Question #1 of 61

Question ID: 1459404

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. The amount that Wilcox agrees to pay Talbot is in addition to the compensation that Talbot will receive from his employer and the standard fee that Wilcox will pay Cavalier for managing his portfolio over the three-year period. Talbot agrees to the arrangement proposed by Wilcox and informs Cavalier in writing of the terms of the agreement under which she will receive additional compensation. According to CFA Institute Standards of Professional Conduct Talbot must disclose:

A) the nature and amount of compensation plus the duration of the agreement.

B) both the nature and amount of compensation only.

C) the nature of the compensation only.

Question #2 of 61

Question ID: 1451373

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 contacting his former clients at Pacific.

B) did not violate the Standard.

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

Question #3 of 61

Question ID: 1451382

Sue Parsons, CFA, works full-time as an investment advisor for the Malloy Group, an asset management firm. To help pay for her children's college expenses, 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. Which of the following statements about Standard IV(A), Loyalty to Employer, is *most* accurate? Standard IV(A):

A) does not require Parsons to notify Malloy of preparing to undertake independent practice under the current conditions.

B) requires Parsons to notify Malloy in writing about her intention to undertake an independent practice.

C) requires Parsons to obtain written consent from both Malloy and the persons from whom she undertakes independent practice.

Question #4 of 61

Question ID: 1115915

May Frost, CFA, is concerned about the comments and activities of several of her coworkers and feels both ethical and legal violations are routinely overlooked. According to the Code and Standards, a recommended first step would *least likely* be to:

A) contact industry regulators.

B) provide her supervisor with a copy of the Code and Standards.

C) review the company’s policies and procedures for reporting ethical violations.

Question #5 of 61

Question ID: 1459410

For years John Berger, a CFA charterholder and CEO of a company, relied upon a set of reasonable procedures for preventing violations of the Code and Standards of Professional Conduct in the firm. To comply with the Standards, Berger must:

A) do nothing more than have the set of procedures in place as stated.

B) only ensure the procedures are monitored and enforced.

C) both periodically review the procedures and ensure the procedures are monitored and enforced.

Question #6 of 61

Question ID: 1459381

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 compensation or benefit to be received.

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

C) the clients contact information.

Question #7 of 61

Question ID: 1451376

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, a former client of Advisors calls Hill at his home about his new firm. The former client says that he is very happy that Hill is leaving Advisors because now he and Hill can resume a professional relationship. The client says that he would never become a client of Advisors again. Hill promises to call the client back after he has left Advisors. Hill does not tell his employer about the call. Hill has *most likely*:

A) violated the Standard concerning disclosure of conflicts.

B) not violated the Standards.

C) violated the Standard concerning loyalty to employer.

Question #8 of 61

Question ID: 1459387

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 #9 of 61

Question ID: 1469291

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 #10 of 61

Question ID: 1469293

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 #11 of 61

Question ID: 1459376

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

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

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

Question #12 of 61

Question ID: 1459405

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

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

B) 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.

C) A professional conduct evaluation is part of an employee's performance review.

Question #13 of 61

Question ID: 1459395

Jill Marsh, 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. Hirsh will comply with Standard IV(B), Additional Compensation Arrangements, if she:

A) delivers a typed memo to her supervisor about the vacation home the first time she uses it.

B) does nothing with respect to this.

C) sends an e-mail to her supervisor about the vacation home.

Question #14 of 61

Question ID: 1459375

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

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

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

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

Question #15 of 61

Question ID: 1469286

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 #16 of 61

Question ID: 1459407

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 #17 of 61

Question ID: 1451389

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 #18 of 61

Question ID: 1451379

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) Must treat the charitable organization as his employer.

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

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

Question #19 of 61

Question ID: 1459373

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 #20 of 61

Question ID: 1469292

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 #21 of 61

Question ID: 1459415

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 #22 of 61

Question ID: 1469280

The following information pertains to the Galaxy Trust, a trust established by Stephen P. House and managed by Gamma Investment LLC:

- At the time the trust was established House provided $5 million in cash to fund the trust, but Gamma was aware that 93% of his personal assets were in the form of Oracle stock.
- Gamma has been asked to view his funds and the trust as a single entity for planning purposes, since House's will stipulates that all of his estate will pass to the trust upon his death.
- The investment policy statement, developed in September 1996, stipulates that the trust should maintain a short position in Oracle stock and use the proceeds to diversify the trust more adequately.
- House was able to sell all of his Oracle shares back to the corporation in January 1999 for cash.
- The policy statement redrawn in September 1999 continues to stipulate that the trust hold a short position in Oracle stock.
- House has given the portfolio manager in charge of the trust an all-expenses paid vacation package anywhere in the world each year at Christmas. The portfolio manager has reported this fact in writing to his immediate supervisor at Gamma.

Which of the following is *most* correct? The investment manager is:

A) in violation of the Code and Standards by not properly updating the investment policy statement in light of the change in the circumstances and is in violation with regard to the acceptance of the gift from House.

B) in violation of the Code and Standards by not properly updating the investment policy statement in light of the change in the circumstances but is not in violation with regard to the acceptance of the gift from House.

C) not in violation of the Code and Standards for not properly updating the investment policy statement in light of the change in the circumstances and is not in violation with regard to the acceptance of the gift from House.

Question #23 of 61

Question ID: 1459370

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 #24 of 61

Question ID: 1459386

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 #25 of 61

Question ID: 1459397

Dick Bowden, a CFA charterholder, receives a free country club membership in exchange for financial advice he can offer the firm. He should:

A) do nothing; it is his business where he spends his free time.

B) disclose the arrangement to his employer.

C) reject the country club membership since it is illegal under CFA Institute rules and regulations to accept outside compensation.

Question #26 of 61

Question ID: 1469290

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 #27 of 61

Question ID: 1451399

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

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

C) refuse supervisory responsibility.

Question #28 of 61

Question ID: 1459392

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 #29 of 61

Question ID: 1459393

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 #30 of 61

Question ID: 1469295

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 #31 of 61

Question ID: 1469297

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 #32 of 61

Question ID: 1459356

Linda Schultz, CFA, is an investment advisor at Wheaton Investments. Schultz has been employed there for five years, and has never signed a "non-compete" clause. While at Wheaton, Schultz makes preparations to set up her own money management firm. She does not contact any existing clients before leaving Wheaton and does not take any firm records or files. After her resignation becomes effective, Schultz replicates a list of former clients from memory and uses public sources to get their contact information. She then contacts these former clients and solicits their business for her new firm. Has Schultz violated any CFA Institute Standards?

A) No. Schultz is in compliance with CFA Institute Standards.

B) Yes. Schultz is permitted to notify clients that she has left her old firm, but she cannot encourage them to come with her to the new firm.

C) Yes. Schultz may not contact clients of her old firm.

Question #33 of 61

Question ID: 1469287

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 #34 of 61

Question ID: 1459396

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 #35 of 61

Question ID: 1459379

When providing outside services, a member should provide all of the following information to her current employer EXCEPT:

A) the types of services to be provided.

B) the compensation she will receive.

C) a promise to remit an agreed-upon percentage of the proceeds to the current employer.

Question #36 of 61

Question ID: 1462981

Laura Smith, CFA, is an analyst with the trust department of Bright Star Bank. The department's portfolio managers use a proprietary model to select stocks. Bright Star has been purchased by Mega Bank, which does not plan to use Bright Star's model after completing the purchase. A few weeks before the Bright Star/Mega Bank merger date, Smith downloads the model to her laptop and modifies the model for her own use. Do Smith's actions violate the Standards of Professional Conduct?

A) No, because Smith modified the model.

B) Yes, because the model is the property of Mega Bank.

C) No, because Mega Bank has discontinued use of the model.

Question #37 of 61

Question ID: 1459399

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 #38 of 61

Question ID: 1469289

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 #39 of 61

Question ID: 1469279

Chuck Daniels has just been hired to manage a security analysis group for Aaron Asset Management. Daniels performed a similar function at another firm and finds the compliance system at Aaron inadequate. He develops a system that he feels is appropriate, but senior management tells him he will have to wait six months to implement the system. Daniels should:

A) decline in writing to accept supervisory responsibility until a satisfactory compliance system is put into place.

B) protest in writing the delay, listing the potential dangers that can occur.

C) resign his position immediately.

Question #40 of 61

Question ID: 1115909

Brian Bellow, a CFA Institute member, is a portfolio manager for Progressive Trust Company. Several friends asked Bellow to review their investment portfolios. On his own time, Bellow examined their portfolios and made several recommendations. He received no monetary compensation from his friends for his investment advice and provided no future investment counsel to them. According to CFA Institute Standards of Professional Conduct, did Bellow violate his duty to Progressive Trust?

A) Yes, because he undertook an independent practice that could result in compensation or other benefit to him.

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

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

Question #41 of 61

Question ID: 1115926

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) must inform her employer of the arrangement because she is doing business with a member of her immediate family.

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

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

Question #42 of 61

Question ID: 1459416

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 #43 of 61

Question ID: 1469283

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 #44 of 61

Question ID: 1469281

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 #45 of 61

Question ID: 1459414

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) Disseminate the firm's compliance procedures to employees.

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

Question #46 of 61

Question ID: 1469284

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 #47 of 61

Question ID: 1459403

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 #48 of 61

Question ID: 1459408

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

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

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

Question #49 of 61

Question ID: 1459378

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 #50 of 61

Question ID: 1451398

Which of the following statements about Standard IV(C) Responsibilities of Supervisors is *least* accurate?

A) If a subordinate violates a securities law, her supervisor is in violation of Standard IV(C).

B) If the supervisor makes a reasonable effort to detect violations, but fails to detect a violation that occurs, she is in compliance with Standard IV(C).

C) If no effort is made to detect violations, the supervisor is in violation of Standard IV(C) even if no violations by her subordinates have occurred.

Question #51 of 61

Question ID: 1469285

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 #52 of 61

Question ID: 1459391

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) 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.

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

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

Question #53 of 61

Question ID: 1469296

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 #54 of 61

Question ID: 1451388

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 can:

A) inform her current clients about her resignation and let them know how to reach her, in case any problems arise in the future.

B) solicit Branford colleagues but not Branford clients.

C) start the registration of her new company.

Question #55 of 61

Question ID: 1469282

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 #56 of 61

Question ID: 1469294

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.

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Question ID: 1451308

Rachel Young, CFA, is making preparations to start a competitive business before terminating her relationship with her employer, a large money management company. Young asks Dot Wiggins, a colleague, to consider joining her. In subsequent discussions with Young, Wiggins learns that Young has used excerpts from research reports by others with only a slight change in wording without acknowledging the source. According to CFA Institute Standards of Professional Conduct, Young has:

A) violated Standard I(C) Misrepresentation, because she did not acknowledge the source of excepts that she used in research reports.

B) violated Standard IV(A) Loyalty, because she was making preparations to start a competitive business before terminating her relationship with her employer.

C) not violated the Standards.

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Question ID: 1451396

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.

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Question ID: 1451380

Michel Marchant, CFA, recently became an independent money manager. After six months, he has only ten clients, who are family and friends. To supplement his income, Marchant accepted part-time employment as an advisor at Middleton Financial Advisors. According to CFA Institute Standards of Professional Conduct, which of the following statements about Marchant's duty to his new employer is CORRECT?

A) Marchant need not inform Middleton about his existing clients but must inform his existing clients about his new part-time employment at Middleton.

B) Marchant must inform Middleton about his existing clients but need not inform his existing clients about his new part-time employment with Middleton.

C) Marchant must inform Middleton to keep his existing clients and must inform his existing clients of his new part-time employment at Middleton.

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Question ID: 1459388

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) not in violation of the Code and Standards.

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

C) in violation of the Standard on loyalty.

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Question ID: 1469288

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.