



CFA INSTITUTE

ETHICS IN PRACTICE:

Personal vs. On-the-Job Investments.

CASE STUDY

Yang is a research analyst at BAMCO, a registered broker/dealer and investment adviser. While employed with BAMCO, Yang established Prestige Trade Investments Limited and acts as that firm's investment adviser. Yang is responsible for formulating Prestige's investment strategy and directs all trades on behalf of Prestige. Over the course of several days, Yang purchases 50,000 shares of Zhongpin stock and 1,978 Zhongpin call options for his personal account at BAMCO. Shortly thereafter, Yang uses \$29.8 million of Prestige's funds to purchase more than 3 million shares of Zhongpin stock. Yang's actions are

- A. acceptable because Yang's personal investments are not in conflict with the investment advice being given to his clients at Prestige.
- B. acceptable as long as BAMCO is aware of and consents to Yang establishing and working for Prestige as a separate entity.
- C. acceptable as long as Prestige clients are not negatively affected by Yang's prior purchase of Zhongpin securities through his account at BAMCO.
- D. unacceptable.

