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2005 in Review

In 2005, the EMC (Executive Management Committee) members were constantly in touch and met formally four times.

EFFAS was represented at the ACIIA Council Meeting in Seoul, two ECMI board meetings and the ICIA meetings in Philadelphia. The member societies in Austria, Greece, Great Britain, Poland were visited in response to a variety of requests for information regarding EFFAS and the professional designations, as well as to explore further areas of closer collaboration.

As far as ECMI (The European Capital Markets Institute) is concerned, a close co-operation with CEPS (The Centre for European Policy Studies) has developed, leading to improvements in the value added for EFFAS members.

EMC representatives met with CFAI representatives in order to discuss closer communication and collaboration between the two organisations. One of the important areas of collaboration with the CFAI is the Global Investment Performance Standards (GIPS). GIPS represents a unique collaboration, a genuine endeavour by many different players in the world, which is the reason for its success. EFFAS would welcome GIPS becoming a global standard, based on a closer and equal involvement of the GIPS Country Sponsors and CFAI, involving joint decision-making by all participants. Therefore, together with our Asian Partners, we are opting for more autonomy and independence for the GIPS Executive Committee (the governing body of GIPS) from the CFA Institute structure in order for it to be able to respond in a more proactive way.

Training and Qualification



During the past year, the CIIA® itself made good progress, not only in Europe, but also in Asia. The Securities Association of China (SEC), a self regulatory organisation, joined the ACIIA. The commitment of the SAC to the development of the CIIA® designation is a very valuable and appreciated asset of the ACIIA®. The Securities Analysts Association, Chinese Taipei (SAA, CT) has officially become the 26th member of the ACIIA. SAA, CT is a strong society with an important role in the banking and securities industry in Taipei.

From Europe, the Greek Society HACSA was the 27th member to join the ACIIA. From Argentina, the Instituto Argentino de Ejecutivos de Finanzas (IAEF) also joined ACIIA this year. The inclusion of the Argentine association IAEF brings the current number of members to 28.

Training in Europe

HACSA, the Greek association, welcomed its first CIIA candidates. The Russian association GIFA, celebrated the first CIIA diplomas granted to Russian professionals in a special ceremony in 2005. In Poland, the Polish SEC has entered Mr. Robert Boczar in the register of investment advisors. Currently there are 228 investment advisors in the register. Mr. Robert Boczar is the first person who, holding a CIIA title, passed the ability test in, among others, Polish law, bookkeeping rules and professional ethics, therefore, earning the right to be entered in the register of investment advisors. The CEFA is awarded to the successful CIIA® candidates simultaneously in many countries.

The Training and Qualification Commission (TQC) has been incorporated as a communication platform between member societies and the EMC. The TQC proved to be a platform for sharing information and communication, as well as generating new ideas. In this context, the concept of a wealth management designation (CIWM) was discussed with the aim of developing a product to be accepted in the major European markets. Now besides Switzerland and France, Spain is considering offering the CIWM. Participation in the TQC is open to every member society and the meetings to date have indicated that it is valuable for all participants.

EFFAS representative in the IEC: Professor Raimond Maurer

Raimond Maurer, professor of finance at Goethe University in Frankfurt, Germany, was elected to the ACIIA International Examinations Committee (IEC) at the 2005 ACIIA General Meeting held in Tenerife.

At present the IEC comprises eight renowned academics and experienced professionals with profound knowledge in their respective areas of specialisation. They represent 7 different countries spread over 3 continents. Three members from each Federation are entitled to nominate a representative. The members are appointed by the ACIIA® for a period of three years, after which the appointment can be renewed.

The committee is responsible for the educational syllabus and examination content of the CIIA, and monitors the examination marking process. Professor Maurer succeeds Professor Otto Loistl, who retired after 5 years of service to the IEC.

“In looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if they don’t have the first, the other two will kill you.”

Warren Buffet

Principles of Ethical Conduct

The CIIA diploma is rapidly emerging as a qualification-benchmark in financial analysis and portfolio management. Also essential for these professions in the long term, however, is a standardised code of ethical conduct. All ACIIA national members have a compulsory code, and ethical questions make a regular appearance on the national level examinations of the CIIA programme.

Now, ACIIA is taking its commitment to high standards of professional conduct one step further, through the development of unified “ACIIA Principles of Ethical Conduct”.



The ACIIA Principles of Ethical Conduct were developed under the coordination of Dr Giampaolo Trasi, from Italy, together with an international committee of experts and practitioners established in June 2004 (Naoko Mori, Japan, Ronaldo Nogueira, Brazil; Mohammed Ghavam, Iran). The group paid particular attention to the IOSCO principles, EU Forum Group principles, ICIA principles, as well as to the national codes of conduct.

While the ACIIA principles will be directed at individual investment analysts, and CIIA holders in particular, at the same time they will aim to set a benchmark for everyone in the profession, without overriding the independence of the national codes in detail. Thus this will contribute to the integrity of global capital markets as a whole.

The exposure draft of the Principles was subject to both an internal and a public consultation period to gain insight from industry colleagues and leaders on the quality and applicability of the Principles. The current version has been approved by the ACIIA Annual General Meeting and will be reviewed on a regular basis.

ILPIP – International Learning Platform for Investment Professionals

The recent founding of the International Learning Platform for Investment Professionals ILPIP marks a significant step forward in the training of CIIA candidates. Founded by the ACIIA member organisations from China, France, Germany, Hong Kong, India, Italy, Japan, Spain and Switzerland, the aim of the platform is to cooperate on the development of high quality CIIA training manuals which can be used by all ACIIA members world-wide.

ILPIP enables every member society to participate for the first time as a partner in the benefits of the large-scale production of training materials. It improves the quality of the training and simultaneously the financial strength of the participating member societies. It stimulates cooperation among the member societies and delivers a considerable advantage. It is designed to be the blueprint for further cooperation models within ACIIA.

Jurisdiction and Regulation

At a European level, the EFFAS Market Structure Group MSG submitted proposals and position papers, as well as professional input to the EU Commission, the EU Parliament and EU Regulatory Bodies.

In parallel, EFFAS is arguing in favour of the introduction of a European passport for financial analysts, which will define standard European requirements for professionals in terms of their qualifications and professional ethics. The goal of this passport is to create a level playing field in Europe and to protect investors.

Accounting

EFFAS is active in EFRAG (European Financial Reporting Advisory Group), the institution advising the EU Commission on questions related to the implementation of IFRS in Europe. The EFFAS representatives are Javier de Frutos in the Supervisor Board, Friedrich Spandl, PhD in EFRAG TEG, and Carsten Zielke, PhD in the EFRAG Insurance Accounting Working Group (IAWG).

EFFAS European Bond Commission

The EFFAS EBC is in the process of finalising standardised rules on calculating a Eurozone default risk free market curve. On Credit Derivatives, the Bond Commission recently formed a working party to investigate the potential to standardise a valuation methodology for credit derivatives. As for book projects, the Bond Commission is looking at a publication on the Omega function, a statistical tool developed by Con Keating.

Another important project of the Bond Commission is related to the work carried out by OECD in the Global Pension Fund field. Chris Golden has written an article for the OECD's regular publication. Finally, the EBC has recently decided to establish a sub-committee to study the possibility of standardising covenant analysis.

isfa Information System for Analysts

In the standards sector, EFFAS also supports the ISfA (Information System for Analysts) system developed by the Swiss association SFAA. ISfA enables the reliable measurement of analysts' performances on an objective and transparent basis. ISfA's recognition by the market and by the profession is growing continuously. In Germany and Switzerland, in cooperation with prestigious economic newspapers, ISfA has been utilised as a tool in identifying the best analyst from different participating parties/companies. The successful analysts were presented at various events, which were very well attended both in Germany and Switzerland.

From a commercial perspective, ISfA is used by various banks, and negotiations with further financial institutions are continuing. The system will be commercialised in Europe in cooperation with Thomson Financial. A system for rating mutual funds is planned to be commercialised. The system will use the data provided by Thomson Financial, as well as that provided by Lipper.

EFFAS Annual General Meeting Elections

Following the voting at the AGM 2005, Mr Fritz H Rau was re-elected chairman for another year and Mr Giampaolo Trasi and Mr Jean François Balmay were elected as EMC members with a mandate of three years.

Conference in Conjunction with the AGM: “Global MARKETS visit SANTA CRUZ”

... “Direttamente de la fuente de los expertos” ... Directly from the experts in the field ...

The ACIIA Seminar “Investment Challenges across 3 Continents” took place on the premises of Tenerife Savings Bank, CajaCanarias, the local sponsor of the events, on the 29th June 2005. Due to their close links with the Savings Bank, the objective of IEAF was to show that Tenerife is not only a holiday island, but has also a financial centre. A financial centre well structured to ensure the provision of good financial services to the people of the Canary Islands. The seminar covered topical issues and challenges faced by Asian, European and South American capital markets. Participants at the seminar were Saving Banks partners and clients, as well as AGM representatives from a wide variety of regions and countries, including Asia, Latin America and Europe.



The seminar was chaired by the ACIIA Deputy Chairman, Jean-François Balmay, from France, and included presentations from ACIIA Chairman, Kiyoto Hagiwara (Japan), Ronaldo Nogueira (Brazil), Gary Cheung (Hong Kong) and Michael Theobald (Great Britain).

Conference: Intellectual Assets and Innovation: Value Creation in the Knowledge Economy – Ferrara, Italy, 20-22 October 2005

Organised jointly by the OECD and the University of Ferrara, the conference is one of the main events of the OECD horizontal project on Intellectual Assets and Value Creation. EFFAS was represented by the Chairman Fritz H Rau and the EMC member Giampaolo Trasi.

On the panel under the title “Intellectual Capital and Investment Professionals: The View of the Users” Fritz H Rau joined forces with Giampaolo Trasi and expressed the view of the users on the discussed topic.



Michelangelo Margaria, Moody's; Fritz H Rau, EFFAS; Giampaolo Trasi, AIAF; Jan-Jacques Mertens, EIB; Mart Kivikas, Wissenskapital GmbH

Excerpt statement Fritz H Rau

“Corporate valuation is a process that requires both quantitative and qualitative elements, combined with a large degree of knowledge and judgement. As such, information on Intellectual Capital plays an important role in shaping analysts’ conclusions. There is a growing demand for Intellectual Capital disclosure on the corporate side. Investment professionals and their associations as users support this approach and may play an important role in defining the information needed for an effective analysis, thus raising the awareness of the importance of Intellectual Capital Reporting in the financial community. EFFAS supports the growing attention and commitment of its member societies towards Intellectual Capital reporting, which is an issue of the greatest importance for investment professionals”.

Lobbying Activities: Position Papers submitted since January 2005

Body	Date Submitted	Title
CESR	21 January 2005	Consultation on CESR's draft advice on the second set of mandates from the European Commission on the Markets in Financial Instruments Directive (MiFID) Document: CESR 04-562
CESR	31 January 2005	Consultation on Market Abuse, Level 3 – preliminary CESR guidance and information on the common operation of the Directive Document CESR 04-505; CESR 04-545
CESR	1 February 2005	Consultation on CESR's technical advice on possible measures concerning Credit Rating Agencies. Document CESR 04-612b; 04-638
CESR	21 February 2005	CESR's Draft Technical Advice on Possible Implementing Measures of the Directive 2004/39/EC on Markets in Financial Instruments – Professional Client Agreements – Call for Opinions. Document CESR 04-689
CESR	4 April 2005	Draft Technical Advice on Possible Implementing Measures of the Directive 2004/39/EC on Markets in Financial Instruments
CESR	27 May 2005	CESR's revised draft Technical Advice on Possible Implementing Measures of the Transparency Directive Ref CESR 05-267
EU Commission	1 August 2005	Green Paper on Financial Services Policy (2005-2010)
EU Commission	15 September 2005	Comments to the Commission's working documents ESC/23/2005 and ESC/17/2005
EU Commission	15 November 2005	Green Paper on the Enhancement of the EU Framework for Investment Funds
EU Commission	31 January 2006	Inter-institutional Monitoring Group Questionnaire for industry

Coming up

CESR'S Consultation Paper on possible implementing measures concerning the Transparency Directive; Storage of Regulated Information and Filing of Regulated Information. CESR Deadline Friday, 31 March 2006.

EFFAS welcomes Lithuania !

Financial Analysts Association (Lithuania) (FAA), informally acting since 1997, was founded in January 1999 as a non-profit organisation. Most of the members are engaged in the decision-making processes in the field of finance, investment management and research. The membership list varies, from financial analysts to CFO and senior and middle managers in financial institutions and private companies. Currently there are about 60 members in Association.



Mindaugas Vaiciulis
President FAA

FAA mission is contributing to the development of finance and investment markets in Lithuania and advocating professional excellence, ethical and high quality professional service, and continuous professional and personal development of finance and investment specialists in Lithuania. FAA also aims to become an active participant in the Lithuanian economic and financial life by expressing its point of view on the important economic matters, arranging open and in-depth discussions on the actual topics as well as presenting proposals to the State institutions on draft legal acts and other projects.

The Board of FAA is composed of 7 members including the President, Mr. Mindaugas Vaiciulis.

Changes in the boards of the National Societies

GIFA – Guild of Investment and Financial Analyst

After many years as GIFA's Executive Director, Andrei Koliagin took up a new challenge. Ivan Oskolkov has taken up the task to further develop new services for GIFA's members.

SFF – Sveriges Finansanalytikers Förening

Kerstin Fagerberg is the new elected chairwomen of the Swedish Society. She is replacing Niklas Ekvall, at the end of his two years mandate.

On behalf of EFFAS, we would like to take this opportunity to thank the past representatives for their support and commitment. We are looking forward to welcoming and continuing our work with the new elected representatives.

Extended EFFAS Financial Accounting Commission meeting in Paris January 2006

Today, financial analysts have an increasingly important role to play in the definition of their regulatory environment. The consultations launched by the various national, European or international institutions provide an opportunity to make their point of view known. There is a real need for input from the user side in the accounting debate, and the financial analysts have to take on their major role in the process. Members of the SFAF Financial Accounting Commission and members of the EFFAS FAC met in Paris on 10 January 2006. The participants exchanged views on the various topical issues.

Calendar of Events

EFFAS

Scheduled EFFAS EMC Meetings in 2006

- 17 March, in Vienna
- 12 May, in Paris
- 22 September, in Rome
- 12 December, in Madrid

EFFAS CEE Meeting

- September 2006, in Vienna

EFFAS Annual General Meeting 2006

- 30 June 2006, in Luxembourg

Scheduled EFFAS TQC Meetings in 2006

- 8 - 9 May 2006, in Madrid
- October, Venue *tbc*

EFFAS European Bond Commission

- 8 – 9 June 2006, in Budapest

ACIIA International Seminar in Europe

- September 2006

ACIIA® – The Association of Certified International Investment Analysts

ACIIA Council Meeting Autumn 2006

- 28 November 2006, in New Delhi

ACIIA Annual General Meeting 2006

- 29 June 2006, in Luxembourg

Examinations Dates 2006

March 2006

- 10 March 2006, Europe/ Americas
- 11 March 2006, Asia

September 2006

- 15 September 2006, Europe/ Americas
- 16 September 2006, Asia

March 2007

- 9 March 2007, Europe/ Americas
- 10 March 2007, Asia

September 2007

- 14 September 2007, Europe/ Americas
- 15 September 2007, Asia

Conferences Key Dates

March

2-3 March 2006
18th SAAJ and CFAJ Joint Seminar, Tokyo

17 March 2006
GRI G3 European Event
FEE, Brussels

April

5-6 April 2006
Conference Unbundling and the Future of
Buyside-Sellside relations; AQ Conferences, London

7 April 2006
Business Ethics Forum 2006
Hong Kong Securities Institute, Hong Kong

June

5-8 June 2006
IOSCO Annual Conference
Hong Kong

Contact information:

EFFAS – European Federation of Financial Analysts Societies
Einsteinstrasse 5
63303 Dreieich, Frankfurt am Main, Germany

Telephone (+49 6103) 58 33 48

Fax (+49 6103) 58 33 35

Web: www.effas.com

Email: Claudia.Stinnes@effas.com