



CFA INSTITUTE

ETHICS IN PRACTICE:

Using Info for Fund and Personal Accounts OK?

CASE STUDY

Eaton runs a hedge fund that holds the commercial paper (CP) of a listed company. The fund also has a large investment in the equities of that company. Upon maturity of the CP, the company fails to honor the CP and refuses to communicate with Eaton. Based on these facts combined with further research indicating that the company may be having liquidity issues, Eaton sells the fund's equity position. Eaton also shorts the company's stock in his personal account. Did Eaton violate the CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards)?

- A. Eaton violated the Code and Standards by selling the fund's equity position in the company.
- B. Eaton violated the Code and Standards by shorting the company's stock in his personal account.
- C. Eaton violated the Code and Standards by both selling the fund's equity position in the company and shorting the company's stock in his personal account.
- D. Eaton did not violate the Code and Standards.

