

Report from the AdComm Chair/Treasurer



Mr. Mike Willis
ASAF Treasurer/Advocacy Committee Chair
SIA Honorary Treasurer

ASAF Advocacy Issues

Research Independence the Challenge for 2003

The ASAF Advocacy Committee is following up a successful start in 2002, with another controversial area of market practice being placed under the microscope in 2003.

Research independence and integrity has been chosen as the principal issue for regional policy development in 2003. This is an area of significant controversy in global financial markets. Governments and exchanges are seeking policy and regulatory tools to ensure the integrity and independence of research analysts are protected. An important task for our federation is to

offer them a policy solution that provides both investor confidence in our markets and a market process that operates efficiently and without excessive regulation or 'red tape'. If we can present regulators, exchanges and securities firms with a credible policy solution, the effectiveness and efficiency of our regional markets will be well served.

As current Chair Society of the ASAF Advocacy Committee, the Securities Institute of Australia has developed a draft position paper titled 'Recommendations for Addressing Conflicts of Interest in Securities Analyst Research'. This paper has been circulated to ASAF members for comment and feedback. It is vital that all members of ASAF consider this paper carefully and provide input to the committee. We need to ensure that our final position paper reflects the considered view of all of our members.

The paper is based on the high-level principles approach adopted in Australia's Best Practice Guidelines for Research Integrity, and it incorporates policy input and advice from ASAF Advocacy Committee members.

Once finalised, the policy paper will be presented at the next Advocacy Committee meeting possibly in October 2003, for consideration as a regional standard on addressing research independence issues by ASAF members. With the input from members, it is hoped that the paper will be widely adopted by regulators and exchanges, as well as securities firms operating in our region.

Why we have an Advocacy Committee

The ASAF Advocacy Committee was established in 2001, with two key aims:

1. To advocate effective, efficient and ethical financial markets throughout the Asia-Oceania region, although recognising some issues will be of global relevance.
2. To establish ASAF as the key body advising Asia-Oceania regional organisations on matters relating to the operation and regulation of financial markets.

Membership of the Committee includes the following societies: SIA (Australia – Chair Society), SAAC (PR China), HKSJ (Hong Kong), ICAFI (India), SAAJ (Japan), RIIAM (Malaysia), and the SAA (Thailand).

The Committee regularly reviews issues of major importance to the development of efficient, effective and ethical markets in our region, and formulates appropriate position statements that reflect the high standards that we encourage in our market participants.

Our first venture was the development in 2002 of ASAF guidelines on [Corporate Disclosure of Material Price Sensitive Information](#) for publicly traded companies. The guidelines are designed to avoid selective briefings and level the playing field for all investors. We are working hard to raise awareness and use of the guidelines by regulators and securities exchanges. A [press release](#) highlighting and promoting the main aspects of the ASAF guidelines was issued recently.

I again stress the importance of ASAF members promoting these guidelines in our various markets, to regulators and exchanges. Our actions in fostering our common policy stance will improve our markets, attract new capital and improve the cost of capital in our markets, and enhance ASAF's reputation in our region.

ASAF's Administrative Changes

ASAF undertook some major changes in 2002, to reflect the broad participation of members in its operations. After being based in Sydney, Australia, for several years, while maintaining the registered office in New South Wales, our secretariat office was relocated to Tokyo, Japan. This change occurred, to allow our new manager to work closely with the Chair Society, the SAAJ. The relocation required some changes to administration of ASAF finances and administration.

As the Treasurer, I am pleased to advise members that the new arrangements are working effectively, with cooperation between our Chairman, Mr Kiyoto Hagiwara, Manager, Mr Kazumichi Karita, our Public Officer, Mr Gerald Mattinson (based in Sydney) and myself. I would also acknowledge the generosity of the SAAJ in hosting the secretariat office.

The office has relocated smoothly and the services to members have been enhanced. The move has also assisted the financial position of ASAF, while allowing for full accountability for the management's operations.

Editorial News

Report from ASAF member societies:

Concrete measures taken against SARS and how various events, including examinations, were handled.

HKSI

As Hong Kong has coped with the SARS issue efficiently and transparently since the initial stage of the outbreak, no examination sessions had to be re-scheduled. With the situation having stabilized, all events and courses have now returned to normal. Nevertheless, several preventative measures and practices have been instigated to ensure adequate protection for members and the public who participate in various HKSI activities. For further information, please visit 'HKSI PREVENTATIVE SARS PROCEDURES' at <http://www.hksi.org/default.htm>.

SAAJ

CMA examinations were held in eight (three for Level II) domestic and three overseas exam centres as scheduled in late April and early June. The following special measures were implemented for candidates from infected areas:

- Candidates had to check their body temperature before the examination sessions and wear facemasks during examination sessions.
- If candidates informed SAAJ in advance that they couldn't or wouldn't take the examinations because of SARS problem, their enrolment fees will be refunded.
- Candidates, who cancelled the third exam session (the last exam session for the registration period) due to SARS, will be allowed to re-register next year.
- If candidates residing in infected areas designated by WHO, wanted to change their examination venue, they were allowed to take the examinations at domestic centres in Japan if the 10-day waiting period had passed from their arrival date in Japan or a local physician's certificate was provided

As a result, there was no confusion at domestic and overseas centres where examinations were held (see SAAJ section under Members' regional news).

Committee News

Education

Though regrettable, it was decided to postpone the **one-day seminar** 'Lessons to be learnt from the experience of comparatively well-established members' (scheduled for 1 June 2003 in conjunction with the interim ExComm meeting in Bangkok, Thailand) due to SARS. The Committee will consider another appropriate time and venue and let all members know.

Communications

The fifth E-Journal was published in late April with five articles contributed by member societies. The Communications Committee especially welcomes the wide range of contributions to further enhance its attractiveness. The ASAF Yearbook 2003 is close to finalization and hard copies will be delivered around mid-July. We thank members for their efforts in updating the content and would like to extend special thanks to SIA's DTP team for an accurate and efficient job.

Advocacy

See ASAF Advocacy Issues on top page.

ACIIA® News

CIIA® examination results, March session 2003

The 5th CIIA® final exams were smoothly held on 7 and 8 March at examination centres organized by individual societies. The results are as follows:

Pass rate for Exam 1: 70.07%

Exam 1: (Economics, Financial Accounting and Financial Statement Analysis, Equity Valuation and Analysis, Corporate Finance)

Pass rate for Exam 2: 66.62%:

Exam 2: (Fixed Income Valuation and Analysis, Derivative Valuation and Analysis, Portfolio Management)

The cumulative number of candidates who have successfully passed both papers of the CIIA® final exams is 1,912 to date. The next CIIA® Final Examinations will take place on 12 (Europe and the Americas) and 13 (Asia) September 2003.

Secretariat News

As informed to all member societies, unfortunately due to the outbreak of SARS, both the interim Executive Committee meeting and the Education Committee Seminar scheduled for 31 May and 1 June 2003 in Bangkok were cancelled. The Education Committee Seminar will be held at an appropriate time in future. We would like to express our special thanks to contributions made by the four lecturing societies and the host, SAA Thailand, for their efforts.

Instead of the interim Executive Committee meeting, an ExComm meeting in writing was held on 30 May 2003.

The following resolutions/reports were made:

1. Approval of the minutes of the ExComm meeting held 26-27 October 2002
2. Approval of the ExComm's proposal to the AGM: The conversion of ASAP from full member to associate member and write-off of delayed membership fees
3. Approval of the ExComm's proposal to the AGM: To apply the present level of membership fees for the next financial year (July 2003-June 2004)
4. Confirming who can attend ExComm Meetings and conditions
5. Manager's review and six-monthly management financial statements
6. Appointment of Mr. Michael Willis as an ICIA Co-Chair representing ASAF
7. Appointment of Mr. Tolmas Wong as an ICIA delegate representing ASAF
8. Report from the Chair of the Election Method Task Force and discussion

Due to the SARS situation, it was also decided to cancel the ASAF Conference 2003 in Beijing following consultation with Dr. Ma Qingquan, Chairman of the host society (SAAC). Regarding the AGM and other committee meetings to have been held in conjunction with the conference, how, when, and where to hold them will be decided considering future developments.

It was confirmed that SAAJ will host the 2004 conference in Tokyo as originally scheduled, and SAAC has kindly expressed its intention of hosting the ASAF Conference 2005.

Members' Regional News

Australia – SIA

Securities Institute Wins ADB Bid

The Institute has been selected by the Asian Development Bank (ADB) for two special training and development projects in Asia, underlining Australia's role as a financial innovator for the Asia-Pacific region.

The Institute was chosen to assist the Vietnamese Government with the development of the country's non-bank financial sector, after being shortlisted with organizations from the USA, UK and South Korea.

Work on the project will begin in mid-June. Entitled 'Capacity Building for Non-Bank Financial Institutions and the Capital Market', the project will see the Institute assist Vietnam's State Securities Commission with the establishment and development of a trading board for the Hanoi Securities Trading Center; developing market surveillance systems for Hanoi and Ho Chi Minh City's stock exchanges; and enforcing corporate governance.

The project will also help the local market to develop an independent securities depository and a capital markets resource centre, and a legal framework for public offerings, backdoor listings and mergers and acquisitions.

At the same time, the Institute was selected by the ADB for the APEC (Asia-Pacific Economic

Cooperation) Training Initiative, which aims to strengthen financial regulation in the region. This move will see the Institute organise and facilitate three regional training seminars for securities regulators and regulation advisory groups to be held in May and September this year.

These latest moves add to the Institute's active involvement in training initiatives throughout the Asian region, with involvement in three separate education programs in Thailand, Fiji and India.

Students Gain SIA Membership

At the recent AGM a decision was made to make student membership available for students who are enrolled in an Institute award course within any financial year and who are not otherwise eligible for Affiliate or Associate membership. Other Constitutional changes approved at the meeting include the insertion of references to the Institute's Masters and Graduate Certificate programs.

Policy Matters

The Institute's Policy team is actively considering several regulatory reforms including a more effective alternative to the mandatory bid rule and removal of the prohibition on escalators, and has commented on the draft Corporations Amendment Bill.

As Chair of the ASAF Advocacy Committee, the Institute prepared a draft position paper containing guidance on research integrity and how analysts can avoid conflicts of interest. The paper has been circulated for comment to ASAF members and will be discussed in detail at a meeting of the Advocacy Committee later in the year.

Education Graduations for 2002

Thirty-five graduates of the Institute's Master of Applied Finance and Investment completed their courses during 2002. Six of the graduates have progressed from Diploma through Graduate Diploma to Masters level, and six of them were students based outside of Australia.

Copyright Agency Membership

The Securities Institute recently became a Publishing Member of the Copyright Agency Limited (CAL). This authorizes CAL to collect and distribute copyright royalties to the Institute's authors, particularly those whose articles are published in JASSA. While CAL will notify the Institute that there are moneys in hand for JASSA authors, authors are advised to become author members of CAL in their own right, particularly if they have their work published with any regularity. The Institute will make every reasonable effort to contact authors so that they can claim any moneys owing to them.

Securities Institute Relocates

The Sydney office (including the National office and NSW/ACT region) recently moved to Level 3, National Australia Bank House, 255 George Street, Sydney, NSW Australia 2000 after 10 years in Australia Square. The expanded premises offer more space for training and professional development events to be held in-house, and the spacious workstations are welcomed by all staff, after the cramped conditions in the previous location.



SIA New Premises

Hong Kong – HKSI Hong Kong Securities Institute launches new licensing examination

A single licensing regime was introduced in April this year under the new Securities and Futures Ordinance. In response to the changes resulting from this new regime, the Hong Kong Securities Institute has developed a series of new licensing examinations which will be rolled out to the market place in June 2003. The new licensing exam has been developed with the assistance of regulators, academic's and practitioners drawn from across the financial services industry to ensure that the examination papers will reflect and meet the needs of the industry.

The new licensing examination, designed to be both practical and market focused, will replace the current Foundation Program Examination (FPE) and the Financial Market Principal Program Examination (PPE)

There are 12 individual exam papers under the new regime. For licensing purposes, candidates will be required to complete a combination of two to three papers for each type of regulated activity they wish to conduct. There will be two core papers (Paper 1 and Paper 7) and ten specialised papers which will focus on the regulatory and technical aspects of securities, derivatives, leveraged foreign exchange, corporate finance and asset management.

Working Group formed on the Business Environment for the Stockbroking Industry in Hong Kong

The abolition of minimum brokerage in the Hong Kong market in April this year has resulted in some practitioners experiencing increased financial hardships. In response to this situation, the government created a tri partite working group consisting of representatives from the Financial Services and Treasury Bureau (FSTB), the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing Ltd (HKEx), who's objective was to examine ways to enhance the competitiveness of small and medium sized brokerage firms in Hong Kong.

The Hong Kong Securities Institute was also involved in discussions with the tri partite working group. HKSI made a number of recommendations regarding the professional training, portability of qualifications and lowering of the existing reentry barriers, all of which were adopted by the working group.

HKSI Examination and Training Update

Hong Kong market professionals have been busy in the past 12 months preparing for the introduction of the new Securities and Futures Ordinance. From June 2002-2003, over 21,000 market professionals enrolled in the HKSI Foundation Program Examination and over 1700 people enrolled in the Financial Markets Principal Program Examination.

Updates on Certified International Investment Analyst (CIIA®) Final Examination in Hong Kong

The Hong Kong Securities Institute is continuing to receive a solid level of interest from candidates looking to complete the CIIA® examination. In March 2003, a total of 43 candidates enrolled for Exam 1 and 40 candidates enrolled for Exam 2.

The third CIIA® Final Examination has been re-scheduled to Saturday, 13 September 2003 in Hong Kong. The new enrolment deadline falls on Saturday, 12 July 2003.

India – ICFAI

The ICFAI University launches new Bachelor's and Master's Degree Programs

The ICFAI University has recently launched several new Bachelor's and Master's Degree Programs on distance learning format through the ICFAI Center for Distance Education (ICDE). These Programs are designed to provide high quality, value based, career oriented education for students. These Programs are offered in the area of arts, commerce, management, science, law, education, library science and journalism. ICDE offers eight Programs each under Bachelor Degree and Master Degree level. These Programs are offered through a wide network of the ICFAI University Study Centers all over India. ICFAI University provides excellent study inputs to the students through comprehensive courseware including high quality textbooks and workbooks. The examinations for all Programs will be conducted 4 times a year at 52 test Centers all over India. ICFAI University will provide placement assistance through the ICFAI National Employment Exchange. For further details, you may visit www.icfai.org/icde

The ICFAI Law School launches PG Diploma Programs in Law

The ICFAI Law School (ILS), a constituent of the ICFAI University has recently launched six Postgraduate Diploma Programs in law on distance learning format. These Diploma Programs are offered in the area of Cyber Law, Alternative Disputes Resolution, Intellectual Property Rights, International Business Law, Environmental Law and Securities Law. The duration of each Program is 9 months. The Programs cover the important topics related to the specified domain areas of law. For further details, you may visit www.icfai.org/ils

National Conclave of Leaders in Education

The ICFAI University recently organized the National Conclave of Leaders in Education, a residential Program for the Heads of Educational Institutions at Hyderabad, India. The Program was attended by over 150 Directors of Business Schools and Principals of Degree and Engineering colleges from all over the country. The theme of the Program was 'Managing for Tomorrow'.



National Conclave of Leaders in Education



The Program was exclusively designed by the ICFAI University to discuss the sweeping changes taking place in the educational sector and the emerging importance of Private Sector Educational Institutions in the field of higher education. The Program included topics on emerging opportunities in educational sector, importance of intellectual leadership and institution building, managing students, teachers and industry expectations, managing placements, managing public relations, and fostering research culture.

Japan – SAAJ

2003 CMA (Chartered Members of SAAJ) Level I and II Examinations

2003 CMA Level I examinations by subject (total three) were smoothly conducted in eight domestic exam centres and three overseas centres (Hong Kong, London, and New York) on Saturday, 26 and Sunday, 27 April. Approximately 15,000 papers (total three subjects, 360 minutes) were taken for the Level I examination. The result by subject will be informed to each candidate within this month. Candidates successfully passing all three subjects in the Level I examinations will be eligible to enroll for the Level II correspondence course as a prerequisite for the Level II examination.

Approximately 4,000 candidates sat the 2003 CMA Level II examination, a single comprehensive one covering four subjects including Ethics and Professional Standards, and which was also smoothly held at three overseas centres besides three domestic centres on Saturday, 31 May and Sunday, 1 June. Those who pass the Level II examination, have three or more years' experience in financial and investment analysis and/or portfolio management, and meet other professional standards, will be awarded the CMA designation and will be qualified to sit for the CIIA® final exams. SAAJ encourages them, as well as existing CMA holders, to sit for the CIIA® Final Exam, which it sees as one of the most important elements of continued education.

Upcoming Events/Seminars

The following will be held in July:

Presentations: *'Current Situation and Risk Factors Facing the Japanese Economy'* to be held on 4 July by Hideo Hayakawa (Director, Research and Statistics Department, Bank of Japan)

SAAJ summer seminar: *'The Search for Alpha in Bond Investment'* to be held on 18 July

Session 1: *Return Enhancement by Investing in ABS* by Koyo Ozeki (Managing Director, Merrill Lynch Japan Securities, Co., Ltd) and Chinatsu Hani (Vice President, Merrill Lynch Japan Securities, Co., Ltd)

Session 2: *The Search for Alpha in Global Bond Management* by Lee R. Thomas (Managing Director, PIMCO)

New Zealand – INFINZ

Research Independence

In late January 2003 INFINZ held a focus group meeting in each of Wellington and Auckland with members of the broking and funds management fraternity to look at the issue of Research Independence from a New Zealand perspective.

The aim of these meetings was to garner an appreciation from New Zealand market participants what impact the offshore moves in this area would have locally, what is currently being done to ensure independence and what if anything needed to be done in future.

INFINZ's interest in this area is to make submissions to the Securities Commission on research independence before the regulators and legislators deliver a fait accompli particularly where any new legislation and/or regulations simply mirror offshore practice.

It needs to be pointed out that INFINZ's concern is not with all offshore regulation but rather that the regulation should be considered from a New Zealand perspective. Much of what has been suggested or put in place offshore, especially in the USA, makes practical sense and the view of the focus groups was that many of the suggestions would cause no damage or no unnecessary burden would be placed upon the local industry. It was, importantly, also accepted that to the extent that properly addressing concerns in this area would have a positive impact upon investor confidence, then that was a good outcome. Everyone accepted that this was a matter of the integrity of the market and that striving for a high degree of integrity was in everyone's interest.

What the focus group members and INFINZ is concerned with is any move to replicate offshore rules that don't make economic sense in New Zealand or where the financial burden would be unduly onerous. For example, an industry funded provision of independent research aimed at giving an 'unbiased' opinion would cause a problem if the funding came from within the brokers (the American model) or would be unacceptable if funded by institutional investors as they already 'buy' research from brokers or generate it themselves.

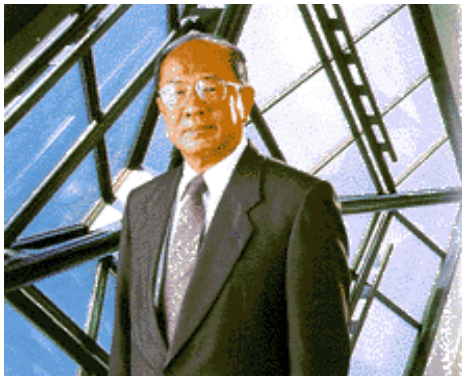
Similarly if the research is funded via levies on listed companies then the 'unbiased' nature is questionable and the research would have to cover all companies that are levied whereas we know that there is little or no economic return from research on small capitalisation stocks as trading volumes are very light.

The focus group process has been a fruitful one for INFINZ. We were pleased with the reception the process got from market participants and the seriousness that participants gave to the forum. The work undertaken in preparation of the meetings was also very welcomed. INFINZ thanks everyone who participated in the focus group meetings. As and when other issues arise to challenge the financial and capital markets industry, INFINZ now knows it can positively engage with the members and market participants to form an industry view to deliver to legislators and regulators.

Author: Paul R S Hocking, Executive Director, INFINZ

Thailand – SAA, Thailand

New Chairman: Mr Chavalit Thanachanan



The Securities Analysts Association, in Thailand, unanimously elected Mr. Chavalit Thanachanan as Chairman in April 2003. He replaced Dr. Panas Simasathien, who very actively chaired SAA for five terms of two years each, and who was ASAF Chairman in 1999-2001.

Mr. Thanachanan currently chairs The Stock Exchange of Thailand, Bangkok Life Assurance Company, Bank of Asia Pcl., and the Thai Institute of Directors. He is a past Governor of the Bank of Thailand and Deputy Minister of Finance. He has also chaired The Mutual Fund Pcl., The Industrial Finance Corporation of Thailand, The Expressway and Rapid Transit Authority of Thailand, and The Communications Authority of Thailand.

His public-spirited acceptance of the SAA post is further evidence of the strong and continuous support which the authorities have always given to the analyst profession in Thailand.'

Calendar 2003

24 June 2003

ICIA meetings

25 June 2003

ACIIA® Council meeting

26 June 2003

ACIIA® Annual General Meeting
Stockholm, Sweden

27 November 2003

ACIIA® Council meeting
Tokyo, Japan



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