

Practice Questions: Code of Ethics and Standards of Professional Conduct

1. Which one of the following statements is *most* accurate?
 - A. All legal behavior is ethical behavior
 - B. All ethical behavior is legal behavior
 - C. Some ethical behavior may be illegal
2. *Trust* is the very foundation of the investment profession, *most likely* because:
 - A. Investment professionals give advice related to products and services that are tangible in nature.
 - B. Investment professionals have specialized knowledge and skills, causing them to have less power in the client-advisor relationship.
 - C. Investment professionals manage clients' financial wealth.
3. Ian is a financial advisor working for an investment management fund in the role of a team supervisor. Which one of the following statements is *not a requirement that he should fulfill in order* to be part of the investment profession?
 - A. He needs to have a specific number of years experience in a supervisory role
 - B. He needs to have specialized knowledge and skills in the industry
 - C. He needs to adhere to a common code of ethics
4. Which of the following is *least likely* a potential source of inquiries of the Professional Conduct Program?
 - A. Annual Professional Conduct Statements completed by a CFA member
 - B. Exam Proctors' reports from a June exam session
 - C. Exam results of candidates who failed in a June exam session
5. Which of the following statements is NOT true? If members and candidates are found guilty of violating the Code of Ethics and Standards of Professional Conduct, a Professional Conduct Program investigation may result in:
 - A. A prohibition from further participation in the program
 - B. A monetary sanction, depending on the seriousness of the violation
 - C. Suspension of the right to use the CFA designation
6. Understanding the strengths and weaknesses of your decisions is reflected in one of the steps described in the *CFA Institute Ethical Decision-Making Framework*. Which one is that?
 - A. Identify
 - B. Consider
 - C. Reflect
7. Which of the following is NOT a component of the CFA Institute Code of Ethics?
 - A. Members and candidates should maintain and improve their professional competence
 - B. Members and candidates should submit their annual Professional Conduct Statement
 - C. Members and candidates uphold the reputation and integrity of the investment profession

8. *Priority of Transactions* is a sub-section of which Standard of Professional Conduct?
- A. VI: Conflicts of Interest
 - B. V: Investment Analysis, Recommendations, and Actions
 - C. III: Duties to Clients
9. Which of the following is NOT a sub-section of **Standard (III): Duties to Clients**?
- A. Suitability
 - B. Performance Presentation
 - C. Communication with Clients and Prospective Clients
10. Which of the following is not related to the ethical conduct of **all** participants in the investment industry?
- A. Misconduct
 - B. Conduct as Members and Candidates in the CFA Program
 - C. Misrepresentation