

The Model Code Update 8 **(March 1st 2002)**

Chapter II Section 6 – Dealing for personal account, has been re-written, as follows:

Chapter II

6. Dealing for personal account

The practice of dealing for personal account either in-house or externally has several implications including credit risk and potential conflict of interest. The Model Code advocates clear written management policies and controls.

Where dealing for personal account is allowed, management should ensure that adequate safeguards are established to prevent abuse or insider dealing in any form. These safeguards should also reflect the need to maintain confidentiality with respect to non-public price sensitive information and to ensure that no action is taken by employees, which might adversely affect the interests of the firm's clients or counterparties.

Management should have a clearly defined policy for personal transactions of staff including investment. Written procedures should be in place to cover these transactions as well as those on behalf of the dealer's family and other members of personnel, management included.

Managers should be aware that a conflict of interest may arise if traders are permitted to deal for themselves in those commodities, instruments or products closely related to the ones in which they deal for their institution and should stipulate clearly which ones, if any, the dealers can trade in for their own account.

In this respect, where dealing for personal account is permitted, management's written procedures should clearly stipulate the institution's control policy in relation to the unprofessional practice often referred to as 'front running' This arises where an employee could execute a personal trade in advance of a client's or institutional order to benefit from an anticipated movement in the market price following the execution of a large trade.

Particular care should be exercised where day trading for personal account is concerned. There should be a full disclosure and transparency requirement ensuring that the traders give their full attention to their institution's business without being distracted by personal financial concerns.

Traders should recognise that they too have a responsibility to identify and avoid conflicts of interest.