

5 September 2005

**A CODE OF CONDUCT FOR THE EUROPEAN
INVESTMENT MANAGEMENT INDUSTRY**

HIGH LEVEL PRINCIPLES

&

BEST PRACTICE RECOMMENDATIONS

I INTRODUCTION, OBJECTIVES, SCOPE AND APPLICABILITY

The EFAMA Code and Best Practice Recommendations represent an initiative by the European investment management industry to build up its leadership role and aims to preserve and strengthen:

- The integrity of the European marketplace for investment management and its worldwide reputation;
- The confidence of investors in the “investment management service” and the existing high level of investor protection;
- The existing high standards for authorised investment managers – so that they are best equipped to manage money on a fiduciary basis.
- The integration of the European Investment Management industry and the single market for financial services.

This Code of Conduct applies to all types of Investment Management:

- Management of segregated assets for private and institutional investors
- Management of Collective Investment Schemes, in particular investment funds (including their administration and distribution) offered to private and institutional clients.

Therefore, this Code refers to the core principles of both the UCITS Directive – in particular the rules of conduct as called for in its Article 5h – and the Markets in Financial Instruments Directive – in particular the rules relating to conduct of business, advice and best execution.

Self-regulatory approaches by national investment management associations or companies are expected to comply with these principles. However, the EFAMA Code is not designed to supersede applicable national law and regulations.

The requirements of this Code are also applicable to mandate-based segregated accounts, unless contractual arrangements with the client provide otherwise. In such cases contractual arrangements shall prevail.

The Code sets forth high-level principles, which EFAMA regards as key elements of good conduct. Such principles are complemented and interpreted by best practice

recommendations. In addition to this Code, EFAMA may issue detailed guidelines on specific issues that require more technical regulation (See Annex). Such guidelines may be modified and deleted as required.

DEFINITIONS

The key notions in this Code are defined as follows:

- **Investment Management Industry** comprises entities conducting collective portfolio management and/or segregated account management on a discretionary basis as a main business.
- **Investment Management Company (IMC)** provides Investment Management services as defined above and illustrated in the table on page 6. It is the legal entity that constitutes the primary addressee of the present Code of Conduct. Where the legal entity provides services other than Investment Management, only Investment Management is subject to this Code of Conduct, and under no circumstances shall other services be affected.
- **Directors** – executive or non-executive - are members of the Board of an Investment Management Company.
- **Fund** is a Collective Investment Scheme either in corporate or in contractual type form.
- **Portfolio** is a pool of assets managed on a discretionary basis by an Investment Management Company.
- **Portfolio/fund holdings** are the individual assets – for example, shares or fixed income securities – that are held in a portfolio/fund.
- **Portfolio manager** is the company mandated to manage a specific portfolio/fund by retail or institutional clients, or by a CIS.
- **Shareholders** are the owners of a Portfolio Manager (under MiFID) and could also be the owners of a Fund Management Company (under UCITS). Unit holders of a self-directed corporate Fund are not shareholders in this sense.
- **Investors** can be investors in individual portfolios (“clients”), unit holders of contractual type investment funds, or shareholders of corporate type investment funds.
- **Service providers** provide services to the IMC under delegation or contractual arrangements. Such services may relate to portfolio management, transfer agency and brokerage, accountancy, as well as reporting and custody (for certain types of funds only). The service provider can be independent of the IMC or a related party.
- **Related parties** are parties that have a sufficiently close relationship to the Investment Management Company.

Investment Management and Investment Management Company

Applicable Regulation	The Investment Management (IM) function comprises:	The Investment Management Company (IMC) definition includes the following legal entities:
MiFID	Mandate-based management of segregated assets for private and institutional investors; defined as “Portfolio Management”	<ul style="list-style-type: none"> • “Investment Firms”, defined as financial institutions (part of a group or not) providing Portfolio Management services to private and institutional investors under MiFID. They can also be delegated by the Fund Management Company to manage Fund assets.
UCITS	Management of Collective Investment Schemes (CIS), offered to private and/or institutional clients; defined as “Fund Management”	<ul style="list-style-type: none"> • „Fund Management Companies“¹ that manage: <ul style="list-style-type: none"> ○ Funds in contractual form (i.e. Société de gestion, Kapitalanlagegesellschaft, Fondsleitung); and ○ Funds in corporate form with a “designated“ management company • Self-directed Funds in corporate form

It is understood that the rules of this Code of Conduct shall apply at the level of Investment Firms, Fund Management Companies and Self-directed Funds in corporate form.

¹ Under the UCITS Directive, Fund Management Companies may provide mandate-based management of segregated assets, and for this activity they are subject to MiFID and should abide by the pertinent principles of this Code.

II HIGH LEVEL PRINCIPLES AND BEST PRACTICE RECOMMENDATIONS

1. Fiduciary Duty

In its activity of managing a portfolio of assets for investors on a discretionary basis and in the form of funds, the Investment Management Company recognizes and accepts a fiduciary duty to the investor. Therefore the Investment Management Company must always act in the best interest of the investor and in line with the integrity of the markets. All individuals and responsible bodies of an Investment Management Company must be guided by these Principles.

2. Governance

The Board, its members and the senior management of an Investment Management Company shall be accountable that the Investment Management Company acts in the best interest of investors. They shall ensure that investors receive the benefits and services to which they are entitled as a matter of law, in accordance with contracts and prospectuses or in accordance with specific instructions clients may give.

All Directors must have a good professional standing and they must be experienced with regard to their assigned function. The Board must collectively be competent to fulfil its responsibilities. All necessary qualifications and resources needed to effectively provide the types of products and services offered must be available.

In order to fulfil efficiently its responsibility towards investors and to resolve any conflicts of interests that arise the Board and senior management must act in sufficient autonomy and independence of shareholders, service providers and other related parties. The principles and rules for the governance of the Investment Management Company must provide safeguards that ensure this independence.

Best Practice Recommendations

Independent oversight

The governance structure of the IMC shall provide for independent oversight of the operations of the IMC, to be ensured by entities that are independent of management, shareholders, and service providers. Such entities can have different forms (i.e. auditor, independent depository or independent directors).

The independent oversight shall ensure that the IMC respects applicable rules, contractual obligations and duties and protect the interests of investors.

The Board and the compliance organization of the IMC shall closely cooperate with the independent entity and support it in the exercise of its functions.

3. Conflicts of Interest

The Investment Management Company shall identify areas where the interests of investors may conflict with those of other parties such as the management company, its staff, the service providers, in particular related parties, or other investors. It shall define rules and procedures for such cases to avoid, manage or disclose such conflicts of interest and to assure that the interests of investors are protected and all investors are treated equally.

Best Practice Recommendations

Managing conflicts of interest

An IMC shall establish organisational and administrative arrangements for identifying, preventing or managing conflicts of interest in order to prevent any damage to the interests of its investors.

▪ Identification of conflicts of interest

An IMC shall take adequate measures to avoid, manage or disclose potential conflicts of interest that arise in connection with the management of assets, order allocation and execution, relationships with services providers and distributors, pricing and incentive policies.

The IMC shall identify the categories of interested persons, areas of business, types of financial instruments and transactions, service providers that can represent potential sources of conflicts of interest.

▪ Conflicts policy

The IMC's conflicts policy shall be appropriate to the nature, scale and complexity of its business. The arrangements set out in the IMC's conflicts policy shall include internal policies to mitigate conflicts of interest. In particular, the Investment Management Company shall have:

- A compensation policy for Directors, senior management functions and employees – in particular portfolio managers- that avoids incentives to act against investors' interests;
- A policy regarding personal transactions ensuring that employees cannot derive undue personal advantages;
- A policy with respect to confidentiality of information and protection of proprietary data;
- A policy regarding inducements.

The Investment Management Company shall obtain a formal commitment from its employees and directors to adhere to the policies in place.

▪ **Policy regarding dealings with related parties**

When functions or tasks are delegated to related parties or business transactions are carried out on behalf of investors or portfolios with related service providers, the terms of business shall always be “at arms length” and in line with market conditions.

4. Organisation and procedures

The Investment Management Company shall have the necessary means, resources and expertise to properly carry out its activities and which shall correspond to the business lines and the complexity of financial instruments and portfolio types that are managed. It shall act with due skill, care and diligence to manage its business in a responsible manner, in particular with regard to the protection of the rights and interests of investors.

It shall have appropriate written policies, procedures and controls for its operations and apply the “four-eyes” principle. It shall apply an appropriate segregation of business areas and duties (decision making, execution, administration and compliance) and control systems. It shall have an appropriate corporate risk management system.

Best Practice Recommendations

General Requirements relating to Organisation & Procedures

The IMC is free in its choice of organizational structures, policies, procedures and controls, according to the nature, scale and complexity of its business, as long as it ensures a clear separation between investment decisions (e.g. management of portfolios/funds assets), execution (e.g. securities trading and settlement) and administration (e.g. valuation of portfolios/funds assets and reporting).

The following comprise best practice guidelines:

- **Policies**: should include explicit written policies with regard to: accounting, risk management and control, decision making, management of conflicts of interest (see 3), obligations towards clients (including marketing, advice where it is given, custody of client information and assets where relevant, valuation of assets and performance reporting), compliance with regulations including self regulation (see 5), employee standards of behaviour and compensation.
- **Procedures**: the IMC shall have procedures in place to implement the policies described above. Such procedures should be documented, communicated throughout the firm and updated regularly.
- **Controls**: Internal control mechanisms shall ensure compliance with policies and procedures at all levels of the IMC and be adequately independent. The control functions

and the staff members charged with them shall be clearly defined. The staff should be adequately trained and have clear reporting lines.

- **Complaint handling:** the IMC shall have in place and communicate effective procedures for handling complaints received from clients/investors in a satisfactory and timely way. Records shall be kept of the complaints received and action taken.

5. Compliance

The Investment Management Company shall constantly monitor compliance with the Law, regulation and other rules, in particular those that protect the interests of investors and mitigate conflicts of interest.

The compliance function shall be independent from operative functions, be equipped with adequate resources and report regularly to the Board of Directors. Persons conducting the compliance function must have the necessary expertise and authority, as well as full access to all information enabling them to perform their duties.

Best Practice Recommendations

The compliance function shall be independent but must not be necessarily exercised by a separate unit. However, the compliance function shall dispose of adequate resources, its tasks and reporting lines shall be clearly defined, and its staff members shall be adequately trained.

6. Delegation/outsourcing and service providers

When delegating/outsourcing functions to third parties and carrying out business transactions on behalf of investors or portfolios, the Investment Management Company must have a clearly defined policy with respect to the selection of service providers. It shall monitor the services provided, their quality and price. Particular diligence is required when transactions or delegated functions involve related parties.

The delegation of functions does in no way reduce the responsibility of the Investment Management Company to the investor. It must maintain control over delegated functions and the supervision of risk management.

Best Practice Recommendations

Delegation/outsourcing and Service Providers

- **Policy regarding selection and oversight of service providers**

IMC choices regarding delegation and outsourcing to service providers should be made independently and in the sole interest of investors. All decisions in this regard shall be documented.

The IMC shall:

- exercise due skill, care and diligence in planning, entering into, instructing, supervising and exiting from an outsourcing arrangement
- only delegate such tasks to third parties that have the ability and capacity to perform the outsourced functions reliably, professionally and in the best interest of the IMC's clients/ investors
- retain the required expertise to effectively supervise the outsourced functions and manage the risk associated with the outsourcing
- clearly allocate the parties' respective responsibilities in a written agreement
- have a comprehensive exit strategy
- have complete access to its data in an outsourcing agreement and provide such access also to the firm's compliance function, as well as to internal and external auditors
- disclose to investors the outsourcing of critical functions

7. Investment decisions

When the portfolio management function is delegated to a third party the Investment Management Company shall closely monitor the portfolio and its risk profile to ensure that the outside manager abides by all objectives and policies relevant to the portfolio.

Investment decisions require a high level of diligence. Only portfolio managers with the appropriate professional expertise shall be responsible for taking investment decisions. They must have sufficient analytical and research capacities at their disposal.

The necessary procedures and techniques to manage the risk profile of each portfolio have to be in place. The risk management process shall be appropriate with regard to investment instruments and techniques and portfolio strategies applied.

Investment decisions shall be in line with the objectives and guidelines that are relevant for the portfolio. Rules and safeguards shall be in place to ensure that the investment policy complies at all times with the portfolio objectives and guidelines.

Best Practice Recommendations

Investment Decisions

The IMC shall take all investment decisions in the sole interest of the investor, and not for the prime benefit of the IMC. Investment decisions shall always be in line with investment guidelines and objectives, as laid down in the client agreement (see HLP 14) or in the fund prospectus and marketing material.

Responsibility for investment decisions shall be assigned to experienced staff disposing of adequate tools and resources, among them internal and/or external research. Portfolio management staff shall be adequately supervised.

Delegation of Investment Decisions

For mandate-based segregated accounts investment decisions may be delegated to third parties only with the investors' explicit consent.

Fund Management Companies shall delegate investment decisions only to Investment Firms with sufficient qualifications and which are subject to this Code of Conduct, equivalent standards, or equivalent internal regulations.

Fund Management Companies shall properly instruct the external Investment Firm, as well as ensure appropriate supervision and performance monitoring. Written contracts shall define the functions delegated to the Investment Firm, as well as the rights of the Fund Management Company to have unrestricted access to records, to modify the investment directives or other contractual provisions, or to terminate the contract.

8. Best execution

The Investment Management Company shall set up and implement effective arrangements to achieve the best possible execution of investment decisions, taking into account price, costs, speed, likelihood of execution and settlement, and any other consideration relevant to the execution of the order.

Best Practice Recommendations

Execution policy

The IMC shall establish and implement an order execution policy. As criteria to design the execution policy and assess execution quality, the IMC should consider price, costs, speed and likelihood of execution and settlement as relevant criteria. Costs should include implicit costs such as market impact and opportunity cost.

The policy and the relative importance of the criteria may depend on circumstances like order size, instruments traded, etc.

The IMC's order execution process should define staff responsibilities at each stage of the process. The execution of transactions demands skilled, dedicated staff. A transparent process to account for execution errors should be an integral part of the order management system and should be regularly monitored by senior management.

Best Execution

When directing or executing orders on behalf of portfolios the IMC shall take all reasonable steps to obtain best execution, that is the best possible results for the clients, on a consistent

basis. Specifically, the IMC shall make reasonable efforts to optimize net execution price considering available markets and venues as well as counterparties, while minimising opportunity cost and other transaction costs.

The IMC should make a considered choice whether to execute orders directly or via brokers.

Client instructions as regards selection of brokers, or constraints on broker selection arising from the client's choice of custodian, mitigate the duty of best execution to the extent of the constraints imposed.

All investors, investor groups and/or collective portfolios shall be treated equally. Particular care shall be taken when executing aggregated orders for multiple portfolios.

Even if the portfolio management is delegated to a third party asset manager the IMC remains responsible for the compliance with the best execution obligation by the third party manager.

9. Broker relations

The Investment Management Company shall select counterparties for trade execution (brokers) according to defined procedures and criteria, taking into account execution capability and – in the case of bundled services – quality of research.

Transaction-related commissions paid to brokers may be used to compensate execution and research or other services that improve the activities of the Investment Management Company to the benefit of investors.

The Investment Management Company should disclose its policy regarding broker relations.

Best Practice Recommendations

Brokerage policy/Broker list

In selecting counterparties for portfolio/fund transactions, the IMC shall base its decision on objective criteria and act solely in the interest of the investors. Criteria to be taken into account may include reputation, commissions and fees, ability to avoid market impact, quality of service, financial strength, efficiency of settlement, quality of research, etc. The selection of counterparties should be reviewed at regular intervals.

The IMC should not enter into agreements restricting its decisions in this regard.

Soft commissions

The IMC may enter into soft commission arrangements only if:

- this does not prevent seeking best possible order execution
- the additional goods and services improve the activities to the benefit of the investors
- any conflicts of interest are managed properly and do not impact investors negatively.

Cash retrocessions (hard commissions) are not allowed unless they are transferred to the client/fund.

Review and monitoring

The order execution process should always generate a comprehensive audit trail.

The IMC should regularly review execution arrangements, monitor order execution performance and, if necessary, correct deficiencies. It should use appropriate methods and data to assess whether the best possible execution quality is achieved on a consistent basis.

In case of indirect execution, the quality of execution by brokers should be monitored on a continuous basis and the allocations reviewed regularly in the light of such monitoring.

Disclosure

The IMC shall disclose to current and prospective clients/investors general information regarding its trading and brokerage policy, as well as measures in place to achieve best execution.

10. Asset valuation

The portfolio must reflect the fair value of the assets. Whenever possible it must be priced according to the “mark to market” principle applying predetermined criteria (e.g. by utilising independent pricing sources or predetermined pricing models).” As a basic rule the valuation of assets must be performed independently from the portfolio management function.

Best Practice Recommendations

Organisational measures

The unit in charge of asset valuation shall be independent from portfolio management and trading functions.

The prices used for the valuation shall be drawn from an independent, reputable source. Once selected, the price source should only be changed in exceptional cases, when such change is clearly justified. Any deviations from the price source shall be readily verifiable at all times and officially documented.

Valuation principles

Assets traded on a stock exchange or another regulated market open to the public (hereinafter collectively referred to as “exchanges”) shall be valued at their most recent trading price.

When there is no reliable price, or the assets are not traded on an exchange, the IMC shall use a generally accepted valuation method to calculate the price that would probably be obtained if the assets were sold with due diligence.

Procedures in case of valuation errors (for investment funds only)

The Fund Management Company shall issue internal directives describing the principles and the operational procedures to value the fund's assets and correct calculation mistakes, should they occur.

Effective organizational measures should be implemented to identify as quickly as possible errors in the valuation of the fund's assets and in the calculation of net asset value, issue and redemption prices, and to rectify the causes of such errors.

The Fund Management Company shall keep a record of all errors directly connected with the calculation of the net asset value, as well as the measures implemented to prevent their recurrence. The fund's custodian and auditors should be able to inspect this error report at any time.

11. Custody of portfolio assets

Portfolio assets shall be kept segregated from those of the Investment Management Company.

In the case of a collective investment schemes, a depositary shall hold the assets in custody in the interest of the investors. The depositary must fulfil professional standards and be selected on the basis of the general principle that the Investment Management Company and the depositary are separate entities or sufficiently independent.

Best Practice Recommendations

Custody Arrangements

The IMC is usually not responsible for the selection of a third-party custodian for mandate-based, segregated accounts, which is directly nominated by the client.

Where the custodian/depositary is selected by the IMC, the latter shall exercise great care and diligence in the selection, supervision and periodic review of the custody arrangements for the investor's/fund's assets. Selection criteria for the custodian/depositary shall include expertise, reputation, financial strength and compliance with legal requirements.

12. Fund unit trading

The Investment Management Company shall establish procedures to discourage frequent unit trading and other practices that may harm the interests of long-term investors.

The Investment Management Company shall disclose its policy with regard to fund unit trading and any potentially remaining risks for long-term investors.

Best Practice Recommendations

The IMC shall take adequate measures to prevent late trading in units of its funds and protect investors from the negative impact of market timing transactions. Such measures may include: strict observance of forward pricing and cut-off times, measures to discourage arbitrage activity and 'active traders' (i.e. transaction charges, dilution levies), review of pricing and valuation of the fund to minimize 'stale prices'.

13. Shareholder and creditor rights

Investment Management Companies shall use shareholder and creditor rights attached to portfolio holdings in a considered way, in the best interest of investors and to enhance the portfolio value. When making use of shareholder and creditor rights, the Investment Management Company shall support the aim that portfolio companies comply with recognised standards of good corporate governance.

Investment Management Companies shall define and document their policy with regard to the use of shareholder and creditor rights, in particular on how to exercise voting rights attached to portfolio company holdings. Particular attention must be given to potential conflicts of interest in the case of related companies.

The policies regarding the use of shareholder and creditor rights must be disclosed to investors.

Best Practice Recommendations

Shareholder and creditor rights

IMCs shall adopt a clear and considered policy regarding their responsibility as shareholders and creditors that takes into consideration widely differing corporate cultures, company law requirement and industry structures.

In case of important decisions pertaining to significant portfolio holdings the IMC should exercise its voting rights independently and solely in the interest of investors.

14. Investor Information

All information about products and services that is directed to investors or the public must be true, fair and not misleading, in particular with regard to investment objectives and policy, potential returns and risks, and costs to be borne by the investor. If performance data on managed portfolios is published, the Investment Management

Company shall comply with recognised standards with regard to calculation methods, periods of reference and the application of benchmarks.

All information provided shall in particular comply with the information and disclosure requirements for the types of products and services offered.

All information shall be provided in a consistent format to allow comparability across different products and consistency between different types of publications including prospectuses, standard agreements and periodic reports.

Best Practice Recommendations

Information on services and products targeted at existing and future clients/investors

- Shall contain an accurate, balanced and comprehensive description of potential benefits and risks involved/associated with the service or product.
- Shall be presented in a way and language that is easily understood by the persons to whom it is directed.
- Shall contain information on all costs.
- Shall refrain from promises of future returns (unless guaranteed) and misleading performance comparisons

When referring to past performance, the IMC shall mention that historical results are no guarantee of future performance and that the performance data does not take costs into account.

Marketing materials shall be objective, avoid raising unreasonable performance expectations, and give a balanced picture of potential benefits and risks.

Reporting

Reporting to investors shall contain true and fair information about the policy followed during the reporting period, as well as the results achieved. Information shall be presented in a form and language that is easily understandable for the investors to whom the reporting is primarily addressed.

Statements on portfolio/funds assets prepared by the custodian or by a unit independent from portfolio management shall be regularly provided to the client.

Asset valuation shall be based on independent sources (see HLP/BPR 11). In reporting and publishing performance data on the portfolios/funds it manages, the IMC shall observe generally accepted professional standards with regards to:

- calculation methods

- appropriate reference periods (e.g. 1, 3 and 5 years)
- the selection of suitable benchmarks

IMC shall openly disclose all costs incurred in the management and administration of the portfolio/fund. It shall provide this information in line with generally accepted professional standards.

Reporting for Collective Investment Schemes primarily offered to retail investors shall take into account all applicable legal requirements, as well professional standards/guidelines, and be presented in a language and form easily understandable for the investors.

Use of the Internet for marketing and advertising purposes

On their websites, Investment Management Companies should provide information on products and services according to high quality and integrity standards, taking the following into account:

Consistency

- Full consistency between information on the website and corresponding information in documents in paper form.

Privacy

- Enforcement of all appropriate safety measures in order to protect the confidentiality of the data accessed or provided by the users.
- The use of the data collected should be stated.
- All applicable privacy policies and regulations shall be complied with.

Marketing services

- Investors should have access in downloadable form to all information documents usually disclosed prior to any sale.
- Adequate records of all modifications to website documentation should be maintained.
- Sites should be designed to ensure a high degree of security against intrusion. Investor identification and personal data should be encrypted when transmitted.

Hyperlinks

If hyperlinks are provided, a clear warning should be shown upon leaving the fund provider site.

15. Clients & intermediaries

Where the Investment Management Company provides advice, it shall obtain information about the customer and provide information in order to ensure the

suitability of the advice and the appropriateness of the products for that particular investor.

Where Investment Management Companies appoint distributors, they shall have policies and procedures for their selection, use and monitoring.

Where such distributors provide advice to the investor, the Investment Management Company shall take reasonable care to ensure that the appointed intermediary obtains all necessary product information and support in order to comply with recognised advice and service standards.

Best Practice Recommendations

Clients

The IMC shall in particular seek information about the client's risk tolerance, investment objectives, time horizon of investments, and dependence on regular income and liquidity, and it shall maintain a written client profile.

The IMC shall also maintain written records of contacts with clients, including advice given and investment results presented.

Intermediaries

Policies as to selection, use and monitoring of distributors

The Investment Management Company shall establish written policies complying with the following standards:

▪ Selection of Distributors

The Investment Management Company should take reasonable care that the funds it manages or represents are sold through distributors, who:

- Can ensure a high standard of service and - in the case of a distribution channel with advice - meet recognised standards;
- Enjoy a good reputation in the market(s) of distribution;
- Have been duly authorised as a distributor of funds by the competent authority or body;
- Comply with all applicable governmental regulations, self-regulation rules and industry standards;
- Maintain a control structure to ensure that it:
 - Employs suitable salespeople with appropriate skills and knowledge who are – as the case may be – licensed and supervised in accordance with regulatory requirements;
 - Applies adequate anti-money laundering procedures;
 - Prevents or discloses conflicts of interest.

▪ **Provision of product information and training**

In the provision of product information and training the Investment Management Company should act according to the following standards:

- Require that the distributor provide its clients or potential clients with accurate and up to date product information designated for them at the point of sale;
- Maintain an appropriate framework for the provision of product information and knowledge, such that the distributor is able to meet its obligation to its clients;

If training is provided, it should support the appropriate use of product.

▪ **Monitoring**

During the lifetime of its relationship with a distributor the Investment Management Company should periodically verify that the selection criteria still apply.

Finally, the Investment Management Company should have procedures in place to ensure an appropriate follow-up in case of clients' complaints with respect to the distributor's behaviour.

▪ **Agreement between Investment Management Company and fund distributor**

The relationship between the Investment Management Company and the fund distributor shall be established in a written agreement defining the mutual rights and duties of the parties and accompanied by an agreement including compliance with all applicable laws, regulations, rules and standards.

▪ **Written Policies**

The Investment Management Company maintains in written form its policies regarding selection, use and monitoring of distributors.

III OTHER PROVISIONS

Implementation / Enforcement

Member Associations of EFAMA shall implement the High Level Principles and Best Practice Recommendations in their self-regulatory framework, in coordination with national laws and legal requirements

In cooperation with regulators, Member Association shall seek effective/efficient ways to ensure implementation and compliance by the IMC. Such measures could include regular reviews by the independent compliance unit, depository or auditors.

ANNEX

EFAMA has already adopted in the past principles/guidelines on the following subjects:

- Simplified prospectus
- Transparency of fees (TER)
- Investment fund managers as shareholders
- Investment policy principles
- Performance
- Fund unit trading