



## CFA INSTITUTE

### ETHICS IN PRACTICE:

# Futures, Feed Yards, and Furtive Actions.

#### CASE STUDY

Rosenthal Collins Group (RCG) is a registered futures commission merchant with a number of branch offices, including one in Memphis, Tennessee. Phillips is hired to be the branch manager of the Memphis office, supervising a number of employees, including Lewis. Phillips allows Lewis to work from home, and as a result, Lewis has no physical office in the Memphis branch of RCG or even access to the building. Unknown to Phillips or RCG, Lewis also works for another futures commission merchant (AFCM). Lewis arranges swap agreements for AFCM, including orders with several cattle feed yards. And through another employee at RCG, he helps open new futures accounts for the feed yards RCG represents. Although the other employee at RCG receives all the commissions for the feed yard accounts, she surreptitiously splits these commissions with Lewis. This commission sharing arrangement is also unknown to Phillips. Phillips' actions as a supervisor are

- A. acceptable if RCG did not develop adequate policies and procedures for the detection and deterrence of possible misconduct by its employees.
- B. acceptable if Phillips was not provided adequate training from RCG on its compliance policies and procedures.
- C. acceptable if RCG home office conducted regular audits of the Memphis branch.
- D. unacceptable because Phillips did not diligently perform his supervisory responsibilities.

