

Code of Ethics and Standards of Professional Conduct



CHARTERED INSTITUTE OF STOCKBROKERS

Chartered By Act 105 of 1992

May 13, 2010

Code of Ethics and Standards of Professional Conduct for Stockbrokers

These CIS Code of Ethics and Standards of Professional Conduct for Stockbrokers have been prepared by the Chartered Institute of Stockbrokers (CIS).

CIS Code of Ethics and Standards of Professional Conduct shall apply, in its entirety, to all members except where a member is practising outside Nigeria. Where a member is practising outside Nigeria, the member must:

- (a) if he/she is a member of the local association in the jurisdiction of employment or practice (“Local Association”) and that Local Association is a Member Society of the Association Certified International Investment Analysts (“ACIIA”), comply with that Local Association’s equivalent of the Code; or
- (b) if:
 - (i) the Member is not a member of the Local Association; or
 - (ii) the Local Association is not a Member Society of the ACIIA,
then the Member must either:
 - a. comply with this Code; or
 - b. comply with an alternative to this Code prescribed by the Council of the Institute;
or
 - c. seek the written consent of the Council of the Institute to be made subject to an alternative to this Code.

CODE OF ETHICS

Members and registered students of the Chartered Institute of Stockbrokers shall at all times:

- 1 Observe high standards of honesty, integrity and fairness in dealing with clients, prospective clients, employers, employees, peers, colleagues in the securities and investment profession and others, related to professional activities, so as to enhance public confidence in the profession.
- 2 Perform their professional activities with due and reasonable skill, care, prudence and diligence and in accordance with the current best industry practice and the high ethical, professional and technical standards expected of them as members and registered students of the Institute.
- 3 Always act in the best interests of the securities and investment profession, their clients and prospective clients, and place the interests of the profession, clients and prospective clients before their own personal interests or that of their employers, employees, peers, colleagues in the investment profession or those of any third party and use their best endeavours not to put themselves in a situation where a conflict of interest arises.
- 4 Take reasonable care to maintain professional independence and objectivity and to make fair judgments when conducting securities and investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
5. Practise and encourage others to practise in a professional and ethical manner that will reflect credit on themselves and the securities and investment profession.
- 6 Continuously strive to maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.
- 7 Promote the integrity of, and uphold the rules governing securities and investment industry.

STANDARDS OF PROFESSIONAL CONDUCT

1.0 DEFINITIONS

For the purposes of these Standards, the following terms are defined as set forth below:

- 1.1 "Member" is an individual member (Graduate/Associate/Fellow Member) of the Chartered Institute of Stockbrokers
- 1.2 "Registered Student" is an individual person registered to write the Institute's examinations.
- 1.3 "Investment Professionals" are individual members who evaluate or apply financial, economic or statistical data as part of the professional practice of financial analysis, investment management, portfolio management, securities analysis, investment counselling, or other similar professions.
- 1.4 "Security analysis" is the provision of investment information, investment recommendations, or investment management based on the analysis of a variety of information relating to security investments and the evaluation of investment value.
- 1.5 "Investment Action" is any activity in which Investment Professionals engage regarding securities, including the purchase and/or sale of securities for client, proprietary or personal accounts, the issuance of research reports, or any recommendation to purchase, sell or hold a security.
- 1.6 "Fiduciary Duty" is the duty which is owed by a party who has a relationship of trust and confidence to another party. A person who has a fiduciary duty to another must act in the other's best interest, must maintain the other's trust and confidences, and must act with discretion. A fiduciary is held to a higher standard of care and higher degree of knowledge than the average person.
- 1.7 "Beneficial owner" means someone who has: (a) a direct or indirect pecuniary interest in securities, regardless of whether or not the ownership of the said security is in the name of that person; or (b) the power to vote or direct the voting of shares of securities or investments; or (c) the power to dispose or direct the disposition of a security or investment.
- 1.8 "Associate" means any related or affiliated party, or any person or entity that controls, is controlled by, or is under common control with an investment professional. As used in Standard 19.0, "associate" includes an investment professional's family members.
- 1.9 "Independence", as used in Standard 3.0 to refer to advice given or investment action taken by an investment professional, means advice or investment decisions which are the product of an investment professional's own endeavours, and are not influenced by or subject to the control of an issuer of securities, the management of the investment professional's employer, or any other outside sources.

- 1.10 "Material" as used in describing information, means information likely to have an impact on the market price of security when disclosed, or information which a reasonable investor would want to know prior to making an investment decision.

2.0 RESPONSIBILITIES TO THE INSTITUTE AND THE PROFESSION

2.1 Duty to adhere to laws, rules, regulations and Code of Ethics and Standards of Professional Conduct

- 2.1.1 Members and Registered Students shall maintain knowledge of and comply with all applicable laws, rules and regulations of any government, governmental agency, regulatory organization, licensing agency, or professional association governing their professional activities, including this CIS *Code of Ethics and Standards of Professional Conduct*.
- 2.1.2 Members and Registered Students shall not knowingly participate in or assist any violation of such laws, rules, regulations and CIS *Code of Ethics and Standards of Professional Conduct*.
- 2.1.3 Members and registered students must comply with the standards of the profession notwithstanding pressure from clients, employers, peers, employees or others to compromise those standards.
- 2.1.4 Members and registered students are personally responsible and accountable for their conduct, must allow and exercise individual autonomy such as freedom of speech, and must not discriminate against any person because of gender, race, or religion.
- 2.1.5 In the event of conflict, Members and Registered Students must comply with the more strict law, rule, regulation, code or standard.

2.2 Proper Use of Professional Qualifications

- 2.2.1 Members shall use their CIS qualifications with due care so as to enhance the standing of and confidence in such qualifications and the Institute.
- 2.2.3 Associate Members of the Chartered Institute of Stockbrokers shall use the designation "ACS" and Fellow Members of the Institute shall use the designation "FCS" but only in a dignified and judicious manner so that the authority of and confidence in the designation is preserved.
- 2.2.3 Graduate Members, Registered Students and Affiliates shall not use any designation after their names.

2.3 Professional Misconduct

- 2.3.1 Members and Registered Students must not engage in any illegal, fraudulent, dishonest, deceitful or misleading professional conduct that might have a negative impact on their reputation, integrity, or competence as Members and registered students or bring dishonour or disrepute upon the Institute or its other Members and registered students.
- 2.3.2 Members and Registered Students must not engage in any conduct that compromises the reputation or integrity of the Institute or the CIS designation or the integrity, validity, or security of the CIS examinations and any other examinations supervised by or conducted on behalf of other organisations by the Institute.

2.4 Co-operation, support and whistleblowing

- 2.4.1 Members and registered students must cooperate to serve the objectives of the code and the standards. Members and registered students must ensure all information, documents, reports and returns required by the CIS are produced accurately, honestly and when required, and that the information, documents, reports and returns are true and correct.
- 2.4.2 Members and registered students must cooperate with an appropriate authority and the CIS to identify and address wrongdoing and incompetency in the profession.
- 2.4.3 Members and registered students, when they know of illegal conduct must report that conduct to an appropriate authority in accordance with the law where their disclosure is protected by law. Collectively, Members and registered students are responsible for the standards of the profession and shall report to the CIS breaches of the code of ethics and standards.
- 2.4.4 Members and registered students must not discriminate or take other adverse action against a person who discloses illegal conduct or a breach of the code of ethics and standards.

3.0 INDEPENDENCE AND OBJECTIVITY

- 3.1 Members and Registered Students shall use reasonable care and judgment to achieve and maintain independence and objectivity in making investment recommendation, taking investment actions and engaging in other professional activities.
- 3.2 Members and Registered Students must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

- 3.3 Members and Registered Students shall take reasonable care that their own securities ownership and personal transactions do not inhibit the performance of fair and objective security and investment analysis, making investment recommendations and/or taking investment actions.
- 3.4 In performing security and investment analysis, making investment recommendations and taking investment actions, Members and Registered Students shall take reasonable care to maintain independence and objectivity in their relationships with the issuers of securities and other interested parties, and shall make fair judgments.

4.0 COMPETENCY

- 4.1 Members and registered students must take reasonable action to ensure that they have sufficient knowledge of securities and investment practice, relevant legal requirements, the code and market rules (including customs and usages) to properly undertake their professional activities.
- 4.2 Members and registered students must be competent, conscientious, efficient and effective in their work. Members must maintain their competency through continuing professional development and only undertake work in which they are competent.
- 4.3 Members and registered students must not without merit represent that they are competent.

5.0 RESPONSIBILITIES TO THE EMPLOYER

5.1 Obligation to inform employer of Code of Ethics and Professional Standards

- 5.1.1 Members and Registered Students shall inform their employer in writing that they are under obligation to comply with the Code of Ethics and Standards of Professional Conduct of the Institute and any other Association of which the Institute is a member, and may be subject to disciplinary sanctions for violations thereof.

5.2 Duties to employer

- 5.2.1 Members and registered students must comply with the lawful directions, policies and procedures of their employer.
- 5.2.2 In relationships with their employer, Members and Registered Students must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.

6.0 MONETARY COMPENSATION OR BENEFITS

- 6.1 Members and Registered Students shall not accept gifts, benefits, compensation, or consideration that could reasonably be expected to impair their independence and objectivity and/or create a conflict of interest with, their employer's interest unless they obtain written consent from their clients, prospective clients and employers.
- 6.2 Members and Registered Students shall not accept from companies that they provide services to, gifts or other benefits which could reasonably be expected to impair their independence and objectivity.
- 6.3 Members and Registered Students shall disclose to their clients, prospective clients and employers all monetary compensation or other benefits that they receive for services provided to clients from any source other than their firms, and any consideration or benefit received by them or delivered to others for the recommendation of any services to the client or prospect.

7.0 RESPONSIBILITIES OF SUPERVISORS.

- 7.1 Members and Registered Students with supervisory responsibility, authority, or the ability to influence the conduct of others shall exercise reasonable supervision over those subject to their supervision or authority, to detect and prevent any violation of applicable laws, rules, regulations, or provisions of the CIS Code and Standards.
- 7.2 In so doing, they are entitled to rely upon reasonable procedures established to detect and prevent violations as long as they have no reasonable basis for believing that these procedures are not being followed.
- 7.3 Members and Registered Students shall strive to maintain and improve the competence of other investment professionals and also encourage the training of young practitioners and employees who are under their authority and give proper supervision and guidance to them at all times.

8.0 DUTIES TO CLIENTS AND PROSPECTIVE CLIENTS

8.1 Reasonable basis and fair presentation

- 8.1.1 Members and Registered Students shall have a reasonable basis for, and provide fair representation in, their investment research, recommendations, and investment management and action.

8.2 Members and Registered Students shall:

- 8.2.1 Exercise diligence and thoroughness in investment analysis, making investment recommendations or in taking investment actions

- 8.2.2 Have a reasonable basis for their investment research, recommendations, and investment management or action, supported by thorough and diligent research and analysis.
- 8.2.3 Maintain appropriate records to support the reasonableness of their investment research, recommendations, and investment management.
- 8.2.4 Make reasonable efforts to avoid any material misrepresentation in disseminating investment information.
- 8.2.5 Use reasonable judgment regarding the inclusion or exclusion of relevant factors when disseminating investment information.
- 8.2.6 Prepare analysis with professional diligence and make every reasonable effort to check the reliability and truthfulness of information from external sources.
- 8.2.7 Distinguish between facts and opinions when disseminating investment recommendations, and forecasts which shall be labelled as such.
- 8.2.8 Disclose the basic principles and methods used for valuation, securities' selection, and portfolio construction, and any material changes to them; all material facts and risk factors shall be adequately disclosed.
- 8.2.9 When using material prepared by another, take prudent and thorough care acknowledging the name of the author, publisher, or source of such material.
- 8.2.10 When engaged in unsolicited contact, ensure that the client knows the identity of the person making the approach.

8.3 Suitability of investment recommendation or investment action

- 8.3.1 Members and Registered Students shall assess the appropriateness of an investment recommendation or investment action for their clients and prospective clients.

Members and Registered Students shall:

- 8.3.2 Make a reasonable inquiry into a client's or prospective client's financial situation, and know their investment experience, risk and investment objectives prior to making any investment recommendation or taking investment action and shall update this information as necessary, but no less frequently than annually, to allow them to adjust their investment recommendation to reflect changed circumstances.
- 8.3.3 Consider the appropriateness of an investment recommendation or

investment action and the suitability for each portfolio or client when making the recommendation or taking an investment action for a specific portfolio or client. In determining the appropriateness and suitability of each investment, Members and Registered Students shall consider applicable relevant factors including the needs and circumstances of the portfolio or client, the basic characteristics of the investment involved, and the basic characteristics of the total portfolio.

- 8.3.4 Clearly indicate the basic features of an investment and its associated risks to clients and prospective clients.
- 8.3.5 Not make a recommendation or take investment action unless they determine that the recommendation or action is suitable to the client's financial situation, investment experience, risk and investment objectives.
- 8.3.6 When an investment recommendation is made to the public (not specified clients), indicate information such as provided under 8.3.3 above so that the recipients of the recommendation can determine whether the recommendation is appropriate for them or not.

9.0 PROHIBITION AGAINST MISREPRESENTATION

- 9.1 Members and Registered Students shall accurately present all relevant facts to avoid any misrepresentation as to their professional services.
- 9.2 Members and Registered Students shall not make any statements, orally or in writing, which misrepresent:
 - a) the services that they or their firms are capable of performing for clients and prospective clients;
 - b) their qualifications or those of their firm;
 - c) their academic or professional credentials;
 - d) the investment performance that they or their firm have accomplished or can reasonably be expected to achieve; and
 - e) any other important facts relevant to their professional activities.
- 9.3 Although Members and Registered Students may discuss with clients or prospective clients the expected performances of any investment, they shall not make, orally or in writing, explicitly or implicitly, any assurances or guarantees regarding the return of any investment except to communicate accurate information regarding the terms of the investment and the issuer's obligations under the instrument.
- 9.4 If Members and Registered Students communicate directly or indirectly individual or firm performance information to clients or prospective clients, or in a manner intended to be received by clients or prospective clients, they shall make every reasonable effort to assure that such performance information is a fair, accurate and complete presentation of such performance.

10.0 PREVENTION AND DISCLOSURE OF CONFLICTS OF INTEREST

- 10.1 Members and Registered Students shall take all necessary steps to avoid conflicts of interest that could reasonably be expected to impair their independence and objectivity.
- 10.2 Members and Registered Students shall disclose to their clients and prospective clients all matters that could reasonably be expected to impair their independence and objectivity. Members and Registered Students must ensure that such disclosures are prominent, delivered in plain language, and communicate the relevant information effectively.
- 10.3 Members and Registered Students shall inform their supervisors of any form of pressure arising in the course of their professional duties, or any act which is inconsistent with any law, rule, regulation and *CIS Code of Ethics and Standards of Professional Conduct*.
- 10.4 Members and Registered Students who are engaged in providing investment information, making investment recommendations or taking investment actions for their clients and prospective clients shall not beneficially own securities for which Members and registered students make investment recommendations or take investment actions to their clients and prospective clients, unless such beneficial ownership is disclosed to clients and prospective clients in investment recommendations, etc. when it is reasonably judged that such ownership will not impair their ability to perform unbiased and objective security analysis.
- 10.5 Members and Registered Students assigning recommendations shall allow their clients and prospective clients adequate time to act on their recommendations before acting on their own behalf or their employers.
- 10.6 Members and Registered Students shall not trade inconsistently with their firm's published recommendations, except in cases of clear personal necessity and only in compliance with the employer's disclosure procedures.
- 10.7 Members and Registered Students shall give priority to investment transactions for clients over their personal or employers' account transactions.
- 10.8 Members and Registered Students engaged in investment management/transactions shall place priority on transactions for their respective employer over transactions in securities of which Members and registered students are or expected to be the beneficial owners, so that such personal transactions do not operate adversely to their employer's interests.
- 10.9 Disclosure should not reveal "inside information" or other commercially sensitive or confidential information.

11.0 FAIR DEALING WITH CLIENTS AND PROSPECTIVE CLIENTS

- 11.1 Members and Registered Students shall act in a manner consistent with their obligation to deal fairly and objectively with all clients and prospective clients when:
- (a) providing securities and investment analysis
 - (b) disseminating investment recommendations;
 - (c) disseminating material changes in prior investment advice;
 - (d) taking investment action; and
 - (e) engaging in other professional activities.

12.0 FAIR TRADING

- 12.1 Members and registered students must compete fairly in the market, including not taking unfair advantage of other Members and registered students and not engaging in anti-competitive or unconscionable conduct.
- 12.2 Members and registered students must not knowingly engage or induce another person to engage in a conduct that or is likely to mislead or deceive in the performance of their profession.

13.0 GAMBLING AND BETTING

- 13.1 Members and registered students must not make personal bets or wagers on matters occurring in the market (including economic data).

14.0 COMMISSIONS

- 14.1 Members and registered students must not negotiate broker's charges unless (where required by their firm's policies) authorised by their firm. Members and registered students must disclose any commission arrangements to clients prior to (where known) providing services.

15.0 DEALING WITH UNIDENTIFIED/UNNAMED PRINCIPALS

- 15.1 Members and registered students should not trade unless the identity of the client is known and disclosed to the operations, credit, legal or compliance areas of the member's firm. The information must only be used for risk management and other legitimate purposes, including for preventing money laundering, fraud and other illegal activity.

16.0 PRESERVATION OF CLIENT CONFIDENTIALITY, FUNDS, AND SECURITIES

- 16.1 Members and Registered Students shall preserve the confidentiality of information communicated by clients within the scope of the professional relationship unless:
- (a) disclosure is required by law,
 - (b) the client or prospective client permits disclosure of the information, or
 - (c) the information concerns illegal activities on the part of the client or prospective client.
- 16.2 Members and Registered Students shall safeguard client funds and securities held in their custody.

17.00 FIDUCIARY DUTIES

- 17.1 In the performance of securities and investment analysis, making investment recommendation, taking investment actions and engaging in other professional activities, members and Registered Students shall discharge their duties solely in the best interest of their clients and other parties with which they have fiduciary relationships, and shall not give priority to their own interests, employer's interest or those of any third party.
- 17.2 Members and Registered Students shall perform their professional activities with care, skill, prudence, and diligence, under the circumstances then prevailing, that is expected of a professional expert.

18.00 PRIORITY OF TRANSACTIONS

- 18.1 Transactions for clients and employers shall have priority over transactions in securities or other investments of which Members and Registered Students are the beneficial owners so that such personal transactions do not operate adversely to their clients' or employer's interest.
- 18.2 If Members and Registered Students make a recommendation regarding the purchase or sale of a security or other investment, they shall give their clients and employer adequate opportunity to act on their recommendation before acting on their own behalf.
- 18.3 Members and Registered Students shall adopt and consistently apply policies and procedures for allocating securities and investment recommendations among clients in a fair and equitable manner.

19.0 SELF-DEALING

- 19.1 Members and Registered Students shall not engage in any transaction with a client when acting as a principal or an agent for an associate without the knowledge and consent of the client.

20.0 INTEGRITY OF CAPITAL MARKETS

20.1 Prohibition Against Use of Material Non-public Information

- 20.1.1 Members and Registered Students whilst in the possession of material non-public information relating to issuers of financial instruments, shall not trade on, or communicate to others, such information, or use such information in investment analysis.
- 20.1.2 Members and Registered Students shall not trade while in possession of, nor communicate, material non-public information in breach of a duty, or if the information is misappropriated.
- 20.1.3 If Members and Registered Students acquire material non-public information as a result of a fiduciary, special or confidential relationship, they shall not communicate the information (other than within the relationship), or take investment action on the basis of such information or cause others to act on the information.
- 20.1.4 If Members and Registered Students are not in a fiduciary relationship, confidential or other special relationship, they shall not communicate or use in investment actions such material non-public information if they know, or should have known, that the information was misappropriated or that disclosure would result in a breach of duty in a fiduciary relationship or other special relationship or applicable laws and regulations.
- 20.1.5 If Members and Registered Students acquire material non-public information directly from the issuer, they shall strive to encourage the issuer to make it public if they determine such public disclosure appropriate.

20.2 Market Manipulation

- 20.2.1 Members and Registered Students must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

21.0 PROHIBITION AGAINST PLAGIARISM

- 21.1 Members and Registered Students shall not copy or use, in substantially the same form as the original, material that has been prepared by another without acknowledging and identifying the name of the author, publisher, or source of such material.
- 21.2 Members and Registered Students may use, without acknowledgment, factual information published by recognized financial and statistical reporting services or similar services.