

56**ETHICS AND TRUST IN THE
INVESTMENT PROFESSION**

1. Ethics least likely refers to:
 - (A) the study of good and bad behavior.
 - (B) a person's beliefs about right and wrong behavior.
 - (C) moral principles to guide behavior.

2. A framework for ethical decision making is most appropriately applied to:
 - (A) determine whether actions are legal.
 - (B) aid decision makers in considering alternatives and their potential impacts.
 - (C) reduce the need to maintain a large compliance department.

3. Which of the following statements about legal and ethical standards is most accurate?
 - (A) Illegal acts are always unethical.
 - (B) Some illegal acts are considered ethical.
 - (C) Unethical acts are always illegal.

4. Which of the following characteristics distinguishes a profession from an occupation?
Members of a profession:
 - (A) view their work as a calling.
 - (B) are better compensated for their services.
 - (C) abide by a code of ethics.

5. A requirement that investment professionals act in the best interests of their clients is a:
 - (A) fair dealing standard.
 - (B) fiduciary standard.
 - (C) suitability standard.

6. An ethical decision-making framework:
 - (A) considers alternative actions and unintended consequences.
 - (B) focuses on the near term impact on all stakeholders.
 - (C) primarily addresses compliance with regulatory issues.

7. Standards of conduct are most accurately described as:
- (A) a necessary part of any ethical code.
 - (B) giving members of a group a minimum level of acceptable behavior.
 - (C) providing the public with the values and general expectations for a group of professionals.
8. Unethical behavior by financial professionals:
- (A) increases risk and the cost of capital.
 - (B) does not affect allocation of capital.
 - (C) increases incomes for the profession.
9. CFA Institute Standards of Professional Conduct are most accurately described as being based on:
- (A) a code of ethics.
 - (B) accepted legal standards.
 - (C) the best interests of members and candidates.
10. Which of the following statements about a code of ethics is most accurate? A code of ethics:
- (A) does not need to include standards of conduct.
 - (B) must include principles-based standards of conduct.
 - (C) must include rules-based standards of conduct.
11. A profession is most accurately described as an occupational group that requires its members to:
- (A) abide by a code of ethical conduct.
 - (B) have specialized expert knowledge.
 - (C) put client interests first.
12. Ethics are most accurately defined as:
- (A) a belief about proper conduct.
 - (B) a written code of standards.
 - (C) the study of moral principles.
13. A requirement that investment professionals recommend securities that match their clients' requirements and constraints is a:
- (A) suitability standard.
 - (B) portfolio standard.
 - (C) fiduciary standard.

14. Which of the following statements about legal and ethical standards is most accurate?
 - (A) Ethical standards are a subset of legal standards.
 - (B) Legal standards are a subset of ethical standards.
 - (C) Ethical and legal standards often intersect, but not always.

15. A code of ethics:
 - (A) should not to be used for making purpose.
 - (B) may be rules-based or principles-based.
 - (C) provides the public with assurance of a minimum level of ethical behavior.

16. Unethical behavior by a financial professional harms:
 - (A) only clients and other employees.
 - (B) only clients.
 - (C) clients, other employees, and society.

17. Unethical behavior by individuals in the investment industry is most likely to:
 - (A) increase the overall profits of financial services firms.
 - (B) decrease financing costs for businesses.
 - (C) decrease the rate of economic growth.

18. Establishing standards of ethical behavior and monitoring professional conduct are best described as ways that professions:
 - (A) increase the market value of their services.
 - (B) avoid regulatory scrutiny.
 - (C) establish trust.

19. Which of the following best describes elements of a framework for ethical decision making?
 - (A) Identify relevant facts; consider influences and alternatives; decide and act; reflect on outcomes.
 - (B) Relevance; faithful representation; transparency; comprehensiveness; consistency.
 - (C) State the objective; gather, process, and interpret the data; report the conclusions; update the analysis.

20. Challenges to ethical behavior are most likely to arise from:
 - (A) inadequate training.
 - (B) internal motivations.
 - (C) situational influences.

