Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

January 15, 2009

Jonathan J. Stokes
Director, Standards of Practice
CFA Institute Centre for Financial Market Integrity
CFA Institute
560 Ray C. Hunt Drive
Charlottesville, Virginia 22903-2981
USA

Dear Mr. Stokes:

Re: CFA Asset Manager Code of Professional Conduct

This submission is made by the Pension Investment Association of Canada ("PIAC") in reply to the request for comments from the CFA Institute Centre for Financial Market Integrity on the proposed addition of a risk management requirement to its 'Asset Manager Code of Professional Conduct (AMC).'

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over $940 billion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

We welcome the request for comments on this proposal which establishes a more detailed risk management process that identifies, monitors, and analyzes the risk position of a manager and its investments. This new provision provides asset managers with guidance that addresses many of the risk management concerns that have risen from the current market crisis.

The AMC was developed to outline the ethical and professional responsibilities of firms that manage assets on behalf of clients and we agree that the inclusion of a separate section on risk management will enhance the Code.

39 River Street, Toronto, Ontario M5A 3P1
Tel 1-416-640-0264 Fax 1-416-646-9460 Email info@piacweb.org Web www.piacweb.org

PIAC has three specific comments regarding the proposal:

1) The phrase "In lieu of disclosing actual risk information and detailed information regarding investment strategies" should be deleted. Disclosing the actual risk information is imperative to the Manager selection and monitoring process for institutional investors. The risk management process is there to protect clients' assets and full disclosure of the risk management process and actual risk information is paramount to investor confidence. Our members insist on full transparency not only of process but of actual investment strategies and their associated risks. Having the Code allow for anything less than full transparency is not acceptable.

2) The first paragraph describes how closely linked risk is to returns. However, the second paragraph states that risk management is "objective and independent of the portfolio management process". Describing the risk management process in this manner limits its definition and its potential robustness and value added in our investment portfolios: There are different 'levels' of risk management with some weaved into the pre-investment process and some into the post-investment and compliance process which *should* be objective and independent of the portfolio management process. This sentence should be struck or at least reworded to give a more complete outline of these different "levels" of risk management, and support the first paragraph statement regarding the close link between risk and returns.

3) Finally we suggest removing the last sentence of the third paragraph: "A sound risk…different risks, including:" The three types of risk identified (leverage, liquidity, counterparty) are specific examples of risks which may be more important for one manager than another. The last sentence of this paragraph should state that the following are *examples* of specific risks and the comments provide an indication of how a manager might approach each one.

We appreciate the opportunity to respond to your request for comment and hope that you find our feedback relevant. Please do not hesitate to contact us if we can be of further assistance.

Respectfully submitted on behalf of the Members of the Pension Investment Association of Canada.

Yours truly,

Gayle McDade
Chair