



ASSOCIATION of PROFESSIONAL
APIC
INVESTMENT CONSULTANTS



PROFESSIONAL STANDARDS GUIDE FOR INVESTMENT MANAGEMENT CONSULTANTS





AN IDEA WHOSE TIME HAS COME

Donald B. Trone, AIFA® • President, Foundation for Fiduciary Studies

The standards which follow are not new to the Association for Professional Investment Consultants (APIC) members. They have been meeting them consistently for many years. What is new is the environment in which the investment advisory industry finds itself today. Investors increasingly are demanding that the professional consultants serving them subscribe to high standards *and apply them in everything they do*. APIC has forged ethical and professional standards for its member Investment Management Consultants. I applaud APIC for publishing their standards so that their clients and the public have the basis for evaluating their investment management consulting services and performance.



INTRODUCTION

APIC was formed in 1990 by a group of leading Smith Barney consultants who had a vision—to excel by providing a forum for Smith Barney FCs to: exchange ideas, knowledge, and information; improve and enhance their professional skills; make their business needs known to each other and to the Firm; and to interact with a peer group sharing common goals and interests.

Through more than a decade of growth and evolution, that vision and the means to realize it have been and remain unique in the industry. APIC is a member-funded and managed association. APIC membership is limited to those who meet its membership qualifications based on a commitment to investment management consulting. APIC sets standards for its members' business and professional conduct—and is an advocate for these standards.

APIC has developed this *Professional Standards Guide for Investment Management Consultants* to give its members a new tool to use in growing their practices. The standards it contains were developed in conjunction with *Prudent Investment Practices*, written and published by the Foundation for Fiduciary Studies, which provides guidance to individuals who have responsibility for consulting to others. APIC wants to thank the Foundation for Fiduciary Studies for its assistance in developing these standards, and acknowledges the work of the many APIC members who contributed to this project.

James A. Pupillo, CIMA, CIMC
Past President, APIC 2003–2004
Chairman, APIC Industry Advisory Council



Core Values and Ethics

In developing this *Professional Standards Guide for Investment Management Consultants*, APIC based its work on the statement of “Core Values” and “Code of Ethics” approved by the organization’s Board of Directors.

Our Core Values

Client Centric: We believe our clients expect and deserve to receive solutions built upon objective, cutting-edge, professional advice.

Integrity: We commit to the highest standards of ethical behavior. We seek to avoid conflicts of interest, and strive for transparency with clients and colleagues.

Collaboration: As professional colleagues, we strive to be academically inquisitive thinkers and share our intellectual capital.

Innovation: Through our educational programs and exchange of ideas, our goal is to provide state-of-the-art solutions for our clients and our consulting practices.

Advocacy: We are dedicated to being a positive influence within our firm and the investment consulting industry. Our association is a unified voice representing the business needs of the membership.



APIC Code of Ethics

I recognize that this Code of Ethics, its principles, and obligations are in addition to those set forth by any other code which governs my professional and ethical conduct.

To my consulting clients, I will

1. Act with honesty and integrity, and seek to avoid conflicts of interest, real or perceived.
2. Ensure the timely and understandable disclosure of relevant information that is accurate, complete, and objective; including any actual or potential conflicts of interest.
3. Be responsible when determining the value of my services and my form of compensation, taking into consideration the time, skill, experience, and special circumstances involved in the performance of my services.
4. Know the limits of my expertise, and refer to colleagues and/or other professionals on issues beyond my knowledge and skill.
5. Respect the confidentiality of information acquired in the course of my work. I will not disclose such information, except when authorized or otherwise legally obligated to do so. I will not use confidential information acquired in the course of my work for my personal advantage.

To APIC, I will

1. Proactively promote and be an example of ethical behavior as a responsible partner among peers, in the work environment, and the community.
2. Ensure that my fee structures and the overall promotion of my practice are implemented in the best interests of the profession.
3. Seek, accept, and offer honest criticism of technical work; acknowledge and correct errors; and properly credit the contributions of others.
4. Use corporate assets and resources employed or entrusted to me in a responsible manner.
5. Continue to improve my knowledge and skills, share ideas and information with my colleagues, and assist them in their professional development.

Approved by the APIC Board of Directors as a membership guideline on March 1, 2004.



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STANDARD 1.0

Overall professional responsibility to clients

The investment management consultant's first professional responsibility is to his or her clients, ensuring the highest possible ethical standards of practice. The APIC Code of Ethics provides the foundation for this standard, and is supplemented by guidelines and rules promulgated by other professional and standards-setting organizations. To the extent that there is any conflict between the standards of the Firm and APIC, on the one hand; and professional and standards-setting organizations on the other hand; the former shall govern.

STANDARD 2.0

Consultant's responsibility to assist in the achievement of each client's financial goals

Consultants have a responsibility to make their clients' financial goals their highest priority; and to provide unbiased, candid, informed recommendations intended solely to promote each client's best interests. Therefore, consultants will profile their clients to determine their unique circumstances such as rate of return objectives, income cash flow needs, risk tolerance, time horizons, and tax status (if applicable); and periodically update these objectives. If conflicts or the potential for conflicts arise, consultants will promptly and fully advise their clients of the situation, and adhere to their firm's code of conduct and APIC's Code of Ethics.

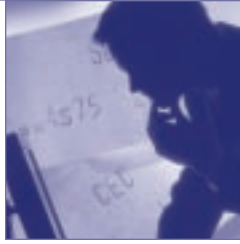
STANDARD 2.1

Consultant's responsibility to provide the full spectrum of the investment management consulting process to all institutional and private clients

APIC member investment management consultants must provide a multistep process to all consulted clients. Depending on the client's circumstances, these may include the following:

1. Needs Analysis
2. Investment Policy
3. Asset Allocation
4. Manager Selection
5. Portfolio Monitoring
6. Review and Rebalance.

This process and procedures must be provided as applicable and appropriate to all consulted clients.



STANDARD 3.0

Consultant's responsibility to disclose all compensation

Consultants must disclose to their clients all of their compensation, in all forms and nature received, in order to ensure full and complete transparency of all fee arrangements. Furthermore, they should identify the sources of such compensation to eliminate the potential for any conflicts of interest in serving their clients.

STANDARD 3.1

Consultant's responsibility to disclose third-party affiliations and compensation

Consultants have a responsibility to fully disclose, in writing, to their clients the form and nature of any and all compensation, direct or indirect, paid to a nonaffiliated third party who refers, solicits, or otherwise assists the consultant in obtaining clients; even if such compensation is not prohibited by any law or regulation of any governmental or other regulatory body or organization.

STANDARD 3.2

Consultant's responsibility to disclose additional compensation

It is the consultant's responsibility to disclose and obtain written approval from his or her employer before accepting any compensation and/or benefits from their clients or consulting-related third parties that are in addition to the compensation and benefits provided by their employer. This is to prevent conflicts of interest and to ensure objectivity in the delivery of services to clients. Consultants will not provide nonobjective advice or give preferential treatment to any client. Additionally, the consultant may only provide services offered by the firm at the firm's stated fee schedules. Providing additional services or charging fees not approved by their employer is prohibited.



STANDARD 3.3

Consultant's responsibility to provide all pertinent information to clients

Consultants will provide their clients with all requested information, as well as all pertinent information they have or obtain, in order to enable each client to make informed decisions. Although large amounts of information are readily available to clients directly via the Internet and from other sources, consultants should consider researching information, determining its implications to their client's situation, and providing full and objective comments to clients in an unbiased and timely manner.

STANDARD 3.4

Consultant's responsibility to disclose conflicts of interest

Consultants shall disclose to their employers and their clients, in writing, all situations, ownership of securities, and/or memberships on boards or in organizations that could reasonably interfere with their ability to make unbiased and objective recommendations and decisions regarding their clients' financial goals. Examples of such disclosures include, but are not limited to:

- Recommending that clients hire or invest in companies that use the consultant's services;
- Holding a seat on the board of an organization that employs them as a consultant;
- Maintaining a relationship with an investment adviser that could result in a conflict of interest; and,
- Participating in business ventures with an investment adviser.

STANDARD 4.0

Consultant's responsibility to maintain client confidentiality and privacy

APIC consultants have a responsibility to maintain the full privacy and confidentiality of all information provided to them by both institutional and private clients. Therefore, consultants will not disclose, without their client's written permission or unless otherwise legally required to do so, any information about a client's financial situation, investment status, or goals. Furthermore, they will advise their clients of this privacy policy, and obtain their client's permission before disclosing their name in response to requests for references from new or potential clients. However, if requested, consultants may provide information that exists in the public domain regarding public fund clients.



STANDARD 4.1

Consultant's responsibility not to use material, nonpublic information

Consultants who receive material, nonpublic information have a responsibility to abstain from its disclosure or use, whether or not such use would cause harm to a client or to themselves. The use of client information for personal benefit, or for the benefit of other clients, is improper, even if it does not harm the client. Consultants who possess material, nonpublic information related to the value of a security shall not trade or cause others to trade in that security if such trading would breach a duty, or if the information was misappropriated or relates to a tender offer. If such information is disclosed in breach of a duty, the consultant shall make all reasonable efforts to ensure its public dissemination.

STANDARD 5.0

Consultant's responsibility to be fair and accurate in advertising and communications

It is the responsibility of the consultant to act with integrity, dignity, and honesty; and to maintain the highest standards of ethics in all forms of communication. Therefore, consultants shall not use communications, written or oral, in conjunction with professional services that contain false, fraudulent, misleading, deceptive, or unfair statements; or claims that:

- Contain a misrepresentation of fact;
- Fail to make full disclosure of relevant facts so that others are likely to be misled or deceived;
- Create false or unjustified expectations of favorable results;
- Imply educational or professional attainments or licensing recognition not supported in fact;
- Represent that professional services can or will be competently performed for a stated fee when this is not the case, or make representations with respect to fees for professional services that do not disclose all variables that may reasonably be expected to affect the fees that will be charged; and,
- Contain other representations or implications that, in all reasonable probability, will cause a person of ordinary prudence to be deceived.

All communications must make a clear distinction between fact and opinion.



STANDARD 5.1

Consultant's responsibility to avoid plagiarism and other forms of intellectual theft

It is a consultant's responsibility not to use or copy materials prepared by another without acknowledgment of, and proper authorization by, their owner. However, where authorized by law, consultants may use, without acknowledgment, factual information published by recognized financial and statistical reporting services or similar sources. Any use of performance track records must not be misleading or deceptive.

STANDARD 6.0

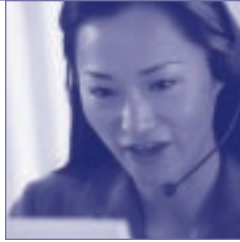
Consultant's responsibility to maintain the highest ethical standards in commenting to, or testifying before, regulatory agencies or self-regulatory organizations

The consultant has a responsibility to act with integrity, dignity, and competence when appearing before or submitting comments to a regulatory body or self-regulatory organization. Consultants will cooperate fully with the self-regulatory organization and shall not support a dishonest, fraudulent, deceitful, or misrepresentative position.

STANDARD 6.1

Consultant's responsibility to abide by laws, regulations, and principles

Consultants have a responsibility to make every effort to understand and comply with all regulations and rules that apply to their specific positions and duties. They shall familiarize themselves with, and follow at all times, all legal statutes and regulations of government regulatory agencies; as well as the rules of self-regulatory organizations in their field; unless they have obtained an exemption from the appropriate authority.



STANDARD 6.2

Consultant's responsibility to conduct business and personal affairs professionally and ethically

Consultants have a responsibility to avoid conduct, in both their business and personal lives, which exhibits a lack of honesty, trustworthiness, or fitness to practice as a consulting professional, and discredits the profession as a whole. They shall not engage in any acts of dishonesty, fraud, or misrepresentation that reflect negatively on professional competence, or acts that indicate a general disrespect for the law. Examples of such acts include, but are not limited to:

- Acts resulting in conviction for a felony;
- Acts resulting in conviction for a misdemeanor involving moral turpitude (e.g., lying, cheating, stealing); and,
- Conduct that compromises the integrity of APIC members or the consulting profession as a whole.

Furthermore, consultants should seek to avoid any and all conflicts, real or perceived, within their control that may arise in the course of performing their consultant services.

STANDARD 7.0

Consultant's responsibility to exercise reasonable supervision of others

When working in a supervisory capacity (having responsibility and authority over others), consultants will ensure that APIC's Professional Standards of Practice are carried out in a uniform and ethical manner by all employees in their relationships with consulting clients.

STANDARD 8.0

Consultant's responsibility to maintain competence through continuing education and independent study

Consultants have a responsibility to stay current with changes in their field; including new ideas, investments, and laws; and to expand their knowledge beyond any formal coursework they have completed as part of their continuing education. Consultants should take advantage of professional growth opportunities in order to continue to render knowledgeable, professional, and objective advice to their clients. Finally, consultants will not accept engagements unless they are competent in the specific area of expertise involved. If necessary, they will seek the advice of qualified professionals and/or refer clients to these professionals.

The Association of Professional Investment Consultants (APIC) is a *community of colleagues fostering professionalism through a culture of consulting*. Membership is comprised of leading Smith Barney financial consultants and their team members, Consulting Group professional staff, and other firm employees who support the work of APIC. APIC *advocates* for its standards and for its members' needs; *innovates* to provide creative solutions to client problems; *educates* to raise the skill of its members; and *communicates* to support free interchange of best practices, ideas and information, and to build the collective wisdom of its members and our association.



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