



Integrity
Qualification
Communication

EFFAS

PRINCIPLES OF ETHICAL CONDUCT



EFFAS THE EUROPEAN FEDERATION
OF FINANCIAL ANALYSTS SOCIETIES

Preamble

1) For the purpose of these Principles, 'Investment professionals' are individuals who evaluate or use financial, economic, statistical and other relevant non-financial data as part of the professional practice of financial analysis, investment management, portfolio management, wealth management, risk management, investment research, investment advice, investment counselling, or other similar professions.

Professional associations of investment professionals¹⁾ fulfil a number of important functions in the capital markets: on the basis of high quality training and qualification models, as well as of widely accepted codes of professional conduct, our organisations can build on solid foundation of ethical behaviour, competence and technical skills in financial markets. A central goal of EFFAS is to promote the development and dissemination of such international professional standards in order to contribute towards the highest level of quality in the professional practice of investment professionals.

Investment professionals are key to the knowledge-based finance industry: their competence and their capacity to combine the latest global financial knowledge with local expertise generate added value for financial markets. But investment knowledge and skills alone are not enough.

We are convinced that every investment professional is defined by two main features: first, professional qualification and second, professional integrity. Skills and ethics are the two dimensions by which every investment professional should be measured. After all, potential investors must be able to trust the integrated European financial market and its major actors.

Therefore EFFAS is promoting the development and dissemination of an international Code of Ethics and Professional Conduct.

The EFFAS Principles consist of Fundamental Principles which lay down fundamental ethical behaviour for investment professionals, and Specific Key Principles, which apply these Fundamental Prin-

principles to investment professionals' activities. Lastly, Key Recommendations have been defined as standards which each national association is recommended to adopt so as to give effect to each Specific Key Principle.

The EFFAS Principles seek to ensure the highest ethical conduct of investment professionals. Primarily, these principles are directed at investment professionals who are members of EFFAS national member societies, but they also aim at setting standards for everyone in the profession, thus contributing to the integrity of global capital markets as a whole.

The national societies of financial analysts are best equipped to provide their members and any members of the profession with the necessary skills to operate in financial markets successfully. The diversity of national and regional approaches taught in different societies is aimed at enriching the profession and creating a cross-fertilisation of ideas; while the approach to ethical conduct tends to become standard across all nations and across all markets, a number of details still remain subject to local laws and customs.²⁾

No Code of Ethics can adequately cover all possible cases of ethical choice that will confront investment professionals during a whole career: in many cases, principles may clash; in others, situations that could not have been envisaged will occur. In the final case EFFAS exhorts all national member societies to arbitrate in cases of ethical ambiguity that are brought to their attention, and unhesitatingly to consult with EFFAS colleagues if needs be.

2) The European regulatory environment has largely influenced the design of the EFFAS Principles, although there are commonalities with the ACIIA Principles of Ethical Conduct, released by the ACIIA, Association of Certified International Investment Analysts, in 2005.

A. Fundamental Principles

1. Standards

In all of their professional activities investment professionals shall observe the highest standards of honesty, integrity, and fairness and perform their duties with all due care and diligence.

2. Interests of Clients

When acting in their professional capacity, investment professionals shall always act in the best interests of their clients and prospective clients, and place the interests of clients and prospective clients before their own or that of their employers.

3. Independence and Objectivity

Investment professionals shall take reasonable care to maintain independence and objectivity and to make fair judgments when performing their professional activities.

4. Professional Competence

Investment professionals shall continuously strive to maintain and improve their professional competence.

5. Required Knowledge and Compliance

Investment professionals shall maintain knowledge of, and comply with all applicable laws, rules, regulations, and the codes of ethics and standards of professional conduct of national or regional associations, and shall not consciously partake in any violation thereof.

B. Specific Key Principles

1. Reasonable Basis and Fair Representation

Principle: Investment professionals shall present to their clients and prospective clients research, recommendations and investment performance fairly, accurately, and completely, to a professional standard of comparability.

Key recommendations:

- a. Investment professionals shall have a reasonable basis for their investment research, recommendations, and investment management, supported by thorough and diligent research and analysis.
- b. Investment professionals shall clearly distinguish facts and opinions; forecasts shall be labelled as such.
- c. Investment professionals shall disclose the basic principles and methods used for analysis and management, and any material changes to them; all material facts and risk factors shall be fully disclosed.
- d. When using material prepared by others, investment professionals shall cite the source.
- e. Investment professionals shall maintain appropriate records to support their investment research and other professional activities.
- f. Investment professionals, whilst in the possession of inside information relating to issuers of financial instruments or to financial instruments, shall not trade on, or communicate to others, such information, until it is made public.
- g. Investment professionals shall always act fairly and to the highest standards of the profession in their duty to act in the best interest of the client when handling orders.

2. Preserving Interest of Clients

Principle: Investment professionals shall always deal fairly with all clients and prospective clients.

Key recommendations:

- a. Investment professionals shall always maintain the highest standards of the profession when providing information or reporting to clients.
- b. Investment professionals shall always conduct suitability and appropriateness tests to the highest standards of the profession.
- c. Investment professionals shall not disclose confidential information about clients and prospective clients and their affairs unless required to do so by law.
- d. Investment professionals shall not make any statements that could be misleading as to the services offered to clients and prospective clients, and any other important facts relevant to professional activities.

3. Prevention and Disclosure of Conflicts of Interest

Principle: Investment professionals shall take all necessary steps to resolve conflicts of interest that could reasonably appear to impair their independence and objectivity, and otherwise disclose any apparent conflict.

Key recommendations:

- a. Investment professionals shall disclose to their clients, prospective clients, employers and any affected party all matters that could reasonably appear to impair their independence and objectivity.
- b. Investment professionals shall inform their supervisors of any form of pressure on them from others arising in the course of their professional duties.
- c. Investment professionals shall refrain from ownership of covered securities or related instruments in their coverage sectors, unless such ownership is reasonably judged not to impair research objectivity and is disclosed to clients and prospective clients.
- d. Investment professionals shall give priority to investment transactions for clients over their personal or employers' account transactions.
- e. Investment professionals shall disclose to their clients, prospective clients, and employers all relevant payments or benefits received from any source other than their employer.
- f. Investment professionals shall not accept gifts or other benefits which could reasonably appear to impair their independence and objectivity.

4. Professional Qualifications

Principles: Investment professionals shall use their qualifications with due care so as to enhance the standing of and confidence in such qualifications and their related associations. Investment professionals shall take concrete steps to continuously strive to maintain and improve their professional competence.

Imprint

OVFA

Oesterreichische Vereinigung für
Finanzanalyse und Asset Management

OVFA

Österreichische Vereinigung für Finanzanalyse
und Asset Management

Eßlinggasse 17/5

1010 Wien

Austria

Telephone: +43 1 533 50 50

Telefax: +43 1 533 50 50 33

Email: office@ovfa.at

Internet: www.ovfa.at

ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher and the copyright holder.

© EFFAS/OVFA 2011



EFFAS

THE EUROPEAN FEDERATION
OF FINANCIAL ANALYSTS SOCIETIES

Mainzer Landstrasse 47a
60329 Frankfurt am Main
Germany

Telephone: +49 69 26 4848 300

Telefax: +49 69 26 4848 335

Email: info@effas.com

Internet: www.effas.com

