

# ASAF

## NEWSLETTER

THE NEWSLETTER OF THE ASIAN SECURITIES ANALYSTS FEDERATION INC  
also available on [www.asaf.org.au](http://www.asaf.org.au) Quarterly Issue, June 2007

### Secretariat News

#### Interim Executive Committee Meeting in Kuala Lumpur

On Sunday 13 May, an ASAF Executive Committee meeting was held at the Renaissance Kuala Lumpur Hotel, Malaysia, kindly hosted by the Research Institute of Investment Analysts Malaysia (RIIAM). Among regular agenda items, including a report on interim financial statements, Mr. Zait Isa, CEO of RIIAM, gave an extensive report on the status and future plans of his society. The ExComm meeting also made a detailed analysis of the responses of member societies to a previously circulated ASAF survey. Following the meeting, the Secretariat circulated a summary of the survey results to all member societies. The ExComm tentatively agreed to hold next year's interim meeting in Hanoi, Vietnam, affording ASAF an excellent promotional opportunity to attract a potential member.



Following the ExComm Meeting, on Monday 14 May, members, headed by the ASAF Chairman, Dr. Bill Kwok, made courtesy calls on the Kuala Lumpur Stock Exchange and the Securities Commission of Malaysia.

Through the kind introduction of the Hong Kong Securities Institute (HKSI), Mr. Martin Wheatley, CEO of the Hong Kong Securities and Futures Commission, gave a most impressive luncheon talk entitled "Recent Developments in China's Capital Markets" to an audience of over 100 from the Malaysian capital market community. The meeting was sponsored by the Securities Commission of Malaysia.

#### ASAF 2007 Conference in New Delhi



The ASAF 2007 Conference will be held on Friday, 23 November 2007, at Le Meridien Hotel in New Delhi, India, kindly hosted by the Institute of Chartered Financial Analysts of India (ICFAI). The theme of the Conference is "Asian Capital Markets – The Way Forward". We hope as many participants as possible will attend from all over the ASAF region.

#### ASAF 2008 Conference in Australia

Though the venue and dates are yet to be decided, FINSIA (Financial Services Institute of Australasia) will host the ASAF 2008 Conference somewhere in Australia.

## ACIIA® News



*Haus Commerzbank, Berlin*

### **ACIIA® Council Meeting and Annual General Meeting: 27-28 June 2007, Berlin, Germany**

Over forty delegates from around the world gathered in Berlin and had fruitful meetings for further development of CIIA designation/ACIIA. The next Council Meeting and Annual General Meeting will be held in Taipei on 8th November, 2007 and Paris on 26th June, 2008 respectively.

### **Welcome on board! Kazakhstan - The 30th member of ACIIA**



The Association of Financial and Investment Analysts(AFIA) in Kazakhstan, became the 30th society to join ACIIA. The President of AFIA, Mr. Sarsenov Dias attended the ACIIA meetings held in Berlin and had first experience as a new Associate member of the ACIIA.

## Calendar 2007

### **22–24 November 2007**

ASAF Education Committee Meeting  
ASAF Advocacy Committee Meeting  
ASAF Communications Committee Meeting  
ASAF Executive Committee Meeting  
ASAF Annual General Meeting  
ASAF 2007 Conference

### **New Delhi, India**

### **8 November 2007**

ACIIA® Council Meeting

### **Chinese Taipei**

### **26 June 2008**

ACIIA® Annual General Meeting

### **Paris, France**

## Members' Regional News

### **Australia — Finsia**

#### **Finsia members endorse sale of education business to Kaplan**

Members of Finsia endorsed the proposed sale of Finsia's financial services education business to Kaplan Inc (Kaplan) for \$36 million by a postal ballot of all voting members throughout Australia and New Zealand, which resulted in 60.09 per cent of valid votes cast in favour of the sale. This endorsement has met one of a number of conditions as outlined in the explanatory memorandum, mailed to all members and available on the Finsia website.

The series of meetings held with our members were critical to the voting process. Although not everyone agreed with the proposed sale, open honest discussions and debate took place allowing us to speak frankly with members, practitioners, taskforce members and key stakeholders. These meetings were a valuable opportunity to listen first-hand to the issues that really matter to our members and the industry at large.

In particular the valid concerns raised by some practitioners were respected and acknowledged by the board. However, we found the majority of practitioners understood the rationale behind our decision and the reality that Finsia's education business was not sustainable in the long term.

The sale to Kaplan represents a best-of-both-worlds outcome for Finsia. It crystallises fair value for Finsia's investment in its education business, enabling us to provide a wider range of member services. It also ensures the quality education business we have created will continue to be developed by a well-resourced, internationally recognized tertiary education specialist in Kaplan.

Moving forward, we enter an exciting new phase of planning in consultation with practitioners, taskforce members and Regional Councils over the coming months. These meetings will provide an opportunity to set the immediate priorities and long-term focus for Finsia.

Our aim is to develop a 'new' Finsia, introducing more specific and tailored membership services to support your professional needs. As a starting point, we will expand on Finsia's current services and introduce new offerings based on four areas originally identified in our member satisfaction surveys.

These are:

- To keep members informed;
- To support members' ongoing professional development;
- To be a career partner for members; and
- To be a voice for members.

These four areas will be integral to Finsia's mission, as we continue to set the standards for the industry. We will provide the tools and the environment to ensure all our members can operate at the highest level. This will involve Finsia working in collaboration with industry to constantly monitor and identify changing skills sets and requirements to ensure your industry maintains its global leadership position.

### **Australian government continuing to reduce regulatory burden**

The Howard Government has delivered substantial cuts to red tape and regulation with the *Corporations Legislation Amendment (Simpler Regulatory System) Act 2007*, passed by Parliament in June.

Underpinning this Act was the Government's drive to reduce excessive and unnecessary regulatory burdens. The Government is committed to reducing the regulatory burden on business to enable further gains in productivity.

In the Productivity Commission's Potential Benefits of the National Reform Agenda published in February this year, the Commission estimated that the costs of regulatory burdens could be more than 4 per cent of GDP per annum. Any government that prides itself on its economic management credentials would jump at the chance to significantly reduce this red tape burden.

There is no single cause for the growth in business regulation over recent years — pressure to regulate has come from a variety of social, environmental and economic factors. In this context, it is easy for the cumulative burden of regulation to become unwieldy. But the Government is playing its part to resolve these issues.

### **Tackling regulatory burdens in the financial sector**

The financial services sector has been the subject of significant regulatory focus in the recent past. The 2000s have seen important changes in relation to: fundraising and takeovers; company financial reporting and disclosure; insolvency; and the introduction of a new financial services regulatory regime, as well as the move to International Financial Reporting Standards.

Australia's robust corporate regulatory regime, coupled with sound economic management, has helped to underpin significant achievements in financial sector growth in recent times. A flexible regulatory environment has facilitated innovation and strong growth in the managed funds industry, which has tripled over 10 years to over \$1 trillion.

The package of reforms is aimed at reducing the regulatory burden for the benefit of all Australians in seven areas: financial services regulation; fundraising; company reporting obligations; auditor independence; corporate governance; takeovers; and general compliance. Primarily, the package is aimed at:

- improving Australians' access to affordable financial advice by reducing the costs of providing advice in some circumstances;
- enhancing investor participation such as by encouraging greater employee ownership of companies;
- providing greater business efficiency by streamlining some administrative requirements;
- reducing compliance costs such as through allowing companies to distribute annual reports electronically; and
- streamlining regulatory processes, particularly in relation to mechanisms used by ASIC to perform its regulatory functions effectively.

The Act is the culmination of extensive consultation with the business and investor community. The majority of the Act's provisions are based on the Corporate and Financial Services Regulation Review Proposals Paper, released in November last year, which garnered over one hundred submissions

Finsia welcomes the Government's commitment to work constructively with key industry stakeholders to identify alternative options to legislation before new laws are considered as the best way forward.

### **'Tip of the Iceberg: the economics of sustainability risk reporting'**

#### **Peer Review Panel and Economic Modelling**

What are the economics of sustainability risk reporting, would better sustainability risk reporting practices by companies lead to significant benefits to the Australian economy and households in general?

To workshop such issues, an Industry Peer Review Panel was held on 4 June 2007 at Finsia's headquarters regarding economic modelling commissioned by Finsia and conducted by Econtech. The modelling analyses the costs/benefits of companies adopting sustainability risk reporting and the impact on the overall Australian economy.

Senior representatives from within the industry, Government Departments and regulators participated in the panel. Chris Murphy, Director Econtech, and his team provided a presentation outlining the draft findings of sustainability reporting and the impacts on business and the broader economy.

Participants discussed issues including: take-up rates for sustainability reporting in Australia; forward projections of such rates and key literature to be considered (ie, business-level benefit case studies, business level cost studies, financial performance studies, studies of individual benefits, eg, risk premium, productivity and brand effects and economy-wide modelling studies).

The modelling – the first of its kind in Australia – will provide a substantial working model to consider in detail the impact of sustainability risks on the bottom-line.

The final report will be released at Finsia's Public Summit, **'Tip of the Iceberg: the economics of sustainability risk reporting'** in Sydney on 1 August 2007.

### **Finance sector acknowledges economic impacts of climate change**

#### **New opinion poll released**

Senior finance industry representatives have agreed that the economy-wide costs of ignoring sustainability issues such as climate change outweigh the costs of addressing it and believe further leadership is needed to encourage companies to report on sustainability risks. That's according to industry opinion polling conducted by Roy Morgan Research and released by Finsia to coincide with Finsia's inaugural 'Government Speaks' event in the Australian market on 26 June 2007.

Releasing the Finsia/Roy Morgan Industry Opinion Poll findings, Finsia's CEO, Mr Brian Salter said, "Are we at the 'tip of the iceberg' – can Australian economies afford the economic costs of companies not reporting on sustainability risks such as climate change? The Industry Opinion Poll highlighted that the finance sector broadly supports the UK's Stern Report that 'doing nothing to stop global warming will prove far more costly to the global economy than taking measures in the next 10 to 15 years to fight it'.

The Poll is part of Finsia's broader policy initiative, 'Sustaining our Future – investing for the long-haul' which examines the costs/benefits of companies reporting on sustainability risks. Long-term and sustainable investments should be a key factor for industry to consider in terms of protecting the nation's wealth and the retirement savings of all working Australians.

### Key findings of Finsia's 'Have Your Say' Industry Opinion Poll:

- A green forecast: economic costs of climate change: 89% of Finsia members surveyed agreed with the broad sentiments of the UK's Stern Report;
- Room to improve: the role of financial markets: 43% of Finsia members surveyed believe that Australia's financial markets overall are factoring certain environmental, social and governance risks into the long-term sustainability of Australia's economy to 'some extent';
- Sustaining the future: company reporting practices: 86% agreed that guidance be provided by an appropriate body (ASX or ASIC) to companies on sustainability risk reporting; 70% supported a voluntary reporting requirement, 54% supported a mandatory reporting requirement and 91% agreed that industry should work towards establishing best practice principles for the disclosure of relevant ESG considerations across different industry sectors.

### Senior industry roundtable discussion paper released

A Discussion Paper arising from the issues debated at the Senior Industry Roundtable on SRI (held in Sydney on 11 December) was released to coincide with Finsia's Peer Review Panel on 4 June 2007.

The paper included commentary by Senator Grant Chapman, Chair of the PJC into CSR and also Senator Penny Wong. Copies of the paper can be accessed at:

[www.finsia.edu.au/cms/data/live/files/25022.pdf](http://www.finsia.edu.au/cms/data/live/files/25022.pdf)

### Finsia raises mutual fund expertise in India

Finsia's extensive experience and expertise in developing workshops and corporate in-house training programs for International Clients recently met the growing training needs for UTI (Unit Trust of India) Mutual Fund. Tasked to train about 200 distributors of UTI Mutual Funds from all over India, this seamless operation was orchestrated by the International Team of Finsia at Port Stephens, NSW.

UTI Asset Management Company is a registered portfolio manager under the SEBI (Portfolio Managers) Regulations, 1993 on February 3 2004, for undertaking portfolio management services and also acts as the manager and marketer to offshore funds. This fund has a track record of managing a variety of schemes catering to the needs of every class of citizenry. It has a nationwide network consisting 70 UTI Financial Centres (UFCs) and UTI International offices in London, Dubai and Bahrain. Visiting Australia on a distributor incentive program these 200 distributors were well-qualified, professionals who were highly empowered to manage funds with greater efficiency and accountability in the sole interest of unit holders.

The training was conducted on 10th May by Mr. John Livanas, a regular presenter for Finsia, Fellow of Finsia and a member of the Funds Executive Association of Australia (FEAL). He outlined the investment management processes and the rationale for active asset management with references to insights from behavioural finance and International trends.

### New South Australian Deputy Governor



Premier Mike Rann has announced that Hieu Van Le F Fin, Chairman of the State's Multicultural and Ethnic Affairs Commission, will take over as South Australia's Lieutenant Governor on 31 August. Hieu Van Le, one of the first boat people to arrive in Australia from Vietnam in 1977, has been a strong supporter of Finsia.

*Hieu Van Le, F Fin*

He is a Fellow of Finsia and Lecturer within our Securities Industry Law and Ethics subject.

Hieu Van Le has indicated that in his new role he will concentrate on promoting SA business and industry to the world and promoting harmony and inclusiveness and respect for multiculturalism in our society.

## China — SAAC

### Third Session of Securities Analysts Committee of SAC Elected

Following SAC's Fourth Member's General Meeting in January this year, the Securities Analysts Committee of SAC (function as SAAC) held its meeting on the 20th day of June. A new session of the Committee was elected. Functions of the new committee were decided.

The Committee is the third session of Securities Analysts Committee of SAC. It consists of 30 experts from the industry acting at different posts. There are one director, 7 deputy directors, 17 commissioners and 5 advisers. Dr. Lin Yixiang, President and General Manager of TX Investment Consulting Co. Ltd. was re-elected as the Director of the Committee.

The new committee sets up four functions:

1. studying on issues faced by the industry;
2. reflecting opinions of the industry;
3. protecting lawful rights and interests of the industry; and
4. enhancing self-regulation of the industry.

## India — ICFAI

### The Institute of Chartered Financial Analysts of India University, Tripura launches Master Degree Programs

The Institute of Chartered Financial Analysts of India University, Tripura recently launched 12 Master Degree Programs in different sectors such as Retail, Telecom, Financial Services, Agri-Business, Logistics, Pharma etc., based on self-study and examinations. These Master Degree Programs prepare students for successful careers in today's dynamic global business environment by equipping them with the required knowledge and skills through effective academic delivery and support. The Programs are structured to provide the knowledge and skills required for success in a specific sector. These knowledge areas and skills sets are both general and specific. Each program has 12 subjects, divided into 6 groups. The eligibility to enroll in the program is graduation. For further details, you may visit [www.iutripura.org](http://www.iutripura.org)



### 2007 ASAF Conference being hosted by ICFAI

The 2007 ASAF Conference will be hosted by ICFAI at New Delhi on November 23, 2007. The ASAF AGM and other meetings will be held on November 22, 2007 and a sightseeing trip of Delhi will be organized for the delegates on November 24, 2007. New Delhi has several interesting places to visit such as the Red Fort, Old Fort, India Gate, Qutub Minar and many more places of historical importance.

The theme of the 2007 ASAF Conference is Asian Capital Markets – The Way Forward. The ASAF Conference will be organized at Le Meridien Hotel, New Delhi.

ICFAI extends a warm welcome to visit New Delhi and experience India's rich cultural heritage. More details will be made available soon.

## Japan — SAAJ

### JICA Securities Exchange Seminar

On Monday 11 June, Mr. Kazumichi Karita, Senior Vice President of SAAJ, gave a talk about SAAJ and ASAF activities to representatives from the stock exchanges and securities regulators of eight Asian countries. The lecture formed part of the two-week "JICA Securities Exchange Seminar" conducted by the Tokyo Stock Exchange and sponsored by the Japan International Cooperation Agency (JICA). A total 11 representatives from the following organizations participated and deepened their understanding of SAAJ and ASAF:



**Bangladesh:** Dhaka Stock Exchange

**Cambodia:** Ministry of Economy and Finance

**India:** Ministry of Finance

**Indonesia:** Jakarta Stock Exchange, Capital Market Supervisory Agency (BAPEPAM)

**Mongolia:** Mongolian Stock Exchange

**Philippines:** Philippine Stock Exchange

**Thailand:** Stock Exchange of Thailand

**Vietnam:** State Securities Commission

### SAAJ studying the possibility of an educational program for wealth management in Japan

As the environment surrounding high net worth individuals is dramatically changing, many financial institutions, such as banks, securities firms, etc., in Japan have set up their own private banking/wealth management sections.

On the other hand, individual investors demand services which provide them with global and comprehensive investment information.

However, services offered vary considerably from institution to institution, and the quality of wealth managers/employees is not standardized.

Taking the current situation into account, SAAJ, as an association whose main objectives are to offer educational programs leading to the CMA and CIIA designation, believes it is now the right time to embark on a serious feasibility study of an educational program for wealth management which incorporates financial theory and analytical research techniques.

SAAJ also believes it important for CMA members (21,000) including CIIA holders to widen their role and win the confidence of individual investors by obtaining skills through training and learning in the field of private banking/wealth management.

As a first step, SAAJ has organized a working group (WG) consisting of members from mega banks, securities houses, life insurance companies, and practitioners to consider this issue and come to a decision as to how best to proceed.

The first goal is to organize a two-day seminar for those engaged in private banking and/or wealth management. By analyzing the seminar results, the SAAJ WG intends to formulate strategy to introduce appropriate educational programs, or even a designation, in Japan.

Tentative topics for the seminar to be held on 13 and 14 December 2007 (total 14 hours) are:

1. Introduction to the seminar
2. Targeted clients for private banking/wealth management
3. Challenges and prospects for private banking/wealth management in Japan
4. Wealth management (presentation of various cases)
5. Wealth management/relationship management (theory)
6. Alternative investments
7. Case study

The seminar will be offered in Japanese.

## Recent Events

SAAJ held fifteen seminars and workshops April to June 2007.

Some topics are:

### 9 April:

'Recent Trend of M&A – hostile merger, forward triangular merger, LBO'

*Nobumichi Hattori*  
Chaired Professor  
Graduate School of International Corporate  
Strategy, Hitotsubashi University

### 12 April:

'Market psychology and structure in emerging markets'

*Hiroshi Naya,*  
General Manager  
Research Department  
Ichiyoshi Research Institute Inc.

### 13 April:

'Future of the Stock Exchange – Inter-market competition and issues for Japan'

*Sadakazu Ohsaki*  
Executive Fellow  
Nomura Institute of Capital Markets Research

### 25 April:

Case study – 'Evaluation of Corporate Value in M&A'

*Nobuyuki Isagawa*  
Assistant Professor  
Graduate School of Economics, Kobe University

### 14 May:

'Dramatically changing Vietnamese securities market – newly developing emerging market'

*Masaki Takahashi*  
Senior Strategist  
Okasan Securities Co., Ltd. Asia Information Center

### 21 May:

'Outlook for bond market and flow of funds in Asia'

*Shinichi Yoshikuni*  
Senior Advisor  
Shinko Securities

### 29 June:

'Merits and demerits of multi business strategies – from the viewpoint of corporate evaluation'

*Yoshitaka Kai*  
Professor  
Kwansei Gakuin University,  
Institute of Business and Accounting

## Upcoming News/Events/Seminars

SAAJ is planning to hold seminars from July to September.

Topics to be covered:

### 24 July:

'Current situation and future prospect of Japanese economy'

*Kazuo Momma*  
Director-General  
Research and Statistics Department, Bank of Japan

### 30 July:

'Outlook for stock market in the second half of 2007'

*Shoji Hirakawa*  
Executive Director, Chief Strategist  
UBS Investment Bank

### 21 August:

'Workshop – Corporate Value and M&A'

*Nobuyuki Isagawa*  
Assistant Professor  
Graduate School of Economics, Kobe University

### 18 September:

'Study on Chinese capital market – system, and structural problems'

*Eiichi Sekine*  
Financial Industry Analyst  
Nomura Institute of Capital Markets Research



## The 7th SAAJ Summer Seminar

### New Development in bond investment – Challenge for the Financial policy and investment strategy for new products

#### Session 1

‘Challenge for the central banks of major countries in their financial policies.’

*Masaaki Shirakawa*  
Professor  
Kyoto University School of Government

#### Session 2

‘Investment in CDO – CDO Merchantability and current trend of the market’

*Miwa Suzuki*  
Executive Director  
UBS Investment Bank

#### Session 3

‘Hybrid securities of non-financial corporations – Global trend, Comparison with bank capital-investment opportunity and its risk’

*Fumihito Goto*  
Executive Director  
UBS Investment Bank

**The 8th SAAJ – Nippon Finance Association Joint Seminar: Hedge fund evaluation and its new development’ to be held on 25th September, 2007** (details will be available in the next ASAF newsletter).

## Korea — KCIAA

### Structural Reforms Underway in Korean Capital Markets

The world’s financial markets are changing rapidly. With globalization, securitization, and digitalization progressing at a dramatic pace, today’s financial industry paints a totally different picture from that of the past.

Many economies in the world have been actively pursuing the integration of financial business scopes and redrawing their capital market frameworks.

In Korea, the government is now in the process of enacting the Capital Market Consolidation Act, which aims to transform Korea into a world class capital market and a regional financial hub by boosting the country’s still nascent capital markets and thereby enable the emergence of a Korean Goldman Sachs or Merrill Lynch.

The Act contains provisions that will push a dramatic positive change in the Korean capital markets.

**First, the Act will put in place a comprehensive definition of financial products.**

The current Securities Act adopts a positive list system that defines financial products in an enumerative way, thus limiting new product development. In contrast, the new Act will adopt a negative list system that defines financial products in a comprehensive way, thus enabling the development of a broader range of new products.

**Second, the Act will introduce functional regulation.**

Currently, financial regulation in Korea is applied differently to different financial institutions. The Act will implement a shift from institutional to functional regulation under which the same regulations are applied to the same function.

**Third, the Act will significantly expand securities companies’ business areas.**

Current regulations strictly prohibit securities companies from conducting other securities business-related activities, such as futures or asset management. Under the Act, a single investment bank will be able to carry out all functions as in-house businesses.

**Fourth, the Act will further strengthen protection of investor interests.**

The Act will impose a more strict duty on firms to explain to customers the risks associated with a product, introduce the Know-Your-Customer Rule, place restrictions on unsolicited calls, and prohibit misleading advertising. The Act also will enforce a strong Chinese Wall to prevent conflicts of interest arising from cross-functional business.

**Fifth, Korean securities firms will be allowed to conduct small-sum payment and settlement.**

They will still not be able to provide remittance, settlement, and other such services, but the Act will allow them to execute retail settlement on a gradual basis.

The Act should bring about many positive developments.

First, Korean financial firms' business areas will be broadened to the level of global investment banks, allowing them to achieve economies of scope and maximize synergy while adopting business models similar to these leading global banks.

Second, financial companies will be able to develop and trade a wide variety of new products as demand arises.

Third, while some financial companies will focus on specialization, others will become much larger and benefit from economies of scale.

Lastly, the Act will accelerate firm restructuring. Although restructuring initiatives have not been as actively pursued as in other financial sectors, the Act is expected to trigger many more activities in that direction. Firms will explore new strategies, such as conglomeration and/or specialization, to survive and prosper in a changing environment.

After weathering the changes introduced by the Act, a global investment bank comparable to Merrill Lynch or Morgan Stanley may emerge from the Korean capital market. The Act will lay the groundwork for Korea's goal of becoming a regional financial hub and for the future prosperity of its securities industry.



Mr. Kun Ho Hwang, Chairman of the KCIAA (concurrently the Chairman of the Korea Securities Dealers Association), outlining the Capital Market Consolidation Act of Korea initiated by the Korea Securities Dealers Association



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