

# The Financial Services Authority Code of Conduct<sup>1</sup>

1 The FSA's Code of Conduct should be read in conjunction with the guidance, which is designed to help you understand and apply the provisions of the Code. Please read the guidance alongside the Code; it is available from the Code of Conduct page on Connect.

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# 1 Introduction

- 1.1 Staff of the Financial Services Authority (FSA) are required by their contract of employment to comply with the Code of Conduct (Code). The Code covers:
  - a) conflicts that may arise between the interests of the FSA and the personal interests, associations and relationships of individual members of staff;
  - b) personal dealings in securities and related investments in Relevant Organisations;
  - c) the provision of products and services by Relevant Organisations; and
  - d) the policy on the acceptance of gifts and hospitality.
- 1.2 You are requested to:
  - a) read the Code and familiarise yourself with it. If you have any questions about it please consult the Ethics Officer;
  - b) complete the declaration in Appendix A online using Chrysalis as soon as possible;
  - c) sign and date Appendix C and send it to the Human Resources Division.
  - d) keep a copy of the Code and the guidance for your own information.
- 1.3 **Compliance with the Code is mandatory. Breach of the Code may result in disciplinary action including, where appropriate, dismissal.**

# 2 Definitions

In this Code the words and expressions set out below have the following meanings:

**Connected Persons:** Your spouse, civil partner, children or step children under 18, parents, or any other person with whom you live in an enduring family relationship if you actually take financial decisions with, or for, that person.

**Dealing:** Includes purchases, sales, subscriptions, acceptance of take-over or other offers and all other acquisitions or disposals of Securities and related investments, or any rights or interests in Securities and related investments. Entering into any contract to secure a profit or avoid a loss by reference to fluctuations in securities' price; the acquisition, disposal, or exercise of any option or other right or obligation to acquire or dispose of Securities. Off market dealings and transfers of Securities as gifts are all examples of dealing<sup>2</sup>.

**Ethics Officer:** The person with responsibility from time to time for administering and interpreting the Code of Conduct for staff dealing and handling conflicts of interest.

**Hospitality:** Invitations to attend an event (including sporting and cultural events), meal or other similar occasion with someone who works for or represents a Relevant Organisation; a professional adviser of a Relevant Organisation; or an actual or potential supplier of the FSA where you can reasonably be perceived to be representing the FSA.

**Relevant Organisations:** Those companies, or any company within the same group of companies, either seeking to be or currently listed, or otherwise publicly traded in the UK and/or quoted and/or regulated in the UK as appropriate. This includes those subject to supervision, monitoring and/or enforcement work. Where a company is listed or otherwise publicly traded in

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<sup>2</sup> The transfer of shares as a gift to a spouse or minor child does not constitute dealing.

more than one country, and one of those countries is the UK, regardless of which country the dealing takes place in, the company is still considered a Relevant Organisation and the provisions of this Code, including those relating to dealing permission, apply. For the avoidance of doubt, hedge funds and private equity funds are Relevant Organisations. For the purposes of sections 3, 5 and 6, Relevant Organisations will also include partnerships and unincorporated associations.

**Securities and related investments:** Includes shares (as well as individual company shares held in PEPS, ISAs or other wrappers), bonds, debentures and any other financial investments, including debt instruments, futures, options, and other financial derivatives<sup>3</sup>. The following investments are, in normal circumstances, excluded from the personal dealing requirements set out in section 4 but are not excluded from the disclosure of interest requirements in sub-section 3.6, or from the requirement to declare potential conflicts as set out in section 3:

- i) Collective investment schemes (such as unit trusts, OEICS and exchange traded funds), including any held in a general PEP, ISA or other wrapper;
- ii) Insurance products, including pensions and life insurance policies.

**Significant relationship:** A relationship with another person, which an independent third party might reasonably consider could affect your actions, or those of a personal associate (whether or not it does so affect your conduct). If you are in any doubt about this, you should discuss it with your line manager before you complete Appendix A online using Chrysalis.

**Staff:** Employees (whether permanent or temporary), including executive members of the Board, contract staff, advisers, and seconded employees.

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<sup>3</sup> If you are in doubt about whether a financial or investment product is covered by the Code, please consult the Ethics Officer.

# 3 Conflicts of interest

## **Introduction**

- 3.1 As FSA staff members, we are entitled to manage our own affairs in privacy. However, our work must be carried out in an environment that is free from any suggestion of improper influence. Those providing information must be confident that it will be properly handled, and conflicts of interest must be identified immediately when they arise and be properly managed.

## **General principles**

- 3.2 All of us must take steps to ensure that any conflict of interest to which we may be subject does not affect, or reasonably appear to affect, a decision taken by the FSA. We must disclose all interests which could conflict, or appear to conflict, with our duties at the FSA.
- 3.3 None of us must exploit, or reasonably appear to exploit, to our personal advantage any personal or professional relationships with a Relevant Organisation, (or an officer or employee of a Relevant Organisation) or an organisation with which the FSA has a contractual relationship (or an officer or employee of such an organisation).
- 3.3A It is important that the FSA can publicly defend the actions of its staff in relation to this Code in order to prevent reputational damage. It is your responsibility to bring potential or actual conflicts of interest to the attention of your line manager as soon as you become aware of them.

## **What is a conflict of interest?**

- 3.4 A conflict of interest arises when our work for the FSA could be affected by a personal interest or personal association. It becomes significant if an independent third party might reasonably take the view that there is a risk of our resultant actions (or those of a personal associate) being affected, whether or not they are actually affected.

3.5 Conflicts of interest may arise in various ways. For example as the result of:

- a) a direct or indirect financial interest;
- b) a direct or indirect financial interest held by a commercial undertaking with which we have connections;
- c) a personal association or relationship with those affected, or likely to be affected, by the information or issue in question;
- d) an expectation of a future interest (for example, future employment);
- e) in some cases, a previous association with the information or issue in question;
- f) an interest arising from a common interest grouping, such as a trade association or other public or private society.

This list is not exhaustive, nor will all of the examples necessarily give rise to significant conflicts of interest. If you are in doubt about whether a conflict has arisen, please consult the Ethics Officer.

### **Procedure for disclosure of interests**

3.6 When you start work at the FSA you must complete the Disclosure of Interests form using Chrysalis and provide your line manager with details of the following:

- a) any post, other employment or fiduciary positions that you hold, or have held in the past five years in connection with a Relevant Organisation or an organisation that presently, to your knowledge, has a contractual relationship with the FSA;
- b) any other significant relationship, including a professional, personal, financial or family relationship, held in connection with or capable of affecting a Relevant Organisation;

This includes investments normally excluded from the definition of Securities and related investments for the personal dealing requirements in section 4 (collective investment schemes and insurance, including pension products). You are also required to make a disclosure in the circumstances described in section 5 below, e.g. if you are in dispute with a Relevant Organisation over the provision of products or services;

- c) the names of organisations with which you hold Securities and/or related investments, pension products, investments with life assurance content, mortgages, endowment policies, collective investment schemes, holdings in investment portfolios (including where full or partial discretion is given to the investment manager), interests in hedge funds and private equity funds;

- d) the names of family members that hold positions or are employed by a Relevant Organisation or a firm connected with the FSA's business, such as a supplier or professional adviser;
  - e) details of any Connected Person who works at the FSA.
- 3.7 You must immediately notify the Ethics Officer through Chrysalis, and your line manager, of all changes in the information disclosed under 3.6 above.
- 3.7A The Ethics Officer will keep a permanent record of all disclosures made under this section of the Code. That information will be kept confidential and will not be disclosed except where there is:
- a) a requirement for disclosure for the purposes of managing potential or actual conflicts;
  - b) a requirement for disclosure to your new line manager following your move to another position within the FSA;
  - c) a requirement for disclosure for the purposes of disciplinary proceedings;
  - d) any legal or regulatory obligation to disclose the information.
- 3.8 In addition to disclosures under 3.6 and 3.7 you are under a duty to declare to your line manager, or others as appropriate, any potential conflict of interest that arises in the course of your work, for example at meetings or during discussions. A general disclosure of interests under the provisions of the Code is not a substitute for this.
- 3.9 You should recognise that a relationship disclosed under these rules as potentially giving rise to a conflict of interest might lead to your Head of Department (or appropriate line management) moving you to another role after full discussion of the circumstances.

# 4 Personal dealings in Securities and related investments

## General principles

- 4.1 The market abuse regime was introduced in December 2001, and has been updated to take account of the requirements of the Market Abuse Directive. The main provisions of the regime are set out in the Financial Services and Markets Act 2000 (FSMA) and the FSA has set out in more detail the sorts of behaviour that may amount to market abuse in the Code of Market Conduct, which forms chapter 1 of the Market Conduct Sourcebook (MAR 1).

One of the categories of market abuse defined in FSMA is the misuse of information where that information is relevant and not generally available. It is an offence to both deal on the basis of such information and to require or encourage someone else to deal. One factor to be considered when assessing whether behaviour amounts to market abuse is whether the person concerned has acted in accordance with the standards expected of them given their position in relation to the market. FSA staff are expected to observe the highest standards in relation to their personal dealings. **The market abuse regime is a civil regime and, in cases where market abuse has occurred, the FSA can impose an unlimited financial penalty.**

- 4.2 Below is a link to the FSA's Code of Market Conduct:  
<http://www.fsa.gov.uk/marketconduct/MarketAbuse>
- 4.3 The UK also has a criminal insider dealing regime, which is set out in the Criminal Justice Act 1993 (the Act). This makes it a criminal offence for an individual who has information as an insider to deal in securities (including shares, debentures, warrants and options) on a regulated market. The FSA may decide, in concluding investigations into a potential misuse of information or insider dealing case, that the behaviour is sufficiently serious to justify a criminal prosecution. **An offence under the Act is punishable by up to seven years imprisonment and/or a fine of up to £5,000.**

- 4.4 It is essential, both in your interests and those of the FSA, that proper arrangements are in place, which allow both the FSA and you to show that individual investment decisions have not been influenced by information made available to you, confidentially, in the course of our business. This section of the Code sets out the framework within which staff dealings in securities and related investments are to be managed.

### **Dealings in Securities and related investments in Relevant Organisations**

- 4.5 You must always seek prior clearance to deal in Securities and related investments in Relevant Organisations as set out in paragraph 2 of this Code. To do this, you need to complete the application to deal form (Appendix B) using Chrysalis to obtain your line manager's consent to the proposed dealing. **YOU MUST NOT DEAL OR BEGIN THE PROCESS OF DEALING BEFORE CLEARANCE HAS BEEN GIVEN OR IF CLEARANCE IS REFUSED.** This includes calling your broker and putting them on standby to deal in specific securities. Once approval has been given you are free to deal, but must do so within two working days of clearance otherwise you must apply for clearance again.
- 4.6 In certain circumstances, an employee may be given clearance to sell (but not purchase) Securities or related investments when they would otherwise be prohibited from doing so. An example of these circumstances would be a pressing financial commitment on the part of the employee, which could not otherwise be satisfied. The decision on whether the circumstances fall into this category must be made by your line manager and, to ensure consistency in approach, the Ethics Officer.

### **Vesting of Securities awarded through an employee share scheme**

- 4.6A If you give an instruction to sell sufficient securities to meet a tax charge incurred on the vesting of the same securities which have been awarded to you through an employee share scheme, or as part of a remuneration package, you are not required to seek clearance to deal under this Code.
- 4.6B Under these circumstances you should email your line manager, copying in [codeofconduct@fsa.gov.uk](mailto:codeofconduct@fsa.gov.uk), stating your intention to give the instruction to sell sufficient securities to pay the tax charge. This should include an indication of the likely amount of time that this instruction will remain in force. If your intention changes, you should email your line manager, copying in [codeofconduct@fsa.gov.uk](mailto:codeofconduct@fsa.gov.uk).

## **Contracts for differences including spread bets**

- 4.6C Taking out a Contract for Differences (CfD) which includes ‘spread betting’ in UK company securities (single equity/vanilla CfDs), UK indices/sectors or the UK equity market as a whole, is prohibited. However, you are able to invest in a fund of CfDs where full discretion is given to the fund manager. In addition to this you are also prohibited from engaging in wagering contracts and fixed odd bets on UK companies or equities including indices/sectors and the UK equity market as a whole.

### *Examples of what is acceptable*

- Sporting spread bets
- Investing in a fund of CfDs

### *Examples of what is not acceptable*

- A spread bet that the FTSE will go down
- Placing a bet that equity X will go up in value

- 4.6D The above prohibition in relation to CfDs and wagering contracts/fixed odd bets reflects the position in relation to granting dealing permission for short term positions. Generally you will not be given permission to deal where you have held a position for less than six months. CfDs by their nature are held for very short periods of time. This is for the protection of both you and the FSA, as these investments could result in a perception of an abuse of information much more easily than with other investments.

## **Rights issues of Relevant Organisations that will affect a large number of staff**

- 4.6E If a rights issue by a Relevant Organisation is likely to impact on a large number of staff, the Ethics Officer will issue an appropriate policy on the date on which staff will be able to subscribe to the rights issue. This policy is likely to distinguish between those staff who are in possession of confidential information in relation to the Relevant Organisation and those who are not.
- 4.6F If a policy is not issued in relation to a rights issue of a Relevant Organisation permission to deal should be sought in the usual way.

## **Connected Persons**

- 4.7 The Code cannot be imposed upon persons who are not employees of the FSA and this includes the families of FSA staff and other Connected Persons. However, staff must recognise that there is potential for criticism if a person connected to them is found to have benefited improperly as a result of holding Securities or related investments in a Relevant Organisation.

# 5 Provision of products and services by Relevant Organisations

- 5.1 The products and services provided by Relevant Organisations are wide ranging. You might hold assets (e.g. deposits, collective investments, endowment and insurance policies, etc) and/or liabilities (e.g. mortgage loans, personal loans, credit card loans etc); you may also use a Relevant Organisation to provide a service such as share dealing. Although the provision of products and services is not likely to give rise to gains (or losses) in the same way as dealings in securities and related investments, conflicts of interest can arise, e.g. in the case of a dispute with the provider concerned or where there are significant arrears on a mortgage or other loan product.
- 5.2 **Where you believe that your relationship with a particular product or service provider could give rise to a conflict of interest, you must disclose that fact to your line manager.**

# 6 Policy on the acceptance of gifts and hospitality

## Context

- 6.1 The Bribery Act 2010 (the Act) has consolidated previous UK legislation relating to bribery and introduces four new offences which are relevant to employees accepting and giving gifts and hospitality. These new offences are set out below:
- a) Making a bribe – the promise or giving of an advantage with the intention of inducing or rewarding the improper performance of a relevant function or activity.
  - b) Accepting a bribe – the receipt or acceptance of an advantage for the improper performance of a relevant function or activity.
  - c) Bribery of a foreign public official where the intention is to influence an individual in their official capacity in order to win or retain business.
  - d) Failing to prevent bribery – a strict liability corporate offence where a commercial organisation fails to prevent bribery by those performing services on its behalf.
- 6.2 Since the introduction of the Act, industry and public focus has centred on its application to gifts and hospitality. Sensible, reasonable hospitality, gifts or promotional expenses (and business trips) which, in their broader context, are not aimed at influencing performance and decision making, will remain outside the scope of the Act and should not attract prosecution. Only where the payment, gift or hospitality is extraordinary or lavish, or has the ability to influence or reward improper performance by the recipient, will the payment be scrutinised under the Act.
- 6.3 It is clear that those working in regulation and procurement are possible targets for bribery. Therefore employees should be cautious about accepting or giving any gifts or hospitality.

- 6.4 The Act makes offering or accepting bribes illegal. To comply with the Act the FSA is required to implement a policy which reflects the Act's terms. It is the responsibility of each employee to understand and comply with the policy. In addition bribery has been added to the list of wrongdoings that qualify for protection under the Public Interest Disclosure Act 1998. This is reflected in the FSA Whistleblowing Policy and the acceptance or the offering of a bribe can be found in the list of examples of gross misconduct.

## **Introduction**

- 6.5 Employees are likely to be offered and may need to give gifts and hospitality during the course of their dealings with Relevant Organisations and professional advisers. It is important to know the industries and stakeholders with which the FSA interacts, and so the FSA encourage networking that contributes to improved stakeholder relations. The FSA needs to operate in a way that is publicly defensible and therefore, employees must be cautious about accepting and giving gifts and hospitality that could give grounds for suggestions of undue influence. The policy includes guidance, but does not attempt to cover every situation and must be interpreted by applying common sense to the particular circumstances of each case.
- 6.6 The policy applies only to gifts and hospitality offered to, or given by employees in their role at the FSA. It does NOT apply to gifts or hospitality offered to, or given by employees on a personal basis which is unconnected with their FSA employment.
- 6.7 However, employees must not seek or accept preferential rates or benefits in kind for private transactions carried out with companies with which they have, or may have, official dealings as a result of their employment with the FSA. (This does not apply to schemes negotiated for all employees e.g. discount schemes with local business.)

## **Policy**

- 6.8 The policy places a number of responsibilities on employees and additional responsibilities on directors as follows:
- a) All employees are responsible for ensuring that they record, and in the required circumstances, record, declare and surrender, any gifts they receive or give in the course of their work at the FSA. All employees are responsible for recording any hospitality they receive or give, which relates to their work at the FSA.
  - b) Directors are responsible for ensuring that there are local processes in place to allow employees to comply with the policy and for providing reasonable assurance to the Ethics Officer, or his nominee, that his or her division is compliant with the policy. A process is required:

- (i) for employees to record gifts received, other than gifts that are clearly of token value which need not be recorded;
- (ii) for employees to record any hospitality received as appropriate;
- (iii) for employees to record any gifts given; and
- (iv) for employees to record any hospitality given.

Directors must be able to produce evidence at the end of each year and provide assurance that, as far as he or she is aware, all gifts and hospitality have been recorded and that the FSA's policy has been complied with in their division.

### **Principles when receiving gifts**

- 6.9 Employees should exercise caution when accepting a gift, although it is recognised that there are circumstances in which it would be impractical or potentially offensive to refuse. However, if gifts are received the following applies:
- a) All gifts with a recommended retail price (RRP) of under £30 may be retained by the employee but **MUST** be recorded in the locally held gift register, unless they are of token value.
  - b) Monetary gifts (including redeemable vouchers) **MUST NOT** be accepted. If a monetary gift is received, the recipient may ask for it to be donated to a charity of their choice.
  - c) Any gift received that has a RRP of £30 or more **MUST** be recorded in the locally held gift register and **THEN** declared (on the form shown as Appendix 1) and surrendered to the Ethics Officer, or his nominee, who will make suitable arrangements for its use within the FSA or for charitable purposes or for its disposal.
- 6.10 It is not FSA policy to charge a fee for providing a speaker at a dinner or conference and it should be made clear that no payment is expected or required. The principles in paragraph 6.9 apply to all gifts received by an employee when giving a speech on behalf of the FSA. The principles in paragraphs 6.12 to 6.16 apply to hospitality received by a speaker.
- 6.11 Table 6.1 sets out the position with regard to recording and recording, declaring and surrendering gifts.

**Table 6.1**

Value of gift	Record locally	Declare and surrender
Less than £30	Yes	No
More than £30	Yes	Yes
Monetary gifts (or equivalent)	Yes	Yes  <b>Must NOT be accepted</b> but may suggest a donation to charity.  <b>The offer and evidence of what was done with the monetary offer MUST be recorded and declared.</b>

**Principles when receiving hospitality**

- 6.12 Interaction with regulated firms, professional advisers and other interested parties including suppliers or potential suppliers is an important part of the FSA's work. Hospitality may be offered by them as part of that interaction and would therefore be acceptable. It is important, however, that the FSA can defend itself against any possible suggestions of undue influence and can reply to any requests under the Freedom of Information Act.
- 6.13 Table 6.2 provides guidance of what is permissible and whether or not it is recordable but does not attempt to cover every situation and must be interpreted by applying common sense to the particular circumstances of each case.

**Table 6.2**

Type of hospitality	Venue	Permissible	Record locally – to include details of the hospitality received and the organisation giving it
Working breakfast or lunch	FSA's premises or any third party's office	Yes	No
Working breakfast or lunch	Restaurant or other venue away from office premises	Yes	Yes
Drinks reception or similar networking opportunity	Any venue either at or away from office premises	Yes	Yes
An evening meal	Any venue either at or away from office premises	Yes	Yes

- 6.14 Accepting exclusive or expensive hospitality could easily be misinterpreted by the press or others. It is therefore not usually appropriate to accept such an invitation except, perhaps, where it would increase your effectiveness in discharging your role or otherwise further the FSA's interests. There is no comprehensive definition of what constitutes exclusive or expensive hospitality, but it would include invitations to major sporting or cultural events, particularly if only a small number of people have been invited to attend. Directors may authorise acceptance of hospitality not covered in Table 5.2 and which could be regarded as exclusive or expensive if, in their judgement and having considered all the relevant factors, they consider it appropriate. (For Directors, authority should be given by their line manager).
- 6.15 When making overseas visits employees may be offered hospitality which, in normal circumstances, would be viewed as exclusive or expensive (see 6.14 above). However, it may be appropriate to accept hospitality from the host which would need to be approved by the employee's line manager and recorded locally. Local customs may also favour the giving and/or receiving of gifts. If this situation is likely to arise, take appropriate advice, agree in advance what would be acceptable with your line manager and record it in the divisional register.
- 6.16 If it has been agreed that an employee can accept an invitation to give a speech then it is acceptable for a third party to meet some or all of the travel and/or accommodation costs. This applies whether or not the employee would normally be attending the event as a delegate anyway. The position in respect of food is detailed in Table 6.2 above.

### **Principles when giving gifts and hospitality**

- 6.17 Employees should exercise caution when giving gifts (except 'token' gifts) and hospitality to third parties. However, if it is required, the following principles should be applied.
- a) The giving of gifts and hospitality must be pre-authorised by the employee's line manager and must be recorded in the locally held registers.
  - b) In determining whether the giving of a gift is appropriate, consideration should be given to the recipient, the value of the gift and the reason for it.
  - c) Hospitality given should be within the boundaries of the FSA's Travel and Expenses Policy.

## **Monitoring of the policy**

- 6.18 In order to monitor compliance with the policy, as required under the Act, the Ethics Officer, or his nominee, will receive reports on the gifts declared centrally and may request information from directors on the information recorded locally to assure himself/herself that employees are complying with the policy. Internal Audit may also audit compliance with the policy.

**The Financial Services Authority  
Code of Conduct**

**GIFT RECEIVED LOG  
(Only required for gifts over £30)**

Staff at the Financial Services Authority (FSA) are required by their contracts of employment to comply with the Code of Conduct ("Code"). The Code covers the policy on the acceptance of gifts and hospitality.

You are reminded to review the policy on the acceptance of gifts and hospitality in the Code of Conduct Handbook which can be found in the Corporate section on Connect.

Please fill in the following and attach this form to the gift, both of which should then be delivered to the Code of Conduct department. In addition you will need to follow your division's local process and record this item.

Employee Name .....

Employee Number.....

Type of Gift (please circle) Alcohol/Literature/Ornamental/Other

Gift Description .....

Received from .....

Approximate Value .....

Date Received (dd/mm/yy) .....

Note:

The gift will be logged with the above details and you will receive a notification to confirm its receipt by e-mail from the Chrysalis system.

# 7 Declaration and Disclosure

To confirm that you have read and understood this Code, please complete Appendix C and return it, signed and dated, to the Human Resources Division prior to your start date.

Please make the required declarations on Chrysalis as soon as you begin working at the FSA.



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