



BERMUDA MONETARY AUTHORITY

GENERAL BUSINESS CONDUCT AND PRACTICE

CODE OF CONDUCT

THE FOLLOWING CODE IS ISSUED BY THE BERMUDA MONETARY AUTHORITY IN EXERCISE OF THE POWERS CONFERRED ON IT BY SECTION 10 OF THE INVESTMENT BUSINESS ACT 2003. ALL CORRESPONDENCE RELATING TO THIS CODE SHOULD BE ADDRESSED TO THE BERMUDA MONETARY AUTHORITY.

March 2004

1.0 PRELIMINARY

This code sets out some specific standards for the conduct and practice of business by investment providers.

2.0 OBJECTIVES

The objectives of this Code are to ensure that an investment provider:

- (a) acts with high standards of integrity and fair dealing in the conduct of investment business;
- (b) acts with due skill, care and diligence in providing any services which it provides or indicates a willingness to provide;

This Code shall be interpreted in the light of the above objectives so as best to give effect thereto. The Act provides that every investment provider shall in the conduct of its business have regard to any Code of Conduct issued by the Authority. It further provides that a failure to comply with the provisions of such Code shall be taken into account by the Authority in determining whether an investment provider's business is being conducted in a prudent manner as required by paragraph 5 of the minimum licensing criteria.

Guidance Note: The Authority expects investment providers to comply with the letter and the spirit of this Code. Where the Authority has concerns about compliance with the Code, it will bring its concerns to the attention of the investment provider and take account of the comments and representations of the investment provider as well as, where relevant, his willingness to make appropriate changes to conduct or practice.

3.0 DEFINITIONS

For the purposes of this Code:

“execution-only client” means, in relation to the effecting of a transaction by an investment provider, a client with or for whom that transaction is effected in circumstances in which the investment provider can reasonably assume that the client is not relying upon the investment provider for advice or to exercise any judgement on the client's behalf as to the merits of or the suitability of that transaction.

“market manipulation” means acting in any way or engaging in any course of conduct which creates a false or misleading impression as to the market or in the price or value of an investment when the action or conduct is undertaken for the purpose of creating that impression and of thereby inducing another person to acquire, dispose of, subscribe for or underwrite that investment or to refrain from doing so or to exercise, or refrain from exercising, any rights conferred by the investment. A false or misleading impression may involve, for example:-

- the effecting of a market transaction when no change in the beneficial ownership of the investment is involved;
- the entry of an order or orders for the purchase of an investment in the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price, for the sale of the same investment has been or will be entered by or for the same or related parties;
- the entry of an order or orders for the sale of an investment with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price, for the purchase of the same investment has been or will be entered by or for the same or related parties; and
- the effecting, alone or with other persons, of a series of transactions in an investment with the effect of creating actual or apparent trading activity in the investment, or raising or depressing the price of the investment for the purpose of inducing its purchase or sale by others.

“material non-public information” means price-sensitive information that is not publicly disseminated.

“private client” means any client other than an execution-only client.

“recognised investment exchange” means an investment exchange in a developed country regulated by a supervisory body that is a member of the International Organisation of Securities Commissions (IOSCO).

The definitions appearing in section 2 of the Investment Business Act 2003 shall apply to the interpretation of this Code.

4.0 APPLICATION

This Code applies to all holders of investment business licences granted under section 17 or issued under section 87(2) of the Investment Business Act 2003.

5.0 INTEGRITY AND FAIR DEALING

5.1 *Integrity and fair dealing*

An investment provider shall observe high standards of integrity and fair dealing in the conduct of its investment business and shall avoid conflicts of interest.

5.2 *High standards of market conduct*

An investment provider shall meet high standards of market conduct including compliance with relevant statute law and any Code or standard (applying to investment providers) which has been issued or endorsed by any investment

exchange on which business is conducted by the investment provider. (See also Code 9.2)

5.3 *Informed investment decisions*

An investment provider shall take all reasonable steps to enable clients to make informed investment decisions and shall avoid misleading or deceptive representations or practices. (See also Code 7.1)

5.4 *Independence*

An investment provider shall use reasonable care and judgement to achieve and maintain independence and impartiality in making investment recommendations or taking investment action.

5.5 *Inducements*

An investment provider shall not (and shall not permit anyone acting for it to) offer or receive gifts or other direct or indirect benefits if doing so could influence the giving of advice or the exercise of discretion.

5.6 *Unreasonable recommendations*

An investment provider shall not recommend to a client a transaction if the recommendation is motivated largely by the benefits which it may bring to the investment provider, unless the transaction is demonstrably to the client's advantage.

5.7 *Churning*

An investment provider shall not effect transactions with unnecessary frequency or in excessive size with or for a client for whom the investment provider exercises discretion as to how the client's funds are invested.

5.8 *Overcharging*

An investment provider's charges shall not be unfair in their incidence or unreasonable in their amount. They shall be directly related to the circumstances and nature of the services being provided and the disclosed relationship between the investment provider and the client. (See also Code 8.5 (b)).

5.9 *Use of material non-public information*

An investment provider shall not knowingly trade as principal or for its own account, while in possession of material non-public information nor act in any other way, on the basis of this information, for personal gain. An investment

provider shall not communicate material non-public information to others to allow them to benefit from such information.

5.10 ***Market Manipulation***

In any activities relating to trading in investments, investment providers must not engage in any market manipulation or any other conduct directly or indirectly with the aim of manipulating market prices of investments.

5.11 ***Valuation of investments which are not marketable***

Where an investment provider is a portfolio manager and the amount of any remuneration of the investment provider is dependent upon the value of the assets in the portfolio, the valuation of those assets which are not readily marketable or for which information for determining their current value may not be available shall be on the basis of an arm's length valuation which:

- (a) has been prepared by or confirmed as an arm's length valuation by an independent and competent person; or
- (b) has been agreed expressly with the client at the time that a discretionary management agreement is signed. (See also Code 8.6)

5.12 ***Front running***

An investment provider, or any party related to it, shall not transact for its own account ahead of fulfilling a previous customer order.

5.13 ***Fairness in allocation***

Where supply of stock or other investments is inadequate to meet demand, the investment provider shall always allocate what it has fairly and uniformly.

5.14 ***Distributions of transactions among clients***

An investment provider shall not allocate or transfer to any client any deal (or part of a deal) in an investment which it entered into as principal unless allocation or transfer was unconditionally decided upon before the deal was done, or the investment has improved in value since the deal and the investment provider is satisfied that the investment is suitable for the client and obtains the benefit of best execution and of the improvement in value.

5.15 ***Fairness with research or analysis***

An investment provider shall not:

- (a) deal for itself or a client ahead of the distribution of its own or its associate's research or analysis and with the advance knowledge of anything that might possibly be price sensitive in it; or
- (b) distribute research or analysis containing recommendations from which an investment provider expects to benefit (for example by way of past or future principal transactions or because of a material interest) unless the anticipated source of benefit is disclosed; or
- (c) otherwise behave unfairly in the way in which it acts upon its research or analysis.

5.16 *Conflicts of Interest*

An investment provider shall avoid conflicts of interest arising or, if conflicts arise, shall ensure fair treatment to all its clients, by way of disclosure, internal rules or procedures or otherwise.

An investment provider shall not undertake or recommend an investment transaction in which it has a material interest without the prior knowledge of the client.

6.0 **SKILL, CARE AND DILIGENCE**

6.1 *Skill, care and diligence*

An investment provider shall act with due skill, care and diligence in the conduct of investment business.

6.2 *Prompt and timely execution*

An investment provider shall act promptly in accordance with its instructions, unless it has been given discretion as to timing and it uses that discretion in an alert and sensible way. Instructions and decisions to buy or sell shall be recorded as soon as taken, with the date and, whenever possible, the time.

6.3 *Best execution*

An investment provider shall not transact business for a client on worse terms than it would expect to obtain for itself, making allowances for the size of the transaction, except that where an investment provider effects a transaction through another investment provider or a duly licensed investment provider in a country or territory outside Bermuda it may rely upon that person to obtain best execution provided that the person has accepted such arrangements in writing.

6.4 *Knowledge of client*

Other than for execution-only clients, an investment provider shall obtain from clients relevant information about their financial circumstances and investment objectives which might reasonably be expected to be relevant in enabling the investment provider to fulfil its responsibilities to its clients.

6.5 *Suitability*

In making recommendations to a client, in exercising discretion, and in advising about the client's instructions, an investment provider shall ensure as far as it can, having taken reasonable steps to inform itself of what is available in the market, that purchases and sales are suitable for the client.

6.6 *Disrepute*

The nature and conduct of an investment provider's business shall not be such as may bring Bermuda into disrepute or damage its standing as a financial centre.

6.7 *Manager of collective investment schemes to observe the terms of scheme particulars*

An investment provider which is the manager of a collective investment scheme within the meaning of the Bermuda Monetary Authority Act 1969 shall take all reasonable steps to comply with every statement in the most recently published prospectus, explanatory memorandum or other documentation describing how the manager will operate the scheme and shall comply with the duties imposed by or under the Bermuda Monetary Authority (Collective Investment Scheme Classification) Regulations 1998 or any provision of law amending or replacing such Regulations. An investment provider will take similar steps in acting for a collective investment scheme registered or licensed in any jurisdiction outside Bermuda.

7.0 DISCLOSURE AND INFORMATION

7.1 *Disclosure and information*

An investment provider shall take all reasonable steps to ensure that a client, other than an execution-only client, is given sufficient information, which the client is able to understand, to enable the making of balanced and informed investment decisions.

7.2 *Disclosure of licensing body*

An investment provider shall ensure that the identity of its licensing body is disclosed in all advertisements and correspondence to clients and potential clients.

Guidance Note - The following wording is suggested:

"Licensed to conduct Investment Business by the Bermuda Monetary Authority."

7.3 *Collective investment schemes: disclosure of particulars*

An investment provider shall ensure that before or immediately after a recommendation is made to buy units in a collective investment scheme, a client is given or sent a statement, prepared by the recommender or by the scheme, which informs the client of details of the scheme, which shall include fees or other amounts payable then and in the future and the factors relevant to the ultimate value of the investment.

Guidance Note – Code 7.3 does not apply where an investment provider is acting under the terms of a discretionary management agreement.

7.4 *Disclosure of conflicts of interest*

Where conflicts of interest between an investment provider and its client are unavoidable, the investment provider shall disclose them fully to the client. (See also Code 5.16)

7.5 *Disclosure of links with an associate*

An investment provider shall not advise a client to use the services of another person who is an associate of the investment provider without disclosing that relationship.

7.6 *Disclosure of remuneration and commissions*

Before an investment provider undertakes investment transactions for or advises a client, it shall inform the client, unless it has been specifically agreed with the client that this is unnecessary, of all relevant facts relating to its remuneration (including the remuneration of any intermediary which is payable by the client) attributable to the transaction or advice.

7.7 *Understanding of risk*

An investment provider shall not recommend a transaction to a client, or act as a discretionary manager for him, unless it has taken reasonable steps to enable the client to understand the nature of the risks involved.

In particular, an investment provider shall not:

- (a) advise the client to deal or deal with or for the client in futures or options or contracts for differences, unless it has arranged for the client to receive (and the client has, by returning a signed copy, shown that he has understood) a risk disclosure statement which should contain the elements set out in the form specified in Appendix A; or

- (b) advise the client to buy or effect in the exercise of discretion any purchase of an illiquid investment or one which is not readily realisable, unless it has informed the client of the nature and extent of the risks involved in such investments, including any difficulties in determining their value, and has obtained the client's written consent.

7.8 *Periodic Information*

An investment provider which is managing a portfolio for a client shall provide the client with a portfolio statement at least once in every six months as to the assets held for the account of the client, investment performance of the portfolio, stating the current valuations, a suitable comparison with the movement of the market, any changes in composition of the portfolio and all transactions effected and carried out on behalf of the client during the period covered by the statement.

7.9 *Introductions to unauthorised persons or overseas branches*

An investment provider who introduces a client to a person or entity conducting investment business which is not licensed in Bermuda shall disclose to the investor that such business will not be covered by the Investment Business Act 2003 and shall generally inform the client of the system of regulation pertaining to investment business in that jurisdiction.

8.0 ACTING WITH AGREEMENT

8.1 *General need for a Client Agreement*

Subject to Codes 8.2 and 8.3 an investment provider which conducts investment business with any client shall do so by means of a written agreement which shall set out the basis on which its services are to be provided. The agreement shall be easy to understand, not likely to be misunderstood and conform with this Code. Unless the agreement specifies to the contrary, the client will be deemed to be a private investor. If the client is not to be treated as a private client, the client shall be informed in writing that the level of protection afforded to him is lower than that offered to a private client.

8.2 *Exceptions*

No client agreement is required for:

- (a) the issue of any tipsheet, broker's circular or other investment publication;
- (b) a contract by the operator of a collective investment scheme as principal to sell or purchase units in that scheme;
- (c) advising on and arranging transactions (not involving any element of discretionary management by the adviser or arranger) which are limited to

units in collective investment schemes where the client's requirements are reasonably believed by the investment provider to be confined to that area of activity;

(d) deals effected or arranged on behalf of an execution-only client.

Guidance Note - For the avoidance of doubt, investment providers should confirm "execution-only" status in writing, pointing out the consequent reduction of investor protection.

In the case of (b) and (c) above, if the investment provider receives clients' money (eg cash, or cheques which are made payable to the investment provider rather than a scheme manager), a separate agreement shall be entered into with the client detailing the arrangements for handling clients' money, specifying how the money will at all times be separated from the investment provider's own money and stating the arrangements for crediting interest to the clients' account.

8.3 *Dealing while negotiating, etc.*

Deals not involving undue risk may be made on behalf of clients whilst negotiations leading to a client agreement are taking place; and deals may be made after an agreement has expired or been brought to an end solely to complete outstanding obligations.

8.4 *Penalty on termination*

The client agreement may provide for any additional payment to be made to the investment provider upon the termination of the agreement but this shall be clearly disclosed in the client agreement.

8.5 *Standard Client Agreement*

The standard client agreement shall normally include statements on:

- (a) the nature of the services to be provided by the investment provider under it, including, where appropriate, the client's investment objectives and any restrictions on investments or markets in which funds may be invested;
- (b) in respect of any fees payable by the client to the investment provider:
 - i) the basis of calculation. In this regard the investment provider should give clients at least one month's notice of any proposed fee increase;
 - ii) the basis of payment (deduction or billing etc.). In this regard the investment provider should make no deduction from income or capital belonging to a client in respect of its fees unless it has given notice to the client;

- iii) the frequency of payment; and
 - iv) whether or not any fees payable are to be supplemented or be abated by any remuneration receivable by the investment provider with or for the client;
- (c) the fact that the investment provider is regulated in the conduct of its investment business by the Bermuda Monetary Authority (See also Code 7.2);
 - (d) the manner in which the instructions may be given by the client for any transaction;
 - (e) the arrangements for handling and accounting for client money, specifying how the money is at all times separated from the investment provider's money and stating arrangements for crediting interest to the client account;
 - (f) the arrangements for registration and identification of ownership and safe custody of documents of title and the name of any nominee company used;
 - (g) the client's rights of inspection of copy contract notes, vouchers and copies of entries in books or electronic recording media relating to the client's transactions together with a statement that such records will be maintained for at least 5 years from the date of the transaction; and
 - (h) arrangements for bringing the agreement to an end which should confer the right for the client to terminate the agreement on immediate written notice.

Where an investment provider is effecting margined transactions on behalf of a private investor, the agreement shall include:

- (i) a warning that the investment provider in certain circumstances may be required to obtain additional money from the client by way of margin (See Code 10.3);
- (j) where the investment provider intends to effect contracts which are not traded on and under a recognised investment exchange, this shall be specified in order that authority may be granted by the client;
- (k) a statement of when a deposit or margin (including the initial and variation margin) may be required and the investment provider's rights on failure to pay; also a warning that failure to meet margin calls may lead to closing out without reference to the client. (The statement may also include arrangements under which the investment provider lends money to the client to meet margin calls); and
- (l) a statement of the circumstances in which it might be possible for an investment provider to close out without reference to the client.

8.6 *Discretionary portfolio management agreement*

Where an investment provider is to exercise discretion for a private investor in the management of investments a greater degree of trust is involved. Hence, in addition to items contained in Code 8.5 above (the standard client agreement), the investment provider shall include statements specifying the following:

- (a) whether or not there is any restriction on the categories of investment or on the amount or on any proportion of the amount which may be invested in any category of investment or in any one investment and, if so, what those restrictions are;
- (b) the frequency with which the client is to be supplied with a statement of the cash and the investments comprised in the portfolio and valuation thereof and what the basis of valuation is to be;
- (c) if the agreement is to include a measure of portfolio performance then the basis on which that performance is to be measured;
- (d) whether hedging or borrowing powers are to be used, the nature of such powers and limits upon their use (See also Code 8.7); and
- (e) where the investment provider is to have powers to lend securities to or borrow securities from third parties or to charge securities to secure borrowings, how such powers are to be exercised and the limits placed upon them.

A statement showing the initial composition of the portfolio, and its initial value (so far as it can be ascertained) shall be provided to the client at the time that the client agreement is signed or as soon as practicable thereafter.

8.7 *Special provisions in Discretionary Portfolio Management Agreements*

Where investment is contemplated in areas involving higher risk investments, the agreement shall specifically state which transactions are permitted and any limits on the category of investment or on the financial commitment involved. It shall also contain the required risk warnings (see Code 7.7 and, where suitable, (j) (k) and (l) in Code 8.5 above).

Examples of such higher risk investments are:

- (a) writing of options and doing business in futures and contracts for differences;
- (b) other margined transactions;
- (c) illiquid investments; and

(d) participation in the underwriting of securities.

8.8 The investment provider shall comply with the terms of the relevant client agreement in all dealings with or on behalf of clients.

9.0 RESPONSIBLE CONDUCT

9.1 *Responsible conduct*

An investment provider shall organise and control its internal affairs in a responsible manner and ensure that it has well-defined procedures to facilitate compliance with any regulatory requirements. Where the investment provider employs staff or is responsible for the conduct of investment business by others, it shall have adequate arrangements to ensure that such people are suitable, adequately trained and properly supervised.

9.2 *Compliance with non-statutory obligations*

An investment provider is expected to observe the tenets of any Code or set of standards promulgated by any body, whether in Bermuda or elsewhere, which has responsibility in the public interest for the supervision or regulation of investment business or other financial services or for the setting of standards of conduct applicable to business conducted by the investment provider.

Accordingly, unless it can show any good reason for disregarding any such tenet, (such as inconsistency between it and any applicable provision of this Code or any other legal requirement) an investment provider should comply with Codes and accepted standards as part of its policy of observing good market practice. (See also Code 5.2)

9.3 *Responsible behaviour in dealings by officers and employees*

An investment provider shall have procedures for ensuring that any business executed by its officers and employees:

- (a) is openly carried out (in that, for example, the officer or employee obtains consent before dealing, or informs the investment provider afterwards, and reveals his status to other investment providers before dealing with or through them);
- (b) is fairly carried out (for example that the officer or employee does not deal if a transaction by the investment provider would be in breach of this Code);
- (c) is carried out in compliance with any applicable rules and regulations relating to investment business in other jurisdictions in which it is operating as far as that can be reasonably ascertained;

- (d) avoids any conflict of interest which is known to the officer or employee (whether with a client of the investment provider or with any business carried on by the investment provider); and
- (e) avoids any private benefit to the officer or employee (for example by obtaining credit or special dealing facilities without the knowledge of the investment provider).

The officers and employees of the investment provider shall be made aware of the above requirements. (See also Code 9.8)

9.4 ***Responsible behaviour on the telephone or on visits***

Investment providers shall have procedures for requiring their employees seeking to obtain business to be civil and considerate, not to use any undue pressure, deception or misrepresentation, and to make plain their purpose and identity to clients and potential clients.

9.5 ***Unsolicited calls***

No investment provider shall in the course of an unsolicited call by way of business enter into an investment agreement with the person on whom the call is made or procure or endeavour to procure that person to enter such an agreement.

*Guidance Note: A telephone call made without **express** invitation is an unsolicited call. Providing one's telephone number does not, on its own, amount to express invitation for this purpose.*

9.6 ***Supervision***

An investment provider shall establish procedures to ensure the adequate supervision of staff in their dealings with clients. Appropriate records relating to the training, experience and qualifications of staff shall be maintained, showing the categories of transaction which the person is competent to conduct.

9.7 ***Restriction of confidential information***

An investment provider shall establish procedures that restrict the flow of confidential information to those who “need to know” to perform their duties effectively.

9.8 ***Compliance***

An investment provider shall establish and maintain compliance procedures with a view to ensuring that:

- (a) its officers, employees and other representatives are aware of their obligations under the Investment Business Act 2003, all related Principles, Codes and Regulations, and any other applicable legal provisions;
- (b) such persons are in practice complying with the procedures established by the investment provider;
- (c) sufficient information is recorded and retained about the conduct of the investment provider's business and its compliance with the Investment Business Act 2003; and
- (d) its reporting officer for the purposes of the Proceeds of Crime Act 1997 is aware of his responsibilities under that Act and the related Regulations.

Compliance procedures shall be in writing. An investment provider shall, at least annually, carry out a review of its compliance procedures to ensure that they are appropriate and that they have been complied with.

9.9 *Internal complaints procedure*

An investment provider shall ensure that client complaints are properly handled and that any remedial action needed is promptly taken. A record of the details of the complaint, the investment provider's response and any action taken as a result, shall also be made and maintained.

9.10 *Disciplinary action*

A record shall be maintained of the names of any employees disciplined by an investment provider in connection with any breach of this Code or for any other act or omission which may reasonably be expected to affect the conduct of the investment provider's investment business and of the particulars of:

- (a) the offence for which the employee was disciplined; and
- (b) the steps taken to discipline the employee.

9.11 *Provision for cessation of business*

An investment provider shall make provision for the protection of its clients in the event of the cessation of the whole or any part of its investment business.

9.12 *Relations with Bermuda Monetary Authority*

An investment provider shall liaise with the Bermuda Monetary Authority in an open and cooperative way. This will include alerting the Bermuda Monetary Authority promptly to breaches of requirements and expected standards of behaviour.

10.0 FUTURES, OPTIONS AND CONTRACTS FOR DIFFERENCES

10.1 *Risk Warning*

An investment provider shall ensure, before it enters into any transaction in futures, options and contracts for differences with or for a client that the investor receives, signs and returns to the investment provider a risk disclosure statement which shall contain the elements set out in the form specified in Appendix A. However, this shall not apply if the transaction is effected by the investment provider as a discretionary portfolio manager for a client in accordance with provisions agreed between them. (See Codes 8.5, 8.6 and 8.7)

10.2 *Contracts to be on-exchange*

A margined transaction on behalf of a client shall only be undertaken through an intermediate broker if that broker is either:

- (a) another investment provider permitted to conduct such activity; or
- (b) a person carrying on investment business outside Bermuda who is required to hold clients' money received in relation to margined transactions in a segregated bank account for that purpose and in his books to credit the client accordingly.

Except with express permission of the client (See Code 8.5(j)), no investment provider shall effect a margined transaction for a client in contracts other than those traded on a recognised investment exchange.

10.3 *Liability in respect of margins*

An investment provider shall keep daily track of the amount of margin or other requirements which should be paid for each client and shall ensure that any margin payable is required to be deposited in advance in cash or approved collateral, that any deposit on a limited liability transaction is deposited promptly and in cash, and that margin, whenever properly required to be paid, is deposited in cash or approved collateral. The client shall be made aware of the consequences of not paying a margin. Where an investment provider is effecting margined transactions as an investment manager, it shall take steps to clarify with the investment exchange or intermediate broker whether or not the investment provider is responsible for the fulfilment of its clients' obligations. If there is a shortfall, the relevant investment provider should make up the difference until it obtains more cash or collateral from the relevant client. If the investment provider is proposing to lend money to its client for this purpose, its accounting methods shall be adequate to ensure proper records.

11.0 INVESTMENT BUSINESS OVER THE INTERNET

11.1 Delivery of Disclosure Documents and Other Information

Investment providers who use the internet to communicate with and send offering material to shareholders and potential investors must provide the same disclosure about their operations, financial condition and investments that would be provided in a paper-based medium, so that investors can fully evaluate the risk and value of the investment.

Investments providers may deliver the necessary disclosure documents and other information electronically where an investor has given informed consent to this form of delivery.

11.2 Communications and Customer Orders

Investment providers must continue to satisfy suitability and general conduct requirements when transacting business over the internet.

Investment providers must ensure that their computer networks have sufficient operational integrity (security, reliability, capacity, backup systems and alternative means of communications) and they have adequate personnel to handle internet communications, including trading instructions.

11.3 Record-Keeping

Record keeping requirements applicable to investment providers also apply to internet transactions.

APPENDIX A

(See Codes 7.7 and 10.1)

RISK DISCLOSURE STATEMENT

1. DECLARATION

I hereby declare and acknowledge that the risk of loss in investing in commodity or financial futures, foreign exchange contracts, investments and index contracts and options thereon and any other investment transaction(s) which I may request you to enter into on my behalf can be substantial and that this fact has been duly brought to my attention. I understand the nature of such investment and I have carefully considered whether such investments are suitable for me in light of my circumstances and financial resources. I confirm to you that I am able, financially and otherwise, to assume the risks of such trading. I recognise that guarantees of profit or freedom from loss are impossible and inappropriate in such trading and I acknowledge that I have received no such guarantees from you or from any of your officers or employees and have not entered into this agreement in consideration of or reliance upon any such guarantees or similar representations.

Optional paragraph which may be included at the investment provider's discretion in those circumstances where the recommendation to purchase futures and options has been made in order to effect an investment strategy which reduces risk.

[I understand that it is the intention of my investment adviser/manager that futures and options will be purchased on my behalf only to effect an investment strategy of reducing risk. However, I acknowledge that there are inherent risks in the use of these instruments should the investment strategy fail.]

Name of Investment Provider

[on duplicate for signature by client]

I have read and understand the risk disclosure statement set out above.

Date _____ Signature _____