



## Report on the Business Year 2009

**EFFAS, the European Federation of Financial Analysts Societies, was set up in 1962 as a professional association for nationally-based investment professional associations in Europe. Today, the umbrella organisation comprises 25 member organisations, representing more than 15,000 investment professionals. EFFAS maintains its Head Office in the European financial centre of Frankfurt am Main.**

The main tasks of EFFAS, as stated in the charter, are:

- Promoting links/exchanges of information between the national investment professional associations
- Establishing a European network/communication and coordination platform for the national analyst associations
- Representing the interests of investment professionals at the EU level
- Developing and promoting international professional standards and an international code of professional conduct
- Promoting the European public's understanding of the significance and function of financial analysis and asset management and playing a role in informing investors

## EFFAS Governance

The two executive bodies of EFFAS are the General Meeting of members and the Executive Management Committee (EMC). The General Meeting is composed of the authorised representatives of the National Member Societies.

The EMC is responsible for the day-to-day management of the association, as well as supporting the chairman in his daily work. Following the 2009 elections by the General Meeting, the EMC consists of the Chairman, the Deputy Chairman and four other members. The present EMC members are: Chairman: Giampaolo Trasi (AIAF, Italy), Deputy Chairman: Vincent Bazi (SFAF, France), Jesús López Zaballos (IEAF, Spain), Friedrich Mostböck (ÖVFA, Austria), Marianne Flink (Sweden), Kees de Vaan (VBA, Netherlands). With regard to third party EMC attendance, new internal rules have been introduced to formally manage the third party attendance in the EMC.

The EMC makes the discussions and decisions transparent for the NMS – especially due to the 12-month period between the Annual General Meetings.

Therefore, the NMS receive the Agenda of the EMC meetings being encouraged to participate with additional ideas and to bring forward certain topics, or topics which could be carried out on a European level. The NMS receive the minutes of the EMC meetings.

Internally, the EMC has finalised an agreement with a commission secretary to provide support and organisation to two further EFFAS Commissions apart from the Bond Commission. Following the DVFA office move to central Frankfurt in May, the Service Agreement with the DVFA has been renewed at largely unchanged terms. Thus, the EFFAS office is now in downtown Frankfurt.

In 2009/2010, the EMC members were constantly in touch and met formally four times. EFFAS was represented at the ACIIA Council Meeting in Beijing (Giampaolo Trasi being the appointed EFFAS representative at the ACIIA Council Meeting), at the GIPS Meetings, ECMI and EFMF meetings in Brussels, and at various conferences and seminars.

### **Assessments of the business year 2009/2010**

Being an investment professional in these demanding times is not plain sailing. Individual members of our professional organisations can do little to mend the defects of the system. All these repairs will have to be undertaken by legislators, regulators, and mainly by the financial industry itself as a whole. However, the combined activities of our member societies challenge individual investment professionals to push forward with their own development to suit these times and be able to participate in developing and maintaining a robust global financial and economic system.

**CEFA Re-accreditation.** During the year, the EMC worked on the implementation of the new Governance Model for EFFAS.

Through the ratification of the Governance Model at the AGM 2008, the CEFA Diploma has been officially prolonged and became subject to agreed quality control procedures. The project started at the beginning of the year 2009, with evaluation forms being sent to all NMS. The Review Panel, respectively the TQC, provided the EMC of EFFAS with evaluations and advice on the accreditations of NMS programmes. The Certified European Financial Analysts (CEFA) diploma is the European diploma with a brand name that belongs to EFFAS.

During the year 2009 the re-accreditation process for the CEFA diploma was almost finalised and prepared for submission for AGM ratification.

**Promoting SPOT.** The opportunity to provide an online tool for emerging societies was a project of high priority for the EFFAS EMC. The online tool SPOT (has been developed to provide a practical and effective solution to specific requests received in recent times by certain societies, where classroom teaching would have been more difficult to offer from a logistical point of view. Both AZEK and EFFAS see the SPOT platform as an important opportunity for making solid and comprehensive CIIA training available.

SPOT has been designed to allow students to access the foundation and final course materials so as to enable them to study for the foundation and final CIIA exams. Using SPOT students will have access to exercises, formulae booklets, a study guide, and through SPO (Study Practice Online) they will be able to train their knowledge and newly acquired skills using past examination questions, both multiple choice and open questions.

For emerging societies falling under the category “eligible countries”, SPOT is being offered as a special package in order to prepare their candidates for either the Foundation or the Final CIIA Exam. EFFAS is convinced that providing the societies with practical solutions to objective needs is key to establishing a long-term, mutually-beneficial relationship between our organisations and provide a good starting point for the emerging societies.

The Lithuanian association FAA have become the first emerging society to make use of this distance learning tool as a means of providing solid and comprehensive CIIA training to their students and as a result they have presented candidates for the March 2010 exams.

**CIWM Agreement.** The due process for certification of the Certified International Wealth Manager CIWM diploma has been finalised and the proposal is to be submitted to the AGM for ratification.

The Certified International Wealth Manager (CIWM) diploma is recognised by the FSA in the UK as a key 2 qualification. The CIWM designation has the objective of promoting and strengthening global education within the wealth management industry and providing a globally recognised wealth management qualification.

**Renewal of the agreement with Santander for the EFFAS Summer School 2011-2014.** The two EFFAS Summer School editions were both great successes and helped EFFAS to gain more recognition, not just in the training and qualification areas, but also as an international network of investment professionals. Due to the success, Gruppo Santander confirmed a prolongation of the organisation of the EFFAS Summer School for a further three years period.

Meanwhile the organisation of the 3<sup>rd</sup> edition in July 2010 is in full swing. It is expected to be attended by around 200 international participants.

**Emerging Societies.** The EMC has actively cooperated to set up a new society of investment professionals in Serbia, AFAS, which has applied to become an EFFAS Associate member. A proposal will be made to replace the previous non-active society in Bulgaria with a newly established society that has applied to become an EFFAS Associate member.

**EFFAS UK together with ACIIA.** We are closely cooperating with ACIIA to strengthen our presence in the UK, both by tightening our operational links with the Chartered Institute for Securities & Investment (CISI), and by focussing on investment professionals based in London, members of EFFAS member societies.

**Optimising and Renewing the EFFAS website.** The EFFAS website has been completely renewed and more features have been included. Collecting input and suggestions from the EFFAS Member societies will be an ongoing project with the aim of providing a robust platform of exchange of information for our member societies.

**EFFAS Newsletter, Ideas matter.** For our activities to have a more lasting impact on our member societies and in order to create and encourage more interactions and exchanges within EFFAS, we will re-launch the EFFAS Newsletter. Member societies will be encouraged to send relevant input. The 2010 issue is scheduled for the second half of 2010.

## Upcoming Events

**Proposals for 50<sup>th</sup> EFFAS anniversary.** We have elaborated, through a dedicated working group, a proposal to celebrate the 50<sup>th</sup> EFFAS Anniversary, to be presented at the EFFAS AGM.

**New EFFAS Seminar.** We organised a new EFFAS Seminar on Financial Reporting in Madrid in September 2009, and we are planning an EFFAS Seminar in December 2010 in Paris.

**ICIA meeting 2010 and Proposals.** We are hosting an ICIA Meeting in Geneva, in conjunction with the ACIIA and EFFAS annual events.

**Conferences.** EFFAS took part in a number of events and conferences during the year (such as ESG Conference in Frankfurt; Japan-EU Symposium on Corporate Reporting in Brussels). A list of upcoming events can be always followed via the EFFAS website.

This year's 4<sup>th</sup> edition of the "Taking ESG into Account" conference will take place in Frankfurt on 14-15 September 2010.

### **EFFAS Commissions**

- Commission on Environmental, Social & Governance Issues (CESG)
- Commission on Intellectual Capital (CIC)
- European Bond Commission (EBC)
- Financial Accounting Commission (FAC)
- Market Structure Commission (MSC)
- Training and Qualification Commission (TQC)
- Centre of Corporate Reporting (CCR)

**Commission on Environmental, Social & Governance Issues (CESG).** The Commission on ESG was set up to elaborate on risk-related aspects of stocks in the area of environmental, social and governance issues. CESG participated in the European Commission's ESG Disclosure Workshops, which were conducted from September 2009 to March 2010. In collaboration with Eurosif, Accounting for Sustainability, ICGN International Corporate Governance Network, CSR Lab on Valuation of Extra-Financials and WICI, the CESG founded ECRA (European Combined Reporting Alliance). ECRA was conceived as uniting the views of economic stakeholders represented in the EU's ESG Disclosure Workshop. CESG was invited and attended the Prince of Wales Roundtable on Integrated Reporting, which took place in London on 17 December 2009.

DVFA, acting as the laboratory for KPIs for ESG on behalf of CESG, finalised its work on the definition of KPIs for 114 subsectors based on Dow Jones ICB. The Exposure Draft went public on 12 May 2010 with a request for comments until end of June 2010.

This year's 4<sup>th</sup> edition of the "Taking ESG into Account" conference will take place in Frankfurt on 14-15 September 2010.

**Commission on Intellectual Capital (CIC).** During the business year 2009, the Commission on Intellectual Capital enlarged its field of activity and increased its international visibility. The publication of the CIC Principles in 2008 provided a good basis for expanding the work of the Commission through 2009/2010.

EFFAS CIC provides guidance for intellectual capital/intangible assets based disclosure and valuation practices in the community of investment professionals. Therefore, the scope of the commission's work spans the whole chain of value measurement, disclosure, assessment and investment practices including questions of executive compensation, internal and external reporting as well as earnings guidance.

Based on the CIC "Principles for Effective Communication on Intellectual Capital", a number of companies asked the commission to evaluate their set of IC-based performance metrics.

The first EFFAS sector-specific recommendation paper for the telecom industry is to be finalised during 2010. The document was discussed and developed with practical input from financial professionals and the industry itself. It could also be used as a blueprint for the following EFFAS sector recommendations on measurement, reporting and valuation of intellectual capital in corporations.

As in previous years, EFFAS CIC was invited to give presentations on several high-level international events, such as at the EU Commission, the Global Intellectual Capital Summit in Beijing, the annual Intellectual Capital Conference of the World Bank, etc.

In the business year 2010, CIC will focus its analysis and development work on the sector-specific approach extending it beyond the telecom sector to other industries. Furthermore, the commission will focus on promoting the implementation of intellectual capital reporting and analysis among EFFAS member organisations as well as providing training and education (first seminar was organised jointly with the Swiss association SFAA) in the field of IC-measurement and practical use.

**European Bond Commission (EBC).** The EFFAS European Bond Commission specifically represents EFFAS in the area of fixed income and is also closely involved with the EFFAS MSC in drafting responses related to fixed income. The strength of the EBC lies in the fact that all the members are experienced and well-known experts in fixed income matters and the focus of the commission is on encouraging developments for improving the efficiency of the bond markets.

In terms of projects the EBC continued working on the development and acceptance of EONIA-based alternatives to LIBOR and EURIBOR. EBC is looking into publishing guide to the emerging bond markets in China, Russia, Brazil and India, taking a form similar to its famous Guide to European Bond Markets. The commission will be looking into the infrastructure as well as the superstructure of the markets.

The major attraction of the EBC meetings are the sessions organised in conjunction with each EBC meeting. They have not only well-known speakers, but tackle topical and challenging issues. During the business year 2009/2010 the following topics were discussed: "Central banking in the new world – understanding the balance sheet", "Sweden 90's Banking Crisis and the Swedish Model", "The influence of Uncertainty and the Price of Ignorance: Lessons to be learned from the Financial Crisis", "Another look at the Valuation of the CDS Baskets", "The Science of Inexact Mathematics", "Collateral Damage" and many others.

EBC maintains ongoing relationships with authoritative bodies, EU and world-wide, and assists, advise and innovates in many different areas relating to the bond markets.

**Financial Accounting Commission (FAC).** During the past year, the Financial Accounting Commission continued participating in technical work related to IFRS with several users' groups. Members attended meetings regularly with the IASB Board, EFRAG and the EC.

Regarding IFRS, while participating in several working groups members provided regular comments on revenue recognition, financial statement presentation, fair value measurement and, recently on amortised cost and impairment. In fact, the Commission is working on comments on IFRS-9, to be delivered before 30 June 2010. Together with the IASB, the Commission is being particularly active in providing input to the financial statement presentation project, and several members participated in a field-test.

During the past year, the Commission participated in several EFFAS sponsored meetings. In March, members were speakers at a joint seminar held in Stockholm between the SFF and the Swedish Stock Exchange, and in September members participated in a conference sponsored by the Spanish society in Madrid at the Stock Exchange. Moreover, members were speakers at the EFFAS Summer School held in July in Madrid.

In the past twelve months, the Commission met in Madrid in September and in Paris in January, and is being scheduled to meet in Geneva in July and in Vienna in November.

**Market Structure Commission (MSC).** The MSC Commission met in London in April and two main projects were initiated: the development of an EFFAS Code of Ethics, broadly based on the existing ACIIA Principles of Ethical Conduct; and Principles for Investment Research, broadly based on existing DVFA and OVFA Standards for Financial Research.

### Position Papers submitted during the business year 2009/ 2010

Body	Submission Date	Title
IASB	14 April 2009	Comments on the IASB Discussion Paper on Preliminary Views on Financial Statement Presentation
EU Commission	10 June 2009	Call for Evidence Review of Directive 2003/6/EC on Insider Dealing and Market Manipulation (Market Abuse Directive)
EU Commission	20 August 2009	Discussion Paper IAS 39
EFRAG	14 September 2009	EFFAS Responses to the IAS 39 (ED/2009/7) Exposure Draft Financial Instruments: Classification and Measurement
IASB	14 September 2009	EFFAS Responses to the IAS 39 (ED/2009/7) Exposure Draft Financial Instruments: Classification and Measurement
EU Commission	10 November 2009	European Commission Consultation on the adoption of International Standards on Auditing
CESR	30 November 2009	The Use of Standard Reporting Format for Financial Reporting of Issuers having securities admitted to Trading on Regulated Markets
Combined Reporting Alliance	February 2010	European Combined Reporting Alliance for ESG February 2010
EU Commission	12 February 2010	ESG Disclosure Workshops Comments by EFFAS European Federation of Financial Analysts Societies
IASB	1 March 2010	Exposure Draft ED/2009/6 Management Commentary Comments by EFFAS European Federation of Financial Analysts Societies

**Training and Qualification Commission (TQC).** The TQC was established as a standing commission of EFFAS in December 2003. The Commission's main tasks are to provide advice to the Executive Management Committee of EFFAS on all issues relating to training and qualification, and to assess accreditation applications regarding EFFAS professional designations via the Review Panel.

Over the last year, the TQC has conducted the re-accreditation of the CEFA. The project began at the start of 2009, with evaluation forms being sent to all NMS. The Review Panel comprised the TQC chairman Peter König, the EMC delegate for training and qualification

Jesús López Zaballos, the EFFAS Academic Advisor Professor Michael Theobald, and Professor Otto Lucius who was a co-opted member. The Review Panel provided the EMC of EFFAS with evaluations and recommendations on the accreditations of NMS programmes.

A second project was the evaluation of the CEFA and of the CIIA designation within the context of the new European Qualification Framework, or EQF. The EQF will, in the future, be used to define the levels of all academic qualifications within the EU on a scale from 8 (Ph.D.) to 1.

A third project is the creation of a National Examination within the CEFA and CIIA programmes containing Common European regulatory and similar topics. Such a European National Examination will facilitate the establishment of National programmes for emerging countries in Europe, and can also serve as a blueprint for parts of National Examinations of other European societies, including an EFFAS Code of Ethics.

Further ongoing projects that the Commission supports include the organisation of the EFFAS Seminar series and the EFFAS Summer School held every year in Banco Santander City in Madrid.

The meetings of the TQC Commission are open to every representative of a NMS dealing with training and qualification. We would like to encourage all member societies to forward the appropriate names to the EFFAS secretariat, and thus support EFFAS and the TQC in the projects in the field of training and qualification.

## External Bodies

**European Capital Markets Institute ECMI.** EFFAS has taken a more proactive role in ECMI and is taking an active part in board meetings, while stimulating cooperation between ECMI and EFFAS at the Bond Commission level. Karel Lannoo, ECMI's Secretary General, presented a review of the current state of play for EU Commission initiatives (directives etc) related to the financial industry at the EBC's February meeting in Frankfurt, and is expected to do so again at the EBC's October meeting in Zurich.

**eXtensible XBRL.** XBRL stands for eXtensible Business Reporting Language. The increased regulation for corporates has resulted in increased complexity in financial information and reporting.

Seen in this light, standardisation of the way data (annual & quarterly reports, revenues, accountancy schedules, etc.) are provided by the corporates would enable a more efficient sharing of information with each other, but also among analysts/ investment professionals in the industry.

The XBRL and the XML (eXtensible Markup Language) based languages, designed especially for Web documents, enable the automation of business information requirements, such as the preparation, sharing, and analysis of financial reports, statements, and audit schedules. The use of the XBRL tool is rapidly increasing and more than 400 institutions, as well standard-setters, are supporting it.

Some of the EFFAS national member societies are already involved in the XBRL in their local market, and others are considering becoming involved.

EFFAS is a member of XBRL Europe and the XBRL delegate is Ralf Frank, DVFA Germany.

**Global Investment Performance Standard GIPS.** GIPS is one of the important areas of collaboration with the ASIF, the Asian Association, and the CFAI is the Global Investment Performance Standards (GIPS). GIPS represents a unique collaboration, a genuine endeavour by many different players around the world, which is the reason for its success. EFFAS welcomes GIPS becoming a global standard, based on a closer and equal

involvement of the GIPS Country Sponsors, and, involving joint decision-making by all participants.

EFFAS is an associate member of EMEA RIPS (Regional Investment Performance Standards) and the EFFAS delegate for GIPS is Remco van Eeuwijk, VBA, the Netherlands.

**World Intellectual Capital Initiative WICI.** Within WICI a European regional jurisdiction was created, WICI Europe. It was incorporated in Frankfurt through EFFAS, and national jurisdictions are in the process of being developed. EFFAS took an active part in WICI initiatives within Europe.

### **Note from the Chairman**

*Dear EFFAS Members,*

*EFFAS's mission to further establish itself as a standard-setter in terms of investment professional requirements is an ongoing task. We continue to do this by leveraging on the competencies we have in-house (commissions through their proactive activities) and by scaling up the best professional experiences developed at national level, via the EFFAS endorsement. A key to achieving this is to have frequent internal dialogues and, frequent updates on projects and future agenda items.*

*In the name of the EMC members, I would like to express my gratitude to all the national societies and their representatives for their strong and personal commitment!*

*Giampaolo Trasi  
EFFAS Chairman*

*28 May 2010*

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