CFA INSTITUTE

ETHICS IN PRACTICE:
Loyalty to Firm or Clients' Interests First?

CASE STUDY

Kuznetsov is a portfolio manager for a large investment firm that encourages its employees to sell proprietary investment products to their clients. Kuznetsov complies with this directive and within a year becomes the firm's top seller of these investment vehicles. He receives stellar performance reviews and a large bonus. But Kuznetsov eventually determines that the firm's investment products are underperforming and more expensive than other outside investment options that are suitable for his clients and present a better chance for growth.

So, he sharply cuts back on purchasing the firm's investment products for his clients. Although his supervisor puts increasing pressure on him to resume selling the firm's products, Kuznetsov refuses. He complains several times to management that he is being pressured to place the firm's interest above his client's interests. He surreptitiously records several conversations with his supervisor and makes copies of client records that document what he considers to be his supervisor's inappropriate conduct. When management ignores his complaints and his supervisor begins giving Kuznetsov poor performance reviews, he files a complaint with the local regulator against his supervisor and his firm, providing the recordings and copies of client files as evidence. After the firm becomes aware of Kuznetsov's actions, he is fired. Kuznetsov's actions are

A. inappropriate because he failed to keep client information confidential.

B. appropriate because he is protecting client interests.

C. inappropriate because he violated his duty of loyalty to his employer by taking his dispute with his supervisor to the regulator, exposing the employer to financial and reputational harm.

D. inappropriate because he could have met his ethical obligation by dissociating from the unethical activity of his supervisor.