PROFESSIONAL DESIGNATION FOR ANALYSTS

– Emergence of CFA Program –

- Professional organization founded 1947.
- CFA Program developed in 1962.
- First exam given in 1963.

- The certification encompasses values of professional excellence, ethics, respect and building an investment industry that serves the interests of investors and society.

- **Ethics and Professional Standards** have always been an important component and are tested at all levels.
1967 New York
1961 Charlottesville
2015 Mumbai
2009 Brussels
2001 London
1997 Hong Kong
2015 Beijing
# MEMBERSHIP & CANDIDATE GROWTH

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2017</th>
<th>Non-US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members</td>
<td>17,880</td>
<td>156,801</td>
<td>53%</td>
</tr>
<tr>
<td>Candidates</td>
<td>16,390</td>
<td>207,152</td>
<td>79%</td>
</tr>
</tbody>
</table>
# Occupation Profile of Global Membership

<table>
<thead>
<tr>
<th>Occupation</th>
<th>% of Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Managers &amp; Strategists</td>
<td>26.8%</td>
</tr>
<tr>
<td>Research Analyst</td>
<td>16.7%</td>
</tr>
<tr>
<td>Corporate Financial Analyst</td>
<td>4.9%</td>
</tr>
<tr>
<td>Investment Banking Analyst</td>
<td>4.5%</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>7.6%</td>
</tr>
<tr>
<td>Consultant</td>
<td>6.3%</td>
</tr>
<tr>
<td>Brokers &amp; Traders</td>
<td>5.1%</td>
</tr>
<tr>
<td>Risk Manager</td>
<td>5.1%</td>
</tr>
<tr>
<td>Financial Advisors &amp; Private Bankers</td>
<td>5.8%</td>
</tr>
<tr>
<td>Relationship Manager</td>
<td>5.1%</td>
</tr>
<tr>
<td>Accountant/Auditor</td>
<td>2.8%</td>
</tr>
<tr>
<td>Other</td>
<td>10.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
To lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.
Advocacy Division

- Advocacy & investor representation occurs through the Advocacy division.
- CFA Institute has over 40 years experience advocating for financial market integrity and transparency.
- Advocacy Division was formed in 2004 as the policy and research group to address global capital market issues.

**Capital Markets Policy**

Promote fair and open markets, investor protections, and professional standards.

Advocate for integrity in the capital markets through high quality corporate governance and shareholder rights.

**Financial Reporting Policy**

Advocate for improved financial reporting so investors receive transparent and consistent information upon which to make investment decisions.
FINANCIAL REPORTING POLICY GROUP

Content

Thought Leadership
- Data & Technology
- Disclosures
- Financial Reporting Complexity

Technical Information & Comment Letters
- IASB
- FASB
- SEC
- PCAOB
- IAASB

Advocacy & Outreach

Awareness
- Media & Press Mentions
- Articles & Publications, Issue Briefs
- Webcasts, Podcasts, Blog Posts
- Presentations/Speaking Engagements

Engagement
- Participation on Advisory Committees & Roundtables
- Corporate Disclosure Policy Council Meetings with Standard Setters
- Member Surveys
STRUCTURED DATA

SUPPORTOR OF ALL KEY INITIATIVE TO IMPROVE DATA ACCESS FOR INVESTORS (EDGAR & XBRL)

We look forward to the imminent availability of the SEC’s new method of making company filings available.......it promises to be a vast improvement over the present system. .....It will also dispense information faster than currently by placing a document in the data base when it is received.....Eventually, it may make even the most recalcitrant analyst into a data base user.

− Financial Reporting in the 1990s and Beyond
AIMR, 1993
Figure 1. Effects of Structured Data on Investment Decisions and Regulation

- Financial reporting by companies by structuring data early in the process
- More effective audit would lead to better-quality, more timely information
- More effective consumption of information by users, including investors and regulators

Better Investment Decision Making and More Effective Regulation
COMPANIES

• Seen as a compliance exercise
• Needs to be viewed as a communication platform
• Need for education: How can we achieve this?
AUDITORS

Mordac, the Preventer of Information Services.

Security is more important than usability.

In a perfect world, no one would be able to use anything.

To complete the log-in procedure, stare directly at the sun.
## Exhibit 1. Financial Reporting: The Coming Changes

<table>
<thead>
<tr>
<th>Current State</th>
<th>Future State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historic</td>
<td>Real time</td>
</tr>
<tr>
<td>Periodic</td>
<td>On demand</td>
</tr>
<tr>
<td>Composed of statements</td>
<td>Composed of custom searches and reports</td>
</tr>
<tr>
<td>Based on financial measures</td>
<td>Based on financial and nonfinancial items</td>
</tr>
<tr>
<td>Backward looking</td>
<td>Predictive</td>
</tr>
</tbody>
</table>
**BENEFITS TO INVESTORS**

**Exhibit 2. Benefits of Structured Data**

1. Improves financial statement accuracy
2. Improves productivity
3. Increases opportunity for higher returns
4. Allows for better risk management
5. Empowers the analyst

CHALLENGES: DATA QUALITY

Rule Results per Quarter, All Rules and All Filers

https://xbrl.us/dqc-results
The boundaries of physical and digital worlds are melting at unprecedented speeds, leaving many of our policy-makers, heads of government and business people unprepared to integrate new concepts into decision-making processes.

- Global Agenda Outlook 2013, World Economic Forum (page16)
OUR VISION

• Broader

• Deeper
SURVEY RESULTS

Regional Distribution of Respondents

- 60% AMERICAS
- 24% ASIA PACIFIC
- 16% EMEA
I am aware of XBRL and the plans for its usage in financial reporting.  
I am aware of XBRL but not up-to-date on its usage in financial reporting.  
I am not aware of XBRL.
SURVEY RESULTS

Impact from the usage of tagged interactive data

- **Increase the timeliness of the valuation process**
  - No effect/improvement 1 and 2: 16%
  - 3: 19%
  - 4 and 5 significant effect/improvement: 66%

- **Upload company data into your financial analysis models**
  - No effect/improvement 1 and 2: 9%
  - 3: 25%
  - 4 and 5 significant effect/improvement: 65%

- **Make comparisons between companies and/or industries**
  - No effect/improvement 1 and 2: 12%
  - 3: 34%
  - 4 and 5 significant effect/improvement: 54%

- **Rely on the data used in your analysis**
  - No effect/improvement 1 and 2: 20%
  - 3: 29%
  - 4 and 5 significant effect/improvement: 51%

- **Analyze companies' performance**
  - No effect/improvement 1 and 2: 20%
  - 3: 30%
  - 4 and 5 significant effect/improvement: 50%

- **Access companies' data at a deeper level of disaggregation or granularity**
  - No effect/improvement 1 and 2: 17%
  - 3: 39%
  - 4 and 5 significant effect/improvement: 44%
SURVEY RESULTS

Importance of XBRL data set

- All companies across a meaningful set of annual and interim periods:
  - 2 & Not important 1: 4%
  - 3: 19%
  - 4 & Very important 5: 77%

- All sections of annual reports across a meaningful set of periods:
  - 2 & Not important 1: 9%
  - 3: 20%
  - 4 & Very important 5: 71%

- Company earnings and press releases:
  - 2 & Not important 1: 17%
  - 3: 19%
  - 4 & Very important 5: 64%

- Corporate transactions (dividends, stock splits):
  - 2 & Not important 1: 18%
  - 3: 27%
  - 4 & Very important 5: 55%

- Detailed operational information (non-financial):
  - 2 & Not important 1: 16%
  - 3: 32%
  - 4 & Very important 5: 52%

- Assets pools of securitizations (e.g. mortgages or credit card receivables):
  - 2 & Not important 1: 30%
  - 3: 29%
  - 4 & Very important 5: 41%

- Executive compensation related information:
  - 2 & Not important 1: 34%
  - 3: 34%
  - 4 & Very important 5: 32%
SURVEY RESULTS

XBRL extensions

- Companies should be able to create new tags without regard to current XBRL taxonomy or list of tags.
- Companies should not be able to create new tags.
- Companies should have limited ability to create new tags in order to reflect unique business activities or transactions not defined by the current XBRL taxonomy.

![Survey results chart for XBRL extensions]

- 2007: 9% (new tags) - 66% (existing tags)
- 2009: 9% (new tags) - 67% (existing tags)
- 2011: 13% (new tags) - 60% (existing tags)
- 2016: 10% (new tags) - 56% (existing tags)
SURVEY RESULTS

Audits of XBRL data

- Incorporation of the XBRL report into the standard financial statement audit as to the appropriateness of XBRL tagging of reported amounts.
- Separate audit by an independent party as to the appropriateness of the XBRL tagging of reported amounts. The XBRL tag audit would be a separate engagement from the financial statement audit.
- Separate non-audit review by an independent party as to the appropriateness of the XBRL tagging of the reported amounts. This is often referred to as an Agreed Upon Procedure (AUP) engagement with an auditing firm.
- Certification by the company's managers as to the appropriateness of the XBRL tagging of reported amounts.
- No certification or independent audit/review is necessary.
TAKEAWAYS

This can be a win-win for everyone!
ACCESS

• The blog introducing the report can be accessed at:

• The report can be downloaded at: