

Funds Forum 2006
Monaco

For Better or Worse?

How Are EU
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The Lat
Among

Efama Survey Extract

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The EFAMA paper on code of conduct: High Level Principles [1/2]



1. Acceptance of fiduciary duty:
... in the best interest of investors and the integrity of the markets.
2. Sound governance
...All directors of good professional standing and experience... The board must act in sufficient autonomy...
3. Conflict of interest
...identify, define rules, manage and disclose...in particular with related parties.
4. Organisation and procedures
Adequacy of means, resources and expertise...Segregation of business duties...But "Four-eyes" principle.
5. Compliance:
... constantly monitor compliance. Independence. Direct reporting to Board of Directors.
6. Delegation & services providers
...clear policy of selection & monitoring... in particular with related parties. No reduction in responsibilities
7. Investment decisions
Professional expertise. Adequate risk management. Compliance.
8. Best execution
Best possible execution taking into account price, costs, speed, quality,



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The EFAMA paper on code of conduct: High Level Principles [2/2]



9. Broker relations:

... selection process taking into account execution capability and quality of research... Full disclosure of arrangements.

10. Asset valuation

... Portfolio must reflect the "fair value" of assets.... Mark to market. Valuation performed independently from management function

11. Custody of portfolio assets

... always kept segregated ... depository and IMC separate entities or sufficiently independent.

12. Fund Trading:

... procedures to discourage frequent trading and other harmful practices...

13. Shareholders and creditor rights

... define, document and disclose voting policy... attention to potential conflicts of interest if related...

14. Investor information

... true, fair, not misleading, ... respectful of standards... to allow comparability and consistency.

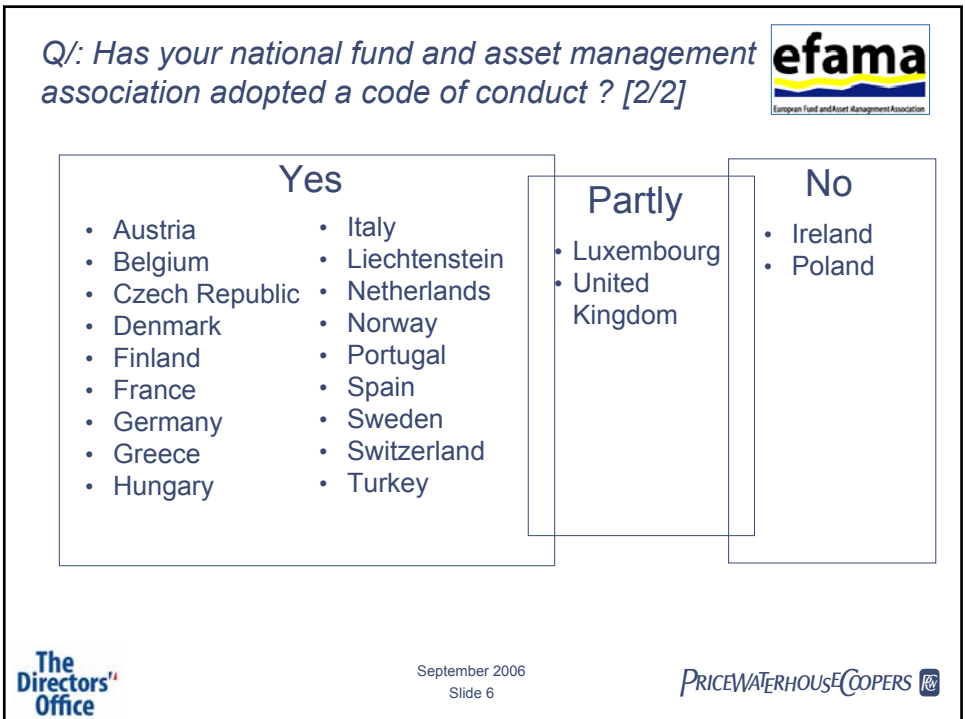
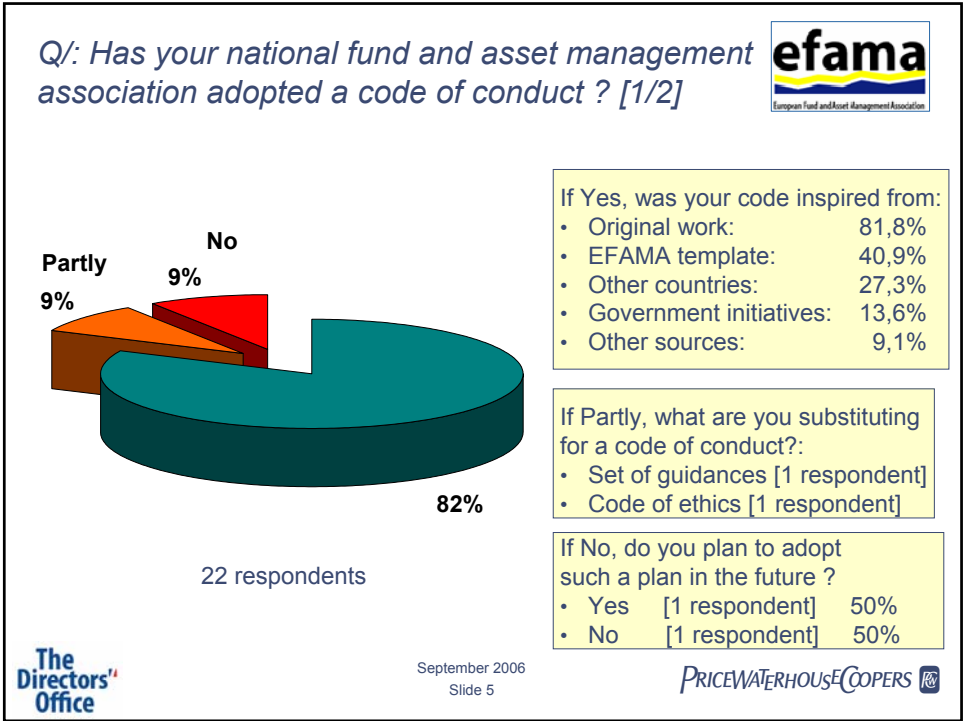
15. Clients and intermediaries

... suitability of advice and appropriateness of products.

2006 European Survey on National Code of Conduct for Investment Funds



- Profile of participants:
22 national fund and asset management associations, all members of EFAMA.
- Respondents: 22 [100 %]
- Responses deadline: June, 30th 2006 extended to mid-July 2006
- Methodology: e-mail short questionnaire sent to General Directors.
- Questions asked:
 - *Has your national fund and asset management association adopted a code of conduct or principles of best practices ?*
 - *If Yes, was your code of conduct inspired from original work, and/or government initiative, and/or EFAMA template, and/or models from other countries, and/or other....*
 - *If Yes, what were the main focuses of your code of conduct: fiduciary duties, and/or best execution, and/or exercise of voting rights, and/or fund governance, and/or anti-money laundering, and/or other ...*
 - *If No: do you plan to adopt such a code in the future ?*



Q/: If Yes, what were the main focuses of your national code of conduct?



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|--------------------------|-------|
| 1. Fund Governance | 81,8% |
| 2. Fiduciary duties | 68,2% |
| 3. Best execution | 63,6% |
| 4. Voting rights | 59,1% |
| 5. Anti-Money Laundering | 36,4% |
| 6. Other* | 27,3% |

* Other themes would include: market timing/late trading, fair value pricing, information duties & disclosure code, distribution quality, avoidance and handling of conflict of interest, outsourcing, market integrity, etc.