

# WHAT IS THE FUTURE OF FINANCE?

Ashvin Vibhakar, PhD, CFA

Senior Advisor & Executive Sponsor Future of Finance

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**CFA Institute**

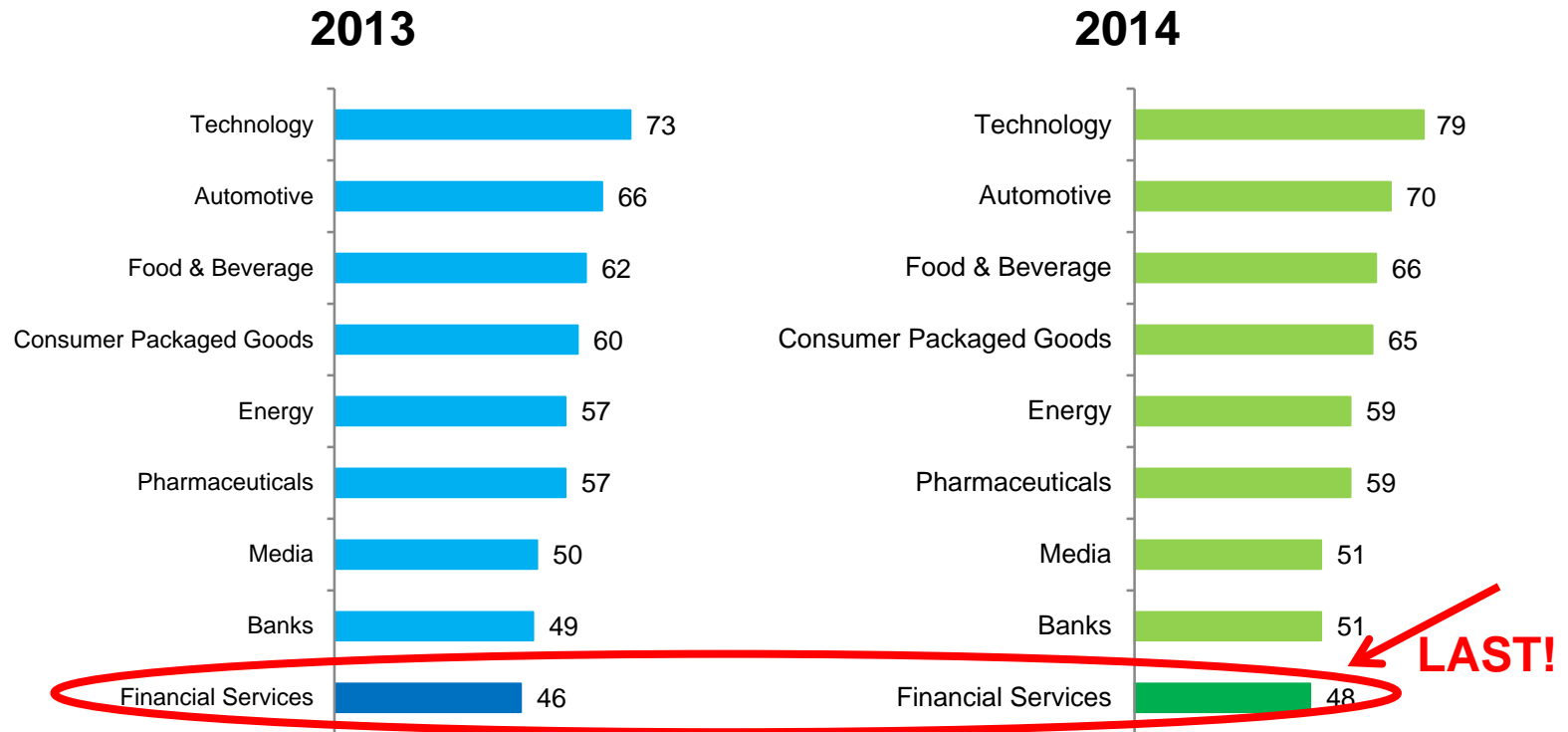
# THE FINANCIAL ECOSYSTEM HAS GONE AWRY



# WE MUST RESTORE TRUST IN FINANCE

According to the Edelman Trust Barometer, the financial services industry is the least trusted industry globally.

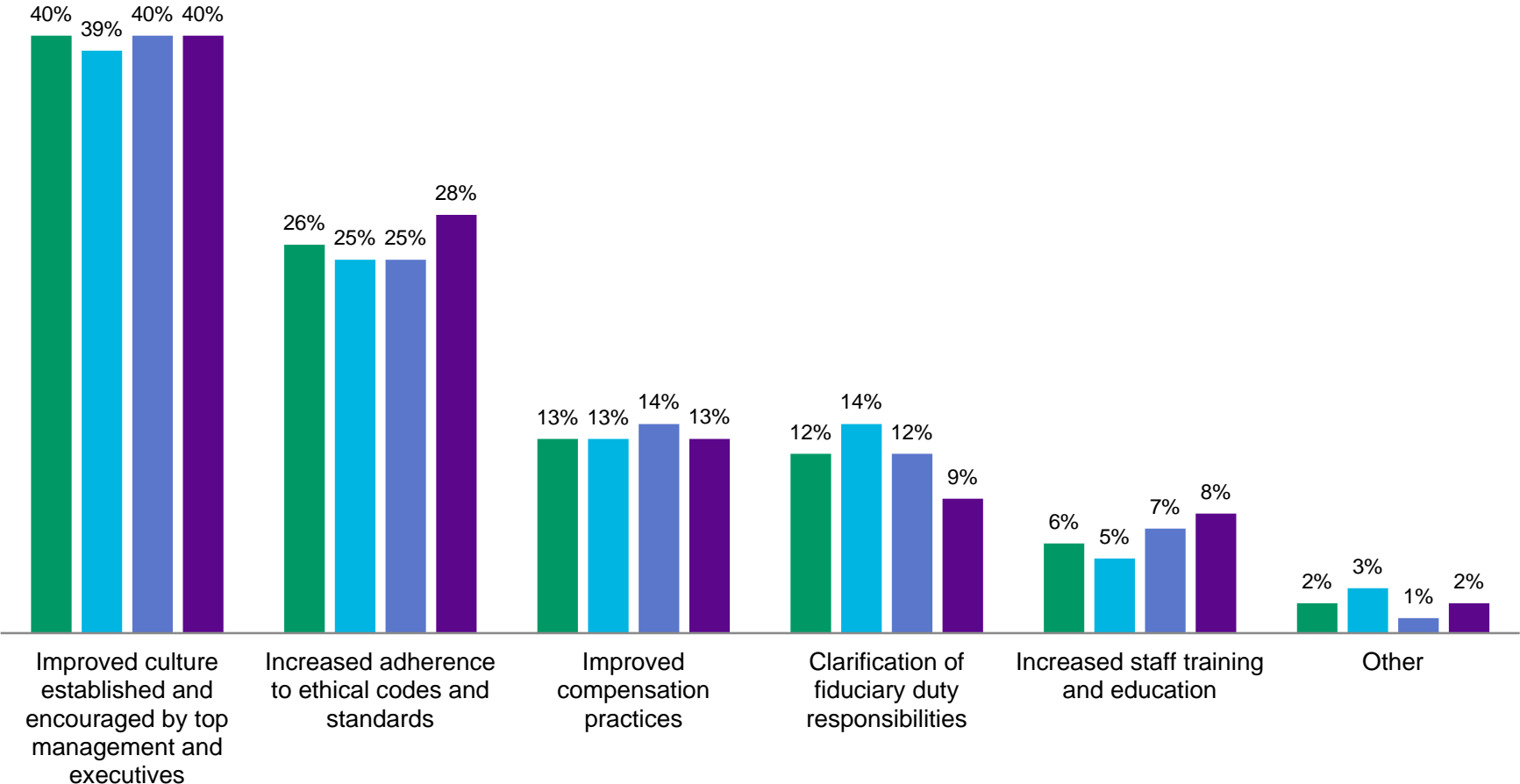
*Question: Please indicate how much you trust businesses in each of the following industries to do what is right.*





# WHICH OF THE FOLLOWING FIRM LEVEL ACTIONS IS MOST NEEDED IN THE COMING YEAR TO HELP IMPROVE INVESTOR TRUST AND CONFIDENCE?

■ Global ■ AMER ■ APAC ■ EMEA



Source: Global Market Sentiment Survey 2014

“No opinion” option excluded from results.

# THE COSTS OF FAILURE OF TRUST

- ➔ Investors who do not trust the industry are unlikely to:
- Save and invest for their future
  - Achieve their long-term financial objectives

- ➔ A “savings gaps” means:
- Longer working lives
  - Lower quality of life
  - Intergenerational stress



**Social impact**



# WE MUST RESTORE BALANCE TO THE FINANCIAL ECOSYSTEM



# FUTURE OF FINANCE PROJECT

**CFA Institute mission:** *To lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.*

## What

### Future of Finance Strategic Objective:

To motivate and empower each actor in the financial ecosystem to commit to fairness and integrity in order to shape a trustworthy, forward-thinking industry that better serves society.

## Why

Financial markets function better when they are fair and investors' interests are put first.

## How

We will accomplish this via an organizing thematic framework and a structure and platform for engagement.

A focused set of practical content and communication tools will be deployed both directly by CFA Institute through selected, prioritized campaign themes and activities, and through our societies and other partners.



# FUTURE OF FINANCE TOPIC AREAS

## Putting Investors First

The duty to protect investor interests.



## Financial Knowledge

Empowering investors to make better decisions.



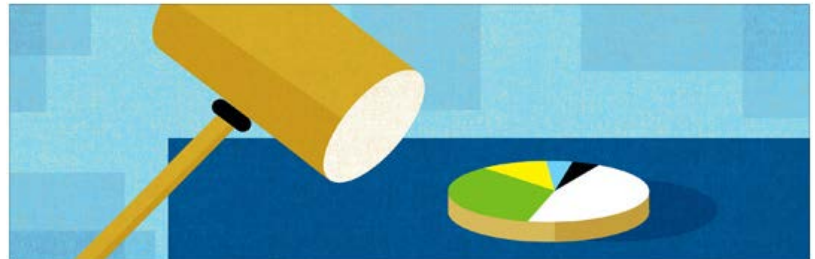
## Safeguarding the System

Promoting stability and minimizing systemic risk.



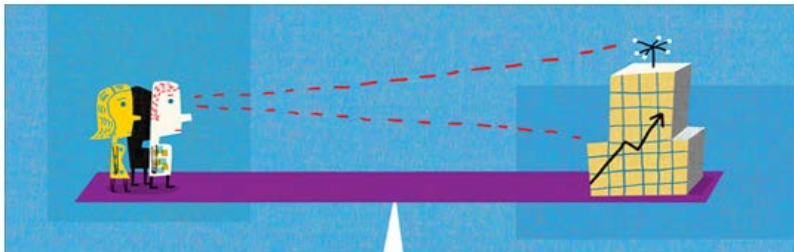
## Regulation & Enforcement

Protecting investors and preserving capital market integrity.



## Transparency & Fairness

Standards to promote an open and honest financial system.



## Retirement Security

Sensible solutions to protect pension systems worldwide.



# FUTURE OF FINANCE TOPIC AREAS

## Putting Investors First

The duty to protect investor interests



# FUTURE OF FINANCE TOPIC AREAS

## Putting Investors First

### The duty to protect investor interests

Our Goal:

To foster a trustworthy environment in which financial agents serve their clients in an ethical and professional manner.

Key Solutions:

- Statement of Investor Rights
- Asset Manager Code of Conduct
- Are You a Visionary Director?
- Literature review on principal/agent issues



# STATEMENT OF INVESTOR RIGHTS

**Demanding that financial professionals abide by these rights helps you build trust in the person and/or firm you engage with, and thereby collectively restore trust, respect, and integrity in finance.**

## WHEN ENGAGING THE SERVICES OF FINANCIAL PROFESSIONALS AND ORGANIZATIONS, I HAVE THE RIGHT TO...

1. **Honest**, competent, and ethical conduct that complies with applicable law;
2. Independent and **objective** advice and assistance based on informed analysis, prudent judgment, and diligent effort;
3. My financial **interests** taking precedence over those of the professional and the organization;
4. **Fair** treatment with respect to other clients;
5. Disclosure of any existing or potential **conflicts** of interest in providing products or services to me;
6. **Understanding** of my circumstances, so that any advice provided is suitable and based on my financial objectives and constraints;
7. Clear, accurate, complete and timely **communications** that use plain language and are presented in a format that conveys the information effectively;
8. An explanation of all **fees** and costs charged to me, and information showing these expenses to be fair and reasonable;
9. **Confidentiality** of my information;
10. Appropriate and complete **records** to support the work done on my behalf.

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*Also available in:*

<i>Arabic</i>	<i>Japanese</i>
<i>Chinese</i>	<i>Korean</i>
<i>French</i>	<i>Portuguese</i>
<i>German</i>	<i>Spanish</i>
<i>Italian</i>	<i>Thai</i>

# FUTURE OF FINANCE TOPIC AREAS

## Financial Knowledge

Empowering investors to make better decisions.



# FUTURE OF FINANCE TOPIC AREAS

## Financial Knowledge

Empowering investors to make better decisions.

Our Goal:

To support financial education by providing resources that will help investment professionals make decisions that better serve their clients.

Key Solution:

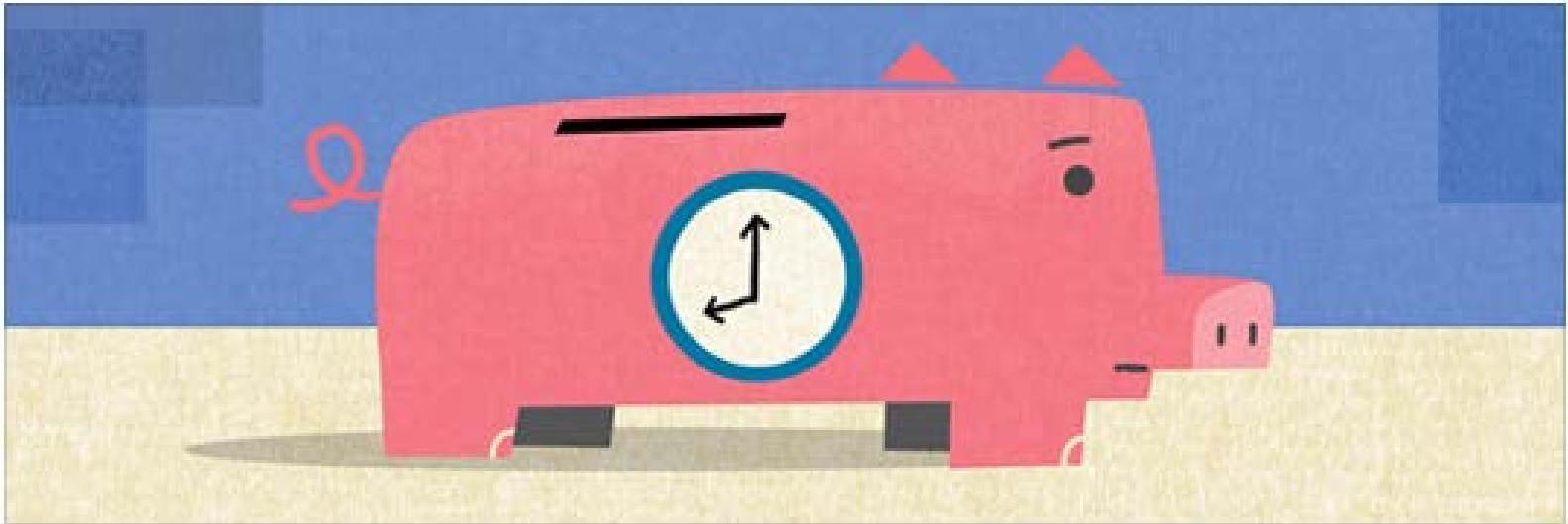
- CFA Institute Education Products
- Financial Market History Project



# FUTURE OF FINANCE TOPIC AREAS

## Retirement Security

Sensible solutions to protect pension systems worldwide.





# FUTURE OF FINANCE TOPIC AREAS

## Retirement Security

Sensible solutions to protect pension systems worldwide.

Our Goal:

To encourage sound retirement planning based on understanding of key issues.

Example:

- Essentials of a More Secure Retirement
- Pension Trustee Code of Conduct
- Life Annuities: An Optimal Product for Retirement Income
- Online discussion forum on pension design





# FUTURE OF FINANCE TOPIC AREAS

## Safeguarding the System

Promoting stability and minimizing systemic risk.



# FUTURE OF FINANCE TOPIC AREAS

## Safeguarding the System

Promoting stability and minimizing systemic risk.

Our Goal:

To create a better understanding of and develop resolutions for existing and potential risks that could adversely impact the global financial system.

Key Initiatives:

Seek influential partnerships and support activities to promote a sound financial system, e.g., the Systemic Risk Council

### **Former FDIC Chair to Lead Systemic Risk Council, Monitor Financial Regulation**

Council aims to accelerate financial market reforms

The Systemic Risk Council, a private sector, volunteer group led by former Federal Deposit Insurance Corp. chair Sheila Bair, will convene this month to monitor and encourage regulatory reform of U.S. capital markets focused on systemic risk. The independent, non-partisan council was formed by CFA Institute, the global association of investment professionals that sets the standard for professional excellence and The Pew Charitable Trusts, an independent nonprofit organization that brings a rigorous, analytical approach to solving today's most challenging problems. The Systemic Risk Council is comprised of a diverse group of experts in investments, capital markets and securities regulation, including senior adviser Paul Volcker, former Chair of the Federal Reserve.



# FUTURE OF FINANCE TOPIC AREAS

## Regulation & Enforcement

Protecting investors and preserving capital market integrity.



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## Regulation & Enforcement

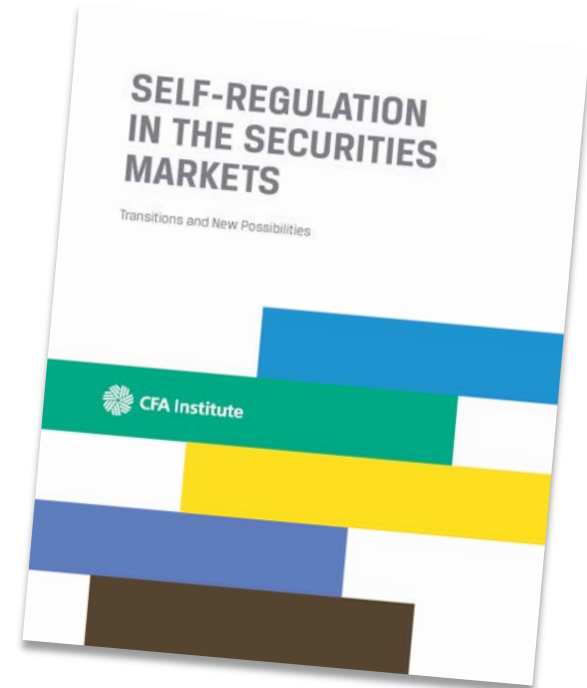
Protecting investors and preserving capital market integrity.

Our Goal:

To advocate globally for workable regulatory and market solutions that promote fair and efficient capital markets.

Recent examples:

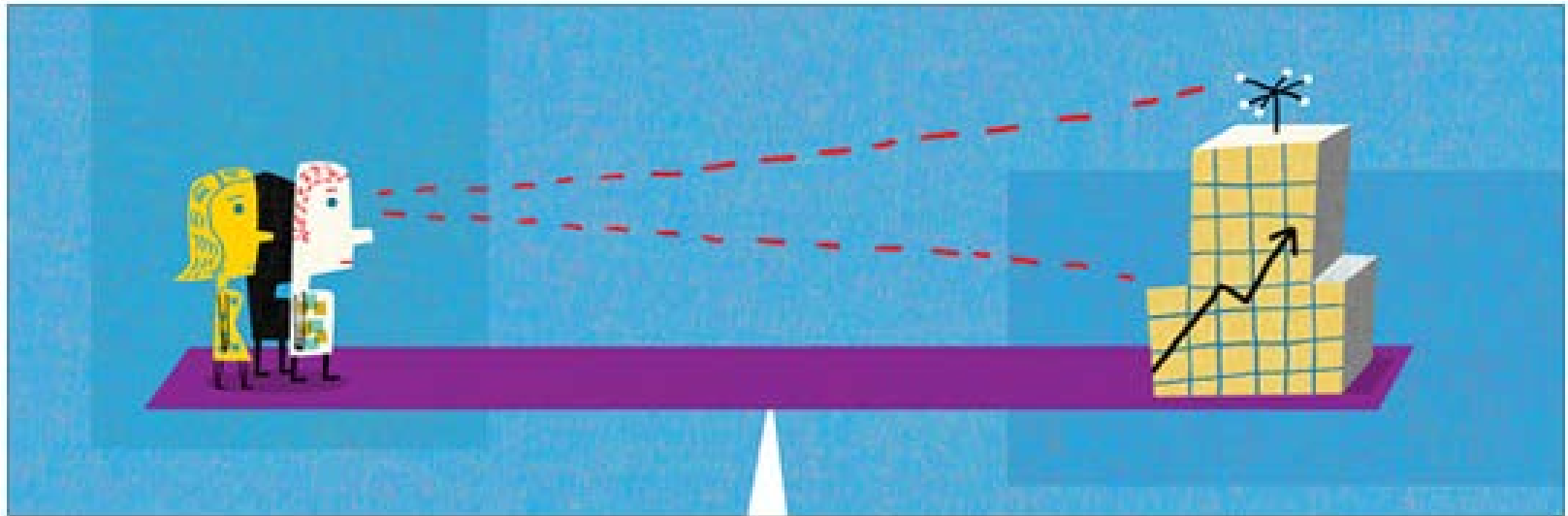
- Self Regulation in the Securities Markets
- Report on Dark Pools



# FUTURE OF FINANCE TOPIC AREAS

## Transparency & Fairness

Standards to promote an open and honest financial system.



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STARTS WITH YOU!**

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