

MEMO# 18483

January 31, 2005

Updated Institute Drafting Guide for Codes of Ethics

[18483] January 31, 2005 TO: CHIEF COMPLIANCE OFFICER COMMITTEE No. 10-05 CLOSED-END INVESTMENT COMPANY MEMBERS No. 7-05 COMPLIANCE ADVISORY COMMITTEE No. 10-05 INVESTMENT ADVISER ASSOCIATE MEMBERS No. 2-05 INVESTMENT ADVISER MEMBERS No. 2-05 PRIMARY CONTACTS - MEMBER COMPLEX No. 7-05 SEC RULES MEMBERS No. 20-05 SMALL FUNDS MEMBERS No. 13-05 UNIT INVESTMENT TRUST MEMBERS No. 1-05 RE: UPDATED INSTITUTE DRAFTING GUIDE FOR CODES OF ETHICS As you may know, for several years the Institute has made available to its members a drafting guide for codes of ethics, addressing the requirements of Rule 17j-1 under the Investment Company Act of 1940. The guide is part of the Institute's overall efforts to assist members in implementing regulatory requirements, in general, and assisting particularly with respect to codes of ethics.¹ Attached is an updated drafting guide, which addresses the requirements of new Rule 204A-1 under the Investment Advisers Act of 1940 and amended Rule 17j-1.² The guide first covers the drafting of an investment company code of ethics that can be used to comply with Rule 17j-1. Addendum A to the guide indicates possible changes in the sample 17j-1 code to tailor the code for investment advisers. Addendum A also includes sample provisions that advisers could use to comply with Rule 204A-1. Addendum B to the guide indicates possible changes in the sample 17j-1 code for investment companies to tailor the code for principal underwriters. The guide also contains explanatory notes and compliance tips. The guide provides a framework to assist members in developing or revising their own codes of ethics. Due to the diversity of organizations and business operations among member 1 See, e.g., "Report of the Advisory Group on Personal Investing" (Investment Company Institute) (May 1994) (an advisory group of senior industry officials reviewed existing standards for personal investing and recommended that all funds adopt several specific measures beyond those required by the federal securities laws). 2 See Memorandum to Closed-End Investment Company Members No. 49-04, Investment Adviser Members No. 12- 04, SEC Rules Members No. 100-04 [17753], dated July 6, 2004; Memorandum to Investment Adviser Associate Members No. 8-04 [17816], dated July 27, 2004. These memoranda summarize the requirements of new Rule 204A-1 and the recent amendments to Rule 17j-1. 2 firms, no one set of guidelines is appropriate for every firm. Therefore, the drafting guide is not intended to be a model, but is intended to assist individual members in considering a number of issues when preparing policies and procedures tailored to their particular circumstances. The drafting guide does not constitute legal advice and should not be considered a substitute for legal counsel. Dorothy M. Donohue Associate Counsel Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 18483, or call the ICI Library at (202) 326-8304 and request the attachment for memo 18483.

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