CFA Institute

# ASSET MANAGER CODE FAQS: ASSET OWNERS/INVESTORS

## COMMON QUESTIONS ABOUT DETERMINING INVESTMENT FIRM COMPLIANCE

**1. What is the CFA Institute Asset Manager Code?**
The Asset Manager Code is a voluntary, investor-focused code of professional conduct for firms that manage investment assets. The Code embodies the fundamental ethical principles at the core of the investment management industry.

**2. Who complies with the Asset Manager Code?**
The Asset Manager Code is global. Investment management firms around the world—of various structures, sizes, and levels of complexity—adopt the Code to demonstrate their commitment to best ethical practice. Over 1,100 firms in more than 30 countries and regions claim compliance with the Code.

**3. Why do investment managers claim compliance with the Code?**
Adoption of the Asset Manager Code ensures that the firm is complying with global best practice in safeguarding client interests. Adoption provides a communication tool for firms to demonstrate their commitment to ethical practice. Adoption creates a strong reputation for a firm's values that can help attract and retain clients.

**4. Why should we ask investment managers about Asset Manager Code compliance?**
The Asset Manager Code benefits asset owners in a number of ways. The Code assists in the initial and ongoing due diligence reviews of external managers by:

- providing a tool to easily identify which asset managers adhere to the ethical foundation that resolves conflicts of interest in favor of investors and protects investor interests,
- providing a uniform global standard for comparing managers from different regions and under different regulatory regimes (like the GIPS® standards, it enables an "apples to apples" comparison), and
- eliminating the need to evaluate each firm's code of conduct separately to identify important elements that may be missing.

**5. We ask managers about compliance with the GIPS standards. If they comply with the Standards, do they automatically comply with the Asset Manager Code?**
No. Although the GIPS standards are a rigorous set of investment performance measurement and presentation standards, the Asset Manager Code is applicable to a broader spectrum of manager conduct, including investment process and actions, trading, risk management, compliance, valuation, and disclosures. A firm can claim compliance with the Standards and not with the Asset Manager Code, and vice versa.

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**6. What's the best way to ask managers about compliance with the Asset Manager Code?**
The simplest way to inquire about compliance with the Asset Manager Code is to include the following questions on RFPs or questionnaires sent to investment firms: "Does your firm claim compliance with the CFA Institute Asset Manager Code of Professional Conduct? If not, why not?"

**7. Is it difficult for investment managers to comply with the Asset Manager Code?**
The principle-based Code allows firms the flexibility to develop policies and procedures for implementing the provisions of the Asset Manager Code that are most appropriate to their circumstances. For new firms, the Asset Manager Code can serve as a model for establishing a rigorous code of conduct that meets global best practice. Larger firms probably already have well-established policies and procedures in place that satisfy the requirements of the Code. Firms with well-established, rigorous codes of conduct can compare their practices with the requirements of the Asset Manager Code and make adjustments as necessary to come into compliance.

**8. Why would a manager NOT comply with the Code?**
Compliance with the Asset Manager Code is voluntary. Firms that do not yet comply with the Code sometimes cite what they perceive as the increased compliance cost or liability risk of claiming to comply with a set of standards that goes beyond legal or regulatory requirements. Once asset owners (clients) make it clear that they are interested in hiring management firms that meet a high global standard for ethical best practice, firms realize that the boost to their business will offset any additional cost of compliance.

**9. Does CFA Institute review investment managers' claims of compliance?**
No. Firms are required to notify CFA Institute if they are claiming compliance with the Asset Manager Code. No fees are involved. CFA Institute publishes the names of all firms that claim compliance with the Code as a searchable list on the organization's website. CFA Institute does not, however, verify the accuracy of claims. Firms that falsely claim compliance with the Code are subject to regulatory and legal action based on misrepresentation and fraud. Third-party verification of compliance may become available in the future, similar to the verification services that have evolved with the GIPS standards.

**10. The investment managers we hire have their own code of ethics. Isn't that sufficient? Do they need to be Asset Manager Code compliant as well?**
Most investment management firms have adopted some sort of code of conduct. But these codes can be based on widely varying regulatory requirements or may not address all aspects of the rigorous, comprehensive set of standards embodied by the Asset Manager Code. Thus, the code of conduct at many firms is unique, making it difficult for investors to compare firms. The Asset Manager Code sets a uniform, high standard as a baseline by which investors can compare firms globally. Investors can be confident that Asset Manager Code-compliant firms conform to a fundamental set of ethical principles and practices.

For additional information, please visit:
www.cfainstitute.org/assetcode



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