

PRIVATE MORTGAGE LENDERS FORUM
CODE OF ETHICS AND CODE OF CONDUCT

May 2014

Reference Acknowledgement

This document is based on both the *Code of Ethics and Code of Conduct* for the Australian Financial Markets Association's and the *Rules* for the Mutual Fund Dealers Association of Canada.

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1. DEFINITIONS

Board	a board of directors or trustees, as the case may be, for a Mortgage Investment Entity and/or advisors for a syndicated mortgage
Client	a person or a company that may either be investors of a MIE, syndicated mortgage or a borrower of a MIE or syndicated mortgage
Code	Private Mortgage Lender's Forum Code of Ethics and Code of Conduct
Firm	a member firm of the Private Mortgage Lender's Forum that is duly registered and authorized by one or more provincial securities commissions as: a) an exempt market dealer; and/or (b) an investment fund manager and restricted portfolio manager for a Mortgage Investment Entity
Industry	private mortgage lending industry
Membership	collective reference to Firms and Representatives
Mortgage Investment Entity (MIE)	a person or company: (a) that invests substantially all of its assets in debts owing to it that are secured by one or more mortgages, hypothecs, or other instruments secured on real property, and (b) whose primary purpose or business activity is originating and administering mortgages, hypothecs or other instruments secured on real property, with the intent of holding the same for the entire term and using the revenues generated from them to provide a return for its investors. MIEs include, but are not limited to, mortgage investment corporations, mutual fund trusts, and mortgage REITs
PMLF	Private Mortgage Lender's Forum
Policies	the written corporate policies and procedures as set from time to time by the Firm
Representative	a person employed by a Firm who is duly registered and authorized to deal in, and offer advice on, exempt market securities

2. RESPONSIBILITIES OF SENIOR MANAGEMENT

Firms have written Policies, which govern the roles and responsibilities of both their Firm and their Representatives. Best practices requires that Membership are adequately trained and supervised so that their conduct is consistent with current Industry standards and practices, their internal Policies, the Code, and/or all legal and regulatory requirements.

The Code does not attempt to address all possible circumstances in which various principles in the Code of Ethics apply. Rather it addresses those which the PMLF believes warrant specific articulation.

It is the responsibility of senior management of Firms to ensure that both their Firm and their Representatives meet or exceed all requirements imposed on them by their own Policies, the Code, law and relevant federal and provincial regulation.

3. RESPECT FOR PERSONS

Code of Ethics

Membership shall ensure that their dealings with others exemplify and actively foster an environment of mutual trust and respect. Firms and Representatives shall not behave in a manner that is prejudiced, discriminatory or contrary to the public good.

Code of Conduct

3.1 Standard of Conduct. Each Firm and each Representative of a Firm shall:

- (a) deal fairly, honestly and in good faith with both its Clients and Industry members;
- (b) observe high stands of ethics and conduct in the transaction of business;
- (c) not engage in any business conduct or practice which is unbecoming or detrimental to the public interest; and
- (d) be of such character and business repute and have such experience and training as is consistent with the standards by provincial regulators, or as may be prescribed by the Firm.

3.2 Firm Responsible. Each Firm shall be responsible for:

- (a) the acts and omissions of each of its Representatives and other employees and agents relating to its business;
- (b) ensuring the Firm is, and remains, financially viable; and
- (c) that Representatives are, and remain, financially viable.

3.3 Unprofessional workplace or work-related behaviour

While at work or work-related function Membership will, at all times, behave in a professional manner and not place themselves in a position, which may bring them, their Firm or the Industry into question or disrepute.

4. REPUTATION

Code of Ethics

It is the responsibility of Membership, regardless of experience or position, to ensure that their actions reflect positively upon the Industry. Membership shall not undertake any action that will bring the reputation of the PMLF, its regulators or the Industry into disrepute.

Code of Conduct

Any breach by Membership of either their Policies or the Code has the potential to damage the reputation of the Firm, the PMLF and the Industry. The reputational consequences of behaviour (on the Firm, the PMLF and the Industry) must always be foremost in the mind of Membership. Membership must strive to follow the spirit of the Code, not simply abide by the strict letter of it. They have a responsibility to understand the Code, as well as all applicable laws and regulations. Membership must recognize that they are in a position of trust and responsibility.

4.1 Firm's Compliance Policies

Representatives must give due regard to their Firm's Policies. Management of the Firm is responsible for ensuring that Policies are regularly updated to reflect changes in applicable legislation or regulation.

4.2 Public Communication

All communications with the public, be it through advertising, self-published communiques, emails, conversations, or other, should be considered to be 'on the record'. As all communications are discoverable (including internal communication) Membership should consider the consequences of possible disclosure of their communications. Firms must establish and enforce communication policies. Representatives must be aware of, and comply with, the communication policies of their Firm.

Membership shall not issue to the public or participate in any advertisement or communication in connection with its business which:

- (a) contains any untrue statement or omission of a material fact or is otherwise false or misleading, including the use of a visual image such as a photograph, sketch, drawing, logo or graph which conveys a misleading impression;
- (b) contains an unjustified promise of specific results;
- (c) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions;
- (d) contains any opinion or forecast of future events, which is not clearly labeled as such;

(e) fails to fairly present the potential risks to the Client;

(f) is detrimental to the interests of the public or the Firm; or

(g) does not comply with any applicable legislation or the guidelines, policies or directives of any regulatory authority having jurisdiction over the Firm.

4.3 Relationships with regulators

All communication with regulators should be considered as public communication (see clause 4.2). Membership should deal with regulators promptly and professionally, understanding the possible impact of their actions on both their business and the Industry.

5. RESPECT FOR RULES

Code of Ethics

Membership shall act in accordance with all applicable laws, regulations and industry standards. No Firm or Representative shall undertake, or assist another to undertake, any action which violates applicable laws, regulations or industry standards.

Code of Conduct

5.1 Internal Controls

Every Firm shall establish and maintain adequate internal controls.

5.2 Minimum Standards of Supervision

Every Firm shall establish and maintain Policies (that have been approved by senior management of the Firm) for dealing with Clients and ensuring compliance with the Code, the Policies and applicable securities legislation.

5.3 Responsibility of Senior Management

It is the responsibility of a Firm's senior management to:

- (i) establish and maintain Policies for assessing compliance by the Firm and its Representatives with the Code, the Policies and with applicable securities legislation;
- (ii) monitor and assess compliance by the Firm and its Representatives with the Code, the Policies and with applicable securities legislation;
- (iii) immediately address and rectify any circumstances indicating that the Firm, or any of its Representatives may be in non-compliance with the Code, the Policies and/or with applicable securities legislation and any of the following apply:

- (A) the non-compliance reasonably creates a risk of harm to a Client;
- (B) the non-compliance is part of a pattern of non-compliance

5.3 Complaints

Every Firm shall establish Policies for dealing with complaints which ensure that such complaints are dealt with promptly and fairly, and in accordance with the minimum standards prescribed by industry practice and applicable securities legislation.

6. CONFIDENTIALITY

Code of Ethics

Firms and Representatives shall protect all information that is sensitive, confidential or private from misuse. A Firm or Representative shall only use or disclose such information for the purposes for which it was collected or a permissible secondary use, unless disclosure is otherwise required by law.

Code of Conduct

6.1 Confidential Information

Notwithstanding the evolution of regulations providing for greater market transparency, from time to time Membership will come into possession of information which they have an obligation not to disclose. Such confidential information may relate to Clients, negotiations, transactions, dealings or their employees. Firms must ensure that such information is adequately protected from unauthorized disclosure or misuse. Representatives must be vigilant and guard against inadvertent disclosure, such as where discussions may be overheard by outside parties.

All information received by a Firm relating to a Client or the business and affairs of a Client shall be maintained in confidence by the Firm and its Representatives and other employees and agents. No such information shall be disclosed to any other Representative or used for the advantage of the Firm or its Representatives or other employees or agents without the prior written consent of the Client or as required or authorized by legal process or statutory authority or where such information is reasonably necessary to provide a product or service that the Client has requested.

Each Firm shall develop and maintain written Policies relating to confidentiality and the protection of information held by it in respect of Clients.

6.2 Respect Privacy

Personal information must only be collected when it is necessary. It must be protected, and used only for approved purposes. Membership who possess and have access to private information must ensure that such information is not misused.

In the event privacy is breached and/or there is any misuse of information then the affected parties must immediately be notified of that breach or misuse of information.

7. HONESTY

Subject to the previous principle, Membership shall be open and truthful, both within a Firm and to Clients, counterparties and stakeholders, even when that may be difficult or possibly result in loss of business.

Code of Conduct

7.1 Clear and unambiguous language

Clear and unambiguous language must always be used. Membership must be familiar with the Industry's standard terminology and definitions.

When communicating with non-professional Industry participants, Membership must ensure that the use of Industry terminology does not cause confusion or misrepresentation.

8. CONFLICTS OF INTEREST

Code of Ethics

Firms and Representatives shall be sensitive to potential conflicts of interest, and always appropriately disclose or manage them, even if this requires removing oneself from a transaction that leads to a conflict. Firms and Representatives shall not misuse their position, or information they acquire by virtue of their position, for personal or corporate gain.

Code of Conduct

8.1 Relationship Disclosure

To help avoid conflicts of interest for each new account opened, the Firm shall provide to the Client the following written disclosures:

- (a) describing the nature of the advisory relationship;
- (b) describing the products and services offered by the Firm;
- (c) describing the Firm's procedures regarding the receipt and handling of Client cash and cheques;
- (d) describing the Firm's obligation to ensure that each order accepted or recommendation made to a Client is suitable for that Client and advising when the Firm will assess the suitability of the investments in the Client's account;
- (e) defining the various terms with respect to the know-your-client information collected by the Firm and describing how this information will be used in assessing investments in the account;
- (f) describing the content and frequency of reporting for the account; and describing the nature of the compensation that may be paid to the Firm and referring the Client to other sources for more specific information.

8.2 Disclosure to Senior Management

Each Firm and Representative shall be aware of the possibility of conflicts of interest arising between the interests of the Firm or Representative and the interests of the Client. Where a Representative becomes aware of any conflict or potential conflict of interest, the Representative shall immediately disclose such conflict or potential conflict of interest to the senior management.

8.3 Assessing a Conflict of Interest

In the event that such a conflict or potential conflict of interest arises, the Firm and the Representative shall ensure that it is addressed by the exercise of responsible business judgment influenced only by the best interests of the Client.

8.4 Disclosure to Client

Any conflict or potential conflict of interest that arises shall be immediately disclosed in writing to the Client by the Firm, or by the Representative as the Firm directs, prior to the Firm or Representative proceeding with the proposed transaction giving rise to the conflict or potential conflict of interest.

8.5 Maintaining Policies

Each Firm shall develop and maintain Policies to ensure compliance with regulations regarding conflicts of interest.

9. COMPETENCY AND CONTINUAL SELF-IMPROVEMENT

Code of Ethics

Firms and Representatives shall strive to exemplify best practice in the use of technical skills and knowledge, and shall seek continually to improve upon skills and knowledge through appropriate education and training.

Code of Conduct

9.1 Dealer Accreditation

Representatives must be appropriately competent and trained to perform their professional responsibilities.

9.2 Allocation of responsibilities

Firms must have procedures in place which require their Representatives to assume responsibility for understanding the Code and the rules of their Firm. Representatives must be provided with a clear description of their duties and responsibilities and management's expectations of them.

10. RESPONSIBILITY FOR ACTIONS

Code of Ethics

Firms and Representatives shall accept responsibility for their decision-making processes, the actions (or inaction) that they choose to take, and the foreseeable consequences that arise from those decisions.

Code of Conduct

10.1 When something goes wrong, don't try to hide it

Representatives must at all times act in a professional and honest manner. This principle extends to the willingness to admit to making mistakes, especially where those mistakes may impact on the commercial integrity of their Firm, their regulators or the Industry.

Timely correction of errors can mitigate any consequent loss and reduce the likelihood of the need for lengthy investigations at a later date.

10.2 Mechanism for complaints

Effective and transparent mechanisms must be put in place by Firms to ensure breaches of the Code are brought directly to the attention of senior management.

This applies to issues raised by external parties and matters internal to an organization.

10.3 Information to the Board

Where applicable, all material information must be escalated to the Board in a timely, clear and concise manner to ensure that the Board has all the information it reasonably needs to make informed decisions.