

SELF-ASSESSMENT *of* FIDUCIARY EXCELLENCE *for*
**INVESTMENT
MANAGERS**

Defining a Global Fiduciary Standard of Excellence

For organizations that manage separate accounts, mutual funds,
unit trusts, and commingled trusts.

LEVEL 1 ASSESSMENT

WORLDWIDE EDITION

SELF-ASSESSMENT of FIDUCIARY EXCELLENCE for
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This Self-Assessment of Fiduciary Excellence (SAFE) is provided to assist Investment Managers in analyzing how well their organization meets the Global Standard of Fiduciary Excellence defined by CEFEX and the Center for Fiduciary Studies.

Each question corresponds to a Criterion from the *Prudent Practices for Investment Managers* handbook. Responding “yes” to a question indicates that the fiduciary requirement or best practice that it is based upon is being fulfilled. Answering “no” or “I don’t know” to any question indicates that a potential breach, omission, or shortfall is occurring within the investment decision-making process and should trigger an inquiry into the circumstances to determine if any action is required.

The SAFE is a Level 1 Assessment that any Manager can use to quickly assess their understanding of, and compliance to, a fiduciary standard of care. A Level 2 Assessment, known as a Consultant’s Review of Fiduciary Practices (CRFP), provides a more detailed analysis of fiduciary practices. A Level 3 Assessment, known as a CEFEX Assessment of Fiduciary Excellence (CAFE), is an independent verification of an Investment Advisor’s conformity to all Practices and Criteria that comprise the Global Standard of Fiduciary Excellence. A successful Level 3 Assessment results in formal recognition, or “Certification,” from CEFEX and implies that a fiduciary can demonstrate adherence to the industry’s best practices, and is positioned to earn the public’s trust.

FIDUCIARY ASSESSMENTS ALSO ARE AVAILABLE FOR INVESTMENT ADVISORS, INVESTMENT STEWARDS, INVESTMENT SUPPORT SERVICES, RECORD KEEPERS AND THIRD PARTY ADMINISTRATORS, AND FOR ARRANGEMENT AUDITS AS REQUIRED BY THE 2006 PENSION PROTECTION ACT.

*For more information on the Global Standard of Fiduciary Excellence, please visit www.fi360.com.
For more information on fiduciary assessments, please visit www.cefex.org.*

THE NUMBER REFERENCED AFTER EACH QUESTION REPRESENTS THE CORRESPONDING CRITERIA IN THE PRUDENT PRACTICES *for* **INVESTMENT MANAGERS** HANDBOOK

- ① Is there depth of experienced management to effectively mitigate key person risk? (1.1.1)
- ② Is there a defined succession plan for senior management to deal with sudden, unexpected disruption? (1.1.2)
- ③ Does the recruiting process for senior management include proper background checks and active involvement by external management? (1.1.3)
- ④ Is there a well-defined mission statement and business plan for the organization as a whole that is communicated to all levels of personnel? (1.2.1)
- ⑤ Is there a focus and coherence to the organization? (1.2.2)
- ⑥ Are significant organizational changes reported to clients on a timely basis? (1.2.3)
- ⑦ Is there a disciplined performance review process? (1.2.4)
- ⑧ Does the organization have a suitable distribution and support structure (physical locations and staff) for each type of client? (1.3.1)
- ⑨ Does the organization provide timely and appropriate communications with clients? (1.3.2)
- ⑩ Does the organization monitor and manage the concentration of individual clients and client types? (1.3.3)
- ⑪ Does each operational department have a procedures manual documenting flow and approvals? (1.4.1)
- ⑫ Are securities priced in a timely, accurate, and independent manner? (1.4.2)
- ⑬ Are investment products accounted for in an accurate and timely manner? (1.4.3)
- ⑭ Are securities lending procedures well-documented with communication to portfolio managers on lent assets? (1.4.4)
- ⑮ Are trade confirmations or periodic activity statements sent to clients for all trading activities? (1.4.5)
- ⑯ Are all client assets adequately secured through a suitable custodian? (1.4.6)
- ⑰ Does the organization have a well-documented technology plan addressing hardware and software maintenance and development needs? (1.5.1)
- ⑱ Are backup procedures and disaster recovery plans in place? (1.5.2)
- ⑲ Does the organization have up-to-date technology that is supported by qualified staff? (1.5.3)
- ⑳ Do employees demonstrate an understanding of how their individual tasks and objectives fit with the organization's mission statement? (1.6.1)
- ㉑ Are formal systems in place to foster open communication amongst employees at all levels, including questions, comments, and complaints? (1.6.2)
- ㉒ Are well-defined employee training programs available? (1.6.3)
- ㉓ Is staff actively supported in the pursuit of advanced degrees and professional designations? (1.6.4)

- 24 Does the organization have compliance policies and procedures manuals that are kept current? (1.7.1)
- 25 Does the organization have a designated Chief Compliance Officer (CCO) who is an experienced, senior-level executive? (1.7.2)
- 26 Are all compliance issues reported directly to the office of the CCO, regardless of where they originate? (1.7.3)
- 27 Does the CCO have direct access to the CEO and external management? (1.7.4)
- 28 Is there compliance training for all new employees and ongoing training to emphasize changes in both regulations and internal policies? (1.7.5)
- 29 Are compliance breaches documented and reported to the board and appropriate regulators and are procedures put into place to reduce the risk of future non-compliance? (1.7.6)
- 30 Do standard financial statements or executive disclosures provide evidence of adequate resources to sustain operations? (2.1.1)
- 31 Is there adequate insurance to protect the organization from serious breaches? (2.1.2)
- 32 Does the organization have a discernible business plan for development? (2.2.1)
- 33 Can the organization demonstrate an effective process for fostering service and product innovations? (2.2.2)
- 34 Does the organization have a competitive evaluation process for selecting third-party service providers? (2.3.1)
- 35 Does the organization have a review process in place to assess the performance of internal and external service providers? (2.3.2)
- 36 Is there effective communication between administration and portfolio management functions to ensure that both parties' needs are being met? (2.3.3)
- 37 Is the external management comprised of knowledgeable, experienced, and independent individuals? (2.4.1)
- 38 Does external management exercise authority and provide the organization with a system of checks and balances? (2.4.2)
- 39 Does the external governance for mutual funds or similar investment vehicles comprised of knowledgeable, experienced, and independent individuals? (2.4.3)
- 40 Does external governance have sufficient have sufficient authority to ensure that the investment vehicle is managed within their guidelines and that risk controls are being adhered to? (2.4.4)
- 41 Does the organization have a defined approach to plan and control assets under management? (2.5.1)
- 42 Are systems in place to monitor and manage short-term investor cash movement? (2.5.2)
- 43 Can the organization demonstrate a policy outlining how it aligns remuneration with investors' interests? (2.6.1)
- 44 Is compensation of executive leadership (CEO, CFO, COO) tied to well-defined financial targets, in contrast to being solely linked to asset growth or investment performance? (2.6.2)
- 45 Do investment management professionals earn incentives from the performance of their portfolio on a risk-adjusted basis and on asset retention and/or growth? (2.6.3)
- 46 Are investment management professionals encouraged to invest in the portfolios they manage (subject to compliance procedures and conflict of interest guidelines)? (2.6.4)

- ④7 Are documented guidelines applied for sales and marketing practices? (2.7.1)
- ④8 Is there a legal and compliance review of all marketing communications? (2.7.2)
- ④9 Is there a clear and defined policy of remuneration of third-party representatives or fund distributors? (2.7.3)
- ⑤0 Is there an effective process for evaluating business risk and ensuring business continuity? (2.8.1)
- ⑤1 Does the organization have defined policies and procedures and designated senior staff tasked with the responsibility of overseeing and managing the organization's conflicts of interest policies? (2.8.2)
- ⑤2 Is the credit and investment research adequately documented and subjected to review procedures? (2.8.3)
- ⑤3 Is there a dedicated investment risk management oversight committee that regularly reviews the activities and investment risk of the investment management groups? (2.8.4)
- ⑤4 Do investment products have clear and defined risk management parameters that are reviewed by senior management on a regular basis? (2.8.5)
- ⑤5 Are breaches of maximum investment risk parameters communicated to the investment risk management oversight committee? (2.8.6)
- ⑤6 Are risk-management tools used to assess overall portfolio risk and the risk within major asset classes? (2.8.7)
- ⑤7 Are broker-dealer relationships structured to minimize counterparty risk? (2.8.8)
- ⑤8 Is there a defined succession plan for key investment professionals to deal with sudden, unexpected disruption? (3.1.1)
- ⑤9 Does the organization have the depth of experienced managers, traders, and research staff to negate key-person risk? (3.1.2)
- ⑥0 Do key employees demonstrate expertise in their respective fields? (3.1.3)
- ⑥1 Are training courses and continuing education offered to employees to develop their skill sets? (3.1.4)
- ⑥2 Do investment professionals have a clear understanding of how their tasks and objectives fit with the organization's mission? (3.1.5)
- ⑥3 Are procedures for employee review and evaluation performed regularly? (3.1.6)
- ⑥4 Can the investment team demonstrate that there is a defined process that is consistently applied over time and market cycles? (3.2.1)
- ⑥5 Can the investment team demonstrate that there is a defined process that adds value relative to the benchmark? (3.2.2)
- ⑥6 Is there a documented research process and a mechanism to capture and track recommendations given by research analysts? (3.3.1)
- ⑥7 Does the research team have access to appropriate databases and external research and is supported with adequate technology and communications tools? (3.3.2)
- ⑥8 Is an investment committee in place to set strategy and boundary constraints on the Investment Manager? (3.4.1)
- ⑥9 Is there a formal portfolio review process to ensure adherence to investment policies and mandates? (3.4.2)

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- 70 Is the portfolio management process for each distinct investment strategy clearly defined, focused, and documented? (3.4.3)
- 71 Does the portfolio manager have adequate technical support to plan investment actions and monitor portfolio constraints? (3.4.4)
- 72 Does the Manager have a defined portfolio turnover strategy that adds value over time? (3.4.5)
- 73 Is tactical asset allocation consistent with the investment team's stated long-term goals of strategy, client mandate, and risk parameters? (3.4.6)
- 74 Are trade allocation policies well-defined, fair, and reviewed on a regular basis? (3.5.1)
- 75 Are broker-dealer relationships and activity closely monitored to verify that they are providing value-added services? (3.5.2)
- 76 Do trade execution systems provide timely and accurate trading? (3.5.3)
- 77 Does tactical trading generate measurable added value and is consistent with the investment team's stated strategy and risk parameters? (3.5.4)
- 78 Does the organization conduct comprehensive performance attribution analysis? (4.1.1)
- 79 Does the organization accurately calculate and verify portfolio performance? (4.1.2)
- 80 Is there a system in place to capture required mandates and any changes to mandates, whether those changes come from clients, regulators, or internal sources? (4.2.1)
- 81 Does the organization have a process to ensure "best execution"? (4.3.1)
- 82 Is the investment team a) monitoring the generation and use of "soft dollars"? b) in compliance with regulatory requirements regarding the generation and use of soft dollars? and c) maintaining a soft dollar log? (4.3.2)
- 83 Is the organization appropriately accepting and monitoring directed brokerage and commission recapture mandates? (4.3.3)
- 84 Is the organization tracking, voting, and accounting for proxies? (4.3.4)
- 85 Are reviews conducted at planned intervals to determine whether appropriate policies and procedures are in place to address all fiduciary obligations and that such policies and procedures are effectively implemented and maintained? (4.4.1)
- 86 Are reviews conducted in a manner that ensures objectivity and impartiality? (4.4.2)

for INVESTMENT MANAGERS

<p>PRACTICE 1.1</p> <p>Senior management demonstrates expertise in their field, and there is a clear succession plan in place.</p>	<p>PRACTICE 1.2</p> <p>There are clear lines of authority and accountability, and the mission, operations, and resources operate in a coherent manner.</p>	<p>PRACTICE 2.2</p> <p>The organization has a defined business strategy that supports competitive positioning.</p>	<p>PRACTICE 2.1</p> <p>The organization provides disclosures that demonstrate adequate resources to sustain operations.</p>
<p>PRACTICE 1.3</p> <p>The organization has the capacity to service its client base.</p>	<p>PRACTICE 1.4</p> <p>Administrative operations are structured to provide accurate and timely support services and are conducted in an independent manner.</p>	<p>PRACTICE 2.4</p> <p>There are effective and appropriate external management controls.</p>	<p>PRACTICE 2.3</p> <p>There is an effective process for allocating and managing both internal and external resources and vendors.</p>
<p>PRACTICE 1.5</p> <p>Information systems and technology are sufficient to support administration, trading, and risk management needs.</p>	<p>PRACTICE 1.6</p> <p>The organization has developed programs to attract, retain, and motivate key employees.</p>	<p>PRACTICE 2.6</p> <p>Remuneration of the company and compensation of key decision-makers is aligned with client interests.</p>	<p>PRACTICE 2.5</p> <p>The organization has a defined process to control its flow of funds and asset variation.</p>
<p>PRACTICE 1.7</p> <p>There is a formal structure supporting effective compliance.</p>			<p>PRACTICE 2.7</p> <p>The organization has responsible and ethical reporting, marketing, and sales practices.</p>
<p>PRACTICE 4.1</p> <p>There is a defined process for the attribution and reporting of costs, performance, and risk.</p>			<p>PRACTICE 2.8</p> <p>There is an effective risk-management process to evaluate both the organization's business and investment risk.</p>
<p>PRACTICE 4.2</p> <p>All aspects of the investment system are monitored and are consistent with assigned mandates.</p>	<p>PRACTICE 4.3</p> <p>Control procedures are in place to periodically review policies for best execution, "soft dollars," and proxy voting.</p>	<p>PRACTICE 3.2</p> <p>The investment system is defined, focused, and adds value in a consistent manner.</p>	<p>PRACTICE 3.1</p> <p>The asset management team operates in a sustainable, balanced, and cohesive manner.</p>
<p>PRACTICE 4.4</p> <p>There is a process to periodically review the organization's effectiveness in meeting its fiduciary responsibilities.</p>		<p>PRACTICE 3.4</p> <p>The portfolio management process for each distinct strategy is clearly defined, focused, and documented.</p>	<p>PRACTICE 3.3</p> <p>The investment research process is defined, focused, and documented.</p>
			<p>PRACTICE 3.5</p> <p>The trade execution process is defined, focused, and documented.</p>



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