




Question #1 of 29

Question ID: 1451456

When Wes Smith first joined Advisors, Inc., he was excited that all the analysts at the firm had the CFA designation. In letters to prospective clients, he states that this ensures that Advisors can provide better service than their competitors. With respect to Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program, this is:

- A) a violation for both mentioning the CFA designation and saying the firm can guarantee better service. 
- B) a violation because he mentions the CFA designation in the letter. 
- C) a violation because he cannot guarantee better service. 




Explanation

According to Standard VII(B), the analyst cannot guarantee better service. Smith can mention the fact that all analysts have the designation, but he is limited in what he can say with respect to this fact. He could say, for example, that this means the analysts all had to take and pass three rigorous exams.

Question #2 of 29

Question ID: 1469325

Judy Albert and Bob Tye, who recently started their own investment advisory business, plan to take the Level III CFA examination next year. Albert's business card reads, "Judy Albert, CFA Candidate." Tye has not put anything about the CFA on his business card. However, the firm's promotional materials describe the CFA requirements and indicate that Tye participates in the CFA program and has completed Levels I and II. According to CFA Institute Standards of Professional Conduct:

- A) Albert has violated the Standards but Tye has not. 
- B) Both Albert and Tye have violated the Standards. 
- C) Neither Albert nor Tye has violated the Standards. 




Explanation

On letterheads and business cards and in directory listings, only the mark CFA or the words Chartered Financial Analyst should appear after the charterholder's name.

Question #3 of 29

Question ID: 1451455

A CFA Institute member puts the following statement on her resume: "I passed each level of the CFA exam on the first try." Is this a violation of Standard VII(B)?

- A) No, because it is a statement of fact. 
- B) Yes, because she incorrectly refers to the CFA exam. 
- C) Yes, because saying she passed exams on the first try is not appropriate. 

Explanation

The statement is not a violation because it is a fact. However, the member must not go on to claim superior performance.

Question #4 of 29

Question ID: 1459540

Jean Davis and Brian Taylor were recently hired by a local brokerage. Davis is registered for the Level II CFA exam and does not reference the CFA designation on her business card. In her marketing materials, Davis factually describes CFA requirements and notes that she expects to pass in June. Taylor passed the Level II exam and has not yet registered for the Level III CFA exam. Taylor also does not reference the CFA designation on his card and writes in his marketing materials that he passed both Levels I and II of the CFA exam on his first try, which is true. Have Davis or Taylor violated any CFA Institute Standards of Professional Conduct?

- A) Only one violated the Standards. 
- B) Both violated the Standards. 
- C) Neither violated the Standards. 

Explanation

Davis violated Standard VII(B) Reference to the CFA Institute, the CFA Designation, and the CFA Program because she stated a future date in which she expected to pass. Candidates who imply partial designations or expected completion dates violate this Standard. Stating a fact about having passed each of the first two levels on the first try does not violate the Standard.

(Module 71.9, LOS 71: VII(B))

Question #5 of 29

Question ID: 1459523

Which of the following is an appropriate statement for a Level II CFA candidate to make?

A) I am a Level I CFA charterholder.



B) I am a Level II CFA.



C) I passed the Level I CFA exam.



Explanation

The only appropriate statement is "I passed the Level I CFA exam." It is a factual statement and does not imply a partial designation.

(Module 71.9, LOS 71: VII(B))

Question #6 of 29

Question ID: 1451451

Lucy Ackert and Chris Brown prepared the following information to be included in the promotional materials of their employer, Lofton Securities.

- Lucy Ackert is one of five CFAs at Lofton Securities. She satisfied all requirements for the CFA designation in 1998.
- Chris Brown holds a CFA Level I designation, which he passed in 2001. He is registered to take the next scheduled Level II examination.

Are the promotional materials prepared by Ackert and Brown fully consistent with the Standards of Professional Conduct?

A) Ackert: No. Brown: No.



B) Ackert: Yes. Brown: No.



C) Ackert: No. Brown: Yes.



Explanation

The second statement is not consistent with Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program. Regarding the first statement, using "CFA" as a noun is no longer a violation of the Code of Standards. No designation exists for someone who has passed Level I of the CFA examination. Thus, Brown's statement saying that he "holds a CFA Level I designation" represents incorrect use. A correct statement would be: "Chris Brown passed Level I of the CFA examination in 2001."




Question #7 of 29

Question ID: 1451446

For the past 5 years, Karen Beckworth, CFA, has served as a proctor for the CFA exam. Beckworth tells her assistant, a Level III CFA candidate, that she normally receives the examinations on the Thursday before the exam. Given the low pass rate at Level III, Beckworth asks her assistant if he would like an advance copy of the next exam. Beckworth's assistant declines the offer.

Beckworth's assistant has been very vocal about expressing his opinions about the low pass rate. The assistant claims, "there are too many charterholders and CFA Institute is deliberately failing candidates because the prestige of the CFA charter is becoming diluted."

With regard to Standard VII(A) Conduct as Participants in CFA Institute Programs, which of the following statements concerning Beckworth's and her assistant's behavior is *most accurate*?

- A) Both Beckworth and her assistant are in violation of Standard VII(A). 
- B) Neither Beckworth nor her assistant is in violation of Standard VII(A). 
- C) Beckworth is in violation of Standard VII(A), but her assistant is not in violation. 




Explanation

Beckworth is in violation of Standard VII(A), Conduct as Participants in CFA Institute Programs. Beckworth compromised the integrity of the exam by offering her assistant an advance copy. Beckworth's assistant is allowed to express his opinion without violation of any Standards.

Question #8 of 29

Question ID: 1469327

All of the following statements in promotion of your services are in violation of CFA Institute Standards of Practice handbook EXCEPT:

- A) based upon my research, you will achieve a 20% compound annual rate of return on small cap stocks over the next 5 years. 
- B) I guarantee under my management that you will receive returns in excess of the market index average. 
- C) I passed Level II of the CFA Program in 2003. 




Explanation

Candidates may refer to the CFA level(s) passed and the associated dates as long as a partial designation is not implied. They may not guarantee or promise a given level of return.

Question #9 of 29

Question ID: 1459535

All of the following are required for a CFA Institute member to maintain his or her active status EXCEPT:

- A) Passing each exam in no more than two tries. 
- B) paying membership dues to CFA Institute on an annual basis. 
- C) remit a completed Professional Conduct Statement on an annual basis. 

Explanation




Passing each exam in two or fewer tries is not required to maintain active status as a member of the CFA Institute. CFA Institute imposes both of the other choices.

(Module 71.9, LOS 71: VII(B))

Question #10 of 29

Question ID: 1459521

Which of the following is *least* likely an appropriate use of the CFA designation?

- A) Jeremy Salyers, as a CFA charterholder, expects to outperform the market because CFA charterholders have on average outperformed their peers. 
- B) Jeremy Salyers, CFA. 
- C) Jeremy Salyers has earned the CFA designation by passing three exams, all three on his first attempts. 

Explanation




Members may not over-promise their performance as CFA charterholders. They may follow their name with the designation and describe, factually, the requirements for becoming a charterholder.

(Module 71.9, LOS 71: VII(B))

Question #11 of 29

Question ID: 1459538

Which of the following individuals may refer to himself or herself as a candidate in the CFA Program?

- A) Bob Krall passed the Level II exam and intends to register for the next Level III exam. 
- B) Ed Long has not yet attempted a Level I exam but has registered for the next one. 
- C) Jane Baker received a passing score in January for the Level I exam but is waiting until the following year to register for the Level II exam. 

Explanation




To refer to oneself as a CFA candidate, an individual must be registered to sit for a CFA exam or waiting for results of a CFA exam taken.

(Module 71.9, LOS 71: VII(B))

Question #12 of 29

Question ID: 1459520

Stephanie Irons, a Level II CFA candidate, regularly posts in internet chat rooms dedicated to candidates studying for the Level II exam. Throughout the season, she and other candidates discuss curriculum content in great detail. Three days after her exam window ends, she returns to the site and vents her frustrations over complicated exam questions by posting questions she remembers on the site, and asking others for their responses and reasoning. Other candidates follow suit and post the questions they remember. Irons and her fellow candidates are *most likely*:

- A) in violation of the Code and Standards for providing confidential information about the exam. 
- B) in violation of the Code and Standards for discussing curriculum content in a public forum prior to the exam. 
- C) not in violation because the information about the actual exam contents was posted after the close of the exam window. 

Explanation




Standard VII(A) Conduct as Participants in CFA Institute Programs prohibits members and candidates from providing confidential information about the exam even after the conclusion of the exam.

(Module 71.9, LOS 71: VII(A))

Question #13 of 29

Question ID: 1451447

Which of the following actions would be a violation of the Standard VII(A) Conduct as Participants in CFA Institute Programs?

- A) Misrepresenting information on the Professional Conduct Statement. 
- B) Using the CFA designation without submitting a Professional Conduct Statement and paying annual dues. 
- C) Exaggerating the implications of holding the CFA designation. 

Explanation

Misrepresenting information on the Professional Conduct Statement is a direct violation of Standard VII(A) Conduct as Participants in CFA Institute Programs. The other choices are violations of Standard VII(B) Reference to CFA Institute, the CFA Designation, and the CFA Program.

Question #14 of 29

Question ID: 1451452

Anderson, Baker and Chang all received their CFA charters and ordered new business cards. Their business cards are as follows:

G. J. Anderson, CFA

B. K. Baker, Chartered Financial Analyst

M. S. Chang, C.F.A

Which of the business cards use the CFA marks improperly?

- A) Baker and Chang. 
- B) Chang. 
- C) Anderson and Chang. 

Explanation

Consistent with Standard VII(B), members must use the CFA marks in a proper manner. Members may indicate "CFA" or "Chartered Financial Analyst" after their names, but the designation should not be given more prominence than that used in printing the name itself. Also, periods should not be used to separate the letters.

Question #15 of 29

Question ID: 1459519

While on a business trip, John Hayes, CFA, found a notebook that had apparently been left in the waiting area of an airport. Hayes opened the notebook and read the title: Confidential: Level II CFA Examination. Before returning the notebook to CFA Institute, he made a copy and gave it to Linda Sacket, one of his firm's analysts, who was a candidate for Level II of the CFA examination. Sacket read the questions and guideline answers before taking the Level II examination. According to the CFA Institute Standards of Professional Conduct:

- A) Hayes violated the Standards, but Sacket did not.
- B) both Hayes and Sacket violated the Standards.
- C) Sacket violated the Standards, but Hayes did not.



Explanation

Both violated Standard VII(A) Conduct as Participants in CFA Institute Programs because they compromised the validity of the examinations.

(Module 71.9, LOS 71: VII(A))

Question #16 of 29

Question ID: 1451449

Which of the following is *least likely* a violation of Standard VII(A), Conduct as Participants in CFA Institute Programs?

- A) Improperly using the CFA Designation to further professional goals.
- B) Expressing opinions in disagreement with CFA Institute advocacy positions.
- C) Disregarding the rules related to the administration of the CFA examination.



Explanation




Members and Candidates are allowed to express their opinions about the CFA Institute and CFA Program. Both of the other choices violate Standard VII(A) Conduct as Participants in CFA Institute Programs.

Question #17 of 29

Question ID: 1116067

During 2004 Nancy Arnold received an undergraduate business degree with a management major and completed all requirements for the CFA designation imposed by CFA Institute. She is applying for employment at several brokerage firms. Her resume states, "I was awarded the CFA degree in 2004 by CFA Institute." Her resume also states that she graduated "with honors" and majored in finance. Her grade point average was 3.48 but "with honors" requires a 3.50 grade point average.

Which of the following statements about Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program, and Standard I(C), Misrepresentation, is CORRECT?
Arnold:

- A)** violated Standard I(C) but she did not violate Standard VII(B). 
- B)** did not violate either Standard VII(B) or Standard I(C). 
- C)** violated both Standard VII(B) and Standard I(C). 

Explanation

Arnold violated Standard VII(B). The CFA designation should not be referred to as a degree. Arnold also violated Standard I(C) because her claim that she graduated "with honors" is not true.

Question #18 of 29

Question ID: 1459539

The CFA logo may be used as a certification mark:

- A)** on a personal business card. 
- B)** on a company website. 
- C)** next to a company logo. 

Explanation

Individual charterholders may use the CFA logo on a business card or letterhead. The CFA logo may not be used by a company or firm.

(Module 71.9, LOS 71: VII(B))




Question #19 of 29

Question ID: 1459511

Ken Koski, CFA, issues a press release that includes the following statement:

We are proud to announce that two of our managers have earned the right to use the CFA designation. In addition, four of our junior analysts have become Level III CFA candidates. These individuals have proven their dedication to the investment community and shown commitment to the highest ethical standards.

With regard to the statements in the press release:

- A)** Koski has violated the Code and Standards by implying superior performance results. 
- B)** all these statements are in compliance with CFA Institute Standards. 
- C)** Koski has violated the Code and Standards by improperly referencing the managers' right to use the CFA designation. 

Explanation




All of the statements are acceptable according to Standard VII(B), Reference to CFA Institute, the CFA designation, and the CFA Program. Koski is allowed to make a statement of fact such as the managers' right to use the CFA designation. Koski may reference the participation of his employees in the CFA program if the employees are currently registered to take one of the exams. The statements regarding dedication to the investment community and commitment to the highest ethical standards are proper references regarding the CFA program.

(Module 71.9, LOS 71.b)

Question #20 of 29

Question ID: 1116069

Ken James has been an independent financial advisor for 15 years. He received his CFA Charter in 1993, but did not feel it helped his business, so he let his dues lapse this year. He still has several hundred business cards with the CFA designation printed on them. His promotional materials state that he received his CFA designation in 1993. James:

- A)** must cease distributing the cards with the CFA designation and the existing promotional materials. 
- B)** must cease distributing the cards with the CFA designation, but can continue to use the existing promotional materials. 
- C)** can continue to use the existing promotional materials, and can use the cards until his supply runs out—his new cards cannot have the designation. 

Explanation




Use of the CFA designation must be stopped immediately, however, the receipt of the Charter is a matter of fact.

Question #21 of 29

Question ID: 1469324

Ron Vasquez is registered to sit for the Level II CFA exam. Unfortunately, Vasquez has failed the exam the past two years. In his frustration, Vasquez posted the following comment on a popular internet bulletin board: "I believe that CFA Institute is intentionally limiting the number of charterholders in order to increase its cash flow by continuing to fail candidates. Just look at the pass rates."

Which of the following statements regarding Vasquez's conduct is *most accurate*? Vasquez is:

- A) not in violation of Standard I(D) Misconduct or Standard VII(A) Conduct as Participants in CFA Institute Programs. 
- B) in violation of both Standard I(D) Misconduct and Standard VII(A) Conduct as Participants in CFA Institute Programs. 
- C) in violation of Standard VII(A) Conduct as Participants in CFA Institute Programs, but not in violation of Standard I(D) Misconduct. 




Explanation

Standard VII(A) Conduct as Participants in CFA Institute Programs does not prohibit expressing opinions about the program or the CFA Institute. Thus, Vasquez is not in violation. Nothing in the facts indicates a violation of Standard I(D), Misconduct. Standard I(D) deals with professional conduct involving dishonesty, fraud, or deceit.

Question #22 of 29

Question ID: 1451458

Which of the following statements is a violation of Standard VII(B) if it is included on a CFA charterholder's resume?

- A) My earning the CFA designation indicates my superior ability. 
- B) Both of these are violations of Standard VII(B). 
- C) My earning the CFA designation indicates my desire to maintain high standards. 




Explanation

A CFA charterholder may not make claims about how earning the designation proves superior capabilities. Saying "my earning the CFA designation indicates my desire to maintain high standards" is allowed because it is a factual statement.

Question #23 of 29

Question ID: 1459522

Jason Jones, a stock broker who has completed Level I of the CFA program and is registered for the next Level II CFA exam, may:

- A) state that he is a Level II candidate in the CFA Program. 
- B) not mention that he is involved in the CFA Program until he has passed all three levels. 
- C) use the Level I CFA designation since he has passed the Level I exam. 

Explanation




According to Standard VII(B) Reference to CFA Institute, the CFA Designation, and the CFA Program, Jason may refer to his participation in the program but must state that he is a candidate and specify the level of the exam for which he is registered. There is no partial designation.

(Module 71.9, LOS 71: VII(B))

Question #24 of 29

Question ID: 1469326

John Johnson, portfolio manager at Sunshine Investments, has passed all three levels of the CFA® Program and has completed his work experience requirements. He expects to receive his charter in the near future. He includes the following statement in his firm's brochure: "Johnson has passed all three levels of the exam and has completed the required work experience for the CFA Charter. He is eligible for the CFA Charter and expects to receive the charter in the near future. Over the years, he has demonstrated a superior performance and his CFA Charter will be rightfully awarded." Johnson has:

- A) not violated CFA Institute Standards of Professional Conduct because he met all disclosure requirements. 
- B) violated CFA Institute Standards of Professional Conduct because he advertised the CFA Charter before actually obtaining it. 
- C) violated CFA Institute Standards of Professional Conduct because he implied superior performance that would be linked to the CFA Charter. 

Explanation

According to Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program, Johnson may indicate that he has completed the requirements and is eligible for the CFA charter along with an accurate explanation of the requirements. However, he may not imply that the designation would mean superior performance capabilities.

Question #25 of 29

Question ID: 1459525

An analyst has not paid his CFA Institute dues for several years but has filed a professional conduct statement annually. Which of the following statements regarding his status with CFA Institute is *most accurate*? The analyst:

- A) may not refer to having been a CFA charterholder.
- B) may not use the CFA designation.
- C) is still considered an active member of CFA Institute.



Explanation

Standard VII(B) Reference to CFA Institute, the CFA Designation, and the CFA Program, applies. To remain an active member and maintain the right use the CFA designation, the member must pay annual dues and submit a yearly Professional Conduct Statement. Nothing in the Standard prohibits factual references to one's past status as a CFA charterholder.

(Module 71.9, LOS 71: VII(B))

Question #26 of 29

Question ID: 1451454

Julie Stades retired several years ago and relinquished her membership in CFA Institute. She had the CFA designation up until then. She has decided to go back to work and puts the following statement on her resume: "I earned the CFA designation 10 years ago." Is this a violation of Standard VII(B)?

- A) Yes, she must state that she no longer holds the CFA designation.
- B) No, as long as she does not indicate she currently has the designation.
- C) Yes, because she is no longer an active member.






Explanation

Stades is allowed to state that she earned the designation as long as she does not infer that she currently has the designation.

Question #27 of 29

Question ID: 1116064

Nichole Zeller and Randy Toffler have both passed Level II of the CFA Exam Program and have registered for Level III. Zeller circulates a resume stating that she is a candidate for the CFA designation and has passed Level II of the CFA program. Toffler circulates a resume stating that he is a CFA II. Which of the following statements is CORRECT?

- A) Only Zeller has violated the Code of Standards. 
- B) Both Zeller and Toffler have violated the Code of Standards. 
- C) Only Toffler has violated the Code of Standards. 




Explanation

The Code and Standards permit an individual to state that he or she is a candidate for the CFA designation as long as the person is registered for the next CFA exam. The same individual may state the fact that he or she has passed Level I or II of the CFA program. There is no partial designation, such as CFA II.

Question #28 of 29

Question ID: 1459514

Stephanie Orange, Level II CFA candidate, posts blogs for her exam study group three days after the exam to vent her frustrations over the exam. However, to avoid disclosing what was actually on the exam, she only discusses topic areas she thought would be on the exam that were not. She writes "...the topics selected were unnecessarily obscure. Important items like FCF, DDM, and Residual Income were ignored completely..." Orange is *most likely*:

- A) not in violation because the information was only about what was not on the exam. 
- B) not in violation because the information about the actual exam contents was posted only after the conclusion of the exam. 
- C) in violation of the Code and Standards for providing confidential information about the exam. 

Explanation




Standard VII(A) Conduct as Participants in CFA Institute Programs prohibits members and candidates from providing confidential information about the exam – even after the conclusion of the exam. Examples include broad topical areas tested or not tested.

(Module 71.9, LOS 71: VII(A))

Question #29 of 29

Question ID: 1459512

June Carter passed Level III of the CFA examination in June but will not complete her work experience requirement until August of next year. Carter can state on her resume that she:

- A)** is a CFA in waiting. 
- B)** passed Levels I, II, and III of the CFA examination. 
- C)** will be a CFA charterholder in August of next year as long as she is on track to complete her work experience. 

Explanation

A candidate cannot use any form of the CFA designation until receiving her charter.

(Module 71.9, LOS 71.b)