



CFA INSTITUTE

ETHICS IN PRACTICE:

Taking Care of Clients Is the Priority.

CASE STUDY

Dougal McDermott is president of Enhanced Investment Strategies (EIS), a small investment firm. Most clients of EIS are longtime associates of McDermott who have had their investment portfolios with EIS for decades. Because of his close personal relationship with his clients, McDermott is very familiar with their investment profile, income and retirement requirements, and tolerance for risk. He keeps abreast of the life changing events (such as health issues, real estate purchases, children's university expenses, and retirement) of all his clients and adjusts their portfolios accordingly. McDermott regularly meets with his clients in EIS offices and sees them on numerous occasions outside the office where he has a chance to give them an update on their investments. EIS clients complete a client agreement and risk profile when opening their account and those profiles are updated as McDermott finds the time to do so. McDermott's business practices are

- A. acceptable because he adjusts client investments to ensure that they are suitable for client investment needs given their changes income and risk profile.
- B. acceptable because he regularly communicates with clients about their investments.
- C. unacceptable because he does not keep adequate written records regarding client investment profiles.
- D. unacceptable because his close personal relationship with clients will affect his independence and objectivity when providing investment advice.

