Reading 3-III: Standards of Professional Conduct & Guidance: Duties to Clients

Question #1 of 55

Question ID: 412409

Which of the following is *least likely* required of fiduciaries who are responsible for pension plans?

A) Judging investments in the context of the total portfolio.

B) Supporting the sponsor's management during proxy fights.

C) Acting solely in the interest of plan participants.

Question #2 of 55

Question ID: 412439

Carol Hull, CFA, is an investment advisor whose prospective client, Frank Peters, presents special requirements. To construct an investment policy statement for Peters, Hull inquires about Peters' investment experience, risk and return objectives, and financial constraints. Peters states that he has a great deal of investment experience in the capital markets and does not wish to answer questions about his tolerance for risk or his other holdings. Under Standard III(C), Suitability, Hull:

A) is permitted to manage Peters' account without any knowledge of his risk preferences.

B) may accept Peters' account but may only manage his portfolio to a benchmark or index.

C) must decline to enter into an advisory relationship with Peters.

Question #3 of 55

Question ID: 412421

Which of the following statements regarding allocating trades is CORRECT? It is permissible under the Standards to allocate trades:

A) based upon any method the firm deems suitable so long as the allocation procedure has been disclosed to all clients.

B) based upon compensation arrangements.

C) on a pro-rata basis over all suitable accounts.

Question #4 of 55

Question ID: 412415

Which of the following would be a violation of Standard III(B), Fair Dealing?

A) Trading for regular accounts before discretionary accounts.

B) Limiting the number of employees privy to recommendations and changes.

C) Having well defined guidelines for pre-dissemination.

Question #5 of 55

Question ID: 412413

Jason Reynolds meets Jack Parker, CFA, at a social engagement and asks for some "hot stock tips." Parker declines, but sets up an appointment to review Reynolds' risk and return objectives and financial constraints. At the conclusion of their appointment, Parker recommends three securities he has thoroughly researched: ACK, D-Wing, and Ophus-Littbinger. Parker is *least likely*:

A) in violation of Standard III(A) "Loyalty, Prudence, and Care" for failing to consider the three securities in the context of the whole portfolio.

B) not in violation.

C) in violation of Standard III(A) "Loyalty, Prudence, and Care" for failing to make a reasonable inquiry into the client's investment experience.

Question #6 of 55

Question ID: 412416

An analyst meets with a new client. During the meeting, the analyst sees that the new client's portfolio is heavily invested in one over-the-counter stock. The analyst has been following the stock and thinks it will perform well in the long run. The analyst arranges through a brokerage firm to simultaneously sell a large number of shares of the stock via a series of cross trades from the new client's portfolio to various existing clients. He arranges the trades to be executed at a price that approximates the current market price. This action is:

A) a violation of Standard III(B), Fair Dealing.

B) a violation of Standard III(A), Loyalty, Prudence, and Care.

C) not in violation of the Standards.

Question #7 of 55

Question ID: 412406

Which of the following is a possible breach of fiduciary duties by a CFA Institute member who manages assets on behalf of a client?

A) Neither of these breach fiduciary duties.

B) Voting all proxies of stocks the client owns.

C) Using directed brokerage.

Question #8 of 55

Question ID: 412445

A money manager is meeting with a prospect. She gives the client a list of stocks and says, "These are the winners I picked this past year for my clients. Their double-digit returns indicate the type of returns I can earn for you." The list includes stocks the manager had picked for her clients, and each stock has listed with it an accurately measured return that exceeds 10%. Is this a violation of Standard III(D), Performance Presentation?

A) No, because the manager had the historical information in writing.

B) Yes, unless the positions listed constitute a complete presentation (i.e., there were no stocks omitted that did not perform in the double digits).

C) Yes, because the manager cannot reveal historical returns of recent stock picks.

Question #9 of 55

Question ID: 412411

According to Standard III(A) Loyalty, Prudence and Care, brokerage is an asset of the:

A) brokerage firm conducting the trades.

B) client.

C) managing firm.

Question #10 of 55

Question ID: 454911

Karen Jackson is a portfolio manager. Jackson is friendly with David James, president of Acme Medical, a rapidly growing biotech company. James has provided Jackson with recommendations in the biotech industry, which she buys for her own portfolio before buying them for her clients. For three years, Jackson has also served on Acme Medical's board of directors. She has received options and fees as compensation.

Recently, the board of Acme Medical decided to raise capital by voting to issue shares to the public. This was attractive to board members (including Jackson) who wanted to exercise their stock options and sell their shares to get cash. When the demand for initial public offerings (IPO) diminished, just before Acme Medical's public offering, James asked Jackson to commit to a large purchase of the offering for her portfolios. Jackson had previously determined that Acme Medical was a questionable investment but agreed to reconsider at James' request. Her reevaluation confirmed the stock to be overpriced, but she nevertheless decided to purchase Acme Medical for her clients' portfolios.

Did Jackson violate Standard III(C) Suitability concerning portfolio recommendations and actions?

A) Yes, because she did not deal fairly with all clients.

B) No.

C) Yes, because she did not consider the appropriateness and suitability of investment recommendations or actions for each portfolio or client.

Question #11 of 55

Question ID: 412457

A CFA charterholder may disclose confidential information about a client when:

A) the information is nonmaterial.

B) it is a necessary step in proceeding with research on client preferences.

C) the CFA Institute Professional Conduct Program requests it.

Question #12 of 55

Question ID: 412455

Andrew Mader, CFA, is an analyst with Metro Investment Services. During lunch with some of Metro's managers, Mader is told, "There are going to be major problems at Gebco (a firm that Metro had brought public last year). I was just over there and the place is just crawling with government inspectors." Mader had just issued a report with a "buy" recommendation on Gebco last week. Mader should:

A) not do anything to avoid a violation of fair dealing.

B) immediately issue a new report, but only after stopping by Gebco himself to corroborate the story.

C) not do anything because to do so would violate his obligation to preserve confidentiality.

Question #13 of 55

Question ID: 412426

Calvin Moore, CFA, has been transferred from the brokerage house of the Browning Company to the portfolio management department. In portfolio management, Moore learns that clients are grouped into three divisions according to portfolio value, divided as follows:

- Group 1 up to $10,000
- Group 2 from $10,001 to $100,000
- Group 3 more than $100,000

When recommendations are announced or trades are initiated, a particular sequence is followed in communicating to these groups. At the next monthly meeting, Moore suggests that the sequencing practice is a breach of CFA Institute Standards. One of Moore's co-workers replies that the grouping approach helps the company in applying the Standard regarding portfolio recommendations. He further suggests that because Browning's overall performance is more strongly affected by actions taken on the high value portfolios, that these portfolios should take priority over the small value portfolios. What should Moore do? Moore should:

A) prepare a written report to the CEO describing the problem.

B) disassociate himself from the problem and seek legal advice.

C) do nothing since there is no breach with the Standards.

Question #14 of 55

Question ID: 412404

An independent analyst has only one client. One of the client's largest holdings is a brokerage firm. Because of the large holding by his client, the brokerage firm recently began allowing the analyst to tap into the firm's computer network to use the firm's research facilities. This is allowable as long as the analyst:

A) discloses the relationship to the client.

B) uses the resources to help manage the client's account.

C) does both of the actions listed here.

Question #15 of 55

Question ID: 412452

Greg Stiles, CFA, may withhold from CFA Institute information about a client acquired in the regular performance of his duties:

A) only if Stiles has a special confidentiality agreement with the client.

B) only if Stiles is a relative of the client.

C) for neither of the reasons listed.

Question #16 of 55

Question ID: 697252

A candidate or member is *least likely* violating the Standard regarding the confidentiality of client information if he shares confidential client information, when not required by law, with:

A) the co-owner of the client's account.

B) the client's attorney.

C) the CFA Institute Professional Conduct Program.

Question #17 of 55

Question ID: 697253

Greg Stiles, CFA, CAIA, is liquidating a large portion of a client's portfolio because the client is planning to buy a vacation home. Stiles informs one of his colleagues at the firm that the client is looking for a vacation home, because the colleague's wife is a licensed real estate broker. With respect to Standard III(E) Preservation of Confidentiality, this action:

A) violates the Standard unless the client has given explicit permission to disclose his plans.

B) does not violate the standards because he did not share the information outside the firm.

C) Does not violate the standards because he did not disclose any details about the client's portfolio or other financial resources.

Question #18 of 55

Question ID: 412451

While servicing his clients' accounts, an analyst who is a CFA charterholder, determines that one client is probably involved in illegal activities. According to Standard III(E), Preservation of Confidentiality, the analyst may NOT do which of the following?

A) Contact the appropriate governmental authorities about the determination.

B) Contact CFA Institute about the determination.

C) There are no exceptions in this list.

Question #19 of 55

Question ID: 412405

An analyst with his own money management firm trades on behalf of several large pension funds. The analyst now performs all trades through a particular brokerage firm because the brokerage provides his firm with a no-interest line of credit if paid within 60 days. The line of credit is available to all brokerage clients. The brokerage provides the analyst with personal account privileges that he would not otherwise be eligible for. The brokerage also provides the analyst with free research reports on many companies. Which of these benefits are violations of Standard III(A), Loyalty, Prudence, and Care?

A) Neither of these.

B) The personal account privileges.

C) The research reports.

Question #20 of 55

Question ID: 454914

Stephen Rangen, a broker, has three accounts consisting of unsophisticated, inexperienced individual investors with limited means. One of these accounts is an elderly couple. The clients want to invest in safe, income-producing investments. They rely heavily on Rangen's advice and expect him to initiate most transactions in their respective accounts. In managing their accounts, Rangen pursues the following strategies: (1) buys U.S. treasury strips and non-dividend paying over-the-counter (OTC) stocks recommended by his firm's research department, (2) uses margin accounts, and (3) concentrates the equity portion of their portfolio in one or two stocks. Rangen's approach leads to extremely high turnover rates in all three accounts.

Which of the following statements about Rangen's conduct is *most accurate*? Rangen's conduct:

A) meets the requirements of the Code and Standards because his firm's research department recommended the U.S. Treasury strips and non-dividend paying stocks.

B) meets the requirements of the Code and Standards because his clients are aware of the risks that he is taking in managing their accounts.

C) does not meet the requirements of the Code and Standards because his investment strategy is inconsistent with his clients' objectives.

Question #21 of 55

Question ID: 412425

Bjorn Sandvik, CFA, completes a research report with a buy recommendation for Acorn Properties. In the early afternoon, Sandvik e-mails this recommendation to his clients who had responded to his request that they provide Sandvik with their e-mail addresses. Later that afternoon, the printed recommendation is forwarded to the postal service for normal delivery to all customers, who receive the mailing 1 to 3 days later. Sandvik has:

A) not violated the Code and Standards because he acted fairly in disseminating research information to his clients.

B) violated the Code and Standards by sending the e-mail recommendation in advance of the printed report.

C) violated the Code and Standards by sending the e-mail recommendation to only some of his clients.

Question #22 of 55

Question ID: 652909

A money manager, who is a member of CFA Institute, states that, "Our aggressive growth fund produced a 12% annualized return last quarter. This illustrates the superior results our firm produces." The fund return stated by the manager is accurate. Is this a violation of Standard III(D) Performance Presentation?

A) No, because the manager has stated a fact.

B) No, because a brief summary of results is acceptable as long as more complete information is made available.

C) Yes.

Question #23 of 55

Question ID: 412423

Rey Sanchez, CFA, covers the specialty chemical industry for Rock Advisory Associates. Until today he has had a buy recommendation on ChemStar, and many of the firm's customers have purchased shares based upon his recommendation. The firm's client accounts are divided into two fundamental categories: trading and buy-and-hold accounts. The firm holds discretionary trading authority over the trading accounts, but not the buy-and-hold accounts. Sanchez has recently come to believe that the fundamentals are changing for the worse at ChemStar, and is preparing a sell recommendation. He calls a meeting of the firm's portfolio managers with accounts holding ChemStar and tells them of the pending release of the sell recommendation. On this basis, the portfolio managers sell all positions in the discretionary accounts but not in the buy-and-hold accounts. Sanchez completes and mails the report to all clients two days later, and, shortly thereafter, many of the buy-and-hold accounts sell their ChemStar positions. With regard to these actions, Sanchez is:

A) in violation of the Standard on Fair Dealing; the portfolio managers are in violation of the Standard on Fair Dealing.

B) not in violation of the Standard on Fair Dealing; the portfolio managers are in violation of the Standard on Fair Dealing.

C) in violation of the Standard on Fair Dealing; the portfolio managers are not in violation of the Standard on Fair Dealing.

Question #24 of 55

Question ID: 412430

Procedures for compliance with Standard III(C), Suitability, include determining all of the following with respect to a client EXCEPT:

A) social habits and interests.

B) liquidity needs.

C) return objectives.

Question #25 of 55

Question ID: 412449

Nancy Korthauer, CFA, has launched a new hedge fund called the Korthauer Tautology Fund and is actively soliciting clients from competitor's firms. Client presentations are necessarily brief and often take place with the prospective client's current investment advisor in the room. The Code and Standards require that:

A) all client presentations provide a thorough review of all elements of the investment management process. Abbreviated presentations are forbidden.

B) member or candidate provide (on request) additional detail information which supports the abbreviated presentation.

C) a prospective client's current investment advisor not participate in meetings.

Question #26 of 55

Question ID: 412407

Tony Calaveccio, CFA, is the manager of the TrustCo Small Cap Venture Fund in Toronto. He places trades for the fund with River City Brokerage. River City provides Calaveccio with soft dollars to purchase research. River City also deals in municipal bonds, some of which Calaveccio holds in his personal portfolio. He periodically uses the soft dollars to request research reports on various small cap stocks and also on the status of the municipal bond market and issues that he holds. These actions are:

A) in violation of his fiduciary duties regarding both the small cap research and the municipal bond research.

B) not in violation of the Code and Standards.

C) in violation of his fiduciary duties regarding the municipal bond research but not so regarding the research on the small cap issues.

Question #27 of 55

Question ID: 454910

Janet Reilly has just approached Betty Miller, CFA, about purchasing 10,000 shares of Brookshire Co., a newly incorporated real estate development firm. Reilly is a retired schoolteacher living off the income from her late husband's life insurance policy. This investment will represent a significant shift in her investment portfolio. Miller believes this trade is unsuitable with respect to Reilly's investment policy statement. Consistent with the Standards, Miller should *most appropriately*:

A) discuss with Reilly whether she wishes to update her investment policy statement.

B) not accept the order, because it is not a suitable investment for Reilly.

C) follow her firm's procedures for obtaining Reilly's approval to carry out the unsolicited trade request.

Question #28 of 55

Question ID: 412420

In securing the shares for all accounts under her management, Linda Kammel of Northwest Futures purchased three blocks of shares at three different prices. She then allocated these shares by placing shares from the first block in accounts with surnames beginning with A-G. The second was allocated over accounts H-P, and the third over Q-Z. This action is:

A) consistent with her responsibilities under the Code and Standards.

B) permissible only if the clients are informed of the allocation procedure.

C) not permissible under the Code and Standards.

Question #29 of 55

Question ID: 454909

According to Standard III(C) Suitability, which of the following is *least likely* to be considered a relevant factor in determining the appropriateness and suitability of investment recommendations or actions for each portfolio or client?

A) Needs and circumstances of the portfolio or client.

B) Basic characteristics of the total portfolio.

C) Best interests of the investment professional.

Question #30 of 55

Question ID: 460634

The Standard concerning preservation of confidentiality states that members and candidates must keep information confidential about:

A) current clients, former clients, and competitors.

B) members and candidates.

C) current clients, former clients, and prospective clients.

Question #31 of 55

Question ID: 472405

James Bush, CFA, is meeting with an investor, George Stephan, for the first time. During their first meeting, Bush, before making any inquiry regarding the client's circumstances, outlines several investment strategies and also describes a specific stock with what Bush believes offers a high potential for large gains, and recommends that Stephan include this stock in his portfolio. With regard to suitability, Bush's actions:

A) violate the Standards because Bush must determine Stephan's risk tolerance, objectives and needs before making any investment recommendations.

B) comply with the Standards.

C) violate the Standards because Bush must obtain information on which securities the client has invested in previously, in order to make appropriate investment recommendations.

Question #32 of 55

Question ID: 412424

Which of the following *most accurately* states a limitation that the Fair Dealing standard imposes?

A) Before trading on her own portfolio, a CFA charterholder must wait for employer and client deals to be executed.

B) Referral fees may be disclosed after proceeding with an agreement for service.

C) Clients should not be discriminated against when disseminating investment recommendations.

Question #33 of 55

Question ID: 412414

All of the following are violations of Standard III(B), Fair Dealing, EXCEPT a member:

A) places a trade for her discretionary accounts before placing a trade for her non-discretionary accounts.

B) places a trade for the firm account before issuing a buy recommendation.

C) telephones clients in distant cities the day after a buy recommendation is mailed to all clients because their mail service is later than the member's local clients.

Question #34 of 55

Question ID: 412456

Standard III(E), Preservation of Confidentiality, applies to the information that an analyst learns from:

A) current clients and former clients only.

B) current clients, former clients, and prospects.

C) current clients and prospects only.

Question #35 of 55

Question ID: 412448

Paul Salyer,a portfolio manager, is making a presentation to a prospective client. Paul says that as a new portfolio manager, he made an average annual rate of return of 50% in the last two years at his previous firm and that based on this, he can guarantee a 50% return to the client. Which of the following statements is in accordance with Standard III(D), Performance Presentation?

A) Imputing his past performance to future performance.

B) Stating his past performance as long as it is fact.

C) Implying that he can guarantee a return.

Question #36 of 55

Question ID: 412443

Paula Munson, CFA, manages a mutual fund with an objective to emphasize income over capital gains. Magic Technologies is a growth stock that pays no dividend, but Republic's research department believes the stock will dramatically outperform the S&P 500 over the next 12 to 18 months. Based on this strong recommendation, Munson adds Magic stock to her fund's portfolio. Munson has:

A) violated the Standards by relying on research that she did not perform herself.

B) violated the Standards by failing to comply with her portfolio's style mandate.

C) not violated the Standards and improved the diversification of the fund.

Question #37 of 55

Question ID: 412410

Bertha Mader, CFA, received proxy material related to a hostile takeover attempt of Danube Industries by Balnet Company. She holds shares of Danube in most of her client accounts. Mader has a high opinion of Danube's management because they have run the company successfully and have always responded directly and honestly to her inquiries. She is not acquainted with Balnet's management team but knows they have a reputation for improving the bottom line at the companies they acquire, partly because they tend to replace upper management at their targets and assume their functions. Balnet's offer is 60% higher than the price of Danube shares before the announcement. Danube's management has contacted Mader and requested that she vote the shares she controls against the takeover because the management is concerned for their jobs and for the welfare of the company. To comply with the Code and Standards, Mader should:

A) vote for the takeover if it is in the best interest of Danube's shareholders, regardless of the consequences to current management.

B) vote for the takeover if she can get assurance that Danube's management team will remain in place.

C) delegate her proxy vote to another member of her firm due to the conflict of interest created when she was contacted by management.

Question #38 of 55

Question ID: 412446

A money management firm has created a new junk-bond fund. When the firm advertised the new fund at its issuance, they used care to accurately compute the returns from the past 10 years for all assets in the fund. The firm used the current portfolio weights to determine an average annual historical return equal to 18% and claim an 18% annual historical return in their advertising literature. With respect to Standard III(D), Performance Presentation, this is:

A) a violation because the Standard prohibits computing historical returns on risky assets like junk bonds.

B) in compliance.

C) a violation because the advertisement implies the firm generated this return.

Question #39 of 55

Question ID: 412419

A money management firm has the following policy concerning new recommendations: When a new recommendation is made, each portfolio manager estimates the likely transaction size for each of their clients. Clients are notified of the new recommendation in the order of their estimated transaction size-largest first. All clients have signed a form where they acknowledge and consent to this allocation procedure. With respect to Standard III(B), Fair Dealing, this is:

A) not a violation because the clients are aware of the policy.

B) a violation of the standard.

C) not a violation because the clients have signed the consent form.

Question #40 of 55

Question ID: 412422

Concerning Standard III(B), Fair Dealing, which of the following actions is NOT a valid procedure for compliance with the Standard?

A) Communicate investment recommendations to all customers including those accounts for which the securities are not eligible for purchase.

B) Limit the number of people that are involved and are privy to the fact that an investment recommendation is going to be disseminated.

C) Communicate investment recommendations simultaneously within the firm and to customers, where possible.

Question #41 of 55

Question ID: 470999

Tony Calaveccio, CFA, is the manager of the TrustCo Small Cap Venture Fund in Toronto. Calaveccio places a trade with Quantco Brokerage. While Calaveccio's part of the transaction was conveyed correctly to Quantco, there was a trading error made in Calaveccio's account due to a slip up within Quantco. Calaveccio realizes that the error has taken place, and informs his contact at Quantco. Calaveccio allows Quantco to cover the error, with no cost to TrustCo. This is:

A) permissible under CFA Institute Standards.

B) a violation of Calaveccio's duty to his employer.

C) a violation of Calaveccio's fiduciary duties.

Question #42 of 55

Question ID: 412447

While it would be customary to report both five-year and ten-year performance data, Seminole Equity Partners has been in existence for only eight years. Because of this, Kurt Dambach does not report ten-year data but reports for both five years and since the inception of the fund. This he notes in a footnote at the bottom of the information sheet. This action is:

A) a violation of the Standard concerning performance presentation.

B) in accordance with the Code and Standards since he has indicated the basis in a footnote.

C) a violation of the Standard concerning prohibition against misrepresentation.

Question #43 of 55

Question ID: 412436

Bob Hatfield, CFA, has his own money management firm with two clients. The accounts of the two clients are equal in value. One of the clients gets married and the assets of the new spouse and the client are combined. With the larger portfolio of the now married client, Hatfield determines that they can assume a higher level of risk and begins a change in the policy concerning that portfolio. Which of the following would violate Standard III(C), Suitability?

A) Assess the time horizon of the newly married client and his spouse.

B) Implement a similar policy for the other client who did not just get married.

C) Assess the return objectives of the newly married client and his spouse.

Question #44 of 55

Question ID: 454913

Lance Tuipulotu, CFA, manages investments for 400 individuals and families and often finds his resources stretched. When his largest investors petition him to include a 5% to 7% allocation of non-investment-grade bonds in their portfolios, he decides he needs additional help to meet the request. He considers various independent advisors to use as submanagers, but determines that the most qualified advisors would be too expensive. Reasoning that a lower-cost provider would enable him to pass the savings along to his clients, he chooses that provider to invest the new bond allocation. Tuipulotu has violated:

A) Both Standard III(C) Suitability and Standard V(A) Diligence and Reasonable Basis.

B) Standard III(C) Suitability by failing to consider the appropriateness of the non-investment-grade bonds.

C) Standard V(A) Diligence and Reasonable Basis by letting fee structure determine the selection of the submanager.

Question #45 of 55

Question ID: 412408

All of the following are required by fiduciaries under Standard III(A), Loyalty, Prudence, and Care, EXCEPT:

A) support the sponsor's management during proxy fights.

B) place the client's interest before the employer's interest.

C) act solely in the interest of the ultimate beneficiaries.

Question #46 of 55

Question ID: 454912

Millie Walker, CFA, established an aggressive growth portfolio for her client, Jesse Wilmer, over three years ago. Wilmer was placed on Walker's employer's client mailing list, and received monthly account statements and the firm's newsletter, which regularly informed clients that they should contact their account representative with any change in their personal circumstances or investment objectives. As of January, of this year, Walker had not spoken to Wilmer nor received any correspondence from Wilmer since the account was established. Walker has:

A) not violated the Code and Standards because there has been regular correspondence from Walker's firm to Wilmer.

B) not violated the Code and Standards because Wilmer has been reminded regularly about the opportunity to inform Walker about any changes.

C) violated the Code and Standards because the manager has not performed an update of Wilmer's financial situation and investment objectives.

Question #47 of 55

Question ID: 412417

An investment advisor goes straight from a research seminar to a meeting with a prospective new client with whom she has never been in contact. The advisor is very excited about the information she just received in the seminar and begins showing the prospect the new ideas her firm is coming up with. This is *most likely* a violation of:

A) both of these.

B) Standard III(B), Fair Dealing.

C) Standard III(C), Suitability.

Question #48 of 55

Question ID: 412431

Kim Lee manages a variety of accounts at Superior Investments. Some are permitted to invest in tax-exempt issues only; others may not invest in a stock unless it pays dividends. Lee is researching a biotech firm specializing in the analysis of "mad cow" disease. While touring company facilities and meeting with management, she learns that they believe they may have found a way to reverse the disease. Moreover, one manager conjectured, "Suppose that we reversed the disease in someone who didn't even have it? We might then be able to boost that individual's IQ into the stratosphere!" Lee returns to her office and buys shares for all accounts under her supervision. This action is:

A) a violation of the Standard concerning fiduciary duties.

B) appropriate given the obvious potential of the therapy.

C) a violation of the Standard concerning appropriateness and suitability of investment actions.

Question #49 of 55

Question ID: 412412

Heidi Krueger, CFA, an investment advisor, applies soft dollars generated from client accounts to purchase a report on the economic impact of world events, and to purchase a new conference table for the office she uses to meet with clients and prospects. Do these purchases violate Standard III(A) Loyalty, Prudence, and Care?

A) Only one of these purchases violates the Standard.

B) Both of these purchases violate the Standard.

C) Neither of these purchases violates the Standard.

Question #50 of 55

Question ID: 412418

Which of the following statements is *least* accurate regarding being a part of Standard III(B), Fair Dealing?

A) Shorten the time between decision and dissemination.

B) Maintain a list of clients and their holdings.

C) At the same time notify clients for whom an investment is suitable of a new investment recommendation.

Question #51 of 55

Question ID: 412440

The O'Douls (husband and wife) have decided to work with Jane Mack, CFA, to have her recommend an investment portfolio for them. The O'Douls are novice investors and Mack has determined their asset allocation model falls into the conservative category. After researching various investment options for the O'Douls, Mack has made a recommendation that they divide their account on a 25%/75% basis between shares of a computer peripherals manufacturing company her brokerage firm is underwriting and investment grade corporate bonds. The O'Douls are not aware that Mack's firm is underwriting an offering of the company in question. Which CFA Institute Standard(s) has Mack violated given her actions?

A) Standard VI(A), Disclosure of Conflicts, and III(C), Suitability.

B) Standard V(A), Diligence and Reasonable Basis, and I(D), Misconduct.

C) Standard III(B), Fair Dealing, and III(A), Loyalty, Prudence, and Care.

Question #52 of 55

Question ID: 412402

While trading on behalf of a pension account, an analyst receives special research reports from the brokerage firm with whom she is doing the trades. Such an activity is:

A) a violation of both Standard III(A), Loyalty, Prudence, and Care, and the Code of Ethics.

B) not in itself a violation of Standard III(A), Loyalty, Prudence, and Care, nor the Code of Ethics.

C) a violation of only The Code of Ethics.

Question #53 of 55

Question ID: 412458

Calvin Doggett, CFA, has been contacted by the CFA Institute Professional Conduct Program (PCP) regarding allegations that he has taken investment actions that were unsuitable for his clients. Doggett is questioned by PCP concerning the identity of his clients he considered suitable for investing in a very risky start-up company that eventually went bankrupt.

Doggett will:

A) not violate the Code and Standards by revealing the names, financial condition and investment objectives of his clients to PCP.

B) violate the Code and Standards by fully cooperating with a PCP investigation if it means revealing confidential information.

C) not violate the Code and Standards only if he reveals the financial condition and investment objectives of his clients on an anonymous basis and does not reveal the names of his clients to PCP.

Question #54 of 55

Question ID: 412453

Greg Stiles, CFA, keeps a list of his clients' birthdays and has personally sent them a birthday card each year at the appropriate time. With respect to this action, which of the following may be a violation of Standard III(E), Preservation of Confidentiality?

A) Hiring a company outside the firm to perform the task.

B) Sending a gift along with the card.

C) The mere act of sending a birthday card each year.

Question #55 of 55

Question ID: 412401

Alan Cramer, CFA, practices in a country that does not regulate the investment of company retirement plans. He was retained by Bingham Companies to manage their corporate pension plan. Bingham's management has approached Cramer and requested that Cramer invest the entire plan in Bingham stock.

Cramer may:

A) invest all of the retirement plan assets in Bingham Company stock according to management's request only if Cramer can document that the investment is more prudent than any other investment opportunity he finds.

B) invest a portion of the retirement plan in Bingham Company stock if the investment is prudent and if he keeps the overall portfolio properly diversified.

C) not invest any of Bingham Company's retirement plan in its own stock regardless of the stock's prospects and in spite of management's request.