct governing a particular class of human actions or of a particular group
- Moral principles, as of an individual

# From **Hot Dogs** to Hot Stocks

*“WE ANSWER TO A HIGHER  
AUTHORITY”\**

(So do the all participants in the Securities (and  
Commodities and Currencies, etc) Industries...  
...Though it's a different Higher Authority)

\* Hebrew National's tagline

# Ethics is...

- “...knowing the difference between what you have a right to do and what is the **right thing to do**”\*
- The Investment Industry is Built on the Concept of “Fair Dealing”  
(Backed up by the Anti-Fraud Provisions of SEC Regulations)
- “My Word is My Bond”
- \*Supreme Court Justice Potter Stewart

# MTA Code of Ethics

- Ethical Standards of Professional Conduct
- Serve as a Guide
- Professional Responsibility
- Benchmark for Ethical Judgment

# Ethical Standard 1: MTA Members and Affiliates:

- Shall maintain at all times the highest standards of professional competence, integrity and judgment...Shall act with dignity and in an ethical manner when dealing with:
  - the public,
  - clients,
  - prospects,
  - employees,
  - fellow Members and Affiliates
  - business associates.

# Ethical Standard 1 (Continued)

- Also requires strict compliance with the applicable laws and regulations of any government, governmental agency and regulatory organization which has jurisdiction over the professional activities of Members and Affiliates.

# Ethical Standard 1 (Concluded)

- Members must abide by the Constitution and By-Laws of the Association, and all rules promulgated by its Board of Directors...
- ...And not unduly exploit their relationship with the Association for commercial purposes, nor use, or permit others to use, Association mailing lists for other than Association purposes.

# Ethical Standard 2

- Prohibits publishing or making statements which Members know or have reason to believe are inaccurate or misleading.
- Members must avoid leading others to believe that their technically-derived views of future security price behavior reflect foreknowledge rather than estimates and projections subject to re-examination and, as events may dictate, to change.



It was the moment of truth, after which they all got back to lying.

# Ethical Standard 3

- Members shall not publish or make statements concerning the technical position of a security, a market or any of its components or aspects unless such statements are reasonable and consistent in light of the available evidence and of the accumulated knowledge in the field of financial technical analysis.

# Ethical Standard 3 (Concluded)

- New methods of technical analysis and modifications of existing concepts and techniques shall be fully documented as to procedure and rationale. Proprietary methods shall not be infringed, but this standard shall be a guide in the creation of proprietary products.



# Ethical Standard 4

- Members shall not publish or make statements which indefensibly disparage and discredit the analytical work of others.

# Ethical Standard 5

- Members shall not seek, disseminate or act on the basis of material, non-public (inside) information, if to do so would violate the laws and regulations of any government, governmental agency or regulatory organization relating to the use of inside information.



Bob was eventually arrested and charged with insider trading.

# Ethical Standard 6

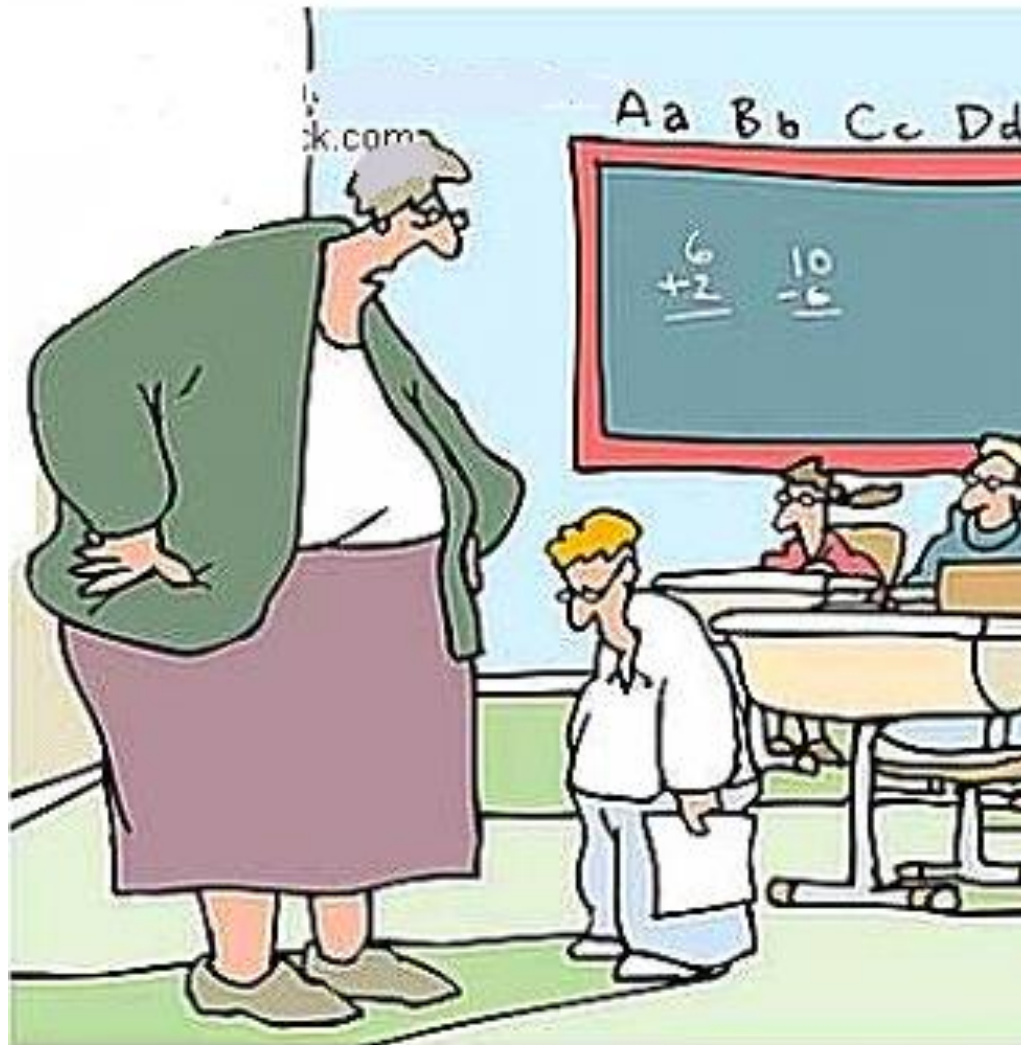
- Members shall keep in confidence knowledge concerning the lawful private affairs of both past and present clients, employers, and employer's clients.

# Ethical Standard 7

- When making a recommendation that a security ought to be bought, sold or held, adequate opportunity to act on such a recommendation shall be given to the Member's clients, employer, and the employer's clients before acting on behalf of the Member's own account or the accounts of immediate family members.

# Ethical Standard 8

- Members shall not copy or deliberately use substantially the same language or analysis contained in reports, studies or writings prepared by any author unless permission to do so is received, in advance. Members must ensure that the original author receives prominent and adequate credit for the original work.

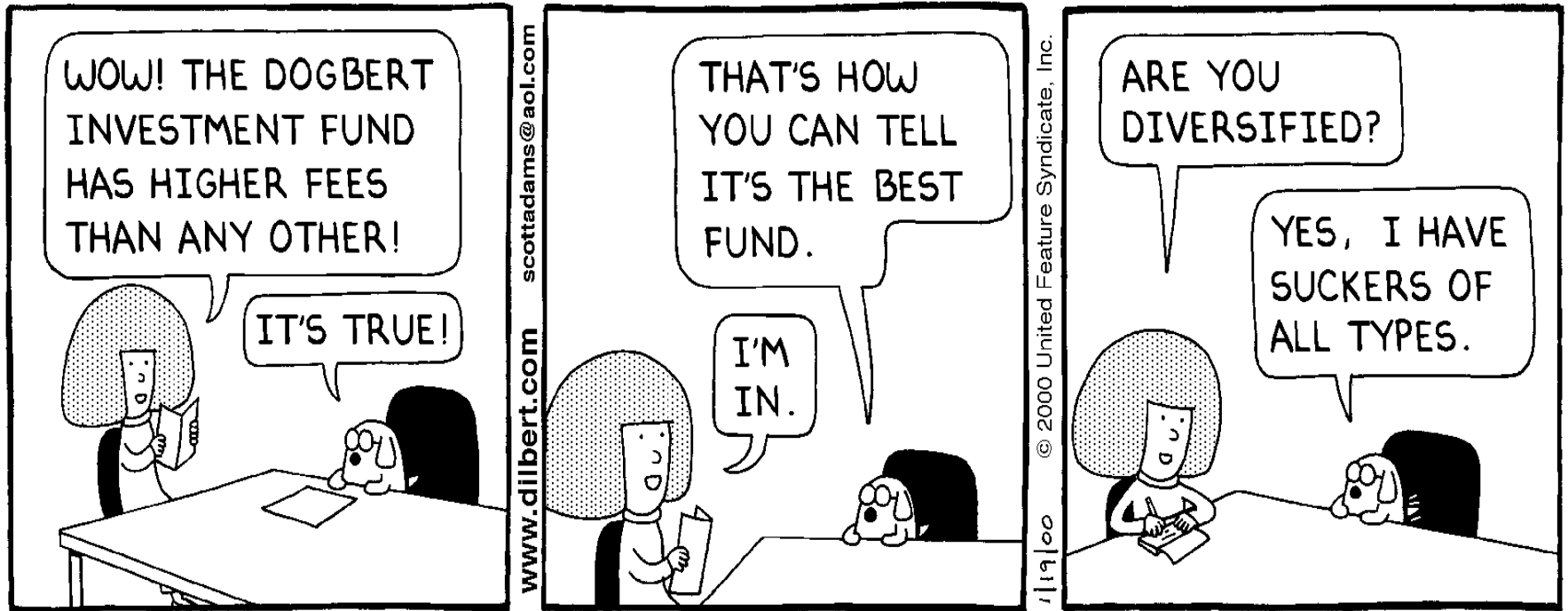


“Remember, cheaters never prosper.  
Unless they’re celebrities.”

# Ethical Standard 9

- Those Members who have earned the Chartered Market Technician designation shall use “CMT” after their name whenever and wherever appropriate.

# A Dog's idea of Ethics



# Basic Responsibilities

- Know and abide by
- Applicable Laws, Rules & Regulations
  - Federal/SEC
  - State
  - SRO
- MTA Code of Ethics

# Responsibilities to the Profession

- References to Membership only in a dignified and judicious manner
- Do not disparage competitors
- Do not plagiarize
- Use the CMT designation whenever appropriate
- Act lawfully, respectfully, fairly

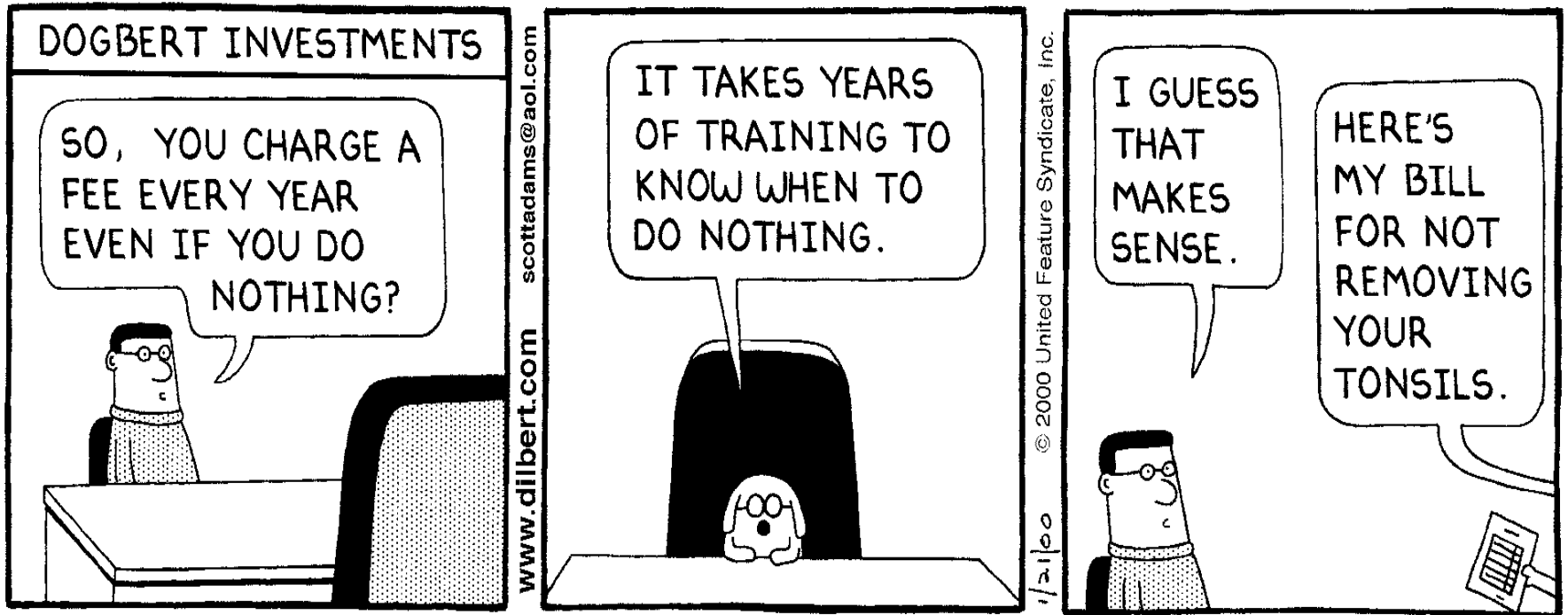
# Responsibilities to Employers

- Avoid or disclose conflicts
- Disclose any outside activities
- Do not compete
- Maintain confidentiality
- Put employer and employer's clients' interests first

# Responsibilities to Clients/Prospects

- Fair Dealing
- Fiduciary Duty
- Independent, Objective
- Reasonable basis
- Priority of transactions (clients first)
- Confidentiality
- Disclosure of conflicts
- Disclosure of fees

# Another Dogbert Ethical Dilemma



# Conclusion

- MTA's Code of Ethics provides a framework
- These are MINIMUM Standards
- Ethical Behavior is Good Business