



GLOBAL ADVOCACY NEWS AND UPDATE

MARCH 2020

IN THIS ISSUE

Statement on the COVID-19 Fiscal Emergency

Advocacy in Action

New Report on How to Boost IPOs In Europe

Promoting Real-Time, Transparent Accounting Measures

New Report Explores Implications of Declining Public Market Listings

CFA Institute Hosts Important Regulatory Event

FOR COMMENTS OR QUESTIONS, PLEASE CONTACT

Kurt N. Schacht JD, CFA
CFA Institute Policy Director, Washington DC
advocacy@cfainstitute.org

At CFA Institute, the health and safety of our members, employees, stakeholders, and affiliates around the globe are our top priority. The novel coronavirus (COVID-19) outbreak remains a very fluid situation and is having dramatic effects on the global economy, which we are continuing to monitor. We want to share our official statement on the crisis; however, we also want to bring you our usual roundup of updates on recent activities and advocacy efforts taking place around the world. In this issue you'll find highlights of new reports on boosting initial public offerings (IPOs) in Europe, the role of public and private equity markets, and our ongoing efforts to push back on potential accounting changes from standard-setters. We provide an overview of our global meetings and events, including our first-ever Financial Industry Regulatory Symposium, as well as our media coverage. Stay safe and healthy!

—Kurt N. Schacht, JD, CFA, CFA Institute Policy Director

ADVOCACY OVERVIEW

STATEMENT ON THE COVID-19 FISCAL EMERGENCY

COVID-19 crisis: In what has rapidly surpassed the economic and market impacts of the “great financial crisis,” the COVID-19 epidemic has caused global markets to reel. CFA Institute has turned to the [Systemic Risk Council](#), which we helped create in 2015, and is now chaired by Sir Paul Tucker, to release a detailed [statement](#) about the needed fiscal response to the COVID-19 crisis. Key points include:

- Tackling the medical crisis effectively, and recognizing the economic costs of the social distancing solution is critical
- Guarding the safety and soundness of the global financial system through support of G20 central banks with a “whatever it takes” approach to maintaining liquidity and solvency of our key markets and institutions is paramount
- Key financial institutions (large global banking networks) must take immediate steps of their own to better position themselves to support businesses and households over the coming months (for example, no share buybacks, dividend reductions and cessations, and reduced capital distributions to management)
- Governments (from G20 countries in particular) must be clear and more visible in their role of supporting businesses and households with fiscal and healthcare resources, among other efforts
- Global cooperation is imperative. Major economies must work together, and work more closely. International organizations, such as the Financial Stability Board (FSB), the World Bank, and the International Monetary Fund (IMF), must step in to support and guide smaller emerging-market and developing economies

ADVOCACY IN ACTION

MEDIA ATTENTION

Institutional Money (DEU) (16 March) reported on a new pension fund study from CFA Institute, which addresses the extent to which pension schemes could be opened up to private assets.

Inversion & Finanzas (ESP) (8 March) interviewed Josina Kamerling, Head of Regulatory Outreach, EMEA, at CFA Institute, on a wide range of topics, including the Capital Markets Union, MiFID II, investor protection, financial education, and Brexit.

L'Agefi (FRA) (5 March) reported on the European IPO Task Force's recommendations and quoted Josina Kamerling, Head of Regulatory Outreach, EMEA, at CFA Institute: "Since the early 2000s, we have had a risk approach that immediately disqualifies SMEs. We need clearer legislation adapted to them," she said.

NASDAQ (4 March): Jim Allen, Head of Advocacy and Outreach at CFA Institute, discussed recent developments in the auditing profession.

Politico Europe (2 March) reported that the European IPO Task Force, co-organized by CFA Institute, will publish its recommendations for improving IPO markets.

L'Agefi (FRA) (27 February): Romain Devai, CFA Society France member, and Olivier Fines, Head of Advocacy, EMEA, at CFA Institute, wrote about initial coin offering (ICO) regulations in France.

Capital Radio (ESP) (26 February) interviewed Josina Kamerling, Head of Regulatory Outreach, EMEA, at CFA Institute, on some of the most relevant regulatory issues facing the EU.

Accounting Web (25 February), Kazim Razvi, Director of Financial Reporting Policy, EMEA, at CFA Institute, wrote about keeping accounting measures neutral for standard-setters.

Wall Street Journal (19 February) reported on the US House subcommittee calling for more oversight over FASB and quoted Sandy Peters, Head of Financial Reporting Policy at CFA Institute.

GLOBAL EVENTS & ACTIVITIES

Centre for European Policy Studies (CEPS) Ideas Lab, Brussels, 6 March: Matt Orsagh, Senior Director, Capital Markets Policy, at CFA Institute, participated in a panel discussion titled "Sustainable Finance: Moving the Trillions?" at the annual CEPS Ideas Lab, which brought together Europe's top decision-makers and thinkers to discuss the most pressing issues confronting the EU.

International Organization of Securities Commissions (IOSCO) Stakeholders' Meeting, Madrid, 28 February: Josina Kamerling, Head of Regulatory Outreach, EMEA; Mary Leung, Head of Advocacy, AP; and Sara Cheng, Senior Director of Capital Markets Policy and Strategy, AP, at CFA Institute, participated in the IOSCO stakeholder meeting, which focused on regulatory issues in asset management (including liquidity, leverage, and ETFs) and challenges arising from financial innovation.

Federation of European Securities Exchanges (FESE) Fintech Event, Brussels, 17 February: Sviatoslav Rosov, Director of Capital Markets Policy, EMEA, at CFA Institute, presented "Blockchain and Its Implications for a Green Economy" at the Capital Markets Seminar at the European Parliament.

Corporate Governance Summit, Mumbai, India, 14 February: CFA Institute, represented by Vidhu Shekhar, Country Head for India, and Sivananth Ramachandran, Director of Capital Markets Policy for India, partnered with the Confederation of Indian Industry for this important event. Mr. Shekhar participated in a panel discussion on ethics and professionalism, which focused on standards of professional conduct for CFA candidates and driving positive change for better investor outcomes.

Fitch Environmental, Social, and Governance (ESG) Learning Event, London, 6 February: Olivier Fines, Head of Advocacy, EMEA, at CFA Institute, participated in this event with a presentation on ESG integration in investment management, including the current regulatory and political context in the EU on sustainability, the EU Commission Package on ESG, and the difficulty of reaching a consensus on reporting and disclosures at a global level.

MARKET INTEGRITY & TRANSPARENCY

NEW REPORT ON HOW TO BOOST IPOs IN EUROPE

New report: The European IPO Task Force, comprising corporate representatives and experts from the financial sector, including CFA Institute, Federation of European Securities Exchanges (FESE), Accountancy Europe, and the European Bank for Reconstruction and Development (EBRD), launched a new report, [European IPO Report 2020](#), on how to improve conditions for European initial public offering (IPO) markets. Since the launch of the Capital Markets Union Plan in 2015, the number of European IPOs has steadily decreased.

Recommendations: The report proposed several recommendations that European policy-makers should consider implementing in order to reverse this downward IPO trend. Six main priorities highlighted in the report include:

- Improving IPO ecosystems for companies and investors
- Promoting investors' participation in IPO markets
- Creating a European equity culture
- Implementing tax incentives for investment in IPOs and equity
- Creating a regulatory framework that favors technological innovation
- Supporting capital markets in the transition to a sustainable economy

Moving forward: These measures should serve as inspiration for the European Commission in developing its new small- and medium-sized enterprises (SME) strategy and Capital Markets Union (CMU) initiatives. The European Commission's High-Level Forum on Capital Markets Union will publish its final report on the way forward for the CMU in May 2020. The Commission will then follow with a series of legislative initiatives focused on revamping the CMU project in the EU.

Promotion: Josina Kamerling, Head of Regulatory Outreach, EMEA, at CFA Institute, was one of the chairs of the European IPO Task Force and spoke at the launch event of the final report on 2 March. Ms. Kamerling and Rainer Riess, Director General of FESE, also recorded a podcast ([coming soon](#)) on the recommendations of the report.

MARKET INTEGRITY & TRANSPARENCY

PROMOTING REAL-TIME, TRANSPARENT ACCOUNTING MEASURES

Timely, transparent accounting: With the recent moves of FASB and IASB to consider changing goodwill accounting rules, CFA Institute is asserting its firm belief that in today's modern financial world, accounting needs to mirror timely, accurate financial information. Accounting should reflect asset bubbles, market growth trends, volatility, and crisis as they unfold in order to provide an accurate, fully transparent representation. The timeliness of financial information forms the bedrock of market integrity.

Neutrality: There is no place for "prudence" (i.e., frontloading losses) in modern financial reporting because it does not reflect reality, nor does it ensure solvency of the underlying business issues. The accounts should provide "neutral" information so that all participants can understand exactly what is happening in the markets. This neutrality helps policy-makers spot trends and address problems accordingly.

Pushing back on regulators: Standard-setters should avoid artificially deflating asset bubbles in financial reporting. Instead, standard-setters should push back on prudential regulatory influence and adhere to neutrality. Following the 2008 financial crisis, standard-setters have become more accommodating to regulators, but their compliant stance will create significant unintended consequences on the economy (published in [Accounting Web](#)).

INVESTOR PROTECTION

NEW REPORT EXPLORES IMPLICATIONS OF DECLINING PUBLIC MARKET LISTINGS

New report: With listings in public markets declining worldwide, potentially reducing investment options and expected returns for retirement portfolios, CFA Institute released its second report in a series exploring the evolving role of public and private equity markets.

Pension landscape: The report, *Pensions and Private Markets: A Look at European Opportunities and Challenges*, has been produced in response to an increasing interest in greater defined contribution (DC) pension fund participation in private markets. It reviews the existing pensions landscape in European markets and identifies the benefits and disadvantages of DC pension schemes increasing their investments in private companies and markets, such as private equity and venture capital.

Challenges: The report identifies several challenges to calls for increased DC investments into private markets, including a focus on low cost as the key metric of value-for-money, uncertainty on eligible assets, the need for industry disclosures, and the pooling of resources needed for participation in private markets.

Our position: CFA Institute believes there is a plausible argument for increasing participation by DC schemes in private markets; however, such investments are not guaranteed to outperform public markets, and they come with significant risks and uncertainty for savers. These investments will challenge the existing daily liquidity paradigm that exists in the DC industry. Regulators, pension schemes, and private market participants will all need to adjust their behavior and expectations for this policy to be a success.

KEY GLOBAL EVENTS & ACTIVITIES

CFA INSTITUTE HOSTS IMPORTANT REGULATORY EVENT

Key event: The 2020 Financial Industry Regulatory Symposium, the first CFA Institute global regulatory discussion on business conduct and professionalism, took place on 25 February 2020 in Madrid. The event gathered more than 120 participants, including financial industry professionals and decision-makers from academia, regulators, stakeholders, and industry organizations.

Our mission: This symposium brought the CFA Institute mission to life, focusing on promoting trust, the highest standard of ethics, education, and professional excellence in the financial sector. As financial markets are subject to ever-more-rapid changes, there is a need to focus on trust, integrity, and ethical behavior as the core of investor relationships with advisers.

Influential presentations: CFA Institute CEO Marg Franklin kicked off the event with an introductory keynote and was followed by a series of discussions with distinguished business leaders, including Paul P. Andrews, Secretary-General, IOSCO; Cathie Armour, Commissioner, Australian Securities and Investments Commission; Jean-Paul Servais, Chairman, Belgium Financial Services and Markets Authority; and Gabriela Figueiredo Dias, Chairwoman, Comissão do Mercado de Valores Mobiliários (CMVM).

Discussions: Panel discussions, moderated by Josina Kamerling, Head of Regulatory Outreach, EMEA, and Jim Allen, Head of Advocacy and Outreach, at CFA Institute, featured debates on corporate culture and measures adopted by regulators to enhance investor protection. Mary Leung, Head of Advocacy for Asia Pacific, gave a presentation titled “Strengthening Investor Protection in Fund Sales and Distribution: Lessons Learned Around the World” based on the 2019 report “Sales Inducements in Asia Pacific.” Gary Baker, Managing Director, EMEA, at CFA Institute, provided closing remarks.

