CFA Institute

ASSET MANAGER CODE™

IMPLEMENTATION AND ASSESSMENT GUIDE

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WELCOME NOTE

CFA Institute is a global community of more than 180,000 investment professionals working to build an investment industry where investors' interests come first, financial markets function at their best, and economies grow.

Compliance with the CFA Institute Asset Manager Code™ (AMC, or Code) tells investors that your firm is committed to ethical conduct and puts clients' interests first. Principles such as transparency, confidentiality, full and fair disclosure, prudence, competence, diligence, and independence are all reflected in the CFA Institute Code of Ethics and Standards of Professional Conduct, to which all CFA charterholders and members have personally committed as individuals.

But these fundamental principles are not unique to CFA Institute. They are the basic attributes one must display to serve clients and the industry in an effective and efficient manner. It is with these principles in mind that CFA Institute sought to fulfill a need for its members. Individuals were looking to incorporate the members' Code and Standards into firm-level activities. Thus, about 15 years ago, the AMC was published.

The Implementation and Assessment Guide aims to provide support for organizations that comply, or that are considering compliance, with the AMC. This guide includes (1) sample policies, procedures, and forms and (2) a cross-reference mapping tool that your firm can use as a template.

The sample policies, procedures, and forms are intended to illustrate how the principles of the AMC are put into action and to provide examples that conform with the requirements of the AMC; they are meant illustrative for this purpose only. Policies and procedures must be informed not only by the AMC but also, of course, by laws and regulations which will always take precedence. It was not practical or feasible to incorporate the laws and regulations of every market into these samples. Therefore, DO NOT rely on these sample policies and procedures to ensure compliance with laws and regulations.

The cross-reference mapping tool is intended to help asset managers assess and verify that their business processes and activities are designed in a manner that fully incorporates the requirements of the AMC. Linking AMC requirements to specific policies, procedures, and processes is a useful exercise to increase an asset manager's confidence in its claim of compliance. This guide includes a completed cross-reference mapping tool that shows the relationships between the requirements of the AMC and the sample policies, procedures, and forms.

These materials are not part of the AMC or its official guidance as published on the CFA Institute website. You can find the Code and its related Guidance on our website at https://www.cfainstitute.org/ethics-standards/codes/asset-manager-code.

Please email industrystandards@cfainstitute.org if you have questions about how to use this guide.

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ASSET MANAGER CODE

The CFA Institute Asset Manager Code outlines the ethical and professional responsibilities of firms (“Managers”) that manage assets on behalf of clients. By adopting and enforcing a code of conduct for their organizations, Managers demonstrate their commitment to ethical behavior and the protection of investors’ interests.

GENERAL PRINCIPLES OF CONDUCT

Managers have the following responsibilities to their clients.
Managers must:

1. Act in a professional and ethical manner at all times.
2. Act for the benefit of clients.
3. Act with independence and objectivity.
4. Act with skill, competence, and diligence.
5. Communicate with clients in a timely manner and accurate manner.
6. Uphold the applicable rules governing capital markets.

ASSET MANAGER CODE

A. LOYALTY TO CLIENTS

Managers must:

1. Place client interests before their own.
2. Preserve the confidentiality of information communicated by clients within the scope of the Manager–client relationship.
3. Refuse to participate in any business relationship or accept any gift that could reasonably be expected to affect their independence, objectivity, or loyalty to clients.

B. INVESTMENT PROCESS AND ACTIONS

Managers must:

1. Use reasonable care and prudent judgement when managing client assets.
2. Not engage in practices designed to distort prices or artificially inflate trading volume with the intent to mislead market participants.
3. Deal fairly and objectively with all clients when providing investment information, making investment recommendations, or taking investment action.
4. Have reasonable and adequate basis for investment decisions.
5. When managing a portfolio or pooled fund according to a specific mandate, strategy, or style:
   a) Take only investment actions that are consistent with the stated objectives and constraints of that portfolio or fund.

   b) Provide adequate disclosures and information so investors can consider whether any proposed changes in the investment style or strategy meet their investment needs.
6. When managing separate accounts and before proving investment advice or taking investment action on behalf of the client:
   a) Evaluate and understand the client's investment objectives, tolerance of risk, time horizon, liquidity needs, financial constraints, any unique circumstances (including tax considerations, legal or regulatory constraints, etc.) and any other relevant information that would affect investment policy.
   b) Determine that an investment is suitable to a client's financial situation.

C. TRADING

Managers must:

1. Not act or cause others to act on material nonpublic information that could affect the value of a publicly traded investment.
2. Give priority to investments made on behalf of the client over those that benefit the Managers' own interests.
3. Use commissions generated from client trades to pay for only investment-related products or services that directly assist the Manager in its investment decision making process, and not in the management of the firm.
4. Maximize client portfolio value by seeking best execution for all client transactions.
5. Establish policies to ensure fair and equitable trade allocation among client accounts.

D. RISK MANAGEMENT, COMPLIANCE, AND SUPPORT

Managers must:

1. Develop and maintain policies and procedures to ensure that their activities comply with the provisions of this Code and all applicable legal and regulatory requirements.
2. Appoint a compliance officer responsible for administering the policies and procedures and for investigating complaints regarding the conduct of the Manager or its personnel.
3. Ensure that portfolio information provided to clients by the Manager is accurate and complete and arrange for independent third-party confirmation or review of such information.
4. Maintain records for an appropriate period of time in an easily accessible format.
5. Employ qualified staff and sufficient human and technological resources to thoroughly investigate, analyze, implement, and monitor investment decisions and actions.
6. Establish a business-continuity plan to address disaster recovery or periodic disruptions of the financial markets.
7. Establish a firmwide risk management process that identifies, measures, and manages the risk position of the Manager and its investments, including the sources, nature, and degree of risk exposure.

E. PERFORMANCE AND VALUATION

Managers must:

1. Present performance information that is fair, accurate, relevant, timely, and complete. Managers must not misrepresent the performance of individual portfolios or of their firm.
2. Use fair-market prices to value client holdings and apply, in good faith, methods to determine the fair value of any securities for which no independent, third-party market quotation is readily available.

F. DISCLOSURES

Managers must:

1. Communicate with clients on an ongoing and timely basis.
2. Ensure that disclosures are truthful, accurate, complete, and understandable and are presented in a format that communicates the information effectively.
3. Include any material facts when making disclosures or providing information to clients regarding themselves, their personnel, investments, or the investment process.
4. Disclose the following:
    a) Conflicts of interest generated by any relationships with brokers or other entities, other client accounts, fee structures, or other matters.
    b) Regulatory or disciplinary action taken against the Manager or its personnel related to professional conduct.
    c) The investment process, including information regarding lock-up periods, strategies, risk factors, and use of derivatives and leverage.
    d) Management fees and other investment costs charged to investors, including what costs are included in the fees and the methodologies for determining fees and costs.
    e) The amount of any soft or bundled commissions, the goods and/or services received in return, and how those goods and/or services benefit the client.
    f) The performance of clients' investments on a regular and timely basis.
    g) Valuation methods used to make investment decisions and value client holdings.
    h) Shareholder voting policies.
    i) Trade allocation policies.
    j) Results of the review or audit of the fund or account.
    k) Significant personnel or organizational changes that have occurred at the Manager.
    l) Risk management processes.

ASSISTANCE TO FIRMS CONSIDERING COMPLIANCE WITH THE AMC

Why Comply with the AMC?

Adopting the AMC ensures that your firm is complying with global best practice in safeguarding client interests. It also provides a communication tool for firms to demonstrate their commitment to ethical practice and creates a strong reputation for a firm's values, which can help attract and retain clients. In addition, adoption ensures your firm can compete for allocations from the growing number of asset owners who require AMC compliance.

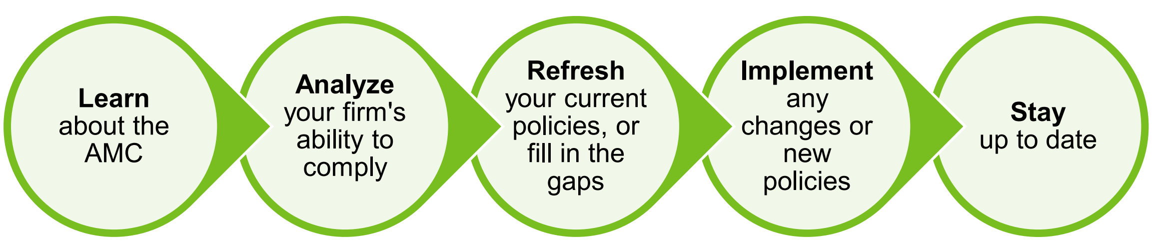
Support and Development of the AMC

The AMC is owned and administered by CFA Institute, a global association of investment professionals with more than 180,000 members in more than 165 countries and territories. The AMC was created in response to requests by CFA charterholders to find a way to extend the individual responsibilities to the CFA Institute Code of Ethics and Standards of Professional Conduct to their entire firm.

Getting Started

Step-by-Step Process to Achieving Compliance with the AMC

This section uses a five-step process similar to what you may be familiar with from the GIPS® Standards: Learn, Analyze, Refresh, Implement, and Stay Up to Date.



Step 1: **Learn** about the AMC

The current edition of the AMC is available electronically on www.cfainstitute.org under the Ethics & Standards tab or in hard copy. The Code consists of six General Principles of Conduct and six components outlining the ethical and professional responsibilities of firms that manage assets on behalf of clients.

The CFA Institute website also provides guidance for the AMC. These documents provide guidance explaining the Code and include recommendations and examples to assist asset managers seeking to implement the AMC.

Step 2: **Analyze** your firm's ability to comply

Management support and full-firm compliance are necessary if a firm wishes to comply with the AMC. Because the Code is behavior based, dependent upon adherence to firmwide policies and procedures, all employees must know, understand, and follow all policies and procedures claiming to keep the firm in compliance with the Code. Conflicts of interest and other ethical obstacles must be avoided at all levels of the organization.

Undertake a thorough review of your firm's current policies and procedures. Match them against the Code. This review presents the ideal time to use the cross-reference mapping tool, comparing sample policies and procedures and noting how each fit with different areas of the AMC.

Step 3: **Refresh** your current policies, or fill in the gaps

Once your review has been completed, areas of the Code that are not addressed either in part or in full should be implemented and incorporated into your firm's policies and procedures. Sample policies and procedures are provided in this guide as examples of language that can be used to meet the principles of the AMC and bring the firm into compliance. Note that firms are not expected, or even encouraged, to adopt the language of the examples; these are simply provided for illustrative purposes.

Step 4: **Implement** any changes or new policies

Once any new or updated policies and procedures have been implemented, they need to be socialized throughout the firm. Training is recommended to ensure staff are familiar with the policies and procedures and consistently adhere to them.

Once appropriate measures are in place, submit your claim to compliance at https://www.cfainstitute.org/ethics/codes/assetmanager/Pages/compliance.aspx. Note that CFA Institute requires the contact information for two firm representatives, *one of whom must be responsible for compliance*.

Step 5: **Stay** up to date

The Code is intended to outline best practices of ethical behavior for managers of financial assets. Thus, the Code may be updated from time to time with adjustments for changing market environments. Additionally, with changes in leadership or objectives, your firm may have updates in policies and procedures. You should start each year with a review of the AMC, as well as an analysis of your current policies and procedures, to ensure you remain in compliance. Re-attestation of your compliance is due by June 30 each year.

WHO, HOW, and WHY?

Develop, Review, and Update Policies and Procedures

In a typical organization, a working group that includes staff from legal, management, and business leads is responsible for regular review and updates of the organization’s policies and procedures.

CFA Institute provides several documents that can help you develop, review, and update your policies to ensure compliance with the AMC by showing how the requirements of the AMC map to various sample policies and procedures, as well as providing some illustrative/sample language and forms. The cross-reference mapping tool, available in both a grid and chart format, maps each AMC principle to one or more sample policies and procedures, which are provided in full in a separate document. Also available are samples of common forms used in conjunction with these sample policies and procedures. Please note that none of these resources is prescriptive. An organization may have similar and satisfactory language contained in a policy that is not included with the samples. These samples are meant only as illustrative examples that can be used to check against your own documentation or as a foundation for creating language to fill a gap found in your current policies.

Assess and Validate

Once you have attested to compliance with the AMC, ensure any future changes to your organization’s documents maintain your adherence to the AMC. With any updates, either in your firm’s policies and procedures or to the Code itself, you should do a refresh analysis and use the steps provided in Section 2: Assistance to Firms Considering Compliance with the AMC.

Regular assessment is typically conducted by a compliance officer whose job is to ensure the execution matches intent. Adherence will also be confirmed by front-office personnel who need to provide assurance to prospective clients. Management staff will want to know their activities are compliant.

This guide and its related resources offer tools to ensure completeness of coverage of the requirements, which will increase confidence in your claim of compliance. Additionally, the output of this exercise may be helpful in responding to requests for proposal and prospective clients’ due diligence questions.