

The following information relates to Questions 1-6

Daniel Strife has recently joined Dyne Wealth Management Services (Dyne), a local investment bank primarily catering to small scale retail investors as an economic and financial analyst. Daniel has completed an MSc in Economics and is currently registered for the Level III exam. Daniel will be working as part of the research team headed by Bob Navis, CFA. Bob introduces Daniel to the research team and states that he is a valuable addition to the team given his background in both economics and finance. Commenting on Daniels qualifications, Bob states that:

“You made an excellent choice in pursuing the CFA charter. We make it a policy to hire people who are pursuing the CFA program. All our analysts are CFA charterholders. This helps guarantee good investment performance for our clients. Even our statistician, Anton, is a CFA candidate. He has passed the Level I exam and is planning on registering for the next stage in June.”

Subsequent to introducing Daniel to the firm’s senior management, Bob presents Daniel with the firm’s code of ethics and standards which is a simplified adaption of the CFA Institute Code and Standards. Bob walks him through the key points of the standards. He states that due to space limitations the firm does not have a rigid firewall between the sell-side research and the investment banking divisions. Both divisions share the same office space. Bob also states that the firm possesses a restricted list of securities and documented procedures for interdepartmental communications. A compliance officer investigates possible violators and takes suitable remedial actions. During this discussion Daniel verbally informs Bob that he works as a part time economics and finance lecturer at a local university. He conducts classes over the weekend and receives a wage on an hourly basis. Bob thanks Daniel for his openness.

A month later, Bob asks Daniel to prepare a “Pager” on Davidson Dockyard which he has been researching for the past few weeks. A “Pager” is a 1-2 page report prepared by Dyne Wealth Management Services for its retail clients. The Pager contains a brief description of the company and key data such as the current price of the stock, price earnings ratio (P/E), price to book ratio (P/BV) ratio and a peer comparison. The disclaimer that accompanies the report states that, Dyne Wealth Management Services follows a “top down approach” when analyzing the future prospects of a firm and a recommendation is based on the current relative valuation of the stocks multiples against market averages and sector averages. Bob does the necessary top down and relative value analysis and given his understanding of economics, uses an econometric model built by him to supplement his top down approach analysis.

The econometrics model provides forecasts for world ship building and repair activities as well as forecasts for Davidson Dockyard’s revenue and profits. The model estimates are the basis for the forward pricing multiples of the stock which he compares against forward estimates for the market and the shipbuilding sector. Bob is impressed by his work and states that due to the lack of space, it is not necessary to present a detailed explanation of the econometric model in the report. Bob formats the report and emails a copy to all of Dyne’s clients and select media representatives. Subsequently Daniel prepares color printouts of the report and couriers it to the firm’s largest clients who pay a premium for a higher level of service.

Given his grounding in both economics and equity research, Daniel is frequently called upon by the firm to collaborate with the investment banking division. The investment banking division is

currently facilitating the acquisition of a beachfront property with the intention of constructing a high-end boutique hotel in partnership with a foreign investor. The foreign investor is scheduled to arrive in the country in two days for a meeting with Dyne to discuss the terms of the arrangement. Bob asks Daniel to work with Paul from the investment banking division to put together some material for a presentation on the prospects for the tourism industry in the country. Daniel is currently preparing a detailed equity report on Proteus Hotels which has not been released to Dyne's clients. In an email to Paul, Daniel shares the "Industry Analysis" segment of his report which contains some analysis of the tourism sector and is based on research conducted by the Ministry of Tourism which appeared in the Daily Mirror Newspaper. He presents the salient points in "bullet-point form" but leaves the original material virtually unchanged. Paul cites the source of the analysis as the "Daily Mirror Newspaper" and the presentation carries the names and contact details of the employees of the investment banking division. During the meeting with the foreign investor, Daniel makes a presentation on the tourism industry by largely summarizing the extensive research he has conducted and by emphasizing those aspects which are relevant to the prospects for boutique hotels. The foreign investor is impressed with Dyne's professionalism states that he is looking forward to a long term and profitable relationship with Dyne.

Impressed with Daniel's presentation skills, Dyne's CEO would like him to be more involved in road shows conducted periodically for soliciting new clients. To facilitate these activities the management presented Daniel with a tablet PC which contains remote access to the investment banking division's servers. The servers contain equity valuation models, company reports, Dyne's historical portfolio performance and client lists. Bob gives Daniel permission to take the tablet PC home and to access the server's data for his own reference via the tablet PC as well as to make use of its other functions outside of office hours. Daniel is very pleased with this as not only does he make use of it for preparing for upcoming presentations at Dyne but it is also a good teaching aid. At one of his lectures at the university, Daniel demonstrates to the students the appropriate way for balancing financial statements by showing them the financial model for Proteus Hotels Daniel had built from scratch. At a subsequent lecture, Daniel makes use of the historical performance of a former client's equity portfolio in order to demonstrate the computations for the "Treyner-Black model."

1. With respect to Bob's statement relating to the CFA Program and the team investment performance, has he violated the standards relating to the responsibility of a CFA Institute member or candidate:
 - A. No.
 - B. Yes by guaranteeing investment performance only.
 - C. Yes by guaranteeing investment performance and by incorrectly referencing Anton's candidacy in the CFA Program.
2. During their discussion has either Daniel or Bob violated the Standards?
 - A. No.
 - B. Yes, by failing to obtain written permission from the firm for his lecturing activities.
 - C. Yes, by not adhering to best practices regarding firewalls.
3. For the purpose of business cards and letter heads, Daniel should *most likely* state his name and qualifications as:
 - A. Daniel Strife, MSc Economics

- B. Daniel Strife, MSC Economics, CFA Level III candidate
 - C. Daniel Strife, CFA expected 2013
4. With respect to the publication of the pager report on Davidson’s Dockyards, Bob has *most likely*:
- A. Not violated the CFA Institute Code and Standards.
 - B. Violated the CFA Institute Code and Standards by removing his econometric model.
 - C. Violated the CFA Institute Code and Standards by couriering a hardcopy of his report to the largest clients.
5. With respect to the work done with the investment banking division, which of the following most likely represent a failure to adhere to the recommended procedure set out in the CFA Institute Code and Standards:
- A. Paul failing to include Daniels name in the presentation
 - B. Paul citing the source of the research as the Daily Mirror Newspaper
 - C. Daniel presenting only a summary of his complete research
6. With respect to his lecturing activities, Daniel has *least likely* violated the standard pertaining to:
- A. Preservation of confidentiality
 - B. Record retention
 - C. Loyalty to employer