



K&L GATES

2016 INVESTMENT MANAGEMENT CONFERENCE

Fund Codes of Ethics

Mark C. Amorosi

Alan C. Porter

RULE 17J-1

- Rule 17j-1 prohibits any affiliate of a fund or its adviser or principal underwriter from engaging in fraudulent conduct in connection with the purchase or sale of a “Covered Security” held or to be acquired by the fund.



RULE 17J-1: “COVERED SECURITY” DEFINED

- The rule applies to any “Covered Security” which includes all securities, except:
 - U.S. government securities;
 - Banker’s acceptances or CDs;
 - Commercial paper; and
 - Shares of registered open-end funds.



RULE 17J-1: CODE REQUIREMENT

- Each fund, adviser and affiliated principal underwriter must adopt a written code of ethics to prevent “Access Persons” from engaging in prohibited conduct.
- Fund board of directors/trustees (including a majority of the independents) must approve such codes.
- Fund board also must approve any material changes to such codes within 6 months.



RULE 17J-1: “ACCESS PERSON” DEFINED

- “Access Person” of a fund or adviser generally includes:
 - Any director, officer, general partner or employee of the fund or adviser who, in connection with his/her regular duties, makes, participates in, or obtains information regarding, transactions in Covered Securities by a fund, or whose functions relate to the making of any recommendations with respect to such transactions; and
 - Any natural person in a control relationship to the fund or adviser who obtains information concerning recommendations made to the fund with regard to fund transactions in Covered Securities.



RULE 17J-1: “ACCESS PERSON” DEFINED

(CONTINUED)

- “Access Person” of a principal underwriter generally includes any director, officer or general partner who, in the ordinary course of business, makes, participates in or obtains information regarding, fund transactions in Covered Securities, or whose functions or duties in the ordinary course of business relate to the making of any recommendations to the fund regarding fund transactions.



RULE 17J-1: CODE ADMINISTRATION

- Funds, advisers and affiliated underwriters are required to:
 - Use reasonable diligence and implement procedures to ensure code compliance;
 - Furnish a written report to the fund's board at least annually describing any issues and material violations arising under the code since the last report;
 - Certify at least annually that they have adopted procedures reasonably necessary to prevent "Access Persons" from violating the code; and
 - Maintain records required by the rule.



RULE 17J-1: REQUIRED REPORTS

- Access Persons must submit the following reports:
 - Initial Holdings Report;
 - Annual Holdings Reports; and
 - Quarterly Transaction Reports.
- Independent directors/trustees generally do not have to submit reports, but are required to submit Quarterly Transaction Reports under certain circumstances.



RULE 17J-1: REQUIRED PRE-APPROVALS

- “Investment Personnel” must pre-clear purchases in any IPO or private placement.



RULE 17J-1: DISCLOSURE

- A fund must disclose in its prospectus or SAI whether:
 - The fund and its adviser and underwriter have adopted codes of ethics; and
 - The codes permit personnel subject to the codes to invest in securities for their own accounts, including securities in which the fund may invest.
- A fund and its adviser and underwriter also must file their codes of ethics with the SEC as an exhibit to the fund's registration statement.



K&L GATES