TRUSTING

The Independent Financial Advisor

CIFA

www.cifango.org

€35 – N°11 – January/June 2017

Join CIFA's
XVth International Forum
in Monaco
May 30-June 1, 2017


TO BREAK THE RULES, YOU MUST FIRST MASTER THEM.
THE VALLÉE DE JOUX. FOR MILLENNIA A HARSH, UNYIELDING ENVIRONMENT; AND SINCE 1875 THE HOME OF AUDEMARS PIGUET, IN THE VILLAGE OF LE BRASSUS. THE EARLY WATCHMAKERS WERE SHAPED HERE, IN AWE OF THE FORCE OF NATURE YET DRIVEN TO MASTER ITS MYSTERIES THROUGH THE COMPLEX MECHANICS OF THEIR CRAFT. STILL TODAY THIS PIONEERING SPIRIT INSPIRES US TO CONSTANTLY CHALLENGE THE CONVENTIONS OF FINE WATCHMAKING.
AUDEMARS PIGUET
Le Brassus
ROYAL OAK CHRONOGRAPH
IN PINK GOLD
AUDEMARSPIGUET.COM

TRUSTING

The Independent Financial Advisor

Owner & Publisher

CIFA Foundation
Rue du Vieux Collège 3
P.O. Box 3255
CH - 1211 GENEVA 3
Switzerland
Tel: +41 22 317 11 11
Fax: +41 22 317 11 77
www.cifango.org

Editor in Chief

Cosima F. Barone, FINARC SA - www.finarc.ch

Contributors to this issue

Muna Rihani Al-Nasser
Robert P. Balan
Cosima F. Barone
Selim Chanderli
Pierre Christodoulidis
Vincent J. Derudder
Jean-Pierre Diserens
Roger H. Ganser
Steve H. Hanke
Garry Heath
Afaf Konja
François Loriot
Zoltan Luttenberger
Céline Mahinc
Hanifa Mezoui
Daniel J. Mitchell
Patrick Morel
Nicolas Ollivier
Jean-François Owczarczak
Robert R. Prechter
Gilles-Guy de Salins
Andrea Slattery
Leong Sze Hian
Indira Tazan
Stephen B. Young

Photos & Images

www.fotolia.com
www.cifango.org

Distribution

Franco Rossi, www.privatebanking.com
CIFA, **www.cifango.org**

CIFA's Partner Federations & Associations

70 across the globe

Realized in Cooperation with

Caux Round Table
FECIF
GSCGI-SAIFA
Private Banking

CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
A Non-Profit Foundation

A Non-Governmental Organization in general consultative status with the Economic and Social Council of the United Nations

GROUPEMENT SUISSE DES CONSEILS EN GESTION INDÉPENDANTS, G.S.C.G.I.

SCHWEIZERISCHE VEREINIGUNG UNABHÄNGIGER FINANZBERATER, S.V.U.F.

ASSOCIAZIONE SVIZZERA DEI CONSULENTI FINANZIARI INDIPENDENTI, A.S.C.F.I.

SWISS ASSOCIATION OF INDEPENDENT FINANCIAL ADVISORS, S.A.I.F.A.

CIFA INITIAL CONTRIBUTOR

Fédération Européenne des Conseils et Intermédiaires Financiers

Moral Capitalism *at Work*

FROM FOUNDATION TO PRESENT

CIFA, a non-profit Swiss foundation, was setup in Geneva, Switzerland, in December 2001, aiming to become the ideal contact point for financial advisors and wealth managers, as well as legislators and regulators.

With individual investors' needs in mind, CIFA chose to focus on enhancing the basic status *(the very foundations of their independent businesses)* of IFAs around the globe, by promoting the highest professional standards, best-practice rules and ethical rules.

These specific goals have been pursued relentlessly by CIFA, which has the highly impressive ability to approach them from several interesting angles through the intelligent selection of renowned international speakers. Each year, the appropriateness of topics discussed, the excellence of presentations and relative round-table discussions have been remarkable.

By 2007, CIFA had already become an **NGO** *(non-governmental-organization)* in "**special consultative status**" with **UN's ECOSOC**, the United Nations' Economic and Social Council. CIFA attends and speaks at several UN gatherings organized at the initiative of the General Assembly, ECOSOC, UNCTAD, UNITAR, FOSS, etc.

A year later, in 2008, **"THE CHARTER OF INVESTORS' RIGHTS"** *(www.cifango.org)*, developed under the supervision of UN's ECOSOC, was introduced during the CIFA's VI^th^ Forum held in Prague, The Czech Republic. Finally, the basic rights of investors were taken into account in finance!

In February 2015, The **United Nations** reclassified CIFA to the "**general consultative status**" with the **UN-ECOSOC**. As a result, CIFA joined the select UN club of 143 NGOs accredited to interact during UN thematic debates.

CIFA'S INTERNATIONAL FORUMS IN PAST YEARS

Through the years, CIFA Forums were held in Geneva *(2003 through 2007)*, Prague *(2008)*, Paris *(2009)*, Madrid *(2010)* and Monaco since 2011 to present.

2003 — WHAT CHALLENGES FOR INDEPENDENT FINANCIAL ADVISERS?

2004 — REINVENTING TRUST

2005 — LET'S PROVOKE A DIALOGUE WITH THE REGULATORS

2006 — LEGISLATION AND REGULATION: REAL PROBLEMS, POOR SOLUTIONS!

2007 — LET'S FACE THE FUTURE!

2008 — INVESTOR'S FREEDOM OR CONSUMER'S PROTECTION?

2009 — RECURRING FINANCING JOLTS & CRISES - Advance warning signs of a New Economic World Order

2010 — FINANCIAL BUBBLES AND REGULATORY BUBBLES

2011 — ETHICS AND GOVERNANCE IN FINANCIAL MARKETS FINANCIAL SERVICES - Reform or Die?

2012 — 2012, ELECTION YEAR: WHAT CHALLENGES FOR THE INTERNATIONAL FINANCIAL SYSTEM? Ethics, Politics and Finance

2013 — CAN THE WORLD FINANCIAL SYSTEM BE REFORMED?

2014 — THE NEW PARADIGM FOR WEALTH MANAGERS Freedom, Regulation, Transparency, Taxes, Rule of Law, Expropriation, Privacy and much more!

2015 — PUBLIC DEBTS & DEFICITS, UNRESTRAINED TAXATION: WHO WILL PAY?

2016 — EXCESSIVE REGULATION: IS IT REALLY INTENDED TO GUARANTEE ENTREPRENEURIAL FREEDOM AND PROPERTY?

2017 — OUTSIDERS IN POWER: WILL THEY TEAR DOWN THE EXISTING MODEL? WHAT NEW MODEL DO THEY PROPOSE?


TRUSTING
The Independent Financial Advisor
C I F A
www.cifango.org
€35 – N°11 – January/June 2017
Join CIFA's
XVth International Forum
in Monaco
May 30-June 1, 2017
7 De la perte de conscience critique à la crainte du 'vide moral' Pierre Christodoulidis
48 General Assembly of the United Nations: High-Level SDG Financing Lab Stephen B. Young
70 The Myth of Shocks Robert R. Prechter
94 Will the International Nightmare of FATCA Finally Be Repealed? Daniel J. Mitchell
98 Australia: Self-Managed Super Fund Association (SMSF) — www.smsfassociation.com

THE CHARTER OF INVESTORS' RIGHTS

This Charter has as its goal the definition of the fundamental and inalienable rights of the investor.

The Charter was drafted by the Convention of Independent Financial Advisors (CIFA), a non-governmental organization with consultative status at the Economic and Social Council of the United Nations.

CIFA is the possessor and custodian of this Charter.

The Charter aims to underline the principles, both straightforward and permanent, of the investor so as to benefit from a legal framework which preserves private property and comprises goods resulting from the activities, be they personal property or intellectual, of the investor.

The Charter attempts to respect the legislation, traditions and customs of all the countries which ratify it.

Article 1

Private property is protected according to the contents of this Charter of investors' rights. Private property is defined as the entirety of goods and rights that exist, as well as all revenue and obligations relating to it that are not recognised as the property of a member state of the United Nations. Private property resulting from ancestral, historic or tribal rights is equally covered by this Charter.

Article 2

Only private property constituted or acquired under universally accepted moral norms is protected by this Charter. All private property acquired or constituted under constraint or duress, or by way of intimidation or any other criminal manner, is excluded from protection by this Charter.

Article 3

The investor is a person, physical and moral, who is in possession of the right of disposal of his or her private property and is, simultaneously, the beneficiary of income and obligations which accrue to him.

Article 4

All acts of expropriation or confiscation of private property and revenues are forbidden. All investors have the right to protect themselves, by all legal means, against all acts of expropriation or confiscation by a state or private organization that is directly or indirectly subordinated to it.

Article 5

The investor has the right, freely and without constraint, to dispose of the totality of all of his or her assets which constitute his private property as well as the income attributable and conforming to their needs and aspirations. Any restrictions on the rights of disposal of these goods are not acceptable without the agreement of the owner who gives free consent without constraint.

Article 6

The investor has the right to protection of his private sphere. The investor is the sole decision-maker regarding the choice of means of investment structure which guarantees the best protection for his private sphere.

Article 7

The investor has the right to use his best judgement to find the most appropriate way for his private property and revenue to yield a profit. He has the right freely to choose the structures and institutions that he judges will more than adequately accommodate the components of his private property as well as the revenue which results.

Article 8

The investor undertakes to arrange his assets in a manner that respects the habits, customs as well as the legal framework of the countries in which he invests.

Article 9

The investor has the right to expect from states and governments good structures, supervision and adequate surveillance of the market place. He or she is free, and at the same time personally responsible, for all investments which proceed forth.

Article 10

The investor undertakes to respect the fundamental rights of mankind as defined in the Charter of the United Nations.

De la perte de conscience critique à la crainte du 'vide moral'

Tout homme est susceptible de connaître l'ambivalence morale de la prospérité, de l'abondance. La profusion de biens expose l'individu à toutes les tentations, les excès, les dégradations physiques et morales, mais ils savent aussi que la lucidité spirituelle est une dimension indispensable à assurer une contre balance à toutes les dérives.

Max Weber déjà, dans son «***Ethique protestante et l'esprit du capitalisme***» constate/relève que l'éthique protestante n'a nullement facilité l'affirmation des valeurs capitalistes. Au contraire, déjà à cette époque d'enrichissement important de la Hollande protestante, les discours virulents contre la richesse visaient directement *«l'éthos pécuniaire»* lui-même. Une ordonnance de 1581 prive de communion les banquiers, à l'instar des prêteurs sur gage, des acteurs, des jongleurs, des tenanciers de maisons closes, tous jugés indignes de recevoir la grâce de Dieu. Cet arrêt ne sera levé qu'en 1658.

Quelle que fût son aversion pour les pratiques financières, l'Eglise Réformée, soucieuse de la prospérité, n'entravera pas la marche des affaires. Elle se contentera du rôle de *«gendarme spirituel»*. Il est deux formes d'excès, avertissait déjà Aristote, philosophe de la juste mesure: celui du mal assurément, mais non pas moins celui du bien, de l'austérité, de l'éradication des passions. Là où les moralistes et autres juristes ne voient que scandale, l'homme cultivé voit des dilemmes éthiques qu'il est difficile de trancher au couteau.

— ***Quelle est donc la balance, l'équilibre idéal entre matérialisme et morale?***

— ***Comment être fort et rester pur?***

— ***Comment être riche et en même temps humble?***

— ***Comment concilier ordre moral et abondance?***

— ***Comment pondérer modération et excès?***

Après de nombreuses années d'abondance à l'issue de la seconde guerre mondiale, une grave crise financière née en 2008 a inversé la dynamique de l'argent facilement accessible. Les sources se sont taries, affectant en premier lieu certaines couches de population qui sont tombées dans l'engrenage du chômage et de la précarité.

Les gens supportent de moins en moins les abus, les perversions économiques, dont fait preuve notamment la classe politique censée établir la loi, et la corruption des circuits de l'argent qu'ils associent à la finance.

Ces mêmes politiques, pour conjurer l'ire publique et le ressentiment croissants du citoyen qui se manifestent par une incivilité et un irrespect généralisés *(inspirés par leurs actes?)*, adoptent l'attitude absurde qui consiste à remplacer l'exercice du jugement éthique personnel par une multiplication explosive de dispositions juridiques et de micro-règles souvent aberrantes.

A quoi peut-on imputer ce sentiment d'*«imperfection intrinsèque»* à toute loi, comme la qualifiait déjà Aristote: à l'attitude irresponsable de certains banquiers? A l'érosion lente mais constante de comportements condamnables des politiques? Ou à une réduction méthodique des exigences scolaires qui accentuent de façon dangereuse ce que nous percevons aujourd'hui comme une menace et que l'on qualifie avec horreur de «vide normatif»? Désormais, c'est la façon de réagir de nos législateurs confrontés à ce «vide» qui effraie, car il place l'individu devant ses responsabilités.

Notre culture actuelle, formatée par des modèles inspirés de schémas informatiques, préfère multiplier les règles plutôt que d'appliquer avec discernement des normes qui existent depuis des siècles.

Cette attitude hypocrite des politiques semble indiquer qu'ils veulent prétendument protéger le public du vide moral plutôt que reconnaître sa réalité et l'assumer. Aussi, au lieu de responsabiliser l'individu et faire confiance au fonctionnement de nos institutions, législatives, ils adoptent ainsi une hypothétique solution de facilité, qui en définitive pourrait déboucher sur une dérive dangereuse et contraire aux principes mêmes de «***la Convention universelle des Droits de l'homme***», à laquelle ils ne cessent de se référer.

Ils tombent ainsi dans une vision restreinte de la loi car elle écarte, comme dépourvues de sens, les questions qui ne sont pas susceptibles de recevoir une réponse technique, et qu'elle pose comme référence des listes de critères techniques *(par excellence changeants)* qui revêtent un aspect de normativité excessive et pathogène que l'on confond trop souvent avec l'éthique. Pourtant, au VIème siècle avant J.C., Lao Tseu mettait déjà en garde contre des excès totalitaristes d'une réglementation débilitante et excessive, destructrice de la conscience critique. Ne disait-il pas déjà: «***Plus les lois et les ordonnances se multiplient, plus foisonnent les voleurs et les bandits***» (Tao-tö-King LVII- VIème siècle avant J.C.).

Pierre CHRISTODOULIDIS

CIFA INITIAL CONTRIBUTOR

A GROUP OF SWISS IFAs

… CARING ABOUT PRINCIPLED PROFESSIONALISM

AND

UNBIASED DEDICATION TO CUSTOMERS' NEEDS …

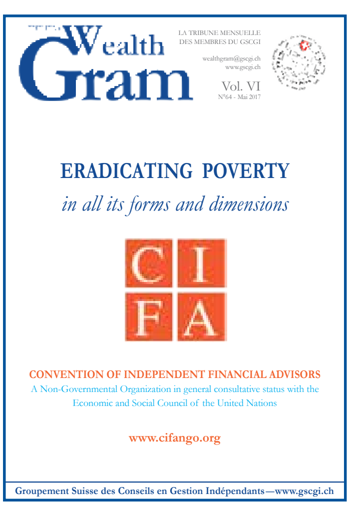
Groupement Suisse des Conseils en Gestion Indépendants
www.gscgi.ch

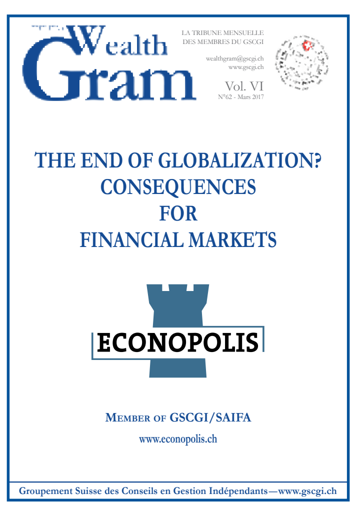
3, rue du Vieux-Collège
P.O. Box 3255
1211 Geneva 3
Tel. +41 (0) 22 317 11 22
Fax +41 (0) 22 317 11 77
secretariat@gscgi.ch — wealthgram@gscgi.ch

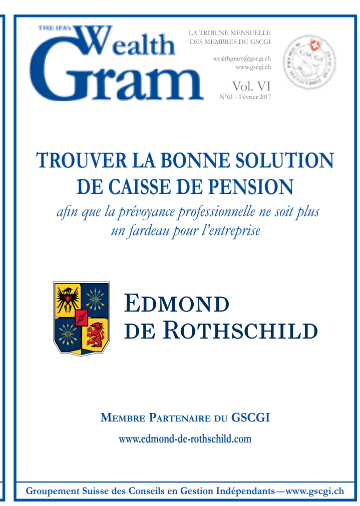
***

All you need to know about investing and regulatory environment brought to you monthly by...

"The IFA's WEALTH GRAM"







Join

CIFA's XV^th International Forum

on May 30-June 1, 2017

in Monaco at the Hotel Hermitage

www.cifango.org

CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
A Non-Profit Foundation
A Non-Governmental Organization in general consultative status with the Economic and Social Council of the United Nations

PRELIMINARY PROGRAM
XV^TH INTERNATIONAL CIFA FORUM
MONACO, MAY 30 - JUNE 1, 2017

OUTSIDERS IN POWER:
WILL THEY TEAR DOWN THE EXISTING MODEL? WHAT NEW MODEL DO THEY PROPOSE?

Tuesday, May 30

14:30 Official opening ceremony by Jean-Pierre Diserens, Secretary-General of CIFA

14:35 Welcome address by Pierre Christodoulidis, President of CIFA

14:50 Keynote Speakers:

H.E. Mr. Horacio Sevilla Borja, Permanent Representative of ECUADOR to the United Nations and CHAIR of the Group of 77

H.E. Mr. Nassir Abdulaziz Al-Nasser, UNAOC High Representative, United Nations

15:10 ECOSOC DIALOGUE
IMPLEMENTING THE 2030 DEVELOPMENT AGENDA: ERADICATING POVERTY AND PROMOTING PROSPERITY IN A CHANGING WORLD

Moderated by: Hanifa D. Mezoui, PHD, Senior Advisor Humanitarian Affairs and Civil Society, United Nations Alliance of Civilizations (UNAOC)

Invited Speakers:

Navid Hanif, Director, Office for ECOSOC Support and Coordination, Department of Economic and Social Affairs (DESA)

Chantal Line Carpentier, Chief, UNCTAD New York Office, Office of the secretary General

Louise Kantrow, International Chamber of Commerce (ICC), Permanent Representative to the United Nations

Mourad Ahmia, Executive Secretary, Group 77

Fabienne Guien, Secretary General, Economic and Social Council, Principality of Monaco

Michael Adlerstein, FAIA, Assistant Secretary General, United Nations International School

Reda Mezoui, Docteur d'Etat en Sciences politiques Paris I - Sorbonne, Directeur de Laboratoire de Recherches «Etudes et Analyses des Politiques Publiques» Université d'Alger

16:45 *Coffee Break*

17:00 Fondation Ethique et Economie, Académie des sciences morales et politiques, Paris:
For an ethical renewal of the free-market economy

Moderated by: Bertrand Collomb, Member of the Academy, Honorary Chairman of Lafarge

Confirmed Speakers:

Stanislas d'Audiffret, Former Banker, Institutional Independent Consultant in financing needs

André Babeau, Professor Emeritus in Economics, Université Paris-Dauphine

Bernard Esambert, Former Economic Adviser of President Pompidou, Former CEO of Banque Edmond de Rothschild

19:00 End of the first day

19:30 Dining Cocktails

Wednesday, May 31

9:00 Welcome address by the Chairperson for the Day
Afaf Konja, Communication Specialist: Media and Public Relations

9:30 THEME 1: OUTSIDERS AND THE ECONOMY

- What economic policies can be implemented to re-integrate the growing number of middle-class workers left aside? What economic policies could provide and restore a new social cohesion?
- The multilateral economic order and, therefore, the role of International Organizations *(BIS, WTO and others)* is at stake due to the Trump administration; and BREXIT is complicating the international dynamics in Europe: The role of the current and future international institutional architecture - and the implications for short-term and medium stability in the real and monetary sphere.
- Supra-national organizations versus sovereign economic goals? Which model would prevail?
- New protectionist and interventionist economic policies: can they succeed in a globalized economy?
- What future for the orthodox economic model of the Eurozone facing the challenge of outsiders?
- Are outsiders able to change the world economic order? Could outsiders, as new players, solve the old problems: unemployment, poverty, indebtedness, insolvency of pensions systems?
- Can outsiders succeed against globalization or with/in globalization?
- Keynesians, economic nationalists, populists, etc. Who are the outsiders?
- Is it possible to reduce the damages of globalization without losing the benefits of globalization?
- Is it possible to respond to outsiders' demands without stopping world economic growth?

Confirmed Moderator:

Michel Girardin, Lecturer in Macro-Finance, Geneva School of Economics and Management (GSEM), Switzerland

Confirmed Speakers:

Joe Oliver, Canadian politician and former Minister of Natural Resources (2011) and former Minister of Finance (2014)

Dr. Christopher Smart, Harvard Kennedy School, former Special Assistant to the US President for International Economics, Trade and Investment

Paul J. J. Welfens (EIIW), President of the European Institute for International Economic Relations

10:30 *Coffee Break*

11:00 THEME 2: OUTSIDERS AND THE WORLD OF FINANCE

- Should/could the international monetary system be reformed to restore financial trust?
- Did cataclysmic regulation help to reign in speculative excesses and financialization of the economy?
- Outsiders and the financial system: confrontation, collaboration or absorption?
- Is President Trump friend or enemy of "finance"?
- After the outsiders' electoral victory, did "Wall Street" lose its power?

Confirmed Moderator: Pierre Bessard, President and Member of the Board of Trustees of the Liberal Institute, Geneva and Zurich, Switzerland

Confirmed Speakers:

William K. Black, Member of the Advisory Board, Associate Professor of Economics and Law, University of Missouri, Kansas City, USA

Miranda Goeltom, Former Governor of the Indonesian Central Bank

CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
A Non-Profit Foundation
A Non-Governmental Organization in general consultative status with the Economic and Social Council of the United Nations

PRELIMINARY PROGRAM XVTH INTERNATIONAL CIFA FORUM MONACO, MAY 30 - JUNE 1, 2017

Iain Stewart-Linnhe, Global Regulatory Policy & Capital Markets Specialist, Hon. Lecturer, Law Faculty, University of Liverpool

Invited Speakers:

Paul S. Atkins, CEO of Patomak Global Partners LLC, former commissioner of the U.S. Securities and Exchange Commission (SEC) from 2002 to 2008

12:30 *Networking Lunch*

14:00 THEME 3: OUTSIDERS AND DEMOCRACY

- Are left-aside and outsiders the last chance of democracy?
- Is debt compatible with the democratic structures?
- Innovation, globalization and mass work destruction. Is there a possible solution to harmonize such contradictory/conflictual trends?
- Who are the outsiders: conservatives or revolutionaries?
  - Trump victory, Brexit referendum
  - Strong or weak State?
  - Citizens and the State
- Outsiders: economic project or rather a truly political project?
- Trump victory, Brexit referendum victory: were political motivations — rejection of the elites, rejection of "Washington", rejection of immigration in the UK — more important than economic motivations/rationality for voters?
- Outsiders and the State: are they in favor of a strong State or of a weak/limited State?
- Citizens and the State according to the Outsiders: do citizens have economic rights and, as a consequence, does the State have duties (provide jobs, ressources, health protection…)?
- Do Outsiders want to save the (economic and financial) "system" or do they want to change it?
- Who are the Outsiders' enemies: "finance", bureaucracies, media?

Confirmed Moderator:

William K. Black, Member of the Advisory Board, Associate Professor of Economics and Law, University of Missouri, Kansas City, USA

Confirmed Speakers:

Roger Nightingale, Economist, RDN Associates Ltd, London

Henry Olsen, Senior Fellow at the Ethics and Public Policy Center, Washington, DC

Stephen B. Young, Global Executive Director, Caux Round Table, St. Paul, Minnesota, USA

15:30 *Coffee Break*

16:00 THEME 4: OUTSIDERS AND WORLD POLITICS

- Which political world model would prevail after the recent elections: multi-polar or uni-polar?
- How to reconcile free trade, reduction of state interference, healthy economic growth and employment with globalization dynamics?
- Can the first capitalist world power — USA — change the rules of the game that it imposed 40 years ago: free trade, liberalism, balanced budgets? Can the US reject globalization and the problems it created (delocalization of jobs, trade deficit…) now that globalization is turning against the US economy after having benefited of globalization for decades? How could China, EU, Japan, Mexico… react?

Confirmed Moderator: **Daniel Mitchell,** Senior Fellow, Cato Institute, Washington, USA

Confirmed Speakers:

Jose Maria Gil-Robles, Former President of the EU Parliament (1997-1999)

Dr. Christopher Smart, Harvard Kennedy School, former Special Assistant to the US President for International Economics, Trade and Investment

17:30 Message from AMAF - Monaco

Hervé Ordioni, President-Committee for Promotion of Monaco as Financial Center, Monaco Association for Financial Activities, Monaco

18:30 End of the second day

20:00 Patrons' Dinner at the Hotel Hermitage by invitation only
(Black tie suggested)

Thursday, June 1 - Associations' Day: BRINGING FINANCIAL ADVICE TO THE NEXT LEVEL

09:30 Welcome Address from the Chairmen of the Day Introducing the Knowledge Café

Zoltan Luttenberger PhD

Tony Mahabir, MBA CMC, CFP, CIM, CEO Canfin Financial Group, Director of the Canadian Institute of Financial Planning

Leong Sze Hian, Past President of the Society of Financial Service Professionals in Singapore, Chairman of the Singapore Professional Centre *(umbrella body for professional associations)* and President of Maruah *(human rights NGO)*

09:40 Navigating troubled waters: Financial Advisors' role in contemporary times

- Changing relationship between clients and advisors arising from developing technology/Robo Advice?
- The Modern Wealth Manager – seismic shift from Individual players to Institutional Players to Robo-Advisors
- Global trends in estate planning and talent retention

Introduced and Moderated by:

Tony Mahabir, MBA CMC, CFP, CIM, CEO Canfin Financial Group, Director of the Canadian Institute of Financial Planning

Dr. Massimo Scolari, President of ASCOSIM, Italy

Confirmed Speakers:

Giorgio Canella, Confidente Personale

Pak Muliaman D. Hadad, Ph.D, Chairman Indonesia Financial Services Authority (OJK)

Pak TRI, President FPSB Indonesia

10:15 The Heath Report 3 (THR3): a look at the UK advice sector six years after the RDR introduction

Garry Heath, Director General of Libertatem, Editor of The Heath Report

10:30 Fighting the regulation whammy

- Which business models can survive when compliance work time passing the 50 ./. hallmark soon?
- Is the level playing field a social priority at all?
- Who will regulate the regulators? Can businesses and clients fight back?

Introduced and Moderated by:

Garry Heath, Director General of Libertatem, Editor of The Heath Report

Iain Stewart-Linnhe, Global Regulatory Policy & Capital Markets Specialist, Hon. Lecturer, Law Faculty, University of Liverpool

Confirmed Speakers:

Miranda Goeltom, Former Governor of the Indonesian Central Bank

Sven Putfarken CFP, Managing Partner M-P-V Wealth Management Ltd., Board Member Network Financial Planners Berlin

Gilles-Guy de Salins, Vice President, ANCDGP, France

11:10 *Coffee Break*

11:20 Investment Strategy: Where next for client portfolios?

- Asset management, advice and regulation
- Active management is dead, long live active allocation!
- Cycles in a world of extreme monetary policies

Introduced and Moderated by:

Henry Cobbe CFA, Head of Research, Elston Consulting

CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
A Non-Profit Foundation
A Non-Governmental Organization in general consultative status with the Economic and Social Council of the United Nations

PRELIMINARY PROGRAM
XVTH INTERNATIONAL CIFA FORUM
MONACO, MAY 30 - JUNE 1, 2017

Confirmed Speakers:

Thomas Abel CFP, Founding President of Network Financial Planners, Berlin, Germany

Robert van Beek CFP, President of FPA Belgium, European Representative of Behaviorgap.eu

Zoltan Luttenberger PhD, Financial Life Planner, CAM Consultant

11:50 Investment Implementation: From bricks, to walls, to houses...

- Appropriate services, platforms, products and portfolios
- The changing nature of risk management
- Focus on outcomes: portfolio strategy or user experience?
- Retirement Portfolios: are there real choices for clients?

Introduced by:

Josep Soler-Albertí, EFPA Chairman, Spain

Moderated by:

Gilles-Guy de Salins, Vice President, ANCDGP, France

Confirmed Speakers:

Robert van Beek CFP, President of FPA Belgium, European Representative of Behaviorgap.eu

Henry Cobbe CFA, Head of Research, Elston Consulting

Invited Speakers:

Krzysztof Dresler, CEO and co-owner of ICRA *(individual clients' risk assessment company)*, CEO and co-owner of Insurance Group Service *(multi-agent based distribution)*, Partner and coowner of BAAK and Capitalia banking loans and capital market advisory in Poland

12:20 Message from Richard Smouha, Co-founder and Honorary Chairman of CIFA, Co-founder of GSCGI and Founder of Atlanticomnium

12:35 Is our Profession capable of organizing itself and have its Word in the finance scene?

- Independent Advisors and Wealth Managers serving their clients' interests in first place
- Independent Fiduciary Advice: The Non Plus Ultra in Finance
- The Fiduciary discussion: is the 3,771 years old fiduciary duty a (new) "regulation issue" or a question of mutual trust and part of Roman Law?
- Let Our Voice be heard! Independent Advice as socially recognized Role Model

Introduced and Moderated by:

Pierre Christodoulidis, President of CIFA

Richard Smouha, Co-founder and Honorary Chairman of CIFA, Co-founder of GSCGI and Founder of Atlanticomnium

Confirmed Speakers:

Thomas Abel CFP, Founding President of Network Financial Planners, Berlin, Germany

Robert van Beek CFP, President of FPA Belgium, European Representative of Behaviorgap.eu

Garry Heath, Director General of Libertatem, Editor of The Heath Report

Zoltan Luttenberger PhD, Financial Life Planner, CAM Consultant

13:30 *Networking Lunch*

14:30 Investment Implementation: From bricks, to walls, to houses...

- Appropriate services, platforms, products and portfolios
- The changing nature of risk management
- Focus on outcomes: portfolio strategy or user experience?
- Retirement Portfolios: are there real choices for clients?

Introduced by:

Josep Soler-Albertí, EFPA Chairman, Spain

Moderated by:

Gilles-Guy de Salins, Vice President, ANCDGP, France

Confirmed Speakers:

Robert van Beek CFP, President of FPA Belgium, European Representative of Behaviorgap.eu

Henry Cobbe CFA, Head of Research, Elston Consulting

Invited Speakers:

Krzysztof Dresler, CEO and co-owner of ICRA *(individual clients' risk assessment company)*, CEO and co-owner of Insurance Group Service *(multi-agent based distribution)*, Partner and coowner of BAAK and Capitalia banking loans and capital market advisory in Poland

15:10 Global Taxation and Cross Border Challenges for the Multi-National HNW Clients

- Cross Border Business Models
- Transparence and Exchange of information (FATCA, GATCA)

Introduced and Moderated by:

Darlene Hart, Founder & CEO, US Tax & Financial Services

Confirmed Speakers:

Tony Mahabir, MBA CMC, CFP, CIM, CEO Canfin Financial Group, Director of the Canadian Institute of Financial Planning

Iain Stewart-Linnhe, Global Regulatory Policy & Capital Markets Specialist, Hon. Lecturer, Law Faculty, University of Liverpool

15:45 Coffee break

16:00 What are (should be) the priorities for a financial advisor?

- Investment management, Cross Border, Tax planning, Retirement Planning?
- Generalist? Outsourcing? Specialist? Life Planning? Trustee?
- Compliance? Fighting roboadvice? ... or something else?

Introduced and Moderated by:

Leong Sze Hian, Past President of the Society of Financial Service Professionals in Singapore, Chairman of the Singapore Professional Centre *(umbrella body for professional associations)* and President of Maruah *(human rights NGO)*

Confirmed Speakers:

Vania Franceschelli, Foreign Affairs, ANASF Italy

Marta Gellová, President of EFPA-Czech Republic

Pak Muliaman D. Hadad, Ph.D, Chairman Indonesia Financial Services Authority (OJK)

Zoltan Luttenberger PhD, Financial Life Planner, CAM Consultant

Josep Soler-Albertí, EFPA Chairman, Spain

Pak TRI, President FPSB Indonesia

17:00 Investments: topical financial scams and misappropriation

Confirmed Speaker:

Gilles Duteil, Director of CETFI, Aix-Marseille University, Aix-en-Provence, France

17:30 The Day's message to FAs, Clients and the General Public

Chairmen of the Day:

Zoltan Luttenberger PhD

Tony Mahabir, MBA CMC, CFP, CIM, CEO Canfin Financial Group, Director of the Canadian Institute of Financial Planning

Leong Sze Hian, Past President of the Society of Financial Service Professionals in Singapore, Chairman of the Singapore Professional Centre *(umbrella body for professional associations)* and President of Maruah *(human rights NGO)*

17:45 Secretary-General Address & End of the Forum

CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
A Non-Profit Foundation
A Non-Governmental Organization in general consultative status with the Economic and Social Council of the United Nations

REGISTRATION FORM
XVTH INTERNATIONAL CIFA FORUM
MONACO, MAY 30 - JUNE 1, 2017

INFORMATION AND REGISTRATION

CIFA (Convention of Independent Financial Advisors)
Rue du Vieux-Collège 3
P.O. Box 3255,
CH - 1211 Geneva 3
Switzerland
www.cifango.org

Contact:
Kevin Roulet: kroulet@cifango.org
Tel. +41 (0) 22 787 08 00 // Fax: +41 (0) 22 786 34 35
Laurence Genevet: lgenevet@epi.mc
Tel. +377 (0) 97 97 60 00

REGISTRATION POLICY AND PAYMENT

Registration will be final upon receipt of your payment.
Substitutions within the same company are accepted with prior approval of CIFA.

FEES (VAT INCLUDED)

Forum May 30, 31 & June 1, 2017	1,500 €
Forum May 30 & 31, 2017	1,200 €
Forum June 1st, 2017 *(Associations' day)*	600 €

Active members of Partner Associations: 50% discount

The Patron's Gala Dinner on May 31 is only accessible by separate special invitation.

REFUND POLICY

A cancellation fee of 50% of the invoiced amount applies for all cancellations.
No refund for cancellations received after April 30, 2017.

CONGRESS' DATES AND VENUE

Tuesday May 30, Wednesday May 31, Thursday June 1, 2017
Hôtel Hermitage, Square Beaumarchais
98000 Monaco
Tel : + 377 98 06 40 00

N.B.: CIFA reserves the right to change the program and/or the hotel reservation if, despite its best efforts, circumstances force it to do so.

Dear CIFA, Yes I wish to participate to the Forum:

Are you an active member of one of CIFA's Partner Associations? ☐ Yes ☐ No

If yes, which one? __________

Last name __________ First name __________

Position __________ Company __________

Address __________

Postal Code __________ City __________ Country __________

Tel. __________ Fax __________ E-mail __________

Date __________ Signature __________

YES, I wish to register for the XVth International Forum of the Convention of Independent Financial Advisors (CIFA) and I choose:

☐ Forum May 30, 31 & June 1 ☐ Forum May 30 & 31 ☐ Forum June 1

ACCOMMODATION

Hôtel Hermitage

Should you wish to stay at the forum venue, the Hôtel Hermitage, please note that CIFA has reserved a limited number of rooms at a prefential rate.
You can proceed with your booking by proceeding to the following website:

http://cifa2017.resa.sbm.mc

PAYMENT

You will receive an invoice.
Your registration will be final upon receipt of your payment.

www.cifango.org

C I F A CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
A Non-Profit Foundation
A Non-Governmental Organization in general consultative status with the Economic and Social Council of the United Nations

PATRONS' PROPOSALS XV^TH INTERNATIONAL CIFA FORUM MONACO, MAY 30 - JUNE 1, 2017

Table at the Patrons' Dinner (May 31st) — 4,000 € (VAT not included)

> 1 Table of 8 at the Patrons' Dinner:
- The name of your company will be displayed on the table.
- You can select among participants to the Forum those that you wish to invite at your table or, upon your request, we can suggest IFA/Family Offices potential guests to invite on your behalf.

> 2 Personal Badges including admission to the Convention, to the Cocktail and the Patrons' Dinner

Main Sponsor of the Associations' Dinner (June 1st) — 15,000 € (VAT not included)

> At a nice venue of the Principality

Sponsor the Associations' Networking Lunch (June 1st) — 7,000 € (VAT not included)

> In the Forum networking area - Salle Eiffel

Invite your Clients at the International CIFA Forum — 12,000 € (VAT not included)

> 1 Table at the Patrons' Dinner
> 6 Personal Badges for your clients
> 2 Personal Badges for you and your associates

Special Offer - TRUSTING Magazine

With your donation, benefit of a special offer for your next advertisement in TRUSTING Magazine. Your one page advertisement at half price, or only 1,400 € (VAT not included)

Donation

I support the effort of the Foundation with a donation of .... €.

☐ My name will appear on the Donors' list on the Forum's program.

☐ No, I do not wish to appear on the Donors' list.

Name .... Company ....

Phone .... Email ....

ALL DONATIONS ARE IMPORTANT !

Contact:

Kevin Roulet, Chief Coordinator
Comité Organisateur du Forum de la CIFA (Convention of Independent Financial Advisors)
Tél: +41 22 787 08 00
Email: kroulet@cifango.org

www.cifango.org

ERADICATING POVERTY

in all its forms and dimensions through promoting sustainable development, expanding opportunities and addressing related challenges

"CIFA ECOSOC WRITTEN STATEMENT 2017"

Headquartered in Geneva, CIFA, a non-profit Swiss foundation created in 2001 at the initiative of a group of financial advisors, aims to protect the consumer/investor's rights and privacy and defend the interests of independent financial advisors at national and international level. It has been reclassified to **General Consultative** status with ECOSOC since 2015.

At CIFA, we are committed to achieving the goals of the United Nations, promoting global peace, security and prosperity, as well as the Sustainable Development Goals, including: **"Eradicating poverty in all its forms and dimensions through promoting sustainable development, expanding opportunities and addressing related challenges".**

The deliberations of CIFA consecutive Forums have outlined the urgency for governments and civil society to reform the current financial system before it leads to a worldwide economic collapse and another recession. Participants recognized that if no concrete solutions were applied soon, it would increase tensions between the regions of the world, and create a context propitious to more conflicts.

Over the past year, CIFA improved cooperation amongst nations and inspired financial and economic leaders and practitioners in searching for innovative solutions to current economic and financial challenges. Since its accreditation by the ECOSOC, all CIFA's annual reports and proposals underlined the importance to involve more closely the private sector in the implementation of MDGs and of the UN Development Agenda. As an example, the 10 December 2013 meeting between CIFA and the Forum of Small States (FOSS) exchanged views on closer private sector partnerships, including investor-friendly policies, which would help implement the future SDGs and 2030 Agenda. This new approach was translated in SDG#17 and it also became part of the 2030 Agenda. The 21 October 2015 General Assembly resolution (A/RES/70/1) acknowledged such partnership role for the private sector and for civil society organizations in the SDG implementation (paragraph 41), which was again reiterated in the recent 2016 ECOSOC resolution of its High Level Segment (E/HLS/2016/1 para 15). The August 2015 FFD conclusions in Addis Abbaba also recognized as a priority the need for a worldwide consensus on taxation, and the importance of involving the private sector and CSOs in Agenda 2030.

Through CIFA's Forums, its "White Book" research, projects, and other activities we make substantive and sustained contributions to achieving the objectives and 2030 Agenda of the United Nations. CIFA is committed to achieving the SDG's of the United Nations, promoting global peace, security and creation of wealth, as well as the Sustainable Development Goals, including **"Eradication of extreme poverty"**, **"Ensuring Environmental Sustainability,"** and **"look at opportunities and challenges"**.

CIFA's work *"is broadly representative of major segments of society in a large number of countries in different regions of the world"*. CIFA, with its core principles of defending the investor's rights, is the only NGO addressing **poverty and all the segments of the economy**, be it developed, in development or not developed, in a constructive, wealth creating sustainable approach.

To protect the fundamental rights of citizens/investors worldwide, to put finance back at the service of the general investor or savers, and not only in favor of a few selected speculators, CIFA, has every year convened a Forum, in association with more than 70 National Associations and International Federations representing approximately 750,000 Financial Intermediaries across the world. In order to implement the Goal 17 of the UN Agenda, CIFA marshals the support and collaboration from numerous other professional federations and associations.

CIFA is proud to work closely in cooperation with the Conference on Trade and Development (UNCTAD), the UN Alliance of Civilizations (UNAOC), the UN 66 and 67 GA Presidency, the Department of Public Information (DPI), the UN Global Compact Office, the Office on Drugs and Crime (UNODC) and the World Summit on Information Society.

> "CIFA, with its core principles of defending the investors' rights, is the only NGO addressing poverty and all the segments of the economy, be it developed, in development or not developed, in a constructive, wealth creating sustainable approach."

As a result, CIFA has substantially expanded its projects and programs, which in turn has increased its scope and influence. Today, more than ever, CIFA has become a pioneer and leader in the areas of reforming the world economic and financial systems.

CIFA understands that the SDGs can only be achieved if there is sufficient wealth creation to finance them. CIFA is the defender of the idea to create an appropriate economic environment that will encourage such new wealth creation. CIFA is also aware that the world economic and financial situation has drastically changed since the creation of the SDGs and it perceives some significant changes required in **addressing related challenges** and in the approach to achieve them.

In particular, there is an urgency to **expand opportunities** and to create a climate favourable to new investments and targeting job creation for future generations. For this purpose, CIFA participants have proposed various tools and approaches to improve the controls and monitoring of the world financial markets, in order to avoid abuses, unfair losses for investors, corruptions and disruptions in the global markets.

CIFA supports the Addis FFD consensus on taxation if it can translate in a more investor-friendly context worldwide, instead of the current fiscal excesses observed recently, where some States are proposing an ever higher tax burden for its citizens, while other States are lowering their corporate taxes to unseen levels in decades. These cross-currents lead to more confusion and insecurity for investors worldwide. In considering the 2030 UN Agenda, it is necessary to ensure more harmony and stability in our new economic order, as a basic step in the implementation and **promotion of sustainable development**.

CIFA actively defends the **Charter of Investors' Rights,** which advocates the freedom and security for investors. That way, private investors can become the motor supporting job creation and creativity in a free entrepreneurial environment. To bring back a positive outlook for the young generation they need to be able to use and develop, with a maximum of freedom, their creativity and education. Without discouraging administrative restraints or regulations, young people must be given the tools, skills and readiness to take risk to promote new ideas, innovation and job creation.

Furthermore, CIFA promotes the idea that the Forum of Small States (FOSS), developing, landlocked countries, and small islands need excellence in financial advice as a condition for protection of consumers. This will, in turn, help emerging economies to adopt standards of accountability, transparency, and integrity. That way, they can become valid partners in global financial market.

CIFA also considers the inter-linkages of all the SDG's 17 Goals in its annual work plan, and puts forward the following recommendations:

1. Calls for an open, rule-based trading and financial system, more generous aid to countries committed to poverty reduction, and relief for the debt problems of developing countries. The political, fiscal and economic environment must become and remain investor-friendly.
2. Draws attention to the problems of the least developed countries and of landlocked countries and small islands as well as developing states, which have greater difficulty competing in the global economy.
3. Calls for cooperation with the private sector to address the youth unemployment, ensure access to affordable, essential drugs, and make available the benefits of new technology.

"CIFA actively defends the Charter of Investors' Rights which advocates the freedom and security for investors."

Over the past year, CIFA improved cooperation amongst nations and inspired financial and economic leaders and practitioners **in expanding opportunities** and searching for innovative solutions to current economic and financial challenges.

In the context of **promoting Sustainable Development**, CIFA encourages the creation of an appropriate economic framework, where the SDGs can be more efficiently achieved. When a positive environment for wealth creation is in place, it fosters more **inclusive economic growth**.

To ensure worldwide **"Eradicating poverty in all its forms and dimensions"** we need more financial, fiscal, economic and political stability as well as more entrepreneurial freedom. Instead of worldwide prosperity, overregulation and over-taxation are now impeding creativity and wealth creation by promoting rent extraction in favor of a very few.

In this regard, we share an **inclusive economic growth** approach where development is based on increasing the pace of new job creation, <u>and not substituting new job creation</u> by more social benefits. CIFA encourages investors to target sectors, which are more prone to create new productive employment opportunities which, in return, will generate more added-value and community enrichment.

CIFA welcomes the 2017 theme of ECOSOC and the fact that ECOSOC has *"recognized the importance of a more representative civil society participation in its policy decision-making and operational fora".* CIFA will certainly heed ECOSOC's call and accept to further contribute to the definition of new global partnership in order to help achieve the 2030 development Agenda.

Last October in NYC, CIFA had the privilege to contribute with the Group of 77 Workshop's on: *"Strategies for advancing work on a new debt workout mechanism building on the UNGA process".* This Workshop gave us an opportunity to establish the parameters for a closer partnership on the new SDGs and on the 2030 UN Agenda. CIFA will continue these discussions in its own Annual Forum Congress in Monaco, on 30-31 May and 1st June 2017 under the theme: *"Outsiders in Power: Will they tear the existing model? What new model do they propose?"* which aims to respond to the current ECOSOC Theme.

IN SUMMARY

The following objectives for a global system of financial intermediation would seem advisable in order ***"to eradicate poverty in all its form and dimensions through promoting sustainable development, expanding opportunities and addressing related challenges"***:

1) Finance must support the real economy.

2) Profits from finance must reflect real contribution to growth and wealth creation.

> "To ensure worldwide prosperity, we need more financial, economic and political stability, as well as more entrepreneurial freedom."

3) The financial industry could better focus its talents if the systemic aspect of the present structures would be eliminated.

4) Governments have a responsibility to structure financial markets so as to eliminate rent extraction from the system.

To ensure worldwide prosperity, we need more financial, economic and political stability, as well as more entrepreneurial freedom. Instead of worldwide prosperity, overregulation and overtaxation have compromised creativity and wealth creation by promoting rent extraction in favor of a very few. It should be the business of the United Nations, the international community and private organizations like CIFA to seriously address this critical challenge of ensuring that the citizens of our respective countries can continue to eradicate poverty through wealth creation, to enjoy the benefits of capitalism and not just its costs.

Jean-Pierre DISERENS

CIFA' Secretary-General

2016 Global Dialogue United Nations

July 14th, 15th and 16th
Harvard Club of New York City

Workshop convened by the Caux Round Table, in partnership with the Convention of Independent Financial Advisors (CIFA) and Berkshire Capital

2016: An Inflection Point in History?

Attendees:

H.E. Mr. Oh Joon (Republic of Korea), President of ECOSOC

H.E. Mr. Virachai Plasai (Kingdom of Thailand), Chair of the Group of 77

* * *

Brad Anderson, Former CEO of Best Buy

Mariam Azarm, CIFA

Cosima F. Barone, CIFA Executive Committee

Esad Colakovic, Founder & CEO, Croatian Managers' & Entrepreneurs' Association

Don Delves, Director, Towers Watson

Jean-Pierre Diserens, Founder and Secretary-General of CIFA

Jim Dorsey, Counsel, Fredrikson & Byron, PA

Blake Goud, CEO, RFI Foundation

Galm Guracha Jaldesa, Head, Strategy and Business Development, Local Authorities Provident Fund

John Hasselberg, Professor, College of Saint Benedict / Saint John's University

Patrice Horner, President and COO, Senior Solutions Ltd

Louise Kantrow, Permanent Representative to the U.N., International Chamber of Commerce

Afaf Konja, International Commmunication Strategist

John Langan, Professor, Georgetown University

Simon Leboo Morintat, Board Member, Local Authorities Provident Fund

Kurt Lieberman, CEO, Magni Global Asset Management LLC

Alistair MacDonald-Radcliff, Former Director General World Dialogue Network

Bob MacGregor, Co-Chairman, Caux Round Table

Theodore McCarrick, Archibishop Emeritus, Catholic Church

Bruce McEver, Chairman, Berkshire Capital Securities LLC

Christopher Meyer, Management Consultant, Monitor Group

Hanifa Mezoui, Senior Advisor Humanitarian Affairs and Civil Society, United Nations Alliance of Civilizations (UNAOC)

Silas Muriuki M'Ruteere, Chairman, Local Authorities Provident Fund

Lester Myers, President, Center of Concern

Pradeep Nair, Director, Volcker Alliance

Ta Chin Nam, Chairman, Temasek Management Services Pte Ltd

Karel Noordzy, former CEO, Dutch national Railways Group

Margaret Preska, President Emeritus, Minnesota State University Mankato

Noel Purcell, Chairman Emeritus, Caux Round Table

Budimir Raickovic, President, Association of Managers of Southeast Europe

Frank Straub, former CEO, Blanco

John Sullivan, Adjunct Professor, George Mason University

Francesco Vanni d'Archirafi, CEO, Citi Holdings

Gaurav Vasisht, Director, Volcker Alliance

Stephen B. Young, Global Executive Director, Caux Round Table

Historic events of 2016, so far, include a decision by a small majority of voters in the United Kingdom to withdraw their nation from the European Union, the rise of Donald Trump as a presidential candidate in the United States, the decision of an international arbitration panel that China has no claim to the ocean waters of South East Asia, a continuing series of killings in the name of one religion's God, the growth of global debt to 3 times annual global GDP, and a realization that the governments of the world have no way to end "secular stagnation" in the global economy.

Are we in a hiccup of history only, or have long-term trends taken a turn for the worse?

During the Caux Round Table's Global Dialogue in New York City on July 14-16, CRT members discussed a variety of issues that underlie efforts to bend history towards better outcomes: our current finance industry; the UN's Sustainable Development Goals; how to value and to nurture intangible assets; and the abiding role of governance.

The core message of participants was "start with first principles" to look high, not low, for better ways forward.

The vision/mission of CRT is for business, by embracing moral capitalism, to contribute to greater prosperity, sustainability, and fairness. From what was discussed during the dialogue, CRT can best further its mission, at this time of change and challenge, by pursuing four broad goals: (1) create allimportant intangible capital by engendering purpose-driven businesses with engaged employees; (2) improve governance in both government and business; (3) embrace and encourage partnerships to achieve the Sustainable Development Goals; and (4) reform our finance industry so that, by creating jobs and putting hard assets to work, investments create sustainable value.

1. Create intangible assets though purpose driven companies with engaged employees.

The new business ideal is a purpose-driven business with purpose-driven employees. The corporate ethos needs to evolve – to get people in corporations, starting at the top, to think about their purpose in new ways. They need to embrace Environmental Social Governance (ESG) values. CRT can help return corporations to these first principles. CRT should go to the policy makers and help them re-design the system. Being an International NGO, CRT can point out that the Swedish word for business translates as "doing social good." Through chambers of commerce, podcasts and NPR *(a segment for Marketplace)*, CRT can address values issues in practical ways, to discuss how first principles can be applied in practice.

CRT should then work with others to create and promulgate better ESG metrics, because "what gets measured, gets managed."

Developing countries need to develop and to value intangible assets. Following its independence, Singapore developed the rule of law, avoided corruption, and educated its work force. To be ready for the knowledge economy, Singapore developed the KISE capitals: (1) Knowledge capital; (2) Imagination capital, (3) Social capital, and (4) Emotional capital.

Capital equals kinetic energy, and intangible assets equal potential energy. When locating a business, one should look for certain intangible assets. How good is the local human capital? Within a community, how strong is the rule of law? Prof. Tobin's observation *(Tobin's Q)* on the ratio of market value to book value reveals how intangible capital adds value to tangible capital.

We can now measure employee engagement, and employee engagement is highly predictive of an enterprise's performance. Yet such measurements are underused *(Gallup offers the service)*.

Moreover, stimulating employee engagement when it is lacking remains a challenge. We know that growth comes from unleashing the human capital. We need to learn how to unleash such capital.

Synergy vs. Trust. With respect to enhancing potential energy within a firm, centralizing generally creates synergies. For instance, put two or three purchasing departments together, and you get synergy. Synergy is not just the whole is greater than the sum of the parts; rather, the whole is unpredictably greater. But synergy usually comes at the cost of motivation. Motivated people are happier, and they are more fun for others. We know how to engender motivation. Managers must show that they care for, respect, and trust their employees. If managers want trust in return, they need to let their employees question them. When managers show that they care for employees, then, when the business has a difficult time, the manager will have the employees' trust. If employees feel that they have been listened to, they can accept decisions that they had opposed.

One model to preserve both trust and creativity calls for companies to spin off operations once they reach 50 employees. That way, the theory goes, the employees always feel ownership.

U.S. military management successes and tool for improvement. The U.S. military has done the best job of racial integration, in part because it has a high level of trust. This trust is helped by the fact that the military has a clear and focused mission and consensus. Being mission driven, the military has an explicit need to change when conditions change. The Quadrennial review facilitates/requires such changes.

2. Improve Governance in both Government and Business.

Governance is a highly valuable form of social capital, which supports wealth creation, community peace and security, and social justice.

Good governance is a form of insurance for society, to protect us against harm and loss.

Government. Governments need to regain public trust. Back in the 1930s, people liked government, now they distrust government. Both the World Bank and the OECD argue that governments can win back the trust of their people if they get rid of corruption and provide basic services like health care well.

To bring back trust, governments should engage in small, short projects that: (1) address problems that are the most pressing, and (2) provide long term, sustainable solutions. In the US, such projects could be the areas of financial regulation and government procurement *(which cries out for professionalization in an area that no one understands)*.

Too often employees within government systems are not sufficiently trained or otherwise qualified to serve the needs of either the government or the public. This is especially true in U.S. federal procurement programs. Vendors and government officials both acknowledge that government procurement employees do not have skills and competencies to do the job. Academia should work together with government to determine what skill sets and competencies are necessary.

Academia has an important role to play in assisting government to improve its performance. Public policy graduate schools should provide both trained and talented graduates to go into government service. Those schools should also devise creative and effective solutions to public policy issues. But most graduate schools will acknowledge that they have fallen short. Now, instead of taking on those challenges, the schools just produce graduates. Worse, those graduates are less and less inclined to take positions with the federal government.

More broadly, government managers complain that they don't have access to qualified people to hire or to train. In the United States, demeaning the role and effectiveness of government for 30 years has no doubt hurt recruitment. Nevertheless, public policy schools should research and define the necessary skills and competencies for a good government worker, and those schools should be figuring out how to teach those skills and competencies effectively. For their part, senior government managers would like to be more involved in teaching. CRT could help the schools and government to work more closely together in line with the CRT ethical principles for government .

It is hard to keep good people in government. The risk/reward ratio is out of balance, and that imbalance is the single biggest reason for government employee unhappiness. Bureaucrats are also hampered by legislation that lets both sides declare victory but that is unworkable.

Scoring country risk *(for businesses within a country)*: (1) can you believe the company's reports; (2) are property rights protected -- your rights and the company's rights heard in an open and fair system; and (3) transparency of operations. Lower risk discount -- more money flows in, more development occurs, and the development is more just. For scoring risk in Islamic countries, they have created an Islamic version of finance and governance.

In Singapore, ministers are compensated by the performance of their departments. In 1965, when Singapore became independent, it focused on attracting investment. Per capital GDP was then \$250, now it is \$56,000. They created a social compact between government and the people whereby government, the privet sector, and the people come together to agree on planning – for instance, skills training, skills conversion, immigration, and talent attraction policies. They now have a truly international workforce. In 2011, voting resulted in a change of various government policies; voting in 2015 showed agreement with new policies.

Business. In the U.S., corporate boards owe fiduciary duty to the company shareholders as the fundamental norm of corporate governance. But Dr. Echols at Harvard Business School looked at laws in 20 countries and found no legal support for an exclusive primacy of shareholder interests over the interests of other stakeholders in the company's success – customers, employees, suppliers, communities, and the environment. Boards, therefore, owe a practical duty to the company to promote its success *(which includes all stakeholders*). If a company takes care of its customers, its employees and its community, the interests of the shareholder will take care of themselves.

New corporate models. The best model that persuades companies to move companies is the German code, which created three categories of corporate obligations: musts, shoulds and coulds. While from the start the companies comply with the musts *(by following the law)*, every year some of them adopt some shoulds and coulds. This model gives the companies leeway to move and improve their CSR performance over the years.

Public benefit corporations are another relatively recent model in the U.S. to promote companies with strong CSR motivation and orientation. The purpose of public benefit corporations is to reimagine the corporation from the ground up, to see if we can create some market incentives for people to collaborate for business purposes without being beholden to special interests. Now at least 30 states, having enacted bi-partisan legislation, have adopted public benefit corporations.

Employee owned enterprises also offer an ownership model more conducive to the production of shared value between the business entity and stakeholders.

Co-ops *(in agriculture and consumer products)* also offer flexible ways to operate businesses for broader goals -- shared profit and shared value. The mutual company structure also promotes other goals.

Employee owned companies and benefit corporations do not work with current finance structures, which promote trading of financial contracts over investment in productive growth. They prosper the old fashioned way by putting real value into a company. Diverting liquidity away from trading to such new and/or alternative forms of business ownership would stimulate global economic growth.

ESG ratings. CRT could promote an ESG ratings system that would rank *(and therefore incentivize)* all companies. The value of an ESG focus is that it identifies material risks to companies that are not on the balance sheet. In other words, a business's ESG rating would reflect material issues and risks within the community in which the business operates. From an investor standpoint, ESG ratings make sense because: (1) they positively screen *(instead of negatively)*; (2) if a company has a good G score, it usually does well with E and S; and (3) any effort to improve performance of its ESG will improve a company's profit. A high ESG rating by a company should lower its cost of capital.

"We should inspire and support enterprises to make the effort to embrace principles from within the organization."

Company employees are pushing back hard because they want to do the right thing. We should inspire and support enterprises to make the effort to embrace principles from within the organization. We need to give those in business a license to go to first principles. Then they can put important values in their Key Performance Indicators. If they can't think it or say it, then they can't do it.

Professional business oaths to use commerce to serve the greater good. Traditionally, the oath of a professional in business covers the entire range of business responsibilities, including, inter alia, finance, operations, customers, and the environment. The oath project at Harvard Business School succeeded in getting all members of the class signed such an oath. Bill George was behind it. All graduates signed it.

By 2016, all had forgotten it.

3. Sustainable Development Goals (SDGs)

The UNGA adopted the SDG's on September 25, 2015. In July 2016, the High Level Political Forum, under the auspices of ECOSOC, reviewed progress on the Sustainable Development Goals *(only 6 months after they became effective)*. The theme for that review, "Leaving no one behind," is appropriate because: (1) amidst widespread economic uncertainty, inequality is rising, and the wealth gap is widening; (2) terrorism and the proliferation of refugees increase instability and the likelihood that people will be left behind; and (3) climate change is, among other things, putting whole Pacific island states at risk of disappearing.

CRT's position is that the SDGs reflect the ethics of a global "moral capitalism" and that the SDGs ratify the ideals of the CRT and its supporters. The expected cost of the SDGs is $53 trillion *(over 15 years)*, based on no cost to implement them and 100% success. The cost is to be paid by governments and the private sector *(business, philanthropic and non-profit communities)*. So the question for CRT is how to get the business community to support the SDGs and to create partnerships with governments and civil society to implement *(and pay for)* the SDGs.

Pledges. One approach is to ask business leaders to take a pledge, such as the Business Leaders' Sustainable Development (BLSD) pledge, to engage with SDGs. But pledges have proved to be problematic – no one wants to be the first to sign *("I'll do it when everybody else does it")*.

Furthermore, companies do not want outsiders holding them to obligations under the pledge. Worse, an unmet pledge can become the basis for litigation.

> "Finance should be seen as a public utility that serves the needs of public systems and large institutions, as well as the interests of private individuals."

CRT should encourage shareholders of family-owned companies to embrace the BLSD pledge and, in turn, persuade the company CEO to sign it. With such shareholder support, closely-held businesses are less vulnerable to shareholder lawsuits.

UN Global Compact. The UN Global Compact has re-designed its entire website around the SDGs -- a sustainability compass. All of the indicators *(several hundred)* show how to measure success. The Global Compact Leaders Summit has embraced all of the SDGs and has held 20 round tables in capital cities around the world to discuss how businesses can collaborate to achieve the SDGs. Within companies, however, the discussion about the SDGs often gets too removed from the board, and responsibility for company alignment with the SDGs gets delegated too far down the corporate ladder.

As a result, there is not a lot of knowledge of the SDGs.

When the Global Compact started, few U.S. companies signed on. Signatory companies had to report on their adherence to Compact principles. That would make them subject to class actions whenever there was a perceived gap between corporate behavior and the language of the Compact. Even if the lawsuits were without merit, they still added costs of time and money to resolve. Litigation sensitive companies declined to sign up. Hence, of the 8,500 organization members, only about 800 are from the U.S.

Open the hidden economies. In July 2015, the Addis Ababa Action Agenda called for governments, businesses, and philanthropists in every country to contribute to funding the SDGs. But the AAAA also noted that, in developing countries, 40% to 50% of GDP is locked out the economy. In order to bring the underground economies into the open, we need to get serious about finance, titling, technology transfer, and other means of enabling underground economies to mature and participate in the open.

The Tschida experiment in Tanzania shows that underground economy will become visible only if the market mechanisms have taken hold. Countries should not try to force underground commerce to close. Rather, each country should respect its hidden economy but, at the same time, encourage its hidden economy to become part of its open economy.

4. Reforming our Finance Industry

Finance should be seen as a public utility that serves the needs of public systems and large institutions, as well as the interests of private individuals. The reform of our global financial system should flow from its purpose, its first principle. Our system now creates a lot of money, but not enough "value." Our leaders don't want to move out of their comfort zones.

Finance has been taken over by traders with short term interest. Worse, the world of finance has become taken over by derivatives – investment plays that create no new jobs, create no new businesses, and spawn no new inventions, cures, or technologies. The rise of derivatives contributed to the economic meltdown of 2008.

Finance turns on valuation of investment opportunities. But good valuation should measure the effectiveness of achieving that which is valued. What do we value? What should we value? Intuitively, are short term results really that valuable? Or are they only nominal, subject to fluctuation and therefore misleading in the immediate term? Value should flow from purpose and mission – that which justifies our lives.

Currently we are in a period of severe secular stagnation -- no growth, with negative yields, for a prolonged period. Modern capitalism has never seen such an environment . There is no consensus on the causes of this stagnation, but there is a growing awareness that both business and finance have no tools to bring it to an end with a new phase of robust economic growth. In the aftermath of the 2008 crash, we have made many reforms, but fundamental misalignments remain. For instance, not touched by the post-crash reforms is a section of the U.S. Bankruptcy Code that still gives special treatment to short term funders. The provision, which could be easily removed, drives holders of securities as collateral to sell them in a panic mode when market prices start to drop. Such selling triggers a deeper panic in financial markets which, in turn, imposes losses across the real economy.

Similarly, Collateralized Debt Obligations (CDOs), the very asset class that was at the heart of the crisis, remain protected. A safe harbor had been put into law, for financial stability reasons, to cover treasury notes/bonds and CDs. Then in 2005 the protection was extended to include MBS *(Mortgage Backed Securities)* CDOs as well. And today the United States' Security and Exchange Commission, in its Regulation AB II, still carves out for protection the private placement market where CDOs are made and sold. CDOs are now cheaper than equity and long term debt. Financial institutions are still addicted to CDOs. Indeed, today the world has $700 trillion in derivative investments, which is more than 8 times the world's GDP. Our system is also largely addicted to debt. We need to wean ourselves off it and embrace equity. But debt is incentivized by the deductibility of interest.

Muslim banks are designed to serve the real economy, not the finance economy. Banks are seen as being in service to the economy. Generally, there are no derivatives in Muslim economies.

While the Federal Reserve's post-crisis regulatory response incentivizes big banks to get smaller, our tax policy incentivizes them to get larger. Regulatory structure in the U.S. is the result, not of design, of political compromises. Simplicity is harder to get to than complexity. A better model was shown when President Reagan and Speaker O'Neill agreed to have experts recommend reform for Social Security and then have Congress make an up or down vote.

By the time regulators have found and corrected one loophole, the market players have long since moved on to find and exploit a new one. Similarly, the ability of the finance industry to create new forms of derivative instruments greatly outstrips the ability of regulators to comprehend them.

We're beginning to measure the impact of derivatives. A derivative-laden system misallocates resources, including economic capital and HR talent, and it systematically creates inequality. Derivatives divert funds away from start-ups and investments that create jobs. Indeed, regulation reform has kept banks out of funding new start-ups. Similarly, since 2008, all trend lines about getting capital to small towns and companies are down. Traditional start-ups and IPOs, which together have been a traditional source for jobs in small towns and communities, are way down. That is another unintended consequence of the reforms to our macro-economic system.

Our current financial system cyclically creates huge life disasters *(like the 2008 crash)*, from which some people and families never recover. It corrodes a sense of purpose within society, creating large groups of disaffected people. For instance, despite warnings, working class Britons voted for Brexit. In the U.S., Occupy Wall Street lives on in both the Trump and the *(now concluded)* Bernie Sanders campaign.

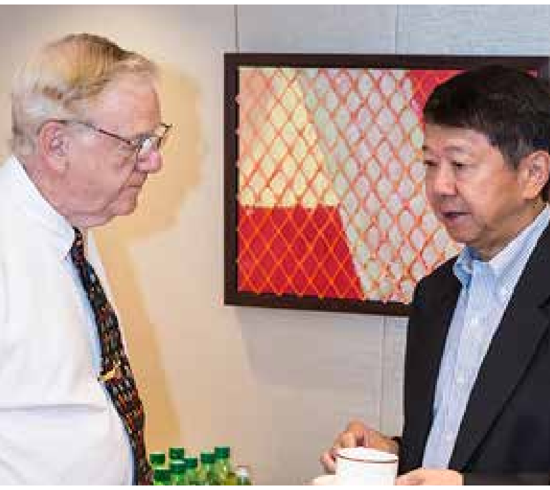
Millennials don't see a society that will take care of them. They now distrust the free market. Young people are drawn to large companies because there are fewer start-ups and fewer organic corporations.

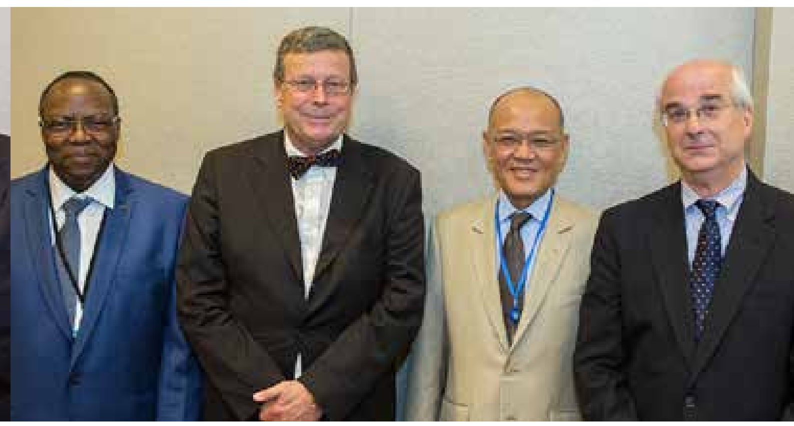
Conclusion

This is an unsettled time – good governance seeks to foster the art of finding solutions to today's problems and going forward. Our world needs courage and creativity. We should open-mindedly take the best of the results and apply them widely. We should seek a meritocracy of ideas. What works, should win our allegiance.

Stephen B. Young

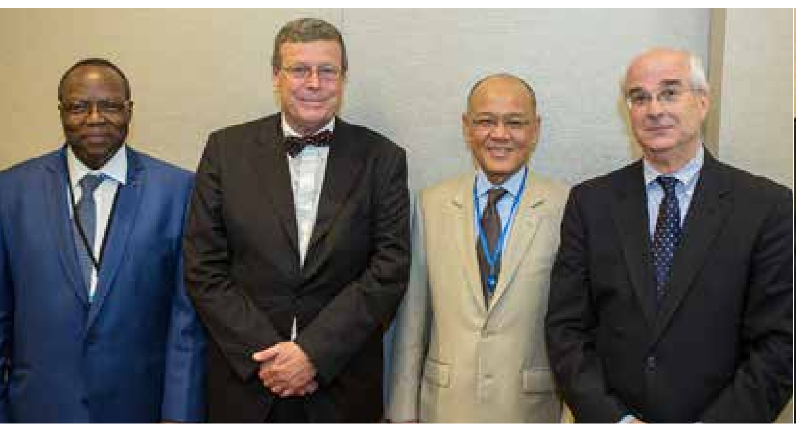
Global Executive Director
Caux Round Table






Tan Chin Nam







High-Level Political Forum

July 11th thru 19th
United Nations - New York City

HIGH-LEVEL POLITICAL FORUM
ON SUSTAINABLE DEVELOPMENT
UNDER THE AUSPICES OF ECOSOC

THEME in 2016: ENSURING THAT NO ONE IS LEFT BEHIND

Luncheon ECOSOC- Civil Society

July 19, 2016
Millennium Hotel - Land Mark Room - New York City
sponsored by CIFA – Convention of Independent Financial Advisors

Attendees:

H.E. Mr. Oh Joon, President, ECOSOC

H.E. Mr. Sven Juergenson, Vice-President, ECOSOC

H.E. Ms Isabelle Pico, Ambassador Monaco

H.E. Mr. Virachai Plasai, Chair of the Group of 77

H.E. Mr. Frederick Musiiwa Makamure Shava, Vice-President, ECOSOC

H.E. Mr. Tabé Augustin Gbian, President, Economic and Social Council, Bénin

Ms. Irina Bokova, Director General, UNESCO

Ms. Daniela Bas, Director, UN-DESA

Ms Louise Kantrow, Permanent Representative to the U.N., International Chamber of Commerce

Ms Valérie S. Bruel-Melchior, Deputy Representative, Monaco

Ms Hyuni Hwang, Permanent Mission of the Republic of Korea

Ms Lily Valtchanova, UNESCO

Ms Hanifa Mezoui, Senior Advisor Humanitarian Affairs and Civil Society, United Nations Alliance of Civilizations (UNAOC)

Ms Tiina Mylly, Global Compact

Ms Ursula Wynhoven, Global Compact

Afaf Konja, International Commmunication Strategist

Mr. Navid Hanif, Director, ECOSOC

Mr. Alexander Treplekov, Director, DESA

Ms Mariam Azarm, CIFA

Ms Michelle King Robson, NYC

Mr. Mourad Amhia, Executive Secretary, Group of 77

Ms Terje Raadik, First Secretary, Estonia

Ms Ruth Engo Bamela, African Action on AIDS

Mr. Jean-Pierre Diserens, Secretary-General, CIFA

Rhapsodie en bleu - 40x40

Lung - 46x38

Magnificat - 40x40

Alpages - 46x38

Belize - 40x40

Plus d'une centaine d'expositions – individuelles et collectives – jalonne le parcours d'Alain BESSE, depuis 1972 en Dordogne, aussi bien en France qu'à l'étranger.

Ses peintures sont présentes dans des collections publiques et privées.

Contact: Claude Rousseau-André
+33 (0)6 76 64 65 86
cara11@neuf.fr

UN - Group of 77

"Sovereign Debt Vulnerabilities and the Opportunity for a New Debt Workout Mechanism Building on the UNGA process"

New York City, 31 Oct. 2016

CIFA's Delegation intervened at the afternoon Round Table

"Sovereign Debt Vulnerabilities and the Opportunity for a New Debt Workout Mechanism Building on the UNGA process"

10:00 am – 6:00 pm, 31 October 2016
ECOSOC Chamber, United Nations

G77 Concept Note:

—Through its 2014/5 consultation process, the UN General Assembly has breathed new life into long-standing discussions about an international sovereign debt regime, which could at the same time secure a fresh start for debtors and the highest possible degree of fairness towards good-faith creditors. While so far any debate on sovereign debt reform has been driven or at least dominated by the International Financial Institutions, particularly the IMF, bringing the debate from Washington to New York has provided an opportunity to think "outside the box" and consider options from the perspective of indebted sovereigns. A great number of leading academics, UN organizations such as UNCTAD and DESA as well as numerous NGOs have been working on debt workout concepts recently. This discussion will support the Group of 77 and China in their quest for a fair and transparent debt workout mechanism. But it should also inspire individual members of the group who wish to consider options for a fair, speedy and efficient debt work-out.

—While the UNGA process has been going on, we have witnessed growing debt vulnerabilities in a broad range of sovereign borrowers, from African post-completion point HIPCs to Small Island Developing States (SIDS) in the Pacific and the Caribbean to members of the G20. The dramatic fall in commodity export prices and its co-incidence with historically low global interest rates have been key ingredients for a scenario which shows disturbing similarities to the build-up phase of the "Third World Debt Crisis" of the 1980s, which caused in many countries a "lost decade on development". This must not be allowed to happen again.

—There is a need for innovation in dealing with sovereign debt crises. In order to encourage new concepts, the workshop will build on elements of the UNGA process itself, and also look at new proposals that have been launched or refined since the closure of the ad-hoc committee.

—Like the UNGA process itself, the workshop aims at building consensus among all Member States towards the need for a new debt workout regime, its design options, and political initiatives that can be taken in order to make them part of sovereign borrowers' toolboxes in case the danger of debt distress keeps rising. For those governments and missions that have been driving the process so far, the seminar aims at providing them with background knowledge about recent reform debates and up-to-date data on debt risks and debt sustainability concepts. It will open space for political initiatives at the level of the UNGA as well as solutions for individual countries.

—In this regard, the G-77 members recognized in their most recent Ministerial Declaration the need to assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief, debt restructuring and sound debt management, as appropriate. Many countries remain vulnerable to debt crises and some are in the midst of crises, including a number of least developed countries, small-island developing States and some developed countries. They reiterated that debtors and creditors must work together to prevent and resolve unsustainable debt situations. Maintaining sustainable debt levels is the responsibility of the borrowing countries; however they acknowledged that lenders also have a responsibility to lend in a way that does not undermine a country's debt sustainability. The Group support the maintenance of debt sustainability of those countries that have received debt relief and achieved sustainable debt levels.

—The event consists of a full-day session. The morning seminar will be open to the entire Membership of the United Nations. The Nobel Prize Laureate Professor Joseph Stiglitz will deliver Keynote Address based on a background paper namely FES International Policy Analysis publication, "A soft law mechanism for sovereign debt restructuring based on the UN Principles", by Martin Guzman and Joseph Stiglitz. This discussion will be followed by a workshop in the afternoon for members of the Group of 77 and special guests.

CIFA Concept Note:

CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
A Non-Profit Foundation

A Non-Governmental Organization in general consultative status with the Economic and Social Council of the United Nations

UN - G77 - Oct. 31, 2016

"Strategies for Advancing Work on a New Debt Workout Mechanism Building on the UNGA process"

3:00 pm – 6:00 pm, October 31, 2016
ECOSOC Chamber, United Nations, New York, NY

Moderator: H. E. Ambassador Sacha Llorenty, Permanent Representative of the Plurinational State of Bolivia to the United Nations (TBC)

The Convention of Independent Financial Advisors (CIFA) with its delegation:
Jean-Pierre Diserens, Secretary-General
Cosima F. Barone, Member of the Executive Committee
Stephen B. Young, Executive Director of Caux Round Table & Member of CIFA's Executive Committee

will make a presentation on

"Global Debt and radical reforms"

Global debt has reached historic levels, which represent a great threat to the global economy as well as a real risk for the sustainability of the current financial system. We will be exploring during this session the record size of global debt, its causes or at least what might be reasonably considered as having encouraged it and, finally, how the world could finally and seriously tackle the problem for the good of all nations. At the present time of very low interest rates, negative in some countries, little room for manoeuvre is left for central banks, leaving the global economy highly exposed. Financial markets are highly manipulated by central banks and Systemically Important Financial Institutions (SIFIs), which central banks tend to support in the name of protecting consumers. Should nations continue to legislate, regulate and intervene? For too long and especially in the past five years, we have socialized the risks of high finance. As the global financial crisis deepens, the rich nations will be forced to recognize that their problems cannot be solved by tinkering with a system that is destined to fail.

Those with UN Passes are invited to attend this session — 3:00 pm – 6:00 pm, October 31, 2016 / ECOSOC Chamber, United Nations, New York, NY — by the Group of 77.

UN - ECOSOC

"Social capital and social responsibility: building private sector trust to eradicate poverty"

NEW YORK CITY, 9 FEBRUARY 2017

THE DAY PROGRAM WAS ABORTED AS THE UN WAS SHUT DOWN DUE TO A SNOWSTORM IN NYC

United Nations
Department of Economic and Social Affairs
Division for Social Policy and Development

CIFA Convention of Independent Financial Advisors

55TH COMMISSION for SOCIAL DEVELOPMENT

"Strategies for the eradication of poverty to achieve sustainable development for all"

The United Nations Division for Social Policy and Development (DSPD), in partnership with the Convention of Independent Financial Advisors (CIFA), cordially invites you to attend a high-level panel discussion:

Social capital and social responsibility: building private sector trust to eradicate poverty

Thursday, 9 February 2017
4:00 to 6:00 p.m. - Conference Room 12
United Nations Headquarters
New York, NY

Opening Remarks:
Daniela Bas
Director, United Nations Division for Social Policy and Development

Speakers:
Jean-Pierre Diserens
Secretary-General
Convention of Independent Financial Advisors

Angus Rennie
Senior Manager, Partnership and UN Relations
UN Global Compact

Professor Kurt Bodewig
Chairman, Baltic Sea Forum

Stephen B. Young
Global Executive Director
Caux Round Table

Patrick Sciarratta
UN Program Manager
World Development Fund

Moderator:
Cosima F. Barone
Financial Analyst; Chairman
FINARC SA

Speakers:
Judit Arenas
Deputy Permanent Observer to the UN in NY
International Development Law Organisation

Louise Kantrow
Permanent Representative to the UN
International Chamber of Commerce

Dr. Deisi Noeli Weber Kusztra
President, World Family Organization

Chantal Line Carpentier
Chief, UNCTAD New York Office
Office of the Secretary General

Mahroo Moshari
Executive Director
Manhattan Multicultural Counseling, Inc.

United Nations Department of Economic and Social Affairs
Division for Social Policy and Development

CIFA Convention of Independent Financial Advisors

TOPIC: Social capital and social responsibility: building private sector trust to eradicate poverty

FORMAT: Presentations followed by a moderated discussion

CONCEPT

Social capital is crucial for business and governments to run smoothly. It is difficult to generate and very easy to lose. It is also necessary to achieve goals that require collective action and to minimize free-riding. The private sector needs to trust that the states will allow them to do business in a socially responsible manner and consumers, governments, and civil society need to trust business to also act accordingly.

Peace, freedom, cultural diversity, security, and development need to be given concrete reality by the actions of governments, CSOs, private business and committed people in every locality and region of the world. This calls for a new ethic of global responsibility, an ethic of corporate social responsibility that must permeate every level of public and private life. We can only achieve our economic and social goals if all those affected are included in the decision-making process. We no longer have the luxury of believing that the future welfare of our planet is solely the concern and responsibility of governments. To the contrary, we all share a collective responsibility for ensuring the prosperity and well-being of those currently alive and all who come after us.

DISCUSSION QUESTIONS

- How should the private sector generate trust, norms of reciprocity, and networks with governments, civil society, and consumers to do business with a CSR mandate?
- How flexible or strict do social, state, and market structures need to be to allow CSR to work as efficiently as possible?
- How CSR eradicate poverty and promote prosperity?
- Showcase examples of business contributions to social cohesion.

CIFA High-Level Thematic Dinner - Feb. 9, 2017





UN International Women 's Day

March 11, 2017

UN Women For Peace Association

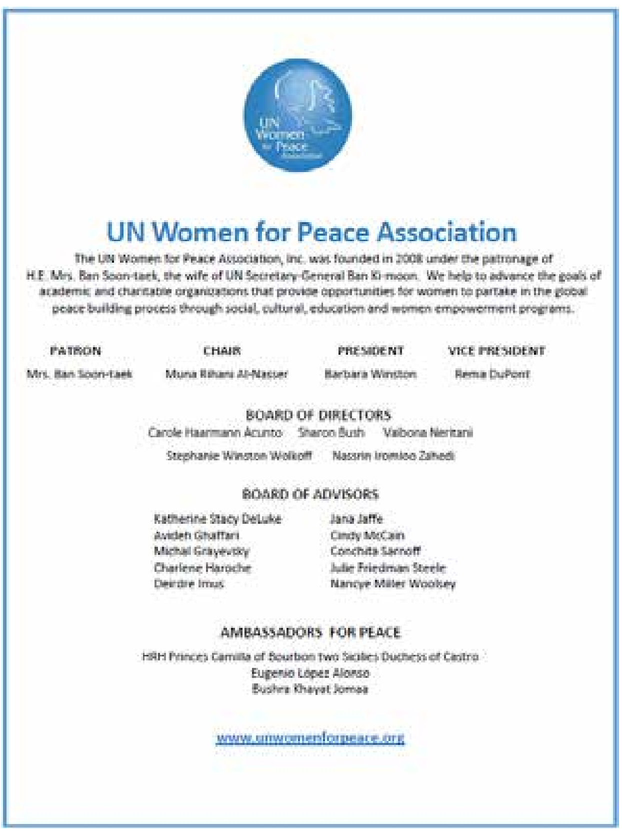
CIFA AMONG SPONSORS

The UN Women For Peace Association held its Annual Award Luncheon on Friday 11 March 2017, in honor of the International Women 's Day, at the United Nations.

UNWFPA seeks to promote and advance the goals of UN agencies that provide opportunities for women through social, cultural, educational and empowerment programs under the banner of a global peace building process.

All of the proceeds go directly to the UN Trust Fund to End Violence Against Women, which aims to prevent violence against women and girls, provides services and programs to those affected by violence, and strengthens the implementation of laws and policies on such violence.

As part of the Sponsors, CIFA is proud to stand united with UNWFPA to End Violence Against Women, because, we all know that women's rights are human rights."



UN Women for Peace Association

The UN Women for Peace Association, Inc. was founded in 2008 under the patronage of H.E. Mrs. Ban Soon-taek, the wife of UN Secretary-General Ban Ki-moon. We help to advance the goals of academic and charitable organizations that provide opportunities for women to partake in the global peace building process through social, cultural, education and women empowerment programs.

PATRON	CHAIR	PRESIDENT	VICE PRESIDENT
Mrs. Ban Soon-taek	Muna Rihani Al-Nasser	Barbara Winston	Rema DuPont

BOARD OF DIRECTORS

Carole Haarmann Acunto   Sharon Bush   Valbona Nerkani

Stephanie Winston Wolkoff   Nasrin Iromloo Zahedi

BOARD OF ADVISORS

Katherine Stacy DeLuke	Jana Jaffe
Avideh Ghaffari	Cindy McCain
Michal Grayevsky	Conchita Sarnoff
Charlene Haroche	Julie Friedman Steele
Deirdre Imus	Nancye Miller Woolsey

AMBASSADORS FOR PEACE

HRH Princess Camilla of Bourbon two Sicilies Duchess of Castro
Eugenio Lopez Alonso
Bushra Khayat Jomaa

www.unwomenforpeace.org

Dear friends,

Violence against women is a global issue. We believe it is intolerable.

In some countries, one out of seven women are raped, abused or mutilated. Around the globe, nearly one in five women under the age of fifteen are sexually abused. Over 130 million women have experienced genital mutilation. It is estimated that as many as 2.5 million people are trafficked annually into situations including prostitution, forced labor, slavery or servitude; women and girls account for about 80 percent of the detected victims.

This is not just a woman's issue, it is a man's issue as well. Women make up half of the world's population, and empowering them will improve society as a whole. Only with the help of the private sector can we successfully combat these crimes. The UN Women for Peace Association (UNWFPA) is committed to the prevention of violence against women and girls, to the provision of services to those affected by violence, to strengthening the implementation of laws and policies against violence, and to the empowerment of women in countries and societies where they are under-advantaged.

We work tirelessly to support organizations whose programs empower and educate women everywhere. Our aim as a major donor to the UN Trust Fund to End Violence Against Women, is to motivate governments through the exemplary actions of the private sector, to be a visible advocate for the cause.

We hope you will consider the opportunity to serve as a major supporter and be part of this global action for women.

Sincerely,

Muna Rihani Al-Nasser
Chair

Barbara Winston
President


UN Women for Peace Association
MARCH
IN
MARCH
UN Women for Peace Association
2017 EVENT SPONSORSHIP OPPORTUNITIES
March 10th
Annual Awards Luncheon at the United Nations
March 12th
March In March at Dag Hammerskjöld Plaza

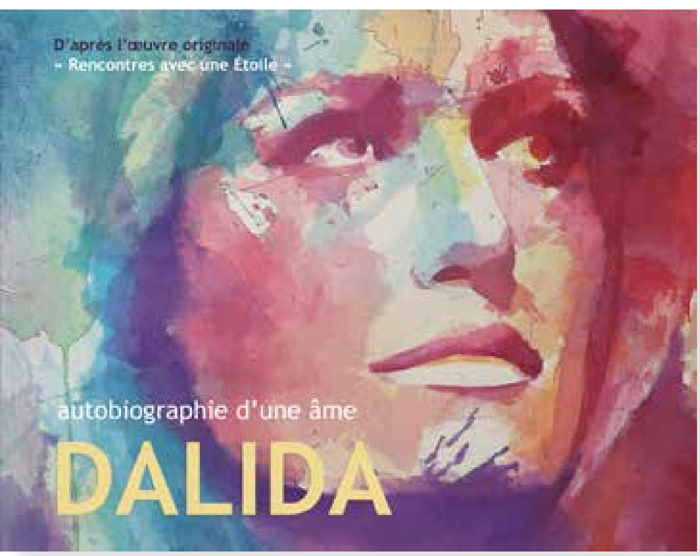

UN
Women
for Peace


MARCH
IN
MARCH
UN
Women
for Peace
Association


@UNWFPA


MARCH
IN
MARCH


Women



Javier Navarro Avilès
artiste espagnole

Le caractère singulier de cette exposition — Galerie JPHT, à Paris, jusqu'au 15 juin 2017 — tient au fait qu'elle présente au public des portraits traités en aquarelle de la chanteuse DALIDA dont c'est le 30ème anniversaire de la disparition cette année. L'artiste, Javier Navarro Avilés, âgé de 20 ans, a relevé le défi de se laisser inspirer par des textes poétiques à propos de la chanteuse Dalida. Ces aquarelles sont publiées en accompagnement de ces textes dans un livre d'art intitulé «***Dalida, autobiographie d'une âme***», paru le 29 avril 2017 aux Éditions 'Entre Deux Mondes' lors du vernissage de l'exposition. Le style de l'artiste permet de découvrir la star de la chanson française de manière inattendue et totalement renouvelée.

www.entre-deux-mondes.net

www.galeriejpht.com

UN - ECOSOC special meeting on international cooperation in tax matters

New York City, 7 April 2017

Pursuant to its resolution 2017/2 and decision 2017/209 (contained in draft decision E/2017/L.10), ECOSOC will hold, on 7 April 2017, its one-day annual meeting to consider international cooperation in tax matters including, as appropriate, its contribution to mobilizing domestic financial resources for development and the institutional arrangements to promote such cooperation. In accordance with the above resolution, the President of ECOSOC circulated a letter to Member States inviting representatives of their national tax authorities to participate in the meeting.

The meeting will be held back-to-back with the 14th session of the Committee of Experts on International Cooperation in Tax Matters (Committee) to facilitate dialogue between the Committee and the Council to enhance intergovernmental consideration of tax issues at the United Nations. This year's special meeting will serve as an important opportunity to highlight the major accomplishments of the current membership of the Committee, given that its term expires in June 2017. The meeting will also discuss, with relevant stakeholders, broader thematic issues in international tax cooperation.

***Daniel J. Mitchell, Senior Fellow at the Cato Institute in Washington, D.C., attended the event as a CIFA's delegate, along with Mrs. Hanifa Mezoui** (Senior Advisor Humanitarian Affairs and Civil Society, United Nations Alliance of Civilizations (UNAOC)). The UN Press release follows.*

At Economic and Social Council Meeting on Taxes, Keynote Speaker Says Mobilization of Domestic Resources Vital to Transforming Countries

The financing of development expenditures in most developing countries was heavily reliant on taxes, a challenge to those lacking the capacity to collect enough revenue, the Economic and Social Council heard today as it held its annual meeting on taxes.

Patience T. Rubagumya of Uganda's Revenue Authority, in her keynote address to the Special Meeting on International Cooperation in Tax Matters, said that in her country's case 70 per cent of the structure of budget financing was collected from domestic resources with the rest coming from grants and loans.

"We are not very comfortable with that and would like to get to the point where we can fund 100 per cent of our budget," she said, adding that the mobilization of domestic resources was vital to transforming any country.

Some policies were outdated and did not meet most current challenges, she continued, underscoring the need to look at domestic laws where amendments were needed to meet targets. Treaties, often abused based on how industries were structured, were negotiated "way back" and did not include recent work done by the United Nations and Organisation for Economic Cooperation and Development (OECD).

A lack of information about worldwide activities and the operations of multinational entities was also concerning, she said, adding that there was little data and analysis that could be used for transfer pricing. Some entities had also created cash boxes in preferential tax regimes. That eroded the tax base of developing countries through the payment of royalties and interest without substantial presence and value creation in those jurisdictions. In addition, local staff did not have the experience or resources to deal with complex tax matters.

"It takes a lot of years to build expertize of staff who can handle international taxation matters," she continued, underscoring the need to invest in building up the capacity of staff.

Uganda had just discovered oil and gas which brought with it a number of new challenges it was not used to in the past, she said. It was important to change laws which were not clear on taxing. On Internet transactions, she said current laws were unable to target those business entities. There were still a lot of gaps, she said, calling for increased dialogue between countries and a balance between collecting revenue and creating an environment still attractive to investors.

Wu Hongbo, Under-Secretary-General for Economic and Social Affairs, said today's deliberations served to bring Member States up to date on the most recent developments in international cooperation in tax matters. Convened immediately after the last session of the current membership of the Committee of Experts on International Cooperation in Tax Matters, today's meeting offered an opportunity to reflect on major achievements and to look to future contributions.

The Committee had already reviewed and updated the United Nations Model Double Taxation Convention between Developed and Developing Countries. To complement that, the Committee had produced a Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries. That training tool sought to provide guidance to tax treaty negotiators in developing countries, in particular those who negotiate based on the United Nations model. It also dealt with all the basic aspects of tax treaty negotiation and focused on the realities and stages of capacity development of developing countries.

Taxation of natural resource extraction had a strong effect on countries' ability to mobilize domestic resources, he continued, adding that the Handbook on Taxation of the Extractive Industries in Developing Countries, containing guidelines, would be launched in October. The Handbook would continue to serve the purpose of correcting the asymmetry in specialist information and expertise between multinational companies and developing countries.

National tax authorities and ministries of finance in developing countries must develop more effective and efficient tax systems, he continued. The United Nations programme of capacity development was carried out through the collaborative engagement of tax officials from developing countries, members of the Committee, other world-renowned experts, and relevant organizations and regional organizations. It featured training courses, publications and other capacity development tools, with the focus on three main areas: double tax treaties; transfer pricing; and tax base protection for developing countries.

Frederick Musiiwa Makamure Shava (Zimbabwe), President of the Economic and Social Council, recalled that the Addis Ababa Action Agenda provided a holistic and coherent framework for financing the 2030 Agenda for Sustainable Development. It had acknowledged that taxation was among the most important ways in which developing countries could mobilize resources for investment in sustainable development and recognized the globalized nature of business and finance. There were limits to what countries could do on their own through domestic policies, so the Addis Agenda also emphasized the importance of international tax cooperation and the need to combat illicit financial flows.

Taxation was one of the most important ways in which developing countries could mobilize resources for investment in sustainable development and meet the ambition of the 2030 Agenda. However, while strong development-oriented tax policies, modernized tax systems and efficient tax collection procedure were essential at the national level, they must be strengthened through international tax cooperation and efforts to combat illicit financial flows.

The Economic and Social Council and the Committee of Experts on International Cooperation in Tax Matters also held five interactive dialogues including: "United Nations Model Double Taxation Convention between Developed and Developing Countries"; "United Nations Practical Manual on Transfer Pricing for Developing Countries"; "Handbook on the taxation of extractive industries in developing countries"; Promotion of international cooperation to combat illicit financial flows to foster sustainable development"; and "Strengthening Tax Capacity in Developing Countries".

During a general discussion, speakers highlighted national and international projects and made suggestions for further improvements, including efforts to combat tax evasion, mobilizing domestic resources, ensuring developing countries' participation in tax-related initiatives and a need for continued dialogue on tax matters.

Initiatives to eliminate financial havens to stem tax evasion and illicit financial flows would target those and related actions that were negatively affecting development, said María Carola Iñiguez Zambrano (Ecuador), speaking on behalf of the "Group of 77" developing countries and China. Calling upon States, organizations and other stakeholders to contribute to those efforts, she said mobilizing domestic resources could help countries to achieve the 2030 Agenda.

Indeed, there was a need for informed discussions on tax matters in the context of sustainable development, said Lois Michele Young (Belize), speaking on behalf of the Caribbean Community (CARICOM). Her region boasted well-regulated financial centres and was committed to participating in tax-related initiatives. However, much work remained to be done to assist developing countries so they could participate in those endeavours.

In every initiative, said Stefanie Ulrike Schmid-Luebbert (Germany), speaking on behalf of the European Union, all countries must have an equal voice. Welcoming recent proposed initiatives, she provided a summary of the bloc's efforts and the holistic approaches it was taking to tackle tax evasion and other matters.

Echoing a common thread, Ephraim Leshala Mminele (South Africa) expressed appreciation for the 2016 Council decision to hold such meetings on tax matters with a view to developing an intergovernmental mechanism. However, he said, it was disappointing that obstacles that had appeared during the implementation of related initiatives had not been met effectively. With regard to Africa, the estimated annual $50 billion of illicit financial flows could better be used for advancing development, he said, underlining the importance of closing loopholes and ending tax evasion. When focusing on implementing the 2030 Agenda and the Addis Ababa Agenda, there was a clear need to swiftly update relevant policies and systems.

Also delivering statements were representatives of Egypt, Mexico, Paraguay, Brazil, United Kingdom and India.

General Assembly of the United Nations

New York City, 18 April 2017

High-Level SDG Financing Lab

On 18 April 2017, the President of the General Assembly Peter Thomson convened a High-level SDG Financing Lab to highlight the critical importance of sustainable financing for the achievement of the Sustainable Development Goals (SDGs), including climate action. The event focused on how to drive the transformation to align financial markets with sustainable development, as well as showcase concrete ways in which UN Member States can approach the financing of different SDGs.

Stephen B. Young, Global Executive Director of Caux Round Table, attended the event as a CIFA's delegate. *His comments follow.*

Dear Friends and Colleagues:

Last Wednesday *(18 April 2017)*, I attended the U.N. Economic and Social Council's Partnership Forum.

The concept note for the Forum asserted that ***"Only an inclusive, transparent and effective multilateral system can address the global development challenges we are now facing in today's world."***

Goal 17 of the U.N. Sustainable Development Goals (SDGs) proposes to ***"Strengthen the means of implementation and revitalize the global partnership for sustainable development."***

The nub of the coordination problem is how to engage effectively and efficiently the respective insights, responsibilities and competencies of governments, the private sector and civil society.

The challenge facing the U.N. right now is best conceptualized by the Japanese understanding of Kyosei or "symbiosis," which was incorporated into the Caux Round Table (CRT) Principles for Business.

Kyosei, as I understand it, points to interdependencies and reliable reciprocities. It is a systems theory approach to life's realities. Living organisms take from their ecosystem in order to live and they provide inputs of their own back into the system which help other parts of life flourish. Kyosei highlights the necessity in life of joint ventures where no one party can autonomously succeed in getting what they want. They need inputs from others, just as they benefit from contributing to the achievements of others.

One might say Kyosei points to a supply chain understanding of life: what nourishes our own selfish prosperity comes from what we get from our suppliers as we, in turn, stand as a supplier to others down the chain of living. To become too self-sufficient is to die away.

At the Forum, the reality of achieving the benefits foreseen by the SDGs was tabled in very simple terms: money. Estimates for funding needed infrastructure improvement over the next 13 years approach $6 trillion. Governments are expected to fund $3 trillion of this amount with the balance to come from the private sector.

It was not mentioned that the $3 trillion of government funding actually will originate in the private sector of business and finance to be taken from such private economic activity by governments mostly in the form of taxes, fees and loans.

In one session, the priority needs for success in practicing Kyosei on a global scale were stated as: de-risking and building trust.

Speakers agreed that adding certainty and trust were necessary for partners in joint undertakings to gain the confidence required for commitment of their own funds and energies for the good of others, to accept the realities of Kyosei.

Where risks are high and trust is lacking, common purpose lags far behind aspirations for the common good.

I would add that trust is a major driver of de-risking ventures. Where there is trust, there can be confidence in others such that we are willing to presume good will, effective collaboration and successful problem-solving. Where people have trust and Plan A runs into difficulty, it is likely that the parties will smoothly, without discord, find a Plan B to overcome setbacks and frustrations and so overcome the happening of eventualities which pose risks of failure.

I might note that the CRT, uniquely among all the NGOs, brings to the table sets of ethical principles for business, government and civil society which, if applied, can promote trust across these sectors and de-risk joint undertakings.

The current President of the U.N. General Assembly urged private parties to register their commitments to provide financing for infrastructure projects.

Mary Robinson, former President of Ireland, presented keynote remarks urging that we need a new paradigm of collaboration which will "remove silos." She spoke out with concern for the current mood in many countries of parochial populism which "threatens the spirit of collaboration."

At the national level, she urged use of the U.N. promoted principles for business and human rights as a roadmap for national action partnerships. She concluded by calling for a new flowering of spirit, as happened after World War II, for a new level of consciousness energized to take the high moral ground and share common values.

Others noted that the de-risking of collaboration was in and of itself an important public good. Building capacity and social capital were also tabled as similarly important public goods.

It was then noted that "lack of trust hurts the most." I noted privately that trust and lack of trust are moral and ethical circumstances conditioned by culture and personal character – the province of virtue ethics. Leave out virtue and what do we have?

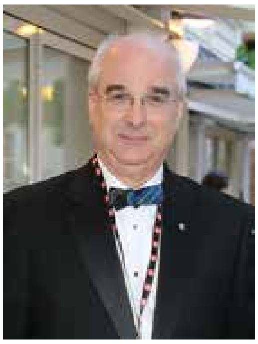
One side note was an observation that there are now some $12 trillion of outstanding negative interest bonds. Loans to SDG infrastructure projects should carry a positive interest rate, so why not start projects to provide investors with earnings?

In the afternoon session, a few comments I found of interest were:

1. Partnerships with the U.N. needed to be clear in allocation of role responsibilities: was the U.N. to be the leader from the top, a partner or have no role at all?
2. Due diligence of private sector participation was a high priority to prevent "corporate capture of the public good;" firewalls were needed between private interest and the common good.
3. Partnerships had to focus exclusively on the public interest; they should not facilitate anyone's private gain.
4. Without criteria for due diligence on the intentions and outcomes accruing to private parties, insufficient trust would arise for the SDGs to be accomplished.

I wondered to myself about the reverse concern: private parties fearing government capture, corruption and rent extraction or capture by NGO activists for social and cultural objectives which did not align with sound market economics.

I ended the day with mixed feelings, disheartened a bit by the ever present gap between the aspirations we have for a global common good and the commitments and capabilities U.N. participants are willing to provide in their speeches and on the ground to get us there. I felt myself surrounded by silos which would not melt away because Mary Robinson accurately called them out for perpetuating dysfunctional tendencies.



Stephen B. Young

Global Executive Director
Caux Round Table

La Fondation Éthique et Économie

ACADÉMIE DES SCIENCES MORALES ET POLITIQUES - INSTITUT DE FRANCE, PARIS

Paris, 21 Février 2017

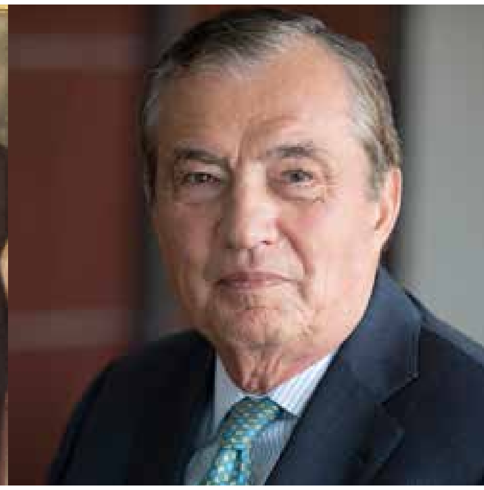
Rencontre de la CIFA et de La Fondation Éthique et Économie

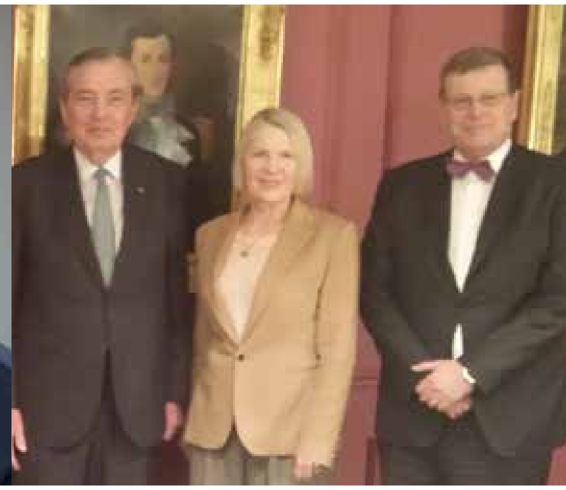
Une Fondation de l'Académie des Sciences morales et politiques

La Fondation Éthique et Économie

La Fondation Éthique et Économie, créée en 2013 par Bertrand Collomb sous l'égide de l'Académie des Sciences morales et politiques, a pour but d'élaborer, à partir d'un débat d'idées le plus ouvert possible au niveau mondial et entre des personnalités du monde économique, scientifique, philosophique et spirituel, un texte commun à tous pour une éthique applicable à l'économie. L'enjeu est de valoriser la place accordée à l'humain dans toutes les relations économiques et dans la gestion du bien commun de l'humanité.
Elle organise un cycle de conférences sur le thème «Pour une éthique du libéralisme» qui se déroule dans la Grande salle des Séances du Palais de l'Institut de France (23, quai de Conti – 75006 Paris).
La CIFA est fière d'être partenaire de ses travaux.

(de gauche à droite: Guy Cohen, Stephen B. Young, Arthur Cohen, Jean-Pierre Diserens, Bertrand Collomb, Marina Cohen)





Indonesia Opera Society

A CIFA Sponsored event in Jakarta — 7 Sept. 2016


C I
F A

Indonesia Opera Society

A CIFA Sponsored event in Jakarta — 30 Nov. 2016

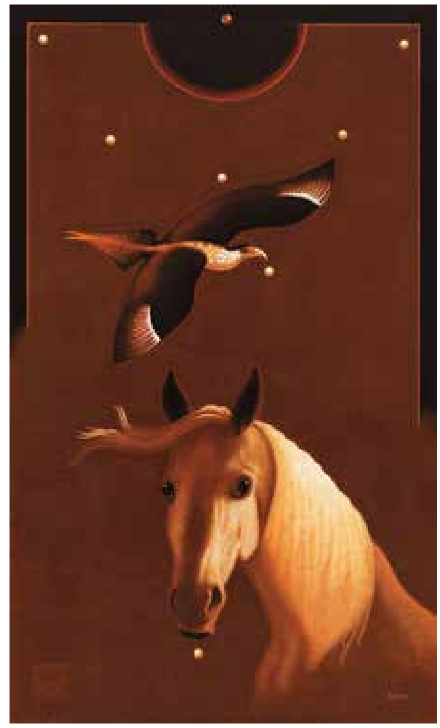
From left:
Ms Indira Tasan, CIFA representative for South East Asia, Jean-PIerre Diserens, CIFA founder and Secretary General,
Ms Miranda Goeltom, former Governor of the Indonesian Central Bank,
Mr. M. D. Hadad, Chairman Indonesia Financial Services Authority


CI
FA

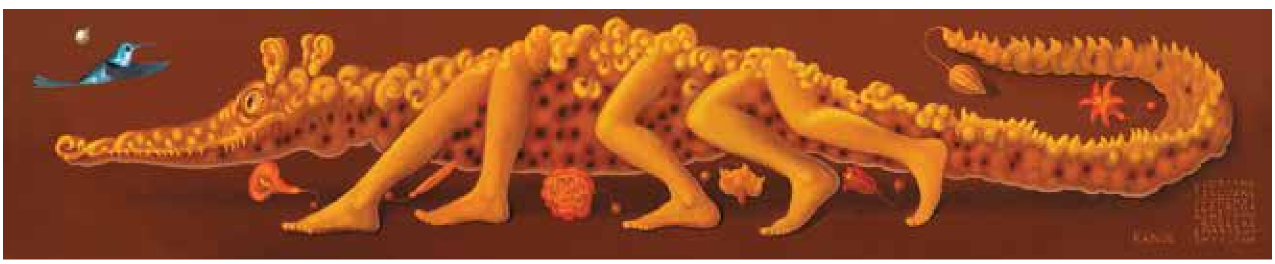
LUKÁŠ KÁNDL

www.kandl.net www.libelluleart.com

Under full moon - 162 x 97 cm - oil on canvas

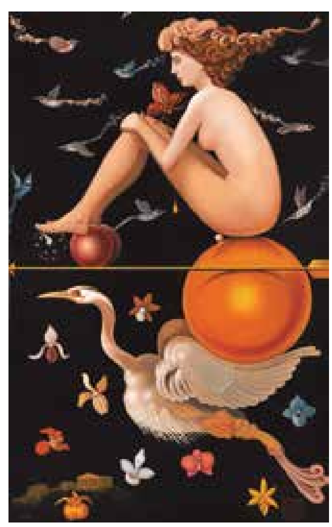


Under new moon - 162 x 97 cm - oil on canvas



Sobeck and the bird - 33 x 162 cm - oil on canvas

Gold hair - 110 x 65 cm - oil on canvas



Aphrodite's journey - 146 x 92 cm (diptych) - oil on canvas

Born in Prague in 1944 and graduated from Prague Academy of Fine Arts, Lukáš Kándl adopts the old masters' techniques of oil on canvas, panel and copper. Leader of the Magic Realism movement, he counts about 100 solo exhibitions and over 400 group shows. He is also the head of the Libellule Art movement.

Lukáš Kándl's forthcoming solo exhibitions include:
Prague - Strahov cloister - September 6 - October 29, 2017
Versailles - Anagama gallery - November 19 - December 31, 2017

Eviter à tout prix les erreurs des autres *en matière de régulation financière*

Pierre Christodoulidis
President de la CIFA

Les médias, comme dans tous les domaines, mais en particulier dans celui de la bien-pensance, propagent des informations tendancieuses, quoique pas nécessairement fausses à l'origine. Mais le seul fait de présenter une information tronquée, ou détachée de certaines données essentielles, suffit à changer radicalement son interprétation.

Prenons l'exemple des lois sur les services financiers. Nous avons entendu tout et son contraire, surtout véhiculés par des acteurs directement intéressés à préserver la position acquise par le passé et les privilèges qui en découlent. C'est, en particulier, le problème des banques qui n'ont pas su modérer en temps voulu certaines de leurs activités spéculatives que pouvait difficilement réprimer l'ancienne Commission Fédérale des Banques pour des raisons aisées à comprendre.

Dans le même ordre d'idées, nous avons assisté à une nette dérive dans la 'soi-disant' organisation de la surveillance sur le blanchiment d'argent par la création d'une douzaine d'organismes de supervision.

À l'origine les deux associations d'intermédiaires financiers existantes ont obtenu ce statut ainsi que certaines autres branches de la finance, telles que les sociétés de leasing ou la Poste. En effet, les organismes associatifs d'une profession étaient pressentis en vue de superviser les dispositions naissantes en matière de blanchiment. À la longue, cette confusion de rôles ne pouvait que s'avérer inconciliable.

Certains opportunistes ont vite décelé «l'aubaine» commerciale, s'immisçant dans la brèche créée par l'autorité elle-même. L'autorité de l'époque, au lieu d'établir des modèles stables et bien définis des professions sous-jacentes à superviser, a laissé libre cours aux professionnels de choisir l'organisme qui leur convenait. De là a résulté une concurrence féroce entre ces organismes, qui se sont mués en entités mercantiles dénuées de toute motivation tangible en matière de surveillance. On a même vu un de ces organismes, lors de l'adoption des règles d'éthique professionnelle promulguées par la FINMA en 2009, émettre un document de contrôle lié à ce volet de la surveillance qui se réduisait en une simple page A4 en tout et pour tout, alors que le règlement, quant à lui, consistait en 7 pages.

Aujourd'hui, les animateurs de ces 'franchises' se battent comme de beaux diables pour défendre

leurs acquis. Pensez donc, dans les statistiques du dernier rapport du bureau de communication entre 2011 et 2015 il y a eu en tout et pour tout 3 communications des OAR alors que les banques transmettaient dans cette même période 6907 communications. Il y a même eu les années 2012, 2013 et 2015 où il y a eu zéro communication de la part des OAR! C'est à se demander si les plus de six milles intermédiaires financiers supervisés sont particulièrement plus vertueux, ou sévères, dans l'acquisition de nouveaux clients alors que nos banques récolteraient, en pleine période de marasme, un nombre croissant de clients douteux. Mais qui lit ces statistiques et qui les analyse?

> "Il n'est pas question ici de réduire la sévérité ou la vigilance de la supervision des acteurs financiers, mais de les simplifier. La situation actuelle des multiples superviseurs est inconcevable."

Ce qui prête vraiment à rire sont les arguments avancés par ces organismes perclus de conflits d'intérêts et qui se sont transformés en lobbyistes avec le temps. Dans les documents officiels ils se désignent sous le vocable «d'organisations professionnelles», donc en principe censés défendre les intérêts de leurs «membres» *(rebaptisés affiliés dans le jargon courant)*. Par ailleurs, ils tiennent à sauvegarder leur statut de surveillant dans les futures LSFin-LEFin alors qu'ils ont lamentablement échoué dans ce rôle comme relevé plus haut. Poussons encore plus loin le raisonnement: comment des organismes qui prétendent représenter la profession et donc être censés assurer la protection des professionnels de notre branche vont-ils simultanément être les surveillants de «ceux-ci»? C'est à ne plus rien y comprendre et surtout aller à contre-courant.

Ainsi, aux US le grand débat actuellement est à la simplification et le mot d'ordre est «un superviseur pour une profession». Pour ceux qui connaissent l'actuelle toile d'organismes et d'offices qui supervisent les différents acteurs du marché, ils savent que les banques et les intermédiaires financiers US sont confrontés à une véritable toile d'araignée de superviseurs.

Il n'est pas question ici de réduire la sévérité ou la vigilance de la supervision des acteurs financiers, mais de les simplifier. La situation actuelle des multiples superviseurs est inconcevable. Les banques US sont supervisées par le Federal Office of the Controller of the Currency (FOCC). Les banques des États sont supervisées par un régulateur de l'État. Si ces banques sont aussi actives dans plusieurs États, elles sont également supervisées par la Fed. Les banques strictement locales sont supervisées également par le Federal Deposit Insurance Corporation (FDIC).

A cela s'ajoute le Consumer Financial Protection Bureau (CFPB) établi suite à la loi Dodd Frank. Celle-ci établit les règles de fonctionnement pour tout organisme qui offre des produits financiers au public, et supervise toute banque qui dépasse 10 milliards de dollars d'avoirs et certaines institutions dans le secteur non-bancaire.

Ces mêmes institutions sont soumises à la surveillance de la Securities and Exchange Commission (SEC). À cela s'ajoutent des organismes spécifiques dans plusieurs états qui surveillent les assureurs et les courtiers en valeurs mobilières. La situation est si complexe qu'il existe des régulateurs chargés de coordonner les régulateurs tels que le Federal Financial Institution Examination Council. Le FFIEC est un organisme intergouvernemental qui coordonne les activités de supervision de la Fed, de l'OCC, de la FDIC, du CFPB et de la National Credit Union Administration (NCUA). Il y a de quoi ne plus savoir qui fait quoi. Et c'est cela que la branche financière demande de simplifier et non pas l'élimination pure et simple de la loi Dodd Frank. Ce n'est pas tout à fait ce que nous avons lu dans les médias.

Voulons-nous que demain la Suisse, un pays pragmatique et disposant d'une administration raisonnable et à taille humaine, aboutisse à ce genre d'exemple aberrant?

Pierre Christodoulidis

The Heath Report Three *to be published in May 2017*

Garry Heath MCIM
Director General, Libertatem

There have been two Heath Reports produced so far:

The Heath Report 1 (THR1) was issued in September 2014. It was a hastily constructed document that sought to pre-empt an FCA document that reported on the 'success' of the Retail Distribution Review. **THR1** looked at the availability of advice post the introduction of RDR and contradicted the majority of the FCA's findings. Although this report was well received, it suffered from having a narrow survey base.

The Heath Report 2 (THR2) was the follow up document to THR1 and it was issued in March 2015. THR2 took a more in-depth look at the changes implemented by the impartial advice sector since the ***Retail Distribution Review*** from January 2010 to 2015. From adviser numbers to adviser/client ratios, it was created using original survey research driven by Action Consulting, desktop research from regularly published documents, and other survey material that was shared with us.

It showed that an estimated 10 million former clients of the Impartial Adviser Community were no longer receiving any form of financial advice. This was due to 6,000 *(mostly transactional)* advisers leaving the industry, with surviving advisers reducing their average client/adviser ratio from 405 to 195.

THR2 was widely circulated all over the world and even the UN has copies in their library. Its findings were used to great effect in the RDR debates that followed in both Canada and South Africa. In the UK, THR2 became a major discussion document at the Treasury Select Committee who used it to question the FCA over their own findings regarding the effect of RDR on the UK impartial advice sector.

The Scope of The Heath Report 3 (THR3) - Review

Two years on, we believe it is time to update and develop our original findings. THR3 will rerun its surveys on the adviser/client ratios and will provide further information on the total number of consumers currently receiving advice from the Impartial Financial Advice market.

THR2 also looked at the business models of advisory businesses. It split them into:

Boutique: Typically, a high service, high contact model with 50-100 clients per adviser. The prime market is HNW clients, although many Mass Affluent also use this model. THR2 estimated this group as 30% of the whole market.

Segregated: Here the firm splits its offering into different service levels. This allows a higher client/adviser ratio of 195, typically more of a mass affluent route to market. THR2 again estimated this group as 30% of the whole market.

Transactional/Generalist: This represents the traditional method of giving advice in which clients instigated contact when they had an issue that needed to be resolved. Most of these clients would have originally paid for their advice through commission, so it was this group that was hit hardest by RDR. THR2 estimated the client/adviser ratio at 207. THR2 again estimated this group as 30% of the whole market.

Other: This group was expected to include new market options. THR2 discovered that "Other" represented 10% of the responses and were primarily firms transiting from the other three business models.

THR3 will re-run this research to ascertain if there have been changes in the market share of each offering. It will also look at whether "Other" now includes much vaunted new methods of distribution.

The Scope of THR3 – New Research - Succession

The Heath Reports is based on the availability of advice to the consumer. THR2 described the changes created by RDR. However, THR3 will also have a new segment, looking at the potential longevity and succession planning of existing adviser firms. It will also examine the average age of advisers, their proposed retirement dates and what plans *(if any)* are currently in place.

The sector has lost its traditional "feeder" channels. If the sector is to maintain or even expand its capacity, it needs to know with clarity how long existing advisers are likely to be in play and who might succeed them.

With the average age of advisers becoming older, more detail is required to put solutions in place to prevent the impartial advice sector heading into an uncertain, and possibly short-term, future.

Libertatem has already surveyed its membership on current running costs and attitudes to succession. This will provide the basis of questions to non-members.

THR3 will research types of income, staffing costs, staffing levels and – most importantly – how long each adviser expects to work until retirement. It will also look at succession planning.

In addition, THR3 will research the current value of the adviser sector to the UK economy, as well as how much the potential loss of adviser capacity will cost the Government.

The Scope of THR3 – New Research – Other Issues - Ambitions

The availability of advice has other, potentially restricting, factors that also need researching.

The availability of Capital: Presently there is little access to external capital for most advisory firms. Capital Adequacy makes this issue more problematic as does the current Financial Ombudsman Service (FOS) scheme. THR3 will attempt to define this issue.

The current attitude to the sector by the PI Insurance Market: We already have evidence on the current PI markets' attitude to advice and the way FOS resolve complaints. THR3 will widen this research.

The current attitude of the sector to representative bodies: The current advice sector employs 128,000 people and enjoys a turnover of £6.5 billion. However, the two existing trade associations can only just marshal a spending of £1 million between them. THR3 needs to find out why. It will look at current attitudes to both of the trade bodies and explore the sector's view on pushing the sector forwards to become recognised as a profession.

It is important that we know the ambitions of current advisers and what drives them. In the final analysis, the availability of advice in the UK may be highly dependent on whether the current advisers aspire to be part of anything greater than the current market, and whether they are prepared to reinvest both time and money into their businesses.

THR3 results will be unveiled at the 2017 CIFA International Forum in Monaco.

Garry Heath MCIM

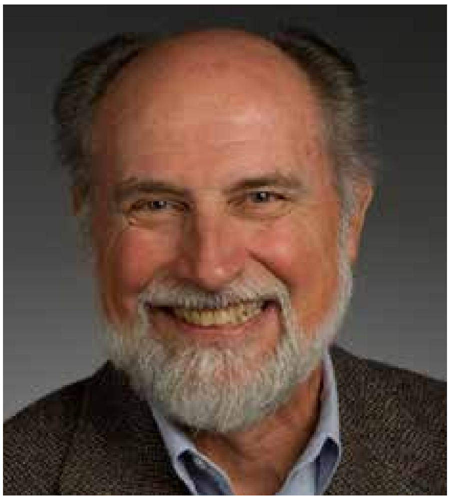
A former Independent Financial Adviser, ***Garry Heath*** *formed The IFA Association in 1989, which represented over 60% of UK IFA Practices and was instrumental in the reform of FIMBRA and the creation of the PIA.*

Following his retirement in 1999, Garry took up motor racing and enjoyed a number of successful seasons driving Ginettas and V8 Costellos.

He was drawn back into the world of financial services with the publication of The Heath Report in 2015, which looked at the effects of the Retail Distribution Review and the way regulation had impacted on both the consumer and the industry. Its findings were used extensively by the UK government to question the FCA about the true cost of RDR and has been used as a yardstick by governments worldwide keen to learn from the UK model.

Following publication, Garry formed Libertatem and the new trade association has experienced rapid growth as the adviser community comes under increased scrutiny and financial pressure from the regulators.

Security and Legal Protection for Investment in Latin America



Roger H. Ganser
Chairman
World Federation of Investors Corporation
(www.wfic.org)
Ghent, Belgium

Many of the major institutional reforms launched over the last few years in America and Europe have directed their efforts towards the creation of transparent and reliable institutions to ensure greater protection and legal security for national and international investment.

Investor trust enables the financing of technological, educational or energy infrastructure projects necessary for citizens' welfare, reduction of poverty and generation of more equality of opportunities. At the same time, guarantees are required to protect small, medium and large investors who invest family savings, pension funds and resources in these projects.

For this reason, in 1995, the Organization for Economic Cooperation and Development (**OECD**) published the ***Council Recommendation for Improvement in the Quality of Government Regulation*** for member countries. Its objective was to examine the importance and necessity of reforms in the regulated sectors of member countries. The report of the OECD repeatedly draws attention to the importance of generating public trust through these independent regulatory authorities, whose impartiality and transparency minimizes regulatory risk for national or international investors.

Three recommendations of the OECD are analyzed and confirmed throughout this Report:

- When there is a need for functional independence or competitive neutrality in order to preserve public trust;
- If both the government and private bodies are regulated under the same framework and, therefore, competitive neutrality is required; and...
- When the decisions by regulatory bodies may have significant economic effects on the parties regulated and it is necessary to protect the body's impartiality.

> "The creation a regulatory entity which is independent of governments and of those it regulates, may instil greater trust in and credibility regarding the justice, fairness and correction of the decisions by the regulator."

The creation of a regulatory entity which is independent of governments and of those it regulates, may instil greater trust in and credibility regarding the justice, fairness and correction of the decisions by the regulator.

This **REPORT ON SECURITY AND LEGAL PROTECTION FOR INVESTMENT IN LATIN AMERICA** by the CREMADES & CALVO-SOTELO law firm provides an excellent summary of some of the Latin

American countries which are recipients of international capital, paying special attention to two of the most dynamic and representative sectors, energy and telecommunications. While Latin American countries are not the only ones faced with the challenge of permanently improving the regulatory institutions, which offer legal security and protection of the investment, this Report efficiently profiles the major considerations and proposals regarding systems of protection of foreign investment in Argentina, Bolivia, Colombia, Chile, Costa Rica, Mexico and Peru.

This Report was also sponsored by the World Federation of Investors (WFI).

The World Federation of Investors promotes wider share-ownership and investment education on a worldwide scale for the benefit of individuals, families, and nations through an international exchange of investment and economic knowledge, advocating for individual investor rights and protections, and the mutual exchange of information and assistance between member countries and between individuals. WFI shall continue to follow efforts to reinforce shareholder protections while also providing the needed financial resources to our friends in South America. *(www.wfic.org)*

Roger H. Ganser

Roger H. Ganser

Founder: Venture Investors LLC in 1982, manager of six early stage venture capital funds. Retired as

Managing Director in 2008.

Chairman, Supervisory Board, Stichting Volkwagen Investors Claim, Oud-Beijerland, NL, 2015-present

Member, USA Security Exchange Commission (SEC) Investor Advisory Committee, 2012-2016.

Member, Investor Issues Committee, USA Financial Industry Regulatory Authority (FINRA), 2014-present

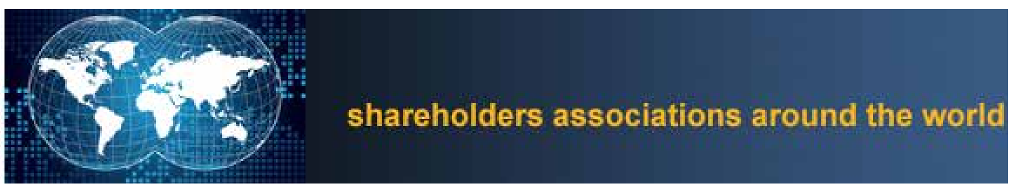
Chairman, the National Association of Investor Corporations-BetterInvesting (www.betterinvesting.org),

Madison Heights, MI, 2008-present

Chairman, World Federation of Investors Corporation (www.wfic.org) , Ghent, Belgium, 2009-present

Member, New York Stock Exchange Individual Investor Advisory Committee, NY, 2009-2014.

World Federation of Investors WFI



The World Federation of Investors is an independent, not-for-profit organization whose members are primarily national shareholders' associations.

WFI was formed to promote investor education and help national shareholders association better serve their members, both individual investors and investment clubs.

OUR MISSION

The World Federation of Investors shall further the cause of wider share-ownership and advance investment education on a worldwide scale for the benefit of individuals, families, and nations through an international exchange of investment and economic knowledge, advocating for individual investor rights and protections, and the mutual exchange of information and assistance between member countries and between individuals.

Today the mission of WFI is even more important. Recent events underscore how economic systems and individual portfolios can quickly become very fragile. Since WFI's founding over fifty years ago, the use and capabilities of the computer and Internet have exploded, giving every person the potential to access a wealth of information and resources. At the same time, new and dynamic capital markets in Europe, the Pacific, and South America have opened.

These challenging times are also exciting times with great opportunity. But "excitement and opportunity" also create potential for significant risk. WFI can help mitigate the risk by encouraging national investor organizations, regulators, and academics to develop investor education and advocacy programs and by creating a world of knowledgeable and capable shareholders.

La Cour de Justice

ferme définitivement la porte à toute remise de documents bancaires par requête de preuve à futur

Dans un arrêt du 24 juin 2016 (ACJC/885/2016), la Cour de justice du Canton de Genève ferme définitivement la porte à toute remise de documents bancaires à un client sur la base d'une requête de preuve à futur en vue d'évaluer les chances de succès d'une éventuelle future action en responsabilité à l'encontre de la banque.

Dans un arrêt antérieur rendu le 20 février 2015 (ACJC/185/2015), la Cour de justice avait laissé subsister la possibilité de requérir la remise de documents sur une telle base à condition (i) que ces derniers soient décrits avec précision, (ii) limités dans leur nombre, (iii) que soit indiqué quel document vise à prouver quel allégué précis, et (iv) que le principe de proportionnalité soit respecté (voir commentaire du 19 janvier 2016).

La Cour de justice considère dorénavant que cette voie n'est plus ouverte.

Dans le cas d'espèce, un client avait déposé ses avoirs dans une banque dans le cadre d'une relation contractuelle de type *'execution only'.* Un fraudeur usurpa alors son identité pour donner des instructions de transferts portant sur plusieurs millions de dollars. Les ordres de paiement avaient été donnés tant par télécopie que par courrier électronique et confirmés par téléphone.

A la découverte de la fraude, le client indiqua à la banque que son identité avait été usurpée et demanda la remise de nombreux documents, dont copie des enregistrements téléphoniques internes et externes liés aux comptes.

La banque refusa de remettre copie des enregistrements téléphoniques et des documents internes tels que correspondance interne et un rapport interne relatif à la fraude.

Le client déposa alors une requête de preuve à futur limitée à la production des enregistrements téléphoniques durant la période de la fraude.

Il invoqua l'existence d'un intérêt digne de protection (article 158 al. 1 let. b CPC) à la remise de ces enregistrements qui lui étaient nécessaires pour évaluer les chances de succès d'une éventuelle future action en responsabilité envers la banque. Le client exposa remplir les conditions posées par l'arrêt ACJC/185/2015. Pour ce faire, le client précisa les dates et heures des conversations téléphoniques sur la base d'une liste reçue de la banque et allégua dans le détail les faits liés à la fraude *(en particulier le contenu des emails et fax échangés entre la banque et le fraudeur)* ainsi que les conditions générales limitant la responsabilité de la banque à la faute grave, cette dernière devant être prouvée par le client dans une éventuelle action en responsabilité.

La Cour de justice a retenu que le client ne disposait en effet pas des informations suffisantes lui permettant d'évaluer le degré de diligence exercé par la banque au moment d'exécuter les transferts litigieux et que la violation de

Nicolas Ollivier

Counsel

Expert en Contentieux - interne et international, Droit des sociétés et droit commercial, dans les secteurs Banque et Finance

l'obligation de diligence constitue l'une des conditions de la responsabilité de la banque.

Certes, dans les conclusions de sa requête de preuve à futur, le client avait requis de la banque un nombre déterminé de documents, décrits de manière précise, qui seraient susceptibles de lui fournir, sur ce point, des renseignements lui permettant le cas échéant de fonder des prétentions en dommages-intérêts.

Cela dit, la Cour de justice a considéré que l'arrêt rendu le 16 décembre 2015 par le Tribunal fédéral (ATF 141 III 564) empêche d'obtenir par voie de preuve à futur tout document pouvant être l'objet d'une action en reddition de compte basée sur l'article 400 CO, même si les documents sont limités dans leur nombre, décrits de manière précise avec indication de quel document vise à prouver quel allégué précis.

Dans le cas d'espèce, la Cour de justice a retenu que le client cherchait à recueillir des informations sur la manière dont la banque a accompli ses activités en rapport avec un mandat et que, ce faisant, il exerçait un droit à la reddition de compte.

La Cour de justice a dès lors rejeté la requête de preuve à futur.

L'argumentation de la Cour de justice est passablement surprenante étant donné que dans l'ATF 141 III 564, l'examen de l'arrêt ACJC/185/2015 par le Tribunal fédéral était limité à l'arbitraire (article 98 LTF) et ne disait mot sur la validité d'une requête de preuve à futur portant sur un nombre très restreint de documents.

Par ailleurs, la Cour de justice n'a pas reproduit ce raisonnement dans un arrêt ultérieur rendu le 13 juillet 2016 (ACJC/986/2016, consid. 2.2) retenant qu'une requête de preuve à futur circonscrite à des documents précis et concernant une période ancienne, courte et déterminée ne constituait pas une reddition de compte; la requête de preuve à future ayant néanmoins été également rejetée dans cette affaire faute d'un caractère urgent, respectivement d'un intérêt digne de protection.

Il résulte de ces arrêts que la jurisprudence de la Cour de justice est extrêmement restrictive quant à l'admission de demandes de production de documents par voie de preuve à futur, bien que ses motifs ne soient pas totalement uniformisés.

"Dans le cas d'espèce, la Cour de justice a retenu que le client cherchait à recueillir des informations sur la manière dont la banque a accompli ses activités en rapport avec un mandat et que ce faisant, il exerçait un droit à la reddition de compte."

En cas de refus d'une banque de remettre certains documents à un client, ce dernier devra agir par le dépôt d'une action en reddition de compte. Dans ce cadre, une requête en cas clair peut être envisagée. Cette voie a l'avantage d'être plus rapide étant donné que la procédure sommaire s'applique (articles 248 ss CPC).

Cette procédure ne peut cependant être empruntée que pour les documents pour lesquels il est clairement établi que le client a un droit d'en obtenir copie.

Or, la jurisprudence du Tribunal fédéral est relativement disparate sur la désignation des documents internes devant être remis à un client d'une banque.

Reste également ouverte une action basée sur la Loi fédérale sur la protection des données, soumise à la procédure simplifiée (article 243 al. 2 let. d CPC).

Les règles délimitant quel type de documents internes doivent être remis au client ne sont toutefois pas aussi clairement établies que celles relatives à la reddition de compte (ATF 138 III 425; ATF 139 III 49).

Nicolas Ollivier

Nicolas Ollivier est titulaire d'un Master en droit avec mention droit européen de l'Université de Fribourg (2004) et d'un LL.M (avec distinction) de l'Université de Durham (2010). Nicolas Ollivier, avocat de droit suisse, a rejoint LALIVE en 2012, après plusieurs années d'exercice. Il est spécialisé en droit bancaire et financier; il conseille et représente régulièrement des clients dans des affaires complexes, notamment en matière de mauvaise gestion d'actifs, contentieux en matière d'appels de marge et produits OTC, faillite bancaire, ordres de transferts frauduleux, blocage de comptes en banque, distribution de fonds d'investissement ainsi que relativement aux procédures administratives et de droit de la surveillance conduites par l'Autorité fédérale de surveillance des marchés financiers. Actuellement Counsel au sein de LALIVE, Nicolas Ollivier est également l'auteur de plusieurs publications en droit bancaire et des marchés financiers.

Déni de Réalité et Occultation des Problèmes Réels
… ou comment vivre en-dehors de la réalité

Tout système, de quelque nature qu'il soit, social, économique, politique, n'existe que parce qu'une multitude de tensions contraires, exercées par de multiples agents concurrentiels, créent par leurs interactions une dynamique paradoxalement de… cohésion de celui-ci… Lorsque ces tensions contraires souvent antinomiques s'arrêtent, le système s'écroule.

Tout individu parie sur l'une ou l'autre des tendances, ce qui fait naître de manière inconsciente le principe fécondant des échanges et de leurs conséquences directes que sont les équilibres ou déséquilibres d'un système économique qu'on appelle un marché. Ces forces inconscientes et spontanées s'expriment chez l'homme dans la majorité des cas en-dehors de sa volonté, et par conséquent hors de toute norme logique ou mentale. Elles sont donc détachées et sans lien direct avec la raison.

Prenons ici l'exemple des nombreux et brillants économistes qui évoluent dans nos systèmes dits «économiquement avancés» ou efficients, et qui connaissent parfaitement les mécanismes économiques décrits plus haut. Ces prix Nobel d'économie à aucun moment n'ont été capables de prédire la crise économique grave qui nous accable. A quoi servent donc toute cette science, toutes ces théories, tous ces modèles qui ne sont pas à même de détecter les signes avant-coureurs, les nuages qui s'accumulaient dans le ciel et qui à aucun moment n'ont mis en garde les gouvernants, qui les consultent à prix d'or pour les guider dans leur tâche difficile de la gestion des états dont ils ont la charge?

Au lieu de cela, on assiste à des querelles vaines par voie de publications, pamphlets et autres articles où chacun critique et tente de démolir les thèses de l'autre. Et pendant ce temps, le bateau de l'économie mondiale vogue sans voiles, sans moteur, et sans timonier.

Paul Krugman *(prix Nobel d'économie)* très médiatique et très présent dans le New York Times, remonté contre les banquiers, responsables selon lui de la débâcle de 2008, préconise la nationalisation des banques qui de toutes façons ont reçu tellement d'aide de l'Etat qu'elles sont pratiquement propriété de celui-ci et subsidiairement du citoyen.

Son collègue et rival, tout aussi médiatique, **Larry Summers**, conseiller de haut niveau d'Obama, lui répond par une boutade ironique: ***«Ecoute, Paul, ce n'est pas une dizaine de nationalisations qui nous attendent si on te suit, mais 8000 nationalisations, nous comptons 8000 banques dans ce pays. Où diable veux-tu qu'on trouve les managers pour administrer ce 'merdier'? On est obligés de faire avec ce qu'on a. Faisons un peu confiance aux gens de la place».*** Réponse pour le moins déroutante de Paul Krugman: ***«Tu m'en demandes trop, Larry. Toi, tu es un optimiste, moi je suis un pessimiste. Je suis naturellement rebelle».*** Voici les échanges édifiants auxquels nous assistons pendant que le bateau sombre.

Pierre Christodoulidis
President de la CIFA

Le constat de Paul Krugman a au moins le mérite de proposer une solution sans vouloir préjuger de son applicabilité et de sa pertinence, alors que la réponse de Larry Summers n'amène aucune proposition innovante ou constructive.

D'aucuns rétorqueront que l'économie se fonde sur des chiffres qui sont pratiquement constatables, vérifiables et par conséquent incontestables. L'ennui est que souvent, les chiffres collectés sont incomplets, voire manipulés et mensongers. La World Bank a dû reconnaître l'an passé qu'elle se trompait dans ses calculs du produit intérieur brut (PIB) chinois… Et à quoi correspond cette erreur? A une surévaluation de 40%! Une vétille! Subitement, on découvre 200 millions de pauvres supplémentaires en Chine…

Et c'est sur des données de cette qualité, et des comportements comme ceux décrits plus haut, que nous sommes supposés nous, petits gérants de fortune, nous repérer pour conseiller utilement nos clients sous peine de nous voir sanctionner de façon exemplaire ?

Dans cette tourmente générale, les politiques, coincés entre les faits têtus et leur faiblesse à l'égard d'une caste économique qu'ils peuvent difficilement combattre puisqu'ils en dépendent en partie *(les banques «too big to fail»)* ont ressuscité la **«régulation»**. Ainsi, ils se justifiaient envers toutes les factions en présence: d'un côté les électeurs auxquels ils assuraient que leurs nouvelles règles strictes et sévères mettraient le «capital fou» sous contrôle, de l'autre, les banquiers finançant leurs campagnes électorales, prétextant la nécessité de rassurer le citoyen épargnant. Résultat: une nouvelle industrie de la supervision à outrance, la production inarrêtable de textes de lois, de directives et de micro-règles, sans parler de la consignation démente de données dont le volume dépasse tout entendement. Un système où le mot **«confiance»**, par excellence le pilier de l'économie et de sa fille majeure **«la finance»**, n'a plus aucune signification. A titre de comparaison désormais célèbre, la loi...

Sarbanes-Oxley faisait 810 pages, le Dodd Frank Act fait 2300 pages. Il est inutile d'évoquer les divers MiFID I, MiFID II et autres qui dépassent les 1000 pages!

Le volume de *«red tape»*, désormais au cœur de l'industrie bancaire, est devenu omniprésent et «omnipuissant». Les employés de banque se sont mués en contractuels n'osant plus entreprendre le moindre acte le plus anodin, le plus usuel, sans s'adresser d'abord à leur «service de conscience», *«le compliance officer»*. Voilà la solution inventée par les politiques, soumis à la culture des bien-pensants et d'un gauchisme culturel de bon aloi, pour se dédouaner vis-à-vis de tous les intéressés. Entretemps, le moindre acte sur nos propres deniers prend des proportions cauchemardesques. C'est la parfaite illustration des systèmes dits libéraux et égalitaires qui progressivement se muent en complexes de surveillance et s'insinuent dans la vie de tous les jours du citoyen, tout en rognant sa liberté et sa sphère privée.

Au lieu de s'attaquer aux racines du désastre économique et financier *(le gigantisme incontrôlable des banques, confirmé par les milliards d'amendes payées par celles-ci)*, on érige des barrières, des millefeuilles de règles qui paralysent jusqu'aux plus petits actes du citoyen-épargnant. C'est exactement l'opposé de ce qu'on appelle la liberté démocratique dont se prévalent les gouvernants de tous bords.

Voilà le monde que nous ont préparé nos dirigeants. C'est sur cet aspect épineux que s'exprimait d'ailleurs le 24 août 2015 Monsieur Jean-Philippe Walter, futur préposé fédéral à la protection des données: ... «***on grignote chaque jour notre espace de liberté. Si on ne réagit pas, il se peut qu'un jour ce soit trop tard. Sans réaction, certains analystes prévoient la fin de la sphère privée dans les prochaines années***».

Suite à ces dérives, à cette réduction concrète et palpable de notre libre arbitre, de nos initiatives, de nos actes les plus élémentaires, comment les politiques pouvaient-ils espérer que l'électeur continuerait à les croire et à leur faire confiance?

Nous assistons de nos jours à l'expression de ce ras-le-bol exprimé par le peuple souverain par ses votes récents, avec tout ce que cela comporte d'imprévus. Nous rejoignons en cela la réflexion de Jean-François Revel qui disait déjà il y a quarante ans: «***Avant, l'ennemi de l'homme était l'ignorance, maintenant, c'est le mensonge***».

"

Avant, l'ennemi de l'homme était l'ignorance, maintenant, c'est le mensonge.

"

Pierre Christodoulidis

Confiscation de l'Epargne

Après le 'sauvetage' post-2008 des grandes banques par les Etats, à présent globalement surendettés, il est devenu nécessaire de trouver de nouvelles sources d'argent frais pour les aider à faire face aux grands défis à venir, tels que se protéger du prochain réajustement des marchés financiers par rapport aux réalités actuelles de l'Economie réelle.

Le premier acte a été écrit par la Communauté Européenne, qui a choisi de généraliser le 'cas de Chypre', en promulguant une loi *(The Bank Recovery and Resolution Directive (BRRD) 1.1.2015 / http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32014L0059)* entrée en vigueur le 1er janvier 2016, qui autorise les banques en difficulté à se renflouer directement sur les comptes de ses épargnants.

Après la **'confiscation de l'or'** aux USA entre les deux grandes guerres, nous allons subir la **'confiscation de l'épargne'.**

En pratique, cette nouvelle possibilité offerte aux banques de se servir dans les comptes des épargnants a pour corollaire de reléguer l'épargne en toute dernière position lors d'un remboursement, après les actionnaires, telle la création d'une 4ème classe dans l'ordre des créanciers d'un état de collocation *(LP art 219 & 220: Loi fédérale sur la poursuite pour dettes et la faillite / 288.1)*. Devenant de facto le poste du bilan le plus risqué, l'idée même de répercuter les coûts des intérêts négatifs sur les comptes des épargnants apparaît alors comme une injustice flagrante.

Cette capacité de confiscation de l'épargne a pour conséquence d'offrir une garantie par l'Economie réelle en faveur des investissements sur les marchés financiers. A l'extrême, une banque qui aurait perdu trop d'argent, par exemple en spéculant à la bourse, pourrait alors 'se refaire' en s'accaparant des économies de ses épargnants, accumulées durant une vie de dur labeur.

Le second acte est aussi écrit sous couvert de lutte contre le blanchiment d'argent, en imposant des plafonds aux montants utilisés lors de transferts en liquidités, au-dessus desquels les ayants droit économiques doivent êtres identifiés, tels que $10'000.- aux USA et CHF100'000.- en Suisse. La charge de la preuve étant inversée, tout gros achat en espèces porte alors la présomption de culpabilité, soupçonné par défaut de criminalité financière.

Le troisième acte consiste en la généralisation de cette lutte contre «l'argent sale» aux actes de la vie quotidienne, en instaurant une limite supérieure aux paiements en espèces, tels que pour les résidents en France et au Portugal fixée à EUR 1'000.-, en Espagne à EUR 2'500.-, en Italie à EUR 2'999.99 et en Belgique à EUR 3'000.-.

En imposant aux Particuliers des règlements par virements électroniques, l'épargne est alors accumulée de force dans des dépôts bancaires au détriment d'autres solutions telles que les coffres, ayant pour conséquence d'augmenter cette nouvelle forme de garantie des risques des banques par les épargnants, accroissant encore leurs capacités de confiscation.

Patrick Morel
Fixed Income Strategist

Le prochain acte verra son apothéose lorsque l'idée de l'abolition du cash s'imposera. Sous couvert d'un concept novateur et de lutte contre l'argent sale, il pourrait ne subsister plus aucune alternative hors du système bancaire pour conserver et protéger son épargne.

La souricière se referme, ne laissant aucune échappatoire aux épargnants! En réalité, tout a déjà été mis en place pour que lors de la prochaine Grande Correction des marchés actions, la facture du système bancaire puisse être transférée aux épargnants.

A ce stade l'unique incertitude réside dans sa date, puisque qu'avec des taux courts maintenus artificiellement proches de zéro depuis 2009 et des marchés actions maintenus en apesanteur par la création de près de $14 Trillions de nouvelles liquidités directement par des banques centrales, la déconnection des marchés financiers avec l'Economie réelle n'a jamais été aussi criante.

Mais, ce n'est pas tout! Après le **'bail-out'** post-2008 par les Etats et la possibilité de **'bail-in'** avec l'argent des épargnants, la FED est en train de mettre en place une mesure supplémentaire pour protéger les grandes banques **'Too Big To Fail'** de la survenance d'un risque systémique de type Bear Sterns ou Lehman Brothers.

En effet, lorsqu'une grande banque TBTF sera en difficulté, elle pourra empêcher ses contreparties de récupérer les fonds déposés en collatéral, tels que par les caisses de pension, fonds, petites banques et assurances. Après la confiscation de l'épargne au passif de leur bilan, cette nouvelle mesure s'en prend aux fonds de leurs clients déposés hors-bilan. Toutefois, bien qu'elle concerne directement les collatéraux provenant des activités de Repos, ainsi que de prêts et réhypothécations *(cas MF Global)* de titres, elle vise avant tout les opérations sur les produits dérivés.

L'évaluation par la Bank for International Settlements *(http://www.bis.org/statistics/about_derivatives_stats.htm?m=6|32)* du montant cumulé des notionnels de l'ensemble des produits dérivés en circulation à mi-2016 pour la valeur astronomique de $611 Trillions *(OTC $544 T + ExchTraded $67T)* met en lumière les enjeux colossaux représentés par les seules marges déposées par les clients et les collatéraux imposés aux contreparties pour leurs opérations sur les marchés. A titre de comparaison, le PIB du monde, mesurant la création de richesse réalisée par 7 Milliards d'habitants en 1 an, n'est que de $73 Trillions...

Il devient alors légitime de s'interroger 'pourquoi et comment' les grandes banques universelles ont réussi à obtenir autant de faveurs, accroissant les asymétries des risques par rapport au reste du secteur bancaire, mais aussi des autres secteurs de l'économie et surtout au détriment des autres acteurs économiques que sont les Etats, qui ont déjà concédé à des 'bail-out', et les Particuliers, dont l'épargne est sujette à de prochains 'bail-in'?

> "Paradoxalement, alors que les banques universelles dites 'Too Big To Fail'
> se trouvent au coeur des risques systémiques,
> au lieu de s'attaquer aux origines
> de ces risques majeurs,
> de nouvelles lois sont promulguées
> pour leurs offrir des garanties supplémentaires."

Paradoxalement, alors que les banques universelles dites 'Too Big To Fail' se trouvent au cœur des risques systémiques, au lieu de s'attaquer aux origines de ces risques majeurs, de nouvelles lois sont promulguées pour leurs offrir des garanties supplémentaires, qui ont pour effet inverse de les encourager à prendre encore plus de risques, accroissant encore plus les niveaux de risques systémiques encourus par tous.

Pourtant, le véritable danger n'est pas la taille des banques, mais le manque de discipline des banques 'universelles', qui en ne respectant pas la ségrégation entre les activités liées à l'Economie réelle et financière font porter les risques des marchés financiers à l'ensemble de l'Economie réelle, devenant la principale source de risques dits systémiques.

Par conséquent, devant l'ampleur et l'urgence de la situation, il est primordial de séparer les activités des banques dites commerciales, qui étant dédiées exclusivement au bon fonctionnement de la seule Economie réelle possèdent la capacité de création monétaire scripturale, avec les activités des banques dites d'investissement, dont la capacité à investir sur les marchés financiers serait limitée à leurs seuls fonds propres, sans jamais être autorisées à accepter des fonds étrangers, dont principalement l'épargne.

Patrick Morel
Fixed Income Strategist

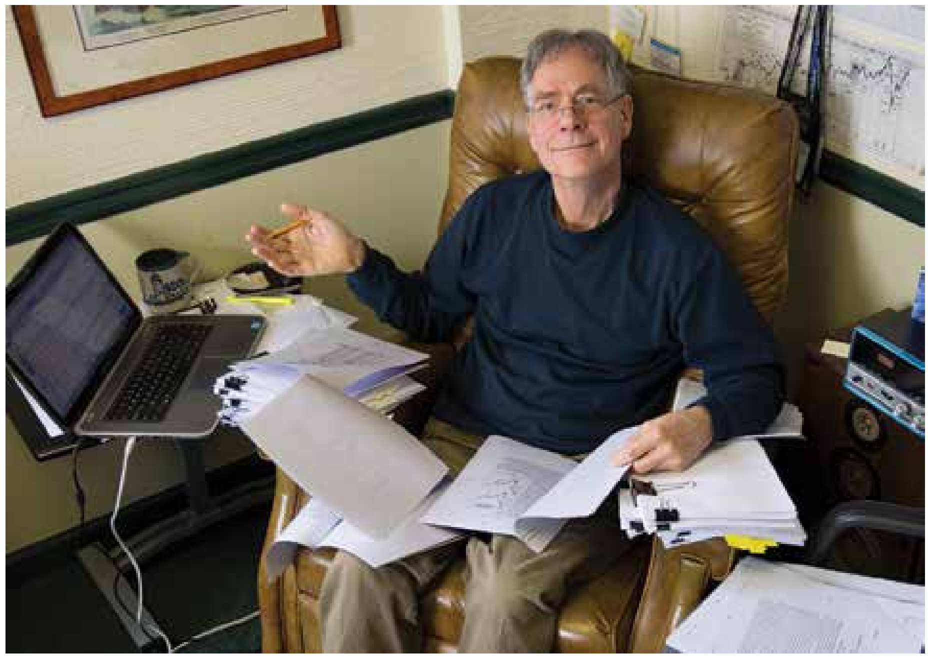
Patrick MOREL est un stratégiste et investisseur obligataire au bénéficie d'une expertise rare, et précurseur en Stratégies Actives d'investissement.

Actuellement. il finalise un livre novateur sur les limites et alternatives de la mesure probabiliste du risque d'investissement, intitulé: "L'Utopie Probabiliste de la Finance".

Contact: morel.patrick@bluewin.ch

The Myth of Shocks

Financial advisors often help clients navigate the markets in the wake of dramatic news events. Understanding how these shocks affect market prices is paramount to serve clients effectively in such situations. In this excerpt from Chapter 1 of ***The Socionomic Theory of Finance***, Robert Prechter makes a compelling case for an unconventional answer to the question, "How do shocks move the markets?"



Robert R. Prechter
The Socionomics Institute

The Myth of Shocks

Robert R. Prechter

Few people find a new theory accessible until they first see errors in the old way of thinking. Part I of this book challenges the universally accepted paradigm under which humans' rational reactions to exogenous *(external, or externally generated)* causes purportedly account for financial market behavior. The current chapter explores whether dramatic news events affect financial markets.

Testing Financial-Market Reaction under Perfect Conditions

In the physical world of mechanics, action is followed by reaction. When a bat strikes a ball, the ball changes course.

Most financial analysts, economists, historians, sociologists and futurists believe that society works the same way. They typically say, "Because so-and-so has happened, it will cause such-and-such reaction." This mechanics paradigm is ubiquitous in financial commentary. The news headlines in Figure 1 reflect what economists tell reporters: Good economic news makes the stock market go up; bad economic news makes it go down. But is it true?

Good economic news propels markets
—*USA Today*, January 15, 2004

Bad economic news is chilling investors
—*The New York Times*, July 15, 2012

Figure 1

In the second half of the 1990s, a popular book made a case for buying and holding stocks forever. In March 2004, after several terrorist attacks had occurred, the author told a reporter, "Clearly, the risk of terror is the major reason why the markets have come down. We can't quantify these risks; it's not like flipping a coin and knowing your odds are 50-50 that an attack won't occur." *(Shell, Adam, "Fear of Terrorism Jolts Stock Market," USA Today, March 23, 2004.)*

In other words, he accepts the mechanics paradigm of exogenous cause and effect with respect to the stock market but says he cannot predict a major cause part of the equation. The first question is, if one cannot predict causes, then how can

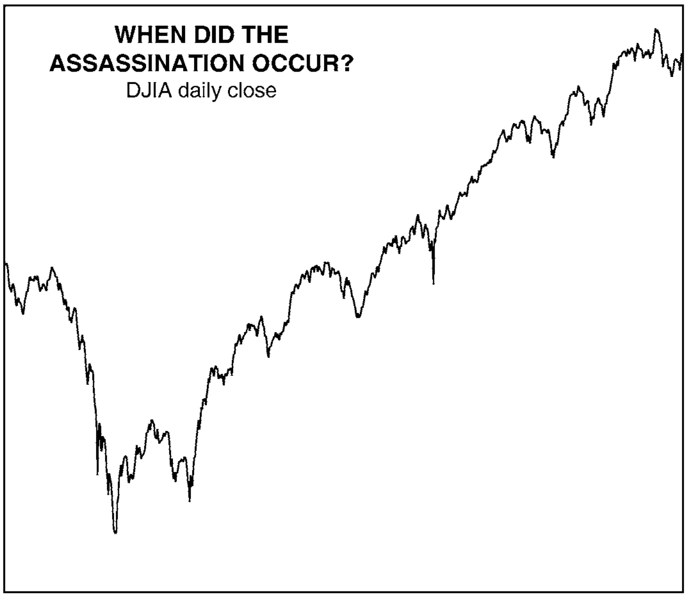


Figure 2

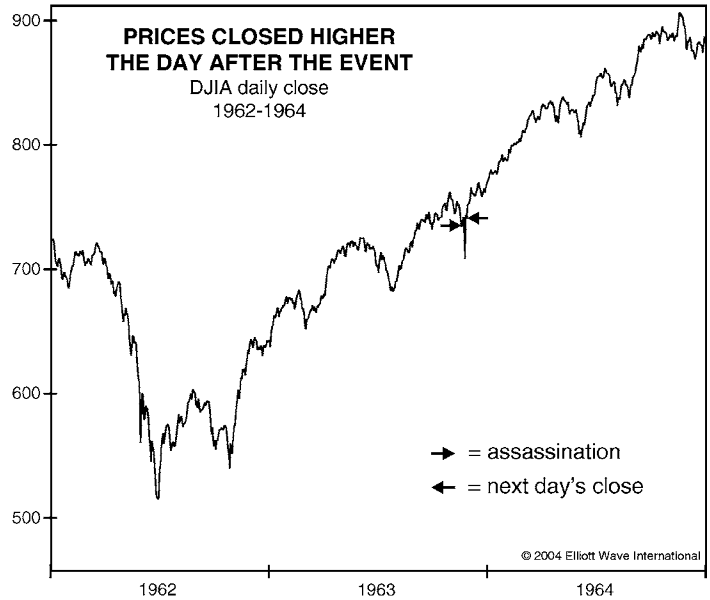


Figure 3

one write a book predicting effects? A second question is far more important: Is there any evidence that dramatic news events that make headlines, including terrorist attacks, political events, wars, natural disasters and other crises, are causal to stock market movement?

Suppose the devil were to offer you historic news a day in advance, no strings attached. "What's more," he says, "you can hold a position in the stock market for as little as a single trading day after the event or as long as you like." It sounds foolproof, so you accept.

His first offer: "The president will be assassinated tomorrow." You can't believe it. You are the only person in the world who knows it's going to happen. The devil transports you back to November 22, 1963. You quickly take a short position in the stock market in order to profit when prices fall on the bad news you know is coming. Do you make money?

Figure 2 shows the DJIA around the time when President John F. Kennedy was shot. First of all, can you tell by looking at the graph exactly when that event occurred? Maybe before that big drop on the left? Maybe at some other peak, causing a selloff?

The first arrow in Figure 3 shows the timing of the assassination. The market initially fell, but by the close of the next trading day, it was above where it was at the moment of the event, as you can see by the position of the second arrow. The devil had said that you could hold as briefly as one trading day after the event, *but not less*. You can't cover your short sales until the following day's up close. You lose money. You aren't really angry because, after all, the devil delivered on his promise. Your only error was to believe that a presidential assassination would dictate the course of stock prices. So, you vow to bet only on things that will directly affect the economy.

The devil pops up again, and you explain what you want. "I've got just the thing," he says, and announces, "The biggest electrical blackout in the history of North America will occur tomorrow." Wow. Billions of dollars of lost production. People stranded in subways and elevators. The last time a blackout occurred, there was a riot in New York City, causing extensive property damage. "Sold!" you cry. The devil transports you back to August 2003.

> "Suppose the devil were to offer you historic news a day in advance, no strings attached."

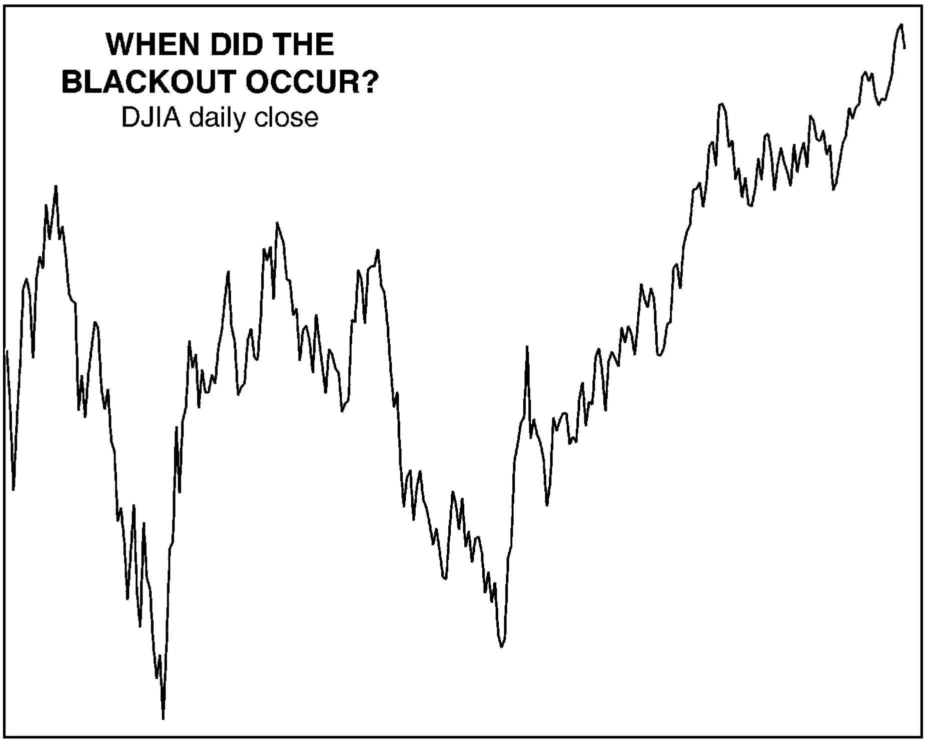


Figure 4

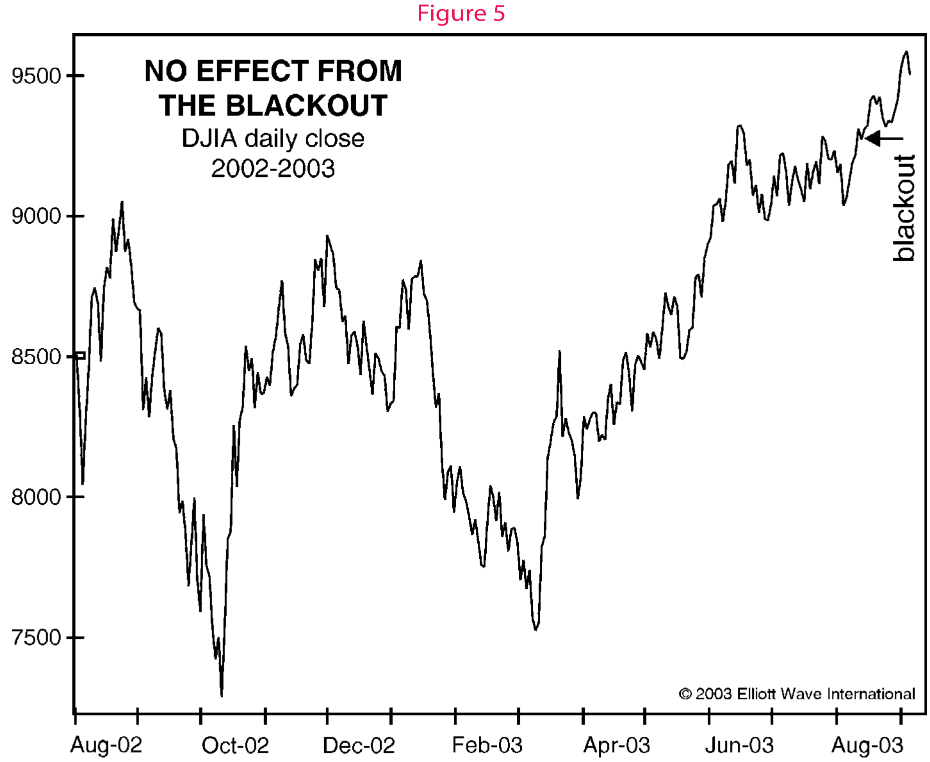
The devil leans into your ear and whispers, "Terrorists will detonate two bombs in London, leveling landmark buildings and killing 3,000 people. Another bomb planted at Parliament will misfire, merely blowing the side off the building. The planners will vow to continue their attacks until England is wiped off the map." He promises that you can sell short on the London Stock Exchange ten minutes before it happens and even offers to remove the one-day holding restriction. "Cover whenever you like," he says. You agree. The devil then transports you to a parallel universe where New York is London, the Pentagon is Parliament and the DJIA is the LSE. It's a replay of September 11, 2001.

Figure 4 shows the DJIA around the time of the blackout. Does the history of stock prices make it evident when that event occurred? After all, if market prices change due to action and reaction, then this surprise economic loss should show up unmistakably, shouldn't it? There are two big drops on the graph. Maybe it happened just before one of them.

The arrow in Figure 5 *(bottom right)* shows the timing of that event. Not only did the market fail to collapse, *it gapped up the next morning*. You sit all day with your short sales and cover the following day with another loss.

"Third time's the charm," says the devil. "Forget it," you reply. "I don't understand why the market isn't reacting to these causes. Maybe these events you're giving me just aren't strong enough. What I need is a real *shock*."

Figure 5



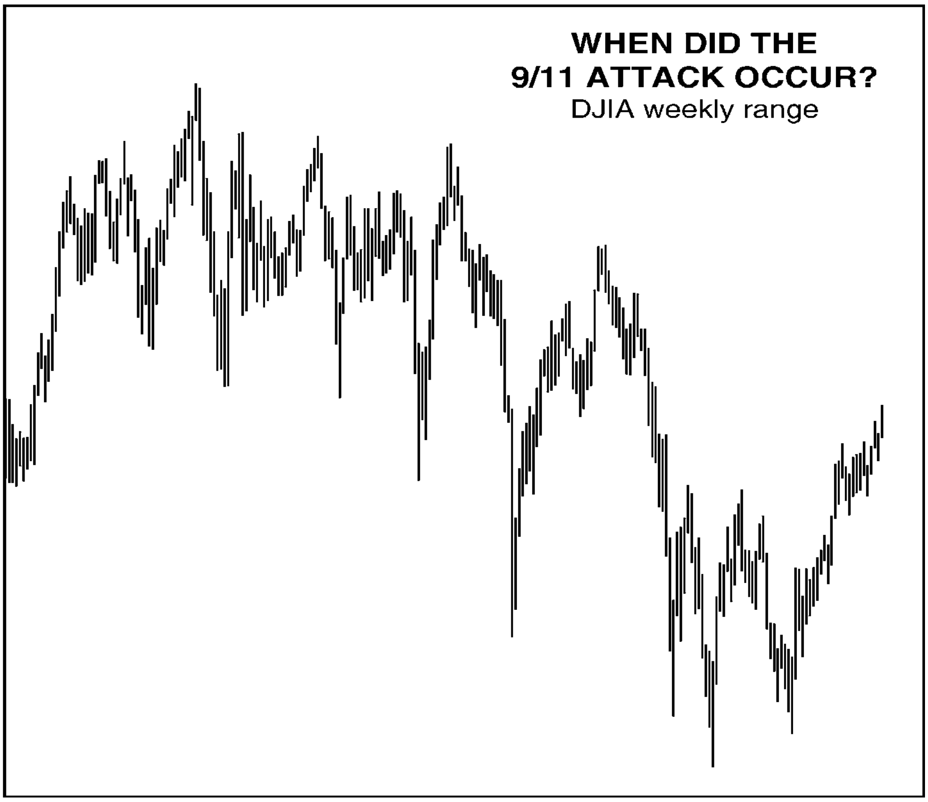


Figure 6

Figure 6 shows the DJIA around that time. Study it carefully. Can you find an *anomaly* on the graph? Is there an obvious time when the shocking events of 9/11 show up? If markets react to exogenous shocks, as baseballs do, there would be something obviously *different* on the graph at that time, wouldn't there? But there isn't.

Authorities closed the stock market for four and a half trading days after the 9/11 attack, and it stayed closed over the following weekend. Was it certain that the market would re-open on the downside? No. Some popular radio talk-show hosts and administration officials advocated buying stocks on the opening just to "show 'em." You sit with your short position, and you are nervous. But you are also lucky. The market opens down, continuing a decline that had already been in force for 17 weeks. You cheer. You're making money now! Well, you do for five days, anyway. Then the market leaps higher, and somewhere between one and six months later *(see Figure 7 on the next page)* you become disgusted and confused and finally cover your shorts at a loss.

"Forget it. I can't short New Orleans."

The devil spreads his hands in apology. "Wait! You saw how it worked for a few days! I can't help it if you held on too long." You start to walk away. He gives it one last shot. "I know. You need something that's going to work long term. How would you like to take a long term trade that's guaranteed in print?"

You hesitate. He says, "I happen to know of a devastating event that future historians will describe as 'the costliest natural disaster in the history of the United States.' *(Wikipedia, "Hurricane Katrina.")* Does that sound promising?" You're not sure. "Where is it going to hit?" "New Orleans will get the worst of it." "Forget it. I can't short New Orleans." The devil smiles slyly. "No, but you can buy oil futures contracts. Hang on. Just read this future description of the effects of the event, which will be available on the Internet *ten years after the fact*." He hands you this report:

> Katrina shut down 95% of crude production and 88% of natural gas output in the Gulf of Mexico. This amounted to a quarter of total U.S. output. About 735 oil and natural gas rigs and platforms had been evacuated due to the hurricane. The price of oil fluctuated greatly. According to [a spokesman on the scene], "half billion dollars a day of oil and gas is unavailable. Hurricane Katrina will impact oil and gas infrastructure, not just short term but *long term* as well." The storm interrupted oil production, importation, and refining in the Gulf, thus having *a major effect on fuel prices*. *(Wikipedia, "Strategic Petroleum Reserve.")*

"C'mon!" he says. "You can't get a better guarantee than that!"

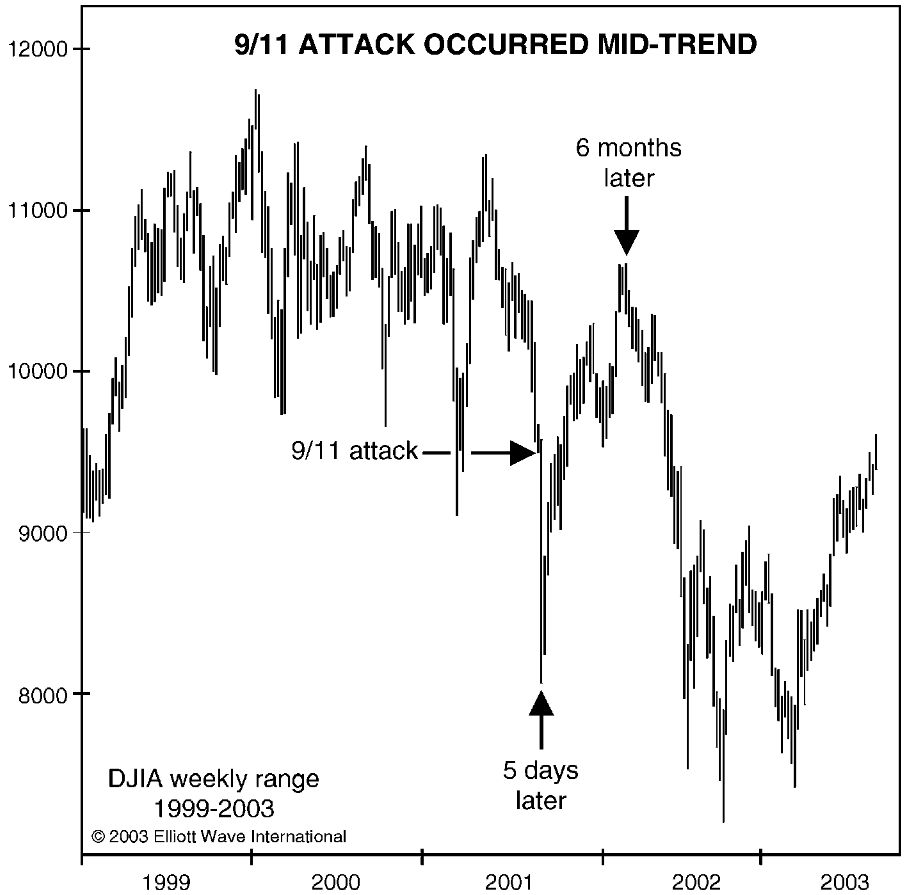


Figure 7

You think, "He's right. It's there in black and white: 'a long term impact…a major effect on fuel prices.'" This is the trade you've been looking for. You agree to go for it. The devil transports you back to the early morning of August 29, 2005, the day Hurricane Katrina hit shore. As soon as the market opens, you buy an armload of oil futures contracts. You sit back and wait for the outcome future historians had described.

Figure 8 *(on following page)* shows the day you placed your all-out bullish bet: August 29, 2005, right at a top in oil prices and just before a three-month slide of over 20%. You are stunned. A record-breaking, *surprise* disruption in the supply of oil failed to make oil prices zoom. On the chart, it even looks as if somehow *the event made prices fall*.

"They all sold the lows or bought the highs."

You are bewildered. You took Econ 101 in college, and the market's reaction makes no sense. You finally sell out, taking a loss.

You take a day off to do some research and come across an exhaustive, 40-year study of the impact of 177 large earthquakes on the returns of stock market indices in 35 different countries from January 1973 to August 2013. You read that despite limiting the earthquakes under study to those causing at least 1,000 fatalities or a minimum of $25 million in property damage, the authors were able to identify "No systematic effect of earthquakes on aggregate stock market indices, either directly or through the control variables." Then you realize: This must go for assassinations, blackouts, terrorist attacks and hurricanes, too.

If you are an everyday thoughtful person, you decide that events are irrelevant to markets and begin a long process of educating yourself on why markets move as they do. If you are a conventional economist, you don't bother.

Now think about this: *In real life, you don't get to know about dramatic events in advance*. Investors who sold stocks upon hearing of the various events cited above did so because they believed that events cause changes in stock values. *They all sold the lows or bought the highs.* I chose bad news for these exercises because it tends to be more dramatic, but the same irrelevance attaches to good news.

Exogenous-Cause Claims Lead to Perverse Conclusions

Economists often say that an unexpected "shock" would cause them to re-evaluate their bullish stock market forecasts. It does seem logical that a scary event such as a destructive terrorist attack, particularly one that

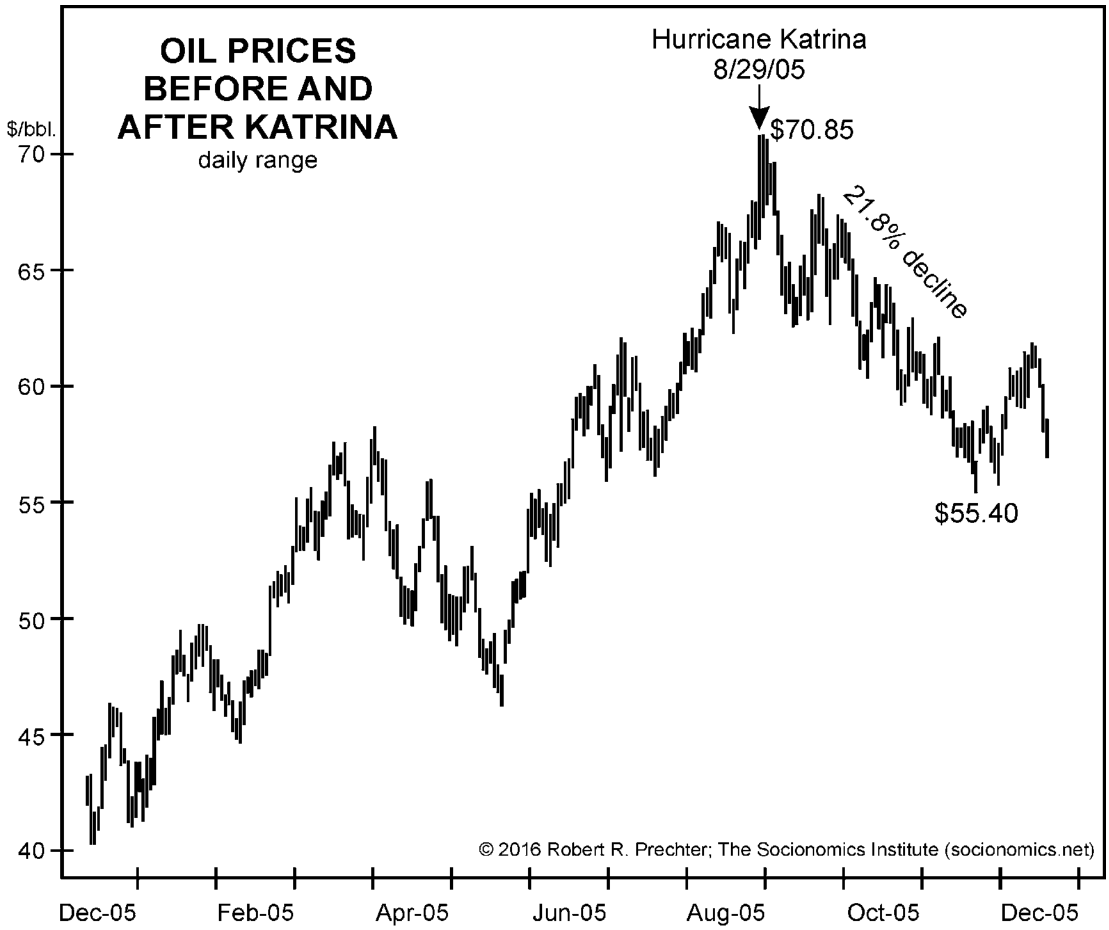


Figure 8

implies more attacks to come, would be bearish for stock prices.

Take a moment to study Figure 6 again. Surely all of those exceptionally dramatic swings in the DJIA must have been caused by equally dramatic news: bad news at each of the peaks and good news at each of the bottoms. At least that's what the exogenous-cause model would have us believe.

As it happens, there was a lot of scary news during this time. Aside from the 9/11 terrorist attack on the World Trade Center and the Pentagon, there was also a slew of mailings of deadly anthrax bacteria, which killed several people, prompted Congress to evacuate a session and wreaked havoc lasting months. Where on the graph of stock prices in Figure 6 would you guess the anthrax mailings happened?

If you guessed, "the very day of a rally high and all through a four-month stock-price collapse," befitting exogenous-cause theory, Figure 9 *(top left on next page)* would vindicate you. It shows that the first anthrax attack occurred precisely on the top day of a rocketing advance that appeared destined to take the Dow to a new all-time high. The stock market reversed sharply and then fell throughout the period of attacks. When the attacks stopped, the decline stopped, and the market turned on a dime and soared. Good for you and exogenous cause theory!

The only problem with your case is that Figure 9 is a lie.

Figure 10 *(top right on next page)* tells the truth. The first anthrax attack actually occurred on the very day of the low for the year, after a dramatic, 18-month decline in the Dow. Afterward, despite six more attacks and public concern that more were in the works, the stock market rallied for six months. These attacks, deaths and scares, moreover, occurred throughout *the strongest rally on the entire graph*. To put it more starkly, the market bottomed the day the attacks started and topped out as soon as people realized they were over.

Figures 7 and 10 reveal an irrefutable fact: *Terrorist attacks do not make the*

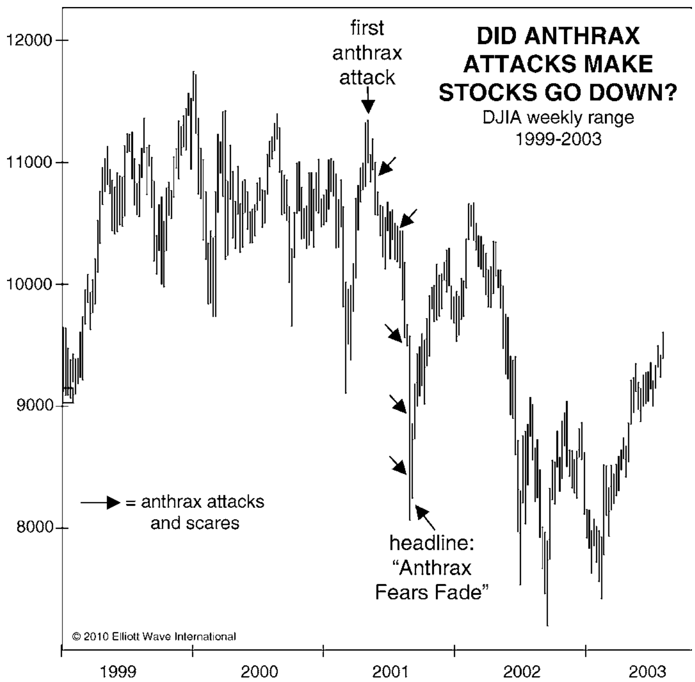


Figure 9

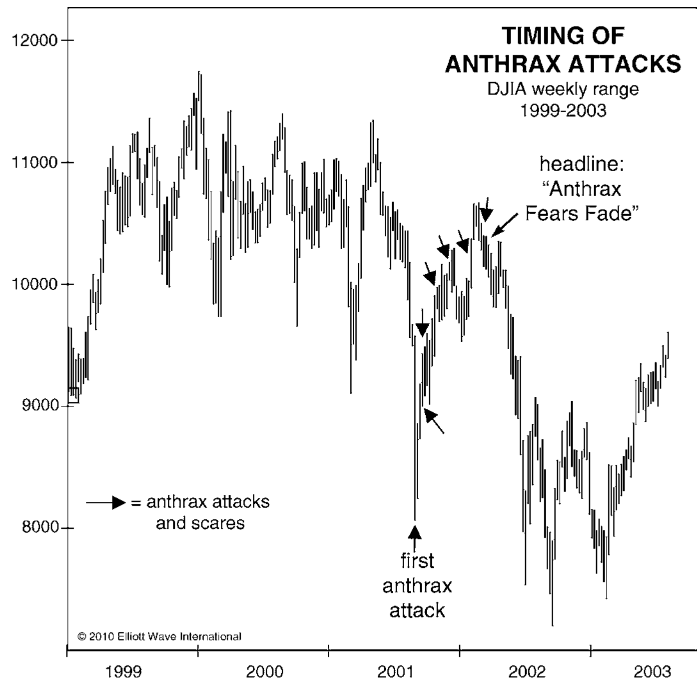


Figure 10

stock market go down. The assumption behind economists' repeated implications that terrorist attacks would constitute an "exogenous shock" that would serve to drive down stock prices is simply wrong.

Since even possessing advance secret knowledge of highly dramatic, surprise events provides no advantage for speculating, guessing about coming events is an utter waste of time. There can be no causes related to external events that even the most prescient person could exploit.

It gets worse. From the viewpoint of exogenous cause, Figures 3, 5, 7, 8 and 10 make it appear as if the assassination of President Kennedy was bullish, the New York City blackout contributed to a rally, Hurricane Katrina caused oil prices to drop, and terrorist attacks made stock prices soar. These conclusions are discordant and perverse.

People object, "You can't tell me news doesn't move the market. I see it happen every day!" But they don't see any such thing, and it takes careful study to reveal that they don't. Consider: If the market's moves and the tenor of news were independently random, the two types of events would still fit each other half the time, wouldn't they? That's more or less what people see, and they expand those coincidences into what they think they see.

As this chapter shows, the notion that exogenous shocks change market trends is highly suspect. Chapter 2 will broaden the scope of our investigation. As we will discover, a fundamentally different theory of social causality accounts for the chronology so as to turn discordant perversity into harmonic compatibility.

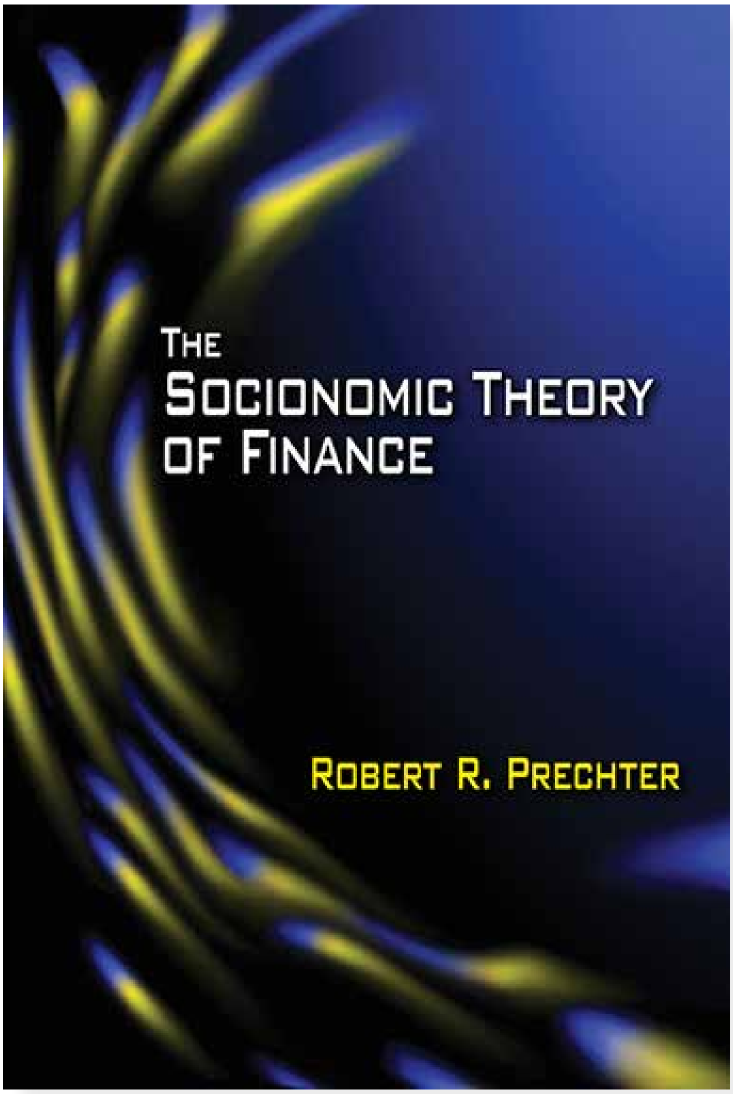
Robert R. Prechter
President
The Socionomics Institute

__Robert Prechter__ is author of 17 books on finance. He is president of the Socionomics Institute, which studies social mood and its influence on financial markets, the economy, politics and cultural trends. In 1979, he founded Elliott Wave International, a financial forecasting firm whose team of analysts covers the world's major markets around the clock.

* * *

The Socionomic Theory of Finance is available now through The Socionomics Institute Press.

You can learn more and order a copy at *www.elliottwave.com/wave/Trusting-STF*



ABSTRACT

The Socionomic Theory of Finance presents the years-long work of Robert Prechter and includes chapters from 12 other scholars, writers, researchers and analysts. The book covers a range of topics -- from the myth of "shocks," to who truly controls interest rates, to the difference between finance and economics, to mood, herding and bubbles. Each chapter answers a question, solves a problem, or exposes the flawed logic of conventional macroeconomics. ***The Socionomic Theory of Finance*** delivers a remedy to conventional macroeconomic theory by offering an elegant, internally consistent, fresh, new alternative. Top academics across multiple disciplines have offered acclaim. In time, STF will transform the thinking of every individual in the world of finance. Read it and be among the first.

TESTIMONIALS

" ***The Socionomic Theory of Finance*** is the best book ever written on financial markets. " *Terry Burnham, Professor of Finance, Chapman University.*

" A fascinating synthesis of social science research and sharp economic analysis. Anyone who contemplates our financial future should read and try to absorb the case put forth in this book. " *Werner De Bondt, Professor of Finance, DePaul University; co-founder of behavioral finance.*

" Unique and incisive. STF turns orthodox thinking upside down. A masterpiece. " *Murray Gunn, Head of Technical Analysis, HSBC Global Research.*

Learn more and order your copy now:
www.elliottwave.com/wave/Trusting-STF

De ce nouvel acteur: le "Crowdfunding"

Historiquement, on peut considérer que Joseph Pulitzer a inauguré en 1884 le premier projet de crowdfunding, lorsque, via la parution de son quotidien «*New York World*», il demanda au peuple américain d'effectuer des dons financiers afin que la construction du piédestal de la Statue de la Liberté puisse être finalisée. Plus de 125.000 personnes y contribuèrent et Pulitzer leva plus de 100.000$ en 6 mois. Depuis, cette méthode a connu un succès fulgurant et une évolution importante, sa destination naturelle et originelle se basant sur la recherche de financements à titre gratuit *(actions en mécénat ou dans l'humanitaire)*.

Il y a encore moins de cinq ans, le 'crowdfunding' était considéré par de nombreux professionnels du financement comme un épiphénomène qui ne devait pas impacter significativement les modes de financement de l'économie, ne représentant que l'épaisseur infime du trait sur le livre des grandes masses financières. Aujourd'hui, le trait s'épaissit: **le marché du 'crowdfunding' représente en 2015 près de 9 mds€ dans le monde, et de 3 mds€ en Europe.** Surtout, la croissance du marché en termes de montants atteint un rythme annuel de près de 150% depuis 2012. Car le 'crowdfunding' est un mode de financement dont la croissance est à l'image des transformations structurelles de nos économies. L'industrie du 'crowdfunding' a su bénéficier à la fois de la transformation numérique de nos économies et des conséquences négatives fortes issues de la crise financière sur le financement de l'économie:

— D'un côté, le développement d'internet a conduit à **l'émergence d'un nouveau phénomène de société** que sont les réseaux sociaux, permettant échanges d'idées et transmission rapide de l'information. A mesure du développement des technologies et de la sécurisation des données qui y sont échangées, il a aussi très fortement modifié les modes de consommation et de gestion financière des individus avec la multiplication des sites de e-commerce et de banque/assurance en ligne.

Céline Mahinc
Gérante Fondatrice
EDEN FINANCES

— De l'autre, la crise financière de 2008, qui s'est transformée en profonde crise économique, a conduit à une minoration dans la distribution de crédits par les banques et à une modification de leur appréhension du risque. Elle a également figé l'investisseur particulier dans une aversion aux risques des marchés financiers. Dans ce contexte, les PME ont pour principale **priorité la diversification de leurs sources de financement.** Elles sont également demandeuses de solutions plus adaptées en termes de condition d'accès à ces financements et de réponses à ce qu'elles ont besoin de

Eden Financ€s

faire financer. La crise financière à également conduit à la baisse des taux de rendement des produits d'épargne et, les épargnants ont la volonté de placer leur argent dans «l'économie réelle», mais pas en bourse; d'effectuer des investissements rentables et créateurs de richesse; ils sont sensibles à l'utilisation qui est faite de leur argent.

Le 'crowdfunding' s'adresse à tous les secteurs d'activité, et quasiment à tous les types d'entreprises, 'start-ups' et PME, voir même certaines ETI, qui y voient une source complémentaire de financement avec certains avantages uniques, ainsi favorisés par la conjonction des différentes évolutions culturelles et conjoncturelles:

— En raccourcissant les circuits de production et distribution de crédit ou de (re)financement en fonds propres, le 'crowdfunding' peut **augmenter l'efficacité de la chaîne de financement**. Concernant l'activité de prêt, le «lending», la communauté de prêteurs peut être mobilisée sous une dizaine de jours. Le financement d'un projet peut donc aboutir dans le mois suivant la demande. En matière de financement en capital, «l'equity», un dossier solide présenté à une plateforme peut conduire à une levée de fonds dans les 3 à 6 mois quand il faut compter 9 à 12 mois pour les investisseurs historiques.

— En rendant «éligibles» au financement l'immatériel, le besoin en fond de roulement, le refinancement de fonds propres, … le 'crowdfunding' se positionne bien aux côtés des chefs d'entreprises, **novateur et entrepreneur**.

— Surtout, en finançant essentiellement des projets d'investissement de TPE et de PME, le 'crowdfunding', à montant égal investi, a un **impact sur la croissance et la création d'emploi** plus important que les autres modes de financement. A terme, dans la mesure où les montants apportés par le 'crowdfunding' deviendraient réellement significatifs, celui-ci devrait pouvoir permettre d'améliorer le financement de l'économie en nombre d'entreprises d'une part et en diversification de projets soutenus d'autre part. Certains espèrent même que le 'crowdfunding' puisse combler le fameux «equity gap», ou creux de financement, qui conduirait aujourd'hui à la disparition de nombreuses sociétés, faute de financement pour poursuivre leur développement d'activité pourtant prometteuse.

— Enfin, les avantages du 'crowdfunding' ne sont pas uniquement à évaluer en termes de solutions de financement. N'oublions pas que derrière le 'crowdfunding', il y a une foule, une communauté d'investisseurs avec une forte dimension affective dans la décision d'investissement. Autrement dit, le 'crowdfunding' est aussi une voie idéale pour **tester, sur le plus grand nombre, l'intérêt** d'un projet, d'un produit, d'une idée.

Ainsi importée des Etats Unis, **aujourd'hui l'utilisation du 'crowdfunding' a bien évolué**! La multiplication des montants et du nombre de projets financés a évidemment été de pair avec la multiplication du nombre d'acteurs, séduisant un nombre de plus en plus important d'internautes investisseurs.

Les principaux pays occidentaux mettent aujourd'hui en place des **régimes juridiques spécifiques au 'crowdfunding'** pour permettre d'en favoriser le développement et surtout pour assurer au mieux la protection des épargnants et un minimum de transparence. La France, pionnière en la matière avec la mise en place d'un cadre réglementaire spécifique à l'automne 2014, en 'equity' et en 'lending', a su ainsi en **favoriser en partie l'activité**. La réforme française a créé deux statuts spécifiques, soumis à l'attention et au contrôle des régulateurs, dont elle a fixé les conditions d'exercice. Le statut de Conseiller en Investissement Participatif (CIP) régulé par l'AMF visant les plateformes de financement en capital et le statut d'IFP *(Intermédiaire en financement Participatif)* qui encadre les plateformes de prêts *(aux particuliers ou aux entreprises)* et soumis au contrôle de l'ACPR.

La France a ainsi voulu instituer un cadre à la fois plus souple et plus avantageux pour le financement participatif des entreprises que dans les principaux autres pays européens ou aux Etats-Unis. La réforme française s'écarte à plusieurs égards des principes qui président aux réformes américaine, italienne et britannique. En particulier:

— Les investissements des internautes

(en titres et en prêts) ne sont pas plafonnés selon les ressources *(revenu ou épargne)* de l'individu comme dans les projets américains et britanniques: chacun reste libre de ses choix; en matière de prêts rémunérés, la réglementation impose néanmoins une limite de 2.000€ par personne et par projet;

— Les plateformes Internet et les sociétés bénéficiaires de l'investissement ou du prêt sont soumises à des obligations de transparence, mais pas à des obligations de fonds propres qui auraient créées des «barrières à l'entrée»;

— La réglementation française rend éligibles les Sociétés par Actions Simplifiées (SAS) à l'émission de titres financiers via une plateforme de 'crowdfunding', alors qu'il est interdit pour elles d'émettre par ailleurs des titres auprès du grand public. Compte tenu de la souplesse de ce type de véhicule et de sa large utilisation dans le monde des TPE, ceci constitue une avancée importante. Au contraire, la réforme italienne par exemple limite le 'crowdfunding' aux PME innovantes, avec des critères proches de la JEI.

— Enfin, sur une période de douze mois glissant, les entreprises ne peuvent obtenir un montant supérieur à 2.500.000€ en 'equity' et 1.000.000€ en 'lending'.

Le produit d'investissement dit **'crowdfunding'** pour les particuliers **a le vent en poupe**: la finance participative accompagne ainsi la mutation progressive de nos habitudes en matière de financement et d'allocation d'épargne. Mais il va devoir séduire les investisseurs de façon significative et durable, comparativement aux autres produits de placement. La philosophie dite collaborative et 'friendly', ne peut pas être suffisante ... Les questions de la **sélection des dossiers**, des **frais prélevés**, de la **rémunération promise** comparativement aux **risques pris** resteront essentielles pour l'internaute investisseur. Enfin, le modèle économique des plateformes doit se confirmer, la très grande majorité des plateformes n'ayant aujourd'hui pas encore atteint leur seuil de rentabilité. Avec des niveaux de marges très faibles, une concentration du secteur parait inévitable.

Céline Mahinc

Céline Mahinc: *courtier conseils en investissement financier, opérations de banque et assurances, spécialiste de l'immobilier.*

Céline Mahinc est Gérante Fondatrice du cabinet de conseils EDEN FINANCES. Elle réalise des audits patrimoniaux (suivant la méthode APG, analyse patrimoniale globale) permettant au particulier ou au chef d'entreprise d'identifier, notamment, leurs possibilités d'optimisation d'épargne et d'investissement.

Co-auteur de l'étude approfondie sur le 'crowdfunding' immobilier «Le 'Crowdfunding 'Immobilier: son fonctionnement, ses enjeux, ses défis» (www.etudecrowdimmo.fr), publiée en décembre 2015, mises à jours prévues début 2017. Etude ayant pour but de replacer le 'Crowdfunding' immobilier dans les contextes économique, juridique et réglementaire: éléments chiffrés; approche technique par la présentation et l'analyse des réglementations et éléments juridiques; approche pratique mettant en exergue les avantages et inconvénients, présentation des risques; fiches d'évaluation des plateformes.

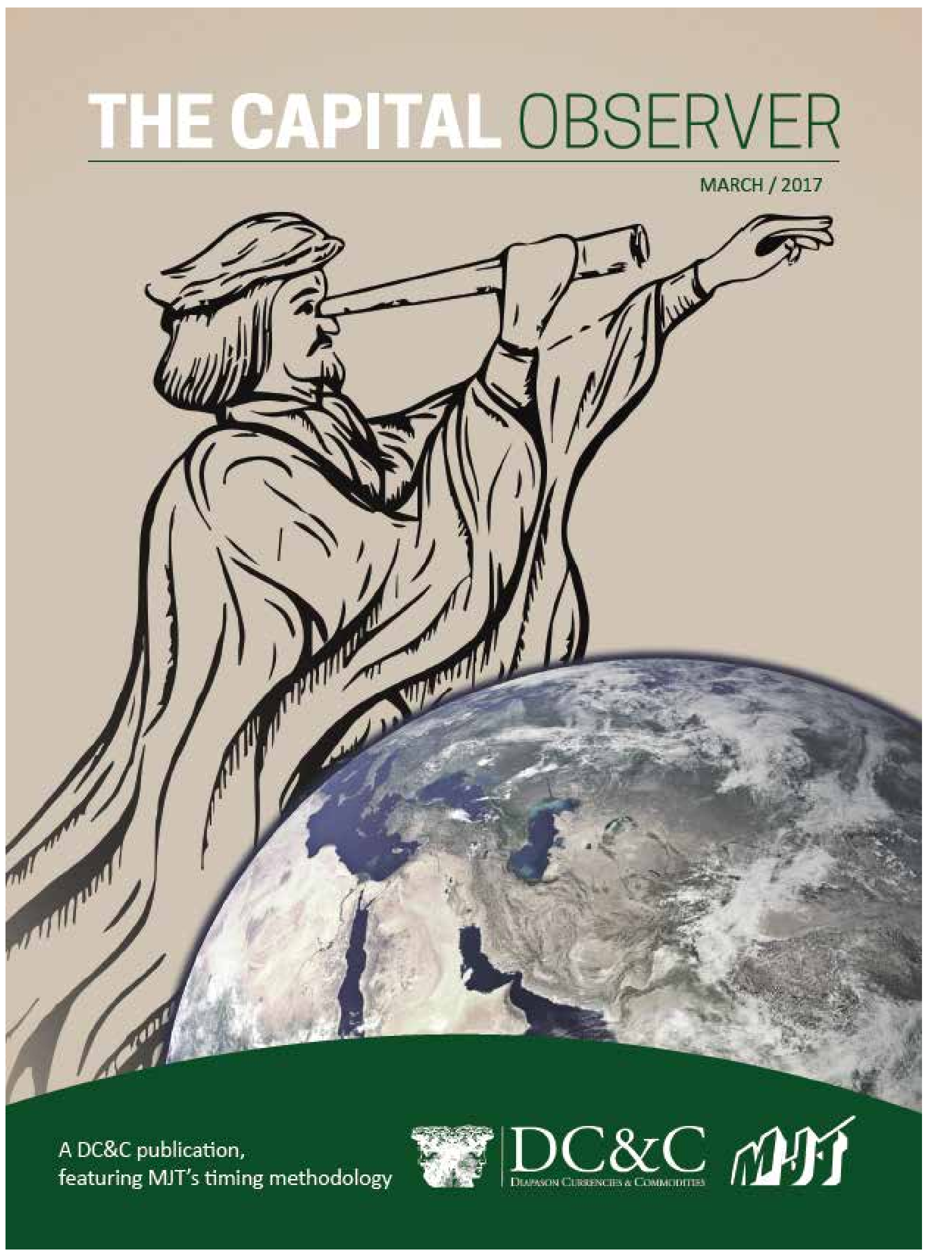
Elle intervient dans l'accompagnement, le développement, ou toute problématique financière de l'entreprise elle-même. Céline MAHINC organise ou co-organise également des évènements à l'échelle locale ou nationale sur diverses thématiques relatives au financement, à l'accompagnement et au développement d'entreprise. Pour plus d'informations: www.lcentreprise.fr

Administratrice et responsable de la formation de l'Anacofi Immo, Céline MAHINC, par ailleurs enseignante (université et grandes écoles) et formatrice, conçoit et pilote des modules de formation spécialisés en immobilier, abordant notamment les caractéristiques techniques et fiscales des différents supports d'investissements.

Elle est membre des Commissions «Entreprise» et «Loueur en Meublé» de l'ANACOFI, Paris, France.

So the Fed raised policy rates 25 bps:
this tightening regime should not last very long

This article is an extract from the March Capital Observer, a DC&C publication featuring MJT's timing methodology.



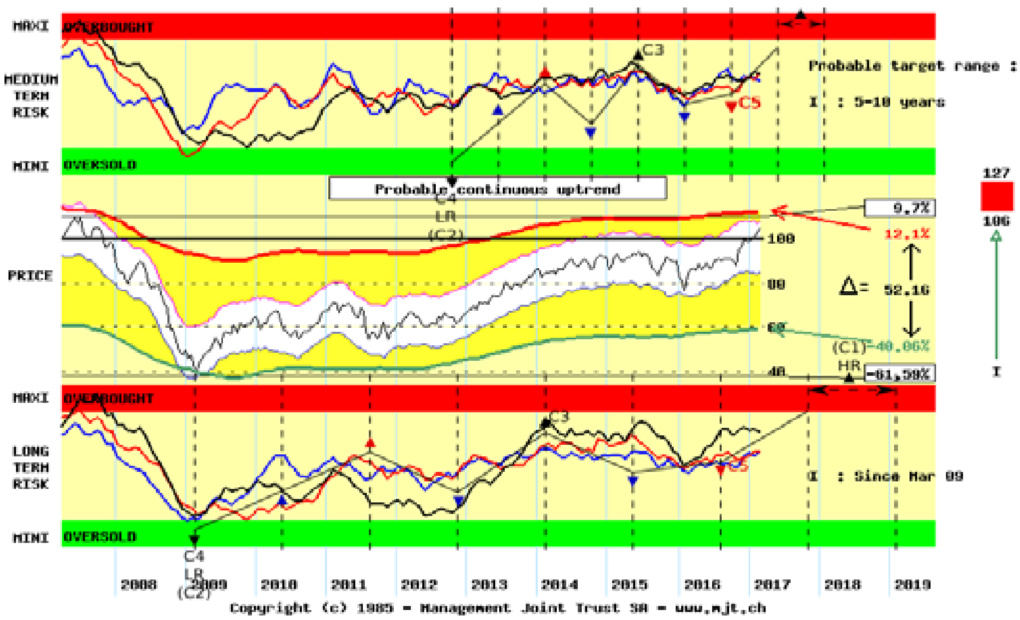
So the Fed raised rates 25bps, an outcome that was pre-ordained as long as a week ago, after the February jobs data exceeded expectations and following a round of Fed speak in the week prior to the blackout period. The only drama left of the FOMC meeting was what signal the Fed sends with the statement, the nuances expressed during the press conference, and the rearrangement of the so-called "SEP dots." The Fed did not disappoint the monetary policy hawks with the overall message signalling general confidence in the economic outlook while providing assurances that the Fed is neither behind the curve nor intends to fall behind the curve. The Fed took the optimal route, giving itself room to tighten policy at a gradual pace if they so desire. Given the Fed's pent-up desire to normalize policy, and given the cover that they were provided by the labor data set, two further hikes this year is indeed gradual as viewed from the Fed's perspective and many market participants. But basically, the slightly accelerated tempo just puts the Fed back to where they started in 2016, except that *(after the debacle of the December 2015 tightening)*, the Fed expects this "gradual" tightening regime to actually work out this time.

MJT Timing and Tactical insight:

The FED's move to hike this week was labelled a "Dovish hike" as it gave little guidance as to where rates were headed in the long run. Concomitantly, with Oil on the correction path, many analysts are viewing these developments in the yield curve as a "Bearish flattening" *(the short end rising faster than the long end)*. We believe that this situation is transitory.

S&P500 vs Treasury Notes 10 Years Contract (Mar)

(Bi-monthly chart or the perspective over the next 1 to 2 years)



We use this equity to Bonds ratio as a revealing agent of reflationary and dis-inflationary periods. Following the lows made in Q1 2016, the long term trend is heading up again. The sequences on both our oscillators series (lower and upper rectangles) point to further acceleration in the reflation path until tops are made towards late 2017 or into H1 2018. The potential for Equities versus Bonds during this period (targets, right-hand scale) suggests an outperformance that could reach 10% to 20%.

But we ask: "gradual" relative to what? And what makes them so sure *(otherwise, they would not have raised rates)* that there will be no repeat of the post-December 2015 climbdown? We have serious doubts that this long, so called "gradual" tightening regime will gain much traction in the light of developments happening in the yield curve space and in some of the underlying data that matters.

One feature of the bond markets that was brought about by the repression of the short-term rate since the Great Financial Crisis (GFC) is that most movements in the 3M/10Y yield curve now occur at the long end of the curve. Prior to the GFC, it was the other way around due to the sensitivity of short-term Treasury bond yields to adjustments in monetary policy.

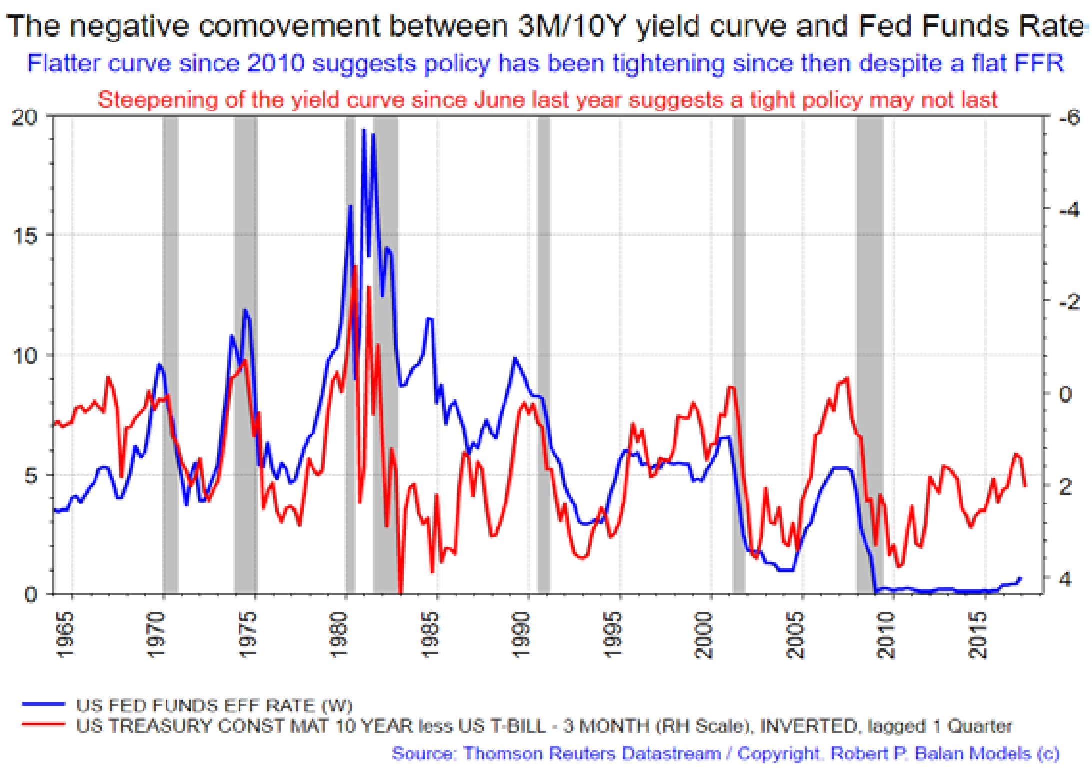
Nonetheless, the negative comovement in the changes between the 3M/10Y and the Fed Funds Rate has remained – and is a testament to the flat nature of the short end rate – most of the changes in the curve is accounted for by the long rate which is a strong discounter of future events. And the crucial element in the relationship is that changes in the yield curve tends to lead the changes in the policy rate, exactly due to the anticipatory characteristic of the now more active long rate *(see top chart on next page)*.

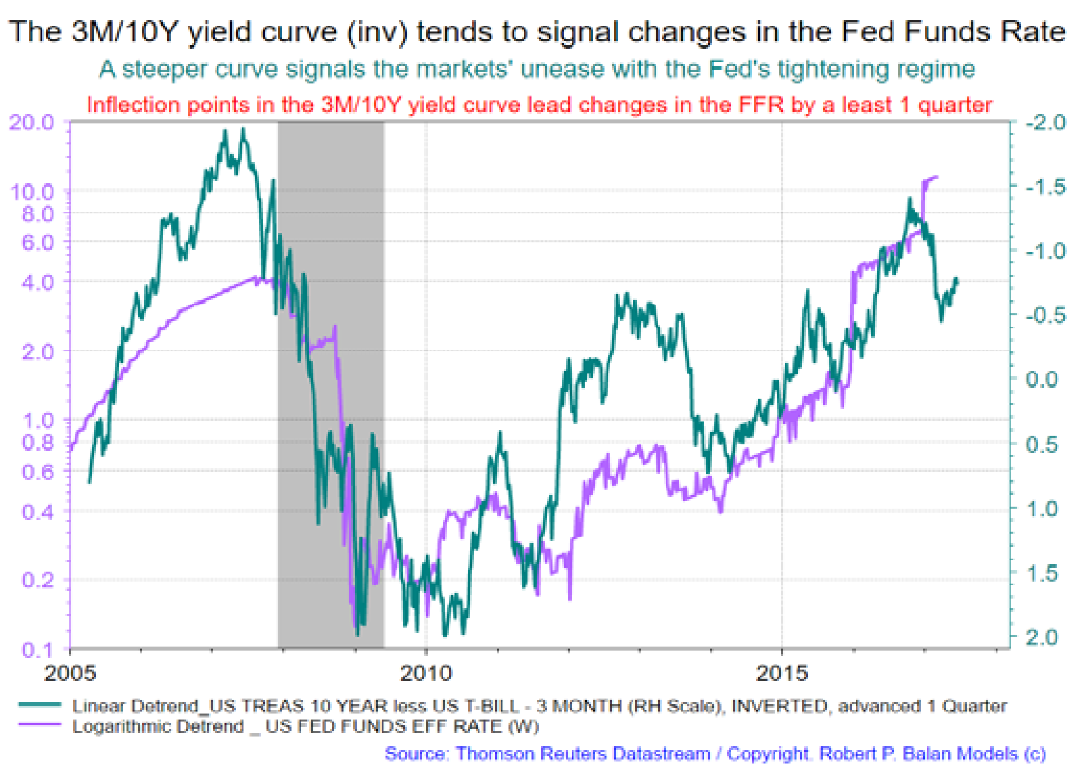
We routinely use the 3-month Treasury bill rate as a proxy for the Fed's policy rate *(the Fed Funds Rate, FFR)*. Therefore, it makes sense that if you juxtapose the yield curve against the FFR, changes in the yield curve provides a view of what to expect from the FFR future moves, with a lead of at least one quarter *(see bottom chart on next page)*.

The usual narrative about the slope of the yield curve that you read in the media has not been "upgraded" by the fact that the Quantitative Easing (QE) programs conducted by the Fed as a response to the GFC has changed the nuances in the relationship of many financial variables. The narrative remains the same. "Raising short end rates does not shift long-term yields. As a result, the yield curve becomes flat and in some cases, inverted. This is important as an increase of spreads usually indicates that investors are optimistic about the growth rate of the economy while, on the other hand, a narrowing of spreads implies a weakening economic outlook."

This interpretation is not essentially incorrect, but it misses the important nuances in the signalling process provided by the yield curve on monetary policy. Steepening of the yield curve does not necessary imply that investors are optimistic about the economy – the shift in the orientation of the slope from flat to steep merely means that investors begun to anticipate that the tightening regime should not last very long or is not going to last long if the steepening happens at the start of a tighter policy regime.

And that curve steepening opens a can of worms insofar as economic growth is concerned, and investors have no reason to cheer a steeper curve if its implications to credit supply and to job creation are properly understood.

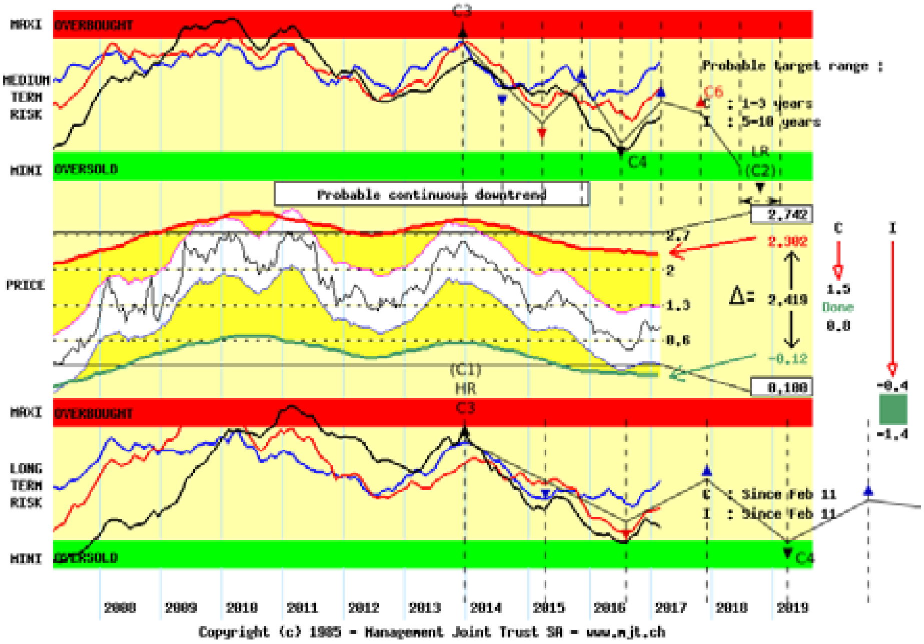




MJT Timing and Tactical insight:

USD Swap Rate 10 Years - USD Swap Rate 2 Years

(Bi-monthly chart or the perspective over the next 2 to 4 quarters)



The curve has made a first leg up during H2 2016 and could theoretically already be rolling over (our medium term oscillators, upper rectangle). Yet, the pronounced bottom made mid 2016 on our long term oscillators (lower rectangle) rather suggests that an important reversal has been made. We hence build the case that steepening could continue during H2 2017, i.e. a slight flattening on the current top into late Q2 2017 (upper rectangle) and then a second leg up in steepening during H2 2017 (lower rectangle). Our current understanding is that the maturing business cycle will probably limit the potential for many rate hikes on the short end, while commodity led inflation should remain strong during H2 2017, lifting the long end of the curve.

One implicit reason for the Fed's resuming the tightening regime is that growth will be "stable" – but this assumption may be tested in a few weeks when Q1 2017 GDP growth will be reported *(on the 28th of April 2017)*. It is looking a little grim, if the Atlanta Fed's GDP Nowcast is to be believed. Its real GDP growth *(seasonally adjusted annual rate)* Nowcast in the first quarter of 2017 is at 0.9%.

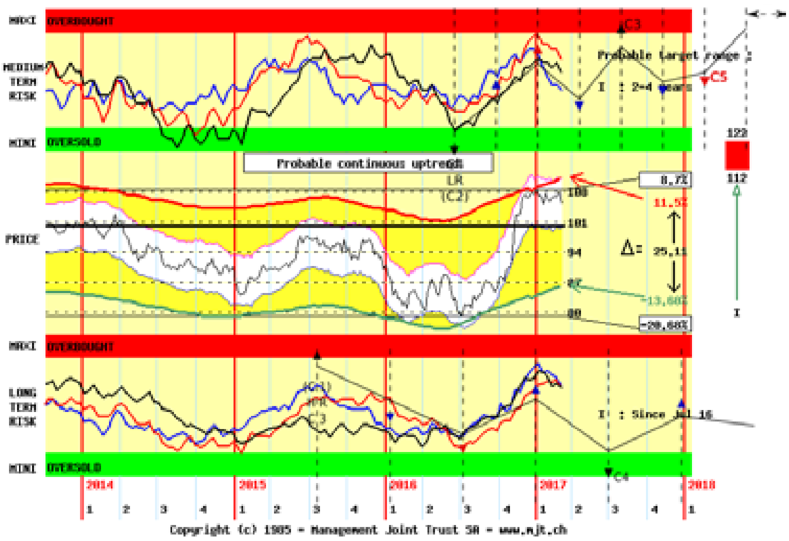
Another reason for concern is a development, which may or may not be linked, to this grim growth outlook being projected by the Atlanta Fed growth model -- a sudden collapse in loan growth in general, and in the crucial Commercial and Industrial Loan segment in particular. It is a collapse which has the normally staid Wall Street Journal describing it as an «ominous economic signal.» Total loans and leases by U.S. commercial banks are currently rising at an annual pace of about 4.6%. which is down from a 6.4% pace for all of 2016, and from the peak rates of circa 8% during mid 2016. This is the slowest pace of debt creation since early 2014. The WSJ noted that «is at odds with the idea of a stronger economy and rising sentiment,» as deceleration has been broadbased among business, real estate and consumer lending. The decline in growth rates and in nominal volumes have been particularly sharp in the Commercial and Industrial loan category, which has unexpectedly fell to just 4.0% as of the latest week, relative to the pace of growth of 10% during the first half of 2016. The falloff was circa 50% lower than the 7% growth posted earlier in the year. The current loan growth is the lowest pace since July 2011.

Simply put, the banks did hit the brakes on lending, and it has something to do with the improvement in their Net Interest Margins (NIMs). The current improvement in NIMs has something to do with the steeper yield curve which we saw from June 2012 to January 2014. It takes a while before the steeper curve translates into wider NIMs, which started to expand since Q2 last year. In a sense, the current fall-off is a stronger response into that widening, and bank lending drought will continue for some time, perhaps until at least late Q3 this year. But the flatter yield curve between July 2015 and September last year should bring relief to the loan situation shortly. The lags between the yield curve and actual changes in micro-data are long, at least 5 quarters even 7 quarters in some cases, so it is easy to overlook the rationale for a micro-event that is happening now. There is no "efficient economy hypothesis" for yield curve related financial phenomena.

MJT Timing and Tactical insight:

KBE – S&P Bank ETF vs S&P500 Index

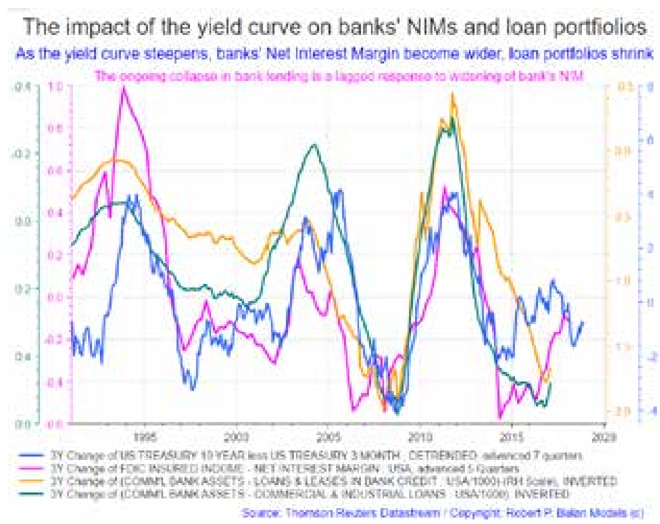
(Weekly chart or the perspective over the next 2 to 4 quarters)



Banks are a great proxy for the trajectory of the yield curve. As it steepens, margins on their lending business improve, allowing them to shift some resources to less risky fee generating businesses. This is why they are often considered late cycle movers. Indeed, their Weekly relative chart to the S&P500 has been following the Yield Curve closely since it bottomed in mid 2016. As with the Yield Curve, we expect a mild retracement of their outperformance towards late Q2 2017, before they accelerate up again in H2 2017.

The impact of the yield curve-NIM dynamics does not stop with the banks' credit-creation process. If we go back to First Principles and identify the crucial data sets which influence the jobs market in the core, there nothing more primary in this regard than credit extended by commercial banks, the steepness of the yield curve, and the banks' consequent Net Interest Margin (NIM) – and now this foundation of the current job phenomenon is under attack. To understand how this comes about, we have to follow the narrative from the outset *(see chart on right)*.

Collectively, if banks' non-performing assets are high, their NIM will go down if the interest earning assets are steeply reduced by non-performing assets, and vice versa. A steeper yield curve provides better conditions for the banks' NIM to rise, which reduces the need for larger portfolios for riskier loans - hence loan levels fall when the yield curve steepens. The linkage to the job sector flows from the steepness of the yield curve to the amount of lending then to the jobless insurance claims and the unemployment rate. Put another way, when the yield curve steepens, commercial lending volume falls, and the tighter credit situation impacts hiring and payroll growth after a lag, with concomitant effects on unemployment and jobless insurance claims.

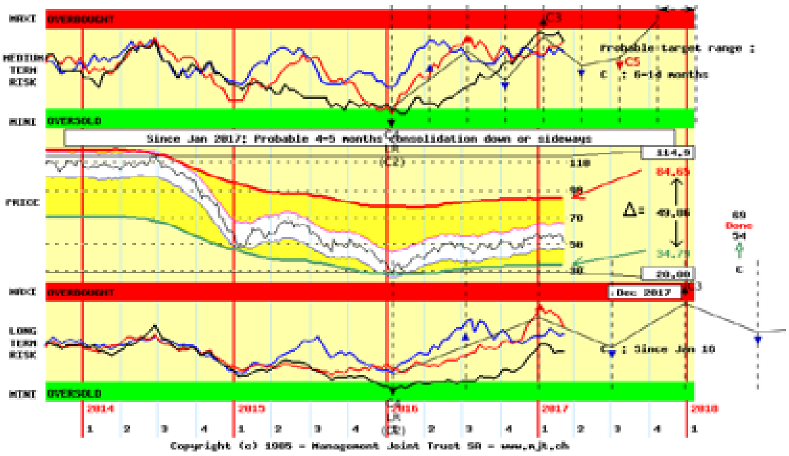


Developments in lending usually take several quarters to manifest in the jobs market, so it may be that we have a few more months of jobs growth. But it is increasingly becoming clear that the upswing phase of the current Business Cycle is starting to show signs of aging. Under these conditions, we do not expect the Fed to be able to tighten policy for as long and as quickly as they have indicated in their current Summary of Economic Projections (SEP) dot plots.

MJT Timing and Tactical insight:

Brent Oil

(Weekly chart or the perspective over the next 2 to 4 quarters)

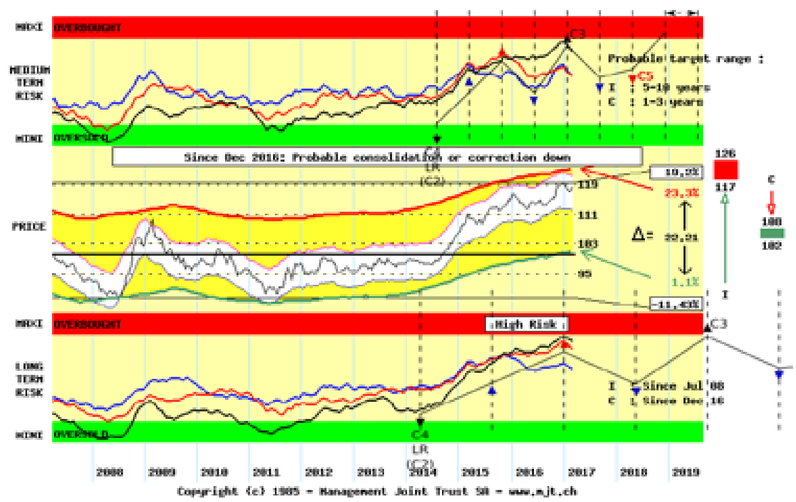


Oil has been the key reflation asset during "Reflation I" (2016 into Q1 2017) and will prove crucial again in fomenting "Reflation II" (H2 2017 into 2018). Oil is now consolidating down following the tops recently made on both our oscillator series (upper and lower rectangles). We believe it should resume its uptrend from late Q2 2017 to go test the upper end of our "C" corrective targets up during H2 2017 (USD 69 per barrel; right-hand scale). Above those levels, the next price targets range is between USD 90 and 100 a barrel.

Trade Weighted Dollar (TWD) – simulated using effective weightings

(Bi-monthly chart or the perspective over the next 2 to 4 quarters)

This is the Dollar the FED monitors as it is the one the US consumers actually feel. On this long term chart, both oscillator series (lower and upper rectangles) have confirmed a potential top. "I" impulsive targets up (right-hand scale) had been achieved. The "C" corrective potential down indicates that the correction down could now range from minus 10% to minus 20%. As this correction down potentially accelerates into H2 2017 (while, as we mentioned above, oil moves up again), inflation expectations should also increase (i.e. the worst kind of inflation, not dissimilar to what was seen during 2007). Long term rates should follow suit, while the short end could be capped by the maturing business cycle.



Conclusion

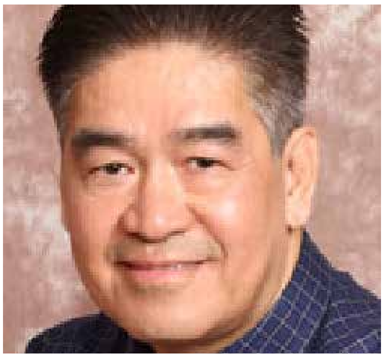
We've reached the eye of the storm as far as reflation goes. During this transitory period, we expect some retracement of reflation trades until late Q2 2017 *(possibly from late April onwards)*. Following that, a second leg up in the reflation trend should materialize in H2 2017 *("Reflation II")*, fuelled by a new rise in oil prices, a weakening Dollar, higher inflation expectations and a maturing business cycle. It will ultimately cap the potential for shorter term rate hikes, lift long term interest rates and result in further steepening of the yield curve during H2 2017.

The Capital Observer (www.thecapitalobserver.com) is a unique and forward looking monthly newsletter research service, which combines in depth macro analysis, supported by macro and liquidity flow models by Diapason Currencies and Commodities UK, with a seasoned trend monitoring methodology focused on trend direction, market timing and the calculation of price targets by Management Joint Trust SA, Switzerland (MJT).

AUTHORS

Robert P. Balan

Macro-strategist, part of the team at Diapason Currencies & Commodities UK and a key contributor for The Capital Observer publication.



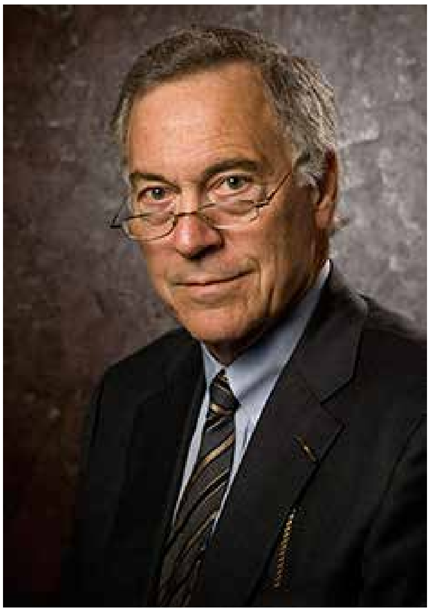
Jean-François Owczarczak

CFTe, MSTA, FRM, CEO and Lead technical analyst at Management Joint Trust SA and for The Capital Observer publication.

Education in mining engineering, computer science, finance, and training in economics led to a commodity analysis career during the commodity boom of the early 1970s. Robert switched to global macro focus in the early 1980 with specialization in foreign exchange. Robert wrote a very high profile daily FX analysis while Geneva-based in the mid-1980s *(the first FX commentary with a real global readership)*. He worked for Swiss Bank Corp and Union Bank of Switzerland as head of technical research and as proprietary trader in London, New York, and subsequently head of proprietary trading in Toronto, from late 1980s to mid-1990s. A stint at Bank of America as head of global technical research *(in London and New York)* followed in late 1990s to early 2000s. He returned to Switzerland in 2004 as head of technical research and strategy, and FX and commodity market analyst for Swiss Life Asset Management in Zurich. He joined Diapason Commodities Management in 2008 as senior market strategist, and subsequently as Chief Market Strategist. He is now part of the team of Diapason Currencies and Commodities UK and a key contributor, as Macro strategist, to the Capital Observer publication (http://www.thecapitalobserver.com). Robert wrote a book on the Elliott Wave Principle in 1988, which was hailed by the London Society of Technical Analysts as "the best book ever written on the subject". Robert is a member of the National Association for Business Economics (NABE), USA.

Jean-François is the CEO of Management Joint Trust SA (MJT - www.mjtsa.com), a company founded in 1969 in Geneva Switzerland, which provides institutional market advisory services based on proprietary algorithms. The methodology uses Timing oscillators, Trend analysis and Price Targets calculations to monitor risk/reward and cyclicality as well as project likely market scenarios over time frames ranging from longer term charts to intrahour. Coverage includes circa 5'000 instruments over all asset classes *(stocks, indexes, ETFs, commodities, bond indexes and interest rates)*. On the institutional advisory front, MJT specializes in intermarkets scenario building as well as asset and sector rotation analysis across the business and market cycles. Jean-François started his career in investment banking *(Paribas, then Deutsche Bank in London)*, joined MJT in 2003 and was awarded the International Federation of Technical Analysts' Bronwen Wood Memorial Award in 2013 *(for the best CFTe certification diploma paper in the world during 2012)*. Under his supervision, MJT's research was nominated in 2015 and in 2017 *(this year)* as Finalist in The Technical Analyst Awards "Best Specialist Research category". Jean-François also acts as Lead technical analyst for The Capital Observer publication (http://www.thecapitalobserver.com).

On Trust and Confidence



Steve H. Hanke

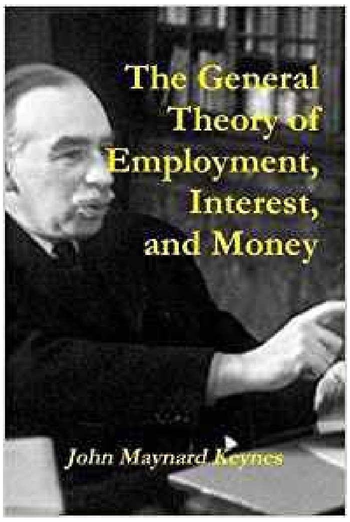
The course of economic activity depends in part on the level of trust and confidence the public has in its elected officials and policy makers (read: The Elites). Indeed, members of the Cambridge School of Economics, which was founded by Alfred Marshall (1842-1924), all concluded the fluctuations in business confidence are the essence of the business cycle. As John Maynard Keynes argued in the ***General Theory***:

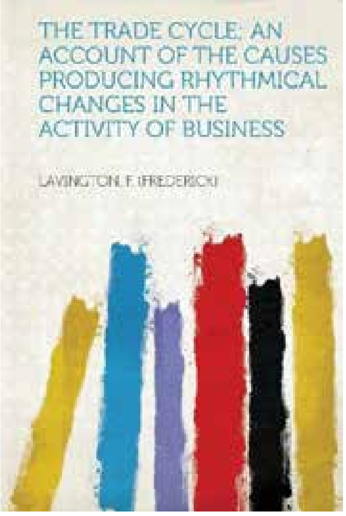
> The ***state of confidence***, as they term it, is a matter to which practical men always pay the closest and most anxious attention. But economists have not analyzed it carefully and have been content, as a rule, to discuss it in general terms. In particular it has not been made clear that its relevance to economic problems comes in through its important influence on the schedule of the marginal efficiency of capital. There are now two separate factors affecting the rate of investment, namely, the schedule of the marginal efficiency of capital and the state of confidence. The state of confidence is relevant because it is one of the major factors determining the former, which is the same thing as investment demand schedule.

Frederick Lavington (1881-1927), a Fellow of Emmanuel College and the most orthodox of the Cambridge economists, went even further in his 1922 book, ***The Trade Cycle***. Lavington concluded that, without a "tendency for confidence to pass into errors of optimism or pessimism," there would not be a business cycle.

Today, the political storms that have swept across the United States and Europe are the result, in part, of anemic economic growth – particularly in Statist Europe, where growth has been roughly one percentage point lower on average than in the U.S. since 1992. The storms and new regimes, or threat of new regimes, reduce the public's level of trust and confidence in The Elites. This results from what is called "regime uncertainty." Regime uncertainty relates to the likelihood that investors' private property in their capital and the flows of income and services it yields will be attenuated by government action. As regime uncertainty is elevated, private investment is notched down from where it would have been. This can result in a business-cycle bust and even economic stagnation.

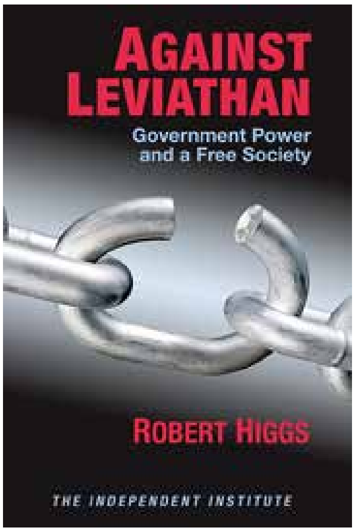
Robert Higgs, in a series of careful studies, was able to identify why private





investment was kept underwater during the Great Depression. The source of the problem, according to Higgs, was regime uncertainty. Higgs' diagnosis is best summarized in his own words from ***Against Leviathan: Government Power and a Free Society*** (2004).

> Roosevelt and Congress, especially during the congressional sessions of 1933 and 1935, embraced interventionist policies on a wide front. With its bewildering, incoherent mass of new expenditures, taxes, subsidies, regulations, and direct government participation in productive activities, the New Deal created so much confusion, fear, uncertainty, and hostility among businessmen and investors that private investment and hence overall private economic activity never recovered enough to restore the high levels of production and employment enjoyed during the 1920s.
>
> In the face of the interventionist onslaught, the U.S. economy between 1930 and 1940 failed to add anything to its capital stock: net private investment for that eleven-year period totaled minus $3.1 billion. Without ongoing capital accumulation, no economy can grow . . .
>
> The government's own greatly enlarged economic activity did not compensate for the private shortfall. Apart from the mere insufficiency of dollars spent, the government's spending tended, as contemporary critics aptly noted, to purchase a high proportion of sheer boondoggle.



In the United States, President Trump creates an enormous amount of regime uncertainty with each of his contradictory tweets. That is why, among other things, loan growth has suddenly slowed down in the U.S. As for Europe, the established politicians produce one bad statist idea after another that ratchets up the public's lack of trust in the established political class and increases regime uncertainty.

The Elites should wake up and realize that trust might not be everything, but everything is nothing without trust.

Steve H. HANKE

Steve H. Hanke is a Professor of Applied Economics and Co-Director of the Institute for Applied Economics, Global Health, and the Study of Business Enterprise at The Johns Hopkins University in Baltimore.

Prof. Hanke is also a Senior Fellow at the Cato Institute in Washington, D.C.; a Distinguished Professor at the Universitas Pelita Harapan in Jakarta, Indonesia; a Senior Advisor at the Renmin University of China's International Monetary Research Institute in Beijing; a Special Counselor to the Center for Financial Stability in New York; a member of the Financial Advisory Council of the United Arab Emirates; a contributing editor at Globe Asia Magazine; and a member of the Supervisory Board for the Advanced Metallurgical Group (AMG).

Prof. Hanke's most recent books are Zimbabwe: Hyperinflation to Growth (2008) and A Blueprint for a Safe, Sound Georgian Lari (2010).
You can follow him on Twitter: @Steve_Hanke.

A Banks' World

Cosima F. Barone
FINARC SA
www.finarc.ch

The significance of August 15, 1971, in the history of global finance and international economics is not widely known.

That day marked the beginning of the "fiat money" era and effectively ended the 25-year Bretton Woods era of "fixed currency exchange rates" against the US Dollar.

What ensued were decades of leveraged debt finance, believed to have engineered global prosperity and higher living standards for people around the globe. But, on the negative side, inflation and deflation, inflating asset bubbles and crashing asset prices, rapidly expanding budget and trade deficits, and growing national debt across the globe became the "new normal".

Fast-Forward to present. Global debt has reached historic levels, which represent a big threat to the global economy as well as a real risk for the sustainability of the current financial system.

In June 2016, the Basel-based BIS — *Bank for International Settlements, the bank of central banks, serving them in their pursuit of monetary and financial stability, a precondition for sustained economic growth and prosperity* — warned about a 'gathering storm' and substantial risks to the global economy, especially about the effects of near-zero or zero cost of money.

Among the 'risky trinity', contracting productivity growth, financial stability, the third one is truly an eye-opener... ***"Room for policy manoeuvre is remarkably low..."***

While recessions come intermittently and unpredictably, containing them generally requires 5 percentage points of rate cuts. Nowhere in the industrial world do central banks have anything like this kind of room, even allowing for the effects of unconventional policies (QEs).

Let's be honest, the central bankers' conjuring *(ultra low interest rates, including some below zero, and massive securities purchases)*, for all of the paper wealth it has created, has produced much less than expected in terms of jobs and output.

The IMF as well issued a report in June 2016, and warned about a ***"record $152 trillion debt mountain"*** *(non-financial)*, secular stagnation and inadequate economic growth, ascendant populism and global disintegration. In the 113 countries included in the study, debt as a percentage of global GDP rose to 225% from 200% in 2002.

Examples of country data *(debt-to-GDP)*:

Japan	230%
Greece	177%
Italy	133%
US	104%
France	96%
Euro Area (EU-19)	91%
UK	89%
EU-28	85%
Germany	71%
Brazil	66%
South Africa	50%
Switzerland	34%
Russia	18%

Can the industrial world simultaneously enjoy interest rates that support savers, financial stability and adequate growth in the near future? Doubtfully, as...

- saving has become overabundant,
- new investment is insufficient, and...
- stagnation has become secular rather than transient.

This is a "banks' world", where money *(monetary policy)* governs finance and finance governs the real economy.

Excessive bank money creation *(extension of primary credit and debt)* causes markets' gyrations due to "questionable" monetary policies.

Moreover, a Feb. 15, 2015 McKinsey report (MGI) on global debt revealed that total debt as a share of GDP stood at 286% in the second quarter of 2014, compared with 269% in the fourth quarter of 2007. The MGI report unveiled that the ratio of debt to GDP has increased in all advanced economies since 2007. China's total debt, for instance, has nearly quadrupled, rising from $7 trillion in 2007 to $28 trillion by mid-2014, fuelled by real estate and unregulated shadow banking. Furthermore, government debt is "unsustainably high", while government debt-to-GDP ratios are expected to continue to rise over the next five years in a number of countries including Japan, the US and most European countries *(except Germany, Ireland and Greece)*.

Not much deleveraging has occurred since 2007. Ironically, however, only the financial sector has deleveraged! In reality, private debts *(for instance, those coming from the 2008 property bubble)* were transferred to sovereign debt, as a result of the banking system bailouts and government responses to slowing economies in the post-bubble years.

In other words, not only central banks' and government intervention during the global great recession prevented the deleveraging of the global economy, but it encouraged 'more leverage'. Indeed, the policy was to borrow from future growth to propel current growth.

The biggest debt bubble in the history of the world began at the beginning of the current century. After the crash of 1987, then the LCTM bankruptcy in 1998, and the Y2K, these crises caused the FED to intervene but not to the point of substantially expanding the government debt then.

Let's remember...

In 1987... The day after the 1987 crash (Oct. 20, 1987) Alan Greenspan, then Chairman of the Fed, announced to the world that "The Fed stood ready to provide whatever liquidity was needed by the banking system to prevent the crash from turning into a systemic financial crisis".

In the 1998 LTCM crisis (Sep.), the highly leveraged Long Term Capital Management *(high profile hedge fund)* suffered sustained losses that threatened its solvency. With only a few billions in equity, LTCM had $80 billion in assets. But, all trades were going against the firm. Warren Buffett and a consortium of investors offered help, but LTCM declined the offer. LTCM asked for help from the FED, which engineered a bailout by numerous banks... Once again, the Fed intervened and bailed out a reckless hedge fund that should have been allowed to fail.

A decade or so later, fearing a Y2K market meltdown, in Dec. 1999, the Fed, injected enormous amounts of liquidity.

Central banking interventions have continued ever since...

In Europe, the structure of the Eurozone Monetary System *(a currency union without fiscal union leads inexorably to sovereign nations' default)* contributed to the crisis, as it limited the ability of European leaders to respond. European banks own a significant amount of sovereign debt.

Therefore, the solvency of banking systems and of sovereigns are intertwined.

Leading EU nations implemented a series of financial support measures such as the European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM).

The ECB also contributed to solve the crisis by lowering interest rates and providing cheap loans of more than 1 trillion Euros in order to maintain money flows between European banks.

The ECB has been calming financial markets by announcing free unlimited support for all Eurozone countries involved in a sovereign state bailout, the equivalent of uncharted territory in central banking.

Abundant liquidity and leveraging have not created any added real value, but only caused valuations to explode exponentially. For instance, financial assets invested in global fixed-income ETFs have grown from about $60bn at the end of 2007 to more than $600bn at the end of July 2016, according to ETFGI data, stirring fears of an impending crisis. More recently, the Financial Times reported that ***'ETFs have beaten hedge funds'***. The size of the Exchange-Traded-Fund industry has been growing uninterruptedly for the last 35 months up to December 2016. After another record of $490bn of inflows in 2016, ETF assets reached a record $3.55 trillion, well above the $3.01tn hedge fund industry.

The rapid rise of ETFs has raised legitimate concerns from the US Securities and Exchange Commission *(expect a regulatory push)*. With forecasts that the next stop for ETFs will be $5tn in assets by 2020, it is not unrealistic to think that there exist a real risk of exacerbating volatility in global financial markets.

Is it really so hard to imagine the occurrence of debt defaults, including by governments?

Foreign banks have lent $3.6 trillion to companies in emerging markets and foreign investors hold, on average, 25% of local debt in developing economies.

What are sovereign countries doing nowadays to prevent future crises? Central banks around the world are ratcheting up foreign reserves as a form of insurance against crisis and defaults. According to Fitch Ratings, two-thirds of the 30 biggest emerging markets increased reserves last year. Even the venerable Switzerland saw its holdings of foreign assets jump last month at the fastest pace in more than two years *(according to figures released by the Swiss National Bank, the country's stockpile of foreign currencies rose to CHF668bn in February)*.

The top 30 emerging-market countries *(excluding China)* have amassed \$3.9tn in foreign reserves, to which we may add China's \$3+tn. It is quite an impressive amount, even if we consider that, according to the IMF, reserve levels for emerging markets peaked at \$8 trillion in 2014.

Globally, total reserves rose in last year's third quarter to \$11.01 trillion, below the peak of \$12 trillion in mid-2014, according to the latest data available from the International Monetary Fund.

What if global trade and global capital imbalances make the world vulnerable to a fresh and global crisis?

Will the huge pile of foreign reserves prevent the crisis from happening and spreading across the globe? Doubtfully! After all, the essence of all amassed reserves is "fiat money"! Modern money is cashless. Deposits are only credit entries, just a promise of a liability.

Is it really so hard to imagine a 20 per cent, or more, equity market correction? Will the SEC wait for a crisis *(for instance and for the sake of protecting the investing consumer)* before seriously considering to regulate the uncontrolled growth of the ETF industry?

Then the process would have gone full circle: leveraging, government and central banks intervention, extreme high valuations *(no real value creation, though)*, financial crisis, and increased regulation!

This has been going on for the last 300 years! Ever since 'paper money' emerged and banks were allowed to create money *(16th-17th centuries)*, boom and bust periods have poisoned the global economy. Speculative bubbles, liquidity crises and bank runs, loss of trust have become the norm as a result of the 'privatization of the money creation process' that governments delegated to banks and other financial institutions *(shadow banking in modern finance)*. In other words, the fractional reserve banking system (FRBS) could clearly be identified as the main cause of three centuries of boom and bust crises in finance.

In the past, however, crises were mostly regional in scope until the 2000 tech-bubble crisis and the 2008 sub-prime crisis that occurred in the absence of a world war. These two crises were global!

What was the response then?

Fed's monetizing of the Treasury debt and abolishing the Treasury borrowing cost *(zero interest rates)*, QEs and SIFIs *(systemically important financial institutions)* de-facto killed the "free-market economy" concept. The pro-active creation of bank money by banks underlines that the system is bank-led.

As a consequence, central banks do not have the lead and do not control the quantity of money, as they always accommodate banks' demand for reserves and cash. Then, concluding that the banking industry determines the entire money supply is not that far out of range. It's scary, though!

How to define a bailout by a central bank? It is nothing else than a delegation of fiscal power *(a government prerogative)* by the government to the central bank. In both cases, the consumer sees its hardly accumulated savings confiscated: by a public entity in the case of a government bailout and equally when private entities *(banks)* enforce the bail in! The irony is that both are perpetrated under the pretense of ***'protecting the consumer'*** and its interests *(the 'level-playing field' concept is only a myth)*.

Nowadays, power lies in the hands of SIFIs. The Systemically Important Financial Institutions (SIFIs) are banks with more than \$50bn in assets and non-bank institutions, such as AIG, Prudential Financial Inc., MetLife Inc. and GE Capital. Size is, therefore, paramount for SIFIs to keep manipulating markets. And, guess what? ... central banks tend to support *(and bailout)* SIFIs to protect consumers and their interest!

What solutions are there? To keep legislate, regulate and intervene is not a valid option.

Many now call for more regulation, appealing even for more resources for the overwhelmed regulators, but the trouble is not that the regulators are ignorant. It's rather that the financial institutions' owners and managers are unaccountable. The bankers who take risks don't themselves bear them.

Furthermore, for too long and especially in the past five years, the risks of high finance have been socialized.

It is about time that Nations decide to adopt radical reforms.

Cosima F. Barone

Cosima F. BARONE, a seasoned wealth manager and financial analyst based in Geneva, has worked in the global financial industry for over four decades, during which she covered multiple positions and with several major international companies. Her most recent endeavors of the 21st century include the following:

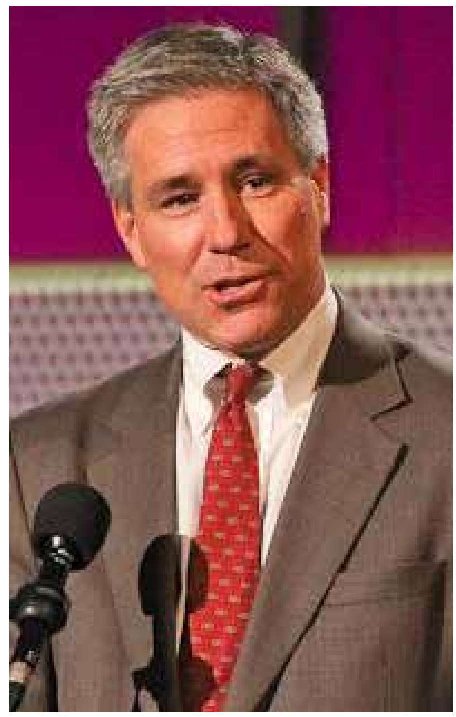
- *Founder and Chairman of FINARC (Financial Analysis Research Consulting) SA – www.finarc.ch – since 2003,*
- *Board Member of GSCGI/SAIFA – www.gscgi.ch – since 2005 and Director since 2012,*
- *Member of the Executive Committee of CIFA since 2014 – www.cifango.org*

Author of the "INFERENTIAL FOCUS" since 2002, she is also the Editor in Chief of "The IFA's WealthGram" monthly magazine of GSCGI/SAIFA, as well as of CIFA's "TRUSTING" bi-annual magazine. She has published articles in various financial magazines.

Cosima F. Barone is often invited to speak at national and international conferences. In August 2011, she was a guest speaker at the Banco Central del Uruguay in Montevideo annual economic conference, invited by Ec. Fernando Lorenzo, Minister of Economy and Finance, and Ec. Mario Bergara, Governor of the central bank.


1860
CHATEAU DE MALLERET
GRAND VIN DE BORDEAUX
BOURGEOIS
HAUT-MÉDOC
•2011•
Partenaire de la CIFA depuis 2012
www.chateau-malleret.fr
www.lasuite-atelier.com - Photo © P. Grenet

Will the International Nightmare of FATCA Finally Be Repealed?

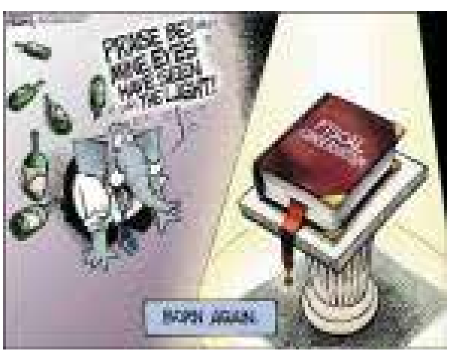


Daniel J. Mitchell

Republicans promised voters all sorts of pro-growth reforms. They assured us that they learned a lesson about the dangers of expanding government and calling it "compassionate conservatism."

Give us control of both Congress and the White House, they said before the election, and we'll move our agenda to limit government and drain the swamp in Washington.

- Repeal Obamacare!
- Cut tax rates!
- Slash wasteful spending!
- Reform entitlements!
- Eliminate senseless red tape!



Of course, now that they're in power, they're getting cold feet. It now appears there will be reform of the disastrous Obamacare law, but not full repeal. Moreover, tax cuts are being jeopardized by a risky scheme for a $1 trillion "border-adjustable" tax hike. Based on Trump's recent address to Congress, I'm also not holding my breath for much-needed spending cuts and entitlement reform. And it's unclear whether we'll see much progress cutting back on the mountains of regulation hindering economic vitality.

Even the easy promises may not be fulfilled.

The Foreign Account Tax Compliance Act (FATCA) is an odious law enacted back in 2010 when the left controlled all the levers of power. It's horrible legislation that threatens the rest of the world with financial protectionism (a 30 percent levy on all money flowing out of the United States) unless foreign governments and foreign financial institutions agree to serve as deputy tax collectors for America's anti-competitive worldwide tax system.

That's the bad news.

The good news is that the Republican platform endorses the repeal of this onerous law.

But will GOPers deliver on that promise? Especially if the left unleashes the kind of demagoguery we often see in Congress and that we saw from Obama during the 2008 campaign?

I guess time will tell, but if the goal is good policy *(and keeping promises)*, this law deserves to be tossed in the trash.

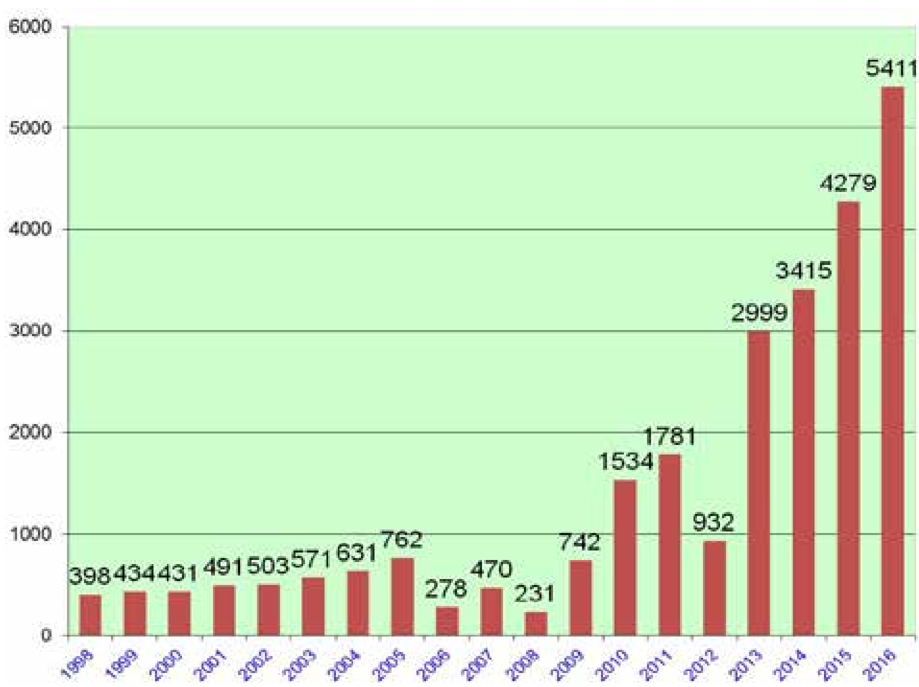
I've previously explained that FATCA is so brutal that it has led many overseas Americans to give up their citizenship simply because FATCA made their lives miserable. They couldn't open bank accounts. They had trouble finding places to manage their investments. Even retirement accounts became a nightmare.

Some people said that these difficulties were just temporary and would disappear once everyone learned how the law operated.

Hardly. Let's start with some data from a Bloomberg story that should be a wake-up call for the crowd in Washington.

> *The number of Americans renouncing their citizenship rose to a new record of 5,411 last year, up 26 percent from 2015, according to the latest government data. … Since Fatca came into being, annual totals for Americans renouncing citizenship have reached their four highest historic levels.*

And here's a chart showing this dismal trend.



> **"FATCA's intrusiveness raises big questions about data privacy."**

The *Wall Street Journal* recently opined on this issue.

> *…the Foreign Account Tax Compliance Act (Fatca) became law in 2010 to go after fat cats stashing money abroad, these pages have reported that it has led the IRS to treat law-abiding Americans as criminals. …Under Fatca, Americans must now report overseas holdings of more than $50,000 even if they owe no taxes, or else face crushing fines. For foreign financial institutions, the penalty for not giving the IRS what it wants to know about their American clients is a 30% withholding penalty on any U.S.-sourced payment to these institutions. …With the GOP controlling Congress and White House, the time is ripe for Republicans to make good on their pledge and give Fatca the heave-ho.*

Amazingly, even the "taxpayer advocate" at the IRS recognizes the law is a disgrace, reversing the presumption of innocence in the Constitution.

> *The IRS has adopted an enforcement-oriented regime with respect to international taxpayers. Its operative assumption appears to be that all such taxpayers should be suspected of fraudulent activity, unless proven otherwise.*

This is a remarkable development. I've groused before that the IRS's taxpayer advocate has a bad habit of advocating for the IRS rather than the American people, so FATCA must be really bad to generate a report that actually defends the rights of taxpayers.

It's also bad news for financial institutions.

An article in the Economist has some very remarkable admissions, including the fact that compliance costs will be at least twice as high as the tax revenue that ostensibly is being generated.

> *FATCA's intrusiveness has caused concern among banks and fund managers. It raises big questions about data privacy. Compliance costs, mostly borne overseas, are likely to be at least double the revenue that the law will generate for America. The necessary overhauls of systems and procedures and the extra digging around to identify American clients could add $100m or more to a large bank's administrative costs. No wonder bankers have dubbed FATCA the Fear And Total Confusion Act. An OECD tax official describes the law as "awful, in a way, like a nuclear bomb" but also sees it as "a remarkable leap forward for transparency". …A further concern is the risk of misuse of information by corrupt administrations, or rogue*

> *government employees, such as the sale of personal financial data to would-be kidnappers.*

It's also revealing that an OECD bureaucrat thinks that an "awful… nuclear bomb" can be seen as a "remarkable leap forward." I guess that's the attitude we should expect from leftist bureaucrats who are exempt from paying tax on their own bloated salaries.

But I call it disgusting and I desperately hope that Trump gets rid of the subsidies that American taxpayers send to this parasitical Paris-based bureaucracy.

OECD Headquarters: Living the good life at US expense

But I'm digressing.

Let's now focus on how the law is an attack on the sovereignty of other nations (and how it creates a precedent that will be used to attack America's fiscal sovereignty).

Some leftists justify this wretched law by saying it only targets so-called tax havens. But Trinidad and Tobago is hardly in that category. Yet because FATCA applies to the entire world, a senior official in that country very much hopes Trump will follow through on promises in the Republican platform to repeal the misguided legislation.

> *Kamla Persad-Bissessar, the leader of the opposition coalition in parliament, recently…discovered that the GOP had called for repeal of the Foreign Account Tax Compliance Act, or Fatca, which is best understood as a license for IRS imperialism. …Mrs. Persad-Bissessar wrote Donald Trump in January asking if he will keep this promise. … Mrs. Persad-Bissessar, a former prime minister, wants to know because the Trinidad and Tobago parliament is now considering changing the nation's laws to accommodate Fatca.*

Repeal would be good for T&T, but it also would be good for the USA.

> *Americans have an even bigger stake in the answer. …the law has become another example of gross federal overreach, adding another burden on Americans overseas who are already paying taxes where they live. The 2010 law has almost no parallel anywhere, for good reason. While most nations limit their taxes to income earned within their borders, the U.S. is among the smaller group of nations that taxes its citizens on global income. …The roughly eight million Americans working overseas have been hit hardest by this bad law. Some foreign banks and financial institutions have responded simply by refusing to take American customers, on grounds that Fatca requirements are more trouble than the business is worth. For similar reasons others do not want Americans as business partners. Many others of modest means who owe no U.S. taxes can still find themselves hit by hefty fines and penalties because they have fallen afoul of the reporting requirements.*

Heck, even if the law isn't repealed, Trump can defang it.

> *…the whole Fatca edifice has been built on the intergovernmental agreements that Treasury has negotiated with more than 100 countries—agreements for which there is no statutory authority or Congressional ratification. Mr. Trump could take the teeth out of Fatca by announcing he has suspended negotiations for future agreements and won't enforce the ones we have. …Let's hope President Trump gives the answer that Americans deserve, by making clear he intends to deliver on the GOP pledge to dismantle a bad law that never should have been passed.*

Amen.

The law is also running into problems in Israel, another nation that hardly fits the "tax haven" definition. A Forbes columnist has a dismal assessment of this intrusive and destructive law.

> *…the Israeli High Court's temporary injunction against the enforcement of America's controversial global tax law FATCA should serve as "a wake-up call" for other nations to rethink enforcing this "toxic, flawed and imperialistic legislation," according to the boss of a leading independent financial firm that advises high-net-worth individuals (HNWI's) and expats globally. …"Justice Meltzer's action should be championed," deVere's Green asserts, who is an outspoken critic of FATCA. "His wise caution should serve as a wake-up call for other countries to rethink enforcing this toxic, flawed, damaging legislation that is being imposed on sovereign states around the world by the U.S." …FATCA could indeed be described as a "masterclass" in fiscal imperialism and unintended consequences. But also of concern is that the US is increasingly secret in matters of financial data. It's no wonder some have labelled it "horrific" and a nightmare for financial institutions. …Perhaps unsurprisingly there a growing trend and an overwhelming number of U.S. citizens are giving up their American citizenship (citizenship abdications), which has been revealed by the U.S. Treasury Department. And, according to a survey conducted in early 2015 by deVere itself almost three quarters (73%) of Americans living overseas expressed the view that they were tempted to relinquish their U.S. passports.*

Canada also is unhappy that the U.S. is engaging in an extraterritorial revenue grab.

> *Some 7m Americans outside the country (1m of them in Canada), along with an unknown number of "US persons", are now caught in FATCA's net. …Ms Hillis is fighting back through the courts. She and Gwen Deegan, an artist who has lived in Canada since she was five, filed a suit claiming that the Canadian government's co-operation with FATCA violates a tax treaty and constitutional protections against discrimination. …If Ms Hillis and Ms Deegan win in court, Canada's government will face an awkward choice between complying with the decision and exposing Canadian banks to huge penalties. The Alliance for the Defence of Canadian Sovereignty, which is paying the women's legal expenses, has harvested donations from China, Vatican City and beyond.*

These examples are why I wrote back in 2011 that Obama united the world…in opposition to bad US policy.

An article from CNBC highlights how bad the law is.

> *With an estimated 9 million Americans currently living overseas, the U.S expatriate community is comprised of a wide variety of people from all walks of life. ..The one nagging truth that is both common and unique to all of these individuals? They remain effectively fettered to the U.S. tax system. Unlike almost every other tax regime in the world, the U.S. taxes its citizens no matter where they reside. Thus, even if you expect never to return, you should expect to have to file an annual tax return. …As many expats can attest, it has become more difficult to open or maintain a bank account overseas without having to sign an IRS Form W-9 or other U.S. tax-related documentation. This increasingly common bank procedure is a result of the Foreign Account Tax Compliance Act, which requires foreign banks and other financial institutions, among other things, to gather and report information to the IRS about their U.S. customers or face stiff tax-withholding penalties on U.S. investments.*

The last sentence in that excerpt deserves some attention. The FATCA law is so onerous that it is advantageous for many to simply not invest in the American economy.

And that means less growth and prosperity for the rest of us.

But that's just part of the story.

Because the United States has imposed this awful law on the rest of the world, other nations now want to do the same thing. Indeed, the tax-aholics at the OECD have modified a Multilateral Convention and turned it into an Orwellian regime for promiscuous collection and sharing of data by almost every government. This scheme, sometimes referred to as the Global Account Tax Compliance Act because of its similarity to FATCA *(I call it a nascent World Tax Organization)*, will boomerang on America because of the presumption that we're obliged to change our tax and privacy laws so that foreign governments can tax investments in the United States.

Thankfully, Senator Rand Paul heroically is blocking this evil pact.

"Thankfully, Senator Rand Paul heroically is blocking this evil pact."

Let's close with a semi-amusing description of FATCA...

https://youtu.be/Y-EVF7CZt_w

But if you prefer my more dour approach, here's what I said a few years ago about FATCA for a Chinese network...

https://youtu.be/9tCLrnHxjoc

I've been criticizing this awful legislation from the beginning. Hopefully Congress and the Trump Administration will give me one less thing to worry about.

Daniel J. Mitchell

Member of CIFA 's Advisory Board

DANIEL J. MITCHELL is a Senior Fellow at the Cato Institute in Washington, D.C., where he specializes in fiscal policy, particularly tax reform, international tax competition, and the economic burden of government spending. He also serves on the editorial board of the Cayman Financial Review. Dan's work has been published in the Wall Street Journal, New York Times, Villanova Law Review, Public Choice, Emory Law Journal, Forbes, USA Today, Offshore Investment, Playboy, and Investor's Business Daily. He has appeared on all the major TV networks, and has given speeches in almost 40 states and more than 30 countries. Dan earned a Ph.D. in economics from George Mason University.

Self Managed Super Fund Association

www.smsfassociation.com

SMSFs are vital to the health of Australia's superannuation system

2016 was a year of change for Australia's retirement *(we call it superannuation)* industry. The Government undertook to overhaul the system in several key areas, but perhaps the most significant long-term initiative was its decision to introduce the Superannuation *(Objective)* Bill into Parliament, with the explicit goal to give a philosophical framework to underpin Australia's superannuation system.

Australia has had a compulsory superannuation system since 1992, but has never clearly defined its Objective. The SMSF Association has long believed this is a missing piece of the superannuation jigsaw, and has welcomed an initiative that provides an opportunity to help give long-term stability to the system.

The critical issue, of course, is to get the definition right. The Federal Treasurer, Scott Morrison, has told Parliament that the Bill aims to "enshrine in law that the Objective of the superannuation system is to provide income in retirement to substitute or supplement the age pension". The Age Pension is the Government's safety net for those who are unable to financially support themselves in retirement.

From the Association's perspective, it is vitally important that the concept of adequacy be included in any Objective to ensure Australia's retirement income system can provide people with adequate retirement savings to deliver a "financially secure and dignified retirement". As the Association said in its submission to the Australian Senate Economics Legislation Committee, including "adequacy" will uphold an aspirational element to superannuation and encourage people to save during their working life to fund a self-sufficient retirement.

The Association acknowledges that including the concept of adequacy in the Objective of superannuation raises certain issues, particularly that there is no current accepted definition of "adequate retirement savings". But we argue that these issues could be circumvented by including a subsidiary objective of "providing a secure and dignified retirement" rather than referencing adequacy or a defined level of income to be aimed for in retirement.

The subsidiary objectives that should be regulated are: Providing a secure and dignified retirement, managing risks in retirement, be invested in the best interests of members, alleviate fiscal pressures on government from the retirement income system, be sustainable and equitable, maintain a pool of national savings, and be simple, efficient and provide safeguards.

The Parliament has yet to sign off on the legislation, so the final wording of this all-important Objective has not been finalised. What Parliament did pass in late 2016 was a raft of other changes to the superannuation system that will have ongoing consequences.

These changes *(of which more later)* were a bit like the curate's egg – good in parts. But it is worth stating that Australia's universal superannuation system, which was introduced in 1992 *(superannuation itself dates back to the mid-19th century)*, remains one of the best in the world. The Mercer global index has consistently rated it in the top four pension systems for the past seven years. Funds under management (FUM) sit comfortably above $A2.2 trillion *(about US$1.7 trillion)*, making it the third largest superannuation system pool of assets in the world.

It also differs markedly from other pension systems, being split between large funds that come under the regulation of the Australian Prudential Regulatory Authority (APRA) and SMSFs (self-managed super funds with four or less members) that are supervised by the Australian Taxation Office (ATO).

It is the SMSF sector that has been the real success story of Australian superannuation. When the Association was established in 2003, the future of SMSFs was in doubt. Very few understood the sector, including government, the regulators and other sections of the superannuation industry. Nor did they appreciate its potential role in our nation's future prosperity.

Fast forward 14 years and it is now the largest superannuation sector. Since 2003, the sector has had six-fold growth in funds under management *(it now stands at about $A675 billion or $US520 billion)*, the number of funds have more than doubled to nearly 600,000 and the number of fund members is approaching 1.2 million.

These numbers reflect phenomenal growth. More importantly, it is where people personally manage and control their savings and retirement accounts with support from professionals and service providers, and, contrary to what their critics argue, have become a source of stability for the system. Two major government inquiries into superannuation and the financial system, the Cooper Review (2010) and the Murray Review (2015) gave SMSFs a clean bill of health.

It's not just that SMSFs are a source for stability; the evidence shows they outperform the large funds *(especially in bear markets)*, and their cost structures are competitive.

Going hand in glove with this growth has been the emergence of an SMSF profession to service the nearly 600,000 funds. In addition, career pathways exist via our SMSF Association's specialisation programs within our accreditation program and universities as post-graduate SMSF specialists.

In short, SMSFs are integral to Australia's superannuation system, and the SMSF Association can rightly claim the lead role in achieving this outcome, not just for SMSFs but for the entire superannuation system. There is no better example of this than how the SMSF Association responded to the far-reaching changes to superannuation that culminated in the legislative package that was passed by the Parliament in November.

This legislation contained several elements, but the issues that grabbed public attention centered around the taxable and non-taxable deductible superannuation contributions and the pension transfer balance cap.

In regards to tax deductible super contributions, they have been significantly reduced from 1 July 2017 to a maximum of $25,000 a year. *[The current concessional amounts before 30 June 2017 are $30,000 for people aged under 49 on 30 June 2016, and $35,000 for people aged 49 and over on 30 June 2016.]*

With non–tax concessional contributions, the government abandoned its proposed $500,000 post 2007 lifetime cap and essentially replaced it with a two-pronged approach. First, the current annual non-concessional contribution amount will remain unchanged until 30 June 2017. From 1 July 2017, no non-concessional contributions cannot be made that will cause the member's account balance to exceed $1.6 million. In both instances, the Association's advocacy was important in ameliorating deeper cuts to the tax and non-tax deductible super contributions

Changes to the pension transfer balance cap mean a member's total superannuation pension balance that will be the subject to tax-free earnings will be limited to $1.6 million from 1 July 2017. Taxpayers with more than $1.6 million in the pension phase of the super fund will be required to transfer those excess amounts to an accumulation fund where the income derived from these accounts will be taxed at 15%.

The Association has long advocated higher concessional and non-concessional caps to give people the opportunity to save more *(especially later in their working lives)* to achieve self-sufficiency in retirement.

Andrea Slattery

Andrea is the Managing Director/ CEO and Founder of the SMSF Association.

She has worked in the Australian Financial Services industry for over 27 years and has established herself as an authority in the field of Self-Managed Super Funds (SMSF) and Retirement systems.

Andrea was awarded '2014 Woman of the Year' – Money Management | Super Review, Australian Women in Financial Services Awards.

She won the '2014 Invisible Government' award as a trusted Australian spokesperson by Media and was named on the 'Roll of Honour for the Australian Superannuation Industry' by Asia Asset in 2010.

She holds a Masters in Commerce from the University of South Australia, and designations including SMSF Specialist Advisor, a Fellow of the Australian institute of Company Directors, a CPA and CPA Financial Planning Specialist.

www.smsfassociation.com

C I F A CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
A Non-Profit Foundation
A Non-Governmental Organization in general consultative status with the Economic and Social Council of the United Nations

TRUSTING
The Independent Financial Advisor

Unique Advertisement Opportunity

"TRUSTING, The Independent Financial Advisor"

Attractive offer for the forthcoming TRUSTING N°12 – July-December 2017!

Half page: 1 500 euros (without VAT)
Format: 210 x 146,5 mm

Full page: 2 800 euros (without VAT)
Format: 210 x 293 mm

Presentation

"TRUSTING, The Independent Financial Advisor"

- published bi-annually by CIFA (www.cifango.org) in cooperation with FINARC SA (www.finarc.ch).
- designed to be an important communication tool for IFAs in Europe and across the world.

TRUSTING covers all main action themes of CIFA, such as:

- Harmonization of rules and regulation concerning the independent wealth management profession
- Comprehensive implementation of new rules and procedures imposed by authorities
- Establishment of a code of conduct to fight reprehensible practices
- Education and certification of the IFAs' profession at the international level.

Distribution

This issue will be widely distributed worldwide free of charge, in particular to CIFA's partner federations and associations, and at the United Nations' ECOSOC, UNITAR, UNCTAD, FOSS, etc.

CIFA's partner federations and associations

CIFA regroups over 70 international professional federations and national professional associations in Europe, North America, South America, Oceania and Asia. CIFA represents over 1,000,000 individuals and/or legal entities involved worldwide in financial intermediation.

Via internet through the www.cifango.org website

"TRUSTING, The Independent Financial Advisor" will be distributed to: Independent financial advisers, Banks, Regulatory authorities, Audit companies and HNWI **around the world.**

Contacts:
Cosima F. BARONE
Editor in Chief of "TRUSTING, The Independent Financial Advisor"
Member of CIFA's Executive Committee
Mobile: + 41 (0) 79 204 06 73
Email: c.barone@finarc.ch

www.cifango.org

CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
A Non-Profit Foundation
A Non-Governmental Organization in general consultative status with the Economic and Social Council of the United Nations

ASSOCIATIONS PARTNERS OF CIFA

ADVOCIS, Canada
http://www.advocis.ca
AFG, France
http://www.afg.asso.fr
AFIZ, Czech Republic
http://www.afiz.cz
AFPA, Austria
http://www.afpa.at/cms12/
AfW, Germany
http://www.afw-verband.de
AIF, Spain
http://aif.es
AILO, Belgium
http://www.ailo.org
ALPP, Luxembourg
http://www.alpp.lu
AMAF, Monaco
http://www.amaf.mc
ANACOFI, France
http://www.anacofi.asso.fr
ANAF, Spain
http://www.anaf.es
ANASF, Italy
http://www.anasf.it
ANBIMA, Brazil
http://portal.anbima.com.br/Pages/home.aspx
ANCDGP, France
http://www.ancdgp.net
APFA, UK
http://www.apfa.net
APFIPP, Portugal
http://www.apfipp.pt/index.aspx?MenuCode=bottomHomePage
BVI, Germany
http://www.bvi.de/start/
BZB, Belgium
http://www.bzb.be
CAPS, Argentina
http://www.caps-financialplan.org.ar
CCEF, France
http://www.ccef.net
CFSFA, Cyprus
http://www.cfsfa.org.cy
CGPC, France
http://www.cgpc.fr
CIFPs, Canada
https://www.cifps.ca/Public/default.aspx
CIFSA, Cyprus
http://www.cifsa.org
CISI, UK
http://www.cisi.org/bookmark/genericform.aspx?form=29848780&url=index
CNCEF, France
http://www.cncef.org
CNCFA, France
http://www.cncfa.fr
CRT, USA
http://www.cauxroundtable.org
EFAMA, Belgium
http://www.efama.org/SitePages/Home.aspx
EFFAS, Belgium
http://effas.net
EFFP, Germany
http://www.effp-online.de/front_content.php
EFFP, Poland
http://www.effp.pl
EFPA, Czech Republic
http://www.efpa.cz
EFPA, Europe
http://www.efpa-eu.org
EFPA, Italy
http://www.efpa-italia.it
EFPA, Poland
http://www.efpa.pl
EFPA, Spain
http://www.efpa.es/efpa_espana
FECIF, Belgium
http://www.fecif.org
FEDAFIN, Belgium
http://www.fedafin.be
FEIFA, Europe
http://www.feifa.eu
Finanzplaner Forum, Germany
http://www.finanzplaner-forum.eu
FPA, USA
http://www.fpanet.org
FPSB, Indonesia
http://www.fpsbindonesia.net
FPSB, USA
https://www.fpsb.org
GSCGI/SAIFA, Switzerland
http://www.gscgi.ch
HAQFP, Hungary
http://mptsz.org
IFAA, Hong Kong, China
http://aifaasia.hk/
IFMA, Switzerland
http://www.ifma-net.ch
IFP, UK
http://www.financialplanning.org.uk
ICDA, Switzerland (formerly SFOA)
http://www.incoda.org
LATIBEX, Spain
http://www.latibex.com/ing/mercado/Latibexadvantages.htm
NAFSMA, Hong Kong
http://www.nafsma.net
Network financial planner e.V., Germany
www.network-financial-planner.de
ONIIP, France
http://www.oniip.fr
OVB, Slovakia
http://www.ovb.sk
PMAC, Canada
http://www.portfoliomanagement.org
SFAA, Switzerland
http://www.sfaa.ch/fr/welcome.asp
SFSP, Singapore
http://sfsp.org.sg
SPAA, Australia
http://www.spaa.asn.au
USFCR, Czech Republic
http://www.usfcr.cz/cs/
VGF, Germany
http://www.vgf-online.de
VOTUM, Germany
http://www.votum-verband.de
VV&A, Netherland
http://www.vvenc.nl
WMA, UK
www.thewma.co.uk

www.cifango.org

CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
A Non-Profit Foundation
A Non-Governmental Organization in general consultative status with the Economic and Social Council of the United Nations

CIFA

1st think tank specialized in reforming the financial system is organizing its

15th International Forum

OUTSIDERS IN POWER:

WILL THEY TEAR DOWN THE EXISTING MODEL?

WHAT NEW MODEL DO THEY PROPOSE?

from May 30th through June 1st 2017
Hôtel Hermitage, Monaco

Exceptional participation of:
High Representatives of the United Nations'
ECOSOC - UNCTAD - UNAOC - ICC - G77 - Global Compact
to debate about...

Implementing the 2030 Development Agenda:
Eradicating poverty and promoting prosperity in a changing world

...and of: Fondation Ethique et Economie, Académie des Sciences Morales et Politiques, Paris, to debate about...

For an ethical renewal of the freemarket economy

What is CIFA?

The founding principles of CIFA are built around an ethical reflection and **the reform of the worldwide financial system.** Through its many assignments, CIFA is working towards a unique goal: putting finance back at the service of investors.
CIFA regroups 70+ professional associations, which represent more than one million individuals or legal entities involved in the **financial intermediation** worldwide.
In 2007, CIFA, through its active participation in the works of various United Nations organisms, obtained the **«special consultative status» with the United Nations** in the framework of the Economic and Social Council (ECOSOC). In 2015, CIFA has obtained the **«general consultative status» with the UN-ECOSOC. CIFA is the only NGO within global finance with such a status!**

CIFA invites you to discover

TRUSTING

Published bi-annually, the magazine contains important information on the various activities of CIFA, such as the annual Forum, and its close cooperation with partner associations. TRUSTING publishes also articles written by worldwide experts on management, investment, regulation and taxation.

The latest published edition is available for free download on:

www.cifango.org

The White Paper about previous Forums is available for free download as well.