



SELF-ASSESSMENT OF  
FIDUCIARY EXCELLENCE  
*for Investment Managers*

SAFE<sup>TM</sup>

Defining a Global Fiduciary Standard  
of Excellence for Investment Managers

ORGANIZATIONS THAT MANAGE SEPARATE  
ACCOUNTS, MUTUAL FUNDS, UNIT TRUSTS,  
AND COMMINGLED TRUSTS.

# Introduction

This Self-Assessment of Fiduciary Excellence (SAFE) is intended to assist: (1) Investment Managers in analyzing how well their company meets a defined fiduciary standard of excellence; and (2) Investment Stewards and Investment Advisors in analyzing whether an Investment Manager is deserving of a fiduciary mandate.

Each question is intended to be answered in the affirmative (“Yes”). A careful inquiry should be made into all “No” responses to determine whether:

1. There is an omission or shortfall in the Investment Manager’s organization and/or procedures; and/or
2. The question is not applicable to the Investment Manager’s practice.

This SAFE is intended to serve as a Level I Assessment. A Level II Assessment, known as a Consultant’s Assessment of Fiduciary Excellence (CAFE), provides a more detailed analysis of the Investment Manager’s practice. A Level III Assessment, or “Certification”, is an independent recognition of a fiduciary’s conformity to all Fiduciary Practices and Criteria, as defined by Centre for Fiduciary Excellence (CEFEX). It implies that a fiduciary can demonstrate adherence to the industry’s best practices, and is positioned to earn the public’s trust.

This SAFE is based on the Prudent Practices for Investment Managers (Worldwide Edition) fiduciary handbook. The handbook is one in a series of handbooks for investment fiduciaries: Prudent Practices for Investment Stewards (U.S. Edition), Prudent Practices for Investment Advisors (U.S. Edition), Prudent Practices for Investment Stewards and Investment Advisors (Worldwide Edition), and Legal Memoranda.

For more information or to obtain copies of this and other SAFEs and handbooks, please visit [www.fi360.com](http://www.fi360.com).

**To find an investment advisor in your area who is familiar with the fiduciary practices referenced in this SAFE, go to [www.fi360.com](http://www.fi360.com) and look for the AIF®/AIFA® designee search icon:**



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 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 management include proper backgroundchecks and active involvement by external management? (1.1.3)
- 4 Is there a well-defined mission statement and business plan? Are they 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 Is there a current procedures manual documenting flow and approvals in each operational department?(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 a disaster recovery plan 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 Is there a formal system in place to foster open communication from 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? Are they 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? Are procedures in 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 discernable business plan for development? (2.2.1)
- 33 Can the organization demonstrate an effective process that fosters 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 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)
- 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 for 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 conflicts of interest policies? (2.8.2)

**Questions 39 and 40: Where organizations offer mutual funds or similar-type investment vehicles**

- 39 Is the external governance for mutual funds or similar investment vehicles comprised of knowledgeable, experienced, and independent individuals? (2.4.3)
- 40 Does the external governance 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 its remuneration with investors' interests? (2.6.1)
- 52 Is 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 field? (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 applied consistently 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 the research analysts? (3.3.1)
- 67 Does the research team have access to appropriate databases and external research? Are they supported by the latest technology and communications tools? (3.3.2)
- 68 Is there 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)
- 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? Does it add 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 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? Is it 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 monitoring the generation and use of "soft dollars"? Is it in compliance with regulatory requirements regarding the generation and use of soft dollars? Is it 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? Are such policies and procedures effectively implemented and maintained? (4.4.1)
- 86 Are reviews conducted in a manner that ensures objectivity and impartiality? (4.4.2)

# The Periodic Table of Global Fiduciary Practices

<p><b>Practice M-1.1</b></p> <p>Senior management demonstrates expertise in their field, and there is a clear succession plan in place.</p>	<p><b>Practice M-1.2</b></p> <p>There are clear lines of authority and accountability, and the mission, operations, and resources operate in a coherent manner.</p>		
<p><b>Practice M-1.3</b></p> <p>The organization has the capacity to service its client base.</p>	<p><b>Practice M-1.4</b></p> <p>Administrative operations are structured to provide accurate and timely support services and are conducted in an independent manner.</p>	<p><b>Practice SA-1.1</b></p> <p>Investments are managed in accordance with applicable laws, trust documents, and written investment policy statements (IPS).</p>	<p><b>Practice SA-1.2</b></p> <p>The roles and responsibilities of all involved parties (fiduciaries and non-fiduciaries) are defined, documented, and acknowledged.</p>
<p><b>Practice M-1.5</b></p> <p>Information systems and technology are sufficient to support administration, trading, and risk management needs.</p>	<p><b>Practice M-1.6</b></p> <p>The organization has developed programs to attract, retain, and motivate key employees.</p>	<p><b>Practice SA-1.3</b></p> <p>Fiduciaries and parties in interest are not involved in self-dealing.</p>	<p><b>Practice SA-1.4</b></p> <p>Service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards of care.</p>
	<p><b>Practice M-1.7</b></p> <p>There is a formal structure supporting effective compliance.</p>	<p><b>Practice SA-1.5</b></p> <p>Assets are within the jurisdiction of courts, and are protected from theft and embezzlement.</p>	<p><b>1</b></p> <p><b>ORGANIZE</b></p>

<p><b>Practice M-4.1</b></p> <p>There is a defined process for the attribution and reporting of costs, performance, and risk.</p>	<p><b>Practice M-4.2</b></p> <p>All aspects of the investment system are monitored and are consistent with assigned mandates.</p>	<p><b>Practice SA-4.1</b></p> <p>Periodic reports compare investment performance against appropriate index, peer group, and IPS objectives.</p>	<p><b>4</b></p> <p><b>MONITOR</b></p>
<p><b>Practice M-4.3</b></p> <p>Control procedures are in place to periodically review policies for best execution, "soft dollars," and proxy voting.</p>	<p><b>Practice M-4.4</b></p> <p>There is a process to periodically review the organization's effectiveness in meeting its fiduciary responsibilities.</p>	<p><b>Practice SA-4.2</b></p> <p>Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.</p>	
		<p><b>Practice SA-4.4</b></p> <p>Fees for investment management are consistent with agreements and with all applicable laws.</p>	<p><b>Practice SA-4.5</b></p> <p>"Finder's fees" or other forms of compensation that may have been paid for asset placement are appropriately applied, utilized, and documented.</p>
			<p><b>Practice SA-4.6</b></p> <p>There is a process to periodically review the organization's effectiveness in meeting its fiduciary responsibilities.</p>

<b>Practice SA-2.1</b> An investment time horizon has been identified.	<b>Practice SA-2.2</b> A risk level has been identified.	<b>Practice M-2.1</b> The organization provides disclosures which demonstrate there are adequate resources to sustain operations.	<b>Practice M-2.2</b> The organization has a defined business strategy which supports their competitive positioning.
<b>Practice SA-2.3</b> An expected, modeled return to meet investment objectives has been identified.	<b>Practice SA-2.4</b> Selected asset classes are consistent with the identified risk, return, and time horizon.	<b>Practice M-2.3</b> There is an effective process for allocating and managing both internal and external resources and vendors.	<b>Practice M-2.4</b> There are effective and appropriate external management controls.
<b>Practice SA-2.5</b> Selected asset classes are consistent with implementation and monitoring constraints.	<b>Practice SA-2.6</b> There is an IPS which contains the detail to define, implement, and manage a specific investment strategy.	<b>Practice M-2.5</b> The organization has a defined process to control its flow of funds and asset variation.	<b>Practice M-2.6</b> Remuneration of the company and compensation of key decision-makers is aligned with client interests.
<b>2</b> <b>FORMALIZE</b>	<b>Practice SA-2.7</b> The IPS defines appropriately structured socially responsible investment (SRI) strategies (where applicable).	<b>Practice M-2.7</b> The organization has responsible and ethical reporting, marketing, and sales practices.	<b>Practice M-2.8</b> There is an effective risk-management process to evaluate both the organization's business and investment risk.
<b>3</b> <b>IMPLEMENT</b>	<b>Practice SA-3.1</b> The investment strategy is implemented in compliance with the required level of prudence.	<b>Practice M-3.1</b> The asset management team operates in a sustainable, balanced, and cohesive manner.	<b>Practice M-3.2</b> The investment system is defined, focused, and consistently adds value.
<b>Practice SA-3.2</b> Applicable "Safe Harbor" provisions are followed (when elected).	<b>Practice SA-3.3</b> Investment vehicles are appropriate for the portfolio size.	<b>Practice M-3.3</b> The investment research process is defined, focused, and documented.	<b>Practice M-3.4</b> The portfolio management process for each distinct strategy is clearly defined, focused, and documented.
<b>Practice SA-3.4</b> A due diligence process is followed in selecting service providers, including the custodian.		<b>Practice M-3.5</b> The trade execution process is defined, focused, and documented.	

**LEGEND:**

Practices in gold that begin with an "SA" define a fiduciary standard of excellence for Investment Stewards and Investment Advisors.

Practices in green that begin with an "M" define a fiduciary standard of excellence for Investment Managers.

"SA" Practices highlighted are best reviewed in conjunction with Investment Managers Practices.

**“Society depends upon professionals to provide reliable fixed standards in situations where the facts are murky or the temptations too strong. Their principal contribution is an ability to bring sound judgment to bear on these situations. They represent the best a particular community is able to muster in response to new challenges.”**

**–Dr. Robert Kennedy**



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