

Standards of Professional Conduct & Guidance: Responsibilities as a CFA Institute Member or CFA Candidate

Test ID: 7440163

Question #1 of 21

Question ID: 412627

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) Anderson and Chang.
- ☒ B) Chang.
- ☐ C) Baker 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 #2 of 21

Question ID: 412622

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

Explanation

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

Question #3 of 21

Question ID: 454928

Ron Vasquez is registered to sit for the CFA Level II 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) in violation of both Standard I(D) Misconduct and Standard VII(A) Conduct as Participants in CFA Institute Programs.**
- ☒ **B) in violation of Standard VII(A) Conduct as Participants in CFA Institute Programs, but not in violation of Standard I(D) Misconduct.**
- ☒ **C) not in violation of Standard I(D) Misconduct or Standard VII(A) Conduct as Participants in CFA Institute Programs**

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.

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Question ID: 412615

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: Yes.**
- ☒ **B) Ackert: No. Brown: No.**
- ☒ **C) Ackert: Yes. Brown: No.**

Explanation

Neither statement is fully consistent with Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program. The CFA designation must always be used as an adjective and never as a noun as Ackert used in her promotional description. Correct use of the CFA designation would be: "Lucy Ackert is one of five CFA charterholders at Lofton Securities." 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 #5 of 21

Question ID: 412614

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) No, as long as she does not indicate she currently has the designation.**
- ☒ **B) Yes, because she uses "CFA" as a noun.**
- ☒ **C) Yes, she has used the letters "CFA" in an undignified manner.**

Explanation

Stades is allowed to state that she earned the designation as long as she does not infer that she currently has the designation. The letters "CFA" are only to be used as an adjective, and she does that.

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Question ID: 412626

All of the following situations violate Standard VII(B), Reference to CFA Institute, the CFA Designation, and the CFA Program, EXCEPT:

- ✓ **A) Karen Wright received her CFA charter in 1980. In 2001, she stopped paying her annual CFA Institute dues. During her retirement speech in 2002, Wright said, "Although I am no longer an active CFA charterholder, I was awarded the right to use the CFA designation in 1980 and maintained active membership in CFA Institute for 20 years."**
- x **B) John Cabell has satisfied all the requirements imposed by CFA Institute for the right to use the Chartered Financial Analyst designation. His business cards say: John Cabell, C.F.A.**
- x **C) Barney Latrell, when introducing himself to a prospective client, says, "I completed my CFA in 1995, which required passing three six-hour examinations over a three year period."**

Explanation

Wright's statement did not violate Standard VII(B). Her right to use the CFA designation was suspended when she stopped paying dues but her statement is a matter of fact. Cabell's violated Standard VII(B) because he improperly used the CFA designation on his business card. Proper usage of the CFA designation on his business card would be: John Cabell, CFA or John Cabell, Chartered Financial Analyst. Latrell violated Standard VII(B) by using the CFA designation as a noun. The CFA mark must be used as an adjective. Latrell could have stated, "I was awarded the CFA charter in 1995."

Question #7 of 21

Question ID: 454929

For the past 5 years, Karen Beckworth, CFA, has served as a proctor for the CFA exam. Beckworth tells her assistant, a CFA Level III 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*?

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

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 21

Question ID: 454927

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

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

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 #9 of 21

Question ID: 475711

Which of the following statements regarding disciplinary procedures is *least* accurate?

- ☒ A) **The sanctions imposed by the Professional Conduct staff are final and conclusive.**
- ☐ B) A review panel is created from Disciplinary Review Committee members.
- ☐ C) If the CFA member or candidate rejects the sanction, the charges and sanctions may be reviewed.

Explanation

In the event of misconduct by a member or candidate the CFA Institute Professional Conduct staff decides whether a violation occurred and what action to take. If the Professional Conduct staff decides a disciplinary sanction is appropriate the member or candidate may decide to reject the sanction. In this case the matter is referred to a panel of Disciplinary Review Committee members comprised of volunteer CFA charterholders. The panel decides whether a violation of the Code and Standards occurred and what sanction should be imposed.

Question #10 of 21

Question ID: 412620

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 because he cannot guarantee better service.**
- ☐ B) a violation because he mentions the CFA designation in the letter.
- ☐ C) a violation for both mentioning the CFA designation and saying the firm can 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 #11 of 21

Question ID: 412628

Janet Olson, CFA, is an analyst at Quantech Associates. Olson attended a conference at which Brian Wright presented several proprietary computerized spreadsheets that he had developed to value high-tech stocks. While at the conference, Olson copied the spreadsheets without Wright's knowledge. Later, Olson made several minor changes to Wright's initial model. After testing the revised model, Olson was impressed with the results. As inputs for the model, she used factual materials supplied by Moody's Investors Service, a recognized financial and statistical reporting service. Olson wrote a research report describing the revised model and its results and distributed the report to Quantech's clients. According to CFA Institute Standards of Professional Conduct, which of the following actions is Olson required to take? Olson is:

- ✓ **A) required to seek the authorization from Wright to copy the spreadsheets, acknowledge Wright for developing the initial model but is not required to acknowledge Moody's Investors Service as the source of the data.**
- x **B) required to seek authorization from Wright to copy the spreadsheets and acknowledge Wright for developing the initial model and Moody's Investors Service as the source of the data.**
- x **C) required to acknowledge Moody's Investors Service as the source of the data but is not required to seek authorization from Wright to copy the spreadsheets or to acknowledge Wright for developing the initial model.**

Explanation

To comply with Standard I(C) Misrepresentation, Olson should have gotten the authorization from Wright to copy the spreadsheets. The prohibition against plagiarism requires that Olson identify Wright as the source of the initial model. However, the Standard permits publishing factual information from Moody's Investors Service without acknowledgment because Moody's is recognized as a source of factual materials.

Question #12 of 21

Question ID: 412617

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?

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

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Question ID: 412623

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

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.

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Question ID: 461227

A CFA charterholder coaches a fellow employee as that colleague studies for the CFA exams. The charterholder tells the colleague all that she remembers from her exams and how they were constructed. This is:

- x **A) a violation of Standard VII(B) concerning use of the designation.**
- x **B) not a violation of the standards.**
- ✓ **C) a violation of Standard I(D) concerning professional misconduct.**

Explanation

This is a violation because even though it does not necessarily compromise the integrity of the next exam, it does violate the Code of Ethics, Standard I(D) Misconduct, and Standard VII(A) Conduct as Members and Candidates in the CFA Program. At the beginning of the CFA examination, all candidates are required to sign a statement saying they will not divulge any information regarding the exam to anyone. In this question the Code of Ethics was broken because it requires CFA candidates and CFA Institute members to act in an ethical manner. Standard I(D) Misconduct was broken because it requires members and candidates to not engage in any dishonest conduct. Standard VII(A) Conduct as Members and Candidates in the CFA Program was broken because it requires members and candidates to not disregard the rules and policies of the CFA Program related to examination administration.

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Question ID: 412612

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 both Standard VII(B) and Standard I(C).**
- x **B) violated Standard I(C) but she did not violate Standard VII(B).**
- x **C) did not violate either Standard VII(B) or 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 #16 of 21

Question ID: 454930

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

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

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 21

Question ID: 412619

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

- x **A) I guarantee under my management that you will receive returns in excess of the market index average.**
- x **B) based upon my research, you will achieve a 20% compound annual rate of return on small cap stocks over the next 5 years.**
- ✓ **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 #18 of 21

Question ID: 412618

Robert Hopkins has earned the right to use the CFA designation and wants to indicate this on his business card. According to CFA Institute Standards of Professional Conduct, which of the following is the proper use of the professional designation on his business card?

- ✓ **A) Robert Hopkins, Chartered Financial Analyst.**
- x **B) Robert Hopkins, cfa.**
- x **C) Robert Hopkins, C.F.A.**

Explanation

The CFA designation should always be capitalized and shown without periods. The CFA designation should not be referred to as a degree. Placing the designation "CFA" or "Chartered Financial Analyst" after one's name on a resume, business card, brochure, or other published material is appropriate.

Question #19 of 21

Question ID: 412611

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

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

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Question ID: 412624

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) **Neither Albert nor Tye has violated the Standards.**
- ☒ B) Albert has violated the Standards but Tye has not.
- ☐ C) Both Albert and Tye have 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 #21 of 21

Question ID: 412631

Ralph Lim and Susan Bland have both passed Level I of the CFA Program. Both are currently enrolled to sit for Level II. Lim's business card reads, "Ralph Lim, CFA Level I." Bland's resume states, "Level II Candidate in the CFA Program." According to CFA Institute Standards of Professional Conduct involving use of the professional designation:

- ☐ A) **Both Lim and Bland violated the Standard.**
- ☐ B) Bland violated the Standard, but Lim did not.
- ☒ C) Lim violated the Standard, but Bland did not.

Explanation

There is no designation for someone who has passed Level I, Level II, or Level III of the CFA examination. Candidates may state, however, that they have completed Level I, II, or III, as the case may be, in the CFA Program. Thus, Lim violated the Standard, but Bland did not.