



**Table of Contents**

- EFFAS welcomed 5 new members ..... 1
- EFFAS Lobbying Activities ..... 4
- IOSCO, the International Organization of Securities Commission ..... 6
- IASB working groups ..... 7
- Recommendations and Financial Ratios 2005  
In compliance with IFRS and IAS ..... 7
- EFFAS Market Structure Group ..... 8
- The Russian Forum of Investment and Financial Analysts ..... 8
- Bruno Walter – un engagement “sans frontière” ..... 9
- Calendar of Events ..... 10

**EFFAS welcomed 5 new member societies**

Following the Annual General Meeting in 2004, EFFAS welcomes 5 new members, extending their network to a total of 23 European countries.



**ACAF – Society of Financial Consultants and Analysts of Romania**

EFFAS welcomes the Romanian Association as an associate member.

The Romanian Association, ACAF, Society of Financial Consultants and Analysts of Romania, was officially established in December 2003. At present the Association consists of eleven founding members and represents the profession in Romania. In its statutes it defines the professional aims to which EFFAS is committed.

The Chairman of the Romanian Association is David Zellermayer.



**BGIMFA – Bulgarian Guild of Investment Managers  
and Financial Analysts**



Prof. Radoslav Tsonchev  
Chairman of BGIMFA

EFFAS welcomes the Bulgarian Association as an associate member.

The Bulgarian Society, BGIMFA, was officially established in March 2003.

The Association consists of approximately 15 members and represents the profession in Bulgaria. In its statutes it defines the professional aims to which EFFAS is also committed.

The chairman of the Bulgarian society is Professor Radoslav Tsonchev.



**FIAK – Financial Institutions' Association of Kazakhstan**

EFFAS welcomes the Kazakhstan Association as an associate member.

The Association of Financiers of Kazakhstan (AFK) was established in May 1999 by the five largest second-tier banks and one of the leading insurance companies in Kazakhstan. It is a non-governmental and not-for-profit organisation that unites banks, insurance companies, pension funds, professional participants in the securities market, auditing and consulting companies, and scientific-educational institutions.

For the five years that it has been in the market, more than 100 personal and institutional members have joined the AFK, thereof 16 new members since the beginning of 2004.

The Chairman of the Kazakhstan Society is Mr S. A. Akhanov.

## LASMP – Latvian Association of Professional Securities Market Participants

EFFAS welcomes the Latvian Society as an associate member.

LASMP is an association aimed at protecting the interests of financial market professionals and enforcing best practice standards. It was established in 1997 by 14 brokers from leading commercial banks and brokerage companies. Since 2001 it has been represented on the Advisory Council of Financial and Capital Market Commission – the regulatory body for banks, insurance companies and financial intermediaries. Currently it has about 50 members, including analysts, portfolio managers, brokers, dealers.



Roberts Idelsons  
Chairman of LASMP

LASMP objectives are to facilitate a secure and stable Latvian financial market and to promote its development, to secure observance of best practice rules on the market, to ensure a complete and fair distribution of information on the Latvian financial market in Latvia and abroad, and to provide education and practice to financial market professionals.

The Chairman of LASMP is Roberts Idelsons.

## SI – The Securities Institute

PROFESSIONALISM, INTEGRITY AND EXCELLENCE  
IN THE SECURITIES AND INVESTMENT INDUSTRY



EFFAS welcomes the Securities Institute as an associate member.

The Securities Institute was formed in 1992 by a group of individual members of the London Stock Exchange. Its objects are to set professional standards, to measure their attainment and to promote ethical behaviour throughout the industry. The Securities Institute is now the pre-eminent professional body for those who work in the securities and investment industry in the UK. The Institute is the principal awarding body for industry qualifications.

SI is a well established organisation in the UK market. For further information we recommend visiting the Securities Institute website:

[www.securities-institute.org.uk/web/Infopool.nsf/HTML/index](http://www.securities-institute.org.uk/web/Infopool.nsf/HTML/index)

## EFFAS Lobbying Activities

### Position Papers submitted by EFFAS<sup>1)</sup>

|             |                   |                                                                                                                                            |
|-------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| CESR        | 14 April 2004     | Consultative Paper on the proposed Financial Instruments Markets Directive (ISD2), Article 25, 56 and 58 (Ref. CESR/04-073b)               |
| CESR        | 30 April 2004     | First Interim Report by the Review Panel to CESR (Ref: CESR/03/414b)                                                                       |
| CESR        | 1 June 2004       | The Role of CESR at “Level 3” under the Lamfalussy Process (Ref: CESR/04-104b)                                                             |
| CESR        | 25 August 2004    | Call for evidence on Call to CESR for technical advice on possible measure concerning Credit Rating Agencies                               |
| IOSCO       | 20 September 2004 | Public Comment on Principles on Outsourcing of Financial Services for Market Intermediaries                                                |
| Joint Forum | 20 September 2004 | Outsourcing in Financial Services – Joint Forum of Basel Committee on Banking Supervision                                                  |
| CESR        | 23 September 2004 | CESR’s Advice on Possible Implementing Measures of the Directive 2004/39/EC on Markets in Financial Instruments Document Ref. CESR/04-261b |
| IOSCO       | 8 November 2004   | Public Comment on Code of Conduct Fundamentals for Credit Rating Agencies                                                                  |
| CESR        | 17 December 2004  | Comments on CESR’s MiFID 2 <sup>nd</sup> consultation paper for the 1 <sup>st</sup> Set of Mandates (CESR /04-603b)                        |
| CESR        | 22 December 2004  | Deadline for submitting comments to the Concept Paper on how CESR intends to measure equivalence between Third Country GAAP and IAS/IFRS   |

1) All position papers are available on the EFFAS website

## Coming up

|               | <b>Deadline</b>  | <b>Document</b>                                                                                                                                                                                                         |
|---------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EU Commission | 31 January 2005  | The Application of the Lamfalussy Process to EU Securities Markets Legislation                                                                                                                                          |
| EU Commission | 31 January 2005  | Inter-institutional Monitoring Group Third Report monitoring the Lamfalussy Process                                                                                                                                     |
| CESR          | 21 January 2005  | Deadline for submitting responses to the 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          | 28 January 2005  | Deadline for responses to the Consultation on Transparency Document: CESR 04-511; 04-578                                                                                                                                |
| CESR          | 31 January 2005  | Deadline for response to consultation on the analytical paper "Which supervisory tools for the EU securities markets?" Document CESR 04-570; CESR 04-333f                                                               |
| CESR          | 31 January 2005  | Deadline for comment to the 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          | 31 January 2005  | MiFID (ISD2) – Deadline for CESR's final advice on ISD2                                                                                                                                                                 |
| CESR          | 1 February 2005  | Deadline for responses to Consultation on Credit Rating Agencies. Document CESR 04-612b; 04-638                                                                                                                         |
| CESR          | 20 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 March 2005     | Transparency – Deadline for responses to consultation on CESR advice on Transparency                                                                                                                                    |
| CESR          | 1 April 2005     | Credit Rating Agencies – CESR will submit its Technical Advice to the European Commission                                                                                                                               |
|               | 1 July 2005      | Prospectus Level 3 – The legislative Package for Prospectus must come into force in all countries in the EU                                                                                                             |

## **IOSCO, the International Organization of Securities Commission**

On the 3<sup>rd</sup> of December 2004, IOSCO announced that it will release formal guidelines for rating agencies by the end of the year 2004. On the 23<sup>rd</sup> of December, IOSCO published its Code of Conduct Fundamentals for Credit Rating Agencies (CRAs).

EFFAS welcomes the formulation of this Code of Conduct for Credit Rating Agencies and Credit Rating Analysts. This code embodies rules which correspond to the rules established for equity research firms and their financial analysts in many jurisdictions on the one hand and the work on Credit Rating Standards already undertaken within the industry on the other.

Many of the EFFAS societies are active in this area. For example DVFA, our German Member Society, developed and established Standards of Transparency for the Company Rating.

IOSCO also seeks specific comments on how the Fundamentals should be enforced. EFFAS advocates the principle "as much enforcement by the markets and the industry as possible and as little enforcement by government supervision as necessary." To be more specific: The broad enforcement should be left in the first instance to market mechanisms. These mechanisms include the play of offer and demand on the basis of the quality and the reputation of the CRA and its staff. They also include supervision and control by the professional bodies and associations to which the CRAs and their staff belong.

However, these mechanisms function only with the understanding that there will be back-up government enforcement. It might not be sufficient to threaten a future supervision by government in the case of abusive practices. It might therefore be advisable to encourage the legislators in different jurisdictions to institute a second level government supervision against abusive practices on a case by case basis or as needed. Governmental enforcement actions might be triggered by complaints from competitors, issuers, other capital market participants or by a market analysis of the competent authorities revealing abusive developments and practices.

EFFAS is of the opinion that supervision should not be based on the assumption that CRAs and their staff are adhering to and fostering abusive practices, but rather the supervision should be based on the assumption that the vast majority of the firms and the analysts are acting with proper intent and work to the best of their ability. But since CRAs are composed of human beings who can be corrupted by the appeal of profit, the national supervisors should be given the tools to effectively counter such abusive practices if they occur. In any case the industry should not be overregulated by a tight net of regulatory provisions with reporting obligations, regular mandatory audits and similar costly procedures of potentially doubtful effectiveness.

### ***Excerpt from the IOSCO Press Release:***

"On the 23<sup>rd</sup> of December the International Organisation of Securities Commission (IOSCO) published its Code of Conduct Fundamentals for Credit Rating Agencies (CRAs). The IOSCO CRA Code Fundamentals follows an extensive consultation process involving rating agencies, issuers, investors, academics and financial institutions. It represents a global, converged view of specific mechanisms CRAs can use to protect their analytical independence, eliminate or manage conflicts of interest, and help ensure the confidentiality of certain types of information shared with them by issuers. IOSCO expects the Code Fundamentals will receive the full support of CRAs and market participants around the world and will strengthen investor and market confidence in the rating process.

For the full text and the IOSCO Code of Conduct Fundamentals for CRA please go to [www.iosco.org](http://www.iosco.org) <<http://www.iosco.org/>>

## **IASB working groups**

### **IASB Financial Instruments Working Group**

The working group formed is to help analyse accounting issues relating to financial instruments. The group brings together a wide range of interests and includes senior financial executives who are involved in financial reporting.

### **IASB Insurance Working Group**

The International Accounting Standards Board (IASB) formed this working group to help analyse accounting issues relating to insurance contracts. The group brings together a wide range of interests and includes senior financial executives who are involved in financial reporting.

*EFFAS representative in this working group:  
Norbert Barth, Germany*

### **IASB Joint International Group on Performance Reporting**

The new international working group has been established jointly with the United States Financial Accounting Standards Board (FASB). The working group has been set up to help the boards in their joint project to establish standards for the presentation of information in financial statements, that would improve the usefulness of that information in assessing the financial performance of a business enterprise. The working group consists of senior professionals with extensive experience in and responsibility for the preparation, analysis, audit and regulation of financial statements.

*EFFAS representatives in this working group:  
Jacques de Greling, France  
Hans-Joachim Pilz, Germany*

## **Recommendations and Financial Ratios 2005 In compliance with IFRS and IAS**

As of 1 January 2005 listed companies implement the new international accounting standards IFRS and IAS. With reference to IFRS and IAS, the Danish Society of Financial Analysts and the Norwegian Society of Financial Analysts have jointly developed a new publication on Key Ratios / Financial Ratios. The recommendation is a clear and concise presentation with definitions and examples. A very interesting publication for all members!

For further information or direct orders please contact the Norwegian Society.  
Contact details: Gunnar Winther at [nff@finansanalytiker.no](mailto:nff@finansanalytiker.no)

Phone +47 2212 9215 / Fax + 47 2212 9211

## **EFFAS Market Structure Group**

The newly established EFFAS Market Structure Group bundles the skills and the manpower available within the National Member Societies. It is the realisation of a policy to join forces within EFFAS, for the benefit of both, the participating National Member Societies and EFFAS as the European umbrella organisation.

The Market Structure group is directed by Otto Graf Praschma, securities and commodities expert since 1973 and a DVFA member.

The group not only responds to the different papers issued by the EU Authorities, but also provides guidelines for handling changes in the national legal and regulatory environments, which will have to be implemented following the various European initiatives.

## **The Russian Forum of Investment and Financial Analysts**



The Russian National Member Society GIFA organised in December 2004 the First Forum of Investment and Financial Analysts in Moscow. Main objective of the Forum is to provide different type of analysts with wide opportunity for exchange of experience and development of professional contacts. Different topics on Russian capital market were discussed including corporate finance and

equities analyses, the trends and methods used in Russian bond market, perspective of derivative development and other.

There were about 300 participants of the conference – members and not members of GIFA, representatives from enterprises – issuers, regulators of the market.

The Forum was organised in co-operation with RBC Publishing House and with support of main Russian exchanges and self regulated associations of participants of Russian market. The Second Forum is planned for December 2005 and GIFA invites interested analysts from other countries to participate.

## **Bruno Walter – un engagement “sans frontière”**

Bruno Walter has retired after more than 25 years as a board member of the Swiss Association SFAA, of which he was chairman from 1988-1991. The legacy of his long commitment to the SFAA is the Centre for training and qualification, AZEK which was established under his initiative in 1992.

His long-lasting engagement was well known also to the other EFFAS member societies. He was chairman of the EFFAS Commission on Ethics and was engaged in different activities on a European level.

Besides his main job at Credit Suisse Lausanne he very much enjoyed his personal commitment to the development of the profession of the financial analyst:

“A lot has changed, the profession is becoming more technical, systematic and global. Today, we work in a much more professional way than before. One of the main reasons for the increased standards of professionalism are the better training facilities.” Last year he handed over his tasks to Thomas Lips.

On behalf of EFFAS, we would like to thank Bruno for his long standing commitment to the profession and wish him all the best for the future!

*Source: Swiss Financial Analysts Association SFAA.*



## Calendar of Events

### EFFAS

#### Scheduled EFFAS EMC Meetings in 2005

- 15 March, in Portugal
- 20 May, in Paris
- 23 September, venue tbc
- 12 December, in Greece

#### EFFAS Annual General Meeting 2005

- June 30, in Spain

#### Scheduled EFFAS TQC Meetings in 2005

- April 6<sup>th</sup> & 7<sup>th</sup>, in Bülach
- July 20 & 21, venue tbc
- October 19 & 20, venue tbc

### ACIIA® – Association of Certified International Investment Analysts

#### Examinations Dates 2005

- March 2005  
Friday 04, in Europe, New York and South America;  
Saturday 05, in Asia
- September 2005  
Friday 16, in Europe, New York and South America;  
Saturday 17, in Asia

#### ACIIA Annual General Meeting 2005

- June 29, Spain

#### ACIIA International Seminar in Belgium

- September 1-3, 2005

#### *Contact information:*

EFFAS European Federation of Financial Analysts Societies  
Einsteinstrasse 5  
63303 Dreieich  
Germany  
Telephone (+49 6103) 58 33 48  
Fax (+49 6103) 58 33 35  
[Claudia.Stinnes@effas.com](mailto:Claudia.Stinnes@effas.com)  
[www.effas.com](http://www.effas.com)