

23 December 2004

CFA Centre for Financial Market Integrity
560 Ray Hunt Drive
P.O. Box 3668
Charlottesville
Virginia 22903
USA

Dear Sir

Asset Manager Code of Professional Conduct

The IMA represents the UK-based investment management industry. Our Members include independent fund managers, the investment arms of retail banks, life insurers and investment banks, and the managers of occupational pension schemes. They are responsible for the management of about £2 trillion of funds (based in the UK, Europe and elsewhere), including authorised investment funds, institutional funds (e.g. pensions and life funds), private client accounts and a wide range of pooled investment vehicles. In particular, our Members represent 99% of funds under management in UK-authorised investment funds (i.e. unit trusts and open-ended investment companies).

The IMA is pleased to comment on your exposure draft of the above Code. As managers of investors' assets, our members have a clear incentive to conduct themselves and their businesses to the highest ethical standards in order to minimise reputational risk. In addition the investment management industry in the UK is regulated by the Financial Services Authority whose Conduct of Business rules lay down the principles upon which its activities are conducted. These principles are wide ranging and ensure that the highest standards of ethical conduct are embedded in firms' operations and business practices.

It does therefore seem to be superfluous for a further Code to be promulgated throughout the industry which would only appear to duplicate what our members already comply with in terms of the UK's regulatory regime. It is also difficult to understand how a CFA Code could apply to investment firms while the CFA's membership is comprised of individuals.

With respect to the actual draft Code, the IMA makes the observation that it is too prescriptive and that it should focus on principles, which are laid out on pages 5 to 7. The IMA urges the CFA to concentrate on recognition, management and monitoring of conflicts of interest and of processes and procedures.

As examples of why the IMA believes that the Code will be unworkable in the UK, we make the following comments with respect to some of the detail. The terms used in B4, "side letter", "sidecar" or "tag-a-long" are not recognised in the UK. In B5a the text relates to professional investors and is inappropriate for retail investors. In B5b the text is appropriate only for Independent Financial Advisers not for investment managers who do not necessarily know what the client's other assets may be.

In B6a it is proposed that investment managers should create a written Investment Policy Statement. In the UK it is a requirement under the Trustees Act that trustees of pension and charity funds create a Statement of Investment Policy (SIP). Although managers may be asked for their view on an SIP, it would be superfluous for a manager then to create his own.

In C3 the comments on soft do not distinguish between the US definition of soft and the UK definition. There is nothing ethically wrong with the purchase of services out of commission which are not directly related to that trade. Managers should be encouraged to purchase independent research and not inhibited. The IMA believes that, given the timing of this draft, it is not helpful to the debate over softing and bundling, both in the US and the UK, to leave the language in this section in its current form.

In E2 the reference to "independent third-parties" ignores the UK model of the role of depositaries and trustees with regard to Collective Investment Schemes.

There are further details which the IMA could comment on but we would just reinforce our view that the proposed Code only duplicates the regime under which the UK industry already operates.

I hope that these comments will be useful and should you have any queries, please do not hesitate to contact me.

Yours faithfully

Liz Rae
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