

CFA® SAMPLE QUESTION - LEVEL I

Ethical and Professional Standards

Q: Susan Plumb is the supervisor of her firm's research department. Her firm has been seeking the mandate to underwrite Wings Industries' proposed secondary stock offering.

Without mentioning that the firm is seeking the mandate, she asks Jack Dawson to analyze Wings common stock and prepare a research report.

After reasonable effort, Dawson produces a favorable report on Wings stock. Plumb then adds a footnote describing the underwriting relationship with Wings and disseminates the report to the firm's clients.

According to CFA Institute Standards of Professional Conduct, these actions are:

CORRECT ANSWER:

(a) not a violation of any Standard.

The fact that the firm is seeking the mandate does not preclude the research department from performing analytical work on the security.

As long as the final recommendation is based upon reasonable facts, not the desire to obtain the mandate, there is no violation.



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