周四/9.5

1. Joyce La Valle, CFA, is a portfolio manager at a global bank. La Valle has been told she should use a specific vendor for equity investment research that has been approved by the bank's headquarters. Because La Valle is located in a different country than the bank's headquarters, she is uncomfortable with the validity of the research provided by this vendor when it applies to her country and would like to use a local vendor on whom she has already conducted due diligence. Which research vendor(s) should La Valle most likely use to avoid violating the CFA Institute Standards of Professional Conduct?
   A. Use the local research vendor.
   B. Use the bank-approved research vendor.
   C. Use both the local and the bank-approved research vendors.

2. Scott works for a regional brokerage firm. He estimates that Walkton Industries will increase its dividend by US$1.50 a share during the next year. He realizes that this increase is contingent on pending legislation that would, if enacted, give Walkton a substantial tax break. The US representative for Walkton's home district has told Scott that, although she is lobbying hard for the bill and prospects for its passage are favorable, concern of the US Congress over the federal deficit could cause the tax bill to be voted down. Walkton Industries has not made any statements about a change in dividend policy. Scott writes in his research report, "We expect Walkton's stock price to rise by at least US$8.00 a share by the end of the year because the dividend will increase by US$1.50 a share. Investors buying the stock at the current time should expect to realize a total return of at least 15% on the stock." According to the Standards:
   A. Scott violated the Standards because he used material inside information.
   B. Scott violated the Standards because he failed to separate opinion from fact.
   C. Scott violated the Standards by basing his research on uncertain predictions of future government action.

3. Delaney O'Keefe, a CFA candidate, is a portfolio manager at Bahati Management Company. The company is considering investing offshore for the first time, particularly in North America, on behalf of their clientele, all of whom are high-net-worth individuals. O'Keefe does not have experience in offshore investments, so she hires Mark Carlson, CFA, of Carlson Consulting on the sole basis that he has a CFA charter, to undertake due diligence exercises on the top ten portfolio managers in North America, ranked by Assets under Management (AUM). To avoid violating any Code and Standards, O'Keefe should most likely undertake:
   A. a sampling of the suitability of North America for clients.
   B. the due diligence exercise on the top ten asset managers herself.
   C. a due diligence exercise on Mark Carlson and Carlson Consulting.

4. Norman Bosno, CFA, acts as an outside portfolio manager to a Sovereign Wealth Fund. Raphel Palmeti, a Fund official, approaches Bosno to interest him in investing in Starlite Construction Company. He tells Bosno if he approves a two million dollar investment in

Starlite by the Fund, Bosno will receive a “bonus” that will make him wealthy. Palmeti also adds if Bosno decides not to invest, he will lose the Fund account. After doing a quick and simple analysis, Bosno determines the investment is too risky for the Fund. If Bosno agrees to make the investment, what Standard is least likely to be violated?

A. Loyalty, Prudence, and Care
B. Diligence and Reasonable Basis
C. Additional Compensation Arrangements

5. Anderb, a portfolio manager for XYZ Investment Management Company—a registered investment organization that advises investment firms and private accounts—was promoted to that position three years ago. Bates, her supervisor, is responsible for reviewing Anderb’s portfolio account transactions and her required monthly reports of personal stock transactions. Anderb has been using Jonelli, a broker, almost exclusively for brokerage transactions for the portfolio account. For securities in which Jonelli’s firm makes a market, Jonelli has been giving Anderb lower prices for personal purchases and higher prices for personal sales than Jonelli gives to Anderb’s portfolio accounts and other investors. Anderb has been filing monthly reports with Bates only for those months in which she has no personal transactions, which is about every fourth month. Which of the following is most likely to be a violation of the Code and Standards?

A. Anderb failed to disclose to her employer her personal transactions.
B. Anderb owned the same securities as those of her clients.
C. Bates allowed Anderb to use Jonelli as her broker for personal trades.