

FSA Code of Conduct: Corporate Policy on Insider Trading and Tipping

This Statement of Policy sets forth the guidelines of Financial Security Assurance Holdings Ltd., including Financial Security Assurance Inc. and its other direct and indirect subsidiaries (collectively referred to as “FSA”), regarding insider trading and tipping. These guidelines apply to the officers, directors and employees of FSA and of any joint venture where FSA has a majority ownership position or exercises management control and should be read in conjunction with the **FSA Information Barrier Procedures**.

Purpose

The purpose of this Statement of Policy is to ensure that all directors, officers and employees of FSA comply with applicable laws and regulations relating to insider trading. **Federal law prohibits employees and others from buying or selling securities (including, but not limited to, FSA securities and client securities) based on information that is not publicly available and that could affect the price of the securities, until such time as the information has been disseminated to the general public.** The law is designed to ensure that those trading in securities in the marketplace have fair and equal access to material information about the issuer and the securities. Violations are subject to severe civil and criminal penalties.

For purposes of this Statement of Policy, information is “**material**” if:

- there is a substantial likelihood that a reasonable investor would consider it important in a decision to buy, sell, or hold a security;
- its disclosure would be viewed by a reasonable investor as having significantly altered the “total mix” of public information about a company; or
- its disclosure would be reasonably certain to affect the price of a company’s securities.

Information may be material in the context of one transaction but not material in the context of another. Information may also become “stale,” or no longer material, with the passage of time.

For purposes of this Statement of Policy, “**non-public information**,” or “insider information,” is information that is not generally known to the public. Whether information is “nonpublic” is a highly fact specific inquiry. Generally, information should be considered nonpublic unless (a) it has been disseminated in a manner making it available to investors generally, such as through a press release, newspaper article or publicly filed document such as an annual report or registration statement, and (b) a reasonable period of time has elapsed following disclosure to allow the information to be “digested” by the securities markets. What constitutes a reasonable period of time will vary depending on the nature of the information and the circumstances of the dissemination. Market rumors do not constitute sufficient public disclosure for information to become public.

Example

A company makes a public announcement of material information and its employee enters into a trade immediately after. Is there an issue regarding non-public information?

- *Yes. Because the investing public should be afforded the time to receive and absorb the information, an employee, officer or director of the announcing company should not engage in any transactions until at least 24 hours after the announcement. If the released information is particularly complex or extensive, a longer period of time may be appropriate.*

Policy Guidelines

1. No director or employee may disclose or use for his or her personal advantage or profit non-public information acquired by reason of his or her relationship with FSA.
2. Any employee or director that has material non-public information regarding either FSA or a company with which FSA has done, is doing or proposes to do business (referred to as a “**client**”) may not (a) buy or sell securities of FSA or such client, as the case may be, or (b) engage in any other action to take advantage of, or pass on to others, that information.

Pursuant to these guidelines, an employee that invests in a client may not buy or sell its stock while in possession of inside information regarding the client, even if the employee would have made the trade irrespective of the information. Similarly, an employee who knows that FSA is about to proceed with or decline a transaction that could affect the price of the stock of a client may not buy or sell the stock of the client until the information becomes public.

Example

While conducting due diligence on Company A, an FSA employee learns that it intends to acquire a second company, Company B. Company B does not know about the proposed acquisition, and the employee thinks that the value of its stock will rise when the acquisition is announced. Can he make an investment in Company B’s stock, since it is not doing any business with FSA?

- *No. He is in possession of material inside information, and so the trade would be illegal. That Company B does not know the information and that FSA is not doing business with it is irrelevant.*

Transactions that may seem necessary or justifiable for independent reasons, such as emergency expenditures, are not an exception to these guidelines. Even the appearance of an improper transaction must be avoided to preserve FSA's reputation for adhering to the highest standards of conduct.

Guidelines for Dexia Blackout Periods

FSA is a member of the Dexia Group. Dexia S.A. (“**Dexia**”) is a Belgium corporation with shares listed on the Brussels, Paris and Luxembourg stock exchanges. Trading in Dexia shares by employees of the Dexia Group is subject to certain “blackout” periods preceding quarterly earnings releases, generally covering the month preceding the release. Accordingly, FSA employees seeking to buy or sell Dexia shares must confirm with the Chief Compliance Officer that such purchases or sales will not be made during a blackout period.

Any employee may make a request to the Chief Compliance Officer for an individual exception from the blackout period ban on trades in Dexia shares. Requests for such exceptions will be considered on a case-by-case basis.

Example

An employee issued an instruction a week before a blackout period to sell 1,000 of her Dexia shares if the shares reached a determined price. She changed her mind during the blackout period, before the transaction was executed, and decided not to sell the shares. Does she need to ask for an exception from the Chief Compliance Officer?

- *Yes. Ordering, modifying or canceling a share transaction during a blackout period requires prior authorization.*

General Guidelines

The following guidelines regarding employees’ personal investments also apply to employees’ family members and any other individuals living in their households. Employees are expected to be responsible for the compliance of their immediate family and members of their household.

1. *Potential conflicts.* Employees must report potential conflicts to the General Counsel or the Chief Compliance Officer.
2. *Personal transactions in client securities.* If an employee is involved in a pending transaction involving a client and the employee holds securities of that client, he or she must ensure that the holding is disclosed to the MRC or MUNC, as applicable, when such transaction is presented for credit approval. Each employee of FSA must report in writing to the Chief Compliance Officer any purchase or sale of securities of any client and any other holding of such securities not previously reported, *provided that* an employee is not required to report purchases or sales of, and holdings in, tax-free municipal bond securities unless involved in a pending transaction involving the relevant municipal bond issuer.
3. *Recusal.* Each member of the MRC or MUNC shall recuse himself or herself from voting on any transaction involving a client in which such member has an investment that is material to such member.

4. *Trading in options.* Because of the particular potential for abuse of material non-public information in connection with trading in options on stock, (a) no FSA director or employee may trade in options on stock of Dexia and (b) no FSA employee may trade in options on stock of any client without the prior approval of the Executive Management Committee.
5. *Short sales.* A short sale is the sale of securities that the seller does not own and where delivery on the sale is made with borrowed or subsequently purchased securities. Short sales of Dexia or client securities by any employee are prohibited as a matter of corporate policy, subject to the prior approval of the Executive Management Committee.
6. *Tipping.* While in possession of material non-public information regarding a company obtained through their employment at FSA or otherwise, employees must not:
 - a. recommend or suggest that anyone else (including family, household members, or friends) buy, sell or retain the securities of that company, or
 - b. pass material non-public information on to others.

Penalties under federal securities laws for such “tipping” apply whether or not the employee derives a benefit from another's actions. In fact, the SEC has imposed substantial penalties on tippers even though they did not profit from their tippee's trading.