

What is a Fiduciary?

An investment fiduciary is an individual who has responsibility for the management of the assets of others and is therefore in a special position of confidence, reliance and trust. The standard of conduct required of fiduciaries is considered the oldest, strongest, and most revered standard in law.

Fiduciary principles date back to the Code of Hammurabi and other primitive laws observed nearly 4,000 years ago. Fiduciary principles are also found in the ancient texts of the major religions. The word “fiduciary” traces its origin back to Roman times and is derived from “fiducia”, meaning trust or confidence. Modern fiduciary laws have evolved from the common law of the courts of equity in the United States and England over the last 250 years.

The two most fundamental duties of fiduciaries are loyalty and care. These duties form the foundation that gives rise to the specific responsibilities of investment stewards, advisors, trustees and managers established in contemporary laws and regulations. Thus, the fiduciary standard is said to be principles-based, meaning that a fiduciary’s actions must always conform to the guiding principles of loyalty and care.

Duty of Loyalty

The duty of loyalty requires fiduciaries to act in the best interest of those they serve and to avoid or properly manage conflicts of interest.

Duty of Care

The duty of care is focused on prudence and due diligence and includes well documented processes. It encompasses numerous obligations including that the fiduciary be competent. This means acting with the care, skill, prudence, and diligence that a prudent professional would exercise when acting in a like capacity, under comparable circumstances. A steward who is unable to meet

this standard, must delegate responsibilities to a qualified expert.

CEFEX Certification

CEFEX certifies investment fiduciaries to a fiduciary standard described in the “Prudent Practices” series of handbooks. The CEFEX certification entails an annual assessment based on the method used by the International Organization for Standardization (ISO). Certified firms and organizations may display the CEFEX Certification Mark.



The CEFEX Certification Mark for fiduciaries

Fi360, Inc. of Pittsburgh, PA publishes “Prudent Practices for Investment Advisors” and “Prudent Practices for Investment Stewards” handbooks. Fi360, Inc is the parent company of CEFEX, Centre for Fiduciary Excellence.