

Investment Managers

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Introduction

This document lists the Fiduciary Practices for Investment Managers, used in the CEFEX Certification program. The adherence to these Practices is the foundation for trust placed in Investment Managers by their clients, whether individuals or institutional investors.

The Practices have been created by experienced rating professionals and have been validated by fund managers, investment analysts, risk officers, compliance officers and the published guidelines of global investment industry organisations and regulators including:

- **IMA** – Investment Management Association of the governance arrangements of United Kingdom authorized collective investment schemes
- **CFA Institute** - The Asset Manager Code of Professional Conduct adopted by the CFA Institute (formerly Association for Investment Management and Research – AIMR, responsible for the Chartered Financial Analyst designation)
- **EFAMA** - The Code of Conduct for the European Investment Management Industry proposed in 2006 by the European Fund and Asset Management Association (EFAMA)
- **RSWG** - The Risk Standards for all Institutional Investment Managers and Institutional Investors adopted by the Risk Standards Working Group (RSWG), a private initiative set in 1996 by US investment professionals
- **IOSCO** - The International Organization of Securities Commissions
- **BIS** - The Bank for International Settlements' (BIS) Risk Based Capital

The full description of the practices, including criteria for assessment, can be downloaded at www.cefex.org.

Part 1: Organizational Practices

- 1.1 Senior management demonstrates expertise in their field, and there is a clear succession plan in place.**
- 1.2 There are clear lines of authority and accountability, and the mission, operations, and resources operate in a coherent manner.**
- 1.3 The organization has the capacity to service its client base.**
- 1.4 Administrative operations are structured to provide accurate and timely support services and are conducted in an independent manner.**
- 1.5 Information systems and technology are sufficient to support administration, trading, and risk management needs.**
- 1.6 The organization has developed programs to attract, retain, and motivate key employees.**
- 1.7 There is a formal structure supporting effective compliance.**

Part 2: Formulation of Policy

- 2.1 The organization provides disclosures which demonstrate there are adequate resources to sustain operations.**
- 2.2 The organization has a defined business strategy which supports their competitive positioning.**
- 2.3 There is an effective process for allocating and managing both internal and external resources and vendors.**
- 2.4 There are effective and appropriate external management controls.**
- 2.5 The organization has a defined process to control its flow of funds and asset variation.**

2.6 Remuneration of the company and compensation of key decision-makers is aligned with client interests.

2.7 The organization has responsible and ethical reporting, marketing, and sales practices.

2.8 There is an effective risk-management process to evaluate both the organization's business and investment risk.

Part 3: Implementation

3.1 The asset management team operates in a sustainable, balanced, and cohesive manner.

3.2 The investment system is defined, focused, and consistently adds value.

3.3 The investment research process is defined, focused, and documented

3.4 The portfolio management process for each distinct strategy is clearly defined, focused, and documented.

3.5 The trade execution process is defined, focused, and documented.

Part 4: Monitoring

4.1 There is a defined process for the attribution and reporting of costs, performance, and risk.

4.2 All aspects of the investment system are monitored and are consistent with assigned mandates.

4.3 Control procedures are in place to periodically review policies for best execution, "soft dollars," and proxy voting.

4.4 There is a process to periodically review the organization's effectiveness in meeting its fiduciary responsibilities.