While litigators are lining up the usual suspects in their efforts to apportion blame and a price tag to Wall Street’s errant equity analysts, it is surprising to find the Association for Investment Management and Research (AIMR) fending off a sustained attack on its own internal standards of objectivity. Bruce Jacobs, a principal at Jacobs Levy Equity Management in New Jersey, has been on a two year crusade to bring to light what he calls "very clear conflicts of interest" at the heart of AIMR, and in particular, on the editorial board of its flagship research publication, the Financial Analysts Journal (FAJ).

Jacobs also now has some heavyweight support on his side in the form of Jose Arau, principal investment officer of Calpers, the world’s largest pension fund. In a letter to Dwight Churchill, chairman of the AIMR board of governors, Arau backs Jacobs’ call for AIMR to adopt internal research objectivity standards disclosing all conflicts of interest. "We believe not proceeding with this recommendation could damage AIMR’s reputation and diminish AIMR’s stature as a defender of investors’ rights to full disclosure," writes Arau.

Jacobs case goes back to a favourable review of his book, Capital ideas and market realities, published in the FAJ in July/August 2000, and a subsequent postscript printed six months later, which amends the original review. Jacobs claims the PS came as a direct result of pressure on the book reviewer from Mark Rubinstein, a member of the editorial board of FAJ, who Jacobs had criticized for his role in promoting portfolio insurance. "It’s not a matter of representing what some might see as my wounded pride," claims Jacobs. "It’s a very broad issue." He suggests the vested interests of FAJ board members often impact the content of the journal, yet conflicts of interest are never revealed.

According to the AIMR senior vice president, Katrina Sherrerd, the FAJ sticks closely to journal best practice. Articles undergo a blind peer review, by both an academic and a practitioner, with the final decision on publication taken by the FAJ editor. "We continue to look for ways to improve that practice. The article review process intends to produce an unbiased result."

The FAJ has also published a number of Jacobs’s letters of complaints, and its own responses. Sherrard adds that AIMR is also reviewing its policies, including Jacobs’s proposals for internal objectivity standards.

Regardless of whether Jacobs has a case against AIMR, it seems clear that the Association has handled the whole affair badly. Rubinstein clearly had an interest in his business being cast in a favourable light, and the FAJ should not have given the impression he could influence its content. The FAJ may have followed the letter of journal best practice, but the spirit of full transparency and objectivity has not been well served.