Survey on Corporate Conduct and Professional Integrity in the Investment Management Industry

A survey by PricewaterhouseCoopers, April 15, 1999

Background:

- The survey was distributed to U.S. based organizations in the investment management industry.
- Responses were received from 65 U.S. organizations.
- The majority of the organizations that responded were in the investment advisory services and ranged from local shops to large multinational investment management complexes.
- More than 20 of these organizations managed in excess of $50 billion.
- In aggregate these organizations managed over $1 trillion.
- Respondents are senior level decision-makers who were responsible for their organization’s oversight role.
- Goals of the survey: to measure industry concern on business ethics and professional conduct and to gather information on the type and nature of programs that currently exist to address such matters.
- The survey is believed to reflect the views of the investment management industry.

Results:
1. External Communication and Reputation Management:

- Over 90% of respondents feel their organization’s ethics programs are intended to address reputation management. However, the survey found that these programs are not being leveraged to the extent that they could with their organization’s marketing efforts.
- Only 20% of survey respondents publish their ethics related efforts in literature directed to shareholders and clients.
- Only 30% of survey respondents’ sales and marketing brochures summarize or highlight efforts related to professional conduct.

2. Internal Communication and Awareness Management:

- Fewer than 10% of survey respondents report that ethics have been incorporated into their organization’s mission statement.
- Just over 10% of the organizations have taken the step to create an internal function or committee specifically focused on ethics.
- Only 30% of respondents indicate that ethics policies have been incorporated into their procedural manuals.
- Forty-five percent of respondents indicate that professional conduct education has been integrated into the formal training programs.
- Fifty percent of respondents indicate that no assessment process is in place to measure awareness of their organization’s professional conduct policy.
3. Enforcement review and remediation processes:

- Nearly 30% of respondents report that their organizations do not have a formal remediation and retribution process.
- Sixteen percent of respondents are not sure if a formal remediation and retribution process exist in their organizations.
- Sixty five percent of respondents indicate that their company conducts a periodic review of its programs. However, there is a contradiction within firms about how and when such reviews are performed.
- Seventy percent of respondents agree that there is a link between professional designations/certifications and business ethics.

Some Summary Conclusions:

- Matters of ethics and professional conduct are of serious concern to industry leaders.
- Respondents were in agreement that their organization’s programs were designed to consider fiduciary responsibility, regulatory and corporate compliance, and personal conduct and reputation management.
- The ethics programs at many organizations have some shortcomings in key areas such as external communication, reputation management, internal communication and awareness measurement, and enforcement review and remediation processes.
- Most policy infringements are determined through a back end process, e.g. an audit examination, and consequently the process is more detective than it is preventive.
- The fact that a large number of organizations report that policy infringements are uncovered externally should be a “red flag” that their organization’s programs are falling short of their goals.
- The larger firms tend to have more formal processes.

More information about this survey can be obtained at 617-443-2914 (Rob Lordi) or at 617-478-9101 (David Serio) in Boston, MA or at 212-596-8380 in New York, NY (Andy Nolan).