

Appendix no. 4 to the EFPA QUALIFICATIONS STANDARDS - RULES AND RECOMMENDATIONS

CODE OF ETHICS



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(Approved by the EFPA Board of Directors on 11.06.2013)



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Preamble

Professional associations of financial advisers¹ fulfill a number of important functions in the financial sector: on the basis of high quality training and qualifications as well as of widely accepted codes of professional conduct, our organizations can build on solid foundation of ethical behavior, competence and technical skills in financial markets. A central goal of EFPA is to promote the development and dissemination of such international professional standards in order to contribute towards the highest level of quality in the professional practice of financial advisers.

EFPA is convinced that every financial adviser is defined by two main features: professional integrity and professional qualification. Ethics and skills are the two dimensions by which every financial adviser should be measured. After all, potential clients must be able to trust the integrated European financial market and its major actors.

Therefore EFPA is promoting the dissemination of a European Code of Ethics.

The EFPA Code of Ethics consist of

- Fundamental Principles which lay down essential ethical behavior for financial advisers, and
- Key Principles which have been defined as standards which each national association is recommended to adopt so as to give effect to each Specific Fundamental Principle.

The EFPA Principles seek to ensure the highest ethical conduct of financial advisers. Primarily, these principles are directed at financial advisers who are members of EFPA national member affiliates, but they also aim at setting standards for everyone in the profession, thus contributing to the integrity of European financial markets as a whole.

¹ For this Code of Ethics every reference to financial advisers includes also financial planners.

The national affiliates of EFPA are best equipped to provide their members and any other person in the profession with the recognition of the necessary skills to provide appropriate advice to clients. The diversity of national and regional approaches in different societies is aimed at enriching the profession and creating a cross- fertilization of ideas; while the approach to ethical conduct tends to become standard across all nations and across all markets, a number of details still remain subject to local laws and customs.

All certificate holders must comply with the following Code of Ethics according to the EFPA Qualification Standards – rules and recommendations-, section 7 (Ethical requirements).

In case of breaking of the present Code of Ethics, the Ethic Committee of each country has the right to suspend or withdraw the certification.

Fundamental Principles

1. Interests of Clients First

Financial advisers shall always put their clients' interests first. When acting in their professional capacity, financial advisers shall always act in the best interests of their clients and prospective clients, and place the interests of clients and prospective clients before their own or that of their employers.

Key Principles:

- a. Financial advisers shall always deal fairly with all clients and prospective clients.
- b. Financial advisers shall always conduct suitability and appropriateness tests to the highest standards of the profession.
- c. Financial advisers shall always maintain the highest standards of the profession when providing information, making recommendations or when reporting to clients.
- d. Financial advisers shall not disclose confidential information about clients and prospective clients and their affairs unless required to do so by law.
- e. Financial advisers shall not make any statements that could be misleading as to the services offered to clients and prospective clients.
- f. Financial advisers shall always act fairly and to the highest standards of the profession when handling orders.

2. Highest Standards

In all of their professional activities financial advisers shall observe the highest standards of honesty, integrity, and fairness and perform their duties with all due care and diligence. Acting according to this principle shall inspire confidence and trust from clients and bring credit to the financial adviser profession as a whole.

Key Principles:

- a. Financial advisers shall demonstrate the utmost integrity when making decisions.
- b. The highest ethical standards shall be applied when acting as a financial adviser. Even the slightest suspicion of any kind of deceit or impropriety shall be precluded.
- c. Financial advisers shall apply a high degree of care and attention to detail to their work. This shall include a thorough collection and analysis of client information, careful evaluation of options as well as meaningful presentation of recommendations.

3. Independence and Objectivity

Financial advisers shall take care to maintain independence and objectivity and to make fair judgments when performing their professional activities.

Key Principles:

- a. Financial advisers shall be able to make judgments and recommendations dispassionately and without considering their own compensation.
- b. Financial advisers shall be objective and shall endeavor to ensure that their decisions are not unduly influenced by their self interest or prejudices.
- c. Financial advisers shall be neutral with regard to recommending specific products to their clients. The full scope of product options shall be disclosed. Clients shall be assured that the product options on offer meet their objectives and needs.
- d. Financial advisers shall disclose any matter of fact or circumstance that may hinder their ability to act entirely independently or that might influence their objectivity. b. The highest ethical standards shall be applied when acting as a financial adviser. Even the slightest suspicion of any kind of deceit or impropriety shall be precluded.
- c. Financial advisers shall apply a high degree of care and attention to detail to their work. This shall include a thorough collection and analysis of client information, careful evaluation of options as well as meaningful presentation of recommendations.

4. Professional Competence

Financial advisers shall strive continuously to maintain and improve their professional competence, and shall recognize the limits of their knowledge and abilities. Also, financial advisers should recognize circumstances where their knowledge and competence are not sufficient to the task and seek other professionals for their support.

Financial advisers shall use their qualifications with due care so as to enhance the standing of and confidence in such qualifications and their related associations.

Key Principles:

- a. Financial advisers shall take concrete steps to strive continuously to maintain and improve their professional competence.
- b. Financial advisers shall always take care not to deliver services they are not competent in. In such a cases the service should either be denied or another professional, with adequate qualifications, has to be consulted.
- c. Financial advisers shall demonstrate their competence and professionalism whenever interacting with their clients.

5. Required Knowledge of Compliance

Financial advisers shall maintain knowledge of, and comply with, all applicable laws, rules, regulations, and the codes of ethics and standards of professional conduct of national or regional associations, and shall not consciously participate in any violation thereof.

Key Principles:

- a. While acting for the client financial advisers shall comply with all applicable laws, rules, regulations, and this Code of Ethics. .
- b. Financial advisers shall keep up-to-date with all relevant regulations.

6. Reasonable Basis and Fair Representation

Principle: Financial advisers shall present to their clients and prospective clients investment recommendations, portfolio allocation and portfolio performance as well as any other advice fairly, accurately, and completely, to a professional standard of comparability.

Key Principles:

- a. Financial advisers shall have a reasonable basis for their investment recommendations, supported by thorough and diligent analysis and knowledge of each client's goals, restrictions and risk tolerance.
- b. Financial advisers shall clearly distinguish facts and opinions. Forecasts as well as an adviser's own opinions shall be clearly stated as such.
- c. Financial advisers shall disclose the basic principles and methods used for making recommendations and for the management of portfolios, and any material changes to them; all material facts and risk factors shall be fully disclosed.
- d. When using material prepared by others, financial advisers shall cite the source.
- e. Financial advisers shall maintain appropriate records to support their investment recommendations and other professional activities.
- f. Financial advisers, whilst in the possession of inside information relating to issuers of financial instruments or to financial instruments, shall not trade on, or communicate to others, such information, until it is made public.

7. Prevention and Disclosure of Conflicts of Interest

Principle: Financial advisers shall take all necessary steps to resolve conflicts of interest that could reasonably appear to impair their independence and objectivity, and otherwise disclose any apparent conflict.

Key Principles:

- a. Financial advisers shall strive to resolve or minimize all conflicts of interest that could reasonably appear to impair their independence and objectivity vis-à-vis their clients and prospective clients and any affected party.
- b. If such conflicts of interest cannot be avoided financial advisers shall disclose these to their clients, prospective clients and any affected party.
- c. Financial advisers shall disclose to their clients and prospective clients all relevant payments or benefits received from any source other than their employer. Financial advisers shall be willing and be able to explain the basis of fees and other remuneration related to services performed on behalf of the client.
- d. Financial advisers shall not accept gifts or other benefits which could reasonably appear to impair their independence and objectivity.
- e. Financial advisers shall give priority to investment transactions for clients over their personal or employers' account transactions.

8. Use of EFPA designations

Principle: Financial advisers and planners must make proper use of the designation he/she has been awarded, and pursue the same from others, in accordance with the framework developed by EFPA and accessible on the EFPA website.

Key Principles:

- a. EFPA members are allowed to use only the designation they have been awarded, and only after being registered on the National Affiliate database.
- b. EFPA designations are only EFPAEFA and EFPAEFP.
- c. EFPA Designation must be used strictly in accordance with the framework approved by EFPA the Board. Misuse of designations is understood to be a violation of this Code of Ethics.
- d. EFPA members should ensure that others (journalists, marketing departments, human resources, etc) also make a proper use of EFPA designations

