



UNDER CONSTRUCTION

DVFA Code of Professional Discipline

By resolution of the Board of DVFA on 24 September 2015 in Frankfurt am Main based on article 5 (4) of the association statutes.

**Version
24 September
2015**

Professional action, like no other type of action, embodies the rationality of a highly modern society and its social order.

Professor Dr. Harald Wenzel, Free University of Berlin

Successful professional groups exercise authority. Their "orders" are obeyed because others believe that they are in a unique position to create and apply the formal knowledge required to cope with important complexities and uncertainties.

Professor W. Richard Scott, Stanford University

Preamble

Is it really valid to say that Investment Professionals are part of a *profession*? Lawyers, doctors, tax advisors all have traditionally been called professionals. But, Investment Professionals ...? What conditions must be met before the people working in this industry can legitimately live up to the 'professional' label? And, what role can DVFA play as the Society of Investment Professionals in Germany?

Among organisational scientists, one finds an array of very different definitions for the word. Yet, one common denominator is: at the core, a profession is a group that defines on its own just what it means to be professional. In other words, a profession has the autonomy, in lieu of legislative definitions, to determine what constitutes professional content and conduct. This also entails, however, the obligation of the profession to ensure not only the effective performance of its members, but also that their activities are in line with the interests of society as a whole.

Typically, a profession is characterised by a close and personal relationship between its members and their clientèle. There is also a state of general autonomy among professionals with respect to the definition of methods, as well as standards of professional conduct and training, governed by a code of professional ethics. However, as postulated by sociologist Manfred Mai, a key criterion that sets professions apart from other vocations is the facility for critical self-reflection: a profession must have among its members an accepted understanding as to the quality of their work and their joint contribution to the common good.

The clients of a profession, who do not have access to comparable expertise or adequate experience, depend on the know-how of the professionals – which means that they must trust the individuals advising them. Trust is built on the assumption of technical competence (i.e. skill in handling profession-specific tasks), but also on confidence in the moral ability (i.e. internalised values) of the members of the profession.

According to the American sociologist Eliot Freidson, professions offer their members a means of orientation. They promote professional discipline through the definition of a curriculum determining who becomes a member and what criteria the selection is based upon, and by creating and refining knowledge and expertise. At the same time, professions establish standards with respect to quality, ethics and responsibility. It is the interplay between professional technique and professional conduct that defines a genuine profession.

Professionals who join in federations and societies form a crucial pillar of self-regulation. In times of complex regulatory challenges, they serve to relieve the burden on the legislature: the existence of a full-fledged profession is the prerequisite for a withdrawal of the state from areas in which it is poorly equipped to keep pace with the professionals. This represents both an opportunity and an obligation for Investment Professionals who make up DVFA. It is an opportunity to maintain the autonomy of the profession, first by settling on self-imposed standards governing professional practices and conventions, and second by reflecting on exemplary professional conduct – both largely without government or regulatory intervention. A renewed regulatory “avalanche” can only be prevented if Investment Professionals become better organised and engaged for continuous improvement of the standards guiding professional practices and conduct.

These tasks – dissemination, application, expansion and improvement of knowledge, as well as the creation of standards of professional conduct, cannot be accomplished without a formal organisation, such as a professional society. This is the function served by DVFA in the German market. But, in order for the profession to be recognised as such outside of its

own ranks, there are fundamental conditions that must be fulfilled, effective tools and methods that must be established, which researchers have identified as indispensable for recognition of an occupation as a profession.

As a group, Investment Professionals must have

1. A formal organisation that is far more than a loose network (DVFA)
2. Collectively shared knowledge and jointly developed practices (standards, best practices – as e.g. advanced for decades by DVFA groups and committees).
3. Curricula for specific training programmes covering available professional know-how and practices, and as recognised proof of professional aptitude (in more than 25 years, more than 5,000 Investment Professionals have taken part in DVFA training programmes.)
4. A code of professional ethics oriented on societal benefits (DVFA Code of Professional Ethics)
5. A requirement for members of the group to prove specific knowledge and competencies that are essential for access to the job market for Investment Professionals and for sustainable career development.

If we view the first four conditions as satisfied, thanks in part to the efforts of DVFA over the past 50+ years, then the Professional Code can be seen as filling an important gap: the requirement for Investment Professionals to prove specific knowledge and competencies (as defined in the Professional Code) also serves to formally document to the general public, regulators and the legislature that the Society of Investment Professionals in Germany is more than just a loose network of industry players – and that the members are heedful of their function and significance as representatives of a *profession*.

Professional action is built on clients' trust. Ultimately, there are three elements necessary to promote trust, and thus create a basis for professional success: 1. proof of technical competence, 2. reflection on professional practices and conduct, 3. development and continual improvement of individual qualifications among all members of the profession.

Stefan Bielmeier
Chairman of the Executive Board
DVFA e.V.

§1 Self-assessment and Credit Points

1.1. The role of the Code of Professional Discipline

The DVFA Code of Professional Discipline (below "CPD") describes essential requirements for members of the professional association with regards to continuing education and engagement on behalf of the finance profession. The CPD is an integral part of DVFA's understanding of professionals' duties towards the general public, legislators and regulators to show that the association's members strive to continuously adapt their level of competence and knowledge to changing markets and increasingly complex requirements. The association's members must commit to enhancing the level of professionalism in the field, as well as enhancing market standards and promoting market integrity by engaging voluntarily. Moreover, and as a matter of course, members must demonstrate achievement of credit points within each two-year period (below "period").

Thus, the CPD serves to effectively increase confidence in DVFA's members and document these efforts publicly. Every member of DVFA has to comply with the CPD to maintain membership within the association.

The requirement for continuing education which derives from the CPD does not mean that members only achieve credit points for educational programs and seminars offered by DVFA's training school, nor that engagement within DVFA as a professional association is solely eligible for credit points.

The rules below describe all requirements for the association's members to fulfill duties for continuing education and engagement in the spirit of DVFA's statutes.

1.2. The process of self-assessment

Through participation in the self-assessment DVFA members provide account on their

- education and continuous education which they successfully passed in order to maintain their knowledge and enhance their skills, and
- engagements with which they contribute to professional reflexion on knowledge (their own and that of other market participants), practices and standards with the aim to check validity or define practices and standards to the greater end of market integrity.
- DVFA members receive credit points for education and engagements which sum up to the DVFA-Grade.

In the public perception a DVFA-Grade indicates

- Professional excellence. The DVFA-Grade testifies that the member has invested time and resources for the development of his/her professional integrity and hence is competent, knowledgeable and is committed to a professional habitus.
- Employability. The DVFA-Grade is a useful KPI for employers when hiring or promoting employees as the grade testifies that the individual a) maintains his/her knowledge and skills, and b) is committed to reflecting on professional practices and standards. DVFA members are encouraged to use their DVFA-Grades proactively when applying for jobs or when a proof of competence and knowledge is being asked for.

1.3. Application of the Credit Point Catalogue

The Credit Point Catalogue and hence the Benchmark for the DVFA-Grade are based on several quality criteria:

- Fairness. Obtaining credit points presents the association's members with a challenge but does not impose demands on individuals which they could only meet under greatest efforts to due to workload.
- Steadiness. The credit point catalogue will remain stable for a longer period. Any changes will be deliberated by DVFA's Admittance Committee and formally ratified by the Board.
- Impartiality. The procedure does not treat commercial offerings or engagements within DVFA preferentially to those of third parties.
- Balance. Credit points for engagements and education are equally measured i.e. members can only achieve the equivalent benchmark when their engagements and education are well balanced.

1.4. Definition of the benchmark for the DVFA-Grade

- A benchmark for the DVFA-Grade is defined which is set at the minimum of credit points a member needs to acquire within a period of 24 months.
- The benchmark will be defined by the Board after consultation with the Admittance Committee. Towards the end of the period of evaluation the benchmark will be reviewed and modified as and when needed.

§2 Obligations for Continuing Education and Engagement

2.1. Every regular member of DVFA has to provide evidence of credit points achieved per period.

- a) The obligation begins with admission of the professional to the association.
- b) The period begins on 01 Jan of the subsequent year.
- c) Allocation of credit points for seminars, events and engagement is governed by DVFA's Admission Committee.

2.2. Credit points have to be acquired for continuing education as well as engagement.

2.3. Awarding of credit points for continuing education - i.e. offerings of DVFA's training school as well as offerings of third parties - is aligned to DVFA's Continuous Development Curriculum ("CDC", see exhibit 1). It is recommended that members acquire at least 1 credit point per module of the CDC per year.

2.4. Overachievement in one period does not qualify for set-offs in the next period.

2.5. Credit points are only valid in the period in which acquired. Carryover into the next period is not permitted

§3 Criteria for the Recognition of Educational Programs

- 3.1. Educational programs as defined within the CPD are:
- a) Programs offered by DVFA e.g. CIIA, CCrA, CRM, CREA
 - b) Programs of other parties e.g. CFA
 - c) Seminars offered by DVFA and third parties
 - d) Symposia, conferences, forums, insights, webinars, eSeminars of DVFA and similar offerings of third parties
 - e) Investor meetings of DVFA and third parties
- 3.2. Every member can decide individually which educational program is best suited to their needs.
- 3.3. DVFA recommends that its members, when selecting educational programs, orient towards DVFA's Continuous Development Curriculum
- 3.4. Educational programs can be registered with DVFA to become eligible for credit points and to become well-established among members. With registration, members are given certainty that the requirements of CPD are fulfilled when participating in the program.
- 3.5. Any educational program, irrespective of whether it has been registered or not, that fulfills the following criteria, will be accepted. If the program has not been registered already, it is the responsibility of the participating member to make sure that the educational program fulfills the following conditions:
- a) Educational programs have to be offered and carried out by
 1. Universities, universities of applied sciences, other educational institutions
 2. Not-for-profit organizations
 3. external trainers/lecturers
 4. Commercial suppliers or
 5. in-house educational units
 - b) Only subjects included under §2.3 of the CPD and linked to the CDC are eligible.
 - c) The program must have a duration of at least 60 min.
- 3.6. Product demonstrations, sales or distribution pitches do not fulfill the preconditions under §3.5.
- 3.7. Non-registered programs can be registered for credit points based on agenda, syllabus. DVFA reserves the right, also ex post, to validate non-registered programs for conformity with the CPD and, if necessary, to reject programs as substandard.

§4 Criteria for the Recognition of Engagement

- 4.1. Engagement within the CPD is defined as:
- a) Pro bono and voluntary participation in professional bodies at
 - i. DVFA
 - ii. other associations and organizations
 - iii. legislators, regulators
 - iv. standard-setters
 - v. industrial associations, chambers of commerce
 - vi. marketplaces and stock exchanges
 - b) Teaching of investment professionals at educational institutions, commercial providers of training, universities, universities of applied sciences, business schools
 - c) Academic activities, research
 - d) Publication of scientific papers and articles in the trade press

- 4.2. Every member can decide which form of engagement they wish to commit to.
- 4.3. Organizations, associations, professional bodies, educational institutions pursuant §4.1. lit. b), as well as periodicals and publishing houses are asked to register with DVFA. With registration members are given certainty that the requirements of CPD are fulfilled when committing to engagement in the particular activity.
- 4.4. Engagement by members as part of their employment, and which cannot be regarded as extra-curricular, does not fulfill the preconditions of §4.1.
- 4.5. Speeches, presentations to a wider non-finance audience are not eligible for credit points.
- 4.6. Non-registered forms of engagement will be considered for credit points within the CPD based on their subject nature. DVFA reserves the rights, also ex post, to validate such engagement for conformity with the CPD and, if necessary, to reject the engagement.

§5 Verification of Credit Points

- 5.1. Recording of credit points is by principle voucherless, within the process of self-assessment pursuant to §5.4 of the DVFA statutes via an online application. The application allows the user to
 - a) Authenticate with login and password
 - b) Enter attended educational programs and completed engagement by means of pre-configured drop-down boxes
 - c) Define individual entries not contained in the drop-down boxes
 - d) Print the list of educational programs and engagement activities, as well as the sum of the scored credit points ("DVFA Grade")
- 5.2. The DVFA Admission Committee sets a benchmark which defines the minimum necessary credit points for education and engagement of DVFA members within the framework of the CPD within a given period.
- 5.3. DVFA checks entries of members at random and on specific occasions. Pursuant §3.7 and §4.6 of the CPD, DVFA can revoke individual entries of members, in which case the member would be given notice.
- 5.4. For analysis purposes, DVFA will use aggregated data (anonymized), esp. DVFA Grades.

§6 Non-Compliance with Obligations for Continuing Education and Engagement

- 6.1. It is the duty of the member of the association to provide evidence of fulfilling the obligations for continuing education and engagement.
- 6.2. Non-compliance with the obligation for continuing education and engagement is assumed when members do not participate in the self-assessment or when the minimum score has not been reached.
- 6.3. Unspecified, wrong or fraudulent declaration are an infringement of the CPD and can lead to expulsion of the member from the association. See §13 of the DVFA statutes for details on the DVFA Disciplinary Committee.

§7 Validity and Updating

1. The Code of Professional Discipline was ratified by the Board of DVFA on 24 Sep 2015 and enters into force on 01 Jan 2016.
2. Updates to the Code of Professional Discipline and the Credit Point Catalogue will be deliberated in the Admittance Committee which will indicate necessary modifications to the Board and provide suggestions for change.

DVFA, The Board

Frankfurt am Main, 24 September 2015

Exhibit 1

Continuous Development Curriculum

No	Subject area	Formats	Examples
1	Ethics/Integrity		Case studies, ESG/sustainability, corporate governance
2	Products & innovations	Seminars Conferences Insights	ABS/securitization, HFT/algo trading <u>Investment analysts/Asset & fund managers</u> : structured products, options/futures <u>Risk managers</u> : product innovations, credit derivatives <u>Real estate analysts</u> : market development, business model development
3	Professional skills	Webinars Speeches Subscriptions	<u>Investment analysts/Asset & fund managers</u> : asset allocation, total return, risk parity <u>Credit analysts</u> : rating analysis <u>Risk managers</u> : total bank management, credit/counterparty risk
4	Regulation		MiFID II, planned regulatory measures <u>Risk managers</u> : bank union development
5	Risk management		Methodology, e.g. VaR vs. expected loss, behavioral finance, own risk profile analysis

Exhibit 2

Credit Point Catalogue Date: 24 September 2015*

Category	Name Self-Assessment	Type	Definition	Examples	Credit Points (CP)	Unit
Training Course	Events	Program	A program is a series of successive post-graduate education modules which are finished with an exam Alternative names: Program Executive Education	CIIA, CRM, CCrA, CREA, AIM, CEFA, DVFA Investment Analyst CFA CAIA CFP	30	Successful completion CP will be reduced to 15 CP in P ₂ 7,5 CP in P ₃ 3,5 CP in P ₄ thereafter residual value 1CP ad infinitum
Training Course	Events	Professional Training	Professional training is an education program which is geared to the acquisition of specific and/or technical skills, and which has a duration of not more than 15 days	Stock exchange trader training course Training course Money laundering law Management training	10	CP are reduced to 50% in the period to follow the period in which the professional training was credited, then OCP
Membership Member Professional Body	Membership	Member of Board	Member of Board in professional organizations		9	Per Body/Period
Membership Member Professional Body	Membership	Chairman	Working Group Commission Committee Advisory Board		7	Per Body/Period
Training Course	Events	AIC	The Attestation of Investment Competence is an online assessment of knowledge and competence based on exam questions of DVFA programs.		5	Successful completion of test Can only be completed once in a period.
Training Course	Events	eSeminar	Training films are digitally rendered training materials with which members can enhance knowledge and competence.	eSeminars	5	Minimum 4 hours
Membership Member Professional Body	Membership	Member Committee	Working Group Commission Committee Advisory Board		5	Per Body/Period
Seminar	Events	Seminar	Professional training event for enhancing knowledge and competence typically not more than 3 days Alternative names: Course Training Furthertraining	DVFA Seminar Derivative and structured financial products Uhlenbruch Seminar Professional Asset Allocation	4	Day
Publication Book	Publications	Book (monography)	Monography		8	Book
Publication Book	Publications	Book (Editor)	Collection of papers and essays Edited volume		3	Publication
Lectureship	Lectureship	Teaching	Professional teaching activity in educational training or seminars aimed at enhancing knowledge, competence and skills		2,5	Day
Conference	Events: Conference	Conference	Gathering of experts for the reflexion or discussion on a specific topic Alternative names: Congress Forum Symposium Convention	DVFA Asset Management Forum Deutsche Börse German Equity Forum Frankfurt Main Finance Summit DVFA Insights	2	Day Per event - only DVFA Insights
Publication acad. article	Publications	Journal Article (acad.)	alternatively: contribution edited volume or collection of essays in book		4	Contribution
Publication acad. article	Publications	Article	Newspaper Journal, non academic, trade press		2	Contribution
Lectureship: speech	Lectureship	Speech	a speech about a specific topic to a professional audience Alternative name: Key Note		2	Contribution
Conference	Events: Conference	Investor-Conference	Company presentation of stock-listed companies or bond issuers Alternative name: Investment Seminar	DVFA Small Cap Conference Deutsche Börse	2	Day
Lectureship: Panelist	Lectureship	Panelist Moderator	Participation at panel discussion, panelist or moderator		1,5	Contribution
Publication Tele Media	Publications	Interview	Interview press supraregional, TV or radio broadcasting		1	Contribution

*The credit point catalogue will be reviewed at the end of a period and modified as and when needed. This version will be reviewed at the latest December 2016