Asset Manager Code

Loyalty to Clients

Investment Process and Actions

Trading

- Salary arrangements that align the interests of the client and the manager without taking undue risks.
- Confidential information policy delineating how client information is collected, used and stored.
- Anti-money-laundering policy
- Defining a *token* gift and allowing only token gifts in business relationships. Cash is not acceptable. Employees should always notify in writing when accepting a gift.

1. Loyalty to Clients
2. Investment Process and Actions
3. Trading
4. Risk Management, Compliance, and Support
5. Performance and Valuation
6. Disclosures

- Do not trade or cause others to trade on material nonpublic information. Information walls should be created between different departments to restrict the flow of nonpublic information.
- Always place client trades before your own. Require employees to have approval for IPOs or private placements. Create a restricted list of securities.
- Only use soft dollars to directly aid in the investment decision process. Managers should disclose soft dollar arrangements and how often they are used.
- If the client uses a particular broker, they should be notified that they may not receive the best execution.
- Allocate shares equitably among all clients. Use block trades or allocate shares on a pro rata basis. Policies for IPOs should be explicitly stated.

- Different levels of service and products available to all clients.
- Use third party research provided that it has a verified reasonable basis.
- Conduct stress testing when using complex derivatives products.
- Disclose and get client agreement on events causing strategy changes.
- Each client should have an IPS with risk and return objectives and constraints. This should be reviewed at least annually and should include performance benchmarks.
- Investments should be made in the context of the client's total assets.

Risk Management, Compliance, Support

Ethics and Professional Standards in Practice

Performance and Valuation

Study Session 2

Ethics and Professional Standards in Practice

Disclosures

Study Session 2

- Fairly and accurately report investment results. Do no misrepresent by including accounts that weren't managed or only reporting certain time periods.
- Hypothetical models should be fully disclosed.
- Valuing assets accounts should be done by a third party to prevent performance misrepresentation.
- Client accounts should be valued consistently with accepted techniques.

- Develop polices for complying with the Code and Standards and regulations. Have documentation, internal controls and self-assessment mechanisms.
- Establish a firm-wide system for measuring risk.
- Appoint a compliance officer who reports to the CEO and is responsible for monitoring and investigating compliance breaches. The officer should distribute the Code to employees and monitor trading activity.
- Ensure portfolio information is accurate, complete, and verified.
- Maintain records for at least seven years.
- Have enough staff and resources to make informed decisions.
- Have a BCP in the event of a disaster. The plan should include off-site backup, continuing operations and continuing communications.

- Any information needed to make a decision about the manager, organization or process.
- Soft or bundled commissions, referral fees, brokerage arrangements, and stocks held by employees.
- Any regulatory or disciplinary action taken against the manager or its personnel.
- Decision-making process including inherent risks and the extent of derivatives.
- Fee schedules, projects and methodologies used in charging fees.
- Performance of the client's account on a regular basis.
- Valuation methods used to make investment decisions.
- Proxy voting policies of the manager.
- How trades are allocated.
- Results of audits on the client's account.
- Significant personnel or organizational changes.
- Firm-wide risk management process.