

BY-LAWS  
of  
INTERNATIONAL ASSOCIATION OF FINANCIAL ENGINEERS, INC.

A New York Not-for-Profit Corporation

**APPROVED**

**April 2, 2008**

ARTICLE I – OFFICES

The principal office of the International Association of Financial Engineers, Inc. (the “**Association**”) shall be in the City of New York, County of New York, State of New York. The Association may also have offices at such other places within and without the State of New York and the United States of America as the board of directors may from time to time determine or the business of the Association may require.

ARTICLE II – PURPOSES

The purposes for which the Association has been organized are as follows:

- (a) to provide a forum for the frank exchange of ideas on topics of relevance and interest to the financial engineering community. To this end, membership in the organization will be restricted to individuals only. Furthermore, the board of directors may from time to time form area-specific working committees to examine issues of particular interest to the membership;
- (b) to facilitate interaction and communication between the practitioners of quantitative finance and the academic financial community;
- (c) to develop and advance financial engineering, alternatively known as quantitative finance and financial mathematics, as a formal discipline and profession;
- (d) to encourage the education of the public with respect to the activities of the quantitative finance community;
- (e) to promote the study of quantitative finance at colleges and universities; to raise awareness of the value of the field to industry; and to provide educational resources to students interested or involved in related courses of study;
- (f) to foster research of value to the quantitative finance community and to disseminate research outcomes; and
- (g) to engage in such other activities as identified by the membership as desirable and consistent with the educational and networking missions of the Association and also

consistent with the not-for-profit nature of the Association as provided in the Not-for-Profit Corporation Law of the State of New York.

### ARTICLE III – MEMBERSHIP

#### **Section 1: Eligibility:**

- (a) *Membership:* The Association shall be composed of individual members only. Two classes of individual memberships will be available: (i) general members and (ii) student members. The designation and qualification for each class are as follows:
  - (i) *General Members:* General members include practitioners and academics. Practitioners include any person engaged in the practice of finance or engaged in an activity that has direct or indirect bearing on finance. The latter would include, for example, attorneys, accountants, and economists, but is not limited to these categories. Academics include all persons who hold a college or university appointment as a full-time faculty member or administrator. Persons who qualify as both practitioners and academics may elect either designation for their membership. Government employees shall be treated as practitioners. Membership is automatic upon payment of the Association's dues. All general members shall have full voting rights on all matters requiring a vote of the general membership.
  - (ii) *Student Members:* Student members include those persons who are engaged in a full or part time course of graduate or undergraduate study in schools properly accredited in the opinion of the board of directors and who have chosen student member status. Membership is automatic upon payment of the Association's dues. Student members shall have the authority to vote on all matters as to which voting rights are expressly granted to student members in these by-laws or by resolutions of the board of directors. Student members shall have no other voting rights.
- (b) *Incorporating Members:* The incorporating members of the Association shall be John F. Marshall, Vipul K. Bansal, and John S. Manna. Each incorporating member shall be a permanent general member of the Association. The rights of any one or more of the incorporating members under these by-laws shall not be modified or removed by an amendment to these by-laws or in any other manner without the consent of the incorporating members affected.
- (c) *Commencement and Continuation of Membership:* Members joining prior to the assessment of 1992 dues shall be entitled to continue as members until September 30, 1992 without loss of their membership privileges. Such members shall lose their membership standing and privileges, however, on October 1, 1992 if their dues have not been paid by September 30, 1992. All persons joining the Association after the assessment of 1992 dues shall become members upon receipt of their dues and shall hold no membership privileges until such dues have been paid.

Each member will receive a renewal notice and dues statement one month before the expiration date of his or her membership. If renewal payment is received before the expiration date for the membership, the member will be notified by e-mail that his or her membership has been renewed for another year. If renewal payment is not received before the membership expiration date, the membership will expire automatically. If renewal payment is received subsequently, the member will be notified by e-mail with a new membership date. A member whose membership has lapsed for failure to renew by the deadline shall have no membership rights pending receipt of renewal dues.

- (d) *Senior Fellows:* The Association shall designate certain persons as Senior Fellows of the Association. The position of Senior Fellow is an honorary position. Notwithstanding any of the above, Senior Fellows shall be treated as general members of the Association with all rights and privileges of such membership. They shall, however, be exempt from the payment of dues. Senior Fellows are more fully described in Article VII.
- (e) *Related Matters:* Unless expressly stated in these by-laws or in a membership resolution of the Association, (i) voting rights for all matters related to the Association and its affairs shall be restricted to general members only, and (ii) all references to “members,” “membership,” or “meetings” or “actions thereof,” in these by-laws or in any and all resolutions of the Association shall be deemed to refer only to general members.

## **Section 2: Meeting and Voting:**

All matters requiring a vote of the membership of the Association shall be conducted by email ballot. Ballots will be transmitted by electronic mail by the Executive Director, marked Confidential Ballot and should be returned to the Executive Director at the same address, marked Confidential Ballot. Any matter submitted to a vote of the members in this manner shall be deemed to have been approved by the membership if a majority of those returning their ballots cast votes in the affirmative, unless these by-laws require a larger percentage.

The annual meeting of the Association shall be held once a year at a time and place to be determined by the board of directors. The secretary of the Association shall cause to be emailed to every member in good standing at such member’s email address as it appears on the membership roll book of the Association a notice stating the time and place of the meeting.

## **Section 3: Special Meetings:**

Special meetings of the Association may be called by the board of directors. The secretary shall cause a notice of such meeting to be emailed to all members at their email addresses as they appear in the membership roll book at least thirty days before the scheduled date of such meeting. Such notice shall state the date, time, place, and purpose of the meeting and by whom it has been called.

No other business but that specified in the notice may be transacted at such special meetings without the unanimous consent of all members present at such meeting.

**Section 4: Fixed Record Date:**

For the purpose of determining the members entitled to notice of or to vote at any meeting of members or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining the members entitled to receive any distribution or any allotment of any rights, or for the purpose of any action, the board shall fix, in advance, a date as the record date for any such determination of the members. Such date shall not be more than fifty nor less than ten days before any such meeting, nor more than fifty days prior to any other action.

ARTICLE IV – DUES AND ASSESSMENTS

Membership terms shall ordinarily be one year which shall correspond to the calendar year as set forth above. The board of directors shall establish membership dues payable for a calendar year, except as set forth above, for each class and subclass of membership and which will remain in each subsequent year unless changed by the board. Annual membership dues shall ordinarily be assessed in October of each year and payable by December 31<sup>st</sup> of each year and shall apply to the following year. No dues shall be assessed for 1991, the Association’s charter year.

Anyone may join the Association at any time upon payment of one year's dues; membership shall expire one year following the membership date.

The board of directors shall have the authority to waive the payment of dues for individual members as it deems appropriate.

ARTICLE V – DIRECTORS

**Section 1: Management of the Association:**

The initial board of directors shall be the incorporating members of the Association. The incorporating members shall constitute the entire board until the end of the Association’s charter year, 1991, and shall select the full board whose terms commence on January 1, 1992 which shall be the first year of formal operation of the Association. The Association shall be managed by the board of directors and such officers and other persons to whom the board of directors delegate authority and responsibility.

**Section 2: Number of Directors, Terms, Election:**

- (a) The board of directors shall consist of sixteen elected members.

- (i) The directors shall each serve a three year term. However, to insure continuity, the terms shall be staggered. To begin the staggered terms, three directors will serve initially for three years, three will serve initially for two years, and three will serve initially for one year. The method of assignment of initial terms shall be left to the discretion of the board at its first meeting. Directorship terms shall commence on the first day of the year following the appointment or election.
  - (ii) The three incorporating members shall each serve an initial three year term. Following this initial three year term, these three directorships shall become rotating with staggered terms to conform to those of the other directors.
  - (iii) Following the designation of the first full board of directors, the board shall appoint a nominating committee to identify future candidates for the board. Such candidates shall be put before the membership for a vote. Each director shall retain his or her office until the successor director's term of office begins, or until his prior resignation or renewal.
- (b) *Responsibilities:* Each director of the Association will act in accordance with the duty of care and duty of loyalty as provided in New York Not-For-Profit Corporation Law, Section 717. In addition to regular attendance at board meetings, a director's duty of care, will include, but not be limited to, active involvement in the programs of the Association, or active participation in the fundraising activities of the Association, or a combination of both activities, which provides a meaningful contribution to the Association.
  - (c) *Increase or Decrease in the Number of Directors:* The board of directors may, by two-thirds vote of all sitting board members, or by a two-thirds vote of the membership increase or decrease the number of board members. In so doing, the board shall provide for terms of office of the expanded or contracted board so that the intent of paragraph (a) above is preserved; but in no case will the number of directors be reduced below three.
  - (d) *Newly Created Directorships and Vacancies:* Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the Board for any cause, other than the expiration of a term of office, shall be filled initially by a vote of a majority of the directors then in office, although less than a quorum may exist, unless otherwise provided in the certificate of incorporation. Subsequent to initial appointment, newly created directorships shall be filled by a regular election by the membership. A director elected or appointed to fill a vacancy caused by the resignation, death, or removal of a director shall be elected to hold office for the unexpired term of his predecessor.
  - (e) *Removal of Directors:* Any or all of the elected directors may be removed by a two-thirds vote of the then sitting directors.
  - (f) *Resignation:* A director may resign at any time by giving written notice to the board, the executive director, or the secretary of the Association. Unless otherwise specified in the

notice, the resignation shall take effect upon receipt thereof by the board or such officers, and the acceptance of the resignation shall not be necessary to make it effective. The resignation of a permanent member of the board shall terminate the permanent nature of that directorship and it shall, subsequently, become an elected directorship.

- (g) *Attendance:* Directors must attend a minimum of three-quarters of all board meetings within a calendar year, either in person or through teleconference. The board of directors has the right to demand, in accordance with Section 2 (e) and (f), the resignation from the board of any director who does not attend three-quarters of all board meetings within a calendar year, either in person or through teleconference.
- (h) *Quorum and Action of the Board:* Except as otherwise provided in the certificate of incorporation or by-laws, a quorum of the board of directors consists of a majority of the directors in office immediately before a meeting begins, either in person or by teleconference. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the board, unless the certificate of incorporation or by-laws require the vote of a greater number of directors. Each director shall have one vote.
- (i) *Action of the Board Without Meeting:* In recognition of the difficulty of obtaining a quorum of directors for purposes of transacting business, unless the certificate of incorporation or by-laws provide otherwise, the board may conduct business and vote on matters in the absence of a quorum at a board meeting, but such votes shall not become official until such time as the directors not present shall have had an opportunity to vote on the business at hand by email. Following each meeting in which a quorum was not present, the executive director shall prepare, within a reasonable time, a ballot for distribution to the board members not in attendance. The executive director shall fix a date and time for a required response. All votes received by email within the prescribed time shall be treated as votes cast at the board meeting. Provided that a majority of the directors currently in office respond within the prescribed time, a quorum shall be deemed to have been present, all votes shall become official, and a majority vote of such quorum will constitute an action of the board.

Furthermore, unless the certificate of incorporation or by-laws provide otherwise, such business transactions that require a timely response but do not warrant a meeting of the board, may be transacted via email vote within a prescribed time, provided that sufficient material is provided to all directors with sufficient time to take an informed vote. The executive director shall fix a date and time for a required response. All votes received by email within the prescribed time shall be treated as votes cast at the board meeting. Provided that a majority of the directors currently in office respond within the prescribed time, a quorum shall be deemed to have been present, all votes shall become official and a majority vote of such quorum will constitute an action of the board.

- (j) *Place and Time of Board Meetings:* The board may hold its meetings at the office of the Association or at such other places, either within or without the state, as it may from time to time determine.

- (k) *Regular Annual Meeting:* A regular annual meeting of the board shall be held no more than four months prior to the annual meeting of the membership.
- (l) *Notice of Meetings of the Board, Adjournment:* Regular meetings of the board may be held without notice at such time and place as it shall from time to time determine. Special meetings of the board shall be held upon notice to the directors by the executive director upon three days' notice to each director personally or by email; special meetings shall be called by the executive director or by the secretary in like manner on written request of two directors. Notice of a meeting need not be given to any director who submits a waiver of notice whether before or after the meeting or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice to him.

The majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of the adjournment shall be given to all directors who were absent at the time of the adjournment and, unless such time and place are announced at the meeting, to the other directors.

- (m) *Chairperson:* The board of directors shall elect a chairperson who shall preside over all meetings of the board. In the absence of the chairperson, the executive director shall preside and in the absence of both of them, an acting chairperson chosen by the board shall preside. The term of the chairperson shall run from the time of his appointment, at the first meeting of a calendar year until the first board meeting of the following year.
- (n) *Executive and Other Committees:* The board, by resolution adopted by a majority of the entire board, may designate from among its members an executive committee consisting of not less than three members. The executive director shall serve as an ex-officio member of the executive committee. The board may also appoint from time to time such other committees that shall report to it and which shall serve at its pleasure. Each such committee shall include at least one director but may also include any number of general members.

For the avoidance of doubt, each such committee:

- (i) Has at least one (1) board member as an active member of the committee with responsibility for ensuring that the committee follows any rules and guidance established by the board. This board representative shall also be responsible for reporting at each board meeting any activity or planned activity of the committee;
- (ii) develop and provide to the board for approval a mission statement for the committee;
- (iii) provide an annual certification to the board by the chairperson of the committee that the committee operates in compliance with the bylaws, rules, guidance and intent of the Association;

- (iv) have a reasonable number of active member participants, and maintain a roster of those members;
- (v) provide an annual report to the board by the chairperson of the committee of the committee's activities over the past year; and
- (vi) provide annually an updated/revised mission statement for the committee to enable the board to reauthorize the committee.

For those committees that report to the executive director, rather than to the board, the executive director may appoint such committees, subject to the approval of the board. The executive director shall be an ex-officio member of such committees.

Those committees which report to the board shall keep minutes of their meetings if directed to do so by the board and shall provide copies of those minutes to the board. Those committees which report to the executive director shall keep minutes of their meetings if directed to do so by the executive director and shall provide copies of those minutes to the executive director.

- (o) *Ex-Officio Membership of Executive Director:* The executive director shall be an ex-officio member of all committees that report directly to the executive director and shall be an ex-officio member of the executive committee.

## ARTICLE VI – OFFICERS

### **Section 1: Officers, Election and Term:**

Unless otherwise provided for in the certificate of incorporation or in these by-laws, the board may elect or appoint an executive director, a secretary, a treasurer, a general counsel, and such other officers as it may determine, who shall have such duties, powers and functions as herein after provided. The board may also choose to appoint such other positions, such as an associate director, as it may need from time to time to manage effectively the affairs of the organization. The duties, powers and functions of such positions shall be determined by the board. The board may also choose to appoint, or put up for election by the membership, a president and such vice presidents as it deems appropriate. Each officer shall hold the office for which he was elected or appointed until his renewal or until his successor has been appointed or elected and qualified.

The terms of all officers shall be for a period of one year unless specifically specified otherwise by an act of the board. Terms of office shall become effective on the first of the year following appointment unless specified otherwise in these by-laws or by an act of the board.

### **Section 2: Removal, Resignation, Salary:**

Any officer elected or appointed by the board may be removed by the board with or without cause. In the event of the death, resignation, or removal of an officer, the board in its discretion

may elect or appoint a successor to fill the unexpired term. Any two or more offices may be held by the same person, except those of the executive director, and the secretary. The salaries of all officers shall be fixed by the board.

### **Section 3: Executive Director:**

The executive director shall be the chief executive officer of the Association; he shall preside at all meetings of the members; he shall have the general management of the affairs of the Association and shall see that all orders and resolutions of the board are carried into effect. Among the responsibilities of the executive director is the maintenance of the membership roll of the Association. Such membership roll shall contain the names, alphabetically listed, the mailing addresses of the members, and the time when they became members. Such membership roll shall be kept reasonably current and shall be provided upon request to the secretary, any member of the board of directors so requesting it, and to any operating officer of the Association with a need for the membership roll in order to perform his duties. The executive director may delegate the duty of keeping the membership roll to other officers or staff of the Association appointed for that purpose by the board of directors.

The executive director shall also be responsible for preparing and distributing a periodic newsletter to the membership of the Association. Such newsletter may take the form of a newsletter per se or information included in another publication of the Association, such as the *Journal of Derivatives*, the official publication of the Association.

In the event of the absence or disability of the executive director, the board of directors shall appoint an acting executive director until the return or replacement of the executive director.

### **Section 4: President and Vice-Presidents:**

The board may, at its choosing, appoint, or put up for election by the membership, a president and/or vice-presidents. The president may be delegated such powers and functions as deemed fit by the board, with the approval of the executive director. The board may appoint such vice-presidents and prescribe such duties, subject to the approval of the executive director, as it deems appropriate. Both the president and the vice-presidents shall report to the executive director.

### **Section 5: Treasurer:**

The treasurer shall have the care and custody of all the funds and securities of the Association, and shall deposit such funds in the name of the Association in such bank or trust company as the directors may choose; he shall, when duly authorized by the board of directors, sign and execute all contracts in the name of the Association, when countersigned by the executive director; he shall also sign all drafts, notes and orders for the payment of money, which shall be duly authorized by the board of directors; he shall at all reasonable times exhibit his books and accounts to any director or member of the Association upon reasonable notice to the treasurer at the mailing address of the treasurer. The treasurer shall provide a summary report on the financial affairs of the Association at each board meeting. At the end of each corporate year, beginning in 1992, he shall have a review of the accounts of the Association made by an

accounting firm appointed by the executive director, and shall present such review in writing to the board of directors at its first meeting thereafter, at which time he shall also present a written report setting forth the financial condition of the Association as reviewed by such accounting firm; the treasurer's annual report shall also be made available to the general membership.

In the absence or disability of the treasurer, the executive director shall assume the duties of the treasurer until such time as the board appoints an acting treasurer or a replacement for the treasurer.

#### **Section 6: Secretary:**

The secretary shall keep the minutes of the board of directors meetings and also the minutes of the membership meetings. He shall have the custody of the seal of the Association and shall affix and attest the same to the documents when duly authorized by the board of directors. He shall attend to the giving and serving of all notices of the Association, and shall have charge of such books and papers of the Association as the board of directors may direct; he shall attend to such correspondence as may be assigned to him, and perform all the duties incidental to his office. He also shall have access to the membership roll.

In the event of the absence or disability of the secretary, the board of directors shall appoint an acting secretary until the return or replacement of the secretary.

#### **Section 7: General Counsel:**

The general counsel shall be the chief legal officer of the Association. He shall supervise the activities of all persons handling and performing legal matters for the Association.

### ARTICLE VII – SENIOR FELLOWS AND BOARD OF ADVISORS

#### **Section 1: Senior Fellows:**

*The following paragraph shall be applicable subsequent to December 31, 1991.* The board of directors may appoint a committee for the identification of persons to be honored by the Association by bestowing on them the title of "Senior Fellow of the Association." Such persons shall, in the view of the committee, have distinguished themselves to an extraordinary degree and have earned an international reputation through a lifetime of dedication to innovative finance and/or related areas. Such persons may have distinguished themselves in the practitioner community, the academic community, or the government but must be well regarded by all of these communities. A Senior Fellow of the Association shall have no special duties or functions as it is understood that the title is purely honorary. The names of the nominees for "Senior Fellow of the Association," shall be submitted by said committee either directly or by way of the executive director to the board of directors and, once approved by the board of directors and accepted by the nominee, the title shall be permanent.

*The following paragraph shall be applicable prior to January 1, 1992.* The incorporating members shall identify and select individuals who have, in the view of the incorporating

members, distinguished themselves to an extraordinary degree and have earned an international reputation through a lifetime of dedication to innovative finance and/or related areas. Such persons may have distinguished themselves in the practitioner community, the academic community, or the government but must be well regarded by all three communities. Such persons shall be appointed by the incorporating members as “Senior Fellows of the Association” with the same standing as those persons appointed in the manner described in the preceding paragraph. Invitations extended prior to January 1, 1992 shall be deemed as appointments made prior to January 1, 1992.

The board, may, with cause and at its discretion, terminate an individual’s position as a “Senior Fellow of the Association.” Such termination shall be by a two-thirds vote of the board.

## **Section 2: Board of Advisors:**

Subject to the approval of the board of directors, the executive director shall appoint persons to a board of advisors. The board of advisors shall provide advice to the board of directors by way of periodic surveys conducted by the executive director. The board of advisors shall be a large group representing many sectors of the financial engineering community and shall include a reasonable balance of practitioners and academicians. Membership on the board of advisors is limited to persons who have distinguished themselves in either the practitioner community, the academic community, or the government.” To serve on the board of advisors, a person must be a member of the Association in good standing.

The names of the members of the board of advisors of the Association shall be provided to the membership and shall be listed in such other publications of the Association, such as the *Journal of Derivatives*, the official publication of the Association, which is published by Institutional Investor.

## ARTICLE VIII – SPONSORS

The educational and research missions of the Association require ongoing external funding to support the Association’s various programs in addition to its annual overhead. In recognition of this need, the Association shall provide for various levels of sponsorship. Sponsoring institutions may include but not be limited to corporations, foundations, and educational institutions. In order to provide the necessary flexibility in soliciting sponsorship, levels of sponsorship will be set at the discretion of the board of directors. Sponsorship will be determined on an annual basis.

Furthermore, the board of directors may from time to time create packages of support to include and recognize the various means of support provided by sponsoring institutions. These packages may include a limited number of individual memberships – to be determined by the board – to be assigned to specific individuals within a sponsoring institution. Individuals specified in this manner will be treated as general members of the Association so long as their institution’s sponsorship is in good standing.

Corporations, foundations and educational institutions that provide valuable, but non-monetary, support for the Association through in-kind services to defray the costs of the Association shall

be recognized as a separate class of sponsorship. Examples of such support are advertising space, meeting rooms, secretarial and word processing services, franking privileges, and telephone privileges.

Founding Sponsors shall be recognized as a separate class of sponsorship, as created at the inception of the Association. Founding sponsors of the Association include corporations, foundations, and educational institutions, who contributed \$10,000 or more, in cash or in kind, prior to December 31, 1994.

#### ARTICLE IX – SEAL

The seal of the Association shall be as follows:

#### ARTICLE X – CONSTRUCTION

If there be any conflict between the provisions of the certificate of incorporation and these by-laws, the provisions of the certificate of incorporation shall govern.

#### ARTICLE XI – AMENDMENTS

Except as provided otherwise in these by-laws, the by-laws may be adopted, amended or repealed in the manner described in this Article XI.

The by-laws may be adopted, amended or repealed by the members at the time they are entitled to vote in the election of directors. The by-laws may also be adopted, amended or repealed by the board of directors but any by-law adopted, amended or repealed by the board may be amended by the members entitled to vote thereon as hereinbefore provided.

If any by-law regulating an impending election of directors is adopted or repealed by the board, there shall be set forth in the notice of the next meeting of members for the election of directors the by-law so adopted, amended or repealed, together with a concise statement of the changes made.

#### ARTICLE XII – MISCELLANEOUS

##### **Section 1: Fiscal Year:**

Unless otherwise specified by an Act of the board, the fiscal year of the Association shall be the calendar year.

**Section 2: Indemnification:**

Any director, elected or appointed officer of the Association acting with due authority on behalf of the Association shall be indemnified by the Association to the full extent permitted by the Not-for-Profit Corporation Law of the State of New York or other applicable law.

**Section 3: Investments:**

The board of directors may authorize the investment of surplus funds of the Association in such securities as it may deem proper, with full power to sell or exchange such securities, and it may delegate such power at its discretion.

**Section 4: Limitations:**

No committee or officer shall have any power to incur or contract any liability in excess of specific appropriations made by the board of directors.