

CFA® SAMPLE QUESTION – LEVEL I

Equity Investments

Q: Emerging market companies prefer to issue securities in developed markets in order to:

CORRECT ANSWER:

(a) Realize additional marketing opportunities.

Being listed on international exchanges increases investor awareness about the company's products and services and raises the transparency and credibility of the company due to the need to meet a greater number of filing requirements, both of which factors could translate into marketing opportunities.

Choice "b" is incorrect. Being listed on foreign exchanges does not preclude companies from complying with all regulatory requirements at home. On the contrary, these companies have to meet additional filing requirements as required by the regulators in the foreign jurisdiction.

Choice "c" is incorrect. Investing in foreign equities provides a diversification benefit to investors, not to the companies issuing the shares.



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