

Section VI
Ethics of Conducting Business

Chapter 1 Ethics of the Members

42. Members shall strictly comply with the ethics requirements. The Members shall cause directly or indirectly its directors, executives, personnel or any persons under its control to strictly comply with the etiquette requirements. If any such person breaches or fail to comply with the ethics requirements, that Member shall be deemed to be in breach of the ethics.
43. **Honesty as a Professional**
Members shall conduct their business honestly and ethically in dealing with clients or general public and securities companies as well as with other Members.
44. **Fairness and Knowledge**
Members shall deal with their clients or trading counterparts fairly and non-discriminately and provide them with services dedicatedly with skills, knowledge, prudence, sufficient information and well-referenced documents.
45. **Conflict of Interest**
Members shall devise measures to efficiently prevent conflict of interest by disclosing information, declining to provide services or taking other appropriate measures. If such conflicts arise despite preventive measures, Members must treat their clients fairly and equitably. Members shall refrain from taking advantage of clients.
Members shall disclose to their clients / counterparts if the Members have direct or indirect conflict of interest in the services to be provided.
46. **Independence**
Members shall conduct their business independently by not promising to offer nor receive compensation or benefits that conflict with the duties of Members, employees or their representatives to their clients in the conduct of business.
47. **Prevention of Illegal Transaction**
Members shall be prohibited to assist or encourage any persons to engage in illegal activities that violate securities and securities market laws or to commit dishonest acts involving assets or to engage in any acts endangering the national security or economy, as well as to conceal or take part in embezzlement or disposal of such assets.
48. **Responsibilities to Clients**
- (1) Service agreement and responsibilities to clients.
In preparing service agreements or juristic acts to provide investment details on their service, Members shall provide adequate details on their service principles to clients. Members shall not produce any letters or contracts that cancel or restrict the Members' responsibilities to clients according to applicable laws and regulations of the regulators;
 - (2) Undertake to provide proper and best prices to clients.

In trading debt instruments for and with clients, Members shall adequately ensure that the executed prices for clients shall be fair, best and proper under the prevailing market situation by considering various factors, such as, liquidity of the market and debt instruments, volume and types of transactions, source and quantity of quoted prices at the time.

- (3) Discontinuing of services
Should Members wish to discontinue doing business with any counterparts or clients, Members shall ensure that outstanding tasks are either completely done or smoothly transfer to other companies.
49. Confidential Information of Clients/Counterparts
Members shall keep information relating to clients and counterparts in strict confidence. Members shall not disclose personal information, trading information or financial data of clients/ counterparts obtained by dealing business and such confidential information should not be disclosed to public in normal practice except that the disclosure is done to comply with the law or with consent from involving parties.
 50. Business Dealing with Clients/ counterparts
 - (1) Business dealing
In business dealing, Members shall execute clients/counterparts' orders fairly. When deals are concluded, Members shall immediately act on such agreements.
 - (2) Control of trading limits
At all times, members shall manage to strictly control bond traders to keep track of their trading value to stay within their responsible trading limits and strictly control and manage associated risks when trading with each client/counterpart.
 51. Characteristic of Wrongdoing
Members shall refrain from wrongdoing in accordance with the regulations prescribed by The Association
 52. Communication and Investment Recommendation
 - (1) Members shall assign the personnel to be responsible for contacting and providing recommendation to clients in accordance with rules and regulations prescribed by the SEC and shall supervise such personnel to comply with rules and regulations prescribed by the SEC.
 - (2) In providing recommendations or presentation of information or dissemination of investment information about any debt instruments, Members shall exercise reasonable diligence, knowledge and expertise based on logics and academic explanation. Members shall not provide recommendations or information that may mislead the clients in the material investment facts.
 - (3) Members shall get to know their clients / counterparts by at least preparing documents showing the existence of the clients / counterparts or their authorized personnel who make trading decision, if the clients / counterparts are juristic persons
 - (4) In communicating with retail clients, Members shall disseminate the information, prepare necessary documents, and provide investment

recommendation in accordance with rules and regulations prescribed by the SEC.

53. **Public Interest**
Members shall cooperate in any activities of public interests as a matter of priority over their own interests.
54. **Relationship Towards Business Partners**
Members shall refrain from spreading damaging accusation against other Members or engaging in any activities to create division or conflicts among business partners except that such activities engaged or business conducted by the counterparts are deemed to breach the rules and regulation, illegal or against ethics requirement. In such cases the Members shall immediately report the incidents to the regulatory bodies.
55. **Relationship with the Regulators**
 - (1) **Cooperation**
Members shall cooperate and provide detailed information to regulators who are authorized to monitor the Members' operations and trading of debt instruments, and investigate complaints made by their counterparts.
 - (2) **Information Disclosure**
Members shall inform their regulatory bodies without delay if there is any information on law-violated conduct that qualifies for disclosure.
56. **Organization structure and Internal Control**
 - (1) **Organization Structure**
Members shall organize and manage their organization to facilitate productivity, strict internal controls, efficient recording of information, and proper measures of protections of accessing departmental confidential information from other departments or unauthorized personnel or Members (Chinese wall).
Members should have sufficient and capable human resources in operating business and have operational guidelines that are in accordance with relevant rules and regulations and shall supervise their bond traders to conform to such rules and regulations.
 - (2) **Authorization of Power and Responsibility**
Members shall appoint and authorize appropriate management and staff of bond traders to carry out operations on behalf of the company; such appointment and authorization must be made in writing. Members are held accountable for the actions of their authorized management and traders.
 - (3) **Maintenance and Classification of Client's Assets**
Members shall maintain and protect client's assets appropriately and classify them clearly.
 - (4) **Control of Client Accounts**
Members shall not allow clients to trade beyond their means or account limits. There shall be reviews to determine the proper account limits on regular basis.
57. **Compliance with Laws, Rules and Regulations**

- (1) Operation in complying with Laws, Rules and Regulations
Member shall operate in accordance with Laws, Rules and Regulations. Members shall not take part or assist others to violate laws, rules and regulations
 - (2) Recording and Collecting Information
Members shall keep sufficient and comprehensive records and shall make them available for examination by regulators.
 - (3) Receipt of complaints made by Clients/ Counterparties
Member shall establish procedures on handling complaints from counterparts and clients, and shall notify these parties of the alternatives they have under existing laws and regulations to resolve disputes.
 - (4) Registration of Debt Instrument Traders and Ethics Training
Member shall appoint debt instrument traders who have registered with the Association pursuant to the rules and procedures prescribed by the Association, and shall organize training on ethics for bond traders on an on-going basis.
 - (5) Accuracy of Financial Reports
Members shall prepare updated, accurate and complete financial reports. Members shall disclose or disseminate the financial reports prescribed by the regulatory bodies.
58. Financial Stability
- (1) Capital Sufficiency
Members shall maintain sufficient capital for conducting business and dealing with risks that may arise from operations.
 - (2) Liquidity and quality of assets
Members shall ensure that assets earned from the business operation are sufficiently liquid and of good quality.
59. Contingency Plan
Members shall establish and implement contingency plans for the treasury operations of both their front and back offices to ensure that these operations will continue with minimal disruption in the event of disaster or crisis. The plan should be reviewed regularly to keep it updated and relevant.
60. Extraordinary Members shall observe ethics requirement in this sub-section *mutatis mutandis*; but will be exempted from the provisions of Article 52 and Article 57(4).

Chapter 2 Ethics for management and Debt Instrument Traders

61. The management and bond traders shall observe the same sub ethics requirement for the Members set forth in chapter 1 as well as other related ethics requirement *mutatis mutandis*.
62. Entertainment, Gifts And Favors
- (1) Management shall formulate guidelines to limit excessive or too frequent offering or receiving of gifts or any benefits from outside parties.

- (2) Traders shall notify their management when they are offered unusual or excessive entertainment, gifts, favors, or other benefits.
63. Professional standards of operation
Management and Traders shall behave professionally by not committing or involving with any activity that appear unfit for a professional, such as gambling, or consume alcoholic drink during office hour, etc.
64. Dealing for Personal Account
Management shall carefully consider whether or not they should allow heir traders to trade for their own account. If this practice is allowed, management must ensure that adequate guidelines and regulations are established to prevent abuse or insider trading in any form. Traders shall strictly adhere to their employer's established guidelines on dealing for personal account.
65. Market Terminology
Traders shall use clear and unambiguous language when dealing to prevent misleading and to ensure that market terminology and convention are observed.
66. Disputes with counterparts or clients
If the counterpart/ clients refuses to execute a trade as previously agreed or there is any other dispute related to debt instrument trading, traders shall inform management immediately and prepare related reporting documents.
67. Wrongful benefits
Bond traders shall not utilize their position to wrongfully benefit themselves.