

EC5(b) instructs Board members and professional staff to at all times be mindful of their responsibilities to the Board and to avoid personal financial activities which might affect or reasonably create the appearance of affecting their independence or objectivity.

EC5(c) instructs Board members and staff to at all times be mindful that, in the course and scope of their employment activities, they may obtain knowledge of confidential, non-public information which, if disclosed, might affect the value of particular securities or investments and places restrictions on the disclosure and use of non-public information. Subparagraph (1) prohibits the dissemination or disclosure of any confidential, non-public information obtained by virtue of their position with the Board, whether that information may be considered to be "material" under the securities laws or not and subparagraph (2) restricts the use of such information for the financial gain of themselves or others.

EC5(d) was added at the suggestion of several commenters and requires that Board members and professional staff annually disclose their holdings in securities of issuers, including exchange-traded options and futures. Disclosure statements must be filed with the Ethics Officer. In addition, Board members' disclosure statements will be made available to the public.

For initial disclosures, newly appointed members or newly hired professional staff have 60 days from the date of commencement of service with the Board to complete and file the necessary statements. Current Board members and professional staff have 60 days from the effective date of the Code to file the necessary statements.

For subsequent disclosures, Board members and professional staff shall file the necessary statements on May 1, commencing the first year following the initial disclosure.

The form and content of the disclosure shall be included in the Board's ethics manual and will require disclosure of investments based upon categories—such as individual operating company holdings, mutual fund holdings, index fund holdings, exchange-traded options holdings, stock

futures holdings and other holdings the Board deems relevant.

It is currently contemplated that all values will be disclosed in ranges, and based on market value. For example, a Board member or professional staff member would be required to identify whether their assets in mutual funds were between two fixed dollar values—\$0–\$50,000, \$50,000–\$100,000, etc.

It is further contemplated that broad based classes of investments, such as mutual fund holdings, could be disclosed in lump sum (*i.e.*, all mutual fund holdings could be aggregated for convenience), while individual holdings (equities, options and futures) would be required to be specifically identified, along with the range of valuation for each issue.

EC6. Outside Activities

EC6 governs the participation in outside activities for Board members and staff.

EC6(a) provides that no member of the Board may undertake any employment or other activity for compensation outside of service to the Board.

EC6(b) dictates that staff of the Board may only undertake other employment or other activity for compensation with the express and specific approval of the Board or such person to whom the Board may delegate such approval authority. As with other delegations of Board functions, section 101(g)(2) of the Act will define the parameters of the delegation.

While EC6(b) applies to all paid outside activities, the Board envisions that the Board's Ethics Officer or other person to whom the Board delegates approval authority will recommend approval on a case-by-case basis, or, where appropriate, a "blanket" basis for those activities unrelated to the Board's oversight and which would not otherwise impair staff independence or hinder the reputation of the Board.

EC6(c) prohibits any outside activities by Board members and staff, whether or not for compensation, that violate certain general principles that are specified in subparagraphs (1) through (3) of EC6(c).⁹

EC7. Gifts, Reimbursements, Honoraria and Other Things of Value

EC7 places restrictions on the receipt of gifts, honoraria, reimbursement for travel and other things of value by Board members and professional staff. EC7(a) provides that no Board member or professional staff shall, directly or

indirectly, solicit or accept any gift, reimbursement, honoraria or anything of monetary value from any source, under the circumstances described in subparagraphs (1) and (2).¹⁰

EC7(b) describes the circumstances under which, and from whom, travel reimbursement may be paid. Subparagraph (1) limits such reimbursements for travel that is in direct connection with the employee's participation in an educational forum. Subparagraph (2) further limits reimbursement to educational forums that are principally sponsored by and the travel-related expenses are paid or reimbursed by a federal, state or local governmental body or an association of such bodies, an accredited institution of higher learning, an organization exempt from taxation under 501(c)(3) of the Internal Revenue Code (provided such organization is not principally funded from one or more public accounting firms or issuers), or equivalent institutions outside the United States.

At the request of a commenter, the Board added association of governmental bodies to the list of organizations from which travel expenses may be reimbursed. The Board also added equivalent institutions outside the United States to make clear that this provision of its Ethics Code applies equally to non-U.S. entities.

EC8. Disqualification

EC8 contains provisions requiring the disclosure, recusal and disqualification from participation in certain matters by Board members or professional staff.

As referenced above in EC4, EC8(a) provides that if a Board member or professional staff becomes, or reasonably should become, aware of facts which would lead a reasonable person to believe that he or she (or his or her spouse, spousal equivalent, and dependents) may have a financial interest or similar relationship which might affect (or reasonably create the appearance of affecting) his or her independence or objectivity, then he or she must, at the earliest possible date, take the actions described in subparagraphs (1) and (2). Subparagraph (1) requires disclosure of such circumstances and facts. Subparagraph (2) instructs the Board member or professional staff to recuse himself or herself from further Board functions or activities involving or affecting the financial interest or relationship.

At the suggestion of several commenters, the Board imposed a

equivalents and dependents. Under EC8(a), if a Board member or professional staff's spouse, spousal equivalent, or dependent had a financial interest in a public accounting firm, that interest would have to be disclosed and the Board or staff member would be recused from participating in any matter involving that public accounting firm. In addition, Board member spouses, spousal equivalents, and dependents are subject to the restrictions on payments from public accounting firms in EC4(b).

⁹The circumstances described in these subparagraphs are self-explanatory and are not discussed below.

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