



ADVISOR
SOLUTIONS
GROUP, INC.

COMPLIANCE UPDATE

Final Rule: Investment Adviser Codes of Ethics

Release Date: July 2, 2004

Effective Date: August 31, 2004

Compliance Date: February 1, 2005 (previously January 7, 2005)

The SEC voted to adopt new Rule 204A-1 and related rule amendments under the Investment Advisers Act of 1940 requiring Investment Advisers to adopt codes of ethics that set forth standards of conduct for advisory personnel, safeguard material nonpublic information about client transactions, and address conflicts that arise from personal trading by advisory personnel. The rule and rule amendments are designed to promote compliance with fiduciary standards by advisers and their personnel. Here is a highlight of the requirements for Investment Advisers:

- Advisers must establish, maintain, and enforce a written code of ethics that:
 - o includes a standard (or standards) of business conduct required of Adviser's supervised persons, which standard must reflect Adviser's fiduciary obligations and those of Adviser's supervised persons;
 - o requires Adviser's supervised persons to comply with applicable federal securities laws;
 - o requires all of Adviser's access persons to report, and Adviser to review, their personal securities transactions and holdings periodically (as described below);
 - o requires supervised persons to report any violations of Adviser's code of ethics promptly to Adviser's chief compliance officer or to other persons Adviser designates in its code of ethics, provided Adviser's chief compliance officer also receives reports of all violations; and
 - o requires Adviser to provide each supervised person with a copy of Adviser's code of ethics and any amendments, and requires Adviser's supervised persons to provide Adviser with a written acknowledgement of their receipt of the code and any amendments;
 - o requires access persons to obtain Adviser's approval before directly or indirectly acquiring beneficial ownership in any security in an initial public offering or in a limited offering.

- Reporting Requirements
 - o Holdings reports: Access persons must submit to Adviser's chief compliance officer or other person Adviser designates in the code of ethics a report of the access person's current securities holdings that meets the following requirements:
 - The report must contain at least: the title and type of security, and as applicable the ticker symbol or CUSIP number, number of shares, and principal amount of each reportable security in which the access person has any direct or indirect beneficial ownership; the name of any broker, dealer or bank with which the access person maintains an account in which any securities are held for the access person's direct or indirect benefit; and the date the access person submits the report.
 - Access persons must each submit a holdings report no later than 10 days after the person

- becomes an access person, and the information must be current as of a date no more than 45 days prior to the date the person becomes an access person.
- Access persons must submit a holdings report at least once every 12 months thereafter on a date set by Adviser, and the information must be current as of a date of no more than 45 days prior to the date the report was submitted.
 - o Transaction Reports: Access persons must submit to Adviser's chief compliance officer or other person Adviser designates in the code of ethics a quarterly securities transaction report that meets the following requirements:
 - The report must contain at least: the date of the transaction, the title, and as applicable the ticker symbol or CUSIP number, interest rate and maturity date, number of shares, and principal amount of each reportable security involved; the nature of the transaction (e.g. buy, sell, etc.); the execution price; the name of the broker, dealer or bank with or through which the transaction was effected; and the date the access person submits the report.
 - Access persons must each submit a transaction report no later than 30 days after the end of each calendar quarter, which report must cover, at a minimum, all transactions during the quarter.
 - o Exceptions from reporting requirements: Adviser's code of ethics does not need to require an access person to submit:
 - Any report with respect to securities held in accounts over which the access person had no direct or indirect influence or control;
 - A transaction report with respect to transactions effected pursuant to an automatic investment plan;
 - A transaction report if the report would duplicate information contained in broker trade confirmations or account statements that Adviser holds in its records so long as Adviser receives the confirmations or statements no later than 30 days after the end of the applicable quarter.
 - Also, Advisers with only one access person (i.e. yourself) need not submit reports to him/herself or obtain transaction pre-approval from him/herself as required above if Adviser maintains broker trade confirms or account statements required under this rule.
- Books and Records Requirements – Advisers must keep
 - o A copy of the code of ethics that is in effect, or at any time within the past five years was in effect;
 - o A record of any violation of the code of ethics, and of any action taken as a result of the violation; and
 - o A record of all written acknowledgments for each person who is currently, or within the past five years was, a supervised person of the investment adviser;
 - o A record of each holdings or transactions report made by an access person, including any information provided in lieu of such reports;
 - o A record of the names of persons who are currently, or within the past five years were, access persons of the investment adviser; and
 - o A record of any decision, and the reasons supporting the decision, to approve the acquisition of an initial public offering or a limited offering by an access persons, for at least five years after the end of the fiscal year in which approval was granted.
 - Definitions:
 - o Access Person: any supervised person who has access to nonpublic information regarding any client's security transactions, or the portfolio holdings of any reportable fund; or who is

involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic. If providing investment advice is the Adviser's primary business, all directors, officers and partners of the Adviser are presumed to be access persons.

- o Beneficial Owner: an Individual is a "beneficial owner" if the Individual has a direct or indirect pecuniary interest in the securities; the power to vote or direct the voting of the shares of the securities or investments; or the power to dispose or direct the disposition of the security or investment.
- Form ADV amendment: Advisers must amend ADV Part II to include a description of their Code of Ethics and, upon request, provide a copy to clients.

For further clarification on how these changes affect you or for assistance in complying with the new rule, please contact:

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Please refer to the Commission's release on how the new rule affects Investment Advisers to Investment Companies and for recommendations but not requirements of the Commission with respect to the new rule:

<http://www.sec.gov/rules/final/ia-2256.pdf>

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