

THE NATIONAL SOCIETY OF COMPLIANCE PROFESSIONALS, INC.

CODE OF ETHICS

STANDARDS OF PROFESSIONAL CONDUCT

AND GUIDANCE

FOR COMPLIANCE PROFESSIONALS

1. Preamble

The National Society of Compliance Professionals (“NSCP”) is a nonprofit, membership organization dedicated to serving and supporting compliance professionals in the securities industry. Among its missions, NSCP promotes professionalism among securities industry compliance professionals.

● **To Whom this Code of Ethics Applies:** This Code of Ethics is designed to apply to those who adopt it, or those who are required to comply with the Code as described below. This Code has been prepared for all Compliance Professionals, regardless of the size of their firm's compliance department or their role in the department. It is recognized that the obligations of a Compliance Professional under this Code, and the manner in which specific Code provisions apply, may vary depending on the role and specific responsibilities of the Compliance Professional.

● **Mandatory, Recommended, or Voluntary:** Mandatory application for any candidate seeking CSCP. Recommended for any other Compliance Professional.

● **Firm Application of this Code:** Compliance Professionals are encouraged to discuss this Code with their employers and to encourage their employers to apply the Code to all compliance functions.

2. Professional Qualifications

A Compliance Professional should have the knowledge, skills and capabilities needed to perform his or her responsibilities competently.

● **Knowledge of Relevant Legal Requirements, Firm Procedures, and Firm Products and Processes:** Compliance Professionals should be knowledgeable regarding relevant laws and regulations, relevant policies and procedures within their firms, and their firms' businesses, products, and processes.

● **Empowerment:** A Compliance Professional should not accept employment as a Compliance Professional unless he or she is given adequate authority and resources to perform his or her responsibilities. These include the following:

- Access to and the ability to gather and to test appropriate information; and
- The ability to communicate with appropriate senior management about compliance issues and concerns.

● **Ongoing Development:** Compliance Professionals should remain familiar with new rules and laws, changes in their firms' businesses and products, and developments in the industry and marketplace. Compliance Professionals must maintain and should strive to continually improve their technical knowledge, as well as the effectiveness and quality of their services.

3. Professional Responsibility

3.1 Guiding Themes: Compliance Professionals play a key role in monitoring, testing, and reporting on the compliance systems in financial services firms. Compliance Professionals should act responsibly and ethically in discharging these responsibilities.

● **Avoiding Conflicts of Interest:** Compliance Professionals should avoid material conflicts of interest whenever possible and should disclose all material conflicts of interest related to the performance of their responsibilities to appropriate senior management or other oversight authorities, such as boards of directors.

● **Preserving Confidences:** The role of the Compliance Professional is enhanced if the Compliance Professional is permitted to communicate in confidence within the firm. Compliance Professionals should preserve the confidentiality of information conveyed to them in confidence unless permitted by appropriate senior management to disclose such information or compelled to make such disclosures by legal requirements.

● **Duties of Loyalty and Care to Compliance Goals and Objectives:** Compliance Professionals should serve the compliance goals of their firms with care and loyalty.

● **Encouraging a Culture of Compliance:** The Compliance Professional should foster an appropriate culture of compliance.

3.2 Compliance Responsibilities: Compliance Professionals should encourage their firms to create and implement appropriate systems of supervision; assist their firms in the development of appropriate policies and procedures; participate in appropriate testing and monitoring of the systems of compliance; assist their firms in identifying and developing appropriate mechanisms for identifying, reporting, and responding to compliance issues; and should strive to enhance the systems and culture of compliance at their firms.

4. Conflicts of Interest

4.1 Personal Trading

- Compliance Professionals must maintain strict adherence to their firms' Codes of Ethics and any other codes regulating their personal trading.
- With or without specific employer policies, a Compliance Professional should avoid any actual or appearance of conflicts of interest in personal transactions in products offered by the employer.

4.2 Gifts

- A Compliance Professional may not solicit the receipt of a gift for the execution of his or her legitimate job duties.
- A Compliance Professional may give or receive an unsolicited gift from an individual with whom his or her firm does business only if consistent with the firm's policies and procedures and the ability of the Compliance Professional to exercise independent judgment.

4.3 Compensation

- A Compliance Professional should review his/her compensation package and other remuneration and reduce or eliminate, wherever possible, actual conflicts of interest presented by the manner in which the compensation is calculated or paid.

4.4 Allegations Against the Compliance Professional

- When the Compliance Professional's conduct is directly and explicitly questioned, the Compliance Professional can continue to perform appropriate responsibilities, unless either appropriate senior management requests that the Compliance Professional cease to act in matters involving the Professional's own alleged misconduct or the Compliance Professional concludes that he or she can no longer act effectively.

4.5 Monitoring the Compliance Professional's Own Conduct

- A Compliance Professional should avoid testing, monitoring, or supervising his or her own conduct, unless the size of the firm makes any other arrangement impractical.

5. Independence

Compliance Professionals should seek to avoid coercion, deception, or undue influence by any persons, both inside or outside their firm, in connection with the Compliance

Professional's performance of his or her duties and must report any instances of such conduct to appropriate senior management.

6. Confidentiality

6.1 Compliance Professionals should only disclose information conveyed in confidence within their firms to persons outside their firms when permitted by appropriate senior management to do so or when compelled to do so by legal requirements.

6.2 Compliance Professionals should warn appropriate persons within their firms as necessary that it may be impossible for the Compliance Professional to preserve the confidentiality of information learned within the firm.

7. Reporting Up of Compliance Concerns

If a Compliance Professional takes appropriate steps to address a compliance violation but management fails to act effectively and the Compliance Professional knows or has reason to know of that failure, he or she should consider what additional steps are appropriate to address the matter. These steps may include disclosure of the matter to the entity's most senior management or board of directors, resignation from the firm, or disclosure to regulatory authorities. In the case of an attorney, the applicable Code of Professional Responsibility and the Canons of Ethics may bear upon what course of conduct that individual may properly pursue.

8. Playing Multiple Roles Within a Firm and Working for Multiple Entities

8.1 Multiple Roles

- **Attorneys as Compliance Professionals:** A Compliance Professional may be an attorney, but the Compliance Professional should clearly delineate when he or she is acting as an attorney rather than as a Compliance Professional.
- **Business and Compliance Functions:** A Compliance Professional may also perform business functions, but the Compliance Professional should avoid monitoring and testing his or her own activities unless the firm is so small that it would be impractical to adopt another arrangement.

8.2 Multiple Entities

- A Compliance Professional who works for multiple firms, or works part time for a firm as a Compliance Professional and holds other employment at other firms, must be alert to possible conflicts of interest and competing demands on his or her time and resources as a result of these multiple roles. In particular, the Compliance Professional must be careful to guard against the unintentional disclosure of confidential information on compliance or other matters learned at one firm in carrying out their activities outside the firm. A Compliance Professional is not permitted to disclose such information unless

authorized to do so by appropriate senior management or compelled to do so by legal requirements.

- In accepting and remaining a Compliance Professional in the part-time, multiple employment context, the Compliance Professional must be satisfied that he or she has appropriate access to information to perform the compliance function effectively, appropriate time and resources to perform the compliance function effectively, and appropriate ability to communicate with senior management about compliance issues and concerns.

9. Special Considerations for Small Firms

Many broker-dealers and investment advisers are small entities. Indeed, many are sole proprietorships. In the context of a small firm, certain practical necessities may cause arrangements to be accepted that would not be preferred in a larger firm.

- **Self-Testing, Self-Monitoring, and Self-Supervision:** If the size of the firm permits an arrangement that avoids the Compliance Professional testing, monitoring, or supervising his or her own conduct, this is recommended. However, if the size of the firm renders such an arrangement impractical, self-testing, self-monitoring, and self-supervision is permitted, provided that the Compliance Professional determines that such an arrangement is consistent with the standards set forth in this Code.
- **Compensation and Business Responsibilities that May Create Conflicts of Interest:** If the size of the firm permits, it is recommended that Compliance Professionals perform their functions on a full-time basis and be compensated based upon their performance as Compliance Professionals. However, if the size of the firm renders such arrangements impractical, the Compliance Professional can also perform significant business functions and receive compensation that is based solely on the profitability of the firm, provided that the Compliance Professional determines that such an arrangement is consistent with the standards set forth in this Code.
- **Performing the Compliance Function in a Sole Proprietorship:** Although the law requires a sole proprietorship to have a chief compliance officer ("CCO"), the role and responsibilities of a CCO in a sole proprietorship are difficult to understand and to define. In this context, the CCO should exercise reasonable judgment to apply this Code in a manner that enhances compliance with the law.

10. Other Considerations

10.1 A Compliance Professional can rely upon experts, including attorneys, certified public accountants, and internal auditors, to assist the Compliance Professional in performing his or her responsibilities.

10.2 While the Compliance Professional should request adequate resources to perform his or her responsibilities, Compliance Professionals usually do not control the allocation

of firm resources to compliance functions. A Compliance Professional should devote reasonable efforts to the diligent discharge of his or her responsibilities within the staffing, systems, and other resource constraints to which they are subject.

10.3 A Compliance Professional is held to a reasonable standard of care. Acts of recklessness or intentional misconduct by the Compliance Professional are not consistent with this standard.

10.4 A Compliance Professional should know the difference between compliance and supervision activities and understand both the regulatory responsibilities and the liabilities attached to each function.

10.5 This Code is not intended to create a standard of care or liability and should not be so applied.