

Question #1 of 29

Question ID: 1581360

In dealing with the public and others, the CFA Institute Code of Ethics requires that CFA Institute members act with:

- A) integrity, competence, and respect. 
- B) candor, skill, and honor. 
- C) honesty, professionalism, and high ethical standards. 

Explanation

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

Question #2 of 29

Question ID: 1574659

The first component of the Code of Ethics *least likely* states that a CFA Institute member should act with:

- A) integrity and diligence. 
- B) competence and respect. 
- C) 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."

(Module 90.1, LOS 90.b)

Question #3 of 29

Question ID: 1581366

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. ✘

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*.

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Question ID: 1581370

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. ✔

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*.

Question #5 of 29

Question ID: 1574654

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. ✘

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.

(Module 90.1, LOS 90.a)

Question #6 of 29

Question ID: 1581371

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. 

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*.

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Question ID: 1581363

Which of the following is a component of the *Code of Ethics*? CFA Institute members shall:

- A) use reasonable care and exercise independent professional judgment. 
- B) use particular care in determining applicable fiduciary duty. 
- C) not knowingly participate or assist in any violation of laws, rules, or regulations. 

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*.

Question #8 of 29

Question ID: 1574657

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) Using reasonable care when making investment recommendations. 
- C) Improve professional competence. 

Explanation

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

(Module 90.1, LOS 90.b)

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Question ID: 1581362

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. 

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.

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Question ID: 1574667

The Code of Ethics *least likely* states that a CFA Institute member shall do which of the following?

- A) Act with integrity. 

B) Advocate laws to protect the investing public.



C) Reflect credit on the profession.



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.

(Module 90.1, LOS 90.b)

Question #11 of 29

Question ID: 1574647

The CFA Institute's Professional Conduct Program may learn about potential violations of the Code and Standards by members and candidates:

A) from sources other than written complaints or members and candidates self-reporting.



B) only from written complaints or members and candidates self-reporting.



C) only from 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.

(Module 90.1, LOS 90.a)

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Question ID: 1581372

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) verify the suitability of the investment recommendation before placing the client's order.



B) identify other clients for whom JKM may be a suitable investment and notify them immediately of his recommendation.



- 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.

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Question ID: 1581367

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. 

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.

Question #14 of 29

Question ID: 1574650

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. 

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.

(Module 90.1, LOS 90.a)

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Question ID: 1581369

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) use reasonable care and exercise independent professional judgment when engaging in professional activities. 
- C) act with integrity, competence, diligence, respect, and in an ethical manner. 

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.

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Question ID: 1581361

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) Prospective clients. 
- B) CFA Institute members and candidates in the CFA Program. 
- C) Colleagues. 

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.

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Question ID: 1574669

Which of the following is *least likely* part of the CFA Institute Code of Ethics. Members of CFA Institute will:

- A) strive to maintain and improve their competence and the competence of others in the profession. 
- B) use reasonable care and exercise independent professional judgment. 
- C) 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.

(Module 90.1, LOS 90.b)

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Question ID: 1581364

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. 

Explanation

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

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Question ID: 1574655

According to the Code of Ethics, the professional judgment of a member should be:

- A) independent. 
- B) consistent with regulatory guidelines. 
- C) confirmed by a degree from an accredited educational institution. 

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.

(Module 90.1, LOS 90.b)

Question #20 of 29

Question ID: 1581358

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. 

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.

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Question ID: 1581368

Which of the following is a component of the Code of Ethics?

- A) Members shall use reasonable care and exercise independent professional judgment. 
- B) Members shall not knowingly participate or assist in any violation of such laws, rules, or regulations. 
- 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. 

Explanation

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

Question #22 of 29

Question ID: 1581359

Which of the following is *least likely* part of the CFA Institute Code of Ethics?

- A) Contractual provisions. 
- B) Independent judgment. 
- C) Competence. 

Explanation

Contractual provisions are not part of the Code of Ethics.

Question #23 of 29

Question ID: 1574648

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. 

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.

(Module 90.1, LOS 90.a)

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Question ID: 1574649

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 be suspended from membership or participation in the CFA Program. 

- C) will typically not be subject to further disciplinary procedure unless a new investigation is initiated. 

Explanation

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

(Module 90.1, LOS 90.a)

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Question ID: 1574675

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. 

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.

(Module 90.1, LOS 90.c)

Question #26 of 29

Question ID: 1581365

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. 

Explanation

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

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Question ID: 1574653

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. 

Explanation

Complaints to the Professional Conduct Program may be filed by anyone.

(Module 90.1, LOS 90.a)

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Question ID: 1574676

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. 

violated the Code and Standards, both when he misrepresented the
C) 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 I(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.

(Module 90.1, LOS 90.c)

Question #29 of 29

Question ID: 1574652

Sanctions that CFA Institute may impose on a member or candidate under the Professional Conduct Program include:

A) suspension from employment in the financial services industry.



B) returning of all profits gained through violations of the Code and Standards.



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.

(Module 90.1, LOS 90.a)