

Reading 3-VII: Standards of Professional Conduct & Guidance: Responsibilities as a CFA Institute Member or CFA Candidate

Question #1 of 34

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 saying she passed exams on the first try is not appropriate.
 - B) Yes, because she incorrectly refers to the CFA exam.
 - C) No, because it is a statement of fact.
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Question #2 of 34

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) Both Albert and Tye have violated the Standards.
 - B) Neither Albert nor Tye has violated the Standards.
 - C) Albert has violated the Standards but Tye has not.
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Question #3 of 34

Question ID: 412613

All of the following are required for a CFA Institute member to maintain his or her active status EXCEPT:

- A) remit a completed Professional Conduct Statement on an annual basis.
 - B) Passing each exam in no more than two tries.
 - C) paying membership dues to CFA Institute on an annual basis.
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Question #4 of 34

Question ID: 412629

Which of the following is an appropriate statement for a Level II CFA candidate to make?

- A) I am a Level I CFA charterholder.
 - B) I passed the Level I CFA exam last year.
 - C) I am a Level II CFA.
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Question #5 of 34

Question ID: 697258

While on a business trip, John Hayes, CFA, found a notebook that had apparently been left in the waiting area of an airport. Hayes opened the notebook and read the title: *Confidential: Level II CFA Examination*. Before returning the notebook to CFA Institute, he made a copy and gave it to Linda Sacket, one of his firm's analysts, who was a candidate for Level II of the CFA examination. Sacket read the questions and guideline answers before taking the Level II examination. According to the CFA Institute Standards of Professional Conduct:

- A) both Hayes and Sacket violated the Standards.
 - B) Hayes violated the Standards, but Sacket did not.
 - C) Sacket violated the Standards, but Hayes did not.
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Question #6 of 34

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) 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."
 - 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.
 - C) 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."
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Question #7 of 34

Question ID: 460638

Which of the following individuals may refer to himself or herself as a candidate in the CFA Program?

- A) Jane Baker received a passing score in January for the Level I exam but is waiting until the following year to register for the Level II exam.
 - B) Ed Long has not yet attempted a Level I exam but has registered for the next one.
 - C) Bob Krall passed the Level II exam and intends to register for the next Level III exam.
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Question #8 of 34

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) Yes, because she uses "CFA" as a noun.

- B) Yes, she has used the letters "CFA" in an undignified manner.
 - C) No, as long as she does not indicate she currently has the designation.
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Question #9 of 34

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?

- A) Only Zeller has violated the Code of Standards.
 - B) Only Toffler has violated the Code of Standards.
 - C) Both Zeller and Toffler have violated the Code of Standards.
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Question #10 of 34

Question ID: 551101

Ron Vasquez is registered to sit for the Level II CFA 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 Standard VII(A) Conduct as Participants in CFA Institute Programs, but not in violation of Standard I(D) Misconduct.
 - B) not in violation of Standard I(D) Misconduct or Standard VII(A) Conduct as Participants in CFA Institute Programs
 - C) in violation of both Standard I(D) Misconduct and Standard VII(A) Conduct as Participants in CFA Institute Programs.
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Question #11 of 34

Question ID: 454930

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

- A) Disregarding the rules related to the administration of the CFA examination.
 - B) Expressing opinions in disagreement with CFA Institute advocacy positions.
 - C) Improperly using the CFA Designation to further professional goals.
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Question #12 of 34

Question ID: 551099

Lindsay Gordon is a Level II CFA candidate living in San Francisco. Gordon's best friend, Steve Haney, also a Level II candidate, is living in Munich. Because of the time difference between Munich and San Francisco, Gordon suggests that Haney call Gordon

during the Munich exam lunch break to discuss the morning exam. Haney makes the call on exam day.

Which of the following statements regarding Gordon and Haney is *most accurate*?

- A) Neither Gordon nor Haney is in violation of the Code and Standards.
 - B) Gordon is in violation of the Code and Standards, but Haney is not in violation.
 - C) Both Gordon and Haney are in violation of the Code and Standards.
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Question #13 of 34

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) did not violate either Standard VII(B) or Standard I(C).
 - B) violated Standard I(C) but she did not violate Standard VII(B).
 - C) violated both Standard VII(B) and Standard I(C).
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Question #14 of 34

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) not violated CFA Institute Standards of Professional Conduct because he met all disclosure requirements.
 - B) violated CFA Institute Standards of Professional Conduct because he advertised the CFA Charter before actually obtaining it.
 - C) violated CFA Institute Standards of Professional Conduct because he implied superior performance that would be linked to the CFA Charter.
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Question #15 of 34

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

Which of the business cards use the CFA marks improperly?

- A) Chang.
 - B) Anderson and Chang.
 - C) Baker and Chang.
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Question #16 of 34

Question ID: 454925

Stephanie Irons, Level II CFA candidate, regularly posts in Internet chat rooms dedicated to candidates studying for the Level II exam. Throughout the season, she and other candidates discuss curriculum content in great detail. Three days after the exam, she returns to the site and vents her frustrations over complicated exam questions by posting questions she remembers on the site, and asking others for their responses and reasoning. Other candidates follow suit and post the questions they remember. Within a week, Irons and her fellow candidates are able to reconstruct about 85% of the exam from their collective memory. Irons and her fellow candidates are *most likely*:

- A) not in violation because the information about the actual exam contents was posted after the conclusion of the exam.
 - B) in violation of Standard VII(A) the Code and Standards for providing confidential information about the exam.
 - C) in violation of Standard VII(A) the Code and Standards for discussing curriculum content in a public forum prior to the exam.
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Question #17 of 34

Question ID: 412619

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

- A) I guarantee under my management that you will receive returns in excess of the market index average.
 - B) I passed Level II of the CFA Program in 2003.
 - C) based upon my research, you will achieve a 20% compound annual rate of return on small cap stocks over the next 5 years.
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Question #18 of 34

Question ID: 696226

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, cfa.
 - B) Robert Hopkins, C.F.A.
 - C) Robert Hopkins, Chartered Financial Analyst.
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Question #19 of 34

Question ID: 551100

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

- 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.
 - C) Neither Beckworth nor her assistant is in violation of Standard VII(A).
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Question #20 of 34

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.
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Question #21 of 34

Question ID: 412616

Jake Miles, CFA, includes the following phrase on his business card: "Jake Miles is your trusted local CFA." Is this a violation of Standard VII(B)?

- A) No, because his CFA Institute membership indicates that he is indeed trustworthy.
 - B) Yes, because he uses CFA as a noun.
 - C) Yes, because he cannot put the initials "CFA" on his business card.
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Question #22 of 34

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) Using the CFA designation without submitting a Professional Conduct Statement and paying annual dues.
- B) Exaggerating the implications of holding the CFA designation.

- C) Misrepresenting information on the Professional Conduct Statement.
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Question #23 of 34

Question ID: 412632

Jason Jones, a stock broker who has completed Level I of the CFA program and is registered for the next Level II CFA exam, may:

- A) state that he is a Level II candidate in the CFA Program.
 - B) use the Level I CFA designation since he has passed the Level I exam.
 - C) not mention that he is involved in the CFA Program until he has passed all three levels.
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Question #24 of 34

Question ID: 412621

Ted Willis received his CFA designation in 1998 and was employed as an investment counselor until 2003. During the past several years, Willis has been out of work because of a serious illness. He also failed to pay his annual CFA Institute dues during the current year. Willis has now recovered and accepted a position with an investment advisory firm. His new business card says, "Ted Willis, CFA." As part of his job with his new firm, Willis uses PowerPoint® to make presentations to groups of prospective clients. He obtained some of these PowerPoint® slides from web sites, but removed the copyright notice before showing the slides to prospective clients.

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 *most* accurate? Willis:

- A) violated Standard VII(B) but he did not violate Standard I(C).
 - B) violated both Standard VII(B) and Standard I(C).
 - C) did not violate either Standard VII(B) or Standard I(C).
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Question #25 of 34

Question ID: 412625

An analyst has not paid his CFA Institute dues for several years but has filed a professional conduct statement annually. Which of the following statements is CORRECT regarding his status with CFA Institute? The analyst:

- A) is still an active member.
 - B) cannot refer to ever having been a member.
 - C) is no longer an active member.
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Question #26 of 34

Question ID: 454932

Stephanie Orange, Level II CFA candidate, posts blogs for her exam study group three days after the exam to vent her frustrations over the exam. However, to avoid disclosing what was actually on the exam, she only discusses topic areas she thought would be on the exam that were not. She writes "...the topics selected were unnecessarily obscure. Important items like FCF, DDM, and Residual Income were ignored completely..." Orange is *most likely*:

- A) in violation of Standard VII(A) "the Code and Standards" for providing confidential information about the exam.
 - B) not in violation because the information about the actual exam contents was posted only after the conclusion of the exam.
 - C) not in violation because the information was only about what was not on the exam.
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Question #27 of 34

Question ID: 485751

Jean Davis and Brian Taylor were recently hired by a local brokerage. Davis is registered for the Level II CFA exam and does not reference the CFA designation on her business card. In her marketing materials, Davis factually describes CFA requirements and notes that she expects to pass in June. Taylor passed the Level II exam and has not yet registered for the Level III CFA exam. Taylor also does not reference the CFA designation on his card and writes in his marketing materials that he passed both Levels I and II of the CFA exam on his first try, which is true. Have Davis or Taylor violated any CFA Institute Standards of Professional Conduct?

- A) Neither violated the Standards.
 - B) Both violated the Standards.
 - C) Only one violated the Standards.
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Question #28 of 34

Question ID: 460639

Which of the following statements is an acceptable reference to the CFA designation?

- A) Tom and Elizabeth are Chartered Financial Analysts.
 - B) All members of our research team are CFA charterholders who passed their exams on their first tries.
 - C) Most of our portfolio managers are CFAs and are committed to the highest ethical standards.
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Question #29 of 34

Question ID: 412630

When using the CFA designation, which of the following is appropriate?

- A) Jones CFA's, Inc.
 - B) "I am a CFA."
 - C) "I am a CFA charterholder."
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Question #30 of 34

Question ID: 460640

The CFA logo may be used as a certification mark:

- A) on a personal business card.

- B)** next to a company logo.
 - C)** on a company website.
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Question #31 of 34

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: No.
 - B)** Ackert: Yes. Brown: No.
 - C)** Ackert: No. Brown: Yes.
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Question #32 of 34

Question ID: 412633

Which of the following is *least* likely an appropriate use of the CFA designation?

- A)** Jeremy Salyers, as a CFA charterholder, expects to outperform the market because CFA charterholders have on average outperformed their peers.
 - B)** Jeremy Salyers has earned the CFA designation by passing three exams, all three on his first attempts.
 - C)** Jeremy Salyers, CFA.
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Question #33 of 34

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.
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Question #34 of 34

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?