

CHARTERED INVESTMENT COUNSELOR PROGRAM

Investment Adviser Association

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The Investment Adviser Association (formerly the Investment Counsel Association of America) is a not-for-profit association whose membership consists exclusively of federally registered investment adviser firms. Founded in 1937, the IAA has always prescribed certain principles of conduct to guide its members in the practice of the investment counsel profession.

In 1975, the IAA established the Chartered Investment Counselor (CIC) program in order that excellence and experience in the investment counsel profession might be better recognized. The Charter was designed to recognize the special qualifications of persons employed by IAA member firms whose primary duties are consistent with section 208(c) of the Investment Advisers Act of 1940 (pertaining to the use of the term "investment counsel"), as well as with the professional responsibilities and professional qualifications set forth in Sections I and II of the Association's *Standards of Practice*:

An investment adviser is a fiduciary and has the responsibility to render professional, continuous, and unbiased investment advice oriented to the investment goals of each client.

To enable a member firm to serve its clientele effectively, its investment and managerial personnel should be individuals of experience, ability, and integrity.

The CIC program was initially developed in cooperation with the Institute of Chartered Financial Analysts. Today, a key educational component of the program is the requirement that candidates hold the Chartered Financial Analyst (CFA) designation, administered by the CFA Institute (formerly the Association for Investment Management and Research).

In addition to successful completion of the CFA program, the CIC designation requires candidates to demonstrate significant experience in performing investment counseling and portfolio management responsibilities. At the time the charter is awarded, candidates must be employed by an IAA member firm, must provide work and character references, must endorse the IAA's *Standards of Practice*, and must provide professional ethical information.

I. Eligibility Requirements for the CIC Designation

Candidates must meet *all* of the following criteria in order to be awarded the CIC Charter:

- Candidates must be employed by a member firm of the IAA in an *eligible occupational position* at the time the CIC charter is awarded.
- Candidates must demonstrate a minimum of five (5) cumulative years' work experience in one or more *eligible occupational positions* prior to the time the CIC charter is awarded and that they have been employed by a member firm of the IAA in an *eligible occupational position* for at least one (1) year.
- Candidates must have completed successfully the Chartered Financial Analyst (CFA) examinations and hold the CFA charter.
- Candidates must provide work and character references, as described below.
- Candidates must specifically endorse the IAA's *Standards of Practice* and complete a professional ethical conduct questionnaire, as described below.

II. Eligible Occupational Position

Candidates must demonstrate: (A) current employment by an IAA member firm in an *eligible occupational position*; and (B) a minimum of five (5) cumulative years' of prior experience in an *eligible occupational position*.

The term *eligible occupational position* means a position in which the primary responsibility (*i.e.*, more than 50% of the candidate's time) of the candidate's overall employment duties consists of some combination of *investment counseling* and *portfolio management* activities.

The term *investment counseling* means investment supervisory services rendered to clients by the candidate, or the direct *professional supervision* of investment supervisory services performed by other counselors, in which investment advice:

- is predicated on an understanding of each client's investment goals;
- is rendered to individual or institutional clients on a continuous rather than an occasional basis;
- is rendered in a fiduciary capacity pursuant to a contractual client relationship involving a fee; and
- consists of rendering advice to clients with respect to investment portfolios and managing client investment portfolios.

The term *investment counseling* is specifically predicated on the candidate's ongoing and continuous contact and professional relationship with the client and the candidate's involvement with rendering investment advice oriented to the client's investment goals.

The term *portfolio management* means the authority, selection, supervision, and responsibility to make specific investment decisions regarding securities, cash, and other holdings in a client's portfolio, based on the client's investment goals.

The candidate may be involved in a combination of other professional responsibilities in addition to *investment counseling* and *portfolio management*, such as economic research, security analysis, and firm administration. However, the candidate must demonstrate that a majority of time is spent in some combination of *investment counseling* and *portfolio management* functions.

The term *professional supervision* means senior responsibilities in *investment counseling* and *portfolio management* and does not include services commonly associated with positions such as a director of research, administrative vice president, legal counsel, security analyst, or economist (although any of the foregoing may qualify for the charter if a majority of such person's total time is spent in rendering a combination of *investment counseling* and *portfolio management* responsibilities).

III. References

Candidates are required to show evidence of good character and work experience and must provide the following:

- Sealed letter of reference from the chief executive officer, managing principal, or the candidate's senior supervisor from the IAA member firm employing the candidate certifying that the candidate is a person of good moral character and that the candidate has been employed by the IAA member firm in an *eligible occupational position* for at least one (1) year.

Note: If the candidate does not have a senior supervisor (*e.g.*, candidate is the CEO, chairman or sole proprietor of the firm), candidate should provide a sealed letter of reference certifying that the candidate is of good moral character and is, to the best of their knowledge, engaged in an *eligible occupational position*. The person providing such reference must be: (1) a client of the candidate; *or* (2) a person who has successfully completed the CFA examinations and who currently holds the CFA charter.

- Three (3) additional sealed letters of references certifying that the candidate is of good moral character and is, to the best of their knowledge, engaged in an *eligible occupational position*. Such persons must be: (1) persons employed by an IAA member firm; (2) persons who have successfully completed the CFA examinations and who currently hold the CFA charter; *or* (3) clients of the candidate. However, no more than one of such references may be from persons employed by the candidate's IAA member firm.

Please PRINT the name of each of your four references provided on a separate sheet of paper and indicate whether the person who serves as your reference is: (a) employed by an IAA member firm (no more than one person from the firm employing the applicant, other than the CEO, managing principal, or senior supervisor of the IAA member firm, may be included); (b) a CFA charter holder; or (c) a client of your firm.

IV. Ethical and Professional Standards

Candidates must endorse the IAA's Standards of Practice and must complete the professional ethical questionnaire accompanying the application.

V. Application Fee

Candidates must submit a \$100 non-refundable application fee with the CIC application. Make checks payable to the "Investment Adviser Association," or call the IAA office at (202) 293-4222 to pay by credit card.

VI. Annual Renewal

Once awarded the CIC designation, charter holders must complete and submit an annual form to the IAA certifying that the person: (A) continues to be employed by an IAA member firm in an *eligible occupational position*; and (B) has not been the subject of disciplinary proceedings of any nature arising from such person's professional conduct.

VII. Portability (Independent CICs)

Should a charter holder become disassociated with an IAA member firm, the designation may be portable, subject to the following conditions:

- the individual must certify on an annual basis that the individual is engaged in an eligible occupational position;
- the individual on an annual basis must endorse the IAA's Standards of Practice and complete and submit a professional ethics questionnaire; and
- the individual must pay annual independent CIC dues to the IAA in the amount of \$500.

However, an individual will be ineligible to maintain status as a charter holder if the individual's employing firm is eligible to be a member of the IAA and is not a member of the IAA.

VIII. Applications

Candidates must complete and submit the CIC application form. Application forms for the CIC designation are available from the IAA. Applications will be reviewed and considered as of March 1 and September 1 during each calendar year. Applications received after March 1 will be held over for consideration until after September 1 of the current calendar year, and applications received after September 1 will be held over for consideration until after March 1 of the following calendar year. Applications submitted to the IAA become the property of the IAA. The IAA Board of Governors reserves the right at all times to determine the eligibility requirements for the award of the CIC designation and that the charter may be rescinded if the charter holder fails to comply with rules and conditions established by the IAA.

This brochure sets forth the eligibility requirements for the CIC designation and other information regarding the program. For further information, please contact the IAA:

Investment Adviser Association
1050 17th Street, N.W., Suite 725
Washington, D.C. 20036-5514
Telephone: (202) 293-4222
Facsimile: (202) 293-4223
E-mail: iaaservices@investmentadviser.org

The IAA provides the name and CRD number of individuals holding the CIC designation to state regulators via the FINRA website so that those individuals, if they wish, may apply for a waiver based on the CIC designation from any requirement to take the Uniform Investment Adviser Law Examination (Series 65 or IAR) exam developed by NASAA. FINRA administers the Series 65 exam on behalf of NASAA.

IAA Standards of Practice

Following are the IAA Standards of Practice, as approved by the IAA Board of Governors, as amended on February 28, 2006:

Since its founding in 1937, the Investment Adviser Association (formerly the Investment Counsel Association of America) has prescribed certain principles of conduct for investment advisers. Over the years, many of these principles have been used by Congress and the Securities and Exchange Commission as the basis for legislation and regulations governing the conduct of investment advisers and by the United States Supreme Court in defining the standards of fiduciary conduct applicable to all investment advisers.

The investment advisory profession has evolved and changed considerably since 1937. Today, the nature, size, and other characteristics of investment adviser firms — and the services they provide to a wide range of individual and institutional clients — vary significantly. In addition, the legal, regulatory and compliance requirements that relate to investment advisers have dramatically expanded in scope and complexity. Accordingly, the Association's Standards of Practice reflect changes that have occurred while continuing to emphasize an investment adviser's core fiduciary duty.

I. Fiduciary Duty and Professional Responsibility

An investment adviser stands in a special relationship of trust and confidence with, and therefore is a fiduciary to, its clients. As a fiduciary, an investment adviser has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients. The parameters of an investment adviser's duty depend on the scope of the advisory relationship and generally include:

- (1) the duty at all times to place the interests of clients first;
- (2) the duty to have a reasonable basis for its investment advice;
- (3) the duty to seek best execution for client securities transactions where the adviser directs such transactions;

- (4) the duty to make investment decisions consistent with any mutually agreed upon client objectives, strategies, policies, guidelines, and restrictions;
- (5) the duty to treat clients fairly;
- (6) the duty to make full and fair disclosure to clients of all material facts about the advisory relationship, particularly regarding conflicts of interest; and
- (7) the duty to respect the confidentiality of client information.

II. Professional Qualifications

To enable an investment advisory firm to serve its clientele effectively, its investment and managerial personnel should be individuals of experience, ability, competence, and integrity.

III. Responsible and Ethical Business Practices

An investment adviser should run its business responsibly and ethically, including ensuring that its financial condition, operations, and compliance structure are appropriate to protect its clients' interests.

IV. Compensation for Services

The compensation of an investment adviser for investment advisory services should be fair, reasonable, and fully disclosed to the client.

V. Communications with Clients and the Public

An investment adviser's oral and written statements, including those made to clients, prospective clients, their representatives, or the media, must be accurate, balanced, and not misleading.