

A Code of Conduct for Members of the
European Wholesale Securities Market

February 2012



SECTION I - GENERAL PRINCIPLES

- 1.1 The purpose of this Code is to protect the interest of investors and to ensure that a Member conducts his business in a manner which contributes to the maintenance of a fair and orderly market in securities.
- 1.2 A Member shall at all times comply with the following principles in the conduct of his business by:
- a. Honesty and Fairness*
 - (i) observing professional standards of integrity and fair dealing;
 - (ii) at all times acting honestly and fairly and in the best interests of his clients; and
 - (iii) ensuring that he conducts his business in such a manner as to contribute to the maintenance of a fair and orderly market.
 - b. Diligence*
 - (i) acting with due skill, care and diligence in the best interest of his clients and the integrity of the market.
 - c. Capabilities*
 - (i) taking all necessary steps to ensure that all his employees are fit and proper persons to deal in securities business;
 - d. Information about Clients*
 - (i) taking all reasonable steps to obtain sufficient financial and other information from each client, as is relevant to the services to be provided by the Member in respect of trading.
 - e. Information for Clients*
 - (i) making adequate disclosure of all information relevant to his dealing with and on behalf of that client; and
 - (ii) strictly avoid making any misleading or deceptive representations to his clients.
 - f. Client Priority*
 - (i) avoiding to treat a client's interests as subordinate to his own and to ensure that his clients are at all times treated fairly.
 - g. Conflicts of Interest*
 - (i) taking all reasonable steps to avoid conflicts of interest and where such conflicts cannot reasonably be avoided, taking all reasonable steps to ensure that clients are at all times treated fairly.
 - h. Compliance*
 - (i) complying with all regulatory and Exchange requirements applicable to the conduct of his business so as to promote the best interests of the clients and the integrity of the market; and
 - (ii) having in place internal procedures dealing with customer complaints.
 - i. Confidentiality and Professional Secrecy*
 - (i) complying with all regulatory and Exchange requirements as regards professional secrecy and confidentiality of Exchange information.

SECTION II - PRACTICAL APPLICATION OF THE PRINCIPLES

2.1 *Honesty and Fairness*

- (a) In the course of business, a Member must not:
- (i) create, by any means and in any security, any fictitious order or transaction either on his own or in collaboration with others;
 - (ii) disclose or utilise, with a view to making a profit or to take any other material advantage, any confidential information which he has obtained by virtue of his business relationship either with listed companies or with prospective listed companies where the Member is acting as a sponsoring stockbroker;
 - (iii) create a false market by bringing about a movement in the price of a security using contrived factors such as collaboration between buyer and seller calculated to create a movement of the price of the security not justified by the assets, earnings or prospects related to that security;
 - (iv) effect, directly or indirectly, a series of transactions in any security on the Exchange creating actual or apparent active trading in such security for the purpose of inducing the purchase or sale of such security by others;
 - (v) employ any device, scheme or artifice with the intention to mislead or to defraud;
 - (vi) engage in any act, practice or course of business which would operate as a fraud or deceit on any person;
 - (vii) make any untrue statement of a material fact or omit to state a material fact either recklessly or with the intent to mislead; and
 - (viii) solicit, accept, offer, or give any gift or inducement from or to a client or prospective client which is likely to cause the recipient to treat the giver favourably or unfairly with regard to third parties.

2.2 *Diligence*

- (a) A Member shall take all reasonable steps to execute at the earliest opportunity, orders of clients in accordance with the instructions of such clients.
- (b) A Member shall always execute orders of clients on the terms which are the best available.
- (c) In dealings where a Member provides investment advice, a Member shall make no recommendation to, nor enter into a transaction for, a client unless such recommendation or transaction is appropriate and suitable for such client having due regard to the facts disclosed by the client and other facts or matters relating to the client which the Member is or should be aware of through the exercise of due diligence.

2.3 *Capabilities*

- (a) A Member must ensure initially and on a continuing basis that any person he appoints to deal with clients or other members, is fit and proper and otherwise qualified, (either by having the relevant professional training or through experience) to act for him in the capacity so appointed.
- (b) A Member must ensure initially and on a continuing basis that he has adequate resources to monitor and enforce compliance with professional standards of integrity and fair dealing by his employees and persons appointed by him to deal with clients or other members.

- (c) A Member must ensure that he has, at all times, satisfactory internal control procedures which can be reasonably expected to protect his clients, other members and his operations from financial loss arising from theft, fraud, or other dishonest acts, professional misconduct or omissions.
- (d) A Member must at all times possess the financial and operational capabilities which would enable him to properly conduct his business.

2.4 *Information About Clients*

- (a) The principle set forth in Article 1.2(d) represents a continuing obligation imposed upon Members who should also, in this respect, comply with the Prevention of Money Laundering and Funding of Terrorism Regulations, that may be issued from time to time under the Prevention of Money Laundering and Funding of Terrorism Act and any Guideline which may be issued by the Exchange from time to time.
- (b) In order to protect himself, fellow Members and the market, if a Member cannot satisfy himself of the identity of a client, he must decline to act for that person.
- (c) The Exchange may prescribe, from time to time, certain minimum requirements in respect of the information Members are required to obtain from existing or prospective clients. The requirements should at least include the following details for each client:
 - (i) full name and address;
 - (ii) satisfactory evidence regarding the identity of the client by way of an identity card, relevant sections of the passport, or any other official document which uniquely identifies the client;
 - (iii) written instructions from the client setting forth the terms and conditions under which the Member will render services to the client; and
 - (iv) sufficient details, obtained to the best of the Member's ability, of the financial position and investment experience and objectives of a client as is relevant to the services to be provided by the Member.

2.5 *Information for Clients*

- (a) A Member must provide clients, on request, with adequate information about his Member firm including his business address, any relevant conditions or restrictions under which the Member conducts his business, and the identity and status of employees and others acting on his behalf with whom the client may have contact prior to or at the time of entering into a Client Agreement with a client but such information need not be contained in the Client Agreement.
- (b) All agreements for services between a Member and a client must be in writing and must set out in sufficient detail the basis upon which those services are to be provided. Such an agreement, and any other communication, must not remove or seek to remove, exclude or restrict any rights conferred on clients or any liabilities of a Member to a client, under any Article contained in the Act or the Bye-Laws.
- (c) After a Member has carried out a transaction for a client, he must promptly confirm with the client in writing the essential features of the transaction including the date and time of the transaction, the name of the securities involved, the price paid or received, the quantity purchased or sold and any other fees or commissions payable.
- (d) Where a Member deals with or advises a client, he must fully disclose all relevant facts, including details of the remuneration attributable to the dealing or to the provision of advice.

- (e) Any agreement, communication, notification or information provided by a Member to a client shall be presented fairly and clearly.

2.6 *Client Priority*

- (a) A Member shall handle orders of clients fairly and in the order in which they are received, and ensure that such client orders have in all cases priority over orders for his own account.

2.7 *Conflicts of Interest*

- (a) Where a Member has a material interest in a transaction to be carried out on behalf of a client, or a relationship which gives rise to an actual or a potential conflict of interest in relation to such transaction, he must neither advise, nor deal, in relation to the transaction unless he has:
 - (i) fairly disclosed that material interest to the client and received such client's consent in writing; and
 - (ii) has taken all reasonable steps to ensure fair treatment of the client.

2.8 *Compliance*

- (a) A Member shall take all reasonable steps including the establishment and maintenance of all necessary procedures, to ensure that his employees act in conformity both with their own, as well as with the Member's relevant responsibilities under the applicable law, any regulations made thereunder and these Bye-Laws.
- (b) A Member shall put in place the necessary procedures to ensure that:
 - (i) complaints from clients relating to his conduct or to his dealings on behalf of clients, are handled in a timely and appropriate manner;
 - (ii) prompt steps are taken to investigate and respond to or to remedy the complaints; and
 - (iii) where the complaint is not or cannot be remedied promptly, the client is advised of any further steps which may be available to the client.
- (c) A Member shall take reasonable steps, including the establishment and maintenance of procedures, to ensure that all relevant information about his business is recorded and retained.
- (d) A Member shall at all times be responsible for the acts or omissions of his employees and agents in respect to the conduct of his business.

2.9 *Confidentiality and Professional Secrecy*

- (a) A Member (or his employees) who comes into possession of price-sensitive information in exercising his profession or carrying out his duties, where such information is not yet public and where it relates to a company or to the market in its securities, or to any event of general interest to the market, should refrain from carrying out, directly or indirectly, any transaction in which such information is used, and should refrain from passing on the information to another person, until the information becomes public.
- (b) Information entrusted to a Member or acquired by reason of his profession, constitutes a professional secret even if the Member subsequently ceases to exercise such profession.

