



EFFAS THE EUROPEAN FEDERATION OF FINANCIAL ANALYSTS SOCIETIES

Report on the Business Year 2012/2013

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 26 member organisations representing more than 16,000 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 ties/exchanges of information between the national investment professional associations
- Establishing a European network/communication and co-ordination 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 Annual General Meeting of members and the Executive Management Committee (EMC). The General Meeting (GM) is composed of the authorised representatives of the National Member Societies (NMS). The EFFAS office is located in Frankfurt am Main.

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 2011 elections by the General Meeting, the EMC consists of the Chairman, the Deputy Chairman and four other members. The present EMC members are: Chairman: Jesús López Zaballos (IEAF, Spain), Deputy Chair Fritz Mostböck (ÖVFA, Austria), EMC member Chris Golden (SFAA, Switzerland), Frank Klein (DVFA, Germany), Hans Buysse (ABAF, Belgium) and Vincent Bazi (SFAF, France).

Vincent Bazi has relinquished some of his tasks within the French society SFAF, and as a result he has resigned from his functions within EFFAS as an EMC member. The EMC thanked Vincent for his active support as an EMC member and wished him all the best for his future endeavours. SFAF informed the EMC that Mr Jean-Baptiste Bellon has been mandated to take over the tasks of the French Society within the EFFAS EMC. According to the statutes, if a member of the EMC leaves before a new election by the General Meeting takes place, the EMC is entitled to elect a successor by co-option. The EMC, therefore, unanimously co-opted Mr. Jean-Baptiste Bellon as EMC member, replacing Vincent Bazi.

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

The NMS receive the Agenda of the EMC meetings encouraging them to participate with additional ideas and to bring forward certain topics, or topics which could be dealt with at a European level. The NMS also receive the minutes of the EMC meetings.

In 2012/2013, the EMC members were constantly in touch and formally met four times. EFFAS was represented at the ACIIA Council Meeting in Hanoi, at the GIPS Meetings, ECMI and XBRL meetings, and at several conferences and seminars.

Assessments of Business Year 2012/2013

Standards for Bond Communication. The Minimum Standards for Bond Communication were developed by a DVFA (Germany) working group with the participation of OEVFA (Austria). They were presented at the Annual General Meeting in Madrid and were ratified as EFFAS European Standards, whilst acknowledging that they can be supplemented.

Given the overall importance of corporate bonds in institutional portfolios all over Europe, and also the fact that by and large bond issuers engage in far too few investor relations activities towards their investors, the Standards address an important need for improvement and fill a significant gap. As the role of EFFAS involves investor and issuer education on investment professionals' requirements, the general feeling has been, following numerous talks with investors and regulatory bodies, that there is a need for a clear indication of how issuers should behave in the issuance process, as well as what information investors need to receive and in what form.

The Minimum Standards have been welcomed by the market and, following a number of recommendations, have been renamed as EFFAS Standards for Bond Communication.

Teaming up with investors to drive the transition to a sustainable economy. EFFAS has been appointed by the European Commission to lead a new programme to build the capacity of investors to better integrate ESG information into investment decision-making, together with the Principles for Responsible Investment (PRI) and the International Corporate Governance Network (ICGN). European Commission Vice-President Antonio Tajani has announced EU funding for a new programme to build the capacity of investors to integrate social, environmental and governance (ESG) information into their investment decisions. The programme will be led by the International Corporate Governance Network and the secretariat of the United Nations Principles for Responsible Investment, together with the European Federation of Financial Analysts Societies. Over a period of 12 months it will result in guidance on best practice in the integration of ESG information into investment decisions, as well as a comprehensive professional development programme. Vice-President Tajani said: "The transformation to a sustainable economy will be driven by industry and investors together. Europe's enterprises need to know that their shareholders understand how social, environmental and governance performance affects financial performance. Bringing together some of the leading organisations in the field, this ambitious programme will build on current best practice and help to make adequate consideration of material non-financial information the norm amongst investors and

analysts. It will enable investors to calculate the long-term value of companies more accurately, and generate greater recognition from the market for sustainable, responsible and innovative business practices.”

EFFAS was proud to partner with the ICGN and the PRI and to be appointed by the European Commission for a programme which we consider as pivotal for the adoption of ESG in investment decision-making. As the European organisation representing more than 16,000 investment professionals, we see that the time has come to integrate ESG into the curricula of training for financial analysts and fund managers. This programme will contribute substantially towards that goal.

EFFAS is working on an adequate training programme. Meanwhile, EFFAS is further collaborating with ICGN, the International Corporate Governance Network, not only by jointly organising events and meetings, but also in the training and qualification area.

European Financial Reporting Advisory Group – EFRAG. EFRAG, the European Financial Reporting Advisory Group, was established in 2001 with the encouragement of the European Commission to provide input into the development of IFRS issued by the IASB, and to provide the European Commission with technical expertise and advice on accounting matters. It is of utmost importance for users’ views to be fully taken into consideration in the EFRAG discussions not only within EFRAG but also in discussions with the European Commission, the Parliament, as well as with other accounting bodies (IASB, IFRS, FASB, XBRL, etc.). Carsten Zielke has served his maximum term on the EFRAG TEG. Pedro Solbes, Supervisory Board Chairman, thanked Carsten Zielke on behalf of the entire EFRAG Supervisory Board for his commitment and contributions. His work, competence and expertise from a user point of view were highly appreciated not only by EFRAG but also by IASB and the financial community. Through his involvement, Carsten contributed to the further development of financial reporting in Europe from a user perspective.

Following the call for new candidates for Technical Expert Group, EFFAS nominated Serge Pattyn, whose application has been accepted and who was subsequently appointed as member of EFRAG as of April 2012. Serge Pattyn is member of the Belgian association ABAF and is based in Brussels.

BRINGING VIEWS INTO THE IASB CONSULTATION PROCESS. Throughout 2012, EFRAG has been monitoring developments at IASB level, providing regular input and feedback to the IASB. This was done informally through the participation of the IASB in the EFRAG TEG and EFRAG working groups on Financial Instruments and Insurance, and more formally in the EFRAG-IASB public meetings. EFRAG participated in consultations which resulted in the establishment of the IASB Accounting Advisory Forum (ASAF), in which EFRAG has a seat.

On the main IASB projects, EFRAG expressed the expectation that the future standard on Leases should lead to the recognition of all financing (lease) arrangements in financial statements, leaving all arrangements which are in substance service contracts unrecognised. EFRAG has continued to request that accounting for financial instruments should be finalised on a principle basis, whilst ensuring that insurance contract accounting would not suffer from accounting mismatches. It has expressed support for the IASB efforts to improve impairment of financial assets carried at amortised cost in a manner that provides earlier recognition of expected losses, reflects interest income received to cover credit losses on the one hand, and deterioration in credit quality on the other, and that can be implemented at a reasonable cost, i.e., in synergy with how entities manage credit risk.

In 2012, EFRAG also published its comments on the second Revenue Recognition exposure draft, after concluding a field test initiative in workshops organised in coordination with National Standard Setters, in which industry representatives and the IASB also participated. In the autumn of 2012, EFRAG ran a field test initiative on the general hedge accounting model in coordination with National Standard Setters.

PROACTIVE WORK. EFRAG and National Standard Setter partners were quite active in finalising significant steps in their joint proactive agenda. Developments following our various proactive initiatives show that pro-active work allows Europe to be successful in influencing the IASB due process at an early stage. In 2012 EFRAG published its Discussion Paper *Towards a Disclosure Framework for the Notes*, the Position Paper *Considering the Effects of Accounting Standards* and the Feedback Statement *Accounting for Business Combinations under Common Control*, and organised outreach events in partnership with the National Standard Setters during the consultation periods.

INVOLVEMENT OF USERS. It is essential that EFRAG understands the impact of proposals on users in order to arrive at EFRAG technical positions and develop more useful IFRS. Therefore, in 2012 EFRAG devoted significant efforts into liaising proactively with investors and their representatives - in addition to the invaluable contribution of the EFRAG User Panel - so as to provide EFRAG TEG with the analysis and understanding of a wider community of users of financial reporting. In accordance with the shared due process concept that EFRAG promotes, EFRAG wishes to avoid multiple solicitations of investors and their representatives to provide their views on the same subject. As a result, EFRAG has been coordinating efforts with the IASB and ESMA.

COOPERATION WITH EFFAS. EFRAG is grateful for EFFAS support and efforts in involving users in all part of its organisation and in its due process: Serge Pattyn has been an EFRAG TEG member since 1 April 2012 and Carsten Zielke continued as EFRAG TEG observer and Vice-Chairman of the EFRAG User Panel. On the EFRAG User Panel several of the users have a close relationship with EFFAS or its national societies. The discussions with EFFAS FAC on the Post Implementation Review of IFRS 8 on Segment Reporting and on leases in 2012 have been very helpful. EFRAG is looking forward to continued and enhanced cooperation with EFFAS and its national societies, with the aim of involving investors, analysts and other users in influencing the international standard setting process.

EFRAG is constantly looking for candidates for EFRAG's User Panel. Participation on the Panel offers a good opportunity to become involved in EFRAG and kept informed about topical issues in the accounting area. Through the EFFAS Financial Accounting Commission, EFFAS encourages users to become more involved. EFRAG is looking for candidates from a wide range of backgrounds and geographical origins and welcomes applications.

Invitation to participate in ESMA outreach to investors. The European Securities and Markets Authority (ESMA) is an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as by enhancing investor protection. As part of a wider debate on ESMA's role in the financial reporting community, ESMA discussed the involvement of (European) investors in the IASB's standard-setting process. To enhance the usefulness of financial information for decision making, it is important for ESMA that investors' needs are duly considered during that process.

EFFAS has been invited to participate in these regular conference call meetings. This initiative was very welcomed by the members of the FAC commission and the EMC. The main aim of this initiative is to understand the key concerns on major technical projects and to integrate investors' and user's comments into the various communications and position papers to the IASB. One of the subjects tackled was the IASB's revenue recognition proposal.

50th Anniversary – in Brussels, 22 March 2012. To highlight the 50th Anniversary of EFFAS and to raise awareness among the EU representatives, EU politicians and other financial organisations, the main celebration took place in Brussels, at Egmont Palace, on the 22 March 2012, chaired by Hans Buysse. Speakers of the evening were Giampaolo Trasi, in his capacity as EFFAS Chairman, followed by keynote speeches by the President of the European Council, Mr. Herman van Rompuy, and the well esteemed Professor Didier Cossin, Director of IMD Global Board Center in Lausanne. "It is too early to say that we are in a 'post-crisis period', we should remain prudent, but we are surely in calmer waters. And we should make the best use of this moment," Mr. van Rompuy said in his speech.

As a strong message, both Mr. van Rompuy and the past chairman Giampaolo Trasi, reaffirmed in their speech the importance of working together to help build confidence and restore the stability of the financial and monetary system. Furthermore, Mr. van Rompuy emphasised the importance of continued training and education for investment professionals coupled with ethical behaviour. The event was followed by a joint dinner where participants had the opportunity to meet and network with other delegates as well as with key decision-makers working in Brussels.

50th Anniversary – in Madrid, 28 June 2012. The second EFFAS 50th Anniversary was celebrated in conjunction with the ACIIA and EFFAS Annual General Meeting. During this event Giampaolo Trasi, following his decision to no longer stand for election, passed the torch to the newly elected chairman Jesús López Zaballos. Giampaolo thanked all those present, saying that "It was not always easy to keep the bar straight during the difficult and turbulent years of the financial market, especially the last four years. But I am very proud of my contribution to enhance EFFAS' reputation, representation and visibility. I will always consider it as a privilege to have become the Chairman, but certainly I would not have achieved any results without the continuous and loyal co-operation that I received from the EMC members, from the EFFAS secretariat and, most of all, the full confidence and support of the EFFAS Member Societies. So this is an excellent opportunity to express my sincere thanks to all of you for that support and for being able to share this wonderful experience with you".

50th Anniversary celebration also in Vilnius. In conjunction with their annual conference, the Lithuanian Society FAA took the opportunity to acknowledge the EFFAS Anniversary. The main part of the annual conference addressed the most pressing issue for European banks – regulatory changes in banking and financial sector as a whole. KPMG Baltics representative Oksana Boiko–Grobliene presented the Basel III core principles, its implications for banks, the direct and indirect costs of reform and its impact on growth. As Lithuanian banks have excess capital, new liquidity requirements were stressed – for example long-term deposits with early termination option should be treated as short-term. Discussion on that developed among representatives from Lithuanian central bank, commercial bank and businesses. During the conference FAA Corporate

Finance team head Marius Jankauskas presented the first annual Lithuanian M&A report that became front-page story of the leading Lithuanian business daily, Verslo Zinios. However, the get-together was highlighted by a big beautiful creamy cake with the EFFAS 50th anniversary logo!

EMC Meetings in Conjunction with Seminars. In conjunction with the EMC meetings in March and in May, two EFFAS seminars were organised jointly with the respective societies. The Seminar in Oslo, in conjunction with the Norwegian Society NFF, covered three subjects. The subject “Risk and Investment: Where now?”, was elaborated by Professor Michael Theobald, Academic Advisor to EFFAS. The next subject focused on ESG issues and was covered by both Friedrich Mostböck, CEFA (AFA), Deputy Chairman EFFAS & Co-Chairman of the EFFAS CESG Commission, and Ralf Frank, Co-Chair of the EFFAS CESG Commission. The last subject was on “Corporate Finance: Recent Trends in Valuation”, which covered information on the new methodologies as well as the IFRS impact on valuation and was presented by Hans Buysse, EFFAS EMC member.

The Seminar in Helsinki in cooperation with the Finish Society FSFA was held at the headquarters of Neste Oil Oyj, in Helsinki, Espoo. It was a Seminar focusing particularly on ESG (environmental, social, governance) issues. One speaker representing EFFAS was Friedrich Mostböck who gave a presentation on how to measure ESG. Also, Frank Klein participated in the panel discussion. The speakers from Finland were, Simo Honkanen, Senior Vice President Sustainability, Neste Oil Oyj, who gave all the participants an insight into how Neste Oil Oyj promotes awareness on the issue of sustainability.

A very passionate speech on sustainable investment was given by Anna Hyske, Head of Responsible Investments, Ilmarinen. Her presentation was entitled “Responsible Investment - part of portfolio management or just a marketing effort?”. Her convincing arguments sparked interesting debates also on the closing panel discussion.

EFFAS Principles of Ethical Conduct (PoEC). Following the ratification of the Principles of Ethical Conduct at the 2011 Annual General Meeting, many of the Member Societies have been using the Principles as their own code of conduct. The European regulatory environment has largely influenced the design of the EFFAS Principles, and envisaging upcoming regulatory changes, the EFFAS Market Structure Commission (MSC) will monitor new requirements and implement them accordingly.

The EFFAS PoEC are also useful in the area of training and qualification and have also been included in the European National Specific syllabus manual developed specifically for the EFFAS Member Societies.

CEFA Re-accreditation. The Certified European Financial Analysts (CEFA) diploma is the European diploma with an EFFAS brand name. As stipulated in the Governance Model, the CEFA became subject to agreed quality control procedures. Given its recognition by the market, further societies are looking into accrediting their programme in accordance with the requested conditions. To date, over 14,000 professionals are CEFA holders.

European Regulation of Financial and Capital Markets Manual. Following the 2012 ratification of the manual “European Regulation of Financial and Capital Markets”,

Member Societies will be able to use it either for the CEFA or for the CIIA preparations, or for national seminars, potentially linked to the regulatory body in the relevant country. The Member Societies can make use of the manual free of charge in an electronic form. Following continuous requests for a uniform EFFAS Certificate, the EMC agreed to the issuing of a “Certificate of Attendance – European Regulation of Financial and Capital Markets Seminar”.

EFFAS Definition Guide. The Italian association AIAF (Associazione Italiana degli Analisti Finanziari) released a publication on financial definitions and their interpretations, formulas, ratios and various acronyms. The AIAF initiative, promoted under the past EFFAS chairman, in developing such a manual was greatly welcomed by the EFFAS EMC. Moreover, AIAF proposed adopting this national initiative on a European level, transforming it into an EFFAS product, and making it available for all other EFFAS member societies. In time, the prospective EFFAS guide could be enhanced by further contributions from other countries and thus become a sound document that is convenient for investment professionals (or prospective investment professionals as well as career changers, business schools, etc). The implementation of the AIAF Standard Setter Guide is among the Association's initiatives designed to make a tangible contribution towards the improvement and enhancement of the work of financial analysts. The purpose of the Guide is to provide financial analysts with a practical tool to support them in their work. The Guide will be submitted for ratification at the AGM in June 2013.

EFFAS ESG – Sector KPIs from CESG Official Launch. EFFAS CESG Commission further elaborated and further revised the KPIs for ESG, the reporting framework for corporate reporting of ESG data and its integration into investment analysis. The framework is designed to revise reporting of ESG data by corporates and promote the integration of ESG data into mainstream investment analysis.

EFFAS and its ESG working group will undertake further outreach and continue improving and marketing the KPIs.

EFFAS Summer School. The fifth EFFAS Summer School editions (2008-2012) have been great successes and helped EFFAS to gain more recognition, not just in the areas of training and qualification but also as an international networking platform for investment professionals. Meanwhile, the organisation of the 6th Summer School in July 2013 is now in process; it is expected to be attended by around 200 international participants.

Steps in setting up new societies. One point of strategic interest was the steps taken to support the establishment of new professional societies in countries where no independent associations of investment professionals are in place. Through a sort of field research study, one country the EMC looked into was Turkey. The past chairman Giampaolo Trasi together with Fritz Mostböck travelled to Turkey and met with representatives from various bodies / organisations as well as universities (e.g. Ozyegin University, Bilgie University, Center for Computational Finance, the Istanbul Stock Exchange, the Capital Markets Board (CMB) – the Turkish regulator –, the Central Bank of the Republic of Turkey, etc.). The aim of the trip was to find out what feasible steps can be taken to co-operate and assist the newly set up investment professional association, SPP. The feedback was very positive, and hopefully the new Turkish association will be

up and running in a few months' time. SPP, Sermaye Piyasasi Profesyonelleri applied for EFFAS membership and the request will be submitted at the AGM 2013.

A second visit to Turkey was made by Jesús López Zaballos, Michael Theobald and Fritz Mostböck in conjunction with an event where EFFAS had the opportunity to present its philosophy, activities and future projects.

Substitution Rates in DC Pension Funds. One new research project that EFFAS is working on is the Substitution Rates in DC Pension Funds; proponents are members of a small expert group led by Daniele Fano (AIAF member and Head of Economic Research at Pioneer Investments) and also include the former EMC member Kees de Vaan. The objective is to propose a common standard for calculating and communicating a prospective replacement rate to pension fund members; feasibility and preparation work has been conducted over the past months. Additional members are welcomed to join the working groups.

EFFAS Flyer with the 50th Anniversary Logo. The EFFAS 50th Anniversary logo has been sent to all NMS with the kind request to use it whenever appropriate, in particular for European events with an international audience. The electronic version of the EFFAS Flyer, specially designed for the year 2012, has been circulated and placed onto the website. Hard copies were sent upon request to the various Member Societies.

EFFAS Newsletter, Ideas Matter. For the Newsletters it is envisaged in the future to use a web form template which will be easy to view on any mobile device. Hyperlinks with relevant hints will enable the reader to choose which information he wants to continue reading. The email newsletter will be disseminated to the Member Societies and to relevant European organisations. Member Societies will be encouraged to submit interesting and relevant articles, as well as brief news items.

EFFAS Directory 2013. The office is in the process of updating all the addresses of the Member Societies, including the names of their board members and representatives in EFFAS. The EFFAS Directory is to be updated on a yearly basis and will be available before each AGM in June.

Optimising and Renewing the EFFAS website. Collecting input and suggestions from the EFFAS Member Societies is an on-going process with the aim of further providing a robust platform on which the Member Societies can exchange information.

Three EFFAS Societies joined ACIIA. The Portuguese Association of Financial Analysts (Associação Portuguesa de Analistas Financeiros, APAF) has become an associate member of ACIIA. Founded in 1984, APAF has 450 members and is currently playing an important supporting role in reinforcing the qualification requirements in Portugal, as well as maintaining an open dialogue with the national regulator, the CMVM (Comissão do Mercado de Valores Mobiliários) and the relevant market players. As an EFFAS member society, APAF will continue to promote the CEFA programme with the option of being granted the CIIA Diploma. The diplomas will be offered in a joint venture with two prestigious Portuguese universities. Joining ACIIA was the next logical step towards promoting Financial Analyst qualifications in Portugal. In April 2010, the

Portuguese Stock Exchange Commission published new regulations on financial analyst and investment advisor requirements, such as the registration and official recognition by CMVM, including the EFFAS and ACIIA certification. These new regulations represent an outstanding opportunity for ACIIA promotion and acknowledgment, as it will boost the need for international diplomas. To date, 700 students have completed a CEFA programme, and they will be the first potential candidates approached in the promotion of the CIIA. Raúl Manuel Simões Marques is Chairman of the APAF. Daniela Azeredo is the Secretary General.

The Chartered Institute for Securities & Investment (CISI), a member of EFFAS, has now also become a Member of ACIIA. CISI membership is an important step forward in promoting ACIIA and its internationally recognised qualification, the Certified International Investment Analyst (CIIA), in the English speaking world. Ruth Martin, CISI Managing Director said: "We are very pleased to be joining the ACIIA at this time and its approach to qualifications recognises the importance of local as well as global relevance. We look forward to working with them to further enhance professionalism and competence globally in the area of securities and investment." The CISI is the largest and most widely respected professional body for those working in the securities and investment industry in the UK and in a growing number of major financial centres worldwide.

The Association of Financial-Banking Analysts Romania (AAFBR) was established in Bucharest in January 2008 with the aim of supporting the interests of Romanian professionals in finance and banking. AAFBR bases its values on high professional standards and on their public mission of enhanced knowledge of economics, financial analysis and education for its members and for the public at large. They submitted their membership application to ACIIA in November 2012. The main activities of AAFBR are organizing annual meetings in partnership with EFFAS, providing press releases and position papers on regular polls on key macroeconomic indicators conducted among AAFBR members, organizing the AAFBR members' quarterly meetings with representatives from official institutions, maintaining a presence in the local financial media and implementing the CIIA and CEFA certificates in Romania.

The CIIA® course in Austria partly recognized for Finance MBA. The Vienna Economics University offers a professional MBA in Finance via the WU Executive Academy. OVFA, as the organizer of the CIIA® course in Austria, is proud to announce that the CIIA® course was partly recognized by the Academic Advisers and that the successful completion of the CIIA® course exempts candidates from 25% of the MBA programme. This is a significant sign of acknowledgement and trust in our programme and will give the CIIA® designation an additional boost.

ACIIA Council News. Hans Buysse, Chairman of the Belgian Association of Financial Analysts (ABAF), became the new EFFAS representative on the ACIIA Council at a Council meeting-in-writing held in January 2013. Hans Buysse is a partner of Syncap Belgium, the Belgian Partner Firm of Clairfield International - a worldwide corporate finance firm that provides advisory services, mainly in cross-border mergers and acquisitions, to both international corporations and family-owned enterprises across an array of industries. Hans is an EFFAS Executive Management Committee member and XBRL Europe Executive Committee member and a member of the ESMA Corporate Reporting Standing Committee's Consultative Working Group.

CISI becomes first professional body in the world to require new capital market entrants to pass an integrity test. The Chartered Institute for Securities & Investment (CISI) has announced that from 2 April 2013 it will require candidates for its customer facing entry level examinations on wholesale / capital markets financial services activities to take and pass the CISI's IntegrityMatters online test before sitting the exam. The CISI is introducing this initiative to ensure that new entrants to the capital markets sector, who will be working directly with firms and clients, realise the importance of integrity and ethics from the moment they enter the industry. This will also mean that integrity will be tested across the entire industry, not just in wealth management and retail financial advice. To support this ground-breaking initiative, the CISI will be undertaking its first ever advertising campaign on transport hubs, including tube stations at Bank, Canary Wharf and Westminster, as well as in mainline stations in Leeds, Birmingham and Edinburgh, and in many regional newspapers.

The CISI's IntegrityMatters test, which has been a requirement for its Chartered members since 2009, is being introduced to the capital markets by the CISI, as it believes that the standard of integrity needs to be at least equal to that of the retail sector. This will also provide the public with some tangible evidence demonstrating that banks and other financial organisations really are changing their culture. The CISI has commented frequently on the disparity which exists between regulatory requirements for the retail financial advice sector and those engaged in wholesale / capital markets activities. As a result of the FSA's Retail Distribution Review (RDR), which came into effect on 1 January 2013, retail financial advisers are required to: pass a higher level examination, undertake mandatory continuing professional development (CPD), be a member of an accredited professional body which subscribes to a code of conduct, and demonstrate professional integrity.

The wholesale financial services sector - largely investment banking, which includes those working in areas such as corporate finance, mergers and acquisitions, trading bonds, shares and derivatives – has no such requirements imposed upon it. This is the first phase of the programme, which the CISI intends to launch across its complete suite of wholesale / capital markets qualifications, including those exams aimed at the wholesale operations sector. Existing CISI members will need to pass the Integrity and Ethics module of the Professional Refresher e-learning tool, irrespective of their role, as part of their continuing membership obligations. There will also be an opportunity for members of the public to take a free sample workshop version of the IntegrityMatters test via the CISI website.

IntegrityMatters is not an exam, but a multiple stage scenario-based test, which can be taken by individuals on their own computer, either at their desk in the office or at home, with the results being made available to the candidate immediately. The CISI's IntegrityMatters was introduced at the end of 2008 and has been completed by over 7,300 members.

The Lithuanian Financial Markets Institute has been established. The new think-tank – Lithuanian Financial Markets Institute - has been established to promote efficient and diverse capital markets and enhance their infrastructure so as to add higher value to users and providers of capital in Lithuania. The institute unites the main financial market players: the NASDAQ OMX Baltic exchange, universities and academics. Thus its strength is consolidated in order to build a stronger capital markets infrastructure and develop the international links to similar institutions abroad as well as to others that can inspire and contribute to the activities developed by the Lithuanian Financial Markets Institute. The CEO position of LFMI has been given to Professor Gerda Zigiene, an active member of

the Lithuanian Financial Analysts Association. Gerda Zigiene is promoting the CIIA designation among her students, as well as the EFFAS Summer School among the Latvian association.

SAAJ Celebrated 50th Anniversary. SAAJ / ASIF Conference held on Monday 15 October. To mark the 50th anniversary of the Securities Analysts Association of Japan (SAAJ), the joint conference of SAAJ and ASIF - Asian Securities and Investments Federation - was successfully held on Monday 15 October 2012 at Keidanren Kaikan in Tokyo, Japan. The main theme of the event was “Toward the new development of Japanese Corporations – Investor Relations and Securities Analysts”. There were about 800 participants from among the members of SAAJ, as well as guests from the ASIF member regions. There were two keynote speakers, Dr. Changyong Rhee, Chief Economist, Asian Development Bank, and Dr. Aftab Seth, former Indian Ambassador to Japan. Dr. Rhee’s speech was entitled “Short-term Outlook and Medium-term Challenges for Asian Economies”, and Dr. Seth’s speech was entitled “India in Asia: Past, Present and Future”. The webcasts of their presentations are available on the SAAJ website. A series of fact sheets with photographs also appeared in each issue of the SAAJ Journal during 2012, covering epoch-making issues and events in the SAAJ’s 50-year history. The year 1962 should be remembered as one of the most significant years in the history of the profession of financial analysts. In Europe, the European Federation of Financial Analysts Societies (EFFAS) was established. In the U.S., the Institute of Chartered Financial Analysts (ICFA) was incorporated to offer their exams. In Japan, the Tokyo Security Analysts Association, the predecessor of the Securities Analysts Association of Japan (SAAJ), was established, triggered by the exchange of missions between Japan and the U.S. visiting the industries in each country.

Calendar of Events. A Calendar of the EFFAS Events is maintained and updated on a regular basis by the EFFAS Office. Member Societies are encouraged to send in dates of their important events that may also be attended by other European Member Societies.

Road shows in order to increase visibility. In co-operation with the Banca d’Italia and EFFAS, the Italian Association AIAF organised an exclusive event for the personal members based and working in London. The main theme of the event was “Main Issues and Developments in Italian Economy and Finance – Recent Budgetary and Regulatory Measures”. In a Q&A session the participants had the opportunity to interact with Dr. Fabrizio Saccomanni, Director General of Banca d’Italia. Immediately afterwards, Paolo Balice, the present Chairman of AIAF, provided the attendees with information about AIAF’s latest activities as well as future projects. Participants encouraged the organisers to continue with such an initiative.

Annual Financial Market Liquidity Conference 2012 Budapest, 14–15 November 2012. The Corvinus University of Budapest, together with the Institute for Training and Consulting in Banking ITCB and the Hungarian Capital Market Professionals’ Society HCMPS, are holding their traditional Annual Financial Market Liquidity Conference on 14–15 November 2012!! The liquidity of financial markets is a crucial factor for economic development and financial stability. Only highly liquid financial markets are able to function efficiently, to transfer savings to investors and to aggregate the expectations of the financial market players and other information. The conference will provide an overview of important aspects of market liquidity and its risks. Special emphasis will be placed on

topics like asset pricing, bank regulation, macroeconomic policy, the supply- demand symmetry of market impact models, short-term corporate bond yield spreads, short selling and alternative lending markets, trading and information diffusion in OTC markets, square-root price impact and critical liquidity. A large number of international participants are expected to attend the conference. Members of ACIIA are entitled to a 40% discount and need to register at <http://liquidityconference.uni-corvinus.hu>.

Romania between past and future – annual conference of the Romanian Association of the Financial-Banking Analysts. The Romanian Association of Financial-Banking Analysts (AAFBR), with the support of the European Federation of Financial Analysts Societies (EFFAS), held its fourth edition of the AAFBR annual conference. The event was on 16 November 2012 on the premises of the National Bank of Romania (NBR) in Bucharest. Key-note speaker was Chris Golden, EFFAS EMC member.

The annual conference of the Romanian Association of the Financial-Banking Analysts was a great success and received very good media coverage. It was attended by more than 150 guests from financial sectors, in Romania and abroad.

The association SMS in Bosnia-Herzegovina organised an event related to pure local needs – 8-9 May 2013. After experiments with innovation in financial analysis with a global angle, SMS decided it should do something related to local needs and circumstances. For 2013 the objective is to promote understanding of investment analysis for the investment process and the development of both the financial and the real economy. To that end, the association looked at the practical value of proper investment analysis from seed investments to public companies. One obvious conclusion that resulted from the Innovating Financial Markets Conference a year ago is that we need to communicate the basic value of financial analysis to a broader investment community. This applies to all financial contexts and on all investment scales - from start-ups to listed companies, from savers to largest financial institutions. In the last few years, there were no IPOs on local exchanges and the main reason is that local communities still need to understand the value of investment in general terms, and then the financial analysis that precedes it. To meet the local need for rounded awareness of financial and investment analysis, DTS organised a two-day event in Sarajevo in May. The first day was devoted to a workshop attended by bankers and covered issues to do with public market analysis, followed by a seed investment event at the Central Bank the next day. The present governor of the Central Bank is a man of few words, but a lot of action, a very forward-looking gentleman who shares the drive to improve the local markets with good investment practices.

Earlier activities of the Society for Market Studies (Drustvo za trzisne studije) included efforts to involve financial markets analysis in liquid public markets of high efficiency. In Bosnia and Herzegovina and the region, public markets lack liquidity and see few IPOs. In order to promote best practices in venture capital and private equity markets, the Society for Market Studies partnered with Seed Forum International, a London-based early-stage equity investment platform.

The conference took place in the auditorium of the Central Bank of Bosnia and Herzegovina on May 9th, with key note speeches by HE Bakir Izetbegovic, President of B&H, HE Kemal Kozaric, Governor of Central Bank of B&H, HE Ann Vibeke Lilloe, Ambassador of Norway to B&H, Mr. Steinar H. Korsmo, Chairman of Seed Forum International, Mr. Gints Vins, Chairman of Seed Forum Central and Eastern Europe and

Mr. Irfan Polimac, President of the Society for Market Studies. The event was attended by HE Eid Mohammed A. Althakafi, ambassador of the Kingdom of Saudi Arabia to B&H, representatives of diplomatic missions, financial institutions, growth companies participating in Seed Forum investment process, media representatives, and others. Apart from Bosnia, the event gathered participants from France, USA, Latvia, and Norway. Members of the Society for Market Studies sponsored and organized the event.

EFFAS Regional Forum – Professional Organisations for Capital Market Experts.

The EFFAS Regional Forum took place in Budapest on 21 January 2013. The convening followed two regional events which took place beforehand in Vienna. This time, the Forum was attended mainly by representatives of the national member societies in the region, as well as representatives from countries where there are no societies set up as yet.

The newly-elected chairman, Jesús López Zaballos, gave an introduction on the latest developments within EFFAS and highlighted the latest strategies envisaged by the present Executive Management Committee (EMC). Other topics covered were the description of the activities of the EFFAS Commissions, their main activities and their aims, EFFAS Promotion and Marketing and the new projects in the field of training. The Forum fostered discussions among the EFFAS representatives from the various countries not only about the current local situation and the evolving challenges facing Europe, but also about the challenges faced by the professional organisations themselves.

Due to the commonality of the topics referring to training and qualification, the Regional Forum was followed by the EFFAS Training and Qualification Commission (TQC) Meeting. It was also the first meeting under the newly elected TQC chairman, Professor Luc Keuleneer, secretary general and board member of the Belgian Association.

The meetings in Budapest generated useful feedback which will be taken into consideration by the EFFAS chairman and the EMC. The EMC sees it as its duty to support and cooperate more closely with all member societies, and hopes that in this way more even progress can be achieved, so that all societies will be more or less similarly developed and participation in the various projects will be less difficult. These two-day events provided the participants with an overview of potential sets of tools to further develop the national organisations and put in place a state-of-the-art training and qualification programme. In particular, the Forum showcased the EMC initiative towards a smoother development, closer links between the member societies and easier access to information.

Environmental, Social and Governance (ESG) Conference in Paris. The 2012 ESG Conference was held this time in Paris on 11 October 2012. The event was well attended not only by French professionals but also by European ones. Participating companies had the opportunity to present their understanding of sustainable economic performance and the steps they are taking to achieve it.

Panels of distinguished speakers discussed a variety of topics, such as corporate disasters, their impact on institutional portfolios, private equity and its (yet to be defined) role in ESG, supply chain management as one of the most important issues within ESG, and remuneration as leverage for implementing ESG within corporates.

EFFAS Seminars. Many Member Societies hold seminars on various topical issues. The Spanish society, for example, is planning to hold two seminars per year in the English language with a foreign speaker. IEAF has invited Otto Lucius to hold a seminar on

regulation. The seminar was filmed, thus enabling interested parties to watch the seminar via the Internet. The seminar will also be stored in a so-called seminar library where it will be possible to view it at any time. The Member Societies are kindly requested and encouraged to inform the EFFAS office about these kinds of activities so that other EFFAS Member Societies can have access to other members' seminars and events. Depending on the EFFAS website capacity, an attempt will also be made to upload the available seminars / interviews onto the EFFAS website.

European Capital Markets Institute – ECMI. Chris Golden, as the EFFAS representative on the ECMI board, was also an active member of a new Governance Taskforce, which elaborated new tighter internal rules to improve the transparency and effectiveness of ECMI governance. As the statutes of ECMI offer the option of having an alternate representative on the board, the EMC proposed Hans Buysse. Hans Buysse is based in Brussels and will represent EFFAS whenever required. EFFAS has taken a more proactive role in ECMI and an active part in board meetings, while stimulating co-operation between ECMI and EFFAS at the Bond Commission level. Karel Lannoo, ECMI's Secretary General, presented a review of the current stage of EU Commission initiatives (directives, etc.) relating 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 Business Reporting Language – XBRL. Hans Buysse is representing EFFAS in XBRL; after submitting his candidature for the European XBRL executive board, he was elected at the XBRL Europe AGM in Madrid, 31 May 2012. 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 corporates would enable a more efficient sharing of information not only with one another but also amongst analysts/investment professionals within the industry. The XBRL and the XML (eXtensible Markup Language) based languages, designed especially for Web documents, enable 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 as 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. Future XBRL conferences will take place in Madrid, Tokyo, etc.

Global Investment Performance Standard GIPS. GIPS is one of the important areas of collaboration with the ASIF, the Asian Association, and the CFA Institute. GIPS represents a unique collaboration and 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). The EFFAS representative in GIPS is Dr Stefan Illmer, from SFAA, the Swiss Financial Analyst Association.

EFFAS Commissions

- Commission on Environmental, Social & Governance Issues (CESG)
- European Bond Commission (EBC)

- Financial Accounting Commission (FAC)
- Market Structure Commission (MSC)
- Training and Qualification Commission (TQC)

Commission on Environmental, Social & Governance Issues (CESG). The goal of the EFFAS Commission on ESG is to give guidance in terms of ESG and extra-financial reporting analysis (sometimes referred to as sustainable or corporate responsibility issues).

DVFA and EFFAS KPIs for ESG 3.0 were chosen by STOXX® Ltd. for the STOXX® Global ESG Leader Indices. In general, KPIs for ESG have been recognized by many investment professionals, market participants and other international organizations concerned with ESG reporting as filling a gap between financial reporting and the current multitude of CSR reporting standards. With the issuance of these specialized indices on ESG, with our EFFAS methodology as a base for the index calculation, the overall recognition will certainly improve further on a global basis in the long-term.

Participation in the international institutional investors conference 'Rights and Responsibilities of Institutional Investors' in Amsterdam on March 22, 2012. Ralf Frank from the German DVFA and Fritz Mostboeck from the Austrian OVFA were invited to participate in a panel discussion on the topic 'Re-assessing Fiduciary Responsibilities', where the focus was on sustainable themes from a shareholder and stakeholder perspective. The former president of the Soviet Union Mikhail Gorbachev gave a presentation as the keynote speaker of the conference.

In June 2012, an update was published by Fritz Mostboeck on the publication series regarding the crisis and economic responsibility (OVFA/EFFAS Report 'Economic Responsibility 3.0 / An Update on General ESG Responsibility'). Several reports on sustainability issues have been published since 2004 (still before the crisis) seeking solutions to the current situation and the various types of crises (financial, economic, debt and trust). The focus of these reports is the future development of sustainability topics that are always directly linked to responsibility in general. We think that ESG has huge potential. Therefore, we would like to discuss ESG in more detail, especially as a factor on the capital markets, and deliver concrete solutions and recommendations in the current global discussion and the very challenging environment. The reports are published on different websites (www.ovfa.at, www.dvfa.de, www.egas.net, www.egas-esg.com, www.aciia.org, www.sustainablefinancialmarkets.net).

As a delegate of EFFAS, Ralf Frank joined the International Integrated Reporting Council's (IIRC) Working Group, its Technical Task Force, and its Investor Testing Group. The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. The IIRC is working to create the globally accepted International Framework for Integrated Reporting.

Project Delphi is working to create a framework of material ESG factors by industry, including metrics that lend themselves to efficient integration into corporate valuation and investment analysis and thus can be easily adopted by companies seeking to provide investors with useable and meaningful ESG data in a careful and efficient way. CESG is also a driver of Project Delphi, which is a consortium under the leadership of State Street Global Investors (SSgA) that brings together leading global Asset Management firms, Asset Owners, i.e. pension funds, and investment industry experts. Project Delphi is planning to publish its Draft Framework in August 2013. Ralf Frank serves on Delphi's Steering Committee and chairs the Metrics and the Technical Group.

At the EFFAS Summer School, CESG embarked on a new methodology for testing the application of ESG to corporate valuation. Professor Dr Markus Arnold, Chair for Management and Accounting, together with Ralf Frank conducted behavioural experiments with summer school participants. In four different treatments, participants were given a corporate valuation task, including financial and ESG data. The experiments, based on Keynes' famous "beauty contest", were the first of their kind to be applied to ESG. Results will serve to align the concept of EFFAS KPIs for ESG with requirements on how to present ESG data.

In general, members of the EFFAS Commission on ESG served in several initiatives in their home countries, such as Grenelle II/France, or the German Sustainability Code, and internationally at the SASB Sustainability Accounting Standards Board's Advisory Board in the US.

In late 2012, EFFAS commissioned Professor Alexander Bassen, University of Hamburg, to build an ESG Training Programme for EFFAS. Alexander Bassen selected a small group of experts with acumen in ESG integration in investment decision-making. Rene Nicolodi, Hendrik Garz and Felix Schnella, as members of CESG, are part of the group. The training programme is scheduled to be available in the second half of 2013.

Last year's activities were also very much focused on the merger of two EFFAS commissions (CIC and CESG). The 2012 EFFAS AGM in Madrid gave us a clear target, followed by a decision by the EFFAS EMC to merge the EFFAS Commission on Intellectual Capital (CIC) with the EFFAS Commission on ESG (CESG). Why was that the case? EFFAS, as the umbrella organization, sees merit in addressing the topical area of Intellectual Capital. To start the process, the co-chairs from CESG, Fritz Mostboeck from OVFA Austria and Ralf Frank from DVFA Germany, sent a letter to all CIC members after the EFFAS AGM last year about merging the activities into one commission. In the end, five former CIC members joined CESG and the final integration was completed in February 2013. We are very much convinced that the former CIC members will contribute valuable input within our newly formed integrated commission. For that reason, the next personal CESG meeting has already been scheduled for May 2013, in Zurich.

Current members of CESG come from the following countries: Austria, France, Germany, Italy, the Netherlands, Sweden and Switzerland (www.effas-esg.com).

In May Jesus Lopez Zaballos and Fritz Mostböck presented the EFFAS ESG activities and the new projects regarding the certification on ESG (Environmental, Social and Governance) to the Directorate General of Enterprise and Industry at the European Commission in Brussels. General Director, Daniel Calleja, invited EFFAS to participate in the next Financial Forum for Small and Medium caps to be held in the second half of the year 2013. With this type of meetings the EMC aims to increase EFFAS' visibility in Brussels.

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. The major attraction of the EBC meetings are the sessions organised in conjunction with each EBC meeting. These not only have well-known speakers, but also tackle topical and challenging issues.

The following meetings took place during Business Year 2012/13: on the 11-12 June 2012, the EBC meeting took place in Helsinki, Finland, in order to increase the visibility and share the EBC achievements with the Nordic countries. The autumn meeting was held on 8-9 October 2012 in Zurich, followed by the February meetings in Paris and in Frankfurt. Due to the success of the joint EBC/DVFA meeting in Frankfurt in February, the DVFA would very much like to repeat this on an annual basis, but as a 1-day fee conference.

The EBC maintains on-going relationships with authoritative bodies both in the EU and globally, and assists, advises and innovates in many different areas related to the bond markets.

Financial Accounting Commission (FAC). In the past 12 months, the Financial Accounting Commission (FAC) worked on issues related to international financial accounting standards (IFRS), such as *Leases and Revenue Recognition*, and provided comments to the IASB on the Agenda Consultation process. Members participated in working and outreach groups with the IASB Board, EFRAG and ESMA in different European cities.

Last September the Commission held a joint session with EFRAG and IASB in Brussels to discuss technical issues related to *IFRS-8 post-implementation* and *Leases*. This past February, the Commission held a joint working session with the IASB Board in London to discuss issues related to *Disclosures* and the *Conceptual Framework*.

The Commission is working with both institutions on organizing joint events sponsored by EFFAS in different constituencies on IFRS themes under review. IASB and EFFAS would like to establish a regular dialogue with a broad base of analysts and investors as EFFAS representatives.

Members continue participating in the EFRAG Users' Panel Group and IASB Capital Markets Advisory Committee. Comments sent to IASB: *Post Implementation Review: IFRS 8 Operating Segments*- 16 November 2012; *Annual Improvements to IFRSs 2011-2013 Cycle*, 15 February 2013.

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 its Review Panel. The Commission held one meeting in September 2012 in Barcelona and another in January 2013 in Budapest.

At those meetings the main focus was the discussion on EFFAS' existing designations and how EFFAS could evolve in terms of new designations. Several proposals were analysed including the possibility of adopting new designations on Risk Management and ESG. The Commission's discussion covered several other issues, such as EFFAS scholarships and grants, the EFFAS e-learning platform and the EFFAS website.

Another main concern of the Commission is assessing the EFFAS Training and Qualification strategy for the next three years. This process is being conducted in order to achieve the broader basis of participation possible, through a survey sent to the NMS representatives. In fact, the strategy and future of the TQC are a major topic to be discussed in the TQC during 2013-2014.

Other on-going projects that the Commission supports include the organization of the EFFAS Summer School, held every year in Banco Santander Financial City in Madrid, as well as the organisation of the EFFAS Seminar series.

The meetings of the TQC Commission are open to every representative of an 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 projects within the area of training and qualification.

Market Structure Commission (MSC). The MSC worked mainly via conference calls and email. The position papers produced by the MSC are included in the table below and also posted on the website.

Regulatory Initiatives – Position Papers submitted by the EFFAS Commissions during Business Year 2012/2013

All Position Papers produced by EFFAS are posted on the website.

Institution	Submission Date	Title
European Commission European Parliament	27 January 2012	Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and Commission Directive 2007/14/EC (EFFAS MSC Commission)
IASB – International Accounting Standards Board	13 March 2012	Revenue from Contracts with Customers
Eco-Business	28 March 2012	Attitudes toward Sustainability/CSR in Business
IASB – International Accounting Standards Board IFRS – International Financial Reporting Standard	16 November 2012	Post Implementation Review: IFRS 8 Operating Segments (EFFAS FAC Commission)
European Commission	29 October 2012	Comments by the European Federation of Financial Analysts Societies (EFFAS) on the separation of universal banking from investment banking business
IASB – International Accounting Standards Board IFRS – International Financial Reporting Standard	18 February 2013	Annual Improvements to IFRSs 2011-2013 Cycle (EFFAS FAC Commission)
European Commission (to be submitted)	25 June 2013	Green Paper – Long-Term Financing of the European Economy (EFFAS MSC Commission)

Note from the Chairman

Dear EFFAS Members,

During the past 12 months we have intensified our efforts to develop and co-ordinate projects for the mutual benefit of our Member Societies, while enhancing EFFAS' visibility and reputation within the financial community and vis-à-vis EU and international regulatory institutions.

EFFAS, which is celebrated its 50th Anniversary in 2012, is in a strong institutional position with sound organisational and financial structures, and enjoys solid cohesion amongst its members.

On behalf of the EMC members, I once again would like to express my gratitude to all the National Societies and their representatives for their strong and personal commitment!

*Jesús López Zaballos
EFFAS Chairman*

31 May 2013
