ABOUT THE IAA

The Investment Adviser Association (formerly the Investment Counsel Association of America) is a not-for-profit organization that exclusively represents the interests of investment adviser firms. The IAA was founded in 1937 and played a major role in the enactment of the Investment Advisers Act of 1940, the federal law governing investment adviser firms.

The IAA's membership is comprised of a large and diverse group of firms that manage assets for a wide range of individual and institutional clients. All IAA member firms are registered as investment advisers with the Securities and Exchange Commission. As such, they are subject to the Investment Advisers Act of 1940 and regulations thereunder.

The IAA provides significant services and benefits to its members, including the most up-to-date regulatory and compliance information and educational offerings. In addition, the IAA serves as the advocate for investment advisory firms with respect to every major advisory issue that arises before the U.S. Congress, the SEC, the Department of Labor, state securities regulators, and other policy makers.

Contact the IAA:

info@investmentadviser.org
202.293.4222
1050 17th Street, NW, Suite 725
Washington, DC 20036-5514

IAA MISSION STATEMENT

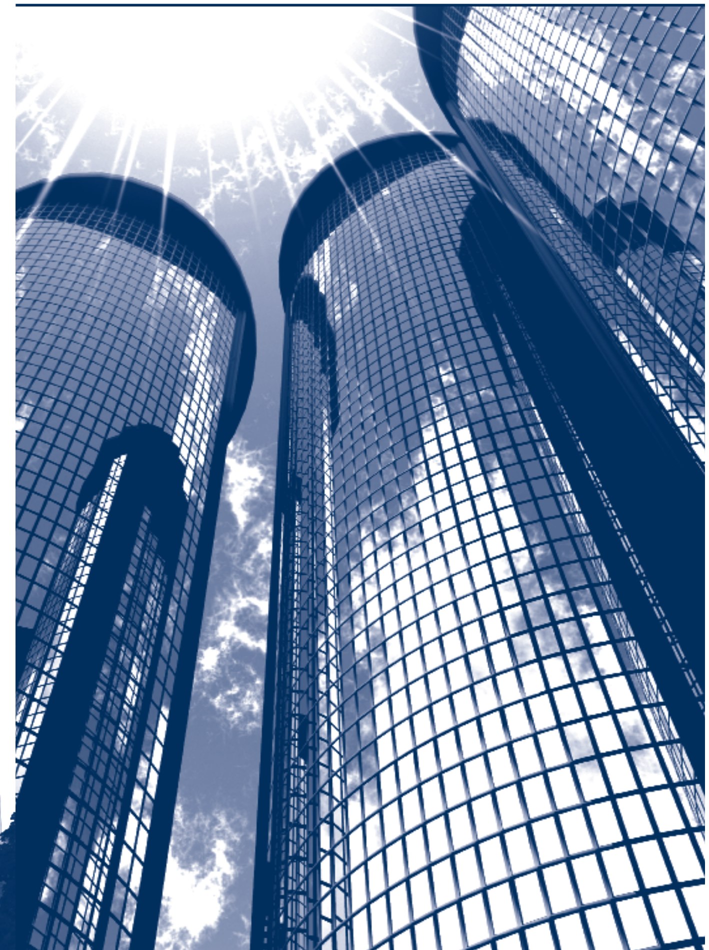
The purposes of the Investment Adviser Association are:

- To promote high standards of integrity, public responsibility, and competence in the investment advisory profession.
- To provide effective, quality representation of the investment advisory profession with respect to the development, formulation, and enactment of legislation, rules, and regulations relating to investment advisers.
- To provide benefits, services, and products that assist and add value to member firms in their course of doing business.

For more IAA information please visit us at:
www.investmentadviser.org

INVESTMENT ADVISER
ASSOCIATION

Standards of Practice



ADVOCACY • COMPLIANCE • EDUCATION
www.investmentadviser.org

STANDARDS OF PRACTICE OVERVIEW

Since its founding in 1937, the Investment Adviser Association (IAA) has prescribed certain principles of conduct for investment advisers. Over the years, many of these principles have been used by Congress and the Securities and Exchange Commission as the basis for legislation and regulations governing the conduct of investment advisers and by the United States Supreme Court in defining the standards of fiduciary conduct applicable to all investment advisers.

The investment advisory profession has evolved and changed considerably since 1937. Today, the nature, size, and other characteristics of investment adviser firms, and the services they provide to a wide range of individual and institutional clients, vary significantly. In addition, the legal, regulatory, and compliance requirements that relate to investment advisers have dramatically expanded in scope and complexity. Accordingly, the IAA's Standards of Practice reflect changes that have occurred while continuing to emphasize an investment adviser's core fiduciary duty.

I. Fiduciary Duty and Professional Responsibility

An investment adviser stands in a special relationship of trust and confidence with, and therefore is a fiduciary to, its clients. As a fiduciary, an investment adviser has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients. The parameters of an investment adviser's duty depend on the scope of the advisory relationship and generally include:

1. the duty at all times to place the interests of clients first;
2. the duty to have a reasonable basis for its investment advice;
3. the duty to seek best execution for client securities transactions where the adviser directs such transactions;
4. the duty to make investment decisions consistent with any mutually agreed upon client objectives, strategies, policies, guidelines, and restrictions;
5. the duty to treat clients fairly;
6. the duty to make full and fair disclosure to clients of all material facts about the advisory relationship, particularly regarding conflicts of interest; and
7. the duty to respect the confidentiality of client information.

II. Professional Qualifications

To enable an investment advisory firm to serve its clientele effectively, its investment and managerial personnel should be individuals of experience, ability, competence, and integrity.

III. Responsible and Ethical Business Practices

An investment adviser should run its business responsibly and ethically, including ensuring that its financial condition, operations, and compliance structure are appropriate to protect its clients' interests.

IV. Compensation for Services

The compensation of an investment adviser for investment advisory services should be fair, reasoable, and fully disclosed to the client.

V. Communications with Clients and the Public

An investment adviser's oral and written statments, including those made to clients, prospective clients, their representatives, or the media, must be accurate, balanced, and not misleading.