

CODE OF ETHICS & RULES OF PROFESSIONAL CONDUCT

CODE OF ETHICS

Introduction

The Code of Ethics is the general standards that shall apply to all classifications of membership, unless otherwise stated. Every member shall conform to the general standards set out in this Article in their professional activities and conduct.

Code of Ethic 1 - Integrity

Members shall observe high standards of honesty in conducting their financial planning business and shall offer and provide financial planning services with integrity.

Code of Ethic 2 - Objectivity

Members shall disclose to the client any limitation on their ability to provide objective financial planning services.

Code of Ethic 3 - Competence

Members shall provide competent financial planning services and maintain the necessary knowledge and skill to continue to do so in those areas in which the Member is engaged.

Code of Ethic 4 - Fairness

Members shall provide financial planning services in a manner that is fair and reasonable.

Code of Ethic 5 - Confidentiality

Members shall not disclose any confidential client information without the specific consent of the provider of that information unless compelled to by law or as required to fulfill their legal obligations.

Code of Ethic 6 - Professionalism

Members shall ensure their conduct does not bring discredit to the financial planning profession.

Code of Ethic 7 - Diligence

Members shall act with due skill, care and diligence in providing financial planning services.

Code of Ethic 8 - Compliance

Members must maintain knowledge of and comply with the Constitution of the FPSB India, the FPSB India's Code of Ethics and Rules of Professional Conduct and all applicable laws, rules and regulations of any government, government agency, regulatory organization, licensing agency or professional association governing the members' professional activities.

RULES OF PROFESSIONAL CONDUCT

Introduction

The Rules of Professional Conduct are specific standards that shall apply to all classifications of membership, unless otherwise stated. Every member shall adhere to the rules set out in this Article in their professional activities and conduct, and the FPSB India may enforce the observation of the rules.

INTEGRITY – Rules that relate to the Principle of Integrity

Rule 101

A Member shall not solicit clients through false or misleading communications or advertisements:

(a) Misleading Advertising: A Member shall not make a false or misleading communication about the size, scope or areas of competence of the Member's practice or of any organization with which the Member is associated; and

(b) Promotional Activities: In promotional activities, a Member shall not make materially false or misleading communications to the public or create unjustified expectations regarding matters relating to financial planning or the professional activities and competence of the Member. The term "promotional activities" includes, but is not limited to, speeches, interviews, books, printed or electronic publications, seminars, radio and television shows, and video cassettes; and

(c) Representation of Authority: A Member shall not give the impression that a Member is representing the views of the FPSB India or any other group unless the Member has been authorized to do so. Personal opinions shall be clearly identified as such.

Rule 102

In the course of professional and business activities, a Member shall not engage in conduct involving dishonesty, fraud, deceit or misrepresentation, or knowingly make a false or misleading statement to a client, employer, employee, professional colleague, governmental or other regulatory body or official, or any other person or entity.

Rule 103

A Member has the following responsibilities regarding funds and/or other property of clients:

(a) In exercising custody of or discretionary authority over client funds or other property, a Member shall act only in accordance with the authority set forth in the governing legal instrument (e.g., special power of attorney, trust, letters testamentary, etc.); and

(b) A Member shall identify and keep complete records of all funds or other property of a client in the custody of or under the discretionary authority of the Member; and

(c) Upon receiving funds or other property of a client, a Member shall promptly or as otherwise permitted by law or provided by agreement with the client, deliver to the client or third party any funds or other property which the client or third party is entitled to receive and, upon request by the client, render a full accounting regarding such funds or other property; and

(d) A Member shall not commingle client funds or other property with a Member's personal funds and/or other property or the funds and/or other property of a Member's firm. Commingling one or more client's funds or other property together is permitted, subject to compliance with applicable legal requirements and provided accurate records are maintained for each client's funds or other property; and

(e) A Member, who takes custody of all or any part of a client's assets for investment purposes, shall do so with the care required of a fiduciary.

Rule 104

A Member shall not make any statements, orally or in writing, that misrepresent the services they or their Company is capable of providing, and the data or facts that are used to support any recommendation.

OBJECTIVITY – Rules that relate to the Principle of Objectivity

Rule 201

A Member shall exercise reasonable and prudent professional judgment in providing professional services.

Rule 202

A financial planning practitioners shall act in the interest of the client.

Rule 203

At the earliest point in the relationship, a Member shall disclose in writing to the client if the Member is only authorized to sell or advise on a restricted range of products, and any other limitation of their capacity to serve the client.

Rule 204

In the provision of any written recommendation contained in a financial plan, a financial planning practitioner shall make timely written disclosure of all material information relative to the professional relationship. In all circumstances such disclosure shall include conflict(s) of interest(s) and sources of compensation. Disclosures that include the following information are considered to be in compliance with this Rule:

(a) A statement of compensation, which in reasonable detail discloses the source(s) and any contingencies or other aspects material to the fee and/or commission arrangement. Any pecuniary or non-pecuniary benefit whether direct or indirect, received or receivable by the Member, the Member's firm, or an associate in connection with the financial planning service should be fully disclosed. The statement should include, any benefit reasonable capable of influencing the making of recommendations; any benefit that a third party may receive in connection with the recommendation; and any other costs borne by the client should they accept all or part of the recommendation. The disclosures of the particulars may be made either in percentage terms or in monetary terms and any estimates made shall be clearly identified as such and shall be based on reasonable assumptions. Referral fees, if any, shall be fully disclosed; and

(b) A statement indicating whether the Member's compensation arrangements involve fee-only, commission-only, or fee and commission. A Member shall not hold out as a fee-only financial planning practitioner if the Member receives commissions or other forms of economic benefit from related parties; and

(c) A statement describing the nature and extent of any significant financial relationships or connections a Member has with product suppliers and the fees or commissions resulting from such relationships; and

(d) A statement identifying any other conflict(s) of interest(s).

Rule 205

If financial planning services are provided orally, a Member must disclose orally to the client the particulars described in Rule 204.

Rule 206

Should conflict(s) of interest(s) develop after a professional relationship has been commenced a Member shall promptly disclose in writing the conflict(s) of interest(s) to the client. The Member must be able to demonstrate that the client was made aware of any actual or potential conflict of interest.

Rule 207

In addition to the disclosure by financial planning practitioners regarding sources of compensation required under Rule 204, such disclosure shall be made annually thereafter for ongoing clients. The annual disclosure requirement may be satisfied by offering to provide clients with the disclosure called for by Rule 204.

COMPETANCE – Rules that relate to the Principle of Competence

Rule 301

A Member shall keep informed of developments in the field of financial planning and participate in continuing education throughout the Member's professional career in order to improve professional competence in all areas in which the Member is engaged. As a distinct part of this requirement, a Member shall satisfy all continuing professional development requirements established for Members by the FPSB India from time to time.

Rule 302

A Member shall offer advice only in those areas in which the Member has competence. In areas where the Member is not professionally competent, the Member shall seek the counsel of qualified individuals and/or refer clients to such parties.

Rule 303

A Member shall have reasonable and appropriate standards for the appointment of Representatives.

FAIRNESS – Rules that relate to the Principle of Fairness

Rule 401

In rendering professional services, a Member shall ensure that prospective clients are clearly informed in writing about:

(a) The identity of the Company responsible for the advice and, if the advice is provided through a Representative, the identity of the Representative;

(b) The nature of services offered;

(c) Material information relevant to the professional relationship, including but not limited to changes in the Member's business affiliation, address, telephone numbers, credentials, qualifications, certificates, compensation structure, etc.;

(b) The information required by all laws applicable to the relationship in a manner complying with such laws;

(c) Access to internal and external complaint handling mechanisms.

Rule 402

A Member's compensation shall be fair and reasonable.

Rule 403

Prior to establishing a client relationship, and consistent with the confidentiality requirements of Rule 501, a Member may provide references which may include recommendations from present and/or former clients.

Rule 404

A Member shall clearly disclose to all prospective clients the capacity in which they are able to provide financial planning services.

Rule 405

Whether a Member is employed by a financial planning firm, an investment institution, or serves as an agent for such an organization, or is self-employed, all Members shall adhere to the same standards of disclosure and service.

Rule 407

A Member shall:

- (a) Advise the Member's employer of outside affiliations which reasonably may compromise service to an employer; and
- (b) Provide timely notice to the employer and clients, unless precluded by contractual obligation, in the event of change of employment or FPSB India licensing status.

Rule 408

A Member doing business as a partner or principal of a financial services firm owes to the Member's partners or co-owners a responsibility to act in good faith. This includes, but is not limited to, disclosure of relevant and material financial information while in business together.

Rule 409

A Member shall join a financial planning firm as a partner or principal only on the basis of mutual disclosure of relevant and material information regarding credentials, competence, experience, licensing and/or legal status, and financial stability of the parties involved.

Rule 410

A Member who is a partner or co-owner of a financial services firm who elects to withdraw from the firm shall do so in compliance with any applicable agreement, and shall deal with his or her business interest in a fair and equitable manner.

Rule 411

A Member shall inform his or her employer, partners or co-owners of compensation or other benefit arrangements in connection with his or her services to clients, which are in addition to compensation from the employer, partners or co-owners for such services.

Rule 412

If a Member enters into a business transaction with a client, the transaction shall be on terms that are fair and reasonable to the client.

CONFIDENTIALTY – Rules that relate to the Principle of Confidentiality**Rule 501**

A Member shall not reveal - or use for his or her own benefit - without the client's consent, any personally identifiable information relating to the client relationship or the affairs of the client, except and to the extent disclosure or use is reasonably necessary:

- (a) To establish an advisory or brokerage account, to effect a transaction for the client, or as otherwise impliedly authorized in order to carry out the client engagement; or
- (b) To comply with legal requirements or legal process; or
- (c) To defend the Member against charges of wrongdoing; or
- (d) In connection with a civil dispute between the Member and the client.

For purposes of this rule, the proscribed use of client information is improper whether or not it actually causes harm to the client.

Rule 502

A Member shall maintain the same standards of confidentiality to employers as to clients.

Rule 503

A Member doing business as a partner or principal of a financial services firm owes to the Member's partners or co-owners a responsibility to act in good faith. This includes, but is not limited to,

adherence to reasonable expectations of confidentiality both while in business together and thereafter.

Rule 504

Unless compelled to by law, or as required to fulfill a legal obligation, any Member who by reason of their membership in the FPSB India is exposed to, learns of or has access to information and knowledge concerning the FPSB India and/or Members must keep confidential all such information and knowledge and is not entitled to communicate or divulge that information or knowledge or any part thereof.

Rule 505

A Member must, when requested to do so by a client, give to the client or another person authorized by the client, any original document (not photocopies) related to the provision of financial planning advice for which the client has paid or will pay for. This does not include documents which have been prepared or received by the Member in undertaking the advisory task, such as internal notes, memoranda, quotes or other working documents.

PROFESSIONALISM – Rules that relate to the Principle of Professionalism

Rule 601

A Member shall show respect for other financial planning professionals, and related occupational groups, by engaging in fair and honorable competitive practices.

Rule 602

A Member shall not engage in any conduct that reflects adversely on his or her integrity or fitness as a Member, upon the marks, or upon the profession.

Rule 603

A Member shall not practice any other profession or offer to provide such services unless the Member is qualified to practice in those fields and is certificated as required by law.

Rule 604

A Member shall effect and maintain professional indemnity insurance in accordance with the requirements prescribed by the FPSB India from time to time. A Member must notify the FPSB India in writing immediately of any material change to its professional indemnity insurance.

Rule 605

A Member shall not misrepresent the status of their Membership of the FPSB India.

Rule 606

A Member shall not misstate their authority to represent the FPSB India. Specifically, a Member shall not write, speak or act in such a way as to lead another to believe that the Member is officially representing the FPSB India, unless the Member has been duly informed to do so by the officers, directors or rules of the FPSB India.

DILIGENCE - Rules that relate to the Code of Ethic of Diligence

Rule 701

A Member shall provide services diligently and on a timely basis.

Rule 702

A financial planning practitioner shall enter into an engagement only after securing sufficient information to satisfy the Member that:

- (a) The relationship is warranted by the individual's needs and objectives; and

(b) The Member has the ability to either provide requisite competent services or to involve other professionals who can provide such services.

Rule 703

In preparing oral or written recommendations to clients, a Member shall collect sufficient information to ensure appropriate advice can be given.

Rule 704

In preparing oral or written recommendations to clients, a Member shall conduct or have access to, research on financial strategies and products that may be appropriate to achieve the client's identified needs and objectives.

Rule 705

In preparing oral or written recommendations to clients, a Member shall develop a suitable financial strategy or plan for the client based on the relevant information collected and analyzed.

Rule 706

In preparing oral or written recommendations to clients, a Member must take reasonable steps to place the client in a position to comprehend the recommendations and the basis for the recommendations. A Member should also take due care to explain the nature of the investment risks involved in terms the client is likely to understand.

Rule 707

A Member must ensure all significant recommendations are made in writing. If any significant recommendations are given orally, then confirmation must be given in writing as soon as practicable.

Rule 708

A financial planning practitioner shall make and/or implement only recommendations that are suitable for the client and all agreed recommendations must be implemented in an accurate, efficient and timely manner.

Rule 709

In the appropriate circumstances, Rules 703 to 706 inclusive will not apply where there is an express documented instruction by a client to limit or restrict the scope of the financial planning service normally offered by the Member (e.g., an execution-only transaction service or advice limited to a particular area or product or where a client refuses to provide information sought). The client must be warned prior to implementing the relevant transactions about the consequences of the Member following these instructions.

Rule 710

A Member shall not move a client or cause a client to move from an investment to another investment without explaining to the client, in terms that the client is likely to understand, the reasons for the move. The Member must demonstrate that the move is appropriate for the client.

Rule 711

A member shall confirm in writing to a client where a subsequent instruction given by that client significantly alters the financial strategy or balance of an existing portfolio under the supervision of the Member.

Rule 712

A Member shall establish and maintain written policies and procedures for the effective control and conduct of its business. This rule does not apply to a Member with only one practicing Representative.

COMPLIANCE – Rules that relate to the Principle of Compliance

Rule 801

In all professional activities a Member shall perform services in accordance with:

(a) Applicable laws, rules, and regulations of governmental agencies and other applicable authorities; and

(b) Applicable rules and other established policies of the FPSB India.

Rule 802

In determining whether a Member has complied with the FPSB India's Professional Standards, any conduct by its Representatives or employees that relates to conduct of the Member's financial planning business shall be treated as the conduct of the Member.

Rule 803

A Member shall use the marks in compliance with the rules of the FPSB India, as established and amended from time to time.

Rule 804

A Member must co-operate with the FPSB India in all aspects of any investigation or compliance review as authorized pursuant to the Constitution of the FPSB India.

Rule 805

All Members must comply with the relevant FPSB India Disciplinary Rules and Procedures concerning complaints handling, dispute resolution and disciplinary procedures.

Rule 806

A Member who is an employee shall perform professional services with dedication to the lawful objectives of the employer and in accordance with these rules and all laws of India.

Rule 807

A Member shall comply with all applicable post-certification requirements established by the FPSB India including, but not limited to, payment of the annual Member fee as well as signing and returning the certificant's statement annually in connection with the certificate renewal process.

Rule 808

A Member shall ensure that information and relevant documents given to or gathered by the Member are securely stored to establish at any time that it has complied with the FPSB India's Professional Standards and be available for inspection by the FPSB India when required. Such records shall be retained for seven years from the date the document was last acted upon.

Rule 809

A Member must maintain an effective system of supervision of all Representatives' activities, performance, training and recommendations made to clients.