



## Report on the Business Year 2011/2012

### Continuing Development for Investment Professionals

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 27 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: Giampaolo Trasi (AIAF, Italy), Deputy Chair: Jesús López Zaballos (IEAF, Spain), EMC members Frank Klein (DVFA, Germany), Hans Buysse (ABAF, Belgium) Vincent Bazi (SFAF, France) and Fritz Mostböck (ÖVFA, Austria).

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.

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.

In 2011/2012, 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 2011/2012

**Minimum 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 to the EFFAS EBC on 7 February 2012. The EBC approved the Standards and recommended the Standards for endorsement by the EFFAS EMC as a European standard, whilst recognising that they can be supplemented.

Given the overall importance of corporate bonds in institutional portfolios all over Europe and also the fact that bond issuers by and large engage in far too few investor relations activities towards their investors, the Standard addresses an important need for improvement and fills a significant gap. As the role of EFFAS involves investor and issuer education on investment



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professionals' requirements, it has been the general feeling, 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. In accordance with the Governance Model, the decision will be ratified by the AGM in June 2012.

**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."

Giampaolo Trasi, Chairman EFFAS, said: "We are 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



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to integrate ESG into the curricula of training for financial analysts and fund managers. This programme will contribute substantially towards that goal.”

**European Financial Reporting Advisory Group – EFRAG.** 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, having represented EFFAS for eight years in the accounting issues and has now 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.

EFRAG is also 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 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 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 EFFAS written all over it!

**Two 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.

**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 2011 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 Summer School.** The four EFFAS Summer School editions (2008-2011) 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 5th Summer School in July 2012 is now in process; it is expected to be attended by around 200 international participants. Following the success of the previous schools, Grupo Santander in 2010 confirmed a prolongation of the organisation of the EFFAS Summer School for a further period of three years.

**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. Giampaolo Trasi together with Fritz Mostböck travelled to that country 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 in setting up an investment professional association. The feedback was very positive, and hopefully the new Turkish association will be up and running in a few months' time.

**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.

**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





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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.** Following the special report on ESG, the 2011 September newsletter issue included a special contribution by Carsten Zielke, the EFFAS representative in EFRAG, IASB and various related working groups. The Newsletter was disseminated to the Member Societies and to relevant European organisations in electronic format. Member Societies are encouraged to send in interesting and relevant articles.

**EFFAS Yearbook 2012.** The office is in process of putting together the addresses of all the Member Societies including the names of their board members and representatives in EFFAS. The yearbook is to be disseminated at the AGM in June.

**Optimising and Renewing the EFFAS website.** Collecting input and suggestions from the EFFAS Member Societies is an ongoing process with the aim of further providing a robust platform on which the 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 in dates of their important events that may also be attended by other European Member Societies.

**Conference Institutional Investor Forums – The Rights & Responsibilities of Institutional Investors – Amsterdam, 22 March 2012.** This year's institutional investor forum entitled "The Rights and Responsibilities of Institutional Investors" addressed both sets of issues facing investors



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today: ensuring that institutions have the means to exercise their full rights as shareholders and while at the same time have the information and tools they need to meet their investment objectives. The keynote presentation was held by Nobel Peace Prize laureate President Mikhail Gorbachev. Speakers participating for EFFAS were Fritz Mostböck and Ralf Frank.

**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 the third edition of the AAFBR annual conference. The event was held on 9 November 2011 on the premises of the National Bank of Romania (NBR) in Bucharest. Among the invited speakers, we could mention Mr. Mugur Isarescu, NBR Governor, Mr. Fritz Mostböck, EFFAS Board Member, Mr. Lucian Croitoru, Adviser to the Governor of the NBR, Mr. Valentin Lazea, NBR chief economist. Fritz Mostböck, member of the EFFAS Executive Management Committee, held the opening speech, which included a presentation of EFFAS, its main activities and the global dimension of Association of Certified International Investment Analysts. The conference continued with “Perspectives for the euro zone – impact on CEE region”, a second panel “What should we expect in the Romanian economy in 2012”, and the last panel was “Financial markets in 2012 – the role of the reform of state owned companies in developing the capital market in Romania”.

The annual conference of the Romanian Association of the Financial-Banking Analysts, “Romania between past and future”, was a success and enjoyed very good media coverage. It was attended by more than 150 guests from financial sectors, from Romania and abroad, including distinguished EFFAS guests from Austria and Bosnia and Herzegovina.

**Symposium International : Évaluation et valorisation des actifs immatériels – Paris, October 2011 – Assessment and Valuation of Intangible Assets.** Measuring Intangible Assets has become an important issue for all stakeholders. Companies, their advisors, banks, insurances, financial analysts, public authorities, and also the academic community; all are looking for research solutions for defining measure models and repositories or for reporting and publication purposes, that will allow companies to grow their performance in a sustainable way and better communicate



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their value. The «Observatoire de l’immatériel» (a French think-tank whose mission is to promote the measurement of Intangible Assets) and the ESDES Management School in Lyon, under the patronage of the Ministry of Economy and Finance, organize an international conference aimed at: identification, extra-financial measures, financial evaluation and valuation of Intangible Assets. A relevant conference took place from 6-7th October 2011 at the ‘Mendes France’ conference centre at the Ministry of Economy and Finance in Paris Bercy. During those two days, major international experts met and established the state of the art of ongoing work, and provided the Minister with concrete recommendations for a better consideration of Intangible Assets in our economies.

There were a number of EFFAS speakers, like Peillon Marie-Pierre from SFAF; members of the EFFAS Commission on Intellectual Capital (CIC) and the World Intellectual Capital/ Asset Initiative (WICI) Jean-Philippe Desmartin (ISR, ODDO) and Jan Hofmann (Corporate Strategy, Deutsche Telekom AG), held a presentation on Telecom services’ intellectual capital key performance indicators (IC KPI’s).

**Conference organised by the Bosnia-Herzegovina association SMS/ DTS “Innovating Financial Markets Analysis” – 22-24 September 2011.** SMS used its privilege of tailoring the content of the conference towards comparing best practices of analysis across the spectrum of fundamental, technical, behavioural and quantitative techniques. Speakers included Edward Ennis, Rotschild Bank AG, Senior Vice President, Switzerland, Yutaka Yoshio, SMBC Nikko Securities, Chief Technical Analyst, Japan; David Keller, Fidelity Investments, Managing Director of Research, USA; Murray Gunn, HSBC Bank plc., Head of Technical Analysis, UK; Almir Salihovic, Central Bank of Bosnia and Herzegovina. EFFAS was represented by Hans Buysse. Topics covered included: Best practices at institutions with significant market presence (Fidelity, HSBC, etc.), managing public relations and central banking (Central Bank of B&H), real options in the context of M&A (SynCap), use of analytic data (NY Bloomberg) and topics related to technical analysis. Apart from the series of presentations, the conference also included interactive workshops that allowed delegates to provide their own perspectives and input. Keeping in mind the early stage of financial markets development in Bosnia and the region, SMS hopes the conference will serve as a permanent resource for market analysts, bankers, portfolio



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managers and traders. The conference also provided an opportunity for two students from the American University in Sarajevo and the University of Economics in Belgrade to volunteer and experience the event first-hand. Special guests at the conference were the Head of Economic Diplomacy at Bosnian Ministry of Foreign Affairs and the US Ambassador to Bosnia and Herzegovina. Local media, news agencies, Reuters Thompson, and Al-Jazeera Balkans reported on the event's importance to local markets.

#### **Environmental, Social and Governance (ESG) Conference in Madrid.**

The 2011 ESG Conference, an event that is traditionally hosted by the DVFA in Frankfurt, was held this time in Madrid at the Madrid Stock Exchange. It was well attended, not only by Spanish 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 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 leverage for implementing ESG within corporates. The keynote speech was delivered by Mr. Pedro Ortun-Silvan, European Commission, General Directorate Enterprise and Industry.

**EFFAS ESG – Sector KPIs from CESG Official Launch.** On the occasion of the ESG Conference in Madrid, 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 revise reporting of ESG data by corporates and promote 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 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).

#### **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)

#### **Commission on Environmental, Social & Governance Issues (CESG).**

The EFFAS Commission on ESG was set up in 2007 to elaborate on risk related aspects of stocks in the area of environmental, social and governance (ESG) issues to further improve EFFAS' presence in the ongoing global discussions. The goal of the Commission is to give guidance in terms of ESG and non-financial reporting analysis (also so-called sustainable or corporate responsibility issues). In that respect, EFFAS created standards that are of high importance for exchange-listed companies and investment professionals investing in their stocks. CESG held a meeting of its members in April 2011 in Amsterdam at which (for example) external people from the Global Reporting Initiative (GRI) participated as well in discussing areas of collaboration.

In 2011, the 5th edition of the EFFAS conference 'Taking ESG into Account' took place in Madrid on September 28 in co-ordination with and



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supported by the Spanish society IEAF. A number of speakers from international organisations took part in keynote speeches and panel discussions (GRI, KPMG, Spanish corporates, the EU, etc.). There will be a specific programme session integrated into this year's EFFAS Summer School in Madrid (July 2012) focusing on integrated reporting, integrated analysis and behavioural change, with speakers from universities, fund managers, etc., taking part in the discussions.

In 2011, members of CESG (Fritz Mostböck, Ralf Frank) participated together with other international organisations in an EU initiative (from the European Parliament in Brussels) on sustainability called 'European Covenant to Mobilize Private Capitals to Finance Europe 2020/Strategy Objectives'. A common 'Letter of Intent'/position paper was signed as a final outcome.

In the area of responsibility and proper behaviour on financial markets, EFFAS also wrote a letter to the European Commission entitled 'EFFAS' position on the rating procedures in France' (November 2011). In response to the letter, EFFAS received answers from President Barroso and Commissioner Barnier (both published on the EFFAS website).

DVFA and EFFAS CESG, acting as a laboratory for KPIs on ESG, finalised a report on the definition of KPIs for 114 sub-sectors based on the Dow Jones Industry Classification Benchmark/ICB (EFFAS KPIs for ESG Version 3.0). The Report on ESG Sector KPIs was made public in September 2010. Based on that report and our methodology of EFFAS KPIs, STOXX® Ltd. – the globally recognised index service provider – calculated the 'STOXX® Global ESG Leader Indices'. An overall 'STOXX® Global ESG Leader Index' is based on the STOXX Global 1800 Index universe as a broad ESG index. The special indices are calculated on a separate basis in the areas of E, S and G, with respective leading companies in these specific fields. 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. With the issuance of these specialised indices on ESG with our EFFAS methodology behind the calculation, the overall recognition will certainly improve further on a global basis in the long run.





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

**Commission on Intellectual Capital (CIC).** The Commission on Intellectual Capital focused on its worldwide international relationships and prospective co-operation schemes, and particularly the fostering of ties 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 extensive experience in a wide range of functions within the financial industry, he is involved in intangible asset research also at an academic level.

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 supporting the World Intellectual Capital Initiative (WICI). Finally, CIC's expertise contributed to a novel national standard for brand valuation in Austria, which in recent years have proved to be a global testing bed for intellectual capital disclosure and valuation. The publication was covered by media worldwide.

**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 not only have well-known speakers but also tackle topical and challenging issues.



During Business Year 2011/12 the following meetings took place:

The first meeting of the year took place on 17 & 18 June 2011 in St Andrews, Scotland hosted by the University of St Andrews. The main topic of the meeting was transparency, and Dr Thomas Klepsch of State Street Global Advisors gave a presentation on 'Prices & Transparency', which was followed by a session with Chris Golden, Chairman of the EBC who discussed 'The trade-off between transparency & accuracy of prices'.

The 17 & 18 October 2011 meeting was held at NYSE Euronext in Paris and included a panel discussion entitled The Big Picture: Eurobonds with participation from René Defossez of Natixis; Alexandra Dimitrijevic of Standard & Poors; Chris Golden, Chairman of the European Bond Commission, and Thomas Missong of Ratingplatform Austria.

The first day of the conference closed with the presentation by Chris Golden and Françoise Komarnicki of the Richard Komarnicki Memorial Prize to Giovanni Calice.

The Chairman advised the meeting about his work with Chinabond, a delegation of Chinese bankers & investment professionals who visited Geneva and Paris in November for a series of lectures. The Chairman also met with the President and General Manager of Chinabond with a view to increasing ties and co-operation. There are thoughts of bringing groups of 20+ over at least once a year for lecture series and visits to official institutions as well as providing visiting lecturers to China. The Chairman was given plenipotentiary powers to continue acting for the EBC in this area.

The final meeting of the year took place at the DVFA Centre in Frankfurt on 6 and 7 February 2012 and attracted over 100 attendees. Highlights of the conference included presentations by Dr Con Keating of Brighton Rock Group entitled "A Corporate View of the Eurozone Crisis" and John Nugée, State Street Global Advisors, whose subject was "Overview on Eurozone Crisis: How We got to where We are Today". There was also a panel discussion on "The Future of Banks in Europe" featuring Guido Hoymann of Metzler Bank; Chris Golden, Chairman of the EFFAS European Bond Commission; Dr. Sönke J. Siemßen, Investment Research from Bayerische Landesbank; and David Clark of Belair Advisors.



The EBC maintains on-going relationships with authoritative bodies, both in the EU and globally, 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 worked on issues related to international financial accounting standards such as Financial Instruments (replacement of IAS 39) and Revenue recognition. Also, several exposure drafts were reviewed and comments sent to the IASB. Members participated in working and outreach groups with the IASB Board, EFRAG and ESMA in different European cities. Commission meetings were held in October, December and February of this year. The next meeting will be held in June in Madrid.

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Regarding the outreach meetings, the IASB and EFRAG have expressed their intention to increasingly rely on this format and to work more closely with EFFAS to broaden analyst and investor participation in drafting financial accounting standards. In February, the Commission met in London with Hans Hoogervorst, IASB Chairman, and several board members to explore avenues for further analyst participation. Also at the meeting, the commission position on revenue recognition and post-implementation of segment reporting (IFRS-8) was reviewed with IASB technical staff.

Five members continued participating regularly in EFRAG Users' Panel group. In October, representing EFFAS as founding father, Javier de Frutos, a former supervisory board member, attended the 10th anniversary of EFRAG's foundation.

Comments sent to IASB: Agenda Consultation: December 2011; Segment Reporting (IFRS-8): February 2012; Revenue Recognition: March 2012.

**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.



# EFFAS



The Commission held one meeting in September 2011 in Lisbon and another in February 2012 in Frankfurt.

At those meetings, the participants discussed the presentation of training and qualification items on the EFFAS website, as well as a survey for training and qualification that had been proposed by the Spanish society. A third project is the development of a competence framework and syllabus revision of the CEFA designation.

Further on-going projects that the Commission supports include the organisation of the EFFAS Summer School held every year in Banco Santander 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 a NMS dealing with training and qualification. We would like to encourage all Member Societies to forward the appropriate names to the EFFAS Secretariat, and thus support EFFAS and the TQC in projects within the area of training and qualification.

**Market Structure Commission (MSC).** The MSC worked mainly via conference calls and had a personal meeting in Milan in May 2012. 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 2011/2012

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

Institution	Submission Date	Title
European Commission	26 January 2011	Consultation Directive 2009/138/EC Level 2 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	28 January 2011	Public consultation on 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
European Commission	14 November 2011	Rating procedure carried out by Standard & Poor's
IASB – International Accounting Standards Board IFRS – International Financial Reporting Standard	30 November 2011	Agenda Consultation Document
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
IASB – International Accounting Standards Board	13 March 2012	Revenue from Contracts with Customers
Eco-Business	28 March 2012	Attitudes toward Sustainability/CSR in Business

# EFFAS



## 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 celebrating its 50th Anniversary this year, 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!

Giampaolo Trasi  
EFFAS Chairman

*31 May 2012*

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