

## Question #1 of 180

Question ID: 1611887

Which of the following statements about the CFA Institute's Professional Conduct Program (PCP) is *least accurate*?

**A)** Possible sanctions include condemnation by a member's peers or suspension of a candidate's participation in the CFA Program.

**If the PCP staff determine that a sanction against a member is warranted,**

**B) the member must either accept the sanction or lose the right to use the CFA designation.** 

Members who cooperate with a PCP inquiry by providing confidential client

**C)** information to PCP staff are not in violation of Standard III(E) Preservation of Confidentiality.

### Explanation

Members can accept or reject a disciplinary sanction proposed by the Professional Conduct Program staff. If the member rejects the sanction, the matter is referred to a hearing before a disciplinary review panel of CFA Institute members. The other statements are accurate.

(Module 90.1, LOS 90.a)

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## Question #2 of 180

Question ID: 1611889

Robert Miguel, CFA, is a portfolio manager. On Saturday, one of his clients invited Miguel and his wife to be his guests at his luxury suite for a major league baseball playoff game, which they did. Miguel told his supervisor on Monday that they had attended the game with the client and that the suite was luxurious. Miguel has:

**A) not violated the Standards.** 

**B)** violated the Standards because disclosure must be in writing.

**C)** violated the Standards because he must disclose the gift prior to accepting.

### Explanation

In this case, Miguel has not violated the standards. For a gift from a client in appreciation of past service or performance, informing his supervisor verbally is sufficient. Standard I(B) Independence and Objectivity requires disclosure prior to accepting the gift "when possible," but in cases such as this when there is short notice, notification afterward is permitted.

(Module 90.1, LOS 90.b, 90.c; Module 91.1, LOS 91.a, 91.b, 91.c; and Module 93.1, LOS 93.a, 93.b)

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### Question #3 of 180

Question ID: 1611900

At his golf club on Saturday morning, Paul Corwin, CFA, sees Frank Roberts, a friend and institutional client of his, who tells him that he is planning to sell his house on the 7th fairway. While golfing that day, Corwin tells Robert Lowe, a realtor, that Roberts is planning to sell his house and may need a realtor. He also tells Lowe that he manages an equities account for Roberts. If Corwin has not received permission from Roberts, he has violated the Standard on preservation of confidentiality:

- A) both by disclosing Roberts' plan to sell his home and that he is a client.
- B) by disclosing Roberts' plan to sell his home but not by mentioning that he was a client.
- C) **by disclosing that Roberts is a client of his but not by mentioning Roberts' plan to sell his home.**



#### Explanation

Corwin violated Standard III(E) Preservation of Confidentiality by revealing his business relationship with Roberts without permission. Because the information that Roberts' plans to sell his home is not received as part of his professional relationship with Roberts, it is not covered by the Standard.


(Module 90.1, LOS 90.b, 90.c; Module 91.5, LOS 91.a, 91.b, 91.c; and Module 93.1, LOS 93.a, 93.b)

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### Question #4 of 180

Question ID: 1611891

Doug Watson, CFA, serves in a sales position at Sommerset Brokerage, a registered investment adviser. Watson frequently drinks excessively. On one occasion, Watson was cited by local police for misdemeanor public intoxication. According to the Standard on knowledge of the law and the Standard on misconduct, Watson is in violation of:

- A) both of these Standards.
- B) neither of these Standards.** 
- C) only one of these Standards.

### Explanation

Watson's excessive drinking is unfortunate, but we have no evidence that it has affected his work, professional integrity, judgment, or reputation. If he commits an act involving fraud or dishonesty, he would violate the Standard on misconduct.


(Module 90.1, LOS 90.b, 90.c; Module 91.2, LOS 91.a, 91.b, 91.c; and Module 93.1, LOS 93.a, 93.b)

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### Question #5 of 180

Question ID: 1611890

Peter Taylor, a CFA charterholder and a food industry analyst for a large investment firm, has been invited by Sweet Pineapple Co. to visit the firm's processing plants in Hawaii. The Standard concerning independence and objectivity recommends that Taylor:

- A) use and pay for commercial transportation, if available.** 
- B) obtain written permission from his employer before he accepts this invitation.
- C) decline this invitation if he issues recommendations on the firm's securities.

### Explanation

The recommended procedures for compliance with Standard I(B) Independence and Objectivity include the recommendation that analysts on company visits pay their own travel expenses and use commercial transportation if it is available.

(Module 90.1, LOS 90.b, 90.c; Module 91.1, LOS 91.a, 91.b, 91.c; and Module 93.1, LOS 93.a, 93.b)

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### Question #6 of 180

Question ID: 1611913

Ruth Brett, a Level I CFA candidate, feels nervous and unprepared the night before the exam. Brett writes a few key notes on the bottom of her shoe. At the exam, Brett sees the large number of proctors present and decides not to risk getting caught and does not look at her shoe. According to the CFA Institute Code of Ethics and Standards of Professional Conduct, Brett is:

- A)** not in violation of any Standard or the Code of Ethics because she did not use the notes.

in violation of the Code of Ethics for bringing the notes into the examination room  
**B)** but is not in violation of any Standard because she did not use the notes.

**in violation of both the Code of Ethics and the Standard governing conduct**

**C) as participants in CFA Institute programs for taking the notes into the examination room.**



### Explanation

Brett violated both the Code of Ethics and Standard VII(A) Conduct as Participants in CFA Institute Programs. By writing down information from the Candidate Body of Knowledge and taking it into the exam room, she compromised the integrity of the exam, whether she used the notes or not. Her actions are also in violation of the Code of Ethics by not acting "with integrity, competence, diligence, respect, and in an ethical manner."

(Module 90.1, LOS 90.b, 90.c; Module 91.9, LOS 91.a, 91.b, 91.c; and Module 93.1, LOS 93.a, 93.b)

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## Question #7 of 180

Question ID: 1611893

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

Members of CFA Institute must:

**A) place their clients' interests before their employer's interests.**

**B)** strive to maintain and improve the competence of others in the profession.

**C)** use reasonable care and exercise independent professional judgment.

### Explanation

The requirement that members and candidates place their clients' interests before their employer's or their own is in Standard III(A) Loyalty, Prudence, and Care. The other choices are included in the CFA Institute Code of Ethics.

(Module 90.1, LOS 90.b, 90.c; Module 91.4, LOS 91.a, 91.b, 91.c; and Module 93.1, LOS 93.a, 93.b)

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## Question #8 of 180

Question ID: 1611905