CFA Institute Member Poll:
Euro zone Stability Bonds

I. About the Survey

a. Background

In the context of the intensified euro-area sovereign debt crisis, the European Commission launched a consultation on the feasibility of common issuance of sovereign bonds among the Member States of the euro area. "Stability Bonds" are regarded as a potentially powerful instrument to address the current liquidity constraints in several euro-area Member States and to ultimately reinforce financial stability in the euro area. The consultation is exploring various options for the issuance of such bonds and investigating the pre-conditions.

b. Purpose and Methodology

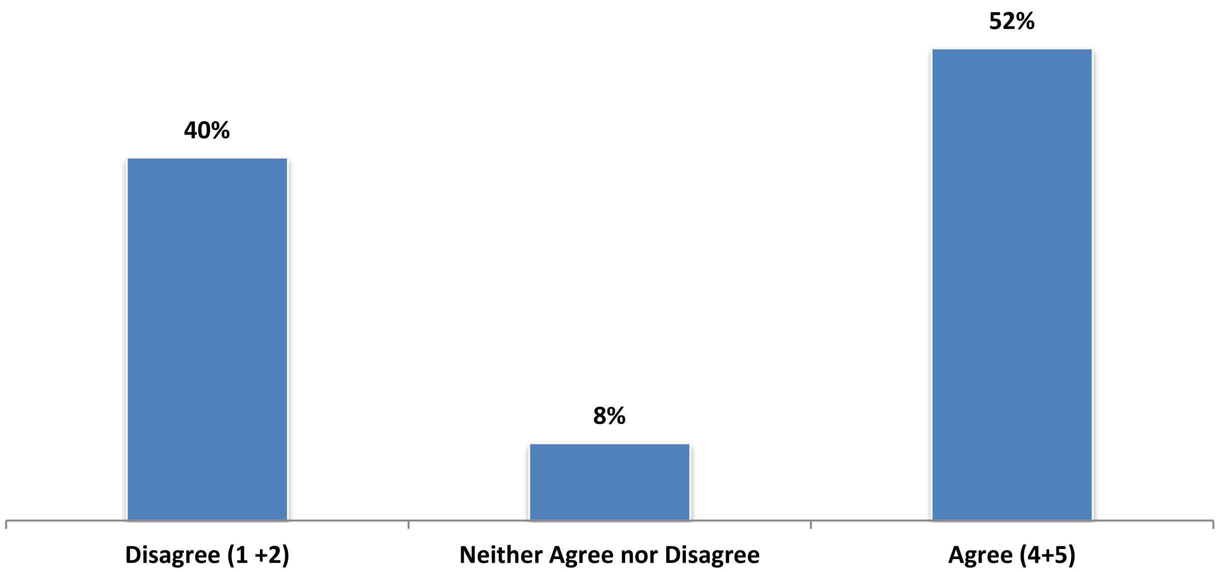
All CFA Institute members in the European Union and Switzerland were invited to participate in an online survey to collect their opinion on the introduction of Stability Bonds and to inform CFA Institute feedback to the European Commission. 15,297 members with a valid email address received the email invitation for the survey on 20 December 2011 and one reminder was sent to non-respondents on 28 December 2011. The survey was closed at 12:00p.m. EST on 4 January 2012. 798 members responded for an overall response rate of 5% and a margin of error of ± 1.62%.

II. Full Results

Q1: Requirement of common issuance of sovereign bonds

52 percent of respondents agree that resolution of the euro area sovereign debt crisis should require common issuance of sovereign bonds among euro area Member States. 40 percent disagree and 8 percent neither agree nor disagree.

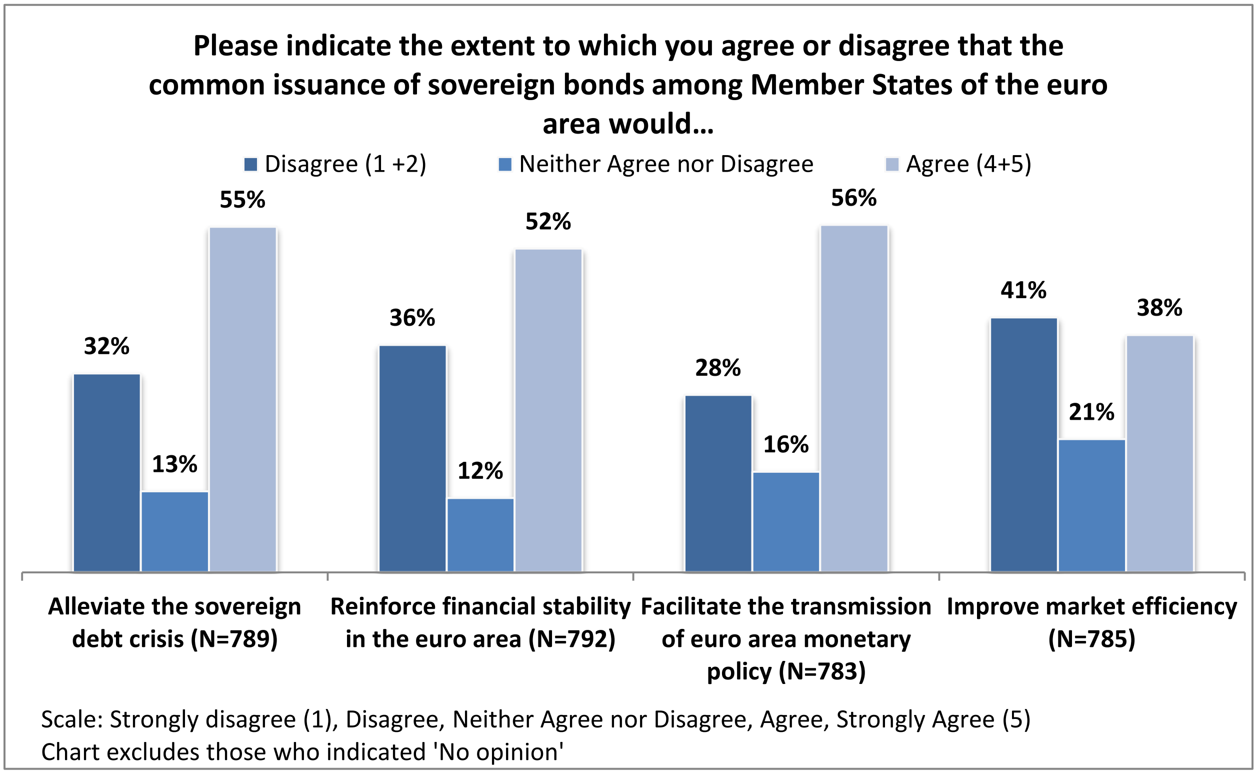
Please indicate the extent to which you agree or disagree that resolution of the euro area sovereign debt crisis should require common issuance of sovereign bonds among euro area Member State. (N=777)



Scale: Strongly disagree (1), Disagree, Neither Agree nor Disagree, Agree, Strongly Agree (5)
Chart excludes < 1% who indicated 'no opinion'

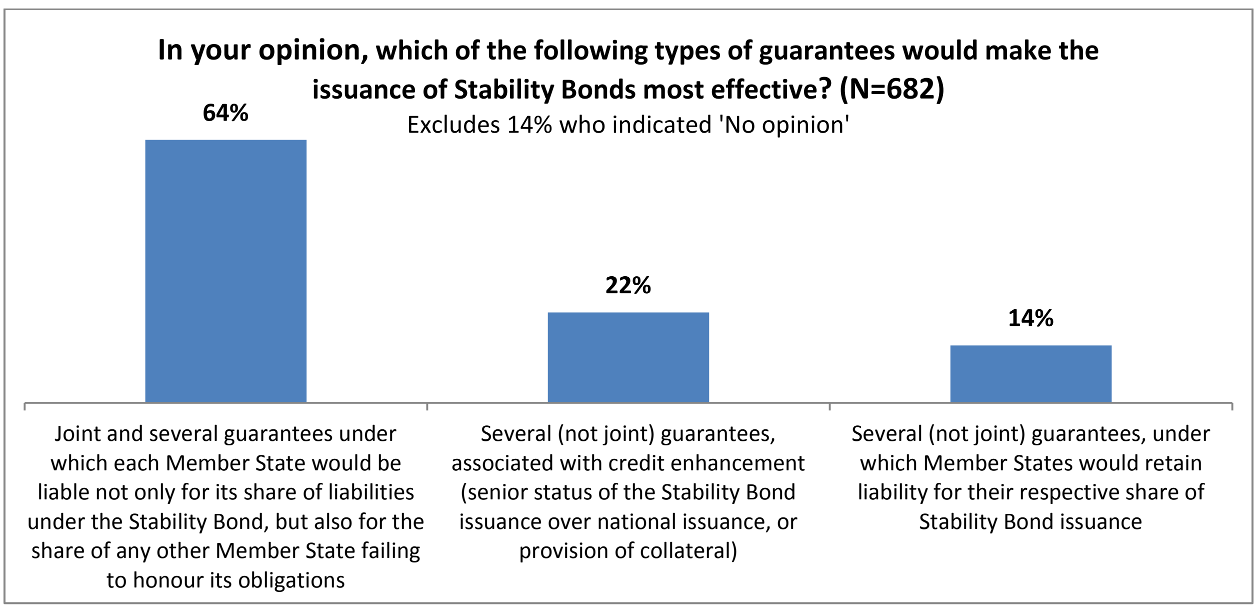
Q2: Effect of the common issuance of sovereign bonds

The majority of respondents agree that the common issuance of sovereign bonds among Member States of the euro area would alleviate the sovereign debt crisis (55 percent), reinforce financial stability in the euro area (52 percent), and facilitate the transmission of euro area monetary policy (56 percent). 41 percent disagree that it would improve market efficiency while 38 percent agree.

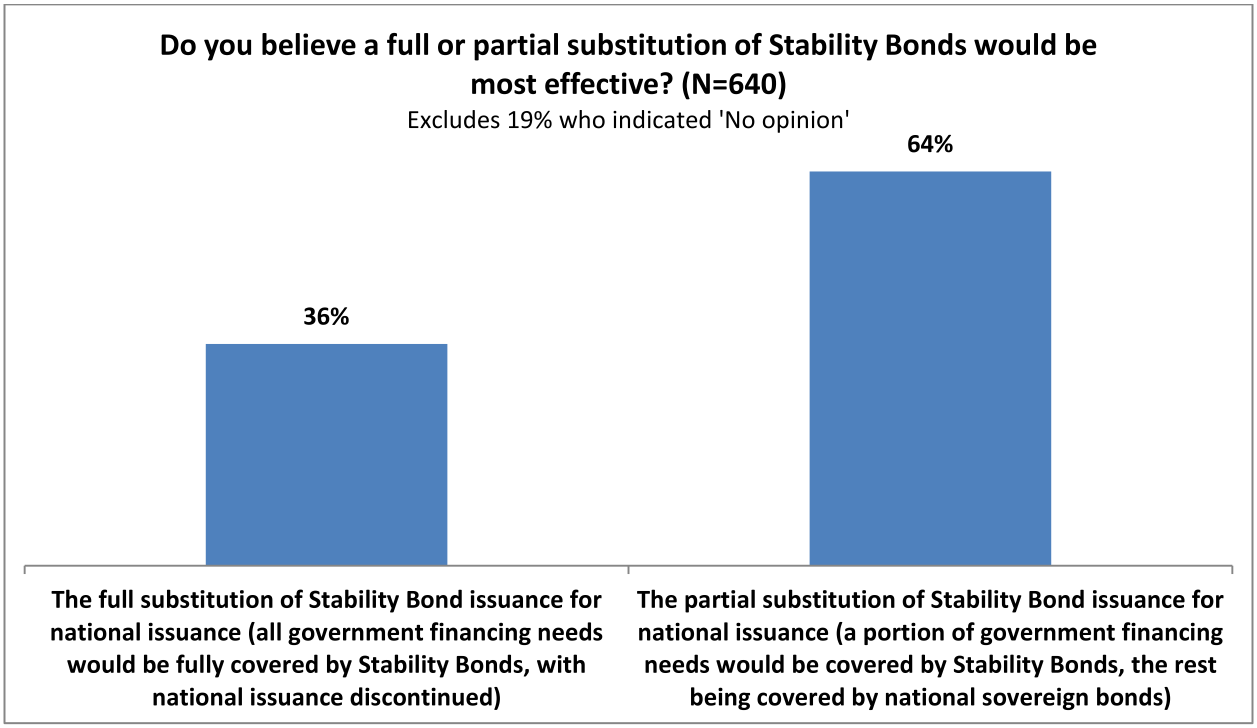


Q3: The most effective approach for the common issuance of sovereign bonds

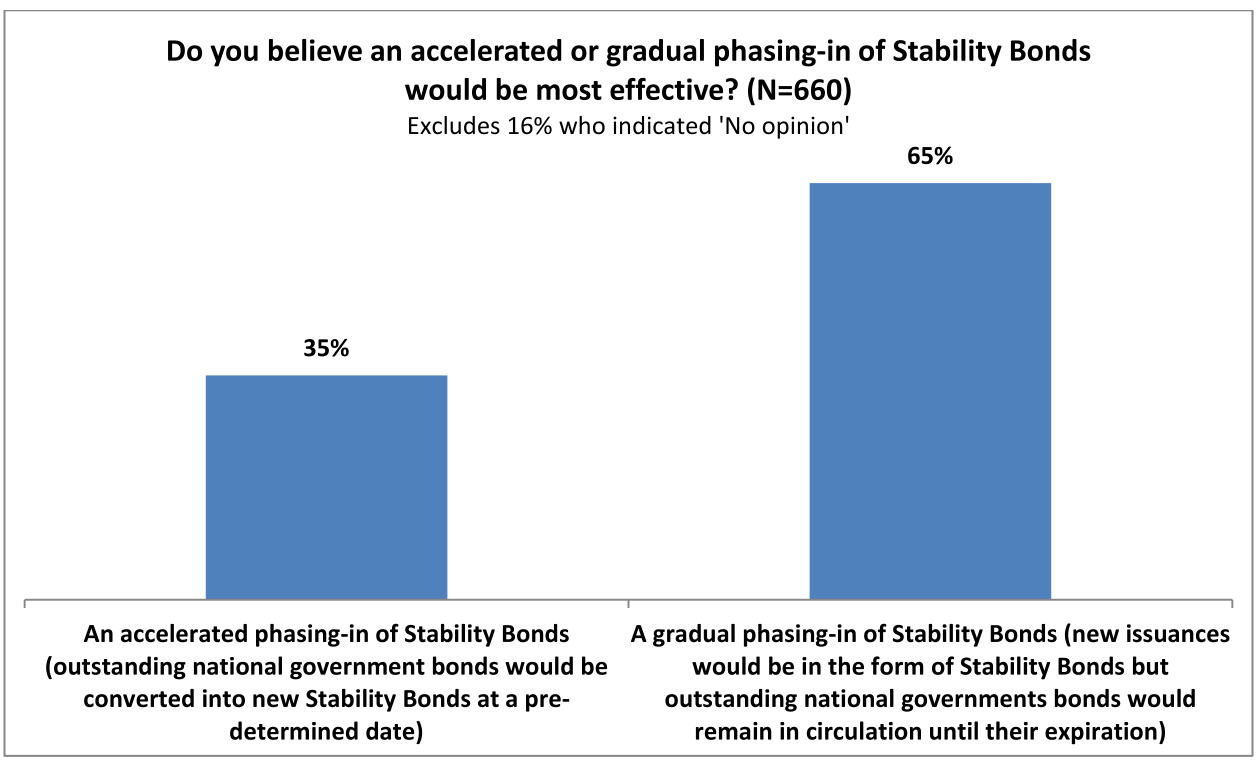
64 percent indicate the most effective approach for the common issuance of sovereign bonds among Member States of the euro area would be joint and several guarantees under which each Member State would be liable not only for its share of liabilities under the Stability Bond, but also for the share of any other Member State failing to honor its obligations.



Q4: Full verse partial substitution of Stability Bonds
36 percent indicate full substitution would be most effective. 64 percent of members indicate that the partial substitution of Stability Bond issuance for national issuance would be most effective.



Q5: Accelerated or gradual phasing-in approach of Stability Bonds
35% indicate an accelerated phasing-in would be most effective while 65 percent of members indicate that a gradual phasing-in of Stability Bonds would be most effective.

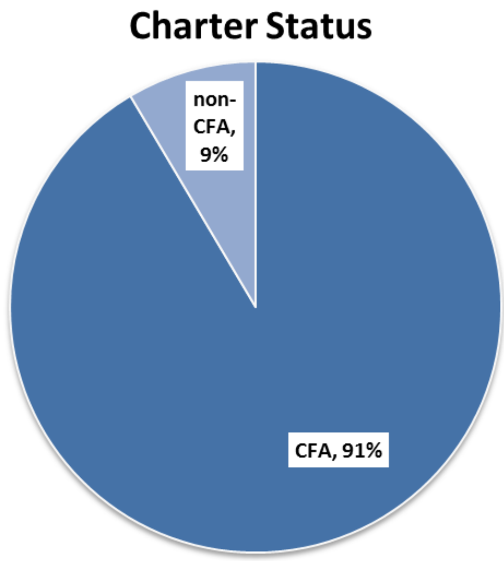


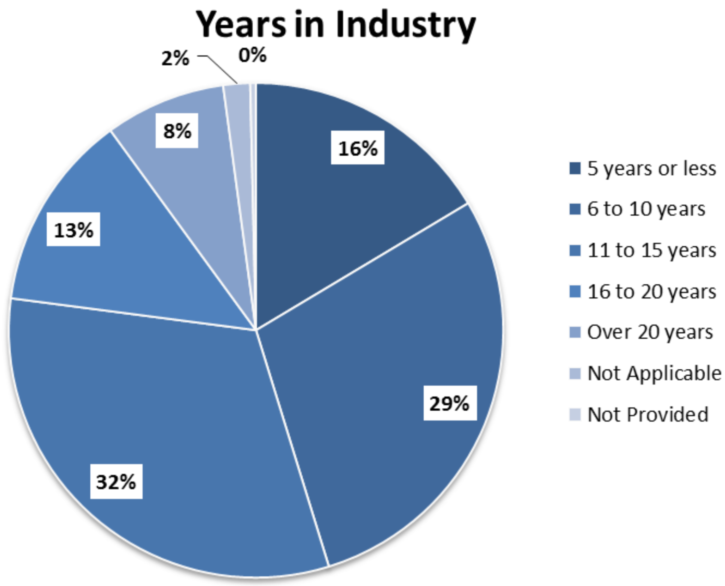
Q6: Necessity and likelihood of proposed mechanisms

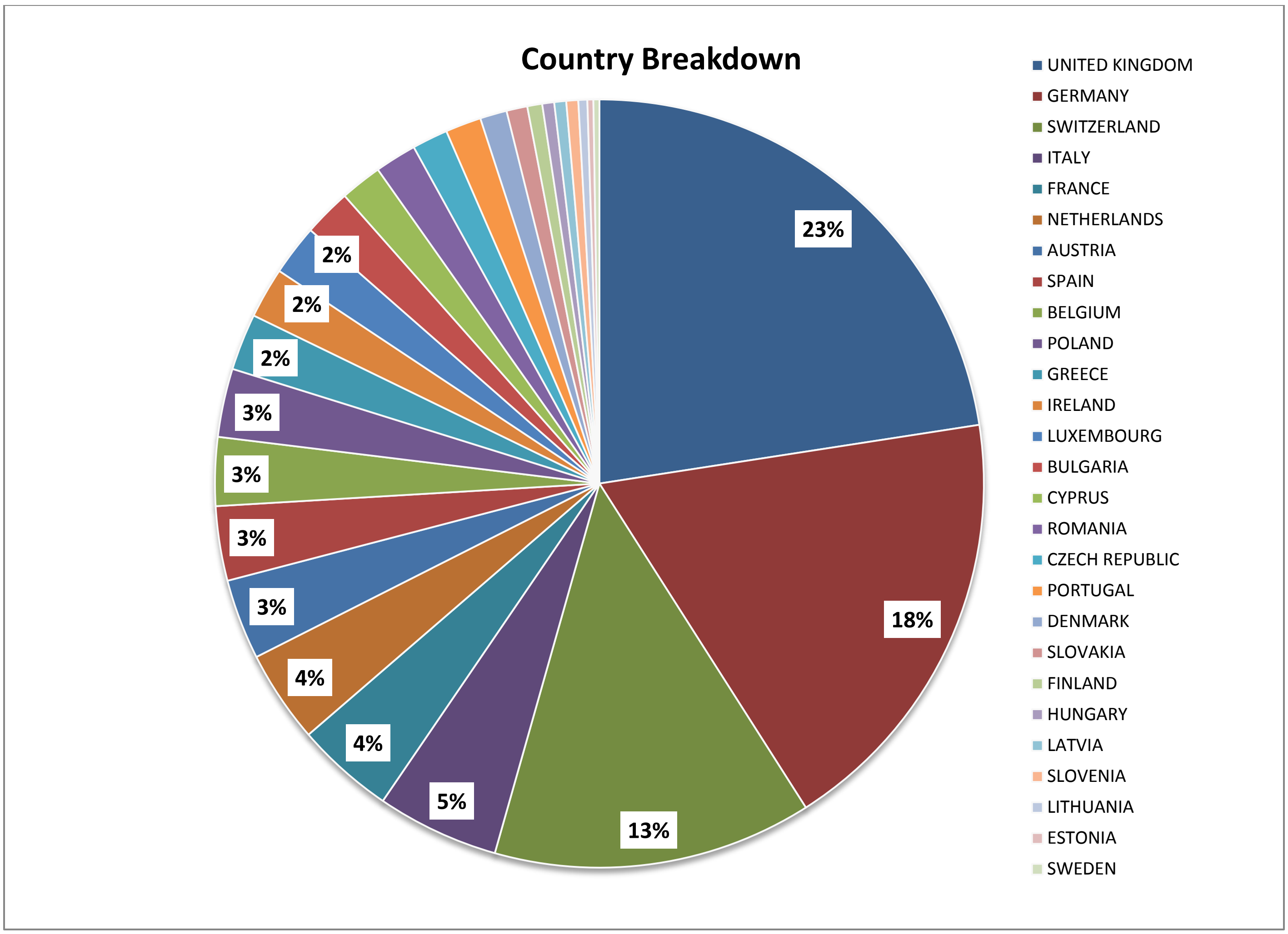
The following mechanisms have been proposed to limit or manage the risk of moral hazard associated with the introduction of Stability Bonds, where some Member States may follow poor budgetary discipline with limited implications for their financing costs. Please indicate the necessity of each mechanism and the likelihood that each mechanism could be established to the satisfaction of capital markets.	Necessity		
	Yes	No	Excludes 'Don't know'
Establishment of ex ante ceilings for national borrowing by participating member states, limiting access to the Stability Bond issuance to a specific percentage of each Member State's GDP	84%	16%	5%
Limiting the access of a participating Member States to the Stability Bond issuance in case of non compliance with rules and recommendations under an euro-area governance framework	90%	10%	4%
Adoption of binding medium-term fiscal frameworks by participating Member States	90%	10%	6%
Increased surveillance and intrusiveness in the design and implementation of national fiscal policies for participating Member States	88%	12%	6%
Significant enhancement of economic, financial, and political integration of participating Member States	86%	14%	7%
Central approval of draft budgets for all participating Member States	74%	26%	5%

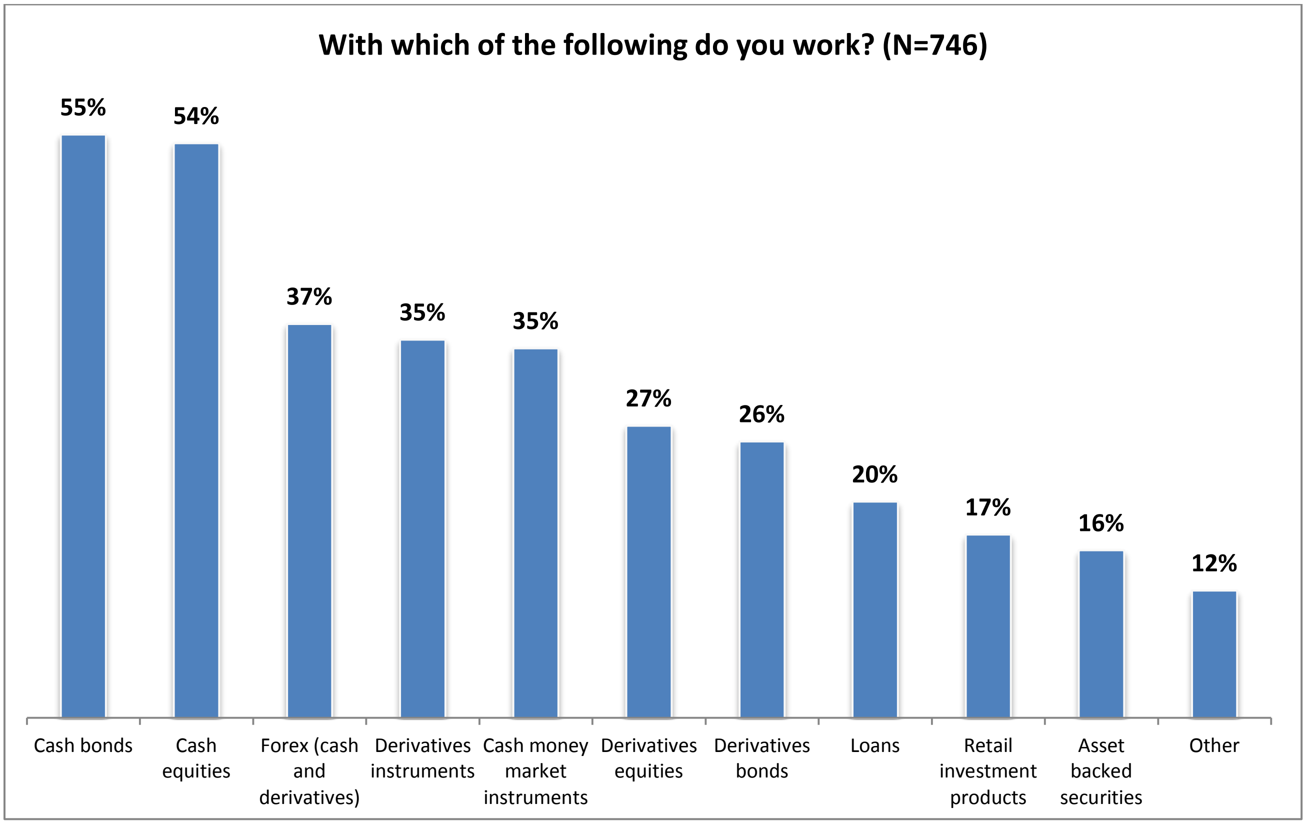
The following mechanisms have been proposed to limit or manage the risk of moral hazard associated with the introduction of Stability Bonds, where some Member States may follow poor budgetary discipline with limited implications for their financing costs. Please indicate the necessity of each mechanism and the likelihood that each mechanism could be established to the satisfaction of capital markets. Scale: Not likely at all 1 to Very likely 5	Likelihood			
	Not likely (1 + 2)	3	Likely (4+5)	Excludes 'No opinion'
Establishment of ex ante ceilings for national borrowing by participating member states, limiting access to the Stability Bond issuance to a specific percentage of each Member State's GDP	27%	23%	51%	5%
Limiting the access of a participating Member States to the Stability Bond issuance in case of non compliance with rules and recommendations under an euro-area governance framework	29%	23%	48%	6%
Adoption of binding medium-term fiscal frameworks by participating Member States	26%	27%	48%	5%
Increased surveillance and intrusiveness in the design and implementation of national fiscal policies for participating Member States	33%	25%	42%	7%
Significant enhancement of economic, financial, and political integration of participating Member States	38%	26%	35%	8%
Central approval of draft budgets for all participating Member States	50%	19%	30%	7%

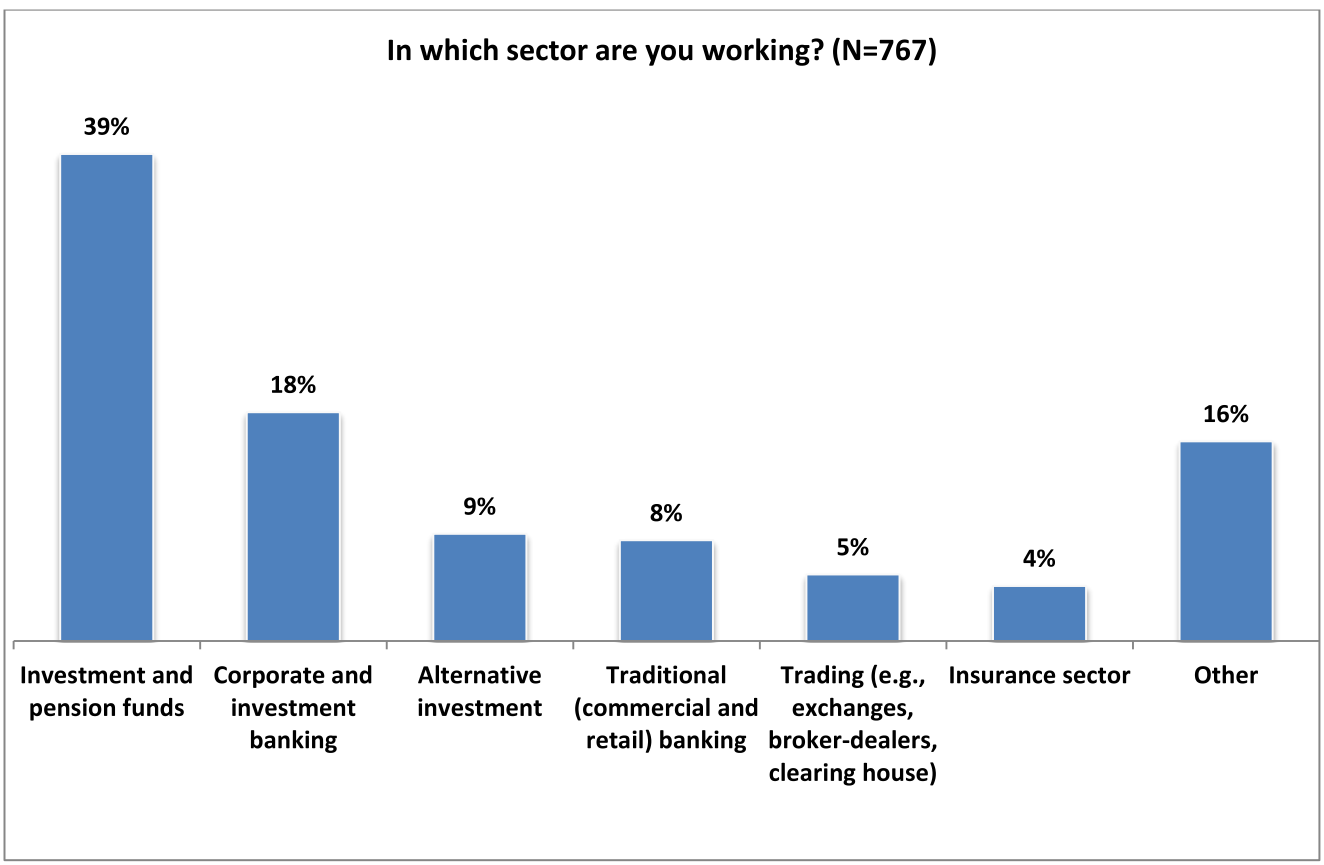
III. Demographics of Respondents

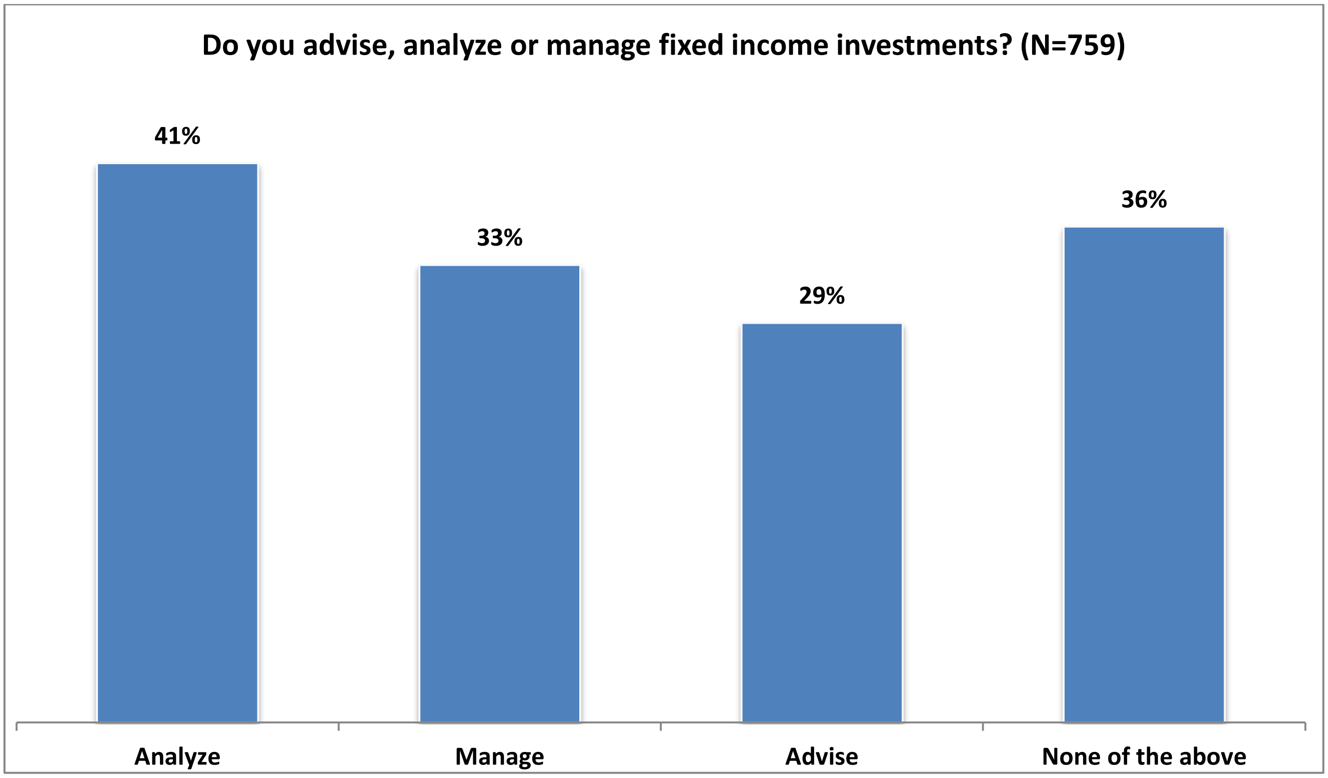


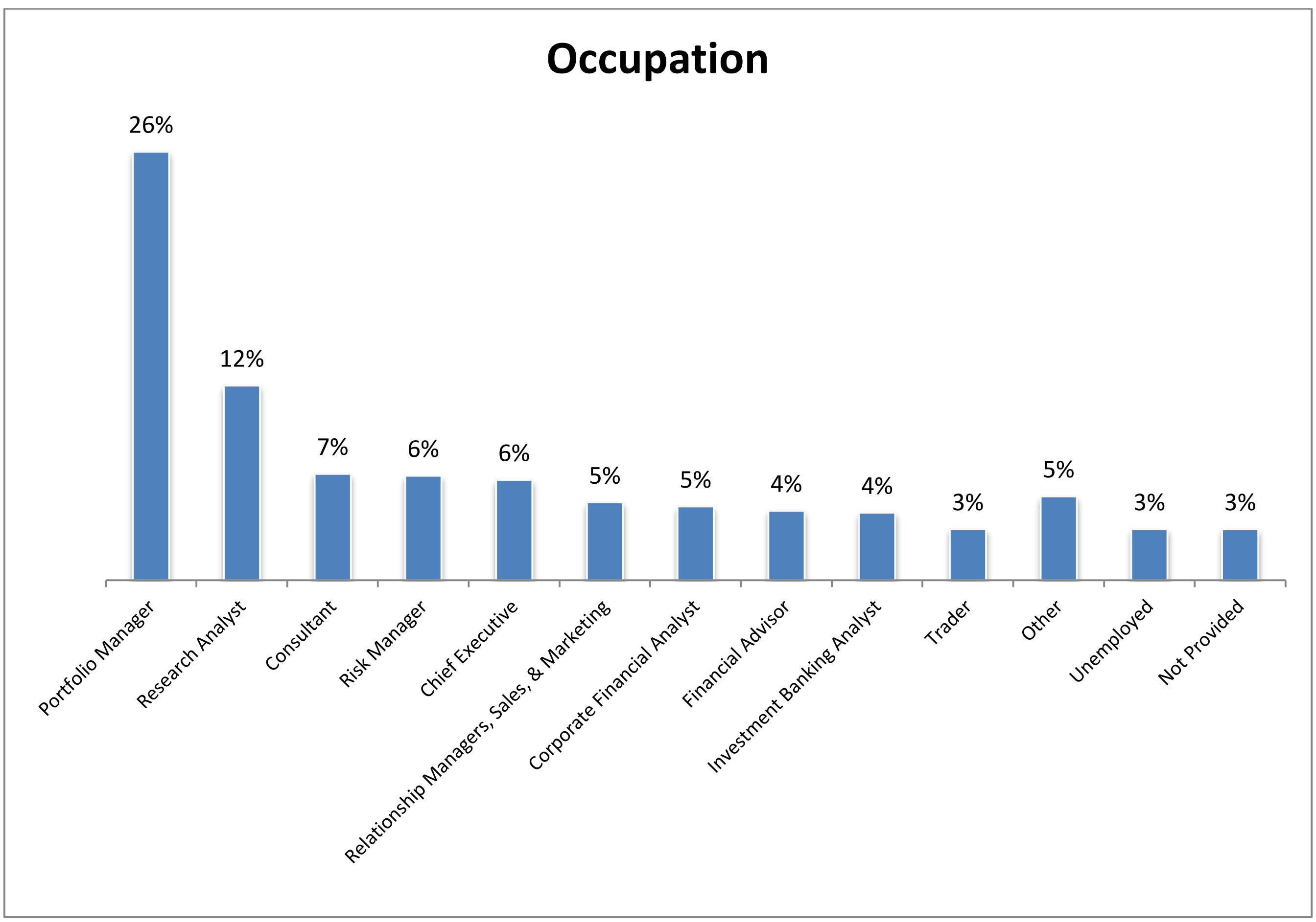





With which of the following do you work? (N=746)
55%
54%
37%
35%
35%
27%
26%
20%
17%
16%
12%
Cash bonds
Cash equities
Forex (cash and derivatives)
Derivatives instruments
Cash money market instruments
Derivatives equities
Derivatives bonds
Loans
Retail investment products
Asset backed securities
Other


In which sector are you working? (N=767)
39%
18%
9%
8%
5%
4%
16%
Investment and pension funds
Corporate and investment banking
Alternative investment
Traditional (commercial and retail) banking
Trading (e.g., exchanges, broker-dealers, clearing house)
Insurance sector
Other


Do you advise, analyze or manage fixed income investments? (N=759)
41%
33%
29%
36%
Analyze
Manage
Advise
None of the above


Occupation
26%
12%
7%
6%
6%
5%
5%
4%
4%
3%
5%
3%
3%
Portfolio Manager
Research Analyst
Consultant
Risk Manager
Chief Executive
Relationship Managers, Sales, & Marketing
Corporate Financial Analyst
Financial Advisor
Investment Banking Analyst
Trader
Other
Unemployed
Not Provided