



EFFAS THE EUROPEAN FEDERATION OF FINANCIAL ANALYSTS SOCIETIES

Report on the Business Year 2010

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 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 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.

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 2010 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 Chairs: Vincent Bazi (SFAF, France) and Jesús López Zaballos (IEAF, Spain), Friedrich Mostböck (ÖVFA, Austria), Marianne Flink (SFF, Sweden), Hans Buysse (ABAF, Belgium).

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 encouraging them to participate with additional ideas and to bring forward certain topics, or topics which could be carried out on a European level. The NMS also 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 (TQC and MSC), in addition to 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 2010/2011, the EMC members were constantly in touch and met formally four times. EFFAS was represented at the ACIIA Council Meeting in Tokyo, at the GIPS Meetings, ECMI and XBRL meetings, and at several conferences and seminars.

Assessments of the business year 2010/2011

CEFA Re-accreditation. 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, after reporting to the TQC, provided the EMC with evaluations and advice on the accreditations of NMS programmes. During the year 2010/ 2011 the re-accreditation process for the CEFA diploma continued and is now almost finalised and ready for submission for AGM ratification. The Certified European Financial Analysts (CEFA) diploma is the European diploma with a brand name that belongs to EFFAS.

EFFAS Summer School. The three EFFAS Summer School editions (2008-2010) have been great successes and helped EFFAS to gain more recognition, not just in the training and qualification areas, but also as an international networking platform for investment professionals. Meanwhile, the organisation of the 4th Summer School in July 2011 is now in process; it is expected to be attended by around 200 international participants. Following the success of the previous schools, Grupo Santander confirmed in 2010 a prolongation of the organisation of the EFFAS Summer School for a further three years period.

50th Anniversary – Plan and Concept. Through a dedicated working group consisting of Jesús López Zaballos, Hans Buysse, Michael Theobald, Fritz Mostböck and led by Vincent Bazi, an updated concept is being finalised with regard to EFFAS 50th Anniversary, due to take place in the year 2012. The suggestions fed in by the other EMC members will be included and an updated detailed paper will be presented at the AGM.

EFFAS Principles of Ethical Conduct (PoEC). Many of the newly established societies do not have their own code of conduct, and usually they use blueprints of codes of conduct from other established societies. Due to the synergies within the EFFAS Member Societies drawn also from the EFFAS benchmarking grid (a common denominator of all National Member Societies Code of Conduct) conducted by the MSC Commission, it was seen as necessary to draft the EFFAS Principles of Ethical Conduct. The European regulatory environment has largely influenced the design of the EFFAS Principles, although there are commonalities with the ACIIA Principles of Ethical Conduct, released by the ACIIA, Association of Certified International Investment Analysts, in 2005. The EFFAS PoEC will be useful for the training and qualification area and will also be included in the prospective European National Specific syllabus manual developed specifically for the EFFAS member societies. Following a period of consultation and implementation of the suggested changes, the PoEC will be presented for approval at the AGM 2011.

European Regulation of Financial and Capital Markets Manual. A very valuable project for EFFAS was the development of a European Regulation of Financial and Capital Markets manual, which can be used either for the CEFA, or for the CIIA, or national seminars, potentially linked to the regulatory body in the relevant country.

During the year, Otto Lucius presented the various versions, with the first part covering EU framework, institutional framework, legislative procedures (single market), etc., and the second part covering issues to do with European supervision, IOSCO and the Rating

committee and giving useful recommendations on compliance. Recommendations also include areas looked into by the European Monetary Union (EMU).

Following the suggestions from the TQC Commission received during the year, the final draft of the European Regulation of Financial and Capital Markets was presented to the EMC. The EMC went through the content and unanimously lauded the outstanding quality of the Manual produced by Otto Lucius. The first hard copies will be disseminated at the AGM in Dubrovnik. In the first stage, the EFFAS member societies can make use of the manual free of charge in electronic form. The EMC expressed their gratitude to the Austrian society and to Otto Lucius in particular.

Another point discussed in relation to the EFFAS European component was the European National Examination. Michael Theobald presented the proposal on behalf of the TQC Commission. The proposal entailed the following recommendations:

- 1) The specific national element of the CEFA designation should contain at least one hour of examination questions that relate to material specified in the EFFAS European Syllabus;
- 2) The inclusion of such material as specified above will be necessary for the next round of CEFA reaccreditation (which will take place in four years, there being a five year cycle);
- 3) The examination questions should normally be multiple-choice-type questions;
- 4) Where a particular national member society uses an examination that is set by the local regulator for the specific national element of the CEFA designation, this will normally be deemed a substitute for the requirements as set out above, provided that there is coverage of topics that are specific to the particular market concerned.

The EMC approved the proposal, which will be presented at the forthcoming AGM.

New CEFA Entry Level Scheme. The CEFA and the CIIA are designations which are relevant for high level professionals, not only in terms of candidates, but also in terms of competition. Many of the member societies are looking into lower level schemes and certificates, and these have not been offered by EFFAS in the past. The main reason for the demand for lower level schemes is first of all to reduce the loss of candidates at the entry level, but also because there are many personal members who are still at the beginning of their careers and who need this lower level as their starting point. Even more important are the students who are already looking into what other certification they could gain before starting their professional work.

Once candidates go for the CEFA Level 1, they will be interested in continuing for the full CEFA or the CIIA. The TQC Review Panel prepared the relevant material for the introduction of the CEFA Level 1. Effectively when the candidates have passed the CEFA Level 1, they can register for the final part of the CEFA. The Review Panel proposed being flexible with the member societies, suggesting minimum requirements rather than detailed requirements and specifications. The minimum requirement is of four hours of common examination material and the examinations should be multiple choice. The National Member Societies are to provide feedback to the Review Panel indicating that the scheme is consistent with the minimum requirement.

The societies interested in introducing the CEFA Level 1, but without having a CEFA programme in place, can do so provided that they fully inform the Review Panel on the syllabus and examination scheme they follow (i.e., CEFA Level 1 syllabus plus the minimum four hour examination). For the emerging societies, Level 1 will definitely constitute a good starting point.

It is proposed that although there is no new designation, certificate or diploma, candidates for Level 1 will register with their own member society, once they have successfully passed Level 1; their national member society will then notify the EFFAS office, who will maintain a register of successful CEFA Level 1 candidates. No certificates or diplomas will

be issued by EFFAS, although the member society could write to the candidate indicating that they had successfully achieved CEFA Level 1. These successful candidates would then be able to register with their member societies for the final CEFA examination, and once achieved, they would then be awarded the CEFA. CEFA Level 1 minimum requirements should consist of 4 examination hours on common material. In the CEFA examinations, the total exam hours would be 9 hours on common material, and 3 hours on national specifics.

The Review Panel will monitor the structure of the overall programme and of Level 1. Societies with accredited CEFA programmes wanting to introduce Level 1 can submit an abbreviated accreditation form which can be obtained from the office.

The proposal has been unanimously approved by the EMC and the concept will also be included and presented at the AGM 2011.

Review Application of Association of Financial Analysts of Bosnia Herzegovina.

Irfan Polimac, Chairman of SMS, was invited to make a presentation on the activities and the objectives of the association. The EMC examined the application and, following some suggestions to be implemented by the society, the EMC approved the application of the Society for Market Studies to become an EFFAS Associate Member. The application will be submitted to the Annual General Meeting for ratification. The representatives of SMS will be kindly asked to give a presentation on their society and their financial environment.

Newly Founded Organisation Questionnaire. A questionnaire was sent to all the societies concerned in order to use the answers as a starting point for drawing up a new concept for the new member societies. The aim of the EMC is to achieve a more even development among new member societies so that participation in various projects would be easier.

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 including 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 have been conducted over the past months. Additional members to the working groups are welcome.

EFFAS Newsletter, Ideas matter. With the December 2010 issue, the regular publication of EFFAS News was restarted. The December newsletter covered a special report on ESG Environment, Social, Governance Environment issues. The Newsletter is disseminated to the member societies in an electronic format. It is envisaged to issue two Newsletters per year.

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 on-going project with the aim of providing a robust platform on which our member societies can exchange information.

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 dates of their important events, which can also be attended by other European member societies.

Conference in Romania. The conference organised by AAFBR, the Romanian society, and supported by EFFAS, took place in Bucharest, 11 November 2010. The conference had not only very prominent national speakers, but also well-known international speakers.

EFFAS ESG - Sector KPIs from CESG Official Launch. On the occasion of the ESG Conference, EFFAS presented the exposure draft of KPIs for ESG 3.0, the reporting framework for corporate reporting of ESG data and integration into investment analysis. The framework is designed to amend reporting of ESG data by corporates and further the integration of ESG data into mainstream investment analysis. The framework addresses deficiencies in current corporate ESG disclosure by proposing that entities:

- Report EFFAS KPIs, i.e., standardized and common sets of quantitative indicators for ESG which are available for 114 subsectors based on the Dow Jones Industry Classification Benchmark (ICB);
- Report EFFAS KPIs not only in sustainability or CSR reports, but also integrate them into annual and quarterly reports, websites, management accounts, analyst presentations etc.;
- Provide contexts, explanations and accounts about the relationship between ESG and financial performance data in order to enable mainstream investment professionals to understand the functioning of a corporate's risk and opportunity profile.

The proposals were developed following a rigorous and comprehensive process. A discussion paper was published for public comment in 2010 with more than 30 comment letters received. EFFAS CESG and DVFA's ESG lab then met several times to consider the responses and further refine the proposals. EFFAS and its ESG working group will undertake further outreach during the comment period to ensure that the views of interested parties are taken into consideration.

Environmental, Social and Governance (ESG) Conference in Frankfurt. The 2010 ESG Conference, hosted traditionally by the DVFA, was attended by over 120 participants from eleven countries. A new feature introduced this year was the corporate elevator pitches, where each company had the opportunity to present their understanding of, and action towards a sustainable economic performance.

Panels of distinguished speakers discussed a variety of topics, such as corporate disaster, the 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 a lever to implementing ESG within corporates. The key notes on Integrated Reporting were delivered by Paul Druckman (Accounting for Sustainability) and Green Taxation by Dr. Frank Schmidt (Pricewaterhouse Coopers).

ESG Conference September 2011. The ESG conference, which traditionally takes place in Frankfurt, will take place in Madrid on 28 September 2011.

Risk Management and Risk Reporting Berlin Conference. The chairman of EFFAS was invited to attend the conference of the Marie Curie Network "Risk Management and Risk Reporting", co-organised by the Deutsche Bundesbank and the Manchester Business School, as a keynote speaker. The conference took place in Berlin in May 2011.

OECD WPC World Pension Council Conference in cooperation with EFFAS. This conference was held in December at the OECD premises and was successfully organized by the World Pension Council with more than 120 attendees from 25 different countries.

The conference was opened by Giampaolo Trasi, EFFAS chair and Adrian Blundell-Wignall, from the OECD. The main topics discussed during this conference were the following:

- “Advanced quantitative Investment tools and human decision making”. Professor Kaplan, from Northwestern University and Director of Research of Morningstar, made a presentation.
- “Long term investment and tactical management”. Professor Dempster from the University of Cambridge elaborated the results of research he had been doing. Philippe Uzan, Chief Investment Officer of Edmond de Rothschild Asset Management, gave a practical view of this important topic,
- “The role of ESG in the management of pensions”. Mario Catalan from IMF elaborated on this new issue, with the interaction of Mark Fawcett, Chief Investment Officer of the UK National Employment Savings Trust, and Steffan Hoffer from Allianz Global Investors,
- “Liability driven investment” was also addressed by Anton Van Nunen, with comments from Anton Wouters, Head of Fiduciary Management of BNP Paribas Asset Management, while the issue of “Longevity risks” was questioned by Professor Andrew Cairns, from Heriot Watt University.

The next event is expected to take place in 2012 in conjunction with EFFAS 50th Anniversary.

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 asked 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 Financial Reporting Advisory Group - EFRAG. Hans Buysse represented EFFAS at the EFRAG Meeting, acting as alternative to Giampaolo Trasi. The main topics covered were the relationships and future collaboration between IASB, Trustees and the Monitoring Board. Also covered were the new IFRS regulation on leasing, financial instruments and the possible shift from IFRS around June 2011. Hans Buysse also informed the EMC that he became the EFFAS representative on the CESR Corporate Reporting Standing Committee thanks to the Belgian Banking Insurance and Finance Commission.

European Capital Markets Institute - ECMI. Chris Golden, as the EFFAS representative on the ECMI board, was also an active member of a new Governance Task force, 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 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 Business Reporting Language - XBRL. The XBRL Annual General Meeting took place in Paris, on 22 September 2010, in conjunction with the Usability Forum meeting. The Usability Forum is the working group dedicated to collecting information and directions from the Users, and it is this Forum to which EFFAS should provide input and leadership. Apart from Ralf Frank, who is the EFFAS Delegate for XBRL, it was proposed to also have Hans Buysse representing EFFAS. 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 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 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. EFFAS is a member of XBRL Europe and the XBRL delegate is Ralf Frank, DVFA Germany.

The 22nd XBRL International conference took place in Brussels, 17-19 May 2011. The main conference theme, "Sharing Economic information in a Global World: the XBRL contribution", focused on various challenges following the adoption of XBRL. XBRL is being used in an increasing number of ways, helping to establish it as the de facto data standard to improve interoperability, enhance transparency and reduce administrative burden. It should also be mentioned that XBRL is taking a prominent role in the current reorganisation of the European financial supervisory structure. Hans Buysse, as the EFFAS delegate for the Usability Working group XBRL will participate in future conferences and workshops.

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, 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. Remco van Eeuwijk, kindly informed the EMC that he will not be able to continue to represent EFFAS in this group due to his day to day workload, and he also suggested that it would be beneficial to involve somebody new for this position so as to encourage more commitment and bring new ideas to the table. Remco van Eeuwijk is prepared to continue until the end of the year 2011, giving the EMC enough time to appoint a new representative.

World Intellectual Capital Initiative WICI. Within the WICI, a European regional jurisdiction was created, WICI Europe. It is to be 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.

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

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 EFFAS Commission on ESG was set up in October 2007 in Vienna to elaborate on risk-related aspects of stocks in the area of environmental, social and governance (ESG) issues. CESG participated in the European Commission's ESG Disclosure Workshops in 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. In addition, CESG was in talks with GRI (The Global Reporting Initiative) and a further detailed definition of areas for collaboration is planned.

DVFA, acting as the laboratory for KPIs for ESG on behalf of CESG, finalised its work in 2010 on the definition of KPIs for 114 subsectors based on Dow Jones ICB. The Report on ESG Sector KPIs went officially public - after a public posting period of six weeks - on 14 September 2010. In general, KPIs for ESG have been recognised by many investment professionals, market participants and other international organisations concerned with ESG reporting as filling a gap between financial reporting and the current multitude of CSR reporting standards. As of 11 April 2011, KPIs for ESG 3.0 have been adopted as the basis for ESG Global Leaders Indices, a new product line of Stoxx Ltd, the global index firm.

In 2010, the 4th edition of the EFFAS conference "Taking ESG into Account" took place in Frankfurt on 14-15 September 2010. The next EFFAS ESG conference is planned for this year in Madrid (28 September 2011). Furthermore there will be a specific ESG programme session integrated into this year's EFFAS Summer School in Madrid (14 July 2011), where different key notes, lectures and a panel discussion are planned.

Commission on Intellectual Capital (CIC). During the business year 2010 (06/2010 – 06/2011), the Commission on Intellectual Capital focused on its worldwide international relationships and prospective cooperations, and in particular fostering linkages to the dominating financial market associations in Europe was one of the core activities. This goal will also be supported by the newly elected EFFAS CIC Vice-Chairman Eduard van Gelderen (VBA), who took office in November 2010. As Chief Investment Officer of Amsterdam based APG Asset Management – one of the world's largest public pension funds - and with rich experience in a multitude of functions in the financial industry, he is involved in intangible asset research also on an academic level.

As a result of the Commission's global footprint, CIC Chairman and Vice-Chairman were invited by OECD Deputy Secretary General Richard Boucher to contribute, as representatives of the European capital market, to the OECD conference on 'New Building Blocks for Jobs and Economic Growth: Intangible Assets as Sources of Increased Productivity and Enterprise Value'. Taking place May 16-17, 2011 in Washington, D.C., the conference featured Chairman Ben Bernanke as key-note speaker <http://www.conference-board.org/subsites/index.cfm?id=2371>. Furthermore Alexander G. Welzl and Eduard van Gelderen were invited to bilateral meetings with experts of the Board of Governors of the Federal Reserve System and the Bureau of Economic Analysis (BEA)/U.S. Department of Commerce.

At the level of the development and promotion of guidance for intellectual capital based disclosure and valuation practices, CIC Members finalised two sector specific recommendation papers. Again, in line with international harmonisation, these recommendations also took into account current joint endeavours within the EFFAS supported World Intellectual Capital Initiative (WICI). Finally, CIC's expertise contributed to a novel national standard for brand valuation in Austria, which proved in recent years to be a global test bed for intellectual capital disclosure and valuation. The publication during a press briefing in Vienna in January 2011 was covered by media worldwide <http://www.as-institute.at/index.php?id=6813&L=1>.

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. They have not only well-known speakers, but tackle topical and challenging issues. During the business year 2010/2011 the following meetings took place:

21-22 June 2010, the EBC met in Milan hosted by Intesa Sanpaolo in Palazzo Anguissola. Items on the agenda were varied and far ranging, including a presentation by Maria Grazia Antola from Intesa Sanpaolo entitled 'Italian Covered Bonds: A Market & Regulatory Perspective'; the big picture presentation 'After the Flood: The Global Outlook' was given by Thorsten Weinelt of UniCredit Group and Chris Golden (Chairman) began what was to become a series of presentations on Forecasting FX Rates.

The 4-5 October meeting was held in the Credit Suisse 'Patio' in Zurich and included as part of the Methods & Measures Committee Dr Stefan Illmer of Credit Suisse discussing 'IRR Attribution'; Jean-François Borgy gave a presentation entitled 'An Update on Money Market Conditions in the Eurozone' and the main presentation of the Plenary Session came from Dr Oliver Adler of Credit Suisse 'The Big Picture – The Global Outlook'.

The final meeting of the year took place in the Bloomberg Media Centre in London on 7-8 February, featuring a conversation between Robert Stheeman of the UK DMO and Chris Golden, covering various issues ranging from 'spill-over effects upon the UK gilt market from the Eurozone's difficulties' to 'what makes the Gilt market so attractive right now?'; there were also presentations by Bill Ward of Bloomberg, New York entitled 'Valuing Sovereign Debt'; Professor Peter Sinclair of Birmingham University discussed 'Deficits, debt & default – past, present & future'; John Nugée of State Street Global Advisors outlined 'Europe's Sovereign Debt Crisis' and Jon Danielsson of the LSE spoke on 'Separating the Banking System from Sovereigns'.

EBC maintains on-going relationships with authoritative bodies, in Europe and world-wide, and assists, advises and innovates in many different areas relating to the bond markets.

Financial Accounting Commission (FAC). In the past 12 months, the Financial Accounting Commission (FAC) has continued addressing issues related to financial reporting, and members have continued participating in working groups with international financial organisations. The Commission met on a quarterly basis.

In relation to the technical work, the Commission has increased its contribution to IFRS through its involvement with the IASB. Since last June, nine EDs have been reviewed and comments have been sent to the IASB, while its members have regularly participated in meetings with project managers and Board Members in London. Members have been

involved in discussions with the IASB on the work plan, as the convergence project with the FASB is accelerating in order to meet the June 30 deadline set by the G-20.

Javier de Frutos (Spain) and Jacques de Greling (France), as members of the Analysts Representative Group (ARG), have participated in the definition of a new Charter that will govern this Group from the beginning of 2012. The group will become the Capital Markets Advisory Council (CMAC) and its members will be renewed at 3-year intervals.

Members have continued to participate in EFRAG, as five members are active participants in the Users' Panel and one EFFAS member is sitting in the Technical Expert Group. Members have also participated in the EFRAG/IFRS Foundation Trustees meetings held in Brussels.

Market Structure Commission (MSC). The MSC had its first set of meetings for a number of years, although there had been many conference calls and various papers published in the intervening period. Under the new Chairman, Chris Golden, there were three meetings in the year 2010/11, the first in London on 29 April 2010; then in Zürich on 6 October and the third in London on 9 February 2011.

The first item on the agenda for the London 2010 meeting was to set the objectives of the MSC, which were agreed to be reactive and proactive advocacy; to enhance the visibility of EFFAS MSG both internally and externally, and to agree the addressees of the EFFAS MSC communications.

The main project for the year was the drafting of the EFFAS Principles of Ethical Conduct, which were broadly based on the existing ACIIA Principles of Ethical Conduct and were the main topic for each of the meetings. The committee members are Chris Golden, Chairman; Giampaolo Trasi, Peter Koenig, Con Keating, David Clark, Stephane Bellanger, Krzysztof Grabowski. On 2 February 2011 the MSC responded to a EU Public Consultation on the 'Review of the Markets in Financial Instruments Directive (MiFID)'.

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.

A core project was the creation of a European National Examination within the CEFA and CIIA programmes, containing a common EU institutional framework, legislative procedures (single market), and European regulation and supervision of financial markets. The Commission developed a syllabus and reading material, which were accepted by the EMC in early 2011. This task has kindly been taken on by the Austrian Society OEVFA and Professor Otto Lucius and was completed.

Upon completion this year, this 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 the National Examinations of other European societies, including the new EFFAS Code of Ethics.

A second Commission project was the identification of a Level 1 syllabus and examination within the CEFA-programme. Again here, the split of the CEFA into 2 levels will facilitate the establishment of this programme for newly founded societies, but may also help all NMS that have cooperations with business schools and universities.

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

The meetings of the TQC Commission are open to every representative of an NMS responsible for 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.

Regulatory Initiatives - Position Papers submitted by the EFFAS Commissions during the Business Year 2010/2011

Institution	Submission Date	Title
European Commission	12 February 2010	EFFAS Submission in preparation for final ESG Disclosure Workshop
IASB International Accounting Standards Board	1 March 2010	Exposure Draft ED/2009/6 Management Commentary
IASB International Accounting Standards Board	21 June 2010	Financial Instruments: Amortised Cost and Impairment ED /2009/12
IASB International Accounting Standards Board	30 September 2010	Presentation of Items of Other Comprehensive Income ED /2010/5
IASB International Accounting Standards Board	22 October 2010	Revenue from Contracts with Customers ED /2010/6
European Commission	15 November 2010	Green Paper "Towards adequate, sustainable and safe European pension systems"
EFRAG European Financial Reporting Advisory Group	30 November 2010	Insurance Contracts
IASB International Accounting Standards Board	30 November 2010	Insurance Contracts
IASB International Accounting Standards Board / IFRS International Financial Reporting Standard	15 December 2010	Leases Exposure Draft ED/2010/9
Consultation Document Level 2 Directive 2009/138/EC Insurance and Reinsurance (Solvency II)	26 January 2011	Consultation Directive 2009/138/EC Insurance and Reinsurance (Solvency II)
IASB – International Accounting Standards Board / IFRS – International Financial Reporting Standard	31 January 2011	Effective Dates and Transition Methods
European Commission	31 January 2011	Disclosure of Non-Financial Information by Companies
European Commission	2 February 2011	Public Consultation Review of the Markets in Financial Instruments Directive (MiFID)
ESMA European Securities and Markets Authority	25 February 2011	Technical advice on possible delegated acts concerning the Prospectus Directive (2003/71/EC) as amended by the Directive 2010/73/EU
IASB – International Accounting Standards Board / IFRS – International Financial Reporting Standard	9 March 2011	Exposure Draft ED/2010/13 Hedge Accounting
IASB – International Accounting Standards Board / IFRS – International Financial Reporting Standard	1 April 2011	Supplement to Exposure Draft ED/2009/12 Supplement Financial Instruments: Impairment

Note from the Chairman

Dear EFFAS Members,

During the past 12 months we have intensified our efforts to develop and coordinate 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 is approaching the fundamental deadline of its 50th Anniversary in 2012 in a strong institutional position, with sound organisational and financial conditions, and benefiting from a solid cohesion among its members.

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

*Giampaolo Trasi
EFFAS Chairman*

31 May 2011
