

DATA AND TECHNOLOGY: TRANSFORMING THE FINANCIAL INFORMATION LANDSCAPE

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CFA Institute

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



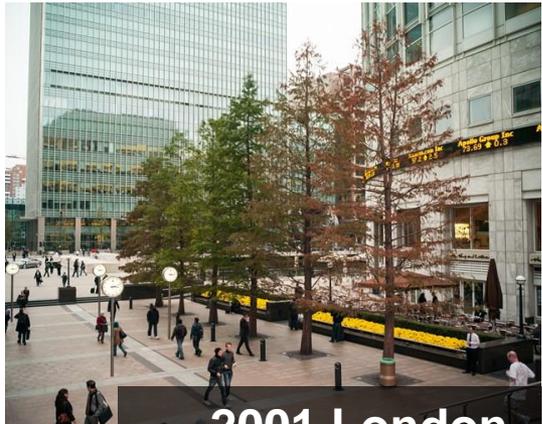
1961 Charlottesville



2015 Beijing



2015 Mumbai



2001 London



2009 Brussels



1997 Hong Kong

MEMBERSHIP & CANDIDATE GROWTH

	<u>1990</u>	<u>2017</u>	<u>Non-US</u>
Members	17,880	156,801	53%
Candidates	16,390	207,152	79%

OCCUPATION PROFILE OF GLOBAL MEMBERSHIP

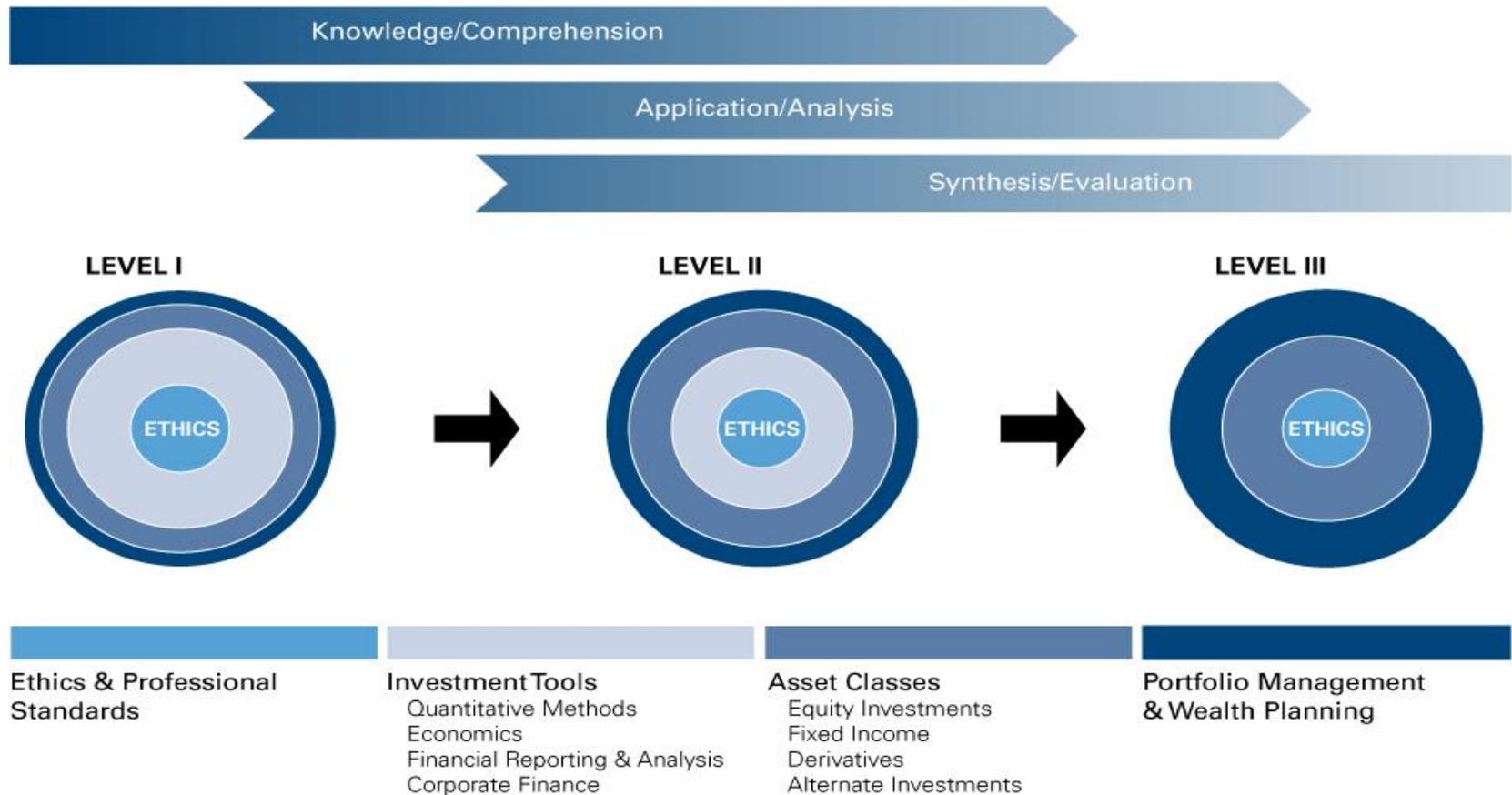
Occupation	% of Membership
Portfolio Managers & Strategists	26.8%
Research Analyst	16.7%
Corporate Financial Analyst	4.9%
Investment Banking Analyst	4.5%
Chief Executive Officer	7.6%
Consultant	6.3%
Brokers & Traders	5.1%
Risk Manager	5.1%
Financial Advisors & Private Bankers	5.8%
Relationship Manager	5.1%
Accountant/Auditor	2.8%
Other	10.3%
Total	100.0%

Analyst 26.1%

MISSION STATEMENT

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

CFA PROGRAM



ADVOCACY OBJECTIVE

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



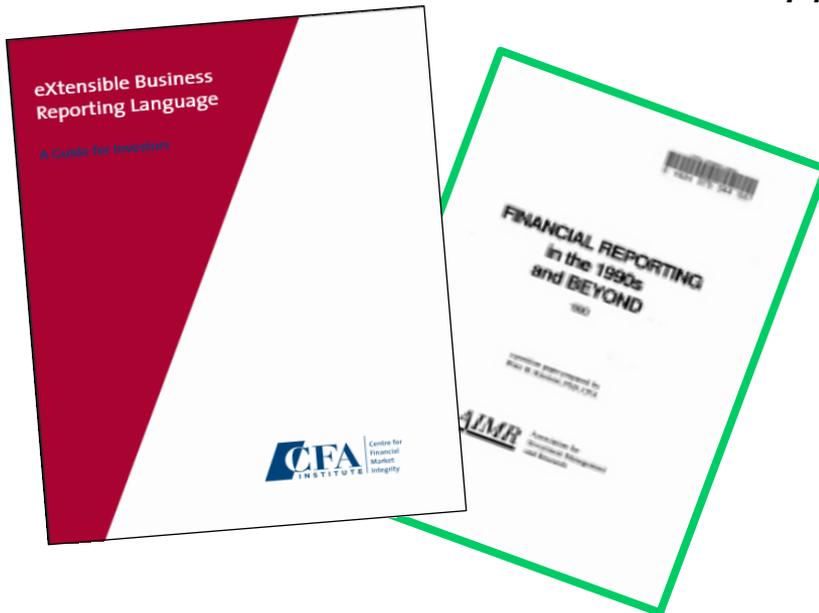
0.103	0.176	0.387	0.300	0.379
0.333	0.384	0.564	0.587	0.857
0.421	0.309	0.654	0.729	0.228
0.266	0.750	1.056	0.936	0.911
0.225	0.326	0.643	0.337	0.721
0.187	0.586	0.529	0.340	0.829
0.153	0.485	0.560	0.428	0.628

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



DATA & TECHNOLOGY



Figure 1. Effects of Structured Data on Investment Decisions and Regulation



COMPANIES

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



AUDITORS



AUDITORS



Exhibit 1. Financial Reporting: The Coming Changes

Current State	Future State
Historic	Real time
Periodic	On demand
Composed of statements	Composed of custom searches and reports
Based on financial measures	Based on financial and nonfinancial items
Backward looking	Predictive

BENEFITS TO INVESTORS



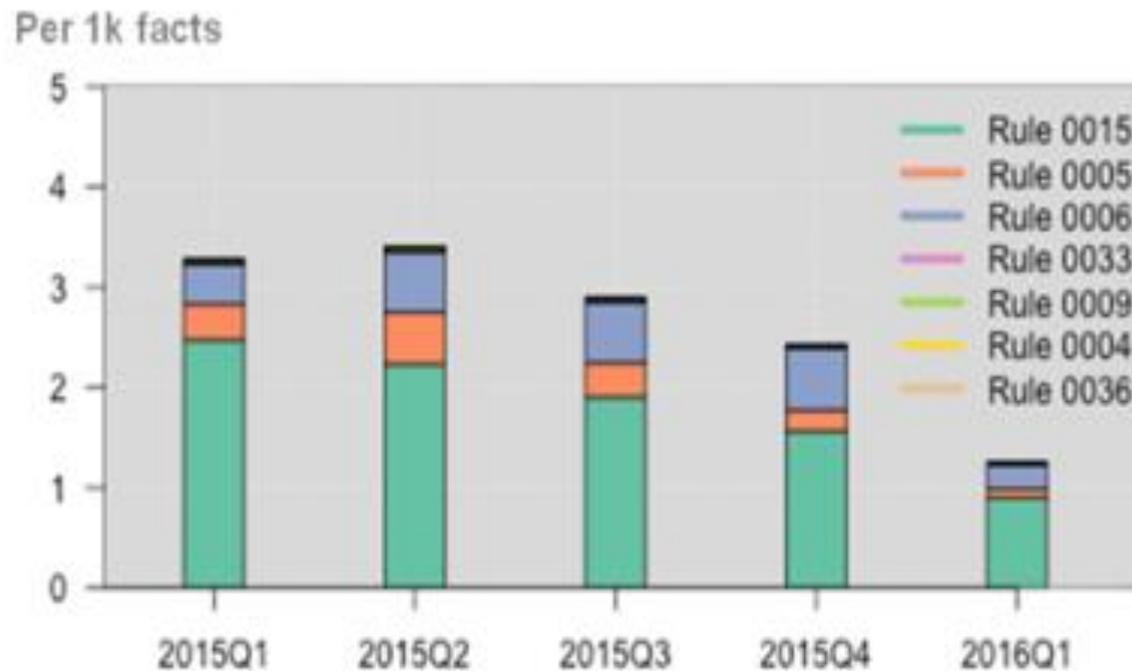
Exhibit 2. Benefits of Structured Data

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

Sources: Schroeder (2013); R. Harold Schroeder, XBRL US Investor Forum: Improving Financial Analysis through Structured Data, Baruch College, New York City (4 November 2015); and Pranav Ghai and Alex Rapp, “Value of XBRL for Financial Analysis,” *Accounting Today* (12 January 2016).

CHALLENGES: DATA QUALITY

Rule Results per Quarter, All Rules and All Filers



<https://xbrl.us/dqc-results>

POLICY MAKERS: MUST INCORPORATE TECHNOLOGY INTO DECISION-MAKING



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

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OUR VISION

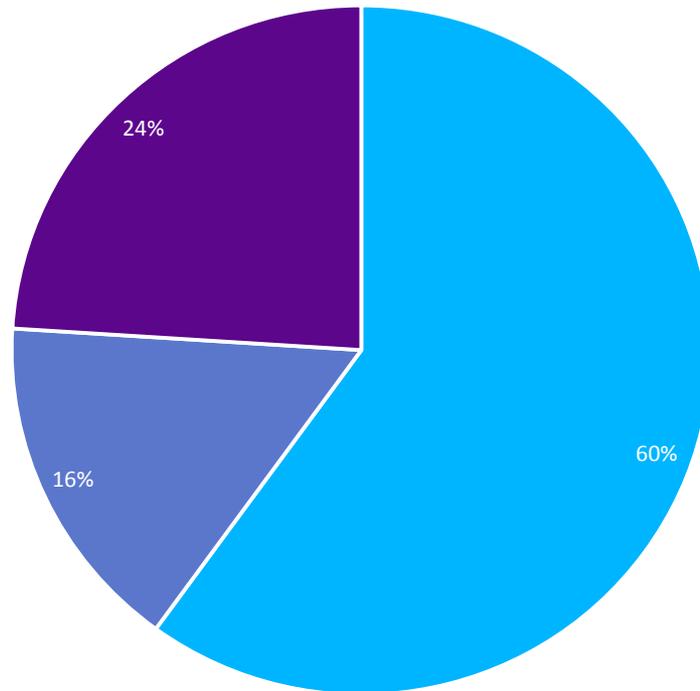
- **Broader**
- **Deeper**



SURVEY RESULTS

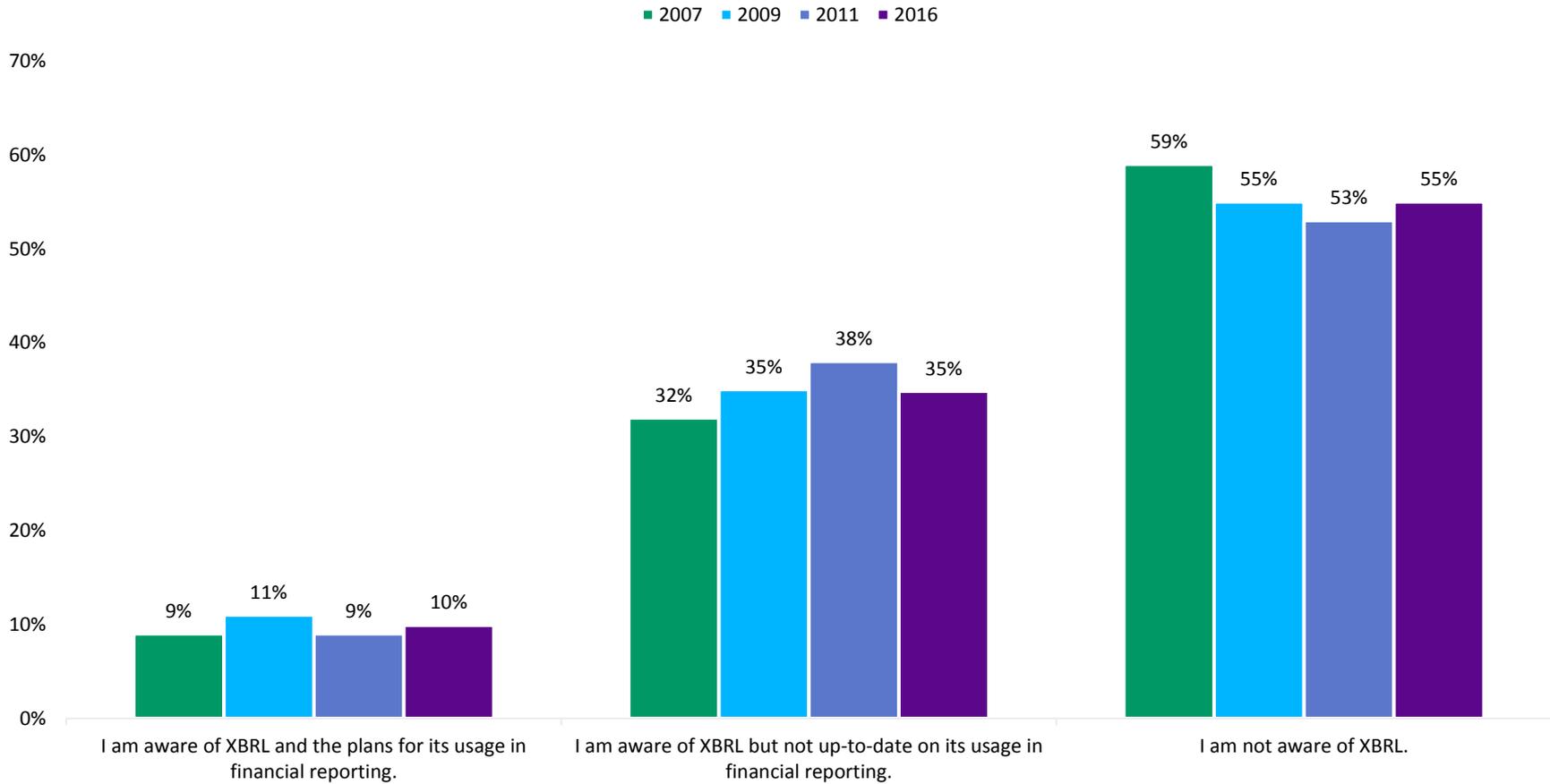
Regional Distribution of Respondents

■ AMERICAS ■ ASIA PACIFIC ■ EMEA



SURVEY RESULTS

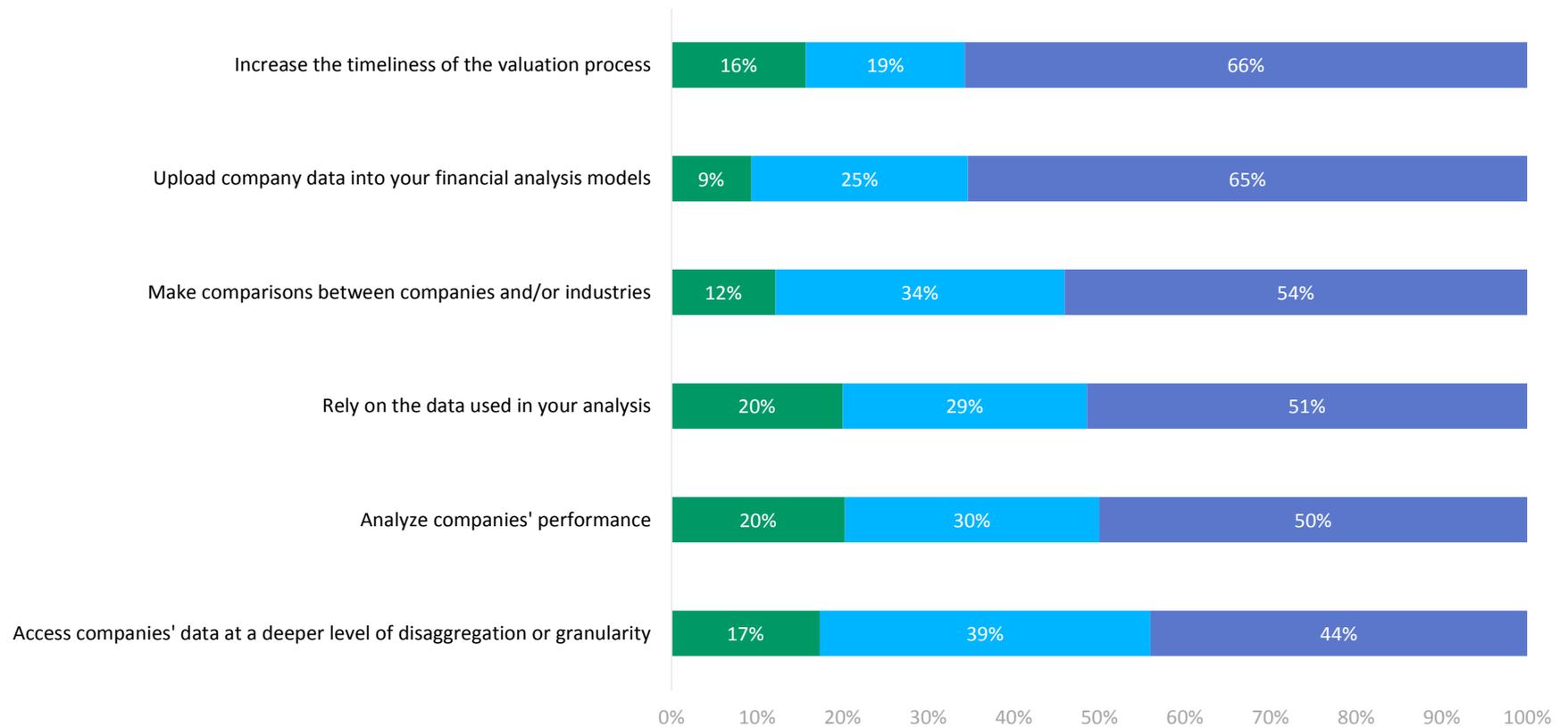
Awareness of XBRL Initiatives



SURVEY RESULTS

Impact from the usage of tagged interactive data

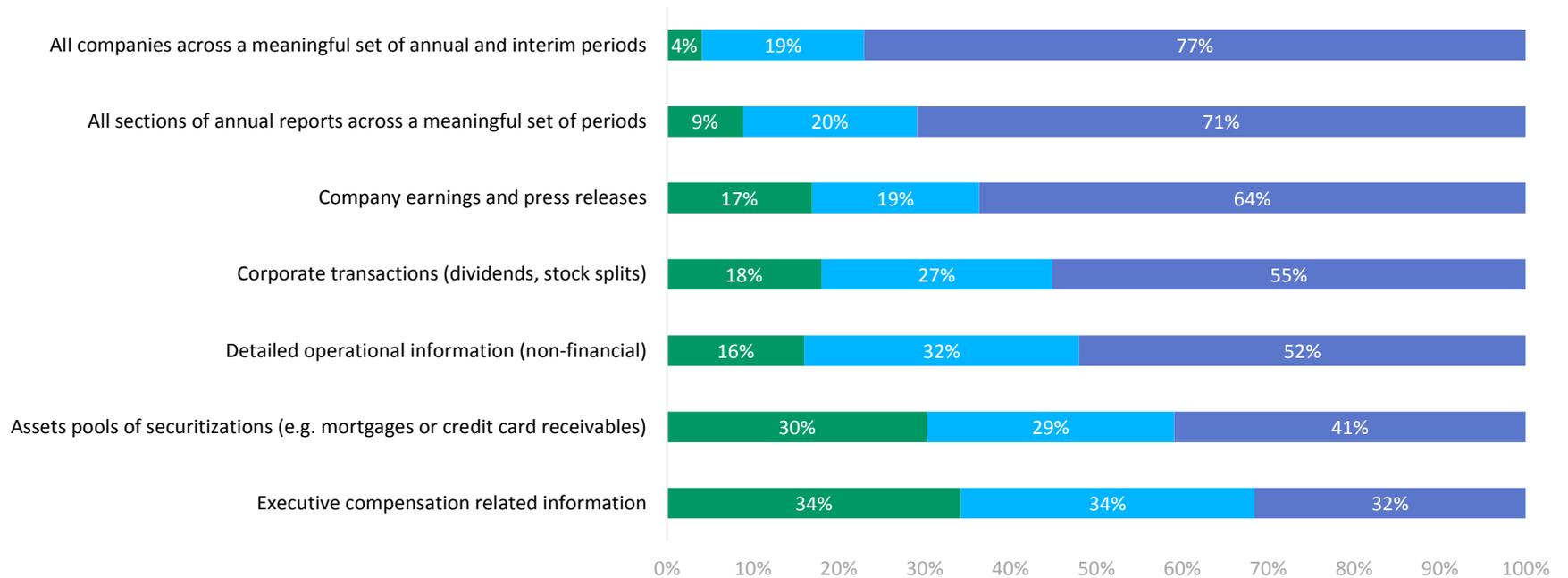
■ No effect/improvement 1 and 2 ■ 3 ■ 4 and 5 significant effect/improvement



SURVEY RESULTS

Importance of XBRL data set

■ 2 & Not important 1 ■ 3 ■ 4 & Very important 5



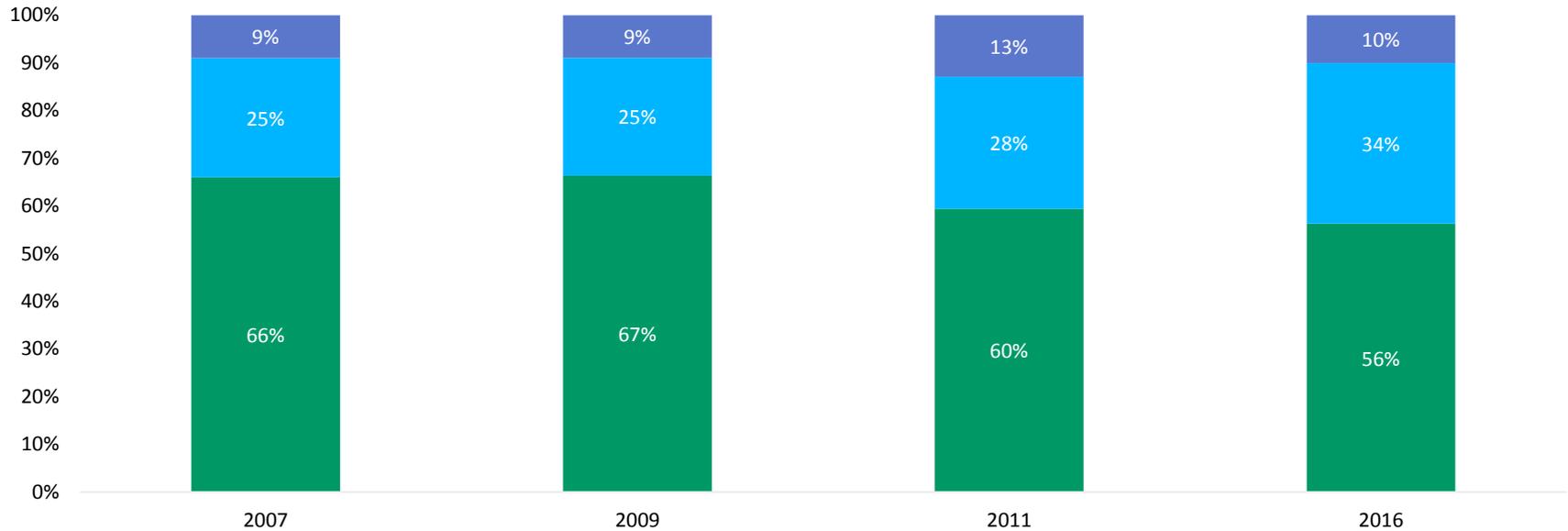
SURVEY RESULTS

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.

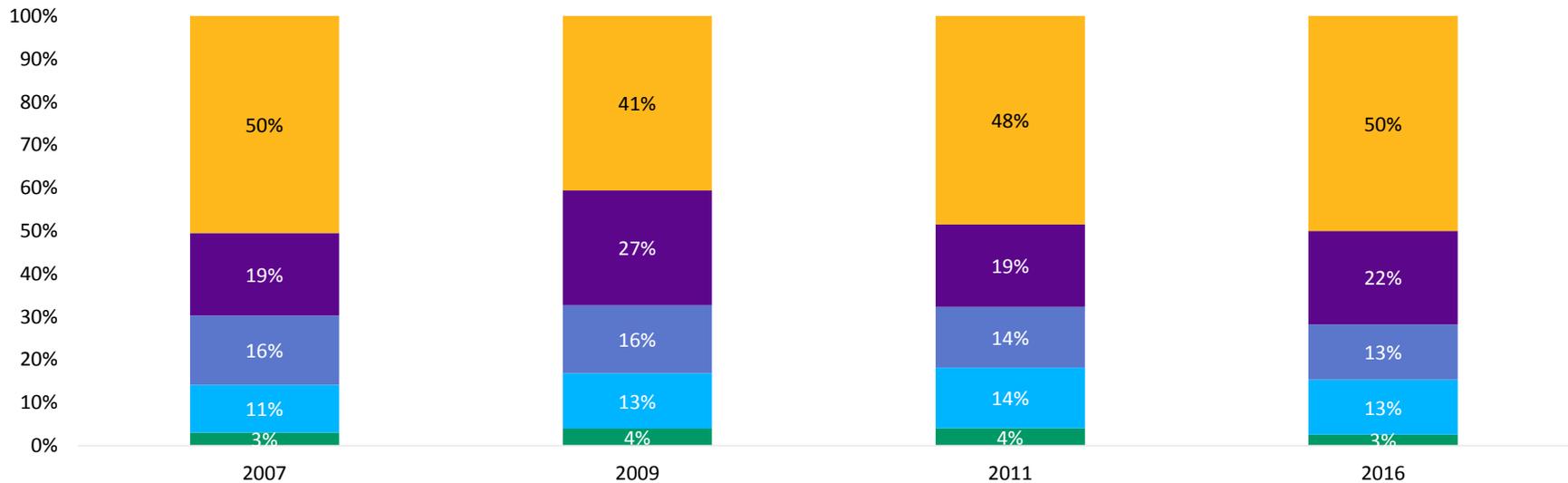
■ Companies should have limited ability to create new tags in order to reflect unique business activities or transactions not defined by the current XBRL taxonomy.



SURVEY RESULTS

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:**

<https://blogs.cfainstitute.org/marketintegrity/2016/09/01/the-role-of-data-and-technology-in-transforming-financial-reporting>

- **The report can be downloaded at:**

<https://www.cfapubs.org/doi/pdf/10.2469/ccb.v2016.n7.1>