FUND MANAGERS ASSOCIATION CODE OF CONDUCT
(Amalgamation of the CMA Prescribed Code of Conduct and the CFA Institute Asset Managers Code)

General Principles of Conduct

FMA Members and their staff have the following responsibilities to their Clients: To:

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 and accurate manner; and
6. Uphold the rules governing capital markets.

Code of Professional Conduct

FMA Members must also ensure their firms and staff abide by the following elements of the FMA Code of Professional Conduct:

A. Loyalty to Clients

Client interests at all times must be placed before the firm and their employees.

a) Directors, management and staff must not use the market intermediary's name or facilities for personal advantage in political, investment or retail purchasing transactions, or in similar types of activities. Such persons and their relatives must also not use their connection with the market intermediary to borrow from or become indebted to clients or prospective clients. The use of position to obtain preferential treatment, such as purchasing goods, shares and other securities, is prohibited.

b) Directors, management and staff must not solicit or otherwise accept inducements either directly or indirectly whether in cash or in kind in order to provide any favours to a client in the conduct of the business of the market intermediary to which they are entrusted either jointly or individually.

c) Further, directors, management and staff must not use the market intermediary's facilities and influence for speculating in securities, whether acting personally or on behalf of friends or relatives. Such misuse of position may be ground for dismissal and prosecution.

d) Directors, management and staff should also not engage in "back-scratching" exercises with employees and directors of other market intermediaries to provide mutually beneficial transactions in return for similar facilities, designed to circumvent these ethical guidelines.

B. Confidentiality

Confidentiality of relations and dealings between the market intermediary and its clients is paramount in maintaining the market intermediary's reputation.

a) Directors, management and staff must take precaution to protect the confidentiality of client information and transactions. No member of staff, management or director should during, or upon and after termination of employment with the market intermediary (except in the proper course of his duty and or with the market intermediary's written consent) divulge or make use of any secrets, copyright material, or any correspondence, accounts of the market intermediary or its clients. No member of staff, management or director shall in any way use information so obtained for financial gain.

b) Business and financial information about any client may be used or made available to third parties only with prior written consent of the client or in accordance with the arrangements for the proper interchange of information between market intermediaries about credit risks, or when disclosure is required by law.

C. Conflict of Interest

Directors, management and staff should not engage directly or indirectly in any business activity that competes or conflicts with the market intermediary's interest or those of its clients unless fully disclosed to the clients. These activities include, although are not necessarily limited to, the following:

a) **Outside Financial Interest**: Where directors, management or staff have a financial interest in a client, such an interest must be disclosed immediately to the management and the client. Thereafter, the affected director, member of management or employee should not be directly involved in the market intermediary's dealings with the client so long as the interest continues to exist.

b) **Other Business Interests:** It is considered a conflict of interest if an executive director, member of management or member of staff conducts business other than the market intermediary's business during office hours. Where the acquisition of any business interest or participation in any business activity outside the market intermediary and office hours demands excessive time and attention from the member of staff, thereby depriving the market intermediary of the employee's best efforts on the job, a conflict of interest is deemed to exist.

c) **Other Employment:** Before making any commitment, executive directors, management and employees are to discuss possible part-time employment or other business activities outside the market intermediary's working hours with their manager or departmental head. A written approval of the board of directors, chief executive, manager or departmental head respectively should be obtained before an executive director, member of management or employee embarks on part-time employment or other business activities. Approval should be granted only where the interest of the market intermediary will not be jeopardized.

d) **Corporate Directorship:** Employees, members of management and executive directors must not solicit corporate directorships. All such persons should not serve as a director of another corporation without approval of the board of directors.

Those who hold directorships without such approval must seek approval immediately, if they wish to remain as directors of other corporations. However, such persons may act as directors of non-profit public service corporations, such as religious, educational, cultural, social, welfare, and philanthropic or charitable market intermediaries, subject to policy guidelines of the market intermediary.

(e) **Trusteeships:** Directors, management and staff must not solicit appointments as executors, administrators or trustees of clients' estates. If such an appointment is made and the individual is a beneficiary of the estate, his signing authority for the estate's bank account or accounts must be approved by the board of directors, who will not unreasonably withhold such approval.

(f) **Insider Loans:** Directors, management and staff should not use their positions to further their personal interests. A market intermediary in Kenya shall not therefore:

i) Grant or permit to be outstanding any unsecured advances in respect of any of its employees or their associates.

ii) Grant or permit to be outstanding any advances, loans or credit facilities which are unsecured or advances, loans or credit facilities which are not fully secured to any of its officers, significant shareholders or their associates.

iii) Grant or permit to be outstanding any advance, loan or credit facility to any of its directors or other person participating in the general management of the market intermediary unless it is:

- **a)** approved by the full board of directors of the market intermediary upon being satisfied that it is viable.
- **b)** is made in the normal course of business and on terms similar to those offered to ordinary clients of the market

intermediary. The market intermediary shall notify the Authority of every such approval within seven days of the granting of the approval.

iv) Grant any advance or credit facility or give guarantee or incur any liability or enter into any contract or transaction or conduct its business or part thereof in a fraudulent or reckless manner or otherwise than in compliance of the Act and the regulations made thereunder.

D. Investment Process and Actions

FMA Managers must:

a. Use reasonable care and prudent judgment when managing client assets.

b. Not engage in practices designed to distort prices or artificially inflate trading volume with the intent to mislead market participants.

c. Deal fairly and objectively with all clients when providing investment information, making investment recommendations, or taking investment action.

   i. All business dealing on behalf of the market intermediary with the current potential clients, with other members of staff and with those who may have cause to rely upon the market intermediary, should be conducted fairly and equitably. Staff, management and directors must not be influenced by friendship or association, either in meeting a client's requirement, or in recommending that they be met.

   ii. Such decisions must be made on a strictly arms-length business basis. All preferential transactions with insiders or related interests should be avoided. If transacted, such dealings should be in full compliance with the law, judged on normal business criteria basis and fully documented and duly authorised by the Board of Directors or any other independent party.

d. Have a reasonable and adequate basis for investment decisions.

e. When managing a portfolio or pooled fund according to a specific mandate, strategy, or style:

   i. only take investment actions that are consistent with the stated objectives and constraints of that portfolio or fund;

   ii. provide adequate disclosures and information so investors can consider whether any proposed changes in the investment style or strategy meet their investment needs.

f. When managing separate accounts and before providing investment advice or taking investment action on behalf of the client:
   i. Evaluate and understand the client's investment objectives, tolerance for risk, time horizon, liquidity needs, financial constraints, and any other unique circumstances (including tax considerations, legal or regulatory constraints, etc.), and any other relevant information that would affect investment policy.
   ii. Determine that an investment is suitable to a client's financial situation.

E. Trading
FMA Managers must:

a. Not act, or cause others to act, on material nonpublic information that could affect the value of a publicly traded investment.
   i. Directors, management and staff should not deal in the securities of any company listed or pending listing on a stock exchange at any time when in possession of information, obtained by virtue of employment or connection with the market intermediary, which is not generally available to shareholders of that company and the public, and which, if it were so available, would likely bring a material change in the market price of the shares or other securities of the company concerned. "insider-dealing" as this is called, is a crime.
   ii. Directors, management and staff who possess insider information are also prohibited from influencing any other person to deal in the securities concerned or communicating such information to any other person, including other members of staff who do not require such information in discharging their duty.

b. Give priority to investments made on behalf of the client over those that benefit their own interests.
c. Use commissions generated from client trades only to pay for investment-related products or services that directly assist the Manager in its investment decision-making process and not in the management of the firm.
d. Maximize client portfolio value by seeking best execution for all client transactions.
e. Establish policies to ensure fair and equitable trade allocation among client accounts.

F. Compliance and Support
FMA Managers must:

a. 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.

b. Appoint a compliance officer responsible for administering the policies and procedures and for investigating complaints regarding the conduct of the Manager or its personnel.
c. Ensure portfolio information provided to clients by the Manager is accurate and complete and arrange for independent third-party confirmation or review of such information.
d. Maintain records for an appropriate period of time in an easily accessible format.
   i) Accounting records and reports must be complete and accurate. Directors, management and staff should never make entries or allow entries to be made for any account, record or document of the market intermediary that are false and would obscure the true nature of the transaction, as well as to mislead the true authorization limits or approval authority of such transactions.
   ii) All records and computer files or programmes of the market intermediary, including personnel files, financial statements and client information must be accessed and used only for management purposes for which they were originally intended.
e. Employ qualified staff and sufficient human and technological resources to thoroughly investigate, analyze, implement, and monitor investment decisions and actions.
f. Establish a business-continuity plan to address disaster recovery or periodic disruptions of the financial markets.

G. Performance and Valuation
FMA Managers must:

a. Present performance information that is fair, accurate, relevant, timely, and complete.
b. Managers must not misrepresent the performance of individual portfolios or of their firm.
c. Use fair market prices to value client holdings and apply, in good faith, methods to determine the fair value of any securities.

H. Disclosures
FMA Managers must:

a. Communicate with clients on an ongoing and timely basis.
b. Ensure that disclosures are prominent, truthful, accurate, complete, and understandable and are presented in a format that communicates the information effectively.
c. Include any material facts when making disclosures or providing information to clients regarding themselves, their personnel, investments, or the investment process.

d . Disclose the following:

i. Conflicts of interests generated by any relationships with brokers or other entities, other client accounts, fee structures, or other matters.
ii. Regulatory or disciplinary action taken against the Manager or its personnel related to professional conduct.
iii. The investment process, including information regarding lock-up periods, strategies, risk factors, and use of derivatives and leverage
iv. 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.
v. 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.
vi. The performance of clients' investments on a regular and timely basis.
vii. Valuation methods used to make investment decisions and value client holdings.
viii. Shareholder voting policies.
ix. Trade allocation policies.
x. Results of the review or audit of the fund or account.
xi. Significant personnel or organizational changes that have occurred at the Manager.