STANDARDS OF PRACTICE

ADVOCACY

COMPLIANCE

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IAA INVESTMENT ADVISER ASSOCIATION

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. The IAA's Standards of Practice, with their strong emphasis on an investment adviser's core fiduciary duty, remains dynamic and relevant throughout these changes.

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.

continued

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, reasonable, and fully disclosed to the client.

V. Communications with Clients and the Public

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

ABOUT THE IAA

The Investment Adviser Association is a not-for-profit organization that exclusively represents the interests of investment advisory 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 advisory 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 applicable regulations.

The IAA provides a wide variety of advocacy, compliance, and educational services to our members

Advocacy: The IAA serves as the voice of the investment advisory profession by representing the interests of investment advisers on Capitol Hill, at the SEC and the Department of Labor, and with other state and international regulators and policy makers. The IAA works to educate policy makers about relevant issues and concerns and regularly comments on regulatory proposals that will directly affect investment advisers.

Compliance: The IAA's knowledgeable legal team serves as an invaluable resource to IAA member firms. In addition, all IAA members have access to a growing and dynamic library of legal, regulatory, and compliance resources on the IAA's website.

Education: The IAA is a primary source of high quality, informative educational programs and materials that are tailored to address issues affecting the investment advisory community.

IAA MISSION AND PURPOSE

The IAA is the leading industry organization dedicated solely to the interests of the investment advisory profession.

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.

IAA INVESTMENT ADVISER ASSOCIATION

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