

57

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

1. With respect to the professional conduct of a member or candidate, CFA Institute staff will consider a complaint from:
 - (A) anyone.
 - (B) only other members and candidates or professionals in the investment industry.
 - (C) only other members and candidates.

2. Which of the following is least likely an act explicitly referred to in the Code of Ethics?
 - (A) Educating the general public on investing.
 - (B) Improve professional competence.
 - (C) Using reasonable care when making investment recommendations.

3. According to the CFA Institute Code of Ethics, CFA Institute members shall:
 - (A) preserve the confidentiality of information communicated by clients, prospects, or employers concerning investment matters.
 - (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.
 - (C) maintain knowledge and comply with all applicable laws, rules and regulations.

4. Which of the following is a component of the Code of Ethics?
 - (A) Members shall not knowingly participate or assist in any violation of such laws, rules, or regulations.
 - (B) Members shall use reasonable care and exercise independent professional judgment.
 - (C) Members shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit any act that reflects adversely on their honesty, trustworthiness, or professional competence.

5. Kevin Blank, CFA, is a representative for Campbell Advisors. A prospective client inquires about investing in Mexican bonds. Blank assures the client that Campbell can help him with Mexican fixed income investing. In fact, Blank had heard that his colleague, Jon Woller, might have had experience in Mexican bonds. The following day Blank learns that Woller had no such experience. Blank does not correct his earlier statement, and the prospective client invests with Campbell. Blank has:

- (A) not violated the Code and Standards because Blank did not intentionally mislead the prospect.
- (B) only violated the Code and Standards when he learned that his statement was incorrect and did not contact the prospect to explain his error.
- (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.
6. The Code of Ethics least likely states that a CFA Institute member shall do which of the following?
- (A) Advocate laws to protect the investing public.
- (B) Reflect credit on the profession.
- (C) Act with integrity.
7. Recommended procedures to comply with the Standard related to fair dealing are most likely to include:
- (A) requiring investment committee approval for all recommendation changes.
- (B) simultaneously informing all investment representatives in the firm about pending recommendation changes.
- (C) publishing personnel guidelines for pre-dissemination that prohibit those who know about a pending recommendation from discussing or acting on it.
8. According to the Code of Ethics, which of the following statements is NOT correct? CFA Institute members are required to:
- (A) comply with the CFA Institute Global Investment Performance Standards.
- (B) maintain and improve their competence and strive to maintain the competence of others in the profession.
- (C) use reasonable care and exercise independent professional judgment.
9. Which of the following activities would be following a component of the Code of Ethics explicitly?
- (A) Attending continuing education seminars on investing and inviting colleagues to come along.
- (B) Consulting with colleagues about opinions you reach in your research.
- (C) Maintaining a list of colleagues who have violated the CFA Institute standards.
10. The first component of the Code of Ethics least likely states that a CFA Institute member should act with:
- (A) competence and respect.
- (B) solemnity and in an ethical manner.
- (C) integrity and diligence.

11. Which of the following is a component of the Code of Ethics? CFA Institute members shall:
- (A) make reasonable efforts to detect and prevent violations by those who are under their supervision.
 - (B) disclose to their employer all matters that reasonably could be expected to interfere with their duty to their employer or ability to make unbiased and objective recommendations.
 - (C) strive to maintain and improve their competence and the competence of others in the profession.
12. The first component of the Code of Ethics does NOT explicitly say that a CFA Institute member will act in a certain manner with respect to which of the following groups?
- (A) Colleagues.
 - (B) CFA Institute members and candidates in the CFA Program.
 - (C) Prospective clients.
13. Which of the following is a component of the Code of Ethics? CFA Institute members shall:
- (A) not knowingly participate or assist in any violation of laws, rules, or regulations.
 - (B) use particular care in determining applicable fiduciary duty.
 - (C) use reasonable care and exercise independent professional judgment.
14. In accordance with Standard III (A) Loyalty, Prudence and Care, which of the following statements is NOT a required or recommended action?
- (A) Submit to clients, at least quarterly, itemized statements detailing all of the period's transactions.
 - (B) Vote all proxies on behalf of clients in a responsible manner.
 - (C) Utilize client brokerage to the sole benefit of the client.
15. Which of the following is a component of the Code of Ethics?
- (A) Members and candidates must not engage in conduct that compromises the integrity of the CFA designation or the security of the CFA examinations.
 - (B) Practice and encourage others to practice in a professional and ethical manner that will reflect credit on members and their profession.
 - (C) Transactions for clients and employers have priority over transactions in which a member or candidate is the beneficial owner.
16. With respect to CFA Institute enforcement of the Code and Standards, possible disciplinary sanctions least likely include:
- (A) payment of a fine.
 - (B) public censure.
 - (C) suspension from participation in the CFA Program.

17. Michael Malone, CFA, is an investment analyst for a large brokerage firm in New York who covers the airlines industry. After hours in his personal time, Malone maintains an online blog on which he expresses his personal opinions about various investment opportunities, including, but not limited to, the airlines industry. On his blog, he posts a very negative investment opinion about WestAir stock. Malone knows that WestAir's stock will be downgraded to a "sell" by his firm next week. Malone has most likely violated:
- (A) Standard VI(B) Priority of Transactions.
 - (B) violated Standard IV(A) Loyalty.
 - (C) violated Standard II(A) Material Nonpublic Information.
18. Which of the following is least likely part of the CFA Institute Code of Ethics?
- (A) Independent judgment.
 - (B) Contractual provisions.
 - (C) Competence.
19. The CFA Institute's Professional Conduct Program may learn about potential violations of the Code and Standards by members and candidates:
- (A) only from written complaints or members and candidates self-reporting.
 - (B) from sources other than written complaints or members and candidates self-reporting.
 - (D) only from members and candidates self-reporting.
20. According to the Code of Ethics, a member reflects credit on the profession when a member:
- (A) consults with other members on a regular basis.
 - (B) places the clients first.
 - (C) practices in a professional and ethical manner.
21. Steve Jones is a member of CFA Institute but has not earned the CFA designation yet. CFA Institute is investigating Jones' activities. If Jones declines to cooperate, he:
- (A) may be suspended from membership.
 - (B) may not be suspended because cooperating could be self incriminating.
 - (C) may not be suspended because he does not have the CFA designation yet.

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22. Liam McCoy has lunch with a wealthy client whose portfolio he manages. McCoy advises the client to double his current position in the JKM Corporation due to an anticipated increase in sales. In accordance with Standard (V) Investment Analysis, Recommendations and Actions, when McCoy returns to his office he should:
- (A) identify other clients for whom JKM may be a suitable investment and notify them immediately of his recommendation.
 - (B) verify the suitability of the investment recommendation before placing the client's order.
 - (C) document the details of the conversation with the client with regard to his investment recommendation.
23. Which of the following is least likely to be a reason for imposing a suspension on a member or candidate?
- (A) Discussing a question from the CFA exams on social media.
 - (B) Failing to return the annual professional conduct statement.
 - (C) Misdemeanor charge for possession of narcotics.
24. Which of the following is least likely part of the CFA Institute Code of Ethics. Members of CFA Institute will:
- (A) recommend investments that maximize returns for a given level of risk.
 - (B) use reasonable care and exercise independent professional judgment.
 - (C) strive to maintain and improve their competence and the competence of others in the profession.
25. In dealing with the public and others, the CFA Institute Code of Ethics requires that CFA Institute members act with:
- (A) honesty, professionalism, and high ethical standards.
 - (B) candor, skill, and honor.
 - (C) integrity, competence, and respect.
26. The CFA Institute Professional Conduct Program may impose sanctions on:
- (A) CFA charterholders and candidates for the CFA designation.
 - (B) CFA charterholders only.
 - (C) CFA charterholders, member firms, and candidates for the CFA designation.
27. The CFA Institute Code of Ethics specifies that CFA Institute Members and Candidates must do all of the following EXCEPT
- (A) refrain from any conduct that compromises the reputation or integrity of the CFA designation.
 - (B) act with integrity, competence, diligence, respect, and in an ethical manner.
 - (C) use reasonable care and exercise independent professional judgment when engaging in professional activities.

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28. According to the Code of Ethics, the professional judgment of a member should be:
- (A) independent.
 - (B) confirmed by a degree from an accredited educational institution.
 - (C) consistent with regulatory guidelines.
29. All of the following are components of the Code of Ethics EXCEPT.
- (A) demonstrating diligence, independence, and thoroughness when preparing investment reports.
 - (B) striving to maintain and improve their competence and the competence of others in the profession.
 - (C) using reasonable care and exercising independent professional judgment.
30. Sanctions that CFA Institute may impose on a member or candidate under the Professional Conduct Program include:
- (A) returning of all profits gained through violations of the Code and Standards.
 - (B) suspension from employment in the financial services industry.
 - (C) public censure.
31. A member or candidate who rejects a disciplinary sanction proposed by the Professional Conduct Program:
- (A) may request an appeal to a hearing panel.
 - (B) will typically not be subject to further disciplinary procedure unless a new investigation is initiated.
 - (C) will be suspended from membership or participation in the CFA Program.

