Minutes - Executive Policy Committee - September 17, 2003

Minute No. 349
Report - Standing Committee on Fiscal Issues - September 9, 2003

Item No. 1 Investment Policy
File FI-3

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Committee on Fiscal Issues and submits the following to Council:

1. That the Investment Policy (referred to in the administrative report dated August 26, 2003), be approved.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report - Standing Committee on Fiscal Issues - September 9, 2003

DECISION MAKING HISTORY:

Moved by Councillor Clement,
That the recommendation of the Standing Committee on Fiscal Issues be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On September 9, 2003, the Standing Committee on Fiscal Issues concurred in the administrative recommendation and submitted the matter to Executive Policy Committee and Council.

REPORT

RE: CITY OF WINNIPEG INVESTMENT POLICY

FOR SUBMISSION TO: STANDING COMMITTEE ON FISCAL ISSUES

ORIGINAL REPORT SIGNED BY: CHIEF FINANCIAL OFFICER

REPORT DATE: August 26, 2003

RECOMMENDATION(S):

That the City of Winnipeg Investment Policy be forwarded to Council for approval.

REPORT SUMMARY:

Key Issue(s):

Formal approval of an Investment Policy for the City of Winnipeg.

Implications of the Recommendation(s):

General Implications

- [X] None
- [ ] For the organization overall and/or for other departments
- [ ] For the community and/or organizations external to the City
- [ ] Involves a multi-year contract

Comment(s):

Policy Implications

- [ ] No
- [X] Yes

Comment(s):

Approval of this policy formalizes the existing practice of the City with respect to investments.

Environmental Implications:

- [X] No
- [ ] Yes

Comment(s):

Human Resources Implications:

[X] No
[ ] Yes
Comment(s):

Financial implications

[X] Within approved current and/or capital budget
[ ] Current and/or capital budget adjustment required
Comment(s): There is no financial impact as this relates to the approval of an investment policy.

REASON FOR THE REPORT:

Investment policies are the foundation of sound government investment programs. Governments should occasionally review their investment policies to make sure that their policies are meeting their needs. While some governments develop investment policies as internal documents and do not require formal governing body approval, securing the approval of the governing body ensures that the policy becomes an official document. Under the new City of Winnipeg Charter, the civic administration is now responsible for managing some longer-term investments previously managed by the Sinking Fund Trustees. As a result, it is an opportune time to review the City's investment policy.

DISCUSSION:

Sections 289(3) and 290(a) of The City of Winnipeg Charter limit the types of securities in which money not immediately required by the City may be invested. International organizations including the Government Finance Officers Association (GFOA) and the Association for Investment Management and Research (AIMR) have published guidelines on developing an Investment Policy. The administration considered these guidelines in developing the attached Investment Policy for the City. The City does not have a formal investment policy adopted by Council.

Financial Impact Statement

No financial impact

"Original signed by Carrie Erickson"
Carrie Erickson
Manager of Finance & Administration

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

Legal Services

THIS REPORT SUBMITTED BY:

Department: Corporate Finance Department
Division: Financial Services
Prepared by: Garry Steski, Manager of Financial Services
File No.

THE CITY OF WINNIPEG

INVESTMENT POLICY

I. INTRODUCTION

A. Purpose

The purpose of this Investment Policy is to provide the City with an approved framework for managing its investment program. This policy provides direction and an accountability structure for the Corporate Finance Department in the execution and management of investment transactions.

B. Scope

The Corporate Finance Department is responsible for the investment of monies within the consolidated bank accounts. Short-term monies are essentially surplus funds that arise due to timing differences between the receipt of revenue and disbursement of expenditures. An example is the concentration of realty taxes due on June 30th that fund City expenditures over subsequent months. In addition, the City has a number of reserve funds established that have both a short and long-term nature to them. The long-term reserve funds are comprised of specific City Reserve Funds with either fixed or continuous future obligations. It is anticipated any Sinking Fund investments required by the City on debt issued after January 1, 2003 will also fall within the realm of this policy. Unless specifically directed or restricted by Council, the Chief Financial Officer determines the investment term of specific reserve funds. Finally, a component of the short-term funds is comprised of the cash positions of The Board of Trustees of the Winnipeg Civic Employees Benefits Program and The Sinking Fund Trustees.

This policy includes:

1. A definition of short and long-term investments;
2. Legal Authorization and delegated authority for investment of funds;
3. Types of investments;
4. Reporting requirements for the investment portfolios; and,
5. Credit risk and liquidity requirements.

C. Objective

The objective of the Policy is to incorporate industry best practices to ensure the safety of principal and liquidity of the investment portfolio.

The objective of the investment portfolio is to prudently manage The City of Winnipeg's surplus cash position and reserve monies within the context of the following:

- Safety of principal;
- Risk/return nature of the investments;
- Liquidity of the investment; and
- The duration and convexity[1] of the investment portfolio.

Safety of principal is the overriding consideration in investment decisions.

D. Review of Investment Policy

This Policy will be reviewed annually by the Corporate Finance Department in consideration of meeting City financial goals, achieving safety of capital, the marketplace and associated market conditions, regulatory standards, technology, and industry best practices. This Policy will be reviewed during each term of Council to ensure its continued effectiveness.

II. DEFINITION OF INVESTMENTS

The short-term investment portfolio consists of cash or liquid securities with a maturity date of two years or less.

The long–term investment portfolio consists of securities with a maturity date that exceeds two years.

III. AUTHORIZATION AND INTERNAL CONTROLS

A. The City of Winnipeg Charter

Section 290 states "Council may provide for (a) money of the City not immediately required for its purposes to be invested or to purchase, acquire, hold or dispose of any of the securities specified in clauses 289(3)(a) to (e);..."

B. Responsibility for Investment Management

The City Organization By-law 7100/97 states "The Chief Financial Officer may invest money of the City not immediately required for its purposes and may authorize the

[1] Convexity is a measure of a bond's price sensitivity to changing interest rates. A higher convexity indicates greater sensitivity of a bond's price to interest rate changes.

purchase and disposal of any of the securities referred to in Section 290 of the City of Winnipeg Charter."

Administrative Directive, Governance Structure – Financial Management - Delegated Authorities states the Chief Financial Officer has delegated administrative authority to the City Treasurer for administering investment policies and developing strategies for debt and money management.

The Treasury Division under the direction of the Manager of Financial Services carries out the administration of investment policies and development of strategies on behalf of the City Treasurer.

In the absence of Council establishing a Sinking Fund Committee under section 307(1) of the City of Winnipeg Charter, the Chief Financial Officer is responsible for investing the money in the sinking fund account and may only delegate this responsibility to an employee designated by Council under Section 307(3) of the City of Winnipeg Charter.

C. Ethics and Professional Conduct

As is the case for all City employees, individuals delegated the responsibility for investment policies and strategies and debt and money management are required to abide by the City of Winnipeg Employee Code of Conduct.

In addition, the Code of Ethics and Standards of Professional Conduct as established by the Association for Investment Management and Research shall be adhered to. This Code of Ethics and Standards is attached as a schedule.

D. Signing Authority and Investment Documentation

Investment transactions (purchases and sales) will be evidenced with appropriate documentation which states the terms and associated conditions of the executed transaction.

Two authorized signatures as established in the financial delegation of signing authority are required for all trading transactions. The initiator of the transaction will sign the trading ticket as evidence to its validity and accuracy. The second authorization signature will primarily be the Manager of Financial Services. In the absence of the Manager of Financial Services the signature of one of the following individuals is to be obtained: Chief Financial Officer, City Treasurer, Corporate Controller, or the Manager of Taxation and Revenue.

E. Safekeeping of Securities

The Chief Financial Officer is responsible for the safekeeping of securities. The Treasury Division under the direction of the Manager of Financial Services will ensure

appropriate and accurate systems and accounts are maintained for book-based securities, and that a reputable custodian accurately maintains physical securities.

F. Authorized Financial Institutions and Dealers

In Canada, regulation of the securities industry is carried out by provincial securities commissions and self-regulatory organizations, which include the Investment Dealers Association of Canada.

Each province has government bodies -- securities commissions or administrators -- that oversee a provincial Securities Act. This act provides a set of laws and regulations which outline what participants in the market can do.

The securities commissions delegate certain aspects of securities regulation to the Investment Dealers Association of Canada. The IDA is Canada's primary regulator of the fixed income market (e.g. T-bills, bonds and debentures). The Association's responsibilities include monitoring the activities of member firms in the fixed income marketplace and developing trading and sales practices with the Bank of Canada and the federal Department of Finance for both the primary and secondary (i.e. resale) debt markets.

A list will be maintained in Treasury of all financial institutions and investment dealers authorized to provide investment services. In order to qualify for investment transactions the firm must be a member in good standing of the Investment Dealers Association of Canada.

F. Foreign Currency

The City of Winnipeg will not bear unhedged foreign currency risk.[2]

IV. TYPES OF INVESTMENTS MANAGED

There are five types of investments managed by Treasury:

A. Liquidity Investments

This short-term investment is essentially surplus cash on hand. The investment(s) are used to meet general operating requirements and provide a means to meet unanticipated cash flows. Cash is typically invested in an overnight security to provide liquidity on a daily basis. This ensures the City does not have to access its bank line of credit for planned operational cash flows. A bank line of credit is a comparatively expensive form of financing and should not be employed unless unanticipated cash requirements arise. It is imperative that the prominent investment criteria be liquidity for operational requirements.

[2] Unhedged foreign currency risk means the City would be at risk to fluctuations of foreign currencies on permitted investments and thereby not know with certainty the rate of return on an investment.

B. Asset/Liability Management Investments

The purpose of this investment class is to match and hedge the City's portfolio of assets and liabilities for interest rate management purposes. Surplus funds are essentially invested to future dates where cash is required while managing the associated interest rate risk.

C. Pre-funding Investments

Pre-funding occurs when decisions are made to borrow funds before the cash is required, or in an amount larger than required in order to exploit windows of borrowing opportunity. The excess cash is subsequently invested in instruments maturing or readily available for sale on a cash requirement date. While liquidity is a consideration, the risk/return relationship of these investments should be maximized to offset the carrying cost of the associated borrowing.

D. Offset Investments

An offset investment occurs when short-term promissory notes are issued and the proceeds are invested in high quality/high yielding instruments of the same term. Offset investments are an integral part of the funding strategy utilized to enhance market presence and promote name recognition for the City of Winnipeg's promissory note program.

E. Long-Term Investments

The City has certain reserve funds or portions thereof of a longer-term nature. Examples of these types of reserves include reserves designated for perpetual maintenance of cemeteries, stabilization for specific purposes and for future capital projects. Generally speaking, these investments have maturity dates that exceed two years.

V. REPORTING FRAMEWORK

The City Treasurer and Manager of Financial Services will be provided with a credit exposure report pertaining to the investment portfolios on a regular basis. This report will document individual investments and aggregate amounts outstanding by approved investment credit and classification. For the short term portfolio, the weighted average return of the portfolio and the call investment rate, which approximates the midpoint of the Bank of Canada "target interest rate band", will be documented. For the long term portfolios, the quarterly investment return for each fund will be documented.

All investment and debt activities are subject to the review and scrutiny of the City of Winnipeg's independent external or internal auditors.

VI. CREDIT RISK/LIQUIDITY REQUIREMENTS

A. Credit Risk Monitoring

Security of principal is the most critical investment criteria for management of public funds. Therefore, appropriate credit, term and sector limits for investments must be determined and implemented. The credit ratings of two recognized credit rating agencies will be utilized when possible. Dominion Bond Rating Service (DBRS), Moody's Investors Service or Standard & Poor's (S & P) will be utilized. In the event that only one credit rating is available, it is appropriate to utilize the credit rating service of any one of the agencies documented above.

It must be recognized without exception, the credit rating agencies state their opinion as to the creditworthiness of an investment credit and, therefore, the use of the ratings they provide does not assure a guarantee as to the safety of principal.

B. Investment Criteria Schedule

Investments must meet the minimum credit rating criteria as outlined below.

	DBRS	MOODY'S	S & P
Long-Term	AA	AA	AA
Short-term	R-1(LOW)	P-2	A-2

C. Downgrade In Credit Rating

If an investment credit rating is downgraded to below the minimum as set out in the Investment Criteria Schedule above, it will be disposed of as expeditiously as possible without compromising the portfolio. If an investment is downgraded below the minimum as set out in Schedule 1, the event and proposed course of action must be reported to the Manager of Financial Services immediately.

Exceptions may be granted by the City Treasurer for strategic reasons (i.e. if the investment is part of a material offset, market conditions are unfavorable, etc.).

D. Approved Investments

The credit risk criteria by investment sector, as outlined in Schedule 1 will form the overall credit risk matrix for the short and long-term investment portfolios.

E. Exceptions

Due to the timing of investment maturities, required operational cash flows and availability of specific investment credits and asset classes in the marketplace, the portfolio from time to time may not be in compliance with the credit risk criteria

(Schedule 1). This event is of a short run nature and will be remedied through the realignment and reallocation of investment credits and classes that comprise the portfolio.

The Manager of Financial Services and City Treasurer will be advised if this event should occur and the recommended course of action will be undertaken.

F. Authorized Investments

The City of Winnipeg Charter limits the types of investments the City is authorized to carry out; it may only invest in the particular securities listed in clauses (a) to (e) of subsection 289(3). The City's investment portfolio shall be subject to the additional restrictions documented in the attached Schedule 1.

This policy does not cover the Lending of Securities as referred to in clause 290(b) of The City of Winnipeg Charter nor does it cover Financial Agreements as characterized under Section 291 of The City of Winnipeg Charter.

Authorized investment activity includes:

1. Switches[3]

Switches of investments are authorized subject to meeting the criteria of Schedule 1.

2. Repurchase (Repo) Agreements[4]

Surplus funds may be invested in Repos subject to an acceptable Master Repurchase Agreement being signed by an authorized signing officer of the City of Winnipeg (as established in the Financial Delegation of Signing Authority) and the investment dealer. The underlying collateral will be a Government of Canada or Provincial credit or guarantee. The term of the agreement must meet the criteria in Schedule 1.

The collateral shall be re-priced at market rates anytime a 25 basis point change in the yield of the relevant Government of Canada Benchmark Security occurs. The collateral will also be re-priced at the end of each week. If the collateral is not

[3] A switch is the coinciding sale of one investment and subsequent purchase of another investment in order to enhance portfolio yield.

[4] A Repurchase Agreement is an agreement with an investment dealer whereby an investment is purchased for a specified term and yield and at the same time the investment dealer agrees to repurchase the investment on a specific date for a predetermined price.

sufficient, the investment dealer will be required to provide additional collateral or redeem the investment.

Schedule 1
Page 1

City of Winnipeg
Short-Term Investments
Credit Risk
Criteria

Investment Credit	DBRS	Moody's	S & P	Amount	Term
Government of Canada (minimum 10% of portfolio)					
Bonds	AAA	AAA	AAA	Unlimited	2 years or less
Treasury Bills	R1-High	P-1	A-1	Unlimited	1 year or less
Guarantees and Crown Corporations	R1-High	P-1	A-1	Unlimited	1 year or less
Provincial Governments and Guarantees (maximum 50% of portfolio)					
Bonds	AAA	AAA	AAA	$125 Million	2 years or less
	AA	AA	AA	$100 Million	2 years or less
	A	A	A	$ 50 Million	1 year or less
Treasury Bills, Promissory Notes, Guarantees	R1-High	P-1	A-1	$125 Million	1 year or less
	R1-Middle	P-1	A-1	$100 Million	1 year or less
	R1-Low	P-1/P-2	A-1/A-2	$ 50 Million	1 year or less
An individual credit shall not exceed (AAA R1-HIGH - $125M, AA R1-MID - $100M, A R1-LOW - $50M)					
Major Canadian Banks "Schedule I" (maximum 50 % of portfolio)	R1-High	P-1	A-1	$100 Million	1 year or less
	R1-Middle	P-1	A-1	$ 75 Million	6 months or less
	R1-Low	P-1/P-2	A-1/A-2	$ 50 Million	3 months or less
An individual credit shall not exceed (AAA R1-HIGH - $100M, AA R1-MID - $75M, A R1-LOW - $50M)					
Schedule "II" Banks (maximum 25% of portfolio)	R1-High	P-1	A-1	$ 50 Million	6 months or less
	R1-Middle	P-1	A-1	$ 25 Million	3 months or less
An individual credit shall not exceed (AAA R1-HIGH - $50M, AA R1-MID - $25M)					

Note: An individual investment credit (except Government of Canada) shall not exceed 15% of the portfolio

Schedule 1

Page 2

City of Winnipeg Long-Term Investments Credit Risk Criteria

Investment Credit	DBRS	Moody's	S & P	Amount	Term
Government of Canada and Guarantees (minimum 50% of portfolio)					
	AAA	AAA	AAA	Unlimited	Unlimited
	AA	AA	AA	Unlimited	Unlimited
Provincial Governments and Guarantees (maximum 50% of portfolio)					
	AAA	AAA	AAA	***1**	30 years or less
	AA	AA	AA	***1**	20 years or less
Municipalities (maximum 25 % of portfolio)	AAA	AAA	AAA	***2**	30 years or less
	AA	AA	AA	***2**	10 years or less

AIMR®
Association for Investment Management and Research

Code of Ethics and Standards of Professional Conduct

as amended and restated May 1999

The Code of Ethics

Members of the Association for Investment Management and Research shall:

- Act with integrity, competence, dignity, and in an ethical manner when dealing with the public, clients, prospects, employers, employees, and fellow members.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on members and their profession.
- Strive to maintain and improve their competence and the competence of others in the profession.
- Use reasonable care and exercise independent professional judgment.

Standards of Professional Conduct

STANDARD I: FUNDAMENTAL RESPONSIBILITIES

Members shall:

A. Maintain knowledge of and comply with all applicable laws, rules, and regulations (including AIMR's Code of Ethics and Standards of Professional Conduct) of any government, governmental agency, regulatory organization, licensing agency, or professional association governing the members' professional activities.

B. Not knowingly participate or assist in any violation of such laws, rules, or regulations.

STANDARD II: RELATIONSHIPS WITH AND RESPONSIBILITIES TO THE PROFESSION

A. Use of Professional Designation.

1. AIMR members may reference their membership only in a dignified and judicious manner. The use of the reference may be accompanied by an accurate explanation of the requirements that have been met to obtain membership in these organizations.

2. Those who have earned the right to use the Chartered Financial Analyst designation may use the marks "Chartered Financial Analyst" or "CFA" and are encouraged to do so, but only in a proper, dignified, and judicious manner. The use of the designation may be accompanied by an accurate explanation of the requirements that have been met to obtain the right to use the designation.

3. Candidates in the CFA Program, as defined in the AIMR Bylaws, may reference their participation in the CFA Program, but the reference must clearly state that an individual is a candidate in the CFA Program and cannot imply that the candidate has achieved any type of partial designation.

B. Professional Misconduct.

1. Members shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit any act that reflects adversely on their honesty, trustworthiness, or professional competence.

2. Members and candidates shall not engage in any conduct or commit any act that compromises the integrity of the CFA designation or the integrity or validity of the examinations leading to the award of the right to use the CFA designation.

C. Prohibition against Plagiarism. Members shall not copy or use, in substantially the same form as the original, material prepared by another without acknowledging and identifying the name of the author, publisher, or source of such material. Members may use, without acknowledgment, factual information published by recognized financial and statistical reporting services or similar sources.

STANDARD III: RELATIONSHIPS WITH AND RESPONSIBILITIES TO THE EMPLOYER

A. Obligation to Inform Employer of Code and Standards. Members shall:

1. Inform their employer in writing, through their direct supervisor, that they are obligated to comply with the Code and Standards and are subject to disciplinary sanctions for violations thereof.

2. Deliver a copy of the Code and Standards to their employer if the employer does not have a copy.

B. Duty to Employer. Members shall not undertake any independent practice that could result in compensation or other benefit in competition with their employer unless they obtain written consent from both their employer and the persons or entities for whom they undertake independent practice.

C. Disclosure of Conflicts to Employer. Members shall:

1. Disclose to their employer all matters, including beneficial ownership of securities or other investments, that reasonably could be expected to interfere with their duty to their employer or ability to make unbiased and objective recommendations.

2. Comply with any prohibitions on activities imposed by their employer if a conflict of interest exists.

D. Disclosure of Additional Compensation Arrangements. Members shall disclose to their employer in writing all monetary compensation or other benefits that they receive for their services that are in addition to compensation or benefits conferred by a member's employer.

E. Responsibilities of Supervisors. Members with supervisory responsibility, authority, or the ability to influence the conduct of others shall exercise reasonable supervision over those subject to their supervision or authority to prevent any violation of applicable statutes, regulations, or provisions of the Code and Standards. In so doing, members are entitled to rely on reasonable procedures designed to detect and prevent such violations.

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STANDARD IV. RELATIONSHIPS WITH AND RESPONSIBILITIES TO CLIENTS AND PROSPECTS

A. Investment Process.

A.1 Reasonable Basis and Representations. Members shall:

a. Exercise diligence and thoroughness in making investment recommendations or in taking investment actions.

b. Have a reasonable and adequate basis, supported by appropriate research and investigation, for such recommendations or actions.

c. Make reasonable and diligent efforts to avoid any material misrepresentation in any research report or investment recommendation.

d. Maintain appropriate records to support the reasonableness of such recommendations or actions.

A.2 Research Reports. Members shall:

a. Use reasonable judgment regarding the inclusion or exclusion of relevant factors in research reports.

b. Distinguish between facts and opinions in research reports.

c. Indicate the basic characteristics of the investment involved when preparing for public distribution a research report that is not directly related to a specific portfolio or client.

A.3 Independence and Objectivity. Members shall use reasonable care and judgment to achieve and maintain independence and objectivity in making investment recommendations or taking investment action.

B. Interactions with Clients and Prospects.

B.1 Fiduciary Duties. In relationships with clients, members shall use particular care in determining applicable fiduciary duty and shall comply with such duty as to those persons and interests to whom the duty is owed. Members must act for the benefit of their clients and place their clients' interests before their own.

B.2 Portfolio Investment Recommendations and Actions. Members shall:

a. Make a reasonable inquiry into a client's financial situation, investment experience, and investment objectives prior to making any investment recommendations and shall update this information as necessary, but no less frequently than annually, to allow the members to adjust their investment recommendations to reflect changed circumstances.

b. Consider the appropriateness and suitability of investment recommendations or actions for each portfolio or client. In determining appropriateness and suitability, members shall consider applicable relevant factors, including the needs and circumstances of the portfolio or client, the basic characteristics of the investment involved, and the basic characteristics of the total portfolio. Members shall not make a recommendation unless they reasonably determine that the recommendation is suitable to the client's financial situation, investment experience, and investment objectives.

c. Distinguish between facts and opinions in the presentation of investment recommendations.

d. Disclose to clients and prospects the basic format and general principles of the investment processes by which securities are selected and portfolios are constructed and shall promptly disclose to clients and prospects any changes that might significantly affect those processes.

B.3 Fair Dealing. Members shall deal fairly and objectively with all clients and prospects when disseminating investment recommendations, disseminating material changes in prior investment recommendations, and taking investment action.

B.4 Priority of Transactions. Transactions for clients and employers shall have priority over transactions in securities or other investments of which a member is the beneficial owner so that such personal transactions do not operate adversely to their clients' or employer's interests. If members make a recommendation regarding the purchase or sale of a security or other investment, they shall give their clients and employer adequate opportunity to act on the recommendation before acting on their own behalf. For purposes of the Code and Standards, a member is a "beneficial owner" if the member has

a. a direct or indirect pecuniary interest in the securities;

b. the power to vote or direct the voting of the shares of the securities or investments;

c. the power to dispose or direct the disposition of the security or investment.

B.5 Preservation of Confidentiality. Members shall preserve the confidentiality of information communicated by clients, prospects, or employers concerning matters within the scope of the client–member, prospect–member, or employer–member relationship unless the member receives information concerning illegal activities on the part of the client, prospect, or employer.

B.6 Prohibition against Misrepresentation. Members shall not make any statements, orally or in writing, that misrepresent

a. the services that they or their firms are capable of performing;

b. their qualifications or the qualifications of their firm;

c. the member's academic or professional credentials.

Members shall not make or imply, orally or in writing, any assurances or guarantees regarding any investment except to communicate accurate information regarding the terms of the investment instrument and the issuer's obligations under the instrument.

B.7 Disclosure of Conflicts to Clients and Prospects. Members shall disclose to their clients and prospects all matters, including beneficial ownership of securities or other investments, that reasonably could be expected to impair the member's ability to make unbiased and objective recommendations.

B.8 Disclosure of Referral Fees. Members shall disclose to clients and prospects any consideration or benefit received by the member or delivered to others for the recommendation of any services to the client or prospect.

STANDARD V. RELATIONSHIPS WITH AND RESPONSIBILITIES TO THE INVESTING PUBLIC

A. Prohibition against Use of Material Nonpublic Information. Members who possess material nonpublic information related to the value of a security shall not trade or cause others to trade in that security if such trading would breach a duty or if the information was misappropriated or relates to a tender offer. If members receive material nonpublic information in confidence, they shall not breach that confidence by trading or causing others to trade in securities to which such information relates. Members shall make reasonable efforts to achieve public dissemination of material nonpublic information disclosed in breach of a duty.

B. Performance Presentation.

1. Members shall not make any statements, orally or in writing, that misrepresent the investment performance that they or their firms have accomplished or can reasonably be expected to achieve.

2. If members communicate individual or firm performance information directly or indirectly to clients or prospective clients, or in a manner intended to be received by clients or prospective clients, members shall make every reasonable effort to assure that such performance information is a fair, accurate, and complete presentation of such performance.