

DRAFT
Placement Agents Supplementary Code of Conduct

June 2009



EUROPEAN
PRIVATE EQUITY &
VENTURE CAPITAL
ASSOCIATION

EVCA Professional Standards

For the Private Equity and Venture Capital Industry

[EVCA Code of Conduct](#)

[EVCA Code of Conduct \(Placement Agents Supplement\)](#)

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About EVCA

EVCA is the voice of European private equity and venture capital. We promote and protect the interests of around 1,300 members, thereby ensuring they can conduct their business effectively. EVCA engages policymakers and promotes the industry among key stakeholders, including institutional investors, entrepreneurs and employee representatives. EVCA develops professional standards and research reports, as well as holding professional training and networking events. EVCA covers the whole range of private equity, from early-stage venture capital to the largest buyouts.

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1. Preamble

This Supplementary Code is additional to the EVCA Code of Conduct (the "Code"). It is to be read and implemented in conjunction with the Code by all member firms the business of which encompasses acting as a placement agent.

This Code has been produced by EVCA in acknowledgement of the importance of the role of the placement agent in successful capital raising for private equity and venture capital firms. It seeks to reflect the bona fides and professional rigour which member firm placement agents undertake at present and are expected to continue to bring to their work in support of their clients in the industry.

The role of the placement agent has developed significantly over the past ten years and is seen as an important and positive component within the industry. EVCA resolved to introduce the Supplementary Code (a) to reflect the established institutionalisation of the placement agency business model, (b) to highlight the importance of such role in private equity fund-raising (c) to maintain and publish benchmarks in the practices of placement agents for the benefit of all member firms, (d) to encourage the furtherance and continued support of strong ethical principles in this segment of the market by placement agents and those that engage them, (e) to emphasise the necessity of adherence to high standards of compliance and regulation wherever a member firm operates and (f) to impose requirements as to transparency and accountability of dealings.

EVCA recommends all applicable member firms append the Supplementary Code to their terms of engagement or client care letters at the initiation of any new instruction.

EVCA will continue to monitor the Supplementary Code. Compliance with it is a prerequisite to membership of EVCA by any member firm engaging in placement agent activity. The sanction for non-adoption or for proven breach of the Supplementary Code or proven misconduct by a member is expulsion of that member from EVCA.

2. Rules

1. Regulation and Authorisation

- 1.1 A Firm conducting placement agent activity must be in the habitual, systematised business of acting as a placement agent.
- 1.2 Where local laws require it, a Firm must be registered and/or authorized with, and regulated by, as applicable, appropriate regulatory bodies in each jurisdiction in which it undertakes regulated activities.
- 1.3 A Firm's representatives who are not acting in a strictly administrative or ministerial capacity should possess the licenses or certifications required by legal, governmental, regulatory or self regulatory organizations to which the placement agent or its representatives are subject, including, as required, the more stringent certifications for those acting in a supervisory capacity.
- 1.4 A Firm should operate in an environment with established compliance and oversight processes.

2. Conduct of Business

- 2.1 A Firm is expected to maintain high standards of probity, integrity and professionalism in the conduct of its business.
- 2.2 A Firm should perform reasonable due diligence in respect of a Client commensurate with the scope of its engagement.
- 2.3 A Firm should maintain professional relationships with a meaningful number of investors which seek to invest in private equity, and typically should be retained to raise capital from all or a significant sub-set of such investors.
- 2.4 A Firm should enter into a written contract with a Client (i) specifying the scope of services the Firm will perform and the fee arrangement, and (ii) confirming the Firm will adopt and adhere to the Code and this Supplementary Code.
- 2.5 A Firm should not make or offer to make any payment or other consideration with a view to inducing a third party to enter into contractual negotiations with a Client.
- 2.6 A Firm should keep records of the performance of its duties for a minimum period of five years (longer in accordance with applicable law), available for inspection by the relevant Client.

3. Expertise and competence

3.1 Staff shall be appropriately qualified, authorized and supervised commensurate with the capacity in which they are employed, the jurisdictions in which they operate and their seniority.

4. Disclosure

4.1 A Firm should disclose, upon the request of a prospective or existing investor, the fee arrangement the Firm has agreed to with a prospective or existing Client or its manager in respect of such investor's investment in such Client or its funds. The Firm should disclose to a prospective or existing Client any other payments received or made by it in connection with its activities on behalf of that Client. A Firm should not make or offer to make any payment with a view to inducing a third party to enter into contractual negotiations or contact with a prospective or existing Client.

4.2 Any political or quasi-political donation made by any placement agent firm, any affiliate or representative of the firm or any employee (or immediate family member of employee) shall be disclosed to prospective and existing Clients, to prospective and existing investors of such Clients, to regulatory bodies and to decision-making bodies connected to that recipient firm or individual upon request.

4.3 Any Firm engaging any former employee of a government pension plan or any one in the decision-making chain of command regarding an investment by such government pension plan in a Private Investment Fund must make full disclosure of such engagement to its prospective and existing Clients and Clients' investors and such person must agree not to solicit such government pension plan for at least three (3) years.

4.4 Any sub-placement agent retained by a Firm must (i) be disclosed to a prospective or existing Client and its investors, and (ii) must undertake to ensure its compliance with the Code and this Supplementary Code.

4.5 The Firm shall take reasonable steps to procure that any sub-placement agent retained by a prospective or existing Client or its applicable manager must (i) be disclosed to the Firm (ii) to the Client's prospective and existing investors and (iii) must undertake to ensure its compliance with the Code and Supplementary Code, failing either of which stipulations, the Firm must cease to act on its instruction for the Client.

4.6 A Firm's role, and the role of any sub-placement agent, should be disclosed within marketing materials issued by the Client or otherwise in connection with the Client's fund-raising.

3. Explanatory notes to the Code

Definitions:

Client: an EVCA Member firm which engages a placement agent in an advisory and/or fund-raising capacity

Firm: an EVCA Member firm carrying on business as a placement agent

Note to Rule 1

In respect of the applicable regulatory requirements for placement agents operating in Europe for example, in the United Kingdom this would be the pursuant to the Financial Services Authority and in non-EU countries, for example, the US, this would be the Securities and Exchange Commission ("SEC") and the US Financial Industry Regulatory Authority, Inc. ("FINRA").

Note to Rule 2

In respect of staff qualifications, for placement agents operating within Europe, for example, in the United Kingdom, staff performing controlled functions are to be approved persons under the Financial Services and Markets Act 2000 and in non-EU countries, for example, in the US this would be the Series 7 and 63 licenses for its representatives, and the Series 24 for those individuals acting in a supervisory capacity. Firms are expected to maintain and monitor appropriate training, competence and professional development of all staff. Firms are expected to be in compliance with the relevant training and competence regime stipulated by applicable regulators in their country of domicile.

Note to Rule 4.1 and Rule 4.6

Where a Client views the terms of engagement of the Firm as commercially sensitive, the Client may require confidentiality undertakings from investors to whom the information is disclosed.

Note to Rule 4.2

Certain institutions prefer that no political donations are made whatsoever. The expression quasi-political is to be broadly construed to include campaign contributions, lobbying organizations, trades unions and individuals and to encompass donations to individuals, corporate bodies and other associations.



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