AMERICAN FINANCE ASSOCIATION
CODE OF PROFESSIONAL CONDUCT AND ETHICS*

1. Preamble

The American Finance Association (AFA) is the premier academic organization devoted to the study and promotion of knowledge about financial economics. To help achieve the goals of our organization, this document sets forth a code of professional conduct and ethics for financial economists.

Although ethical standards and legal principles are closely related, the financial economist's ethical duties may go beyond what is required by law in order to meet high standards as scholars, colleagues, mentors, and educators. The code of professional conduct and ethics set forth herein is not exhaustive, but instead provides a common set of principles to guide the actions of financial economists. In addition to adhering to the code in their own behavior, financial economists should work actively to promote and instill these values throughout the profession.

2. Competence and Expertise

(a) Professional and Scientific Standards – Financial economists should adhere to the highest possible professional and scientific standards in their research, teaching, practice, and service activities. They should rely on scientifically and professionally derived knowledge and act with honesty and integrity.

(b) Competence – Financial economists should conduct research, teach, practice, and provide service only within the boundaries of their competence, based on their education, training, supervised experience, or appropriate professional experience. They should strive to remain current in their scientific and professional knowledge.

(c) Representation and Misuse of Expertise – In research, teaching, practice, service, or other situations where they render professional judgments or present their expertise, financial economists should accurately and fairly represent their areas and degrees of expertise. They should be alert to and guard against the misuse of their knowledge, expertise, or influence and take reasonable steps to correct or minimize the misuse or misrepresentation of their knowledge, expertise or influence.

3. Professional Relations

(a) Financial economists should work to provide an environment that encourages the free expression and exchange of scientific ideas. They should promote equal opportunity and treatment for all their colleagues, regardless of age, gender, race, ethnicity, national origin, religion, sexual

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* Some language in this document is based on the Code of Ethics of the American Sociological Association and the American Astronomical Society.

orientation, disability, health condition, marital status, parental status, genetic information, or any other reason not related to scientific merit. More senior members of the profession have a special responsibility to facilitate the research, educational, and professional development of students and subordinates. This includes providing safe, supportive work environments, fair compensation and appropriate acknowledgment of their contribution to any research results.

(b) Delegation and Supervision – Financial economists should provide proper training and supervision of their students, supervisees, and employees, take reasonable steps to see that such persons perform services responsibly, competently, and ethically, and delegate to them only those responsibilities that such persons can reasonably be expected to perform either independently or with the level of supervision provided.

(c) Discrimination – Financial economists should not engage in discrimination in their work, whether based on age, gender, race, ethnicity, national origin, religion, sexual orientation, disability, health condition, marital status, parental status, genetic information, or on any other applicable basis proscribed by law.

(d) Harassment – Financial economists should not harass any person, including but not limited to any student, supervisee, employee, or research participant. Harassment includes, but is not limited to, unwelcome conduct based on any category described in the Discrimination section set forth immediately above where enduring the offensive conduct becomes a condition of continued employment, or the conduct is severe or pervasive enough to create a work environment that a reasonable person would consider demeaning, intimidating, abusive, hostile, or offensive. Sexual harassment includes explicit sexual solicitation, physical advance, or implicit sexual solicitation such as verbal or non-verbal conduct that is sexual in nature. Racial harassment includes unnecessary, exaggerated, or unwarranted attention or attack, whether verbal or non-verbal, because of a person's race or ethnicity.

(e) Abuse of Power – With respect to persons over whom financial economists have direct or indirect supervisory, evaluative, or other authority, including any student, supervisee, employee, or research participant, financial economists should not coerce or manipulate any such person for personal, economic, or professional advantage, and they should not directly supervise or exercise evaluative authority over any such person with whom they have a sexual relationship.

(f) Fair Employment Practices – Financial economists should adhere to the highest ethical standards when participating in employment-related decisions, when seeking employment, or when planning to resign from a position. With respect to employment-related decisions, they should make every effort to ensure equal opportunity and fair treatment to all full- and part-time employees and they should not discriminate in hiring, promotion, salary, treatment, or any other conditions of employment or career development proscribed by law or as described in the Discrimination and Harassment prohibition sections set forth above.

(g) Intervention on Behalf of Others – When financial economists become aware of any conduct, act, or decision that involves discrimination, harassment, abuse of power or unfair employment practices, they should take reasonable action to address the conduct, action, or decision at issue, including, if applicable, by reporting it to their employers.

4. Conflicts of Interest

(a) Conflicts of interest arise when financial economists' personal or financial interests prevent them from performing their professional work in an unbiased manner. In research, teaching, practice, and service, financial economists should be alert to situations that might cause a conflict of interest or the appearance of a conflict of interest, and take appropriate action to prevent a conflict of interest or disclose it to appropriate parties.

(b) Regardless of their personal or financial interests or those of their employers or clients, financial economists should adhere to professional and scientific standards, including, but not limited to: (1) the collection, analysis, or interpretation of data; (2) the reporting of research; (3) the teaching, professional presentation, or public dissemination of scientific knowledge; and (4) contractual, consulting, or service activities.

(c) Financial economists should disclose relevant sources of financial support and relevant personal or professional relationships that may have the appearance of or potential for a conflict of interest to an employer or client, to the sponsors of their professional work, or in public speeches and writing. If unable to fully disclose such a conflict due to a contractual obligation, the nature of the conflict, such as firm type and industry, should be disclosed. In addition, financial economists should follow the disclosure policies of the journals and organizations to which they submit articles.

(d) Financial economists should not use or otherwise seek to gain from information or material received in a confidential context (e.g., knowledge obtained from reviewing a manuscript or serving on a proposal review panel), unless they have authorization to do so or until that information is otherwise made publicly available.

(e) Financial economists should take appropriate steps to avoid conflicts of interest or the appearance of conflicts and carefully scrutinize potentially biasing affiliations or relationships. When normal professional obligations lead to requests to provide information about or evaluation of individuals or institutions subject to a biasing affiliation, financial economists should reveal all such biasing affiliations along with the information or evaluation. If the potential bias is sufficiently strong, financial economists should consider recusing themselves from voting or evaluation.

Examples:

1) Financial economists who are asked to provide a letter of nomination for a grant or award to a former student should reveal that biasing affiliation in all such letters.
2) Financial economists who are on the selection committee for a prize or grant where a colleague or former student is under consideration should provide information and evaluation only after the requesting party is aware (or has been made aware) of the biasing affiliation.

5. Public Communications

Financial economists should adhere to the highest professional standards in public communications about their professional services, affiliations, credentials and expertise, work products, expert witness work, and publications or research findings, whether these communications are from themselves or from others acting on their behalf. This includes taking steps to ensure the accuracy of public communications and not making public statements that are false, deceptive, misleading, or fraudulent, either because of what they state, convey, or suggest or because of what they omit.

> *Examples*:
> 1) In communications where employment is mentioned, financial economists should make the nature of employment clear, such as when they have non-faculty positions, multiple affiliations, or visiting positions.
> 2) In communications including but not limited to press interviews, seminars, and expert witness testimony, financial economists should not imply or represent their personal views as being the consensus of the profession's generally accepted views (based on widely accepted scientific evidence) unless this is the case.

6. Research and Publication

(a) Research Planning, Implementation and Dissemination – Financial economists should:

(1) Conduct and report research with the highest standards of objectivity, accuracy and quality;

(2) Clearly discuss data, research methods and choices, and theoretical proofs in disseminated work, and engage reasonable private requests for clarification or assistance with replication;

(3) Report sources of financial support in their written papers and note any special relations to any sponsor;

(4) Acknowledge prior and contemporaneous contributions of other researchers in publications, teaching, practice, and service settings, and avoid excessive self-citations and acknowledge prior or simultaneous contributions based on their relevance rather than identity of the authors;

(5) Follow all appropriate rules and guidelines that apply to research involving human subjects (including surveys); and

(6) Take reasonable steps, if they discover significant errors in their publication or presentation of data, to correct any such errors in a correction, retraction, or erratum.

(b) Plagiarism – In publications, presentations, teaching, practice, and service, financial economists should explicitly identify, credit, and reference the author when they take data or material verbatim from another person's written work, whether it is published, unpublished, or electronically available, and acknowledge and reference the use of others' work, even if the work is not quoted verbatim or paraphrased, and they should not present others' work as their own. They should report cases of plagiarism to the appropriate organizations such as journals or publishers.

(c) Authorship Credit – Financial economists should take responsibility and credit only for work they have actually performed and to which they have contributed. They should ensure that authorship and other publication credits are based on the scientific or professional contributions of the individuals involved, regardless of their professional status.

Examples:

1) Financial economists should not pressure their junior colleagues or advisees to be added to a paper as a co-author or to be listed as a lead author.
2) Financial economists should not add their names to research projects, without making an appropriate contribution, even if invited by other authors (who may, for example, think that adding a senior scholar's name would improve the publication prospects of a paper).
3) Contributions of all co-authors should be noted when a subset of the authorship team is presenting or disseminating the work.

(d) Publication Process

(1) In work with multiple authors, financial economists should confer with all other authors prior to submitting work for publication and establish mutually acceptable agreements regarding submission.

(2) Financial economists should not submit manuscripts to more than one publication at a time unless this is explicitly allowed by the journals.

(3) When financial economists publish data or findings that they have previously published elsewhere, they should acknowledge the prior work.

(4) Financial economists should not selectively report findings in ways that would mislead or deceive readers.

(5) When serving as editors of journals or book series, financial economists should fairly apply standards and operate without personal or ideological favoritism. They should ensure that any promises of confidentiality and anonymity are fully respected.

(6) Financial economists should ensure that co-authors mutually agree to publication of their work prior to publication.

(e) Responsibilities of Reviewers

(1) In their role as reviewers, financial economists should review submissions carefully, confidentially, and without prejudice. Confidential submitted material should be kept confidential until publication. Potential conflicts of interest should be construed broadly and discussed with the editor or

conference organizer upon receipt of a request to review, and such editor or organizer should be informed of prior reviews of the same work.

(2) In their role as reviewers, financial economists should not use their advanced access to unpublished research for their own purposes. For example, they should not undermine the original authors by rejecting the paper and then pursue the research idea on their own. Nor should they delay providing feedback to the advantage of their own competing work.

(3) In their role as reviewers, financial economists should provide referee reports in a timely fashion, both out of professional courtesy and an interest in the expedient communication of research results.

(4) In their role as reviewers, financial economists should carefully explain the reasoning behind their assessments and strive to be constructive, phrasing assessments in a temperate and scientific manner, free from insulting or unnecessarily negative comments.

(5) In their role as reviewers in the promotion and tenure process, financial economists should review the records of candidates carefully and without prejudice, and they should submit their evaluations in a timely fashion.

(f) Confidentiality – In addition to any confidentiality obligations imposed by applicable law, institutional customs or stated guidelines, or any legal agreements, financial economists should take reasonable precautions to ensure that confidential information is protected to ensure the integrity of research, maintain open communication with research participants, and to protect sensitive information obtained in research, teaching, practice, and service.

7. Education, Teaching and Training

In their role as educators, financial economists should:

(a) Make decisions concerning textbooks, course content, course requirements, and grading solely on the basis of educational criteria without regard for their own financial or other advantage;

(b) Provide proper training and supervision to their teaching assistants and other teaching trainees, and take reasonable steps to ensure that such persons perform their roles responsibly, competently, and ethically; and

(c) Incorporate and prioritize student interests and developmental objectives. They should not permit personal or intellectual differences with colleagues to interfere with student or supervisee learning, academic progress, or professional development. They should, as appropriate, advocate for the student to help achieve professional objectives.

Revised 10/18/2016