THE FUTURE OF FINANCE: TRANSPARENCY AND FAIRNESS

CFA Society Netherlands

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Global association of investment professionals dedicated to promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.
Welcome to the Website of CFA Society Netherlands

CFA Society Netherlands serves its members by providing a regional forum for the discussion of investments, economics and finance. The organization promotes high standards of expertise and conduct among investment managers and analysts.

Welcome 2014: the year in which we celebrate the 15 year anniversary of CFA Society Netherlands!

www.cfasociety.org/netherlands
AGENDA

What do transparency and fairness mean for CFA Institute?

What is CFA Institute doing to improve transparency and fairness?

What is CFA Society Netherlands doing to advocate for investors?
“The problems should have gone away when Congress passed financial reforms in 2010. But problems in the industry still exist.”

“From a busted broker with missing customer money to billion dollar trading blunders to lying about LIBOR…”

“A scandal over rigging of key interest rates could plunge the global banking industry into a legal morass that could last years…”
According to the Edelman Trust Barometer, the financial services industry is the least trusted industry globally.

*Question: Please indicate how much you trust businesses in each of the following industries to do what is right.*
WHAT PERCENTAGE OF CONSUMERS DO YOU THINK TRUST BUSINESSES IN THE FINANCIAL SERVICES INDUSTRY TO DO THE RIGHT THING?

A. 0 to 25%
B. 25 to 50%
C. 50 to 75%
D. 75 to 100%
JUST HALF OF INVESTORS TRUST INVESTMENT MANAGEMENT FIRMS TO DO WHAT IS RIGHT, WITH LOW INTENSITY

Q22. Now thinking about specific sectors within the financial services industry, please indicate how much you trust businesses in each of the following sectors to do what is right. Again, please use the same 9-point scale where one means that you “do not trust them at all” and nine means that you “trust them a great deal”. [Top 2 Box, Trust Great Deal; Top 4 Box, Trust]
A STUDY IN CONTRASTS

“Their money is better off in our pockets”
• The Wolf of Wall Street, 2013

“[T]he financial services industry is at its very core all about the concept of stewardship and all about stewardship values and responsibilities. After all, the foundation of financial markets is public trust and confidence.”
• John Taft, CEO of RBC Wealth Management – U.S. in Stewardship, 2012
WHAT FACTORS DO YOU THINK CONSUMERS SAY ARE MOST IMPORTANT IN SELECTING AN INVESTMENT ADVISOR?

A. Ability to earn high returns
B. Fee structure and levels
C. Compliance with industry best practices
D. Trusted to act in the consumers best interest
CFA Institute and Edelman partnered to understand the state of trust in the investment industry. The study conducted in July 2013 surveyed 1,604 retail and 500 institutional investors in the United States, United Kingdom, Hong Kong, Canada and Australia.

**FIGURE 3:** Investors were asked to indicate which attribute is most important when making a decision to hire an investment manager.

- **Trusted to act in my best interest:** 35%
- **Ability to achieve high returns:** 17%
- **Commitment to ethical conduct:** 17%
- **Recommended by someone I trust:** 15%
- **Compliance with industry best practices:** 8%
- **Amount/structure of fees:** 7%

*Question: Investors were asked to indicate which attribute in the above is most important when making a decision to hire an asset or investment manager.*
Investors who do not trust the industry are unlikely to:
• Save and invest for their future
• Achieve their long-term financial objectives

A “savings gaps” means:
• Longer working lives
• Lower quality of life
• Intergenerational stress

Social impact
A FINANCIAL ECOSYSTEM GONE AWRY
THE FUTURE OF FINANCE

Restoring balance to the financial ecosystem
THE FUTURE OF FINANCE ADVISORY COUNCIL

Chair
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Paul Chow, Former Chief Executive, Hong Kong Exchanges and Clearing Limited

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Tom Keene, CFA, Editor-at-Large, Bloomberg News

Andrew Lo, Charles E. and Susan T. Harris Professor of Finance at the MIT Sloan School of Management and Director of MIT's Laboratory for Financial Engineering

Ira M. Millstein, Senior Partner, Weil, Gotshal & Manges LLP, and Co-Chair of the Millstein Center for Global Markets and Corporate Ownership, Columbia Law School

Ng Kok Song, Adviser and Chair of Global Investments at the Government of Singapore Investment Corporation (GIC)

Barbara Novick, Vice Chairman, BlackRock

Saker Nusseibeh, CEO and Head of Investment, Hermes Fund Managers

Robert C. Pozen, Senior Lecturer, Harvard Business School and Senior Fellow, Brookings Institution

Mary Schapiro, Managing Director at Promontory and Former Chairman of the U.S. Securities and Exchange Commission (SEC)

Andrew Sheng, President, Fung Global Institute

Robert Shiller, Sterling Professor of Economics at Yale University and 2013 Nobel Laureate in Economics

John Taft, CEO at RBC Wealth Management
THE FUTURE OF FINANCE

Putting Investors First
The fiduciary duty to protect investor interests.

Safeguarding the System
Promoting stability and minimizing systemic risk.

Financial Knowledge
Empowering investors to make better decisions.

Regulation & Enforcement
Protecting investors and preserving capital market integrity.

Transparency & Fairness
Standards to promote an open and honest financial system.

Retirement Security
Sensible solutions to protect pension systems worldwide.
Putting Investors First
The duty to protect investor interests
STATEMENT OF INVESTOR RIGHTS

WHEN ENGAGING THE SERVICES OF FINANCIAL PROFESSIONALS AND ORGANIZATIONS, I HAVE THE RIGHT TO...

1. Honest, competent, and ethical conduct that complies with applicable law;
2. Independent and objective advice and assistance based on informed analysis, prudent judgment, and diligent effort;
3. My financial interests taking precedence over those of the professional and the organization;
4. Fair treatment with respect to other clients;
5. Disclosure of any existing or potential conflicts of interest in providing products or services to me;
6. Understanding of my circumstances, so that any advice provided is suitable and based on my financial objectives and constraints;
7. Clear, accurate, complete and timely communications that use plain language and are presented in a format that conveys the information effectively;
8. An explanation of all fees and costs charged to me, and information showing these expenses to be fair and reasonable;
9. Confidentiality of my information;
10. Appropriate and complete records to support the work done on my behalf.

www.cfainstitute.org/FutureFinance
Transparency & Fairness
Standards to promote an open and honest financial system
TRANSPARENCY AND STANDARDS
FAIRNESS

Restricting Sales Inducements
Perspectives on the Availability and Quality of Financial Advice for Individual Investors

Packaged Retail Investment Products
Investor Disclosure Considerations for a Key Information Document

Redress in Retail Investment Markets
International perspectives and best practices
• Retirement Security
  - Outreach with Keith Ambachtsheer and Future of Finance Advisory Council
  - Jacco Heemskerk – Global panel for mandatory savings

• Charter for the Dutch Financial Sector

• Future of Finance event with Amsterdam Institute of Finance
  - George Möller, Theo Vermaelen, and Roger Urwin

• Educational Support
  - CFA
  - Claritas Investment Certificate
  - Research Challenge, QuantAwards with CFA Society France
THE FUTURE OF FINANCE STARTS WITH YOU!

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