



GLOBAL ADVOCACY NEWS AND UPDATE

OCTOBER 2019

IN THIS ISSUE

ESG Issues Remain a Priority

Advocacy in Action

Accolades from the Investor and Financial Education Council (IFEC)

Blueprint for EU Action

Systemic Risk Council Influential DC Meetings

Prioritizing US Advocacy Initiatives

Key US Advocacy Meetings and Activities

Key APAC Advocacy Meetings and Activities

APPENDIX:
Environmental, Social, and Governance (ESG) Inventory Summary

FOR COMMENTS OR QUESTIONS, PLEASE CONTACT

Kurt Schacht, CFA,
Managing Director
of Advocacy
advocacy@cfainstitute.org

With the start of our new fiscal year, CFA Institute continues to evaluate key financial issues and trends to determine what our advocacy priorities should be for the year. Environmental, social, and governance (ESG) issues remain an important focus for us, as seen in our robust coverage of and attention to ESG around the world. Other key priorities are, for the EU, capital markets union, fintech, sustainable finance, and value for money; and for the US, fiduciary duty, retirement, ESG, and fintech. We continue to participate in significant meetings and events to promote our views on investor protection, including the Systemic Risk Council (SRC) influential Washington, DC meetings; the International Financial Reporting Standards Foundation (IFRS) Board of Trustees meeting; the Council of Institutional Investors (CII) Fall Conference; and the IOSCO World Investor Week event in Hong Kong. Highlights of our media coverage are also provided to show our authority and influence on key advocacy issues.

—Kurt Schacht, CFA, Managing Director of Advocacy

INVESTOR PROTECTION

ESG ISSUES REMAIN A PRIORITY

ESG priorities: Environmental, social, and governance (ESG) matters continue to dominate financial discussions across Europe and around the world. The recent focus of CFA Institute has been on policy decisions being made around public companies' duty to report on sustainability matters, – as well as on proposed rules and regulations that would require the investment management profession to factor sustainability considerations (particularly climate and social accountability issues) into investment decision-making with documentation. Overall, we support an increase in both ESG considerations and disclosures in the investment process.

ESG curriculum and policy: CFA Institute consistently monitors key debates and evolving issues concerning the role and application of ESG information in the investment management process. We have devoted much time and effort to studying and reporting on ESG issues, including a series of [ESG reports](#) with Principles for Responsible Investment (PRI), among other reports. Our CFA curriculum and website shows our deep coverage of and dedication to this area, with a robust inventory of ESG-related content (see appendix to this newsletter), including research reports, comment letters, educational articles, blogs, podcasts, and webinars as well as external activities and seats at the table. A thorough overview of our ESG positions is detailed in our [CFA Institute Policy Statement on ESG](#), which has been cited by the Council of Institutional Investors (CII) as a clear and concise summary, underscoring the necessary interplay between the investor clients and their managers.

ADVOCACY IN ACTION

MEDIA ATTENTION

The Wall Street Journal (18 October) quoted Sandy Peters, Senior Head of Financial Reporting Policy at CFA Institute, on the increased usage of non-GAAP adjustments.

The Wall Street Journal, *Bloomberg Tax* (17 October) reported that FASB and IASB said they hope to streamline rules on goodwill accounting at an event hosted by CFA Institute and the International Financial Reporting Standards Foundation. At the same event, *Accounting Today* (17 October) covered comments on consolidating sustainability standards.

The U.S. Securities and Exchange Commission (15 October) reported on CFA Institute support of dual-class share reforms.

Institute of Chartered Accountants in England and Wales (14 October) hosted a video of Kazim Razvi, Director of Financial Reporting Policy at CFA Institute, discussing the value of audits.

AccountingToday (11 October) and *CFO* (14 October) quoted Sandra Peters, Senior Head of Financial Reporting Policy at CFA Institute, on the replacement of a member of the PCAOB.

The Wall Street Journal (7 October) quoted Sandra Peters, Senior Head of Financial Reporting Policy at CFA Institute, on WeWorks's IPO filings.

CPA Canada (9 October) reported on a CFA Institute survey in support of quarterly reporting.

The Hill (6 October): Kurt Schacht, Managing Director of Advocacy at CFA Institute, penned an article questioning whether we learned anything from the last recession.

The Corner (4 October) interviewed Josina Kamerling, Head of Regulatory Outreach at CFA Institute, on a range of topics, including valuations methods, safe assets, and Brexit.

Barron's (1 October) quoted a CFA Institute policy brief on how payment for order flow poses a conflict of interest for brokers.

Cotizalia (ESP) (28 September): Kazim Razvi, Director of Financial Reporting Policy at CFA Institute, wrote about the increasing pressure on Spanish banks to be more cautious.

GLOBAL EVENTS & ACTIVITIES

ACCOLADES FROM THE INVESTOR AND FINANCIAL EDUCATION COUNCIL (IFEC)

Award and appointment in APAC: For the second year in a row, CFA Institute has been awarded the Financial Education Champion award by the [Investor and Financial Education Council \(IFEC\)](#), a public organization with the mission of improving financial literacy in Hong Kong. During the past year, we collaborated with IFEC on key events and activities, including the *IOSCO World Investors' Week* 2018 and 2019, the *Sector Analysis Fundamentals* seminars (March and July 2019), and the *Train-the-Trainers* seminar. IFEC also jointly appointed CFA Institute and the Hong Kong Society of Financial Analysts (HKSFSA) as a member organization of the Financial Education Coordination Committee (FECC) for a three-year period starting 15 August 2019. The FECC is a core part of IFEC's investor protection and literacy strategy. This appointment allows CFA Institute to further represent investor interests and is a recognition of our advocacy efforts in APAC.

ADVOCACY PRIORITIES

BLUEPRINT FOR EU ACTION

Recommendations for EU: CFA Institute released our *Blueprint for the Next Five-Year Legislative Period* for the new European Union Commission and Members of the European Parliament (MEPs). Created with members from 23 CFA EU societies, this paper includes our top priorities and recommendations for EU policy makers in their legislative mandate. Investment firms face a future in which change is accelerating. Our blueprint provides a guide to help them adapt to and navigate these changes.

Our EU advocacy: The advocacy team of CFA Institute in Brussels has been consistently engaged in the key debates surrounding financial markets issues in the European Union. Our policy advocacy efforts are focused on promoting policies that serve investor protection; advancing policy research that enhances market structure, transparency, and fairness for all investors; and supporting the creation of rules and regulatory standards that improve investment industry professionalism.

Priorities: This blueprint addresses four principal topics: capital markets union, fintech, sustainable finance, and value for money. These four themes are priorities for CFA Institute members and also represent the areas in which CFA policy experts are most involved and engaged. The paper will act as a guide for our outreach and discussions with the European Commission, key stakeholders, and policy makers.



INVESTOR PROTECTION

SYSTEMIC RISK COUNCIL INFLUENTIAL DC MEETINGS

CFA Institute joins key meetings: On 16 October in Washington, DC, a small group of Systemic Risk Council (SRC) members, headed by Sir Paul Tucker, SRC Chair and former Deputy Governor of the Bank of England, participated in a series of key meetings with top officials at the Federal Reserve Board, the Federal Deposit Insurance Corp., the Department of the Treasury, and the Commodity Futures Trading Commission. CFA Institute sponsors the SRC and took part in the discussions.

Key issues discussed included

- Central Clearing Party (CCP) resolution: Addressing potential CCP failures for US derivatives and securities markets, and ensuring that regulators have direct access to sufficient liquidity for sustainable operation, among other issues
- Cybersecurity: Ensuring interagency, and likely international, information sharing
- Crypto-currency: Balancing the needs for currency stability in developed nations and the flexibility it can provide to emerging markets, among other issues
- Recent repo market activity: Addressing liquidity issues in the banking system stemming from regulations

Moving forward: These discussions were an important start to moving the needle and generating more engagement on these issues. The SRC is a private sector, nonpartisan body of former government officials and financial and legal experts committed to addressing regulatory and structural issues related to global systemic risk. Their goal is to help ensure a financial system in which we can all have confidence.

ADVOCACY PRIORITIES

PRIORITIZING US ADVOCACY INITIATIVES

Looking ahead: The US Society Advocacy Advisory Committee (SAAC) met on 1 October to assess and discuss advocacy priorities for the current fiscal year. Among the issues considered, the following four priorities emerged:

- **Fiduciary duty:** Despite the recent SEC adoption of Regulation Best Interest, the committee still felt CFA Institute needs to keep up the fight against mis-selling, including possibly assisting in a state-based fiduciary standard.
- **Retirement:** Advocacy efforts will focus on state and local issues, including public pension sustainability and financial literacy; and, on the federal level, on the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which proposes simplification to 401(k) rules and small business retirement plans, among other things.
- **ESG:** We continue to support efforts to produce a US standard that could benefit members from a practical perspective.
- **Fintech:** There remains a need for regulatory clarity, consistent with UK and EU progress.

The committee also considered ways to help local societies engage in advocacy, including on financial literacy, both at the institutional level (with pension trustee training) and at the retail investor level.

GLOBAL EVENTS & ACTIVITIES

KEY US ADVOCACY MEETINGS AND ACTIVITIES



2019 IFRS Board of Trustees Meeting

Financial standards: IFRS Board of Trustees Meeting, New York: The International Financial Reporting Standards Foundation (IFRS) Board of Trustees held its quarterly board meeting in New York in October. Kurt Schacht, Managing Director of Advocacy (who serves on the board), and Sandy Peters, Senior Head of Financial Reporting Policy at CFA Institute, led an evening event featuring a panel discussion with IASB Chair Hans Hoogervorst and FASB Chair Russ Golden, which was moderated by *Wall Street Journal* columnist Jason Zweig. The conversation explored the continued convergence of IASB and FASB standards, recent issues surrounding ESG, goodwill impairment rules, and the latest concerns about new loan loss accounting rules. The event earned widespread media coverage, including in the *Wall Street Journal* and *Bloomberg Tax*.

Proxy voting: CII Fall Conference, Minneapolis, MN: CFA Institute presented important proxy voting considerations at the Council of Institutional Investors (CII) Fall Conference on 16–18 September 2019. In a session titled *Auditing Issues and Proxy Voting*, Sandy Peters, Senior Head of Financial Reporting Policy at CFA Institute, presented the views of CFA Institute on critical audit matters when considering auditing voters. Kurt Schacht, Managing Director of Advocacy at CFA Institute, presented our views on the proxy advisory firm regulation in another session, *Policy Outlook: Proxy Voting and Proxy Advisory Firm Regulation*.



2019 CII Fall Conference

Financial reporting regulations: Workiva Amplify Conference, Dallas, TX: CFA Institute presented our views on recent SEC regulatory developments at the annual *Amplify Conference 2019*, on 9–11 September 2019. CFA Institute has advocated for improvements in the deployment of technology in financial reporting. Sandy Peters, Senior Head of Financial Reporting Policy at CFA Institute, presented two sessions titled *How Will SEC Regulatory Changes Impact Your Company*.

GLOBAL EVENTS & ACTIVITIES

KEY APAC MEETINGS AND ACTIVITIES

APAC dual class shares: ASIFMA Annual Conference 2019, Tokyo: Sara Cheng, Senior Director, Capital Markets Policy at CFA Institute, participated in a panel discussion titled *Equity Capital Formation Reform and Innovation* during the Asia Securities Industry and Financial Markets Association (ASIFMA) Annual Conference 2019 on 10–11 October. Ms. Cheng represented the views of CFA Institute on the recent development of dual-class share IPOs in APAC and how these structures affect corporate governance and investor protection. ASIFMA is an independent, regional trade association representing a diverse range of more than 100 leading financial institutions from both the buy and sell sides, including banks, asset managers, professional services firms, and market infrastructure service providers. CFA Institute remains steadfast in our dual-class shares position that rules should ensure that each share has one vote. A structure that permits one group of shareowners to have disproportionate votes per share creates the potential for a minority shareowner to override the wishes of the majority of owners for personal interest.

APAC investment environment: IOSCO World Investor Week 2019 event, Hong Kong: On September 28, CFA Institute APAC kicked off a series of International Organization of Securities Commissions (IOSCO) World Investor Week 2019 events around the world with an event co-organized with the Association of Chartered Certified Accountants (ACCA), the Hong Kong Society of Financial Analysts (HKSFA), and the Investor and Financial Education Council (IFEC). World Investor Week is a global campaign to raise awareness about the importance of investor education and protection and to highlight the investor education and protection initiatives of securities regulators. The event was held at the Hong Kong Stock Exchange and featured an opening session with Mary Leung, Head, Standards and Advocacy, Asia Pacific at CFA Institute, and covered the current investment environment, common investor mistakes, and the APAC banking sector.



APAC reporting standards: IVSC Annual General Meeting, Singapore: Eugene Hsiao, Senior Manager, Capital Markets Policy at CFA Institute, participated in a panel discussion on the economic value of goodwill at the International Valuations Standards Council (IVSC) meeting on 9 October in Singapore. This was an opportunity to relay positions of CFA Institute on global financial reporting standards, including insights from a professional investor's perspective, to an audience of more than 150 senior accounting and valuation professionals. The IVSC facilitates collaboration and cooperation among its more than 130 global member organizations, which are valuation service providers, financial services businesses, regulators, international bodies, and academic institutions.

India Financial Market: S&P Dow Jones ETF Roundtable, India: Sivananth Ramachandran, Director, Capital Markets Policy India at CFA Institute, presented *How Are CIOs Responding as Alpha Generation Gets Harder?*, focused on the Indian passive funds landscape and issues surrounding the Indian ETF industry, at this September 2019 event. CFA Institute believes that regulators and exchanges should take measures to increase awareness in passive investments, develop the supporting infrastructure (including incentives for market makers in ETFs), and improve liquidity in hedging instruments such as index futures.

ESG Disclosure: Corporate Reporting Users Forum, India: Sivananth Ramachandran, Director, Capital Markets Policy India at CFA Institute, presented on ESG disclosure practices in APAC, based on a recent CFA Institute research report, at a Corporate Reporting Users Forum (CRUF) event organized by PricewaterhouseCoopers. The event was attended by IASB members and representatives from rating agencies, proxy advisors, and investment firms. CRUF is a global network of investors and analysts engaged in debates about accounting, governance, and regulatory issues.

APPENDIX



CFA Institute



Environmental, Social, and Governance (ESG) Inventory Summary

CFA Institute Official Policy Statement

[Positions on Environmental, Social and Governance Integration](#) (2019)

CFA INSTITUTE RESEARCH AND POLICY REPORTS

1. [ESG Integration-EMEA](#) (2019)
 2. [ESG Integration-APAC](#) (2019)
 3. [ESG Integration-AMER](#) (2018)
 4. [Global ESG Case Studies](#) (2018)
 5. [Dual-Class Shares - APAC](#) (2018)
 6. [Corporate Governance Manual](#) (2018)
 7. [The Evolving Future of Fiduciary Duty in an ESG World](#) (2018)
 8. [CFA Institute ESG Survey](#) (2017)
 9. [Handbook on Sustainable Investments](#) (2017)
 10. [Dual-Class Shares - Brazil](#) (2017)
 11. [ESG Manual: A Guide for Investment Professionals](#) (2015)
 12. [Proxy Access in the United States](#) (2014)
-

COMMENT LETTERS TO REGULATORS AND POLICY MAKERS

1. [EC on Climate-Related Disclosures](#) (1/2/19)
2. [FSB Task Force: Climate Disclosures](#) (12/2/16)
3. [SASB Rules and Concept Release](#) (6/7/16)
4. [US FTC on Common Ownership](#) (15/1/19)
5. [Singapore Exch. on Dual-Class Shares](#) (27/4/18)
6. [Hong Kong Listing Regime](#) (21/3/18)
7. [SEC on Shareowner Nominations](#) (24/9/09)
8. [SEC on Director Elections](#) (2/10/07)
9. [MSCI Voting Rights](#) (22/1/18)
10. [S&P Dow Jones Voting Rights](#) (29/6/17)
11. [FTSE Russell Voting Rights](#) (16/6/17)
12. [SEC on Universal Proxy](#) (9/1/17)
13. [With CFA BRZ on IOSCO EM Corp Gov](#) (5/8/16)



CFA Institute

CFA INSTITUTE ESG EDUCATION

1. [ESG Investing Course & SRI Education](#) (2016)
2. [ESG Issues and Practical Examples](#)
3. [ESG Methods](#)
4. [Fiduciary Responsibility and Financial Performance](#)

5. [ESG Issues across Asset Classes](#)
6. [ESG Issues and Traditional Investing](#)
7. [Key ESG Concepts](#)
8. [The Environment and Financial Markets](#)
9. [Social Finance and Impact Investing](#)
10. [History of SRI](#)
11. [Corporate ESG Disclosure and CSR](#)
12. [Limitations of ESG Methodologies](#)
13. [Conventions, Principles, and Standards](#)
14. [Gender Diversity](#)
15. [Water Risks and Opportunities](#)

Blogs/Podcasts/Webinars

1. [ESG Integration in Canada](#)
2. [ESG Integration in Brazil](#)
3. [ESG Integration in the Americas](#)
4. [Candidates with both ESG knowledge and Investment Experience are Key to furthering ESG Integration](#)
5. [Equities versus fixed income: How ESG factors affect both asset classes](#)
6. [Thailand Leads the Region in ESG Disclosures](#)
7. [Embracing the Inevitable: ESG Disclosures](#)
8. [ESG Analysis: Is judgment more important than data?](#)
9. [Green Bonds Pose Challenge to EU Sustainable Finance Initiative](#)
10. [ESG Integration in Asia Pacific: Markets, Practices, and Data](#)
11. [ESG Q&A: Principles for Climate-Conscious Investment](#)

ESG EXTERNAL MEDIA

1. [Moral Money, Financial Times](#) (sponsored by CFA Institute)
 - [ESG Investing: putting theory into practice](#)
 - [ESG and the Commons: From Tragedy to Governance?](#)
 - [Embracing ESG collaboration and sustainability](#)
2. Business Ethics Magazine (regular feature)
 - [What ESG Integration Is and What It Isn't](#)
 - [Integrating ESG Standards: Qualitative and Quantitative Approaches](#)



- [ESG Influence in Credit Markets Grows](#)
- [Integrating ESG Factors Into Corporate Bond Analysis](#)

3. Nasdaq.Com

- [ESG in Investment Management: New Age or Just Noise?](#)
- [Everything You Always Wanted to Know About Corporate Governance](#)

4. Quotes/Interviews (sample of more than 100 mentions)

[Financial Times](#), [Hong Kong Economic Journal](#), [European](#), [Environmental Finance](#), [Asia Asset Management](#), [ESG Clarity](#), [Barron's](#), [Investment & Pensions Europe](#), [The Australian Financial Review](#), [La Tribune](#)

ESG STAKEHOLDER ENGAGEMENT ACTIVITIES/SEATS AT THE TABLE (SATTS)

Stakeholder Outreach on ESG issues and PRI Integration reports

- Matt Orsagh spoke on ESG integration at BNY Mellon
- Matt Orsagh met with investors and EC members in Brussels to discuss ESG integration
- Matt Orsagh spoke at NY Society Climate week event on ESG integration
- Matt Orsagh spoke on ESG integration at Boston ESG event, Americas report featured. • Matt Orsagh spoke at NY Society event on corporate governance and passive investing
- Matt Orsagh to spoke at Washington DC society ESG integration event
- Matt Orsagh spoke at SALT conference in Las Vegas on ESG Integration
- Matt Orsagh spoke on ESG integration at 4 P&I events in San Francisco, Chicago, New York and Boston
- Josina Kamerling spoke on general commentary on ESG issues in relation to the EU's Sustainable Finance Action Plan
- Josina Kamerling spoke to CFA Institute Portugal on ESG Integration and Green Bonds
- Matt Orsagh spoke on ESG integration at CII fall conference
- Held ESG events in France, Netherlands, Germany, Switzerland featuring reports. Matt Orsagh spoke at Germany and Swiss events. PRI spoke at France event
- Kurt Schacht and Sandra Peters providing regular remarks & support to SASB programing.

SATs / Memberships

- Matt Orsagh is member of the Carbon Disclosure Standards Board Technical Working Group
- Matt Orsagh is a member of the High Meadows Institute Advisory Committee (HMI focuses on ESG Integration education).
- Matt Orsagh is a member of the Investor Advisor Committee of the Council of Institutional Investors
- Mary Leung has a seat at the table of the ESG working group of the Financial Services Development Council (FSDC), a division established by HKSAR Government in 2013
- CFA Institute was named as a partner to work with the SFC to raise industry awareness in ESG integration (Mary Leung)
- Mary Leung and CFA Institute have also been invited by the Hong Kong Green Finance Association as one of their founding members

ESG Inventory

October 2019