

AFMA

AUSTRALIAN FINANCIAL MARKETS ASSOCIATION

Code of Conduct

November 2015



DISCLAIMER

Members and any other organisation or individual following policies and procedures as outlined in this Code should satisfy themselves as to the applicability to their specific circumstances.

Nothing in this Code should be taken to be providing legal, taxation, accounting, or any other form of general or personal advice and as such individuals or organisations should seek professional advice as they deem necessary.

Whilst every effort has been made to provide a comprehensive set of guidelines, AFMA does not accept responsibility for the completeness of this Code and is not responsible for any errors or omissions. Furthermore, AFMA expressly disclaims liability for the consequences of any action or inaction taken as the result of following this Code.



AUSTRALIAN FINANCIAL MARKETS ASSOCIATION

Code of Conduct

THE AUSTRALIAN FINANCIAL MARKETS ASSOCIATION (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation, market making and investment banking.

The AFMA Board of Directors endorse the guidance contained in this Code and trust it will assist participants to organise their business in a way that will reinforce good market conduct, as well as help promote overall market integrity.

This version of the Code was published in November 2015. The Code will be periodically reviewed and updated.

THE AIM OF THE CODE IS TO ASSIST AFMA MEMBERS AND THEIR STAFF IN SETTING HIGH STANDARDS OF BEHAVIOUR WHEN CONDUCTING BUSINESS WITH CUSTOMERS, COUNTERPARTIES AND COLLEAGUES.

Why does AFMA have a Code

AFMA's mandate is to promote best practice in financial markets so they can continue to maximise their contribution to the economic health of Australia. We achieve this by promoting efficient and ethical market practices, conventions and standard documentation. AFMA promotes high professional standards through education programs and awarding AFMA Accreditation to individuals engaged in the financial markets who reach a required level of professional skill and knowledge.

The aim of the Code is to assist AFMA Members in setting high standards of behaviour when conducting business with customers, counterparties and colleagues in the OTC and exchange-traded

markets, and when providing financial services to retail and wholesale customers. The Code provides a framework to assist in making decisions and judgements where there is no clearly articulated rule or legal requirement, or where interpretation of principles-based law or rules is required. The Code supports behaviours that put the interests of clients, the firm and the wider community ahead of personal or individual interests.

A GOOD CORPORATE CULTURE ENCOURAGES INDIVIDUALS TO MAKE APPROPRIATE JUDGEMENTS AND IS AN IMPORTANT DRIVER OF CONDUCT IN FINANCIAL MARKETS.

Who this Code applies to

All AFMA Financial Market Members and Partner Members (collectively the “Members”) are encouraged to use this Code as the basis for more detailed procedures and sometimes higher standards that may apply within their organisation.

A good corporate culture encourages individuals to make appropriate judgements and is an important driver of conduct in financial markets. Culture has a direct bearing on public trust and confidence in the fairness and efficiency of our financial markets. Members should strive to implement an organisational and business culture that ‘sets the tone from the top’ by communicating clear expectations about the behaviour and conduct

of all their staff and providing incentives that support these outcomes. This Code should help Members by articulating important elements of the common shared values, beliefs and standards that the organisation and its staff should operate in accordance with.

**THE CODE SHOULD BE READ AND APPLIED IN THE CONTEXT OF EACH MEMBER'S BUSINESS.
SOME PARTS OF THE CODE MAY NOT BE RELEVANT IN ALL CASES.**

Scope of the Code

For the avoidance of doubt, nothing in this Code has the force of law nor is it binding on Members. This Code is intended to assist Members in understanding the regulatory environment in which financial market participants conduct their activities.

Additionally, AFMA notes that the Australian Foreign Exchange Committee (AFXC) is a representative forum of the Australian foreign exchange market operating under the sponsorship of the Reserve Bank of Australia (RBA). The AFXC uses the ACI Model Code as its core best practice guidelines, and AFMA acknowledges and supports these principles and intends this Code to supplement the ACI Model Code for use in foreign exchange transactions in the Australian markets.

This Code does not attempt to address all possible circumstances or activities in which Members engage. Rather it addresses those which AFMA considers warrant further attention. This includes identifying particular conduct which may have been problematic in the past, where leaving something to good judgement may not be entirely sufficient, or simply where the expectation from regulators, counterparties or the market for certain behaviour warrants specific consideration.

The Code should be read and applied in the context of each Member's business. Some parts of the Code may not be relevant in all cases. It is the responsibility of Members to make themselves familiar with this Code, and at all times conduct

themselves in a manner that reflects positively on the industry.

Market participants who are not Members are encouraged to use this document as a reference and conduct their business in the manner outlined.

If any reader of this Code has doubts about the correct procedures to be adopted or terminology to be used, guidance should be sought from senior management of their Member organisation.



**THIS CODE IS INTENDED
TO ASSIST MEMBERS IN
UNDERSTANDING THE
REGULATORY ENVIRONMENT
IN WHICH FINANCIAL
MARKET PARTICIPANTS
CONDUCT THEIR ACTIVITIES.**



THIS CODE IS PRESENTED IN TWO PARTS TO ALLOW EASE OF REFERENCE.

Structure

THE ETHICAL PRINCIPLES

Part One presents the Ethical Principles applicable to this Code. These principles are inter-related and several may apply in a single situation.

- to oversight functions such as legal, compliance and risk management;
- to front office activities, including dealing and advice; and
- to middle office and operations functions.

CODE OF CONDUCT GUIDELINES

Part Two is the Code of Conduct Guidelines which provides further guidance to Members on the application of the Ethical Principles:

- on an industry-wide basis;

APPENDIX 1 in the Guidelines describes additional useful references including AFMA conventions, guidelines and standard documentation.

APPENDIX 2 in the Guidelines describes the Australian regulatory environment.

Ethical Principles (EPs)

A sound ethical framework determines how an entity involved in financial markets should act in the conduct of their business affairs, taking account of their responsibilities to their firm and the broader community.



PRESENTED BELOW IS A SET OF ETHICAL PRINCIPLES FOR THE INDUSTRY THAT MEMBERS ARE EXPECTED TO ADOPT IN ALL OF THEIR DEALINGS IN THE AUSTRALIAN FINANCIAL MARKETPLACE:

Ethical Principles (EPs)

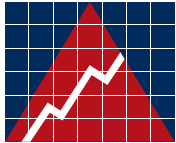
- EP 1* Accept responsibility to conduct business affairs in a way that serves the broader community interest in having financial markets that are stable, trusted and efficient.
- EP 2* Establish a business culture that sets clear expectations about appropriate conduct and behaviour.
- EP 3* Understand and observe applicable laws and regulations when carrying out activities in financial markets, and interpret them according to principles of fairness, honesty and integrity.
- EP 4* Act fairly and honestly when dealing with clients and counterparties.
- EP 5* Equip all staff to have the required skills, experience, resources and support to perform their job competently and professionally.
- EP 6* Equip all staff to perform their job with professionalism and integrity.
- EP 7* Act in a professional and respectful manner towards colleagues.
- EP 8* Act within delegated authority, and in accordance with risk parameters defined by each Member for its business.



Note...

- EP 9* Ensure the integrity and confidentiality of records.
- EP 10* Identify and manage potential conflicts of interest.
- EP 11* Observe market standards and conventions, good practice and conduct expected or required of participants in markets when engaging in any form of market dealing.
- EP 12* Take reasonable steps to avoid any acts, omissions or business practices that could damage the reputation of the organisation or the industry, or which may adversely impact on the Australian economy and society.

**IT IS THE RESPONSIBILITY
OF MEMBERS AND THEIR
REPRESENTATIVES TO MAKE
THEMSELVES FAMILIAR WITH
THIS CODE, AND AT ALL TIMES
CONDUCT THEMSELVES IN
A MANNER THAT REFLECTS
POSITIVELY ON THE INDUSTRY.**



AFMA

AUSTRALIAN FINANCIAL MARKETS ASSOCIATION

Enquiries

Telephone: + 61 2 9776 7900

Email: info@afma.com.au

GPO Box 3655 Sydney NSW 2001

Web

www.afma.com.au