**Ethical and Professional Standards**

**December 2022 Examination**

## 1. Araav Sharma is a junior equity analyst at Micro Investments Ltd. He was given a short deadline by his boss to write a report on the performance of CGSE Company, a leading player in the construction industry of the country. Araav had recently read in a newspaper about the recent influx of rich immigrants in the country who have fled from the neighboring warring lands and thinks this would boost the construction industry. In his report, Araav uses statistics from the Economic Census published by the government, but does not acknowledge the source of data. He concludes his BUY recommendation saying: “The fact that rich migrants in the country will invest their money in residential projects guarantees a bright outlook for CGSE Company.” Before submitting the report to his boss, Araav calls his portfolio manager and asks him to purchase CGSE Company shares. According to the Code of Standards, has Araav violated the CFA Institute Standards of Professional Conduct. Kindly explain with a proper justification. (10 Marks)

## Ans 1.

## Introduction

Standard VI (B) reinforces members' and candidates' commitment to prioritizing the interests of customers and employers over their financial interests. This rule is planned to stop possible conflicts of interest or personal ventures. Your worries come. Any deal initiated on behalf of the Corporation or a specific Citizen or Nominee shall be superseded by Customer Transactions. A conflict may arise between the client's and professional capitalist's interests. Despite a dispute of interest, asset employees, experts, or managers taking advantage of their investment items is not inherently unethical. Investment professionals follow all relevant

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**2. “Financial analysts are free to act on conclusions based on both public and nonmaterial nonpublic information”. Explain the statement with reference to relevant standard and an example. (10 Marks)**

## Ans 2.

## Introduction

Financial analysts are cost-free to act upon conclusions based upon nonmaterial and public non-public information. This statement holds because analysts can access numerous information resources, are not restricted in their analysis, and are not required to reveal their sources of information. However, there are some constraints on how financial analysts can use non-public information. They must not use it for personal gain or profit for their employer

## 3. Joseph Francis is an equity analyst and runs an internet site where he posts his research regarding the health care industry regularly. He portrays himself as an independent analyst and always does his research thoroughly and diligently. Recently, he entered into an agreement with Mckinley Hospitals to promote its stock online for a flat fee. The same week Joseph posted a strong buy recommendation for Mckinley Hospitals stock without making any disclosures on his website.

## a. In this situation, what is Joseph supposed to do? Explain (5 Marks)

## Ans 3a.

## Introduction

Joseph Francis is an equity analyst assessing the financial data and the available public record of Mckinley Hospitals to promote its supply online. Advertising the hospital's stock is to develop a high degree of experience to deliver accurate projections or suggestions. On top of that, the research analyst assesses the financial market and the supply of Mckinley Hospitals

**b. Which is the relevant Standard he should consider here explain in detail and justify the same. (5 Marks)**

**Ans 3b.**

**Introduction**

The equity analyst professional operates in the financial market to analyze the company and the value of the stock and give comprehensive and accurate information to the organization about the financial health and its position on the market. Mckinley Hospitals promotes the