

**MEMO# 23126**

December 16, 2008

## **Conference Call of Committee Scheduled for Jan. 8th**

[23126]

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TO: RISK MANAGEMENT ADVISORY COMMITTEE No. 6-08    RE: CONFERENCE CALL OF COMMITTEE SCHEDULED FOR JAN. 8TH

A conference call of the Institute's Risk Management Advisory Committee (RMAC) has been scheduled for Thursday, January 8, 2009. The draft agenda for the call is set forth below, as is the call-in information. If there are any items you would like to add to the agenda, please contact the undersigned by phone (202-326-5825) or email ([tamara@ici.org](mailto:tamara@ici.org)) prior to the call. As you will see from the agenda, one of the items to be discussed is a proposal of the Certified Financial Analyst (CFA) Institute to add a proposed risk management principle to the CFA's Asset Manager Code of Professional Conduct (AMC). The CFA's proposal is briefly summarized below. Comments on the proposal are due no later than Thursday, January 15th. The Institute plans to submit a comment letter to the CFA based on comments we receive from the RMAC during our call.

### **Call Information**

Date:	Thursday, January 8, 2009
Time:	2:00p.m. - 3:00p.m. (Eastern)
Call-In Number:	888-324-7107
Passcode:	60872

## **Draft Agenda:**

- I. Update on the Current RMAC Project: A Risk Primer for Directors
- II. Discussion of the CFA Risk Principle Proposal (summarized below)
- III. Discussion of Current Market Events
- IV. Open Forum

## **Summary of CFA Proposal**

The CFA Institute administers the Chartered Financial Analyst and Certificate in Investment Performance Measurement programs. Its Centre for Financial Market Integrity promotes ethical standards and professional conduct for investment professionals, which includes those at many ICI member firms, through, among other things, professional codes of conduct and guidance. The CFA has proposed to amend its existing AMC to add a new principle and guidance relating to risk management. The proposed principle, which is attached, [\[1\]](#) would read as follows:

[Managers must]

7. Establish a risk management process that identifies, monitors, and analyzes the risk position of the Manager and its investments, including the sources, nature, and degree of risk exposure.

Accompanying this principle in the AMC would be guidance clarifying that, while “[t]here is no single authoritative method or definitive model that can be universally applied to evaluate risk . . . managers following best practice perform stress tests, scenario tests, and backtests as part of developing risk models that comprehensively capture a full range of actual and contingent exposures.” It would additionally note that a “sound risk management process” would consider a number of risks including leverage, liquidity, and counterparties. According to the guidance, pursuant to this principle asset managers should:

- Track both risk-based leverage and financial statement-based leverage in assessing risk exposure;
- Take into consideration interdependencies of collateral and credit enhancement provisions when analyzing liquidity risk; and
- Review the contractual ability of counterparties to terminate or otherwise alter trading relationships or margin/collateral requirements under certain conditions.

Prior to finalizing the proposed principle and guidance, the CFA has published it for comment. As noted above, comments are due by January 15, 2009. The Institute plans to file a comment letter expressing the views of the RMAC. Time permitting after the call, a draft comment letter will be circulated prior to our filing it with the CFA.

Members of the RMAC who will be unable to participate in the conference call but have

views on the proposal should provide them to the undersigned prior to the call on January 8th.

Tamara K. Salmon  
Senior Associate Counsel

**endnotes**

[1] A copy of the proposal is available on the CFA's website at:  
[http://www.cfainstitute.org/centre/codes/asset/pdf/proposed\\_risk\\_management\\_addendum.pdf](http://www.cfainstitute.org/centre/codes/asset/pdf/proposed_risk_management_addendum.pdf).

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