

CHAPTER 57**CODE OF ETHICS AND...S OF PROFESSIONAL CONDUCT**

1. (A) anyone.

Explanation

Complaints to the Professional Conduct Program may be filed by anyone.
(Study Session 19, Module 57.1, LOS 57.a)

Related Material

[SchweserNotes - Book 5](#)

2. (A) Educating the general public on investing.

Explanation

Although the Code says a member has obligations to the public, educating the general public for whatever reason is not implied.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

3. (B) act with integrity, competence, diligence, respect, and in an ethical manner when dealing with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.

Explanation

Acting with integrity, competence, diligence, respect, and in an ethical manner when dealing with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets is one of the six components of the Code of Ethics, whereas the other statements are part of the Standards of Professional Conduct.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

4. (B) Members shall use reasonable care and exercise independent professional judgment.

Explanation

This is a component of the Code of Ethics. Others pertain to the Standards of Professional Conduct.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

5. (C) violated the Code and Standards, both when he misrepresented the qualifications of his firm and later, when he learned the truth and failed to contact the prospective client and correct his earlier statement.

Explanation

Standard 1(C) Misrepresentation prohibits members from making statements, orally or in writing, that misrepresent the services that they or their firms are capable of providing. Even though Blank's statement was not deliberately false, he did not know whether it was true or not, and this made the statement misleading. Once it was evident that the statement was false, Blank had a duty to contact the prospect and correct the misrepresentation, but did not do so.

For Further Reference:

(Study Session 19, Module 57.1, LOS 57.c)

CFA® Program Curriculum, Volume 6, page 285

CFA® Program Curriculum, Volume 6, page 285

CFA® Program Curriculum, Volume 6, page 305, 310, and 312

Related Material

[SchweserNotes - Book 5](#)

6. (A) Advocate laws to protect the investing public.

Explanation

The Code of Ethics says nothing about a CFA Institute member advocating laws. The Standards of Professional Conduct say that the member shall obey laws.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

7. (C) publishing personnel guidelines for pre-dissemination that prohibit those who know about a pending recommendation from discussing or acting on it.

Explanation

Recommended procedures for compliance with Standard III(B) Fair Dealing include limiting the number of people in the firm who know that a change in recommendation will be made. Requiring investment committee approval for all recommendation changes is not among the recommended procedures.

For Further Reference:

(Study Session 19, Module 57.1, LOS 57.c)

CFA® Program Curriculum, Volume 6, page 285

CFA® Program Curriculum, Volume 6, page 285

CFA® Program Curriculum, Volume 6, page 305, 310, and 312

Related Material

[SchweserNotes - Book 5](#)

8. (A) **comply with the CFA Institute Global Investment Performance Standards.**

Explanation

The CFA Institute-GIPS are voluntary standards for the industry. Firms are not required to comply with these standards when presenting performance. The other statements are each components of the CFA Institute Code of Ethics.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

9. (A) **Attending continuing education seminars on investing and inviting colleagues to come along.**

Explanation

The Code states that a member shall "Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals." None of the other answers qualify.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

10. (B) **solemnity and in an ethical manner.**

Explanation

Component one states that members and candidates should "act with integrity, competence, diligence, respect, and in an ethical manner."

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

11. (C) **strive to maintain and improve their competence and the competence of others in the profession.**

Explanation

Striving to maintain and improve their competence and the competence of others in the profession is one of the components of the Code of Ethics, whereas the other statements are part of the Standards of Professional Conduct.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

12. (B) CFA Institute members and candidates in the CFA Program.**Explanation**

Participants in the CFA Program are not specifically mentioned in the Code of Ethics. Component one mentions duties to the public, clients, prospects, employers, employees, colleagues, and other participants in the global capital markets.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

13. (C) use reasonable care and exercise independent professional judgment.**Explanation**

Using reasonable care and exercising independent professional judgment is one of the components of the Code of Ethics, whereas the other statements are part of the Standards of Professional Conduct.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

14. (B) Vote all proxies on behalf of clients in a responsible manner.**Explanation**

Because of the time and expense involved in voting a proxy, Members and Candidates are not required to vote every proxy. A cost benefit analysis can be performed to determine if it is necessary to vote a proxy. Standard III(A) requires that client brokerage be used to benefit the client. Quarterly statements to clients are recommended.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

15. (B) Practice and encourage others to practice in a professional and ethical manner that will reflect credit on members and their profession.**Explanation**

This is a component of the Code of Ethics. Others pertain to the Standards of Practice. (Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

16. (A) payment of a fine.**Explanation**

CFA Institute does not impose fines. CFA Institute may impose sanctions including public censure, suspension of a candidate from participation in the CFA program, or suspension or revocation of a member's right to use the CFA designation.

(Study Session 19, Module 57.1, LOS 57.a)

Related Material

[SchweserNotes - Book 5](#)

17. (B) violated Standard IV(A) Loyalty.**Explanation**

By expressing his investment analysis on his personal blog ahead of his employer, Malone deprived his employer of the benefits of his skills and abilities and therefore violated Standard IV(A) Loyalty. Malone did not possess material nonpublic information about WestAir and no transactions have taken place.

(Study Session 19, Module 57.1, LOS 57.c)

Related Material

[SchweserNotes - Book 5](#)

18. (B) Contractual provisions.**Explanation**

Contractual provisions are not part of the Code of Ethics.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

19. (B) from sources other than written complaints or members and candidates self-reporting.**Explanation**

In addition to self-reporting by members and candidates and written complaints about members and candidates, the Professional Conduct Program may learn about potential violations through public sources such as the news media, through reports from CFA exam proctors, by review of exam results and materials, or through monitoring of online and social media activity.

(Study Session 19, Module 57.1, LOS 57.a)

Related Material

[SchweserNotes - Book 5](#)

20. (C) practices in a professional and ethical manner.

Explanation

Component four of the Code says that a member shall "Practice and encourage others to practice in a professional and ethical manner that will reflect credit on members and the profession." Neither of the other choices are implied by the Code.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

21. (A) may be suspended from membership.

Explanation

Refusing to cooperate with a CFA Institute investigation of a member's behavior could lead to suspension of membership or participation in the CFA Program.

(Study Session 19, Module 57.1, LOS 57.a)

Related Material

[SchweserNotes - Book 5](#)

22. (C) document the details of the conversation with the client with regard to his investment recommendation.

Explanation

Standard V(C) Record Retention requires that Members and Candidates document all recommendation and communications with clients. McCoy should document the details of the conversation, including any resulting investment decisions and/or actions. The suitability of the investment should have already been considered before the recommendation and McCoy should not execute the order until the client instructs him to. Identifying other clients for this investment would fall under Standard III(B) Fair Dealing.

(Study Session 19, Module 57.1, LOS 57.c)

Related Material

[SchweserNotes - Book 5](#)

23. (C) Misdemeanor charge for possession of narcotics.

Explanation

A misdemeanor charge not related to professional conduct is not grounds for a suspension. The other choices are violations of the Code and Standards and may result in CFA Institute imposing a suspension of membership or participation.

(Study Session 19, Module 57.1, LOS 57.a)

Related Material

[SchweserNotes - Book 5](#)

24. (A) recommend investments that maximize returns for a given level of risk.

Explanation

Standard III(C) Suitability, not the Code of Ethics, requires that investments be appropriate and suitable.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

25. (C) integrity, competence, and respect.

Explanation

Integrity, competence, and respect are mentioned by name in the first component of the Code of Ethics.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

26. (A) CFA charterholders and candidates for the CFA designation.

Explanation

The CFA Institute Professional Conduct Program may impose sanctions on CFA charterholders and candidates for the CFA designation. Firms are not members of CFA Institute.

(Study Session 19, Module 57.1, LOS 57.a)

Related Material

[SchweserNotes - Book 5](#)

27. (A) refrain from any conduct that compromises the reputation or integrity of the CFA designation.

Explanation

Not compromising the reputation or integrity of the CFA designation is a part of the Standards of Professional Conduct, but is not specifically mentioned the Code of Ethics.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

28. (A) independent.

Explanation

The Code of Ethics states that the CFA Institute member shall "Use reasonable care and exercise independent professional judgment." Neither of the other answers resemble anything in the Code.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

29. (A) **demonstrating diligence, independence, and thoroughness when preparing investment reports.**

Explanation

Demonstrating diligence, independence, and thoroughness when preparing investment reports is found in the Standards of Professional Conduct.

(Study Session 19, Module 57.1, LOS 57.b)

Related Material

[SchweserNotes - Book 5](#)

30. (C) **public censure.**

Explanation

Sanctions that CFA Institute may impose include public censure, suspension from membership and use of the CFA designation, revocation of the CFA charter, or suspension of a candidate's participation in the CFA program.

(Study Session 19, Module 57.1, LOS 57.a)

Related Material

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31. (A) **may request an appeal to a hearing panel.**

Explanation

A member or candidate may accept a proposed disciplinary sanction or request an appeal to a hearing panel.

(Study Session 19, Module 57.1, LOS 57.a)

Related Material

[SchweserNotes - Book 5](#)

