Question #1 of 54

Question ID: 1581475

John Hill, CFA, has been working for Advisors, Inc., for eight years. Hill is about to start his own money management business and has given his two-week notice of his resignation from Advisors. A few days before his resignation takes effect, on his lunch hour, he takes out a loan from a bank on behalf of his new business and uses the money to buy some office equipment for his new business. Since he engaged in these transactions while still an employee of Advisors, Hill violated Standard IV(A), Loyalty to Employer, by:

A) breaching his duty of loyalty to his current employer by making preparations to go into a competitive business.

B) neither taking out the loan nor buying the equipment.

C) preparing to undertake independent practice before giving notice to his current employer of his intent to resign.

Question #2 of 54

Question ID: 1574896

If a member or candidate wishes to engage in independent practice that may conflict with her employer's interests, she is *least likely* required to notify her employer of:

A) the types of services she will provide.

B) the compensation she will receive.

C) the number of clients her practice will serve.

Question #3 of 54

Question ID: 1581491

Martin Tripp, CFA, is vice-president of the equity department at Walker Financial, a large money management firm. Of the twenty analysts in his department for whom he has supervisory responsibility, eight are subject to CFA Institute Standards of Professional Conduct. Tripp believes that he cannot personally evaluate the conduct of the twenty analysts on a continuing basis. Therefore, he plans to delegate some of his supervisory duties to Sarah Green, who is subject to the Standards, and some to Bob Brown, who is not subject to the Standards. According to CFA Institute Standards of Professional Conduct, which of the following statements about Tripp's ability to delegate supervisory duties is *most accurate*?

A) Tripp may not delegate any of his supervisory duties to either Green or Brown.

B) Tripp may delegate some or all of his supervisory duties to Brown, even though Brown is not subject to the Standards.

C) Tripp may delegate some or all of his supervisory duties only to Green because she is subject to the Standards.

Question #4 of 54

Question ID: 1581466

An analyst belongs to a nationally recognized charitable organization, which requires dues for membership. The analyst has worked out a deal where he provides money management advice in lieu of paying dues. Which of the following must the analyst do?

A) Resign from the position because the relationship is a conflict with the Standards.

B) Must treat the charitable organization as his employer.

C) Nothing since he is not an employee of the charitable organization.

Question #5 of 54

Question ID: 1581483

Chris Babcock, CFA, a portfolio manager for a large Texas investment firm, has been offered compensation in addition to what her firm pays her. The offer is from one of her clients and the additional compensation will be based on her yearly performance in excess of the market index. Babcock should:

A) make written disclosure to all parties involved before she accepts this offer.

B) make written disclosure to her other clients before she accepts this offer.

C) turn down the offer because it represents a clear conflict between this client and Babcock's other clients.

Question #6 of 54

Question ID: 1574904

May Frost, CFA, is an equity research analyst for a "precious metals mining" exchange traded fund which has recently started significantly outperforming its benchmark after several years of stagnation. Upon investigating the source of the outperformance, Frost learns that the fund has experienced severe style drift, and now has a significant proportion of its resources invested in technology and internet stocks. Frost reviews the fund's prospectus and learns the current sector weighting violates multiple prospectus covenants. Frost contacts her supervisor and the fund's compliance department and is told the portfolio weighting is not her responsibility and that she should not pursue the matter further. Frost reviews the firm's whistleblower policy, contacts personal legal counsel, and then contacts regulatory authorities regarding the style drift and prospectus violations. Frost is *most likely*:

A) in violation of the Standard on loyalty.

B) in violation of the Standard on preservation of confidentiality.

C) not in violation of the Code and Standards.

Question #7 of 54

Question ID: 1574929

Jennifer Stewart, CFA, a supervisor at an investment advisory firm, has tried unsuccessfully to convince top management of the firm's need for a formal, comprehensive compliance program. What is Stewart's *most appropriate* course of action?

A) Decline in writing to accept supervisory responsibility.

B) Rely on the Code and Standards to perform her duties as a supervisor.

C) Resign from the firm if no compliance program is instituted.

Question #8 of 54

Question ID: 1574893

Bob Douglas, CFA, is considering leaving his current employer to compete in the same field. He did not sign a non-compete clause when he was hired. According to the Code and Standards, he may:

A) prepare to compete with his current employer, but not begin competing until his resignation is effective.

B) begin competing with his current employer as long as the employer has been informed of Douglas' intentions.

C) not begin competing or prepare to begin competing until his resignation becomes effective.

Question #9 of 54

Question ID: 1581482

An analyst working at an investment firm has a client that rents limousines. The client tells the analyst that as long as he is the client's analyst, he can have free use of a limousine several times a year. The analyst needs to:

A) do nothing since the offer is not linked to the performance of the client's portfolio.

B) explicitly refuse such an offer.

C) inform his supervisor in writing of the offer if the analyst intends to accept the offer.

Question #10 of 54

Question ID: 1574930

Edwin McNeill, CFA, is a senior trader for Grey Securities. In his monthly review of his team's activity, McNeill notices a series of suspicious trades by one of the traders. McNeill consults his manager, who agrees that these trades are a potential violation. McNeill informs the trader that her duties will be restricted while these trades are being investigated and refers the matter to Grey's compliance officer for further action. McNeill has:

A) not violated the Standards.

B) violated Standard IV(C) Responsibilities of Supervisors by failing to prevent a potential violation.

C) violated Standard IV(C) Responsibilities of Supervisors by restricting the trader’s duties before the investigation is completed.

Question #11 of 54

Question ID: 1581465

Bill Valley has been working for Advisors, Inc., for several years, and he just joined CFA Institute. Valley's sister just received a large bonus in the form of stock options in Zephyr, Inc. Valley's sister knows nothing about financial assets and offers Valley a week at her holiday home each year in exchange for Valley monitoring Zephyr and the value of her stock options. In order to comply with the Code and Standards, Valley needs to inform Advisors of:

A) both the use of the holiday home and his sister's options.

B) nothing since no money is involved and it is a favor for a family member.

C) the compensation in the form of the use of the holiday home only.

Question #12 of 54

Question ID: 1574898

Analysts who undertake an independent consulting practice while employed must get permission from their employer and should disclose all of the following EXCEPT:

A) the anticipated duration of the service to be rendered.

B) the clients contact information.

C) the compensation or benefit to be received.

Question #13 of 54

Question ID: 1574918

Selma Brown, CFA, is a portfolio manager for Mainland Securities. Rick Wood, one of her clients and owner of Wood Fitness Centers, offers to permit Brown and her immediate family to use the facilities at his fitness centers at no cost during 2003. To get this benefit, Brown must achieve on Wood's portfolio at least a 2-percentage point return above the total return on the S&P's 500 index during 2002. Brown orally informs her immediate supervisor of the nature and duration of the proposed arrangement.

Arnold Turley, a CFA Institute member, is a portfolio analyst at Mainland Securities. He was just elected to the Board of Directors for Omega Services, which pays him $1,000 plus expenses for attending each of its quarterly board meetings. Turley e-mails Mainland's compliance officer informing her of this arrangement with Omega and receives a reply informing him that the agreement is acceptable.

Did Brown or Turley violate CFA Institute Standards of Professional Conduct?

A) Brown: No, Turley: No.

B) Brown: Yes, Turley: No.

C) Brown: Yes, Turley: Yes.

Question #14 of 54

Question ID: 1574877

Jason Blackwell, CFA, works as an investment banker for Mega Capital. Sylvia Lego, a friend of Blackwell who has an independent investment advisory practice, asks Blackwell to help her review client portfolios during evenings and weekends for a fee. According to the Standard concerning loyalty, under what conditions may Blackwell accept this arrangement?

A) None, because this arrangement would put Blackwell into competition with Mega Capital.

B) Blackwell must disclose to Mega Capital the additional compensation that will result from the arrangement, but is not required to obtain their consent.

C) Blackwell must notify Mega Capital about the terms of the arrangement and obtain their consent.

Question #15 of 54

Question ID: 1581467

Nancy Korthauer, CFA, has launched a new hedge fund called the Korthauer Tautology Fund but has had trouble hiring analysts who are CFA charterholders as well as with finding clients. She offers a $15,000 incentive bonus to any charterholder who joins the firm with over $1 million in committed client investments. Which of the following interpretations of the Code and Standards is *most accurate*?

A) A member or candidate may arrange for current clients to switch to the Korthauer Tautology Fund provided clients are informed of the incentive bonus.

B) A member or candidate may arrange for current clients to switch to the Korthauer Tautology Fund provided the member or candidate refuses to accept the incentive bonus.

C) A member or candidate may not solicit current clients away from their current employer.

Question #16 of 54

Question ID: 1574887

Nicholas Brynne, CFA, develops a trading model while working for CE Jones, an investment management firm. By working on the model at home from his personal computer, Brynne is able to devote additional work hours. Although the trading model is successful, Brynne loses his job in a company restructuring, and decides to start his own practice using the trading model. Nicholas is *most likely*:

A) in violation of the Standards because he did not have permission to build the trading model using his home computer.

B) in violation of the Standards because he did not receive permission from his employer to keep or use the files after employment ended.

C) not in violation of the Standards because the trading model was created using his home computer.

Question #17 of 54

Question ID: 1581488

Wanda Kirby, CFA, recently joined Allegheny Investments as a senior analyst. Because of her extensive experience in the investments business and knowledge of the Code and Standards, Allegheny's management asked her to assume supervisory responsibility. Kirby reviewed Allegheny's existing compliance system and determined that it was inadequate to allow her to clearly discharge her supervisory responsibility. According to CFA Institute Standards, Kirby should:

A) agree to accept supervisory responsibility and to develop reasonable procedures to allow her to adequately exercise such responsibility.

B) agree to accept supervisory responsibility provided that Allegheny adopts reasonable procedures to allow her to adequately exercise such responsibility.

C) decline in writing to accept supervisory responsibility until Allegheny adopts reasonable procedures to allow her to adequately exercise such responsibility.

Question #18 of 54

Question ID: 1574890

Theresa Hatcher, CFA, is making arrangements to establish her own investment advisory business before terminating her relationship with her current employer, Elite Brokers, Inc. Elite is a small company consisting of only six investment professionals and a small support staff. According to CFA Institute Standards of Professional Conduct, which of the following activities is *least likely* a violation of Hatcher's duty to Elite?

A) Hatcher engages in secret negotiations with two other investment professionals and her administrative assistant to leave Elite in order to join her new business.

B) Hatcher leases office space, furniture, and other equipment for her new business.

C) Hatcher solicits Elite's clients before her termination of employment at Elite.

Question #19 of 54

Question ID: 1581489

A firm recently hired Hal Crane, CFA, to be a supervisor in the firm. Crane has reviewed the procedures for complying with the Code and Standards in the company. It is Crane's belief that the procedures need revision in order to be effective. Crane must:

A) decline supervisory responsibilities in writing until the company adopts an adequate compliance system.

B) exercise his supervisory responsibilities with the greater level of diligence required by the Code and Standards.

C) make reasonable efforts to encourage the company to adopt an adequate compliance system.

Question #20 of 54

Question ID: 1581478

Fernando Abrea, CFA was an analyst for Pacific Investments. In October he left Pacific and joined Global Securities as manager of a local office. Abrea's change of employment came about in the following manner:

- In April, Abrea contacted Global about a possible position he saw advertised in a financial publication and had exploratory meetings with Global.
- In July, Abrea submitted a strategic plan to Global and signed an agreement to join Global. He then contracted for office space on behalf of Global.
- On October 15, Abrea's resignation from Pacific became effective. He did not take any client lists from Pacific.
- On October 16, Abrea mailed a letter that explained his new undertaking with Global to prospective clients, including his former clients at Pacific.

With respect to Standard IV(A) Loyalty, Abrea:

A) violated the Standard by contracting for office space on behalf of Global.

B) did not violate the Standard.

C) violated the Standard by contacting his former clients at Pacific.

Question #21 of 54

Question ID: 1574920

Which of the following examples of supervisory responsibility is consistent with the requirements of the Code and Standards?

A) A firm’s compliance policies allow a portfolio manager to designate a trade to an account or portfolio after the outcome of the trade is known.

B) A professional conduct evaluation is part of an employee’s performance review.

C) A supervisor's income is partially based on the firm’s overall level of trading activity.

Question #22 of 54

Question ID: 1581485

Jill Marsh, CFA, works for Advisors where she manages various portfolios. Marsh's godfather is an accountant and has done Marsh's tax returns every year as a birthday gift. Marsh's godfather has recently become a client of Advisors and asked specifically for Marsh to manage his account. In order to comply Standard IV(B), Disclosure of Additional Compensation Arrangements, she needs to:

A) do neither of the actions listed here.

B) have her godfather cease doing her taxes.

C) liquidate from her personal portfolio any stocks her godfather owns and verbally tell her supervisor about the tax services.

Question #23 of 54

Question ID: 1581470

Janet Thompson, CFA, is employed as an analyst by Nationwide Securities. According to CFA Institute Standards of Professional Conduct, which of the following statements about Thompson's duty to Nationwide is NOT correct? Thompson must refrain from:

A) engaging in any conduct that would injure Nationwide.

B) engaging in independent competitive activity that could conflict with the business of Nationwide unless she receives written consent.

C) making arrangements to go into a competitive business before terminating her relationship with Nationwide.

Question #24 of 54

Question ID: 1581481

Francisco Perez, CFA, is an equity research analyst for a long-term investment fund. The fund is seeking new clients, so Perez contacts old clients he knew through his former employer. Which of the following is *most accurate*?

A) Perez can only solicit clients after notifying his former employer.

B) Perez cannot solicit clients from a former employer.

C) Perez is not prevented from soliciting clients as long as he is working from memory and publically available information rather than a list generated while he was still with the former employer.

Question #25 of 54

Question ID: 1581471

John Hill, CFA, has been working for Advisors, Inc., for eight years. Hill is about to start his own money management business and has given his two weeks' notice of his resignation from Advisors. A few days before his resignation takes effect, Rod Bright, a former client of Advisors, calls Hill at his home about his new firm. Bright says that he is very happy that Hill is leaving Advisors because now he and Hill can resume a professional relationship. Bright says that he would never become a client of Advisors again. Hill promises to call Bright back after he has left Advisors but takes no further action. Hill does not tell Advisors about the call. Hill has *most likely*:

A) violated the Standard concerning loyalty to employer.

B) violated the Standard concerning disclosure of conflicts.

C) not violated the Standards.

Question #26 of 54

Question ID: 1581487

Which of the following statements is *most accurate* about the Standard concerning the responsibilities of supervisors?

A) If a supervisor makes a reasonable effort to detect violations, but fails to detect a violation that occurs, she has violated the Standard.

B) If a subordinate violates a securities law, her supervisor is in violation of the Standard.

C) If a supervisor does not make a reasonable effort to detect violations, she is in violation of the Standard even if no violations by her subordinates have occurred.

Question #27 of 54

Question ID: 1574909

Mark Roberts has resigned from a local investment advisory firm and begun working at Benjamin Investments. Without getting approval from his supervisor at Benjamin, Roberts uses a phone book to find the contact information of his old clients and asks for their continued business. Has Roberts violated any CFA Institute Standards of Professional Conduct?

A) No.

B) Yes, because he is not allowed to solicit his former clients.

C) Yes, because he must obtain written consent from his current supervisor.

Question #28 of 54

Question ID: 1574919

Jane Talbot, CFA, is a portfolio manager at Cavalier Investments. Talbot manages the account of Wendall Wilcox. The performance of Wilcox's portfolio has been below that of the benchmark portfolio, the S&P 500, for the past several years. In an effort to enhance his portfolio's performance, Wilcox offers to pay Talbot $2,000 each year that his portfolio's return exceeds that of the S&P 500. Wilcox suggests this arrangement last for the next three years. According to the Code and Standards, Talbot is required to:

A) obtain permission from Cavalier before accepting this compensation from Wilcox.

B) disclose to Cavalier the nature of the compensation, the amount of compensation, and the duration of the agreement.

C) obtain permission from Cavalier and disclose the nature of the compensation, the amount of compensation, and the duration of the agreement.

Question #29 of 54

Question ID: 1574912

To comply with Standard IV(B), Additional Compensation Arrangements, members should do all of the following EXCEPT:

A) immediately make a written report to their employer specifying any compensation benefits they receive.

B) reject any outside compensation immediately because it is not appropriate to accept outside compensation in a business setting.

C) state the terms of oral or written agreements regarding the compensation and the duration of the agreement.

Question #30 of 54

Question ID: 1581486

Sharon West is a CFA charterholder and trust officer for REO Trust Company. Soon after beginning work for REO, West finds that REO has been conducting all its securities transactions through her brother who is a registered representative. West's brother charges REO commissions that are equal to the lowest available from another broker. West's brother tells her that if she continues doing business with him, he will give her a substantial discount on all personal transactions she conducts through him. West:

A) does not need to inform her employer of the arrangement because the commissions her brother charges the firm are the lowest available.

B) must reject the arrangement.

C) must inform her employer of the arrangement because it provides her with additional compensation.

Question #31 of 54

Question ID: 1581469

Michel Marchant, CFA, recently became an independent money manager. After six months, he has only ten clients. To supplement his income, Marchant accepted employment as an advisor at Middleton Financial Advisors. According to Standard IV(A) Loyalty, Marchant is required to:

A) inform his existing clients about his new employment at Middleton.

B) attempt to bring his existing clients to Middleton.

C) obtain permission from Middleton to continue his independent practice.

Question #32 of 54

Question ID: 1581473

Grant Starks, CFA, has been working for Advisors, Inc., for eight years. Starks is about to start his own money management business and has given his two-week notice of his resignation. A few days before his resignation takes effect, a current client of Advisors calls him at his office to inquire about some services for her account at Advisors. During the conversation, Starks tells the client that his new business will have lower commissions than Advisors. Starks has *most likely* violated the Standard concerning:

A) loyalty.

B) disclosure of conflicts.

C) communication with clients and prospective clients.

Question #33 of 54

Question ID: 1574914

An analyst needs to inform his supervisor in writing of which of the following?

A) A client and the analyst alternate paying for lunch at a local sandwich shop.

B) An annual bonus, sent to the analyst by a client, which varies with the performance of the client's portfolio that the analyst manages as an employee even though no verbal or written agreement exists about the bonus.

C) Both the lunch and the bonus mentioned in the other answers.

Question #34 of 54

Question ID: 1574895

All of the following activities might constitute a violation of Standard IV(A), Loyalty to Employer, EXCEPT:

A) misuse of confidential information.

B) solicitation of the employer's clients following termination of employment.

C) solicitation of the employer's clients prior to termination of employment.

Question #35 of 54

Question ID: 1581472

Which of the following statements regarding employee/employer relationships is NOT correct?

A) A written contract may or may not exist between employer and employee.

B) An employee is someone in the service of another.

C) There must be monetary compensation for an employer/employee relationship to exist.

Question #36 of 54

Question ID: 1574922

Dixie Miller, a Level II CFA candidate, heads the research department of a large brokerage firm. The firm has many analysts, some of whom are subject to the CFA Institute Code of Ethics and Standards of Professional Conduct. If Miller delegates some of her supervisory duties, which statement *best* describes her responsibilities under the CFA Institute Code and Standards?

A) CFA Institute Standards prevent Miller from delegating supervisory duties to subordinates.

B) Miller retains supervisory responsibilities for those duties delegated to her subordinates.

C) Miller's supervisory responsibilities do not apply to those subordinates who are not subject to the CFA Institute Code and Standards.

Question #37 of 54

Question ID: 1574902

Jacob Allen, CFA, decides he could make more money if he started his own company. Which of the following steps would *most likely* violate Standard IV(A) Loyalty?

A) Renting space for his new company and interviewing several candidates for the position of manager at the new company.

B) Soliciting, without written permission from his current employer, the business of former clients after he leaves his current employer.

C) Using his notes from prior research of a firm in a creating a new research report on the firm, after leaving his current employer.

Question #38 of 54

Question ID: 1574923

According to the CFA Institute Standards of Professional Conduct, which of the following statements about members with supervisory responsibility is *least accurate*? Members with supervisory responsibility:

A) must make reasonable efforts to detect violation of laws, rules, regulations, and the Code and Standards.

B) are expected to have in-depth knowledge of the Code and Standards and to apply this knowledge in discharging their supervisory responsibilities.

C) are relieved of their supervisory responsibility if they delegate their supervisory duties to other members of CFA Institute.

Question #39 of 54

Question ID: 1581468

Nick O'Donnell, CFA, unsuspectingly joins the research team at Wickett & Co., an investment banking firm controlled by organized crime. None of the managers at Wickett are CFA Institute members. Because of his tenuous situation at Wickett, O'Donnell begins making preparations for independent practice. He knows he will be terminated if he informs management at Wickett that he is preparing to leave. Consequently, he determines that "if he can just hang on for one year, he will likely have a client base sufficient for him to strike out on his own." This action is:

A) a violation of his duty to disclose conflicts to his employer.

B) a violation of his fiduciary duties.

C) not a violation of his duty to employer.

Question #40 of 54

Question ID: 1581484

David Saul, CFA, heads the trust department at Savage National Bank. Fairway Enterprises invites Saul to sit on its Board of Directors. In return for his services on the Board, Fairway offers to provide Saul and his family with access to the facilities at Wilmont Country Club at no cost. Saul will not receive any monetary compensation for his services on the Board. According to CFA Institute Standards of Professional Conduct, which of the following actions must Saul take?

A) Saul must disclose in writing to Savage Bank the terms of the offer whether or not he accepts the offer to serve on the Board of Directors.

B) Saul must obtain written consent from Savage Bank and Fairway Enterprises if he decides to accept the offer to serve on the Board of Directors.

C) Saul must reject the offer to serve on the Board of Directors.

Question #41 of 54

Question ID: 1574892

Which of the following activities will *least likely* constitute a violation of Standard IV(A), Loyalty?

A) Contacting your current clients and asking them to "come with you" when you resign from your current employer.

B) Conspiracy to bring about a mass resignation of other employees.

C) Consulting on your own time and obtaining written permission from your employer.

Question #42 of 54

Question ID: 1581480

Dave Kline, CFA, is a personal investment advisor with 200 individual, family, and corporate accounts. After a dispute with a coworker on margin policy, he formally resigns his position by giving suitable notice. However, he does not follow his firm's established "Transition and Exit Policies" regarding his accounts. The firm's stated policies require him to notify each client of his planned departure and personally introduce them to their new account representative, Greg Potter. Kline sees Potter as a rival and states "...let Potter do his own work and find his own clients." Kline is *most likely*:

A) in violation of Standard I(D) "Misconduct" for leaving clients subject to an account representative he does not find suitable.

B) in violation of Standard IV(A) "Loyalty" for failing to follow the employer's policies and procedures related to notifying clients of his departure.

C) not in violation of the Code and Standards.

Question #43 of 54

Question ID: 1581476

Sue Parsons, CFA, works full-time as an investment advisor for the Malloy Group, an asset management firm. Parsons wants to engage in independent practice in which she would advise individual clients on their portfolios. She would conduct these investment activities only on weekends. She is currently only in the preparation stage and has not started independent practice yet. The Standard concerning loyalty:

A) does not require Parsons to notify Malloy of preparing an independent practice.

B) requires Parsons to obtain consent from both Malloy and the persons from whom she will engage in independent practice.

C) requires Parsons to notify Malloy that she is preparing to engage in independent practice.

Question #44 of 54

Question ID: 1581477

Brian Bellow, CFA, is a portfolio manager for Progressive Trust Company. Several friends have asked Bellow to review their investment portfolios. On his own time, Bellow examines their portfolios and makes several recommendations. He accepts no compensation from his friends for his investment advice. According to CFA Institute Standards of Professional Conduct, did Bellow violate his duty to Progressive Trust?

A) No, because Bellow provided no ongoing investment advice.

B) Yes, because Bellow did not attempt to solicit his friends to become clients of his employer.

C) No, because Bellow received no compensation for his services.

Question #45 of 54

Question ID: 1574928

Which of the following is *least* likely a recommended procedure for supervisors and compliance officers to comply with Standard IV(C) Responsibilities of Supervisors?

A) Incorporate a professional conduct evaluation into the employee's performance review.

B) Hold hearings when violations have occurred to determine the severity of the violations.

C) Disseminate the firm's compliance procedures to employees.

Question #46 of 54

Question ID: 1581474

Which of the following statements is most correct concerning a member's obligation to his or her employer under the Code and Standards?

A) Consent from the employer is necessary to permit independent practice that could result in compensation or other benefits in competition with the member's employer.

B) Members are prohibited from making arrangements or preparations to go into competitive business before terminating their relationship with their employer.

C) Members are prohibited from undertaking independent practice in competition with their employer.

Question #47 of 54

Question ID: 1581464

Which of the following statements is most correct under the Code and Standards?

A) CFA Institute members are prohibited from undertaking independent practice in competition with their employer.

B) Consent from the employer is necessary to permit independent practice that could result in compensation or other benefits in competition with the member's employer.

C) Members are prohibited from making arrangements or preparations to go into competitive business before terminating their relationship with their employer.

Question #48 of 54

Question ID: 1581463

Pamela Gee is a portfolio manager. She is planning to establish her own money management firm. She has already informed her employer, Branford, Inc., about her plans. In her remaining time at Branford, she may:

A) inform her current clients about her resignation and let them know how to reach her.

B) start the registration of her new company.

C) solicit Branford colleagues but not Branford clients.

Question #49 of 54

Question ID: 1581490

Bill Fence, CFA, supervises a group of research analysts, none of whom have earned the CFA designation (nor are they CFA candidates). On several occasions he has attempted to get his firm to adopt a compliance system to ensure that applicable laws and regulations are followed. However, the firm's principals have never adopted his recommendations. Fence should *most* appropriately:

A) refuse supervisory responsibility.

B) take no further action, because by encouraging his firm to adopt a compliance system he has fulfilled his obligations under the Code and Standards.

C) report the inadequacy by submitting a complaint in writing to the CFA Institute Professional Conduct Program.

Question #50 of 54

Question ID: 1581479

A CFA Institute member, undertaking independent practice that could result in compensation or other benefit:

A) must notify his employer and clients of the types of service to be rendered and the expected compensation.

B) must notify his employer of the types of service to be rendered, the expected duration, and the expected compensation.

C) must notify the entities for whom he plans to undertake independent practice of the compensation he receives from his employer.

Question #51 of 54

Question ID: 1574908

Which of the following statements is *least accurate* with regard to the Standard concerning loyalty to employers?

A) Employees planning to leave an employer must not engage in activities that would conflict with their duty to act in the employer's best interest.

B) Former employees may contact clients of their previous firms if doing so does not violate a non-compete agreement and the contact information is obtained from public sources.

C) Skills and experience a former employee obtained through work at a firm are considered privileged information of that firm.

Question #52 of 54

Question ID: 1574903

When a CFA Institute member who is presently employed by a firm undertakes any independent practice, he must do all of the following EXCEPT:

A) disclose the expected duration of the services to be rendered.

B) remand a percentage (to be determined by the employee and employer) of the income earned back to the employer.

C) secure permission from the employer.

Question #53 of 54

Question ID: 1574907

Jack Salyers, CFA, is considering starting his own firm to compete with his current employer. He takes several actions before turning in his resignation. Which of the following actions *least likely* violates the Standard concerning loyalty? Salyers:

A) registers his new firm with the government's financial regulators.

B) informs clients he has been serving that he is forming a new firm and offers them a discount on fees if they move their accounts to the new firm.

C) copies computer models he has been using to form a reasonable basis for his investment recommendations.

Question #54 of 54

Question ID: 1574911

Jill Borowski, CFA, works for Advisors where she manages a portfolio for a wealthy family. Marsh earns 1% of the portfolio's value each year in the form of a commission from Advisors. The family just told her that any year the portfolio she manages earns more than a 10% return, the family will give her the use of the family's vacation home for one week. With respect to the Code and Standards, this proposal *most accurately* represents:

A) an ethical violation from which the Standards require Borowski to dissociate herself.

B) an additional compensation arrangement which the Standards require Borowski to receive her employer's consent before accepting.

C) a gift or benefit which the Standards recommend Borowski disclose to her employer.