

GUIDELINES FOR A PERSONAL ACCOUNT TRADING POLICY

Agreed to by the Investments Board Committee on 2 February 2010 Approved by the ASISA Board on 17 February 2010

1. INTRODUCTION

These guidelines have been compiled to provide a set of principles and suggested best practice considerations to apply when formulating a Personal Account (PA) Trading Policy. Cognisance has been taken of local regulatory requirements, including the personal account trading position papers released by the regulators, and global best practice such as the CFA Institute Code of Ethics and Standards of Professional Conduct and the Australian IFSA guidance notes.

2. APPLICATION

These guidelines are applicable to ASISA member organisations which primarily conduct investment analysis, make investment recommendations and execute investment transactions on behalf of clients. These investment management organisations (IMs) and/or multi management organisations (MMs) shall be authorised as Category II and IIA financial services providers in terms of the Financial Advisory and Intermediary Services Act.

ASISA member organisations who are not IMs or MMs are encouraged to review these guidelines to determine the applicability thereof to its business and its employees.

3. PURPOSE OF PA TRADING POLICY

Policies and procedures to prevent actual or potential conflicts of interests with respect to personal account trading are critical to establishing investor confidence in the investment management and multi management industries. The management of IMs and MMs have to accept responsibility for the establishment of the necessary systems and controls to prevent conflicts of interest, prejudice towards clients, prejudice towards the IM or MM itself, insider trading and market manipulation.

4. KEY PRINCIPLES

An IM and MM should develop and adopt a PA Trading Policy which is based on the following key principles:

- 4.1 Any actual or potential conflict of interest between the personal interest of employees and the duty to clients and the IM or MM should be avoided.
- 4.2 The interests of clients of the IM or MM should be placed first at all times.
- 4.3 Only independent, duly authorised, fit and proper people should oversee the PA Trading activities of employees.

- 4.4 Employees should not derive any benefit or personal advantage from information which is generally not available and which is obtained by reason of or in the course of their employment with the IM or MM.
- 4.5 PA Trading should not adversely impact on the individual's ability to perform their normal duties.
- 4.6 PA Trading may only be undertaken in accordance with regulatory and/or exchange rules.
- 4.7 PA Trading by employees should be for long term investment objectives rather than for speculative purposes. The principle is intended to indicate that employees' interests should be aligned with clients' interests.
- 4.8 PA Trading should not be allowed in circumstances which could potentially compromise the reputation of the IM or MM.

5. DEFINITIONS

- 5.1 "Employee" means any person -
- (a) employed by the IM or MM or any of its subsidiaries;
 - (b) dealing or managing investments on behalf of the IM or MM (e.g. dealer, investment analyst or portfolio manager) or its clients; or
 - (c) who is privy to confidential or proprietary information which could result in a conflict of interest if the employee used the information to his/her advantage.

Note: IMs and MMs should consider the appropriateness of applying this definition to other persons such as those on a fixed term contract or secondment and connected persons.

- 5.2 "Connected person" means any person whose PA Trading decisions could potentially be influenced by the employee. This includes but is not limited to:
- (a) A spouse or partner;
 - (b) Minor children or any dependants;
 - (c) Any person in a business or profit sharing relationship with the employee, including partners in an investment club;
 - (d) A trust in which the employee or any person mentioned in (a) or (b) is a discretionary beneficiary, or trustee.
 - (e) A company or close-corporation in which the employee or any person mentioned in (a), (b) or (d) is a shareholder having 5% or more of any class of the issued share capital of such company;
 - (f) A pension fund (other than a pension fund managed by the institution) of which the employee or any person mentioned in (a), (b) and (c) is a beneficiary; and
 - (g) Any other accounts where the person has a direct or indirect material benefit (such as the enjoyment of dividends and the exercise of voting rights).

- 5.3 “Securities” mean any asset or instrument type that the IM or MM manages or could potentially manage on behalf of clients.

Note: IMs and MMs should consider the appropriateness of including collective investment schemes and exchange traded funds which are managed by the IM or MM on behalf of clients and where the employee may have information not generally available to other persons. The inclusion must also be considered in terms of the business model of the IM or MM.

- 5.4 “Trading” or “trade” means the buying and selling by or on behalf of an employee for his/her personal account or for the account of a connected person of any securities as defined, an application or agreement to subscribe for, purchase or dispose of securities and the giving or taking of any money in connection with options, or the giving of any instruction, inducement or information to any other person dealing for the employee’s benefit or for the benefit of the connected person.

6. GUIDELINES

IMs and MMs are encouraged to incorporate the following into their PA Trading Policies. It is acknowledged that the extent to which the guidelines are adopted will vary between IMs and MMs depending on their business models and some of them may not be appropriate in all cases.

- 6.1 **Acknowledgement:** All employees should be required to sign a written acknowledgement that they have read, understand and undertake to adhere to the PA Trading Policy of the IM or MM. It is also recommended that employees be required to provide the IM or MM with the authority to obtain information relating to their PA Trading from external parties such as the exchanges.
- 6.2 **Condition of employment:** Adherence to the PA Trading Policy should form part of conditions of employment.
- 6.3 **Periodic declaration and disclosure:** Employees should be required to provide a declaration and disclosure of their PA trades and holdings on a periodic basis, e.g. quarterly. In addition, it is suggested that they be required to confirm that they have adhered to the PA Trading Policy during the period.
- 6.4 **Prior approval:** All employees should be required to obtain written approval prior to entering into any transaction. Such approval should be obtained from a compliance officer or other independent and appropriately senior employee. It is recommended that the approval have an expiry date. Information to be provided by the employee includes the security, nature of the transaction (purchase or sale), quantity and broker or counterparty to be used. A MM will, depending on its business model, generally not incorporate prior approval in its PA Trading Policy.]

- 6.5 Trade conflicts: An employee should generally not be allowed to trade in the same securities for which the IM or MM is currently trading for clients.
- 6.6 Watch lists: It is suggested that IMs and MMs maintain a “watch list” or “embargo list” reflecting any securities in which no PA Trading is allowed due to closed periods or inside information.
- 6.7 Use of brokers and counterparties: IMs and MMs should give consideration to whether employees should be allowed to trade via an external party or via an in-house broker or dealing desk. Where an external party is permitted, the employee should be required to disclose the identity of the external party and account numbers.

Minimum holding period: It is recommended that employees be required to hold their positions for an appropriate minimum period in support of the principle of long-term investing.

- 6.8 Record keeping: IMs and MMs should implement a PA Trading record keeping procedure which includes the maintenance of all acknowledgements, declarations and approvals.
- 6.9 Reporting: A report reflecting the details of all PA Trading undertaken by employees should be provided to senior management on a periodic basis.
- 6.10 New listing and private placings: PA Trading Policies should include provisions relating to both new listings and private placings. Generally, the same principles that are applied to normal on market trading should apply to new listings. The specific rules relating to private placings should ensure that the fiduciary obligation owed by the IM or MM to its clients is not compromised. It is recommended that employees also be required to declare the actual award of shares.
- 6.11 Special situations: Provision should be made for an independent person (e.g. the compliance officer) to be able to review and approve an application for an exemption from having to adhere to certain aspects of the PA Trading Policy. Such exemptions should only be afforded in exceptional cases and where it is clearly evident that it would not be in conflict with any of the above Principles. Market movement would generally not be regarded as an exceptional circumstance.
- 6.12 Financial obligations: Employees should be encouraged to ensure that they are able to meet all associated financial obligations before undertaking any PA Trading.