

## Reading 2: Code of Ethics and Standards of Professional Conduct

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### Question #1 of 30

Question ID: 470995

The first component of the Code of Ethics does NOT explicitly say that a CFA Institute member will act in a certain manner with respect to which of the following groups?

- A) Prospective clients.
  - B) CFA Institute members and candidates in the CFA Program.
  - C) Colleagues.
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### Question #2 of 30

Question ID: 460622

A member or candidate who rejects a disciplinary sanction proposed by the Professional Conduct Program:

- A) will be suspended from membership or participation in the CFA Program.
  - B) may request an appeal to a hearing panel.
  - C) will typically not be subject to further disciplinary procedure unless a new investigation is initiated.
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### Question #3 of 30

Question ID: 412269

The CFA Institute Code of Ethics specifies that CFA Institute Members and Candidates must do all of the following EXCEPT:

- A) use reasonable care and exercise independent professional judgment when engaging in professional activities.
  - B) act with integrity, competence, diligence, respect, and in an ethical manner.
  - C) refrain from any conduct that compromises the reputation or integrity of the CFA designation.
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### Question #4 of 30

Question ID: 412257

The CFA Institute Professional Conduct Program may impose sanctions on:

- A) CFA charterholders and candidates for the CFA designation.
  - B) CFA charterholders, member firms, and candidates for the CFA designation.
  - C) CFA charterholders only.
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### Question #5 of 30

Question ID: 460625

With respect to CFA Institute enforcement of the Code and Standards, possible disciplinary sanctions *least likely* include:

- A) suspension from participation in the CFA Program.
  - B) public censure.
  - C) payment of a fine.
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### Question #6 of 30

Question ID: 412280

Which of the following is a component of the *Code of Ethics*? CFA Institute members shall:

- A) not knowingly participate or assist in any violation of laws, rules, or regulations.
  - B) use reasonable care and exercise independent professional judgment.
  - C) use particular care in determining applicable fiduciary duty.
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### Question #7 of 30

Question ID: 412273

In accordance with Standard III (A) Loyalty, Prudence and Care, which of the following statements is *least* accurate? Members and Candidates should:

- A) submit to clients, at least quarterly, itemized statements detailing all of the period's transactions.
  - B) utilize client brokerage to the sole benefit of the client.
  - C) vote all proxies on behalf of clients in a responsible manner.
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### Question #8 of 30

Question ID: 412274

Which of the following activities would be following a component of the Code of Ethics explicitly?

- A) Attending continuing education seminars on investing and inviting colleagues to come along.
  - B) Consulting with colleagues about opinions you reach in your research.
  - C) Maintaining a list of colleagues who have violated the CFA Institute standards.
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### Question #9 of 30

Question ID: 460620

The CFA Institute's Professional Conduct Program may learn about potential violations of the Code and Standards by members and candidates:

- A) from sources other than written complaints or members and candidates self-reporting.
- B) only from members and candidates self-reporting.

C) only from written complaints or members and candidates self-reporting.

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### Question #10 of 30

Question ID: 412256

Sanctions that CFA Institute may impose on a member or candidate under the Professional Conduct Program include:

- A) suspension from employment in the financial services industry.
  - B) returning of all profits gained through violations of the Code and Standards.
  - C) public censure.
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### Question #11 of 30

Question ID: 412267

The first component of the Code of Ethics does NOT explicitly say that a CFA Institute member will act with which of the following?

- A) Competence.
  - B) Solemnity.
  - C) Integrity.
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### Question #12 of 30

Question ID: 460621

Steve Jones is a member of CFA Institute but has not earned the CFA designation yet. CFA Institute is investigating Jones' activities. If Jones declines to cooperate, he:

- A) may not be suspended because he does not have the CFA designation yet.
  - B) may be suspended from membership.
  - C) may not be suspended because cooperating could be self incriminating.
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### Question #13 of 30

Question ID: 412266

According to the Code of Ethics, a member reflects credit on the profession when a member:

- A) practices in a professional and ethical manner.
  - B) places the clients first.
  - C) consults with other members on a regular basis.
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### Question #14 of 30

Question ID: 477247

Michael Malone, CFA, is an investment analyst for a large brokerage firm in New York who covers the airlines industry. After hours in his personal time, Malone maintains an online blog on which he expresses his personal opinions about various investment opportunities, including, but not limited to, the airlines industry. On his blog, he posts a very negative investment opinion about WestAir stock. Malone knows that WestAir's stock will be downgraded to a "sell" by his firm next week. Malone has *most likely* violated:

- A) Standard VI(B) Priority of Transactions.
  - B) violated Standard IV(A) Loyalty.
  - C) violated Standard II(A) Material Nonpublic Information.
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### Question #15 of 30

Question ID: 442247

Which of the following is a component of the Code of Ethics?

- A) Practice and encourage others to practice in a professional and ethical manner that will reflect credit on members and their profession.
  - B) Members and candidates must not engage in conduct that compromises the integrity of the CFA designation or the security of the CFA examinations.
  - C) Transactions for clients and employers have priority over transactions in which a member or candidate is the beneficial owner.
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### Question #16 of 30

Question ID: 412268

According to the Code of Ethics, when practicing in a professional and ethical manner the goal is to:

- A) resolve conflicts between clients and employers.
  - B) reflect credit on members and the profession.
  - C) increase membership in CFA Institute.
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### Question #17 of 30

Question ID: 412270

Which of the following is NOT part of the CFA Institute Code of Ethics. Members of CFA Institute will:

- A) recommend investments that maximize returns for a given level of risk.
  - B) use reasonable care and exercise independent professional judgment.
  - C) strive to maintain and improve their competence and the competence of others in the profession.
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### Question #18 of 30

Question ID: 412285

Liam McCoy has lunch with a wealthy client whose portfolio he manages. McCoy advises the client to double his current position in the JKM Corporation due to an anticipated increase in sales. In accordance with Standard (V) Investment Analysis, Recommendations and Actions, when McCoy returns to his office he should:

- A) verify the suitability of the investment recommendation before placing the client's order.
  - B) document the details of the conversation with the client with regard to his investment recommendation.
  - C) identify other clients for whom JKM may be a suitable investment and notify them immediately of his recommendation.
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### Question #19 of 30

Question ID: 412265

The Code of Ethics does NOT explicitly say that a CFA Institute member shall do which of the following?

- A) Reflect credit on the profession.
  - B) Actively lobby for new laws to protect the public.
  - C) Act with integrity.
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### Question #20 of 30

Question ID: 412272

According to the CFA Institute Code of Ethics, CFA Institute members shall:

- A) act with integrity, competence, diligence, respect, and in an ethical manner when dealing with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
  - B) preserve the confidentiality of information communicated by clients, prospects, or employers concerning investment matters.
  - C) maintain knowledge and comply with all applicable laws, rules and regulations.
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### Question #21 of 30

Question ID: 412276

According to the *Code of Ethics*, which of the following statements is NOT correct? CFA Institute members are required to:

- A) use reasonable care and exercise independent professional judgment.
  - B) comply with the CFA Institute Global Investment Performance Standards.
  - C) maintain and improve their competence and strive to maintain the competence of others in the profession.
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### Question #22 of 30

Question ID: 460624

With respect to the professional conduct of a member or candidate, CFA Institute staff will consider a complaint from:

- A) anyone.
  - B) only other members and candidates.
  - C) only other members and candidates or professionals in the investment industry.
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### Question #23 of 30

Question ID: 460623

Which of the following is *least likely* to be a reason for imposing a suspension on a member or candidate?

- A) Discussing a question from the CFA exams on social media.
  - B) Misdemeanor charge for possession of narcotics.
  - C) Failing to return the annual professional conduct statement.
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### Question #24 of 30

Question ID: 412275

According to the Code of Ethics, the professional judgment of a member should be:

- A) independent.
  - B) dependent on that of his/her colleagues.
  - C) guided by the SEC guidelines.
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### Question #25 of 30

Question ID: 412271

Which of the following is a component of the Code of Ethics?

- A) Members shall not knowingly participate or assist in any violation of such laws, rules, or regulations.
  - B) Members shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit any act that reflects adversely on their honesty, trustworthiness, or professional competence.
  - C) Members shall use reasonable care and exercise independent professional judgment.
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### Question #26 of 30

Question ID: 412279

All of the following are components of the Code of Ethics EXCEPT:

- A) using reasonable care and exercising independent professional judgment.
- B) demonstrating diligence, independence, and thoroughness when preparing investment reports.

- C) striving to maintain and improve their competence and the competence of others in the profession.
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### Question #27 of 30

Question ID: 412282

Which of the following is NOT an act explicitly referred to in the Code of Ethics?

- A) Giving free introductory seminars on investing to the public.
  - B) Improve professional competence.
  - C) Using reasonable care when making investment recommendations.
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### Question #28 of 30

Question ID: 412277

Which of the following is NOT part of the CFA Institute Code of Ethics?

- A) Independent judgment.
  - B) Contractual provisions.
  - C) Competence.
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### Question #29 of 30

Question ID: 434181

Which of the following is a component of the *Code of Ethics*? CFA Institute members shall:

- A) make reasonable efforts to detect and prevent violations by those who are under their supervision.
  - B) disclose to their employer all matters that reasonably could be expected to interfere with their duty to their employer or ability to make unbiased and objective recommendations.
  - C) strive to maintain and improve their competence and the competence of others in the profession.
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### Question #30 of 30

Question ID: 721175

In dealing with the public and others, the CFA Institute Code of Ethics requires that CFA Institute members act with:

- A) integrity, competence, and respect.
- B) honesty, professionalism, and high ethical standards.
- C) candor, skill, and honor.