



# CFA INSTITUTE

## ETHICS IN PRACTICE:

# Guilty or Not Guilty Is the Question!

### CASE STUDY

Sunset Financial Services is a broker/dealer that has historically sold mutual funds and insurance products to individual investors. In 2011, the firm began selling private placements to clients as well. Norma Desmond, vice president of Sunset, is responsible for conducting due diligence on the private placements and placing them on an approved list that Sunset investment advisers can view on the firm's internal website. Desmond relies on third-party due diligence reports to assess the viability and appropriateness of the private placements for Sunset's clients. Tom Gillis is one of Sunset's investment advisers that reviews the internal list of approved private placements and sells several of these investments to his clients. Gillis does not create any sales materials for these private placements but instead relies on sponsor-created sales materials to give to his clients. Has Desmond or Gillis engaged in any misconduct? Decide what you believe is the correct answer and use the Ethical Decision-Making Framework to help explain your choice.

- A. Desmond is guilty of misconduct in selecting the private placements for Sunset to sell.
- B. Desmond is NOT guilty of misconduct in selecting the private placements for Sunset to sell.
- C. Gillis is guilty of misconduct in providing sponsor-created sales material to clients.
- D. Gillis is NOT guilty of misconduct in providing sponsor-created sales material to clients.

