

Extract

**Code of Conduct for Persons Licensed by or Registered with
the Securities and Futures Commission – June 2012**

GP2. Diligence

In conducting its business activities, a licensed or registered person should act with due skill, care and diligence, in the best interests of its clients and the integrity of the market.

GP3. Capabilities

A licensed or registered person should have and employ effectively the resources and procedures which are needed for the proper performance of its business activities.

GP6. Conflicts of interest

A licensed or registered person should try to avoid conflicts of interest, and when they cannot be avoided, should ensure that its clients are fairly treated.

GP7. Compliance

A licensed or registered person should comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.

Capabilities

4.2 Staff supervision

A licensed or registered person should ensure that it has adequate resources to supervise diligently and does supervise diligently persons employed or appointed by it to conduct business on its behalf.

4.3 Internal control, financial and operational resources

A licensed or registered person should have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, its clients and other licensed or registered persons from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.

Conflicts of interest

10.1 Disclosure and fair treatment

Where a licensed or registered person has a material interest in a transaction with or for a client or a relationship which gives rise to an actual or potential conflict of interest in relation to the transaction, it should neither advise, nor deal in relation to the transaction unless it has disclosed that material interest or conflict to the client and has taken all reasonable steps to ensure fair treatment of the client.

Compliance

12.1 Compliance: in general

A licensed or registered person should comply with, and implement and maintain measures appropriate to ensuring compliance with the law, rules, regulations and codes administered or issued by the Commission, the rules of any exchange or clearing house of which it is a member or participant, and the requirements of any regulatory authority which apply to the licensed or registered person.

16.3 Principles

(a) Analyst trading and financial interests

Mechanisms should exist so that analysts' trading activities or financial interests do not prejudice their investment research and recommendations.

(b) Firm financial interests and business relationships

Mechanisms should exist so that analysts' investment research and recommendations are not prejudiced by the trading activities, financial interests or business relationships of the firms that employ them.

(d) Firm compliance systems

Firms that employ analysts should establish written internal procedures or controls to identify and eliminate, avoid, manage or disclose actual and potential analyst conflicts of interest.

16.5 Firm financial interests and business relationships

(d) Disclosure by firms of relevant business relationships

A firm that has an investment banking relationship with the issuer or the new listing applicant should disclose that fact in the research report. Any compensation or mandate for investment banking services received within the preceding 12 months would constitute an investment banking relationship.

16.6 Analyst reporting lines, compensation and participation in other functions

- (a) Analyst reporting lines and compensation A firm that has an investment banking function should not:
- (i) arrange for its analysts to report to such function.

16.7 Firm compliance systems

- (a) A firm should establish, maintain and enforce a set of written policies and control procedures to eliminate, avoid or manage actual and potential analyst conflicts of interest. These policies and procedures should be appropriately formulated having regard to the firm's particular structure and business model and the experience and investment profile of its clients.

16.11 Integrity and ethical behaviour

- (a) An analyst should have a reasonable basis for his analyses and recommendations.
- (b) An analyst should define the terms used in making recommendations, and utilize such definitions consistently.

Extract

**Internal Control Guidelines for Persons Licensed by or Registered with
the Securities and Futures Commission – April 2003**

II. SEGREGATION OF DUTIES AND FUNCTIONS

Control Guidelines

2. Operational functions including, but not limited to, sales, dealing, accounting and settlement are, where practicable, effectively segregated to minimize the potential for conflicts, errors or abuses which may expose the firm or its clients to inappropriate risks. Special care should be taken to ensure that the sales and dealing functions should be segregated from the research function where possibility of potential conflict of interest exists. Where practicable, the research and the corporate finance functions should be segregated to ensure the objectivity of the research function.

VII. OPERATIONAL CONTROLS

Control Guidelines

4. Specific policies and procedures are established to minimize the potential for the existence of conflicts of interest between the firm or its staff and clients, and further, in circumstances where actual or apparent conflicts of interest cannot reasonably be avoided, that clients are fully informed of the nature and possible ramifications of such conflicts and are in all cases treated fairly.