CIFA

# TRUSTING

THE INDEPENDENT FINANCIAL ADVISOR

No. 14 | January–December 2019 | €35

cifango.org


TO BREAK THE RULES,
YOU MUST FIRST MASTER
THEM.
CODE 11.59
by AUDEMARS PIGUET
AUDEMARS PIGUET
Le Brassus
AUDEMARS PIGUET® | INFRARED PHOTOGRAPHY

# TRUSTING
THE INDEPENDENT FINANCIAL ADVISOR

CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
A NON-PROFIT FOUNDATION

## OWNER & PUBLISHER
CIFA Foundation
Rue François Versonnex 7
CH - 1207 GENEVA
Switzerland
cifango@cifango.org
www.cifango.org





## CONTRIBUTORS TO THIS ISSUE
Cosima F. Barone
Julien Benomar
Chantal Line Carpentier
Selim Chanderli
Vincent J. Derudder
Jean-Pierre Diserens
Vania Franceschelli
Steve H. Hanke
Garry Heath
Tony Mahabir
Hanifa Mezoui
Romain Miginiac
Dan Mitchell
Joe Oliver
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

# CONTENTS

# CIFA'S MILESTONES 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 VIth 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), MONACO (2011 THROUGH 2018), AND NEW YORK CITY SINCE 2019.**

**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?

**2018** REPEAL AND REPLACE AN ECONOMIC MODEL UNDER ATTACK?
How Technological changes are disrupting the socio-economic-fiscal-political models?
Which alternative model should be built?

**2019** HOW TO MOBILIZE PRIVATE FINANCE TOWARDS FUNDING THE UN-SDGS

**2020** SUSTAINABLE DEVELOPMENT 2030: SHARING TRANSFORMATIVE EXPERIENCES

# 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 (ECOSOC) 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 THAT 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. ■

# EDITORIAL

## UN SDGs—RELEVANT TO ALL. SO LET'S PLAY OUR ROLE!

**TONY MAHABIR**

PRESIDENT OF CIFA

I begin this editorial with a quote from Solitaire Townsend, Co-founder of Futerra: *"I believe that individuals are just as important as institutions when it comes to changing the world. As citizens, parents, neighbours and consumers, our decisions matter. By sharing a set of clear goals and meaningful actions for each Sustainable Development Goal, we can build confidence that everyone is important, needed, and can contribute to achieving the SDGs. Changing the world has never just been about policies or products, it always comes down to people."*

The UN Agenda 2030, with its 17 SDGs, were chosen by the heads of 193 states. Its success requires the bright minds and relentless dedication from all of society — not just governments and the UN alone. Harnessing the knowhow, expertise, technology and financial resources learned from academia, civil society, individual investors and businesses alike have a key part to play. These goals introduce unique opportunities for investors and businesses. So, what can you do, dear reader?

Well, if you are an Independent Financial Advisor (IFAs), embracing the principles of responsible investing is a good start. CIFA has always believed that IFAs such as portfolio managers have a profound duty to act in the best long-term interest of investors. Investing in a responsible way for investors can and often lead to better financial returns while contributing to positive social and environmental impact.

If you are a passive investor, you can vote with your wallet! Yes you can! The good news is that you won't be alone because "shareholders' activism" is on the rise in financial markets. According to an article in the Harvard Business Review, *"Economic, Social and Governance issues (ESGs) are increasingly becoming a focus of equity and fixed-income investors."* Investors can now influence companies to address material ESG issues, including any or all of the 17 UN SDGs such as climate change, environmental issues, human rights, human capital management, and diversity in the workforce and on corporate boards. As stated in a recent SociSDG blog, *"as millennials become investors, they are driving intense demand for sustainable investment products, and the capital markets are responding with innovative offerings from data providers, analyst research, indices, impact investing, ETFs, mutual funds, sustainable retirement fund options, and more." The world is currently home to the largest generation of young people in history. With 50% of the world's population being under the age of 30, the ideas and talents of young people like my two sons and daughter will drive the success of achieving the Sustainable Development Goals by 2030. In essence, investors of any age, or businesses of any size can, and must, help with this mission. As highlighted by government heads in the UN resolution on the SDGs: "We are the first generation that can end poverty, and the last one that can take steps to avoid the worst impacts of climate change."* Earlier this year at the CIFA Conference in New York at the United Nations, in my opening speech, *"How to Mobilize Private Finance Towards Funding the UN-SDGs,"* I asked our attendees and distinguished guests to imagine a world where we had: *"No poverty or hunger, good health and well-being, quality education and gender equality, clean water and sanitation, affordable and clean energy, sustainable economic growth, employment and decent work, industry innovation and infrastructure, reduced inequalities, sustainable cities and communities, responsible consumption and production with climate action, life below water and land, peace, justice and strong institutions."*

Cynics may say that this is a future that is too idealistic or too aspirational. Remember, the future is not something we enter, **it is something we create—let's do it!** ■


DAHER
Photo: Chris Rose

# CIFA'S XVIth INTERNATIONAL FORUM

## REPEAL AND REPLACE AN ECONOMIC MODEL UNDER ATTACK?

### HOW TECHNOLOGICAL CHANGES ARE DISRUPTING THE SOCIO-ECONOMIC-FISCAL-POLITICAL MODELS? WHICH ALTERNATIVE MODEL SHOULD BE BUILT?

MONACO, MAY 21-23, 2018

## TOPICS

Monday, May 21

### UN DEVELOMENT AGENDA 2030

- TRANSFORMATION TOWARDS SUSTAINABLE AND RESILIENT SOCIETIES
- FROM GLOBAL TO LOCAL SUPPORTING SUSTAINABLE AND RESILIENT SOCIETIES IN URBAN AND RURAL COMMUNITIES

## KEYNOTE SPEAKER

**H.E. MR. NASSIR ABDULAZIZ AL-NASSER**

UNAOC High Representative, United Nations, Chair of the Group of 77 for 2011

Tuesday, May 22

### REPEAL AND REPLACE AN ECONOMIC MODEL UNDER ATTACK?

- DESTABILIZATION OF THE TRADITIONAL ECONOMIC-SOCIAL-POLITICAL SYSTEM THREATENED BY THE SHARING ECONOMY AND UBERIZATION MODEL
  How will these new realities impact the economic model based on wage? How seriously will sharing economy/ uberization destabilize the global social, political and fiscal systems? What is the common good and how to defend it?
- THE FINANCIAL AND MONETARY SYSTEM UNDER ATTACK
  Crypto-currencies, shadow banking, over-indebtedness of States: have States and central banks become powerless to govern the increasingly complex financial world?
- TO WHAT EXTENT ARE AUTOMATIZATION AND ROBOTIZATION DESTROYING JOBS TO THE POINT OF SERIOUSLY THREATENING THE CURRENT ECONOMIC SYSTEM?
  Automatization and robotization: Is widespread automatization of the economy and the resulting loss of jobs calling for a new economic model? What risks and opportunities emerge within new trend of widespread automatization?
- FORCES OF RESISTANCE TO TECHNOLOGICAL AND ECONOMIC CHANGE AND THE RE-EMPOWERMENT OF DEMOCRACY AND SOCIETY
  To face up the powerful disruptive change, induced by the Behemoths of the digital economy, globalization, and financialization of the economy, are populism and deglobalization the adequate responses to regain control of the future?

# XVIth INTERNATIONAL CIFA FORUM

# REPEAL AND REPLACE AN ECONOMIC MODEL UNDER ATTACK? CONCLUSIONS AND RECOMMENDATIONS

STEPHEN B. YOUNG
MEMBER OF CIFA'S
EXECUTIVE COMMITTEE

The current model for global finance and economic growth has lost the trust and confidence of many stakeholders. New technologies are disruptive; wealth and income are not fairly allocated; financing for the Sustainable Development Goals is uncertain.

Populism and new authoritarianisms reflect anxieties and resentments about the status quo. Therefore, should global capitalism as we know it be repealed and replaced?

The advantages of modernization and wealth creation have now spread across the globe. What has been called "The Rest" now lives more and more on a par with "The West". Within five years, the share of global income held by countries such as China, Russia, and Saudi Arabia will surpass the share held by Western liberal democracies.

The current global capitalism actually is a private/public duopoly. The blended system provides both public goods and services and private goods and services. In addition, it also provides goods and services of mixed character, goods and services which do have a non-rivalrous, common good character but which also can be privately owned, consumed, and produced like finance, education and health care.

Private initiative and private wealth drives the introduction of new technology, which creatively overturns conventional equilibria of economic, social, and political risk and return calculations. New goods and services are provided as innovative technology comes to market. Risk and reward curves shift in new, unanticipated, directions, leaving some more anxious than before. Robotics and artificial intelligence pose new risks of lost wages, decreased consumer purchasing power, lower public revenue for social safety nets. But on the other hand, robots and artificial intelligence will enhance the division of labor and lower the cost of goods and services, which will raise living standards most importantly for those with less income and wealth. Life outcomes change, some for the better, some for worse. There are winners and losers.

The organizational technology of industrial capitalism – the legal and financial structure of the corporation – is being supplanted by a new organizational technology – the platform. Platforms include Uber, AirB&B, Alipay, Amazon, Facebook, Google – and maybe even central banks which are platforms for widespread access to liquidity. Platforms generally have inconsequential balance sheets as they decentralize risk-taking and accountability. The disruptive tendency of platforms is biased towards increasing liabilities and avoiding risks, aligning well with those aspects of human nature which respond eagerly to temptations and self-seeking.

Yet these same platforms can be used constructively for exponential growth in our collective practical wisdom – if we do not see ourselves as victims but rather as masters of technology. Users and providers of internet platforms can evolve new best practices.

The other half of our current system of global capitalism – public authority – exists to moderate the excesses and the short-falls of private wealth creation. The job of the private sector is to step on the gas, while that of public authority is to apply the brakes. Both functions are needed when driving a car. Who, however, should decide on the speed of travel or the direction the car should take?

But recent failures of public authority provoke fear and dissatisfaction. Many governments have failed in their responsibility to protect their citizens and to provide them with well-being and human dignity. Terrorism continues; tribalistic politics gains adherents from those who fear losing out; immigration legal and illegal and refugee outflows stimulate resentment from host populations.

The result is disquiet, alienation from authority, even open hostility towards the private and public powers which inspire the system and govern its institutions.

## Conclusions:

1) The Sustainable Development Goals of the United Nations stand as a beacon, perhaps our only trustworthy beacon, for hope and confidence.

2) The global community must not abandon the creation of new wealth while insisting on more equitable distribution of its advantages.

3) The current model of global capitalism with its dual government under private markets and public authorities does not need to be replaced; rather, it needs to be modernized.

4) New public goods and services need to be nourished by governments or provided by markets where more appropriate to offset current dysfunctions. The public good of wealth creation must be provided by government through the rule of law and incentives for more ownership of all forms of capital assets – financial, social and human, including Big Data and artificial intelligence.

5) In addition, certain private goods and services need to be injected with public features of merit so that they can also deliver non-rivalrous benefits for the common good. Merit goods and services can be provided by markets for a price to be paid by users which can support a profit to their suppliers.

6) Both for public and private actors, a re-balanced system would emphasize assets over liabilities and, importantly, would broaden our understanding of balance sheets to include new forms of risk as liabilities and intangible forms of capital (social and human) as assets.

7) The vector for change of the system is in our ambitions and our goals; we need a change of mindset. We need to transcend ideology and partisanship through a renewal of social capital, the resilience which comes from meeting the other face to face. ■

MANY GOVERNMENTS HAVE FAILED IN THEIR RESPONSIBILITY TO PROTECT THEIR CITIZENS AND TO PROVIDE THEM WITH WELL-BEING AND HUMAN DIGNITY.

XVIth INTERNATIONAL CIFA FORUM

**REPEAL AND REPLACE AN ECONOMIC MODEL UNDER ATTACK?**

**MAY 21-22, 2018**

PHOTOS

**SPEAKERS' COCKTAIL**

MAY 20, 2018

XVIth INTERNATIONAL CIFA FORUM

# REPEAL AND REPLACE AN ECONOMIC MODEL UNDER ATTACK?

**MAY 21-22, 2018**

PHOTOS



USTING
TRUSTING


C
F


Eiffel


XVIth International CIFA
MODEL UNDER ATTACK?
Les Echos
Les Echos


H.E. Mohamed Fathi Ahmed EDREES


## FORUM DEBATES
MAY 21, 2018


PROTECTION OF
Lila KARBASSI


## FORUM DEBATES
MAY 21, 2018

**FORUM DEBATES**
MAY 22, 2018



Grégoire LECLERCQ
William K. BLACK


Daniela BAS


Tony MAHABIR



## FORUM DEBATES
MAY 22, 2018

**FORUM DEBATES**
MAY 22, 2018



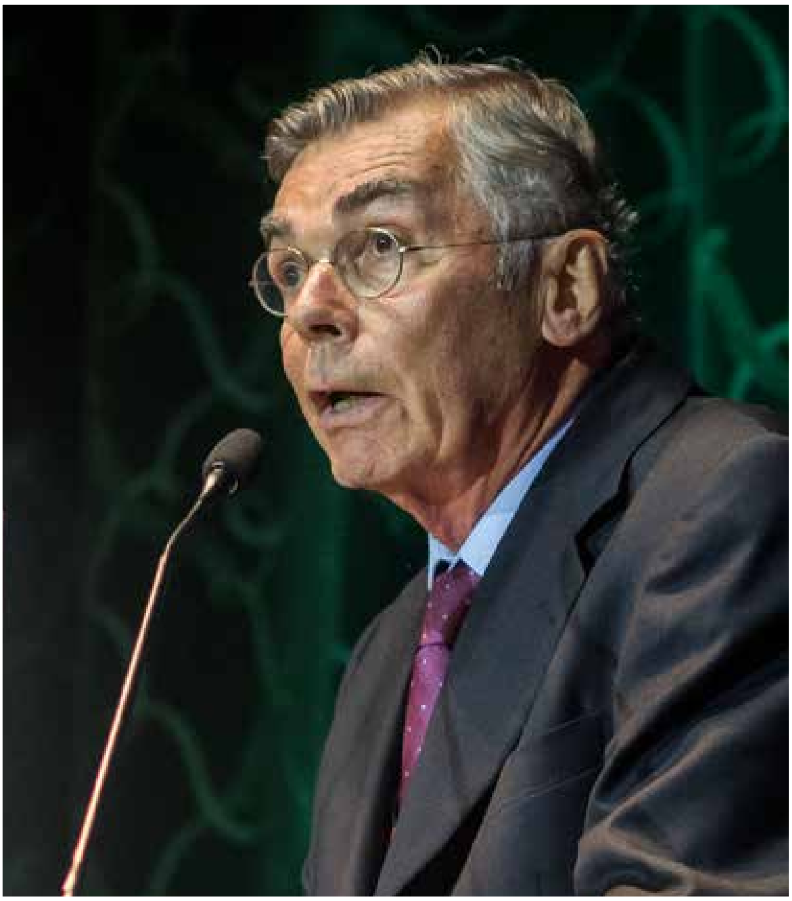




David BARAGWANATH


# FORUM DEBATES
MAY 22, 2018

**FORUM DEBATES**
MAY 22, 2018

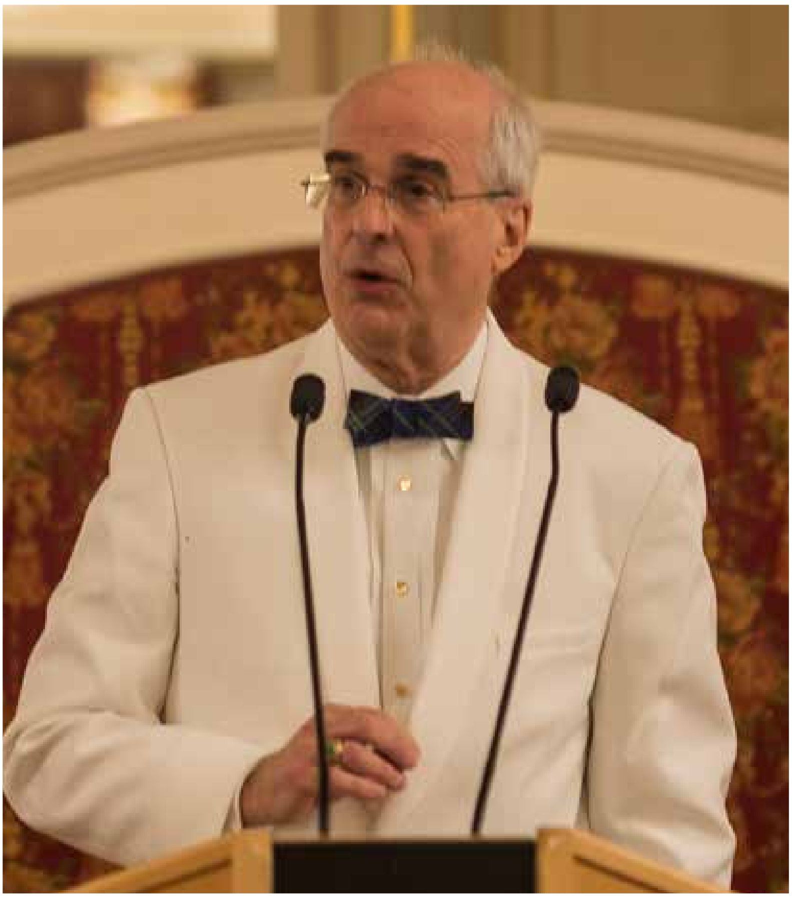


# XVIth INTERNATIONAL CIFA FORUM
# **REPEAL AND REPLACE AN ECONOMIC MODEL UNDER ATTACK?**
# **MAY 21-22, 2018**
## FORUM GALA DINNER



**FORUM GALA DINNER**
MAY 22, 2018


**FORUM GALA DINNER**
MAY 22, 2018



# **FORUM GALA DINNER**
MAY 22, 2018




# FORUM GALA DINNER

MAY 22, 2018

# UNITED NATIONS' HIGH LEVEL POLITICAL FORUM

NEW YORK CITY
JULY 9-18-2018

■ CIFA HLPF STATEMENT 2018

## "TRANSFORMATION TOWARDS SUSTAINABLE AND RESILIENT SOCIETIES"

Economic and Social Council

Statement submitted by Convention of Independent Financial Advisors, a non-governmental organization in consultative status with the Economic and Social Council.

The Secretary-General has received the following statement, which is being circulated in accordance with paragraphs 30 and 31 of Economic and Social Council resolution 1996/31.

To realize the ambitious vision of the 2030 Agenda, financial advisors play a critical role: empowering people — in urban and rural societies alike — to access knowledge, support, resources, and protections necessary to cultivate financial well-being in a manner which reduces the burden on governments and strengthens and promotes the prosperity, sustainability and resilience of society as a whole. With individual investors' needs in mind, CIFA focuses on promoting the highest professional and ethical standards among financial advisors. These efforts are strongly aligned with the holistic, integrated, and universal Sustainable Development Goals, which offer a roadmap for all sectors, including the financial sector, to work together to achieve a world where no one is left behind.

**Economic growth, investment and entrepreneurship as engines of resilience and sustainability: Practical policies to shift from poverty eradication to wealth creation.** CIFA views financial markets as critical players in the global effort to fight poverty. Inclusive capital markets can promote well-being and trust among all different sectors of society, thus increasing sustainability and resilience in all urban and rural communities. Entrepreneurship lies at the core of economic sustainable growth. The 2030 Agenda envisions a future of equality and inclusivity, which requires moving beyond simply eradicating poverty to proactively creating new forms of wealth. CIFA supports and encourages the adoption of smart policy measures to enhance financial well-being of rural and urban communities everywhere. As a foundation devoted to building ethical and productive relationships between financial advisors and clients, CIFA views a significant part of its responsibility to support individuals and their families to attain comfortable, healthy, independent lives without heavy reliance on other institutions. CIFA members strive to assist their clients in achieving financial security. Among impoverished communities, access to basic financial services can be a major transformational factor in lifting people out of poverty.

**Strengthening ethics and the rule of law to promote sustainable and resilient societies.** Harnessing entrepreneurship and economic growth to advance the 2030 Agenda's core objectives of sustainability and resilience cannot be accomplished without ensuring the solid societal foundations of rule of law and strong institutions. Achieving resilient societies in urban and rural communities, requires investing in stability, and ensuring the health and strength of key legal and institutional structures which are critical to sustainable economic development. Entrepreneurs are best able to thrive and contribute to societal resilience and sustainability, and investors are best able to put their resources to the most productive use, when operating in enabling environments with smart regulation, political and economic stability, as well as respect for the rule of law. Irregular or unduly burdensome taxation can also deter sustainable investment and undermine entrepreneurship, especially among medium, small, and micro-enterprises (MSMEs). Considerable commercial ramifications, such as unfavorable risk assessments by companies, result when there is weak rule of law. Governments benefit, and in turn societies can become more resilient and sustainable, better able to withstand market fluctuations and other economic shocks, when responsible and law-abiding businesses are fully supported and enabled to flourish. Ensuring governments support citizens to move out of informal sectors and assist their integration into the formal economy can have a profound multiplier effect on local economies, particularly in rural communities with less well-developed formal industrial activities. Ensuring appropriate regulatory frameworks are in place to enable economic development, respect intellectual property rights, and reduce legal barriers to women's full participation in the economy are a few critical measures that can lead to more open, inclusive, and productive markets, which in turn reinforces sustainability and resilience.

As a means of supporting the rule of law in the investment sector, the CIFA Charter has as its goal the definition of the fundamental and inalienable rights of the investor, underlining 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 aims to respects the legislation, traditions and customs of all the countries which ratify it, and can therefore be an important tool for building more resilient, sustainable societies.

**Local authorities and public-private collaboration.** While the 2030 Agenda needs to be implemented at the local level, driven by local priorities, local authorities cannot successfully achieve the Sustainable Development Goals on their own. Local governments need to engage the private sector, civil society and

**CIFA MEMBERS STRIVE TO ASSIST THEIR CLIENTS IN ACHIEVING FINANCIAL SECURITY**

# BEST PRACTICES SHOULD INCREASE RESILIENCE AND EMPOWERMENT OF THE MOST VULNERABLE PEOPLE, PROVIDING THEM WITH DIGNITY AND ECONOMIC SECURITY

academia to translate the global goals into local realities, in coordination with national governments and global efforts. Integrated approaches to building sustainability and resilience at the local level have great potential impact.

**The urban agenda, empowering rural communities.** On the urban policy "Habitat in cooperation with the World bank has already capitalized on promoting economic growth, improving infrastructure, creating new jobs and making cities hubs attractive for youth". Sustainability and resilience-building in rural communities will depend in large part on innovative, collaborative approaches to adapting agricultural practices to ensure livelihoods and well-being are enhanced in the face of growing challenges such as the volatility of climate change, political instability in certain regions, and other major barriers to economic growth such as technology deficits, low incomes, poor farming practices, human rights abuses in global supply chains, soil degradation and other environmental pressures.

Promoting sustainable development throughout corporate supply chains and empowering and supporting local farming communities should be complemented by transformational financial policies and practices, such as ensuring access to financial services and credit to smallholder farmers and enhancing financial literacy among impoverished communities.

**Investing in education, skills, and training for long-term positive impact.** The fastest path to reducing inequality and moving from poverty eradication to wealth creation is through investment by all sectors in high-quality education, skills, and training for youth, women, and other vulnerable or marginalized groups such as migrant or refugee workers. Addressing the demographic dividend, turning major risks of rapidly expanding youth populations into economic opportunities in developing markets, is critical to ensuring the Sustainable Development Goals are achieved. Noting that prejudice and discrimination is a major obstacle to entering the job market for many people, investors, companies, and governments alike should all promote strategies to promote diverse and inclusive workplaces where no one is left behind. For example, robust investment in opportunities for youth can stimulate a wide array of long-term positive outcomes. Initiatives such as mentorship programs, on-the-job training for youth workers, as well as access to credit, capital and mentorship for young entrepreneurs are all highly productive investments that will yield very positive long-term returns. In order to leave no one behind, marginalization should be fought through social policies that involve engagement of civil society organizations and the private sector. Best practices should increase resilience and empowerment of the most vulnerable people, providing them with dignity and economic security.

**Advancing Responsible Business and addressing market short-termism to increase investments in sustainable**

**development.** Today's communities — both urban and rural — are highly interconnected. Business success is therefore dependent on the ability to understand the issues facing society as a whole and to adjust to the major political, economic and social forces of our time. CIFA embraces the concept of social responsibility as a core element of its ethical principles, but also embraces the shift towards social responsibility as a core driver of financial success. Considering that private financial flows supporting development have outpaced official development assistance, the financial sector has a clear growing interest and desire to help achieve the SDGs, recognizing that they are truly universal and built upon shared values across various sectors. The financial sector has tremendous potential to support governments in promoting financing for sustainable development. Capital flows must be directed towards grass roots projects and opportunities which yield positive returns while also generating long-term value in a way which promotes resilient and sustainable communities.

**Building trust across sectors — promoting partnerships for the goals.** Trust is a critical cornerstone of promoting sustainable development and resilient societies. Multi-stakeholder partnerships and cross-sector dialogue should be scaled and enhanced to promote deepening of trust among all stakeholders to achieve a common vision of a world where no one is left behind. Public private partnerships which take the form of strategic alliances designed to pursue common objectives while also advancing the interests of all partners can be major engines of resilience and sustainability.

In this regard, CIFA will continue to actively partner with and support the work of the United Nations, raise awareness among its membership of the 2030 Agenda, and identify areas where its work can be leveraged to accelerate progress on the Sustainable Development Goals by helping to lift people everywhere out of poverty and into wealth. CIFA's activities will continue to focus on strengthening mutual trust among the general public, Governments and investors, and advocating for the highest ethical standards and professional practices in the investment industry.

**From global to local.** Supporting sustainable and resilient societies in urban and rural communities, it is worth noting that while the "city" may be considered a valid laboratory where the freshest and, brightest and most innovative ideas for achieving the proper organization, sociability, business and invention that include each generation, community and neighbourhood, it fails to address the perennial problems of urban life, such as health, education, housing, infrastructure, energy, governance and so on. The "city" is also the place where great wealth and crushing poverty exist side by side. Cities are especially the most threatened by the

**TRUST IS A CRITICAL CORNERSTONE OF PROMOTING SUSTAINABLE DEVELOPMENT AND RESILIENT SOCIETIES**

**LOCAL ANSWERS ARE NEEDED, BY POLITICIANS IN PARTICULAR, FOR GLOBAL ISSUES TO BE SOLVED AND ESPECIALLY FOR THE ERADICATION OF POVERTY THAT CIFA FULLY SUPPORTS**

march of robots. More importantly, the deindustrialization that rich countries have undergone through massive technological change has created a class of people who are economically left behind, a class that is rebelling against the liberal economic and political order. There cannot be economic growth when the social contract breaks or politics fail. As a consequence, local answers are needed, by politicians in particular, for global issues to be solved, and especially for the eradication of poverty that CIFA fully supports. Urbanization has essentially failed to deliver happiness to those attracted to cities with hopes of riches, while rural communities instead have the best potential to create equitable and sustainable development. Should urbanization be reversed? No. Rural development should be strengthened with appropriate policies and legislative coherence aimed at acknowledging the importance of small and medium enterprises to the whole economy.

**Ideally, both urban and rural communities should cooperate for the common good: Build a resilient economic and financial framework aimed at eradicating poverty across the globe.** Let's retain that in its main activities, CIFA has connected with several SDGs goals such as those on: end poverty in all its forms (SDG1), equitable quality education (SDG 4), empower all women (SDG 5), decent work and economic growth (SDG 8), reduce inequalities (SDG 10), responsible consumption and production (SDG 12) and revitalize the global partnership (SDG 17). CIFA has committed to shift private finance towards sustainable development objectives. Following the spirit of the High-level Segment's theme CIFA delivers sustainable development outcome and at the same time demonstrates transparency and accountability to urban and rural communities alike. ■

# 8th UNAOC GLOBAL FORUM
# UNITED NATIONS ALLIANCE OF CIVILIZATIONS
**NOVEMBER 19-20, 2018 EVENT**

# "PARTNERSHIPS THAT WORK: LEVERAGING THE PRIVATE SECTOR AND CIVIL SOCIETY IN PEACEBUILDING EFFORTS"


# CIFA: FAITHFUL SPONSOR OF UN WPFA

**MARCH 1, 2019 EVENT**




2019 ANNUAL AWARDS LUNCHEON
FRIDAY, MARCH 1st
HELD AT THE UNITED NATIONS HEADQUARTERS


# UN WPFA

## MARCH 1, 2019 EVENT




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.


# CIFA APPOINTS MRS. POPPY DARSONO AS GOODWILL AMBASSADOR TO INDONESIA FOR THE UN SDGs

**JAKARTA, NOV. 18, 2019**


IN RECOGNITION OF HER PROFOUND COMMITMENT TO THE ECONOMIC PERSPECTIVES OF THE 2030 AGENDA AND THE UN SDGs, ON WHICH CIFA IS FOCUSING THROUGH GLOBAL PARTNERSHIPS' DEVELOPMENT AND INNOVATIVE FINANCE.

# IN HONOR OF MRS. POPPY DARSONO


C I F A
THE CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
PROTECTION OF PRIVATE PROPERTY
www.cifango.org

# IN HONOR OF MRS. POPPY DARSONO



# PROPER FINANCIAL ADVICE IS GOOD FOR YOUR WEALTH

**GARRY HEATH**

DIRECTOR GENERAL
IFAA



The above heading is not a statement of hope. It is statement of fact, one which is backed up by studies from all over the world.

In Canada, a study by Professor Claude Montmarquette for Cirano, looked at 10,000 households and concluded that consumers who used an adviser over a 15 year period had assets 173% higher than those who didn't.

Meanwhile in London, ILC-UK decided that advised clients were 8.8% more likely to save and, over a period of seven years, both increased their assets by £12,363 and their pension holdings by nearly £31,000. They also realised that homes in which the family was "just getting by" benefitted as much as the wealthy.

Vanguard, again in the UK, discovered that advised clients netted 3% more than those who self-advised. In the US, Russell Investments demonstrated that an additional 4.08% of benefits derived from taking advice. In South Africa and Australia, research has also identified the benefit of advice.

All of these studies have been produced in recent years, contain solid research across a wide spectrum of consumers, and are based on facts.

So, you would think that advice would be the central part of any Government's approach to its consumers and the financial service industry. Not always so, as we will discover.

The UK has been the world leader of independent financial advice for decades, with more than 70% of market share being delivered by independent advice companies, not banks or insurance companies.

But UK advisers have been poorly served by EU regulation, which has applied the same set of rules on them as European banks. These regulations have proved to be prohibitive, constrictive and preventative in

**IN THIS WORLD, INDEPENDENT PROFESSIONS ARE SUBJECT TO DISTRUST, AS IS ANYTHING NOT RUN BY GOVERNMENT.**

terms of investment and growth, stifling the UK advice market. And now UK advisers have also been hit by a change in attitude towards them by those in government, both home and abroad.

### The impact of "We Know Best"

Winston Churchill said that *"If I had my way, I would write the word 'insure' upon the door of every cottage and upon the blotting book of every public man, because I am convinced, for sacrifices so small, families and estates can be protected against catastrophes which would otherwise smash them up forever".* For Churchill, saving and protection was the central part of his Government Policy as it was seen as being part of the public good.

Sadly, modern politicians do not share this wisdom. Unlike Churchill's Government, which traditionally consisted of people who had experienced life before politics and had given themselves over to public service, we now have governments made up of professional politicians whose experience outside politics is generally minimal.

For them, any previously accepted maxim – however wise – only exists to be changed. This change will be described as progress, even if the progress is backwards. In this world, independent professions are subject to distrust, as is anything not run by government.

In 2000, the Tony Blair government took the decision to make regulation "independent" of government. This allowed regulators to set their own agenda, budgets and rules without any meaningful oversight from Parliament. Checks and balances were effectively removed. Disputes were no longer settled by a tried and tested legal system, but instead by an Ombudsman which decided what was and wasn't fair, with little or no right of appeal.

In 2008, the UK regulator then decided to create the Retail Distribution Review (RDR). It regarded the existing system of commission based recompense as being open to abuse, although no evidence of this existed. It therefore removed from consumers the option to use commission from product providers to pay for the adviser for any advice they had received. It also increased the standard and amount of academic qualifications required for advisers to practice, regardless of their experience.

Adviser and consumer bodies fought against the idea, pressing the UK Government to delay or cancel it. They recognised that the number of clients willing and able to pay up front fees would profoundly reduce the availability of advice, particularly amongst those "just getting by".

But, in spite of the growing opposition to RDR from industry professionals and consumer groups, the regulator pressed on, removing the commission fee structure, thereby pushing advisers into a fee-based business model.

The results, particularly for those consumers in 'Middle England', were catastrophic, although it would be many years and would take a number of reports before the UK regulator would acknowledge it. One set of reports in particular finally brought the issue to a head and highlighted the true cost of RDR to the UK public.

The Heath Reports, undertaken by long-time industry stalwart and trade association boss Garry Heath, researched the impact RDR had on both the consumer and the industry itself. While acknowledging the level of financial advice had undoubtedly gone up, the resultant loss of advisers, the lack of availability, and the public's inability to afford to pay for advice resulted in millions of consumers being excluded from the market.

IT HAS BEEN THE "INDEPENDENT" STRUCTURE OF REGULATION THAT HAS ALLOWED THIS TO HAPPEN.

### The Numbers

The Heath Reports look at the availability of advice for UK consumers, comparing statistics and figures from before RDR in 2008 with those taken post-RDR.

Two streams were used in establishing the capacity of professional advice.
Firstly, the number of regulated advisers active in the UK was multiplied by the average number of clients serviced by each adviser. This is called the Ratio, and it gives us the current market capacity.
Secondly, we look at the reasons why these numbers exist. We explore the way advisers work and whether, by working smarter, they could satisfy a larger number of consumers. That allows us to predict trends in the sector.

**The Heath Report 1** identified the base figures for the professional adviser sector. This created the historical norm. The UK had 60+ million people. 40m were either of working age or retired which made them the potential market for advice. These 40m potential advice clients were further split into the 23m who are taking advice and the 17m who are not.

Finally, the 23m advised were then split between the 17m who were being serviced by professional advisers, and the 6m who obtained their advice via banks and insurance companies.

This saw professional advisers covering 43% of the advisable market and the banks/ insurance companies 15%. The final 43% did not seek advice on financial products. Some of these may have been self-advised. But the majority probably did not have the disposable funds or the inspiration to save or protect themselves from the future. These are the very people Winston Churchill was seeking to include.

Remove the unadvised from the equation, and professional advisers had 74% of those willing to be advised with banks and others stood at 25%. These figures broadly reflected the way product providers sourced business.

When RDR was finally confirmed in 2008 it created three reactions. Advisers faced with a fee-only environment cut their client banks, keeping only those willing (and able) to pay, which were inevitably their most wealthy clients. This saw the Ratio virtually halved, from an historical 403 per adviser, to just 208.

In addition, when faced with a fee-only business model with additional qualifications required just to maintain their position, the number of advisers operating in the market dropped by 6,500 from its historical high, with those advisers close to retirement opting to bow out early.

**NO ONE IN GOVERNMENT IS TAKING RESPONSIBILITY FOR THE CONSEQUENCES.**

These two factors alone caused the capacity available to professionally advised clients to drop from 17m to 7m by 2015. In addition, with the banks and insurance companies withdrawing from the market due to the increased costs of recruitment and training, another 4m ex-banking advice clients found themselves disenfranchised as well.

And so, by 2015, the UK regulator had effectively disenfranchised 14m of the 23m wishing to access financial advice by imposing measures which reduced capacity and saw the costs of offering that advice rise considerably.

**The Heath Report 3 (THR3)**, produced four years later in 2019, revisited, revised and updated those figures. It established that, whilst adviser numbers had stayed broadly the same, the ratio of clients to advisers had dropped further to just 160, thus removing advice from another 3.5m consumers – a total of 17.5m.

It has been the "independent" structure of regulation that has allowed this to happen. Meanwhile, no one in government is taking responsibility for the consequences. Indeed, a ticking time-bomb has been created which will be left to the future generations to diffuse.

The regulator has long argued that alternatives to the current system are required. They claim that the growth of the Internet and technology will ultimately fill the void for the masses requiring financial advice. They have based many of their hopes on Robo-Advice. But those companies trusted to bring it to the market have so far failed to deliver. And with major players losing money and withdrawing from the marketplace, the regulator's utopia of simplified advice for all is looking impossible to achieve.

### What Else has The Heath Report 3 Discovered?

We also look for trends that will impact the future availability and viability of Financial Advice.

In addition to the growing number of disenfranchised consumers, one of the biggest issues THR3 uncovered was the recruitment and retirement plans of current advisers.

Historically, the average annual retirement number has been around 600 advisers. This figure was broadly balanced by new advisers. But our survey discovered that the average age of advisers is now at the upper end of the career spectrum, with the current crop of advisers expecting to retire at a rate of 1,650pa. Few adviser companies currently operating have long term plans in place to recruit, train and replace these advisers at a rate which will maintain the market, let alone expand it.

As we have far more potential clients than advisers willing or able to service them, the Ratio is set to drop even further over the next five to ten years.

We not only need to replace retiring advisers but we, as a profession, actually need to increase the number of UK advisers available. A Government scheme is currently in place to encourage adviser firms to recruit and train which will undoubtedly help. However, our "independent" regulator is seeking to remove it, citing issues with "benefits in kind".

**So, what can be done?**
The world is changing. Whether it be the election of Donald Trump or Boris Johnson's Brexit, voters have shown that they have had more than enough of "We Know Best" brigade which has dominated UK politics since the 1990s. Those professional politicians who had collective opinions based on minimal practical knowledge, now find themselves faced with a questioning electorate.

This is not, as many regulators want to believe, a short-term phenomenon, but the reinstatement of the previous status quo brought about by the banking crisis, worldwide recession, austerity and a European Union which has failed to grasp how those that live within its borders view those who run it.

Advisers also have an important role to play. They need to explain to the public what they do, and how good their advice is for them personally. They must concentrate the minds of their clients on their financial futures early on in life. The profession must also recruit and train at least double the current number of advisers – just to pick up those who want financial advice, but are unable to access it.

Advisers also need to understand that they need to protect their clients from the actions of regulators and Governments. They must show willing to fight for their future by supporting those bodies that wish to protect them. Apathy and inactivity has led us down a path laden with doom and gloom. It's not too late to reverse the trend and do something about it. Yet.

But, if we leave it much longer, it soon will be. ■

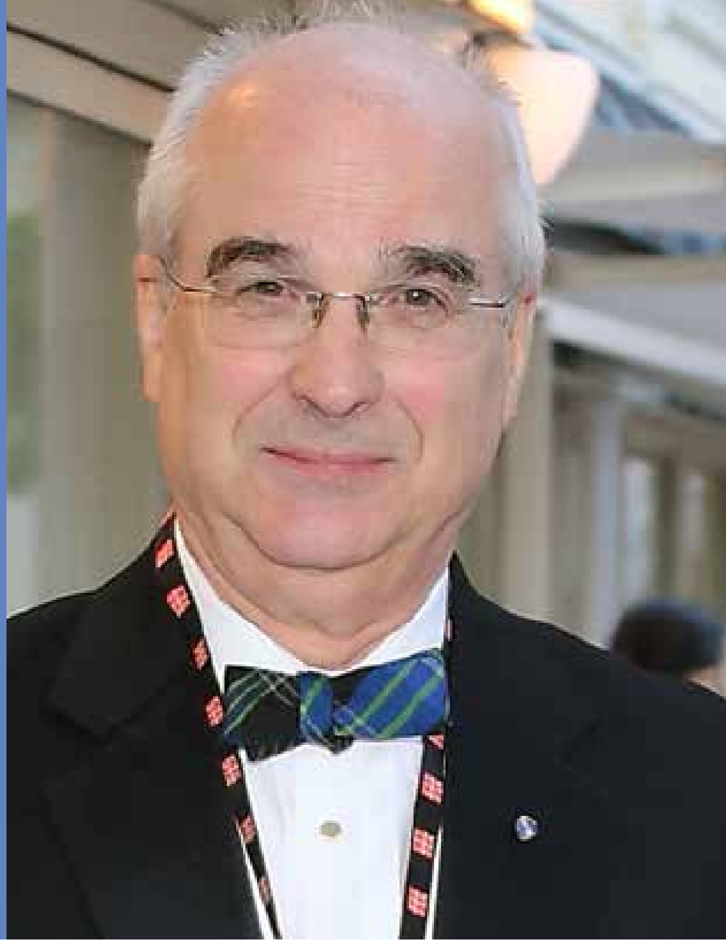
ADVISERS NEED TO UNDERSTAND THAT THEY NEED TO PROTECT THEIR CLIENTS FROM THE ACTIONS OF REGULATORS AND GOVERNMENTS.

# PRINCIPLES FOR CIVIL SOCIETY

**STEPHEN B. YOUNG**

GLOBAL EXECUTIVE DIRECTOR OF THE CAUX ROUND TABLE FOR MORAL CAPITALISM

■ **UP IN THE NEWS—OPINION**



### INTRODUCTION

Persuaded by experience that a person's moral sense contributes to success in business endeavors, in 1994, the Caux Round Table (CRT) published its ***Principles for Business*** as a world standard against which business behavior could be measured.

The CRT Principles do not only reflect a concern with the ways business is done, but also with its objectives. Although the prime responsibility for creating a just society does not lie with corporations, it is the firm belief of the CRT that corporations can and should make a contribution to this objective, reflecting their role and position in society.

In our world, it is governments that primarily have a duty to create the fundamental conditions for establishing a better world in terms of the requisite laws and public goods, such as security, health, safety, equity, education, infrastructures for communication, technology, transportation, et cetera. To support governments in this respect and to help them focus on the core elements of doing their jobs well, the CRT advocates certain ethical ***Principles for Government***.

The reason for developing the ***Principles for Government***, in addition to the 1994 ***Principles for Business***, lies in the belief of the CRT that business and government need to co-operate and co-ordinate their efforts if prosperity is to be created for the benefit of all. The CRT principles derive from two ethical ideals: "Kyosei" and "Human Dignity." The Japanese concept of "Kyosei" means living and working together for the common good, while the moral vision of "Human Dignity" refers to the sacredness or value of each person as an end in itself.

*The rise of Civil Society Institutions*

Recognizing that while both business and governments are quintessential in the promotion of a better world, the set of responsible, global actors is not complete without referring to the role and responsibility of the third major player in a dynamic world: civil society.

Especially in the United States, Canada, Australia and the European Union, Civil Society Institutions (CSIs), including pragmatic, issue-oriented, non-governmental organizations (NGOs), are a basic form of participation and representation in the world today. They include organizations and corporations that provide funding for projects and initiatives; higher education, such as colleges and universities and research institutes; and advocacy agendas and development of norms, values and thought leadership. Churches can function importantly as CSIs. Some NGOs are known on a national or international level, such as CARE, Oxfam, Save the Children, Médecins sans Frontières, Friends of the Earth, Greenpeace, Amnesty International, Transparency International and WWF. Hundreds of thousands of CSIs actively promote their objectives and, as they see it, appropriate objectives for society – be it local or at large. A vast majority, however, are and will always be unknown to the general public. There is no way to reliably estimate the numbers of NGOs in the various countries around the world, although one thing is sure: the numbers have vastly grown over the years.

In the world of today, it is a good thing that civil society has organized itself to counter and balance the dominant economic and political forces of business and government. CSIs – as part of civil society – play an important role in stimulating business and government to become more transparent in their operations and the direct and indirect effects of these operations. As CSIs develop and deploy cultural, social, political and economic power, they encounter the obligation to engage with their stakeholders, just as businesses should and to be responsible in the use of that power as we expect governments to do.

In challenging their counterparts, it is evident that what CSIs demand corporations and governments to do – that is, become more transparent and accountable – also applies to their own behavior. Based on the notion of reciprocity, CSIs may, therefore, expect to be questioned on, for instance, the legitimacy of their causes, the representation of their audiences or the efficacy of their programs, projects or actions.

Many CSIs have become large and financially as wealthy as many corporations. Their management, by appropriate ethical principles, can be enhanced by experiences drawn from business, with regard to the CRT ***Principles for Business***. Further, many CSIs seek to partner with businesses, seeking from business both financial contributions and like-minded engagement in remediation of environmental, social, cultural and other aspects of civil society. Businesses much prefer to partner with those CSIs that adhere to high standards

**THE JAPANESE CONCEPT OF "KYOSEI" MEANS LIVING AND WORKING TOGETHER FOR THE COMMON GOOD.**

**THE MORAL VISION OF "HUMAN DIGNITY" REFERS TO THE SACREDNESS OR VALUE OF EACH PERSON AS AN END IN ITSELF.**

of ethics, transparency and accountability in the conduct of their affairs. Business expectations of CSI performance can be met by implementation of ethical principles specially designed for CSIs. By following such principles, CSIs can more easily win the trust of business, public officials and the general public.

*Definition of NGOs*

The multitude of CSIs and the wide variety of causes they promote and activities they undertake in a social space that is not exclusively for-profit, nor legitimated by public authority, make it hard to define what a CSI is. A definition may, however, not be necessary to describe their function in society. It is assumed that CSIs function to serve cultural, intellectual, social or environmental objectives, empower people, engage in advocacy for change and provide services. In doing so, CSIs have formal characteristics aimed at their survival as an organization. They are or aspire to be self-governing on the basis of their own constitutional arrangements. They are private in that they are separate from governments, while at the same time, not being focused on extracting profits from market transactions. Their objectives usually have a time frame of at least a few years. Often, the time frame is longer, like in the case of respecting human rights, defending the rain forest or combating poverty. Primarily, they draw their financial means from the private sector through donations from businesses, individuals and philanthropic foundations, though many engage in revenue generating events as well, which takes funds from the private sector in a different way. Some are supported by government grants or payments for the provision of public services, such as education or health care.

CSIs combine aspects of government, either through the source of their funding or in their advocacy of specific public goods. With aspects of business, they are privately owned and managed and must respond to the market demands of prospective donors in securing financial support. CSIs are quasi-public corporations, but are free of direct responsibility to the public, either as voters or as consumers. Thus, a set of ethical principles reflective of the unique hybrid public/private nature of CSIs is an appropriate complement to ethical guidelines for the use of power by governments and private businesses.

*Principles for Civil Society Institutions*

To further dialogue on CSI responsibilities – and as a contribution to a wider public debate – the CRT proposes a set of ***Principles for CSIs.*** More than a strict set of rules, the Principles set out a number of topics that may require attention and reflection from the CSI community and their stakeholders for the sake of a more just social order emerging through the dynamic interaction of business, government and civil society.

## PRINCIPLES FOR CIVIL SOCIETY INSTITUTIONS

A Civil Society Institution (CSI), whether an educational, charitable, service or advocacy organization, must recognize that it is a quasi-public entity, entrusted with resources and reputational prestige to achieve meritorious objectives aligned with the common good.

### FUNDAMENTAL PRINCIPLE

*Integrity*—The actions of a CSI – whether small or large, local or global – will be consistent with its core service aspirations. Its leadership and staff will not use their positions for personal advantage of any kind, including inappropriate, personal financial gain.  Fidelity to their trust and due care in the execution of their mission are the hallmarks of responsible CSIs.

### DERIVED PRINCIPLES

*Public Benefit*—A CSI will recognize that it and all its actions and endeavors reflect the interests and values of the people who fund, organize, operate or in any way, support the organization, as well as the social, cultural, political, economic and environmental interests that such people seek to serve.     A CSI serves privately selected, but publicly acknowledged goals and objectives of common benefit and idealistic inspiration.  A CSI should promote a wider cause than its own continuity by seeking to achieve that which has wide social, cultural, community, environmental or historic benefit or otherwise contributes to social or natural capital.  In doing so, it must be aware of how its actions affect the peoples, communities and natural resources it seeks to promote or preserve, as well as the quality of life for society as a whole.
To sustain its status as providing quasi-public benefits, a CSI will always be open for dialogue and good faith engagement with objectivity, research and a diversity of moral and ethical points of view.

*Transparency*—Every CSI has a mission for which it mobilizes support, influences governments, international organizations and corporations, raises funds, educates the public, dedicates resources and represents its members, its beneficiaries, its donors or its stakeholders in a wider sense.
To the extent that a CSI influences other parties in society to further its objectives, it will – as a mark of the quality of its approach – be transparent regarding:

- its mission and objectives
- its values and principles
- its governance
- its actions
- its means to achieve its objectives

Scrutiny is only restricted to protect legitimate expectations of personal privacy or to sustain the confidentiality that is required in the organization's daily operations.

**A CIVIL SOCIETY INSTITUTION (CSI) IS A QUASI-PUBLIC ENTITY**
**...**
**TO ACHIEVE MERITORIOUS OBJECTIVES ALIGNED WITH THE COMMON GOOD.**

**A CSI EXERCISES AND DEMONSTRATES A GENERAL RESPECT FOR THE LAW, INTERNATIONAL AS WELL AS NATIONAL.**

In addition, in dealing with governments, corporations and international organizations, a CSI is to be always clear and honest about the interests it represents and the extent to which it speaks on behalf of members, donors, beneficiaries or other stakeholders.

*Participatory Governance*—A CSI will recognize that it is an active and participatory process of freely chosen commitments through which individuals express themselves and contribute their efforts and financial resources to bring about specified public benefits. The governance of a CSI will, therefore, abide by the highest fiduciary obligations of transparency, accountability, loyalty and due care in decision-making and fund management. A CSI will communicate on a regular basis with those parties it represents, its stakeholders and will provide those to whom it owes duties of representation with sufficient opportunities to react to its objectives, activities and communications. Those touched by the actions of a CSI - its stakeholders - must be in a position to take cognizance of, assess and influence, a CSI's constitution, structures and systems, intentions, activities and impact.

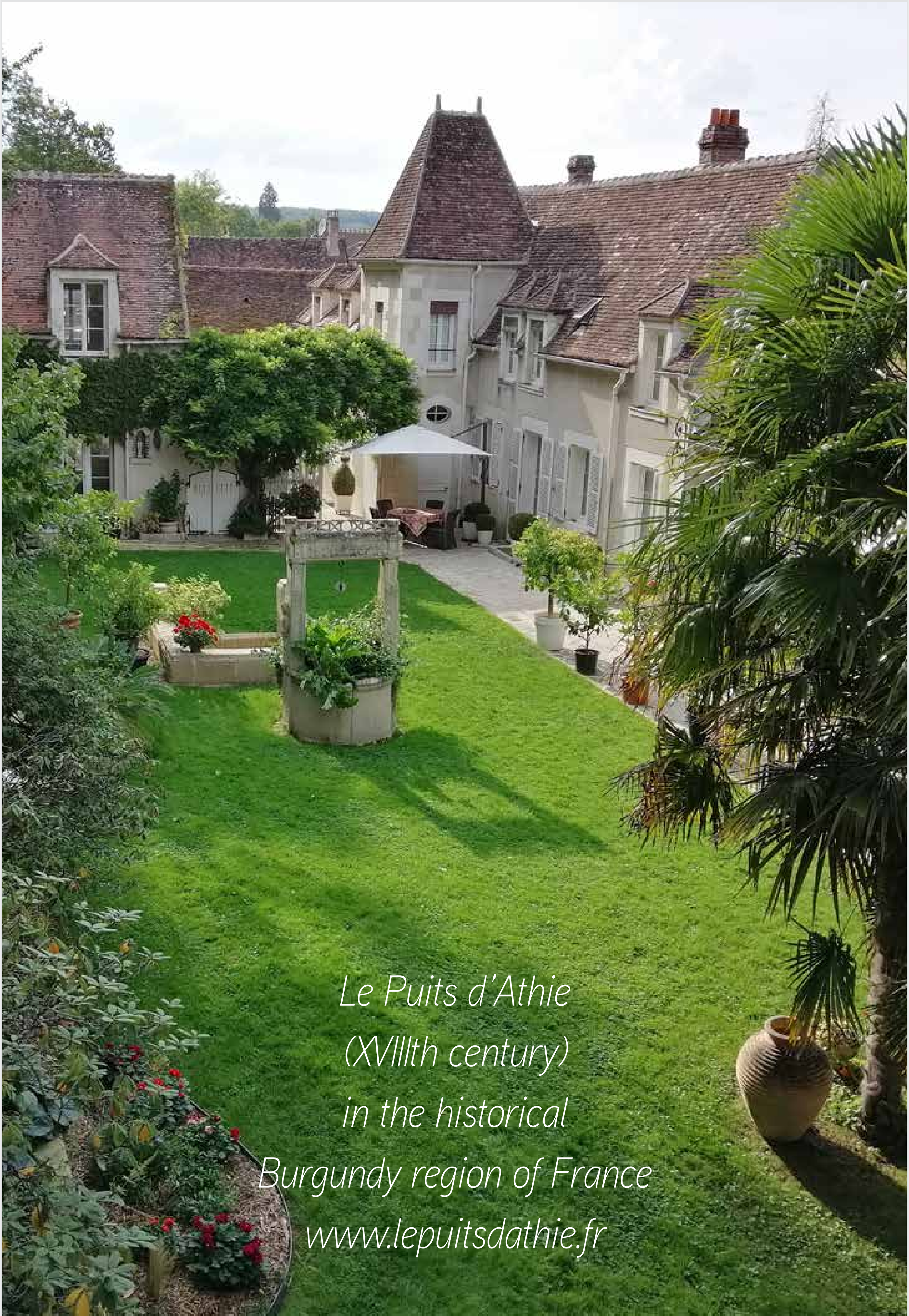
*Independence*—A CSI will disclose all legal, organizational or financial ties with corporations, governments or other special purpose organizations or individuals that may materially affect its intentions, activities and results of operations.

*Respect for the law*—In its operations, a CSI exercises and demonstrates a general respect for the law – international as well as national. It takes notice of all legal issues and obligations relevant to its decision-making. In case a CSI decides to ignore legal obligations, it will be accountable for the decision taken.

*Care*—A CSI will recognize that its policies and activities are a legitimate subject of public comment and analysis. It is, therefore, willing to engage in reasoned discourse regarding its mission and objectives, values, principles, governance, actions and means used to achieve its objectives. When engaging in advocacy, a CSI will always, in good faith, present accurate facts and truthful information. When planning its actions or executing its policies, a CSI will demonstrate enlightened care and concern for those whose interests will be affected by its contemplated actions. In case a CSI inflicts damage upon a government, international organization, corporation, or other party, it will be accountable for its actions.

*Accountability*—A CSO will produce on a regular basis – but no less then once a year – a public (web-based) report on activities it has undertaken to realize its mission and its stated objectives. The report contains adequate and sufficient information for the stakeholders to take cognizance of and to evaluate the CSO's:

- organization
- activities
- programs
- fund raising
- financial performance. ■


Le Puits d'Athie
(XVIIIth century)
in the historical
Burgundy region of France
www.lepuitsdathie.fr

# WOMEN ADDRESSING THE WORLD'S BIGGEST PROBLEMS

**CHANTAL LINE CARPENTIER**

CHIEF OF UNCTAD NEW YORK

**TESS MATEO**

MANAGING DIRECTOR, CXCATALYSTS

■ UP IN THE NEWS—OPINION

The views expressed are those of the author and do not necessarily reflect those of the United Nations

In 2015, leaders of 193 countries, thousands of companies and civil society organizations agreed on the world's biggest problems and established 17 sustainable development goals (SDGs) to address them in the 2030 Agenda for Sustainable Development. With a vision of 9 billion people living well within the earth's limits by 2050, upward of $25 trillion dollars will be spent in the next two decades on achieving the SDGs. But, who is best positioned to take advantage of these new opportunities? Who should steward this massive investment?

Because women uniquely reinvest their earnings into their families and communities, and tend to design, create and innovate with purpose, we suggest as an "equality moonshot" that females capture at least 30% of the wealth and investment associated with achieving the SDGs. In this way, the world resources are owned and controlled by a more balanced and representative group of peoples that will empower more gender and cognitively diverse teams, which deliver greener and more inclusive economies.

**How can women business owners access these opportunities?**

- Get smart on the 17 SDGs because more companies are using them to align their strategies or as a framework of engagement. Green, socially responsible products and services, including access to basic services such as water, energy, sanitation, health in developing nations, just got a boost. Determine how your company's products and services can be aligned with these. For example, companies like Pepsi, Unilever, Ford, Citi and SAP are not only working to improve their environmental and social impacts, but also developing solutions to help others do the same. To achieve gender equality, these companies have also committed to procure from and support women-owned businesses.
- Don't fear but instead own the 4th Industrial Revolution (4IR), where digital, physical and virtual worlds are converging. Learn how you can use the 4IR technologies, like artificial intelligence, blockchain, or Internet of Things to improve your SDG solutions.

Exponential growth that defines 4IR is new to everyone, so women can create new business models centered on more purpose-driven products and services. Despite any discomforts with new technologies, women must ensure a human-centered 4IR. And with better access to financing through the #equalitymoonshot, women may be more compelled to study and remain in science, technology, engineering and mathematics (STEM).

- Act now. The Club of Rome meta-analysis of all the climate and SDGs studies to date finds we only have a dozen years to address greenhouse gas emissions and only one path left to a sustainable future by 2050. It requires five transformational strategies: (1) transition to renewable energy, (2) doubling productivity of sustainable food chains, (3) new development models, (4) reduced inequality gap, and (5) quality education and healthcare for all underpinned by gender equality.

**How to ensure women have access to these opportunities?**

- As entrepreneurs, align existing or start and grow businesses that help solve big problems using the best and most advanced technologies.
- As consumers and investors, use our wallets to drive change. Buy from/invest in women-owned companies, or at least from companies supporting women and girls. And boycott those who don't. Money talks.
- As business owners, promote other women-owned businesses and ask them to promote yours, because studies show that women are held to different standards than men and are penalized for "touting" their own horn.
- As mothers, change gender norms. Inspire girls to study STEM and pursue wealth-creating opportunities. We need to build a pipeline of future female Bill Gates and Elon Musks.
- As citizens, make your vote count, run for office, or at least amplify the message through social media and campaigns like #SeeHer, #SheHeroes, *"If they can see it...they can be it."* Recruit others to demand and pursue our collective #EqualityMoonshot.

In many parts of the world, women's influence in politics is increasing and now we must use our collective powers to also influence businesses and economies to achieve an equality moonshot of females capturing at least 30% of the investments and wealth related to the trillions that will be spent in the next two decades in achieving the SDGs. Women should not only align or start businesses that help solve the world's biggest problems using the latest technologies, but also relentlessly remind corporations and governments committed to achieving the SDGs that they must increase their spending and investments in women and girls and the ecosystem that empowers them. When the world resources are owned and controlled by a balanced, diverse and representative group of peoples, no one will be left behind. ■

**WOMEN UNIQUELY REINVEST THEIR EARNINGS INTO THEIR FAMILIES AND COMMUNITIES, AND TEND TO DESIGN, CREATE AND INNOVATE WITH PURPOSE.**

**JULIEN BENOMAR**

DIRECTOR OF THÉSÉE CONSULTING

# THE RESPONSIBILITY OF THE POLITICIAN FACING VOTER PARADOXES

■ UP IN THE NEWS—OPINION

Julien Benomar is Director of Thésée Consulting consultancy and evaluation firm; Speaker at the Sorbonne Business School; Member of the International Association for Research in Public Management (Airmap)

Milan Kundera said about the poll that it "has become a kind of superior reality; or to put it another way, it has become the truth." Perhaps sharing this opinion, the Chamber of Deputies of the Grand Duchy of Luxembourg commissioned, in October 2018, an opinion survey to TNS-ILRES in order to shed light on the motivations that could guide the choices of the Luxembourg electorate.

The survey brought to light many surprising results, such as the fact that 40% of voters make their choice only in the last week before the election. It also revealed some contradictions, which we propose to call "the voter paradoxes".

There are many of these paradoxes and they touch on all the themes covered by the study.

Thus, the environment is identified as the second concern of voters (after housing) while 71% of those interviewed are opposed to measures allowing its preservation (increase in the price of gasoline, imposing a limit on the number of lanes on the highway and promoting carpooling, etc.).

Similarly, the desire for better social protection is expressed by 76% of those consulted, while 70% of this same panel are against concrete measures able to promote this solidarity effort, such as increasing the number of years of contribution.

Support in principle for the European project was also a clear success, while a majority of the panel called for greater state interventionism (65%), national preference for employment (59%) and a greater emphasis on the Luxembourg language.

Finally, 83% of the voters interviewed favor a reduction in the tax rate on small and medium-size enterprises (SMEs) as well as higher taxation of large companies, while the majority support the government's tax policy in favor of large international groups (so-called "tax ruling" trade agreements).

Faced with the dichotomy between declarations of principle and adherence to concrete measures that make them possible, the politician is faced with a difficult choice: either assuming the role of a "populist politician" by flattering the electorate with non-binding promises, or adopting the courageous posture of a statesman by alerting the population to potential future problems and committing themselves to concrete measures likely to contribute to a better future in the long term, but offending part of the electorate in the short term.

Consulted on this aspect, Mr. Claude Wiseler, President of the CSV parliamentary group, which won the last parliamentary elections in Luxembourg, confirmed that there is a significant risk in "speaking the truth" during an electoral campaign because a disguised lie is often more pleasant to hear than an inconvenient truth. However, the election naturally is a perilous but indispensable stage for those willing to adopt the posture of a statesman.

**"CRISIS", IN CHINESE, IS COMPOSED OF THE IDEOGRAMS WEI (DANGER) AND JI (OPPORTUNITY).**

According to the former Minister, it is also not wise to hide one's real reform intentions during the campaign (in order to avoid electoral sanction), as the implementation of difficult reforms not clearly stated before would inevitably lead to (a) popular disapproval, and (b) the reformist government forced to back down by renouncing them.

The conclusion of the Luxembourg parliamentarian was then that, beyond the responsibility of politicians, the economic and social environment plays a crucial role in the capacity to reform. It appears, indeed, that a period of crisis is not only propitious but often indispensable in order for voters to be predisposed to reform. It is then perhaps no coincidence that the term "crisis", in Chinese, is composed of the ideograms Wei (danger) and Ji (opportunity).

A politician trying to convince people of the need to change certain behaviors when the economic and social environment are favorable (or acceptable) would be contradicted by the population, either during the election or during the exercise of power. Conversely, reforms that are not proposed could end up being accepted when an economic crisis make them indispensable. Thus, it is not the reform as such that poses a problem, but the ability to anticipate it that may prove counterproductive.

The conclusion not formulated by the former Minister, but which could be drawn from it, is that the economic crisis has become, within our western democracies, the indispensable element igniting the spark of reforms.

Another paradox... So, look forward to the next crisis? ■

**VANIA FRANCESCHELLI**

VICE-PRESIDENT OF FECIF, BRUSSELS

AFFARI ESTERI OF ANASF, ITALY

# THE FUTURE RESTS ON EDUCATION

■ UP IN THE NEWS—OPINION

Financial literacy and education are key elements of the path to economic growth and social inclusion in the European Union. At the same time, it is important to remember the 2030 Agenda for Sustainable Development, adopted on 25 September 2015 by Heads of State and Government at a special UN summit, which includes 17 Sustainable Development Goals (SDGs). The 2030 Agenda, a world-wide landmark achievement, highlights the importance of ensuring inclusive and equitable quality education and promotes lifelong learning opportunities for all, as it is recognized by its Goal 4.

Nowadays an increasingly important aspect of education concerns financial literacy and education. To begin with, it is necessary to make a distinction between the two concepts. According to the OECD, financial literacy is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being; whereas financial education is the process by which investors improve their understanding of financial products and services and, through information and objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their well-being.

If we consider the European context, the EU contains in itself the world's best performers (Nordic countries) as well as the countries that score below global average (Romania, Portugal) in financial literacy rankings. Also, for Italy the results are not encouraging; according to a G20 report on adult financial literacy with questions surveying knowledge, behaviour and attitudes in financial topics, Italy ranked only 19th. This evidence shows that there is still considerable scope for improvement, especially in Southern and Eastern European countries.

Financial literacy and education should therefore be an integral part of the policy agenda of the EU institutions and Member

States, as they can help tackle some critical social problems. The first one is the pressure on the pension systems, caused by a rapidly ageing population, which requires empowering occupational and personal insurance systems. Another critical issue is mortgage-debt and its impact on the total debt of households. Finally, financial literacy is functional to inclusive growth.

As more and more EU citizens are asked to make their own decisions about such issues, financial literacy is vital for their life-time welfare. All these problems are especially sensitive in the case of young people and their future, both as investors – especially when they have to plan their savings for retirement – and as household owners.

Europe is facing a serious problem of an ageing population, especially in some countries such as Italy. This problem is also evident in the financial sector. Investors and their financial advisors are getting older year by year. According to the statistics of Assogestioni—the Italian association of asset managers—the average age of people investing into mutual funds is 60 (2018), with a general increase over the past; it was 52 years in 2002 and 58 in 2013. In 2018 the share of investors between 26 and 35 years has consequently decreased from 15% to 6%. Similarly, the average age of Italian financial advisors is 51 (2018), whereas only 11% of them are under 40.

This evidence clearly shows that it is necessary to promote financial education and advice among young people, both as potential investors and financial advisors. Financial education, being pivotal towards delivering fundamental social values, can be described as a process which enables citizens to enhance their knowledge of financial concepts and products, understand the risk-return trade-off and find the most suitable solutions to their needs and dreams. This process shall be considered a life-long activity which should begin at a young age.

The starting point is financial planning, based on a life-cycle perspective. Financial advice can be seen as a fully-fledged service which complements financial education, as it is aimed at providing citizens with personalized and integrated solutions (investment management, tax planning, retirement, family and health protection) according to a life-cycle perspective. However, financial education and advice can perform their social roles and achieve their inclusive goals only if we consider that, according to the above-mentioned statistics, it is crucial to get young people involved with tailored initiatives. For instance, policy incentives aimed at promoting job opportunities in the financial sector are vital for the future of the profession of financial advisors. At the same time, financial education needs to be promoted, starting from school age.

Italy provides some positive examples. Since 2009, ANASF and PROGeTICA have been organizing **"Economic@mente® - Metti in conto il tuo futuro"**, a financial education programme for high school students. Economic@mente® provides students with a set of skills, based on their personal experiences, in order to teach them how to manage their future savings throughout their life by means of simulations, practical classes and tests.

In light of this evidence, the framework is crystal clear. It's time to act and everyone is called upon to contribute. ■

# SUBORDINATED DEBT

## THE OPPORTUNITY HIDDEN IN NEGATIVE YIELDING DEBT


**ROMAIN MIGINIAC**

HEAD OF RESEARCH
ATLANTICOMNIUM


■ **INVESTING—EXPERTS**

Romain Miginiac, CFA, is Head of Research at Atlanticomnium. Prior to joining Atlanticomnium in 2018, Romain Miginiac was a Credit Analyst at Aberdeen Standard Investments in Edinburgh from 2016. He was a lead analyst covering a wide range of banks and insurers. He also worked at KPMG and UBS in Geneva. Romain is a CFA® charterholder.

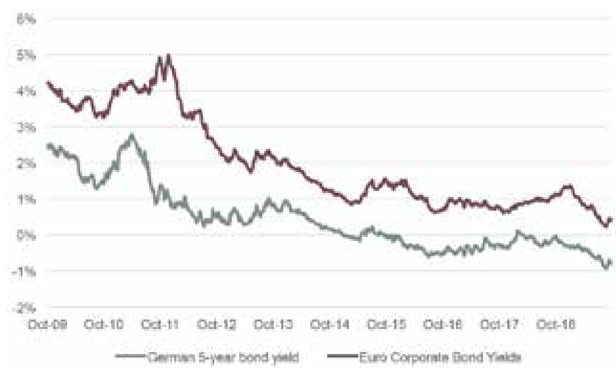
*This article was published in SAIFA's WeathGram on November 2019. (www.gscgi.ch)*

During 2018 and 2019, mounting geopolitical tensions have led to rising macro uncertainty – whether it be trade wars, Brexit or other topics. In turn, macro data prints have turned softer, with global industrial purchasing managers' index (PMI) readings weaker and consensus growth estimates downgraded, likely driven by lower global trade flows due to trade wars and the delaying of corporate investments reflecting this uncertainty.

Nevertheless, weakness in the industrial sector is counterbalanced by a highly resilient services sector due to strong domestic demand from consumers and healthy labour markets. Moreover, central banks' willingness to support the economy through interest rate cuts and asset purchase packages provides another pillar of support to the global economy.

In the eurozone, we remain in a low growth, low inflation environment. With the European Central Bank (ECB) cutting rates to a record -0.5% low and reigniting its quantitative easing programme, the outlook for interest rates looks relatively straightforward – lower for longer. As the current state of the economy stands, and with any significant rise in rates unlikely at this point, we expect euro fixed income to remain well supported. While years of highly accommodative monetary policy has supported a strong bull market in bonds, culminating in a record USD 15 trillion of negatively yielding debt worldwide[1], income yields have now fallen to record lows. With an average yield of circa 0% in euro fixed income[2], the key challenge for investors is

Chart 1: Yields on EUR-denominated fixed income have plunged as rates have fallen




*Source: Bloomberg, Bloomberg Barclays Indices. Data as of 03/10/2019.*
*Past performance is not an indicator of future performance and current or future trends.*

*1 Source: Bloomberg Barclays Global Aggregate Negative Yielding Debt Index as of 04/10/2019*
*2 Source: Bloomberg Barclays Euro Aggregate Index as of 04/10/2019*

how to generate performance in the current negative rates environment.

### Compressed risk premia offer limited relief for traditional high-income investors

Ultimately, future bond performance is a function of income yield and capital gains or losses from price performance and defaults. Therefore, investors should be rewarded for both interest rate risk (price volatility due to changes in interest rate) and credit risk (price volatility due to changes in credit spreads and default risk).

The current negative rates environment, where 5-year bonds are offering a -0.8% yield for example, has led to yield compression in most parts of the fixed income market and severely impaired the risk-return trade-off for bondholders in most bond segments.

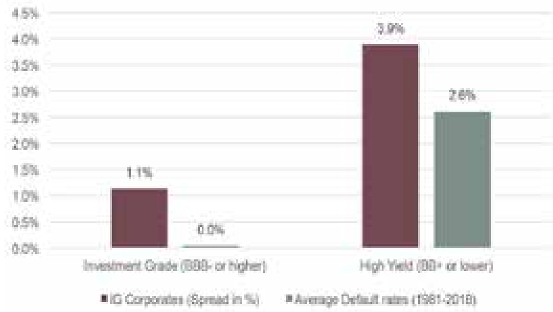
Investors can increase their duration (interest rate risk) by purchasing longer-dated government or corporate bond holdings in order to enhance income yields. In exchange, volatility increases as bond prices become more sensitive to changes in interest rates. This strategy has paid off since the eurozone crisis with a significant outperformance of 10-year+ bonds compared to shorter-dated bonds. Nevertheless, with an average yield of circa 1% on 10-year+ corporate bonds in EUR, investors are vulnerable to a back-up in rates, and income yields offer close to no protection to mitigate impacts on total returns. As an illustration, it takes only a marginal rise in rates of less than 10 bps (ie 0.1%) to offset a years' worth of income yield for investors in long-dated EUR corporate bonds.

Chart 2: Declining income yields leave investors vulnerable to interest rate risk


*Source: Bloomberg, Bloomberg Barclays Indices. Data as of 04/10/2019.*

Another strategy that has outperformed since the eurozone crisis has been the hunt for yield in sub-investment grade (IG) bonds – high yield (HY). Very low default rates, underpinned by healthy fundamentals, as record low borrowing costs support the ability to service debt, has led to strong total returns in euro HY. But going forward will investors be properly rewarded for taking significant credit risk? Headline credit spread levels remain arguably attractive at

Chart 3: Despite higher yields – high yield investors exposed to significant idiosyncratic risk over the long term




*Source: Bloomberg, Bloomberg Barclays Indices. Data as of 04/10/2019.*

**YEARS OF HIGHLY ACCOMMODATIVE MONETARY POLICY HAS SUPPORTED A STRONG BULL MARKET IN BONDS.**

circa 390 bps for euro HY in a record low rates context. However, when put in the context of average default rates for HY – we believe these are less appealing. Moreover, leverage has been rising and the recent weakness in industrial data and deceleration in growth raises questions on the future path of default rates, in our view.

### Subordinated debt – an attractive hiding place for high income investors

For high income investors unwilling to compromise on interest rate risk or credit risk, we think subordinated debt is an attractive alternative.

What is subordinated debt and why does it exist? Put simply, subordinated debt covers all debt ranking below senior debt. For corporate issuers, this is typically issued for ratings agency purposes, given the favourable treatment on leverage metrics (a percentage of the subordinated debt will count as equity). For financials, this is driven by regulation, whereby regulators allow issuers to fill a portion of their capital or solvency requirements with subordinated debt. For issuers, the advantage of issuing subordinated debt is the significantly lower cost compared to equity. As an example, the average cost of equity in the European banking sector is around 10%; however, the average yield on banks' junior subordinated perpetual debt (AT1 contingent convertible bonds (CoCos)) is currently circa 4%. Therefore, issuers have an incentive to issue junior debt, especially in the financials sector where supply is driven to a large extent by regulation.

Within the capital structure subordinated debt ranks below senior debt but ahead of equity in insolvency. As subordinated debt is lower down the capital structure compared to senior unsecured debt, recovery in case of bankruptcy is expected to be lower – a source of risk for bondholders. Rating agencies typically rate hybrid debt several notches lower than the issuers' senior debt to reflect these lower recovery rates. Nevertheless, as the probability of default is the same for both senior and junior debt, going down the capital structure of quality issuers is an interesting value proposition, in our view, as one can capture higher yields with very low default rates. Beyond being compensated for the extra risk in case of insolvency, investors are also rewarded due to the structure of the instrument. Subordinated debt instruments are often longer dated (30-year+, perpetual) which carries some additional risk. This is mitigated by (1) call features and effective maturities which are often shorter than the final maturity and (2) fixed-to-floating coupon structures, where the coupon is reset (typically to a fixed spread plus the benchmark rate – for example Libor or the 5-year government bond yield) if not called, providing protection in case of rising interest rates. Therefore, we see credit risk mitigated by a very low probability of default for high quality IG issuers and interest rate risk mitigated by bond call features and coupon structure.

The financials sector is particularly attractive, in our view, given its continuously improving fundamentals. Since the financial crisis, stricter regulation has led to a strong recovery in the sector, with capital ratios more than doubling and a significant de-risking of balance sheets. Banks and insurers have built significant capital buffers to protect bondholders in case of an economic downturn, with the sector now highly resilient. As regulation continues to evolve with Basel IV, a key piece of banking regulation that will lead to further capital accumulation, we believe the investment rationale for financials is intact.

The only caveat to investing in subordinated debt is the in-depth analysis required to navigate through the asset class; a strong understanding of issuers through in-depth bottom-up analysis is required to mitigate credit risk. Second, as instrument features vary widely, especially in the financials sector where issuance follows strict regulatory guidelines that are continuously evolving, a deep understanding of the terms and conditions of specific bonds by rigorously analysing the prospectus is required. This 'friction' creates significant opportunities for investors with the expertise and resources to carry out detailed analysis of issuers and instruments.

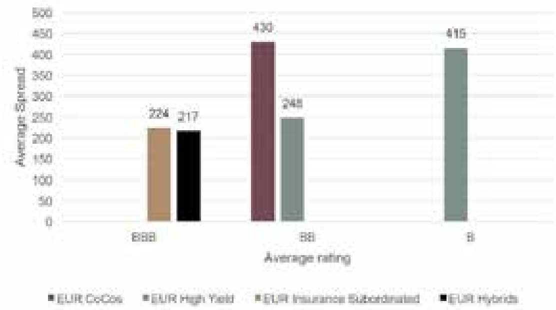
### Valuations remain highly attractive on subordinated debt

The performance of subordinated debt has been strong – returning close to 7% per annum in the past five years (using AT1 CoCos as a proxy)[3]. The low rates environment and spread compression have contributed to strong total returns, however income yield has been a significant part of total returns – an attractive feature in a world of ultra-low rates. Going forward, we believe valuations remain attractive – especially compared to high yield debt. For equal average ratings, AT1 CoCos provide almost 2% additional annual income compared to BB high yield, while corporate hybrids and subordinated insurance provide similar income to BB high yield with higher average ratings. We continue to see significant opportunities in financials subordinated debt, a sector where regulation has led to significant improvements in fundamentals. Beyond these improvements, subordinated financials debt exhibits very limited sensitivity to interest rates given attractive instrument structures (fixed-to-floating coupon structures and call features). Finally, the stable macro backdrop remains supportive for credit, and we believe the ongoing hunt for yield should continue to drive demand for higher-yielding asset classes. Overall, with subordinated financials offering yields close to 4% for euro-denominated bonds, we think the asset class remains an attractive hiding place for high income investors unwilling to compromise on credit or interest rate risk.

Chart 4: Subordinated financials exhibit very limited sensitivity to interest rates


*Source: Bloomberg, Bloomberg Barclays Indices. Data as of 04/10/2019.*

Chart 5: Subordinated debt screens extremely cheap on a ratings-adjusted basis compared to high yield




*Source: Bloomberg, Bloomberg Barclays Indices. Data as of 04/10/2019.*

**WITHIN THE CAPITAL STRUCTURE SUBORDINATED DEBT RANKS BELOW SENIOR DEBT BUT AHEAD OF EQUITY IN INSOLVENCY.**

3 *Source: Bloomberg Barclays Contingent Capital EUR Total Return Index from 03/10/2014 to 04/10/2019*

**STEVE H. HANKE**

PROFESSOR, JOHNS HOPKINS UNIVERSITY

**JOHN GREENWOOD**

CHIEF ECONOMIST AT INVESCO IN LONDON

# MAGICAL MONETARY THEORY

## JAPAN DISPROVES THE TRENDY NOTION THAT GOVERNMENTS CAN RUN UNLIMITED DEFICITS IN THEIR OWN CURRENCIES

■ **INVESTING—GLOBAL ECONOMY**

Steve H. Hanke is a Professor of Applied Economics at the Johns Hopkins University and is one of the world's leading experts on troubled currencies and hyperinflation.

*This article was published in the Wall Street Journal on June 4, 2019*

'Modern monetary theory' is the latest craze to circulate among the chattering classes. It is a fuzzy, post-Keynesian theory that has caught on in antiausterity circles. The MMT doctrine states that fiscal deficits don't matter as long as countries borrow in their own currencies and inflation stays in check. This is like manna from heaven for proponents of more government spending and larger fiscal deficits.

Not surprisingly, MMT has reared its head in Japan, where debt is denominated in yen, inflation is nowhere to be found, and the ratio of government debt to gross domestic product has gone to the moon. MMT advocates claim Japan provides proof for their theory, but nothing could be further from the truth.

Separate, potent forces have given rise to two seemingly strange trends in the Japanese economy: dramatic changes in the savings-investment balances in the public and private sectors, and the failure of monetary policy. MMT doesn't explain either one.

At the outbreak of the global financial crisis in 2008, Japan's government deficit was only 2% of GDP, while the combined corporate and household surplus amounted to 5.1%. Within a year, a massive contraction of private investment and consumption occurred in Japan. By the fourth quarter of 2009, the private-sector surplus had surged to 12% of GDP. At the same time, the government deficit exploded to 9.9% of GDP. The resulting net savings surplus has fueled capital outflows. Today, these outflows amount to 2.1% of GDP and finance a stream of Japanese foreign investment.

This pattern of large private savings surpluses offset in part by large public deficits continues. The result has been a massive increase in the size and role of the Japanese public sector. Government debt has risen from 60% of GDP in 1990 to an astounding 235% today. But contrary to MMT, this fiscal extravagance has done nothing to boost the economy.

Separate from Japan's overall savings surpluses, its broad-money metrics have grown at a snail's pace. Since Japan's bubble burst in 1990-91, broad money has grown at a paltry 2.6% a year, as measured by M2. In addition, since the 1950s money velocity has been negative, decreasing at an average rate of close to 2% a year. This is one of the most striking and consistent macroeconomic relationships on record. Japan's slow broad-money growth mixed with a contracting money velocity has held down nominal GDP growth.

Faced with a contracting money velocity, Japan would have to increase its M2 money supply at a minimum of 5% a year, which is double its trend rate, to hit its inflation target of 2% a year and reach its potential annual growth rate of 1%. In practice, inadequate M2 growth over nearly three decades, combined with a declining money velocity, has translated into average real growth of just 0.9% a year. This has put Japan into a deflationary straitjacket, with prices decreasing by an average of 0.6% a year, as measured by the GDP deflator.

As long as M2 growth in Japan remains minimal, low inflation—or outright deflation—will prevail regardless of whether the public and private sectors are running savings surpluses or deficits. As Milton Friedman counseled, ***"Inflation is always and everywhere a monetary phenomenon."*** The same is true of deflation. Money dominates.

Understanding Japan and other economies requires classical monetary theory, not MMT nostrums. From 1974-84, Japan enjoyed a golden period with generally stable broad-money growth, steady real GDP growth, and low inflation. Then monetary policy was derailed by the 1985 Plaza Accord and the 1987 Louvre Accord. The Bank of Japan dropped monetary targets and began to focus on interest-rate targets. The result was Japan's disastrous bubble from 1987-90, followed by a so-called lost decade, which has turned into a lost generation.

According to the Bank of Japan, the basic idea of interest-rate targeting is that if interest rates can be pushed low enough, sooner or later companies or households will start spending. But as Irving Fisher showed a century ago, interest rates follow inflation; they don't precede it. That is why economies experiencing high rates of inflation, like Argentina and Turkey, have high interest rates, while Japan and the eurozone have very low or even negative rates.

For Japan (and the eurozone), this circle can be broken only by increasing broad-money growth. The best way to do that would be for the central bank to purchase securities from nonbank institutions such as insurance companies and pension funds, creating new deposits. But the vast bulk of the Bank of Japan's securities purchases currently come from banks. That's why broad-money growth in Japan remains anemic.

**"INFLATION IS ALWAYS AND EVERYWHERE A MONETARY PHENOMENON".**
MILTON FRIEDMAN

## AS IRVING FISHER SHOWED A CENTURY AGO, INTEREST RATES FOLLOW INFLATION. THEY DON'T PRECEDE IT.

Recent U.S. history also demonstrates the superior explanatory power of classical monetary theory. From 1971-82, M3 money-supply growth averaged 11.6% a year, while the average level of government debt was only 40.1% of GDP. This combination of rapid monetary growth and low government debt resulted in relatively high inflation. Money dominated.

Today the U.S. faces the opposite: low broad-money growth with high government debt. Since 2009, M3 growth has averaged 4.5% a year, while federal, state and local government debt today is more than 100% of GDP. This combination has resulted in relatively low inflation. This is no mystery. As always, money dominates.

MMT advocates would have us believe that governments can run deficits without limit as long as they are financed by securities denominated in their own currencies—at least until inflation takes off. What they fail to understand is that budget deficits have nothing to do with inflation, unless they are financed by rapid broad-money growth. Money dominates economic trends, and classical monetary theory tells us why. Beware of those peddling MMT snake oil. ■

***Steve H. HANKE***
***Professor of Applied Economics, Johns Hopkins University***
*Steve H. Hanke is a Professor of Applied Economics and Founder & Co-Director of the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise. He is a Senior Fellow at the Cato Institute in Washington, D.C., a regular contributor to the Wall Street Journal Opinion pages, a well-known currency reformer, and a currency and commodity trader.*
*Prof. Hanke served on President Reagan's Council of Economic Advisers, has been an adviser to five foreign heads of state and five foreign cabinet ministers, and held a cabinet-level rank in both Lithuania and Montenegro.*
*He has been awarded seven honorary doctorate degrees and is an Honorary Professor at three foreign universities.*
*He was President of Toronto Trust Argentina in Buenos Aires in 1995, when it was the world's best-performing mutual fund. In 1998, he was named one of the twenty-five most influential people in the world by World Trade Magazine.*

***John GREENWOOD***
***Chief Economist, Invesco***
*John Greenwood is based in London and is Chief Economist of Invesco, with responsibility forproviding economic analysis and forecasts to Invesco portfolio managers and clients. Additonally, Mr. Greenwood is a Director for Invesco Hong Kong Limited and Invesco AssetManagement Singapore Ltd.*
*Mr. Greenwood started his career in 1970 as a visiting research fellow at the Bank of Japan. In 1974, he became chief economist with GT Management plc (acquired by Invesco in 1998) andwas initially based in Hong Kong, and later San Francisco. As editor of the Asian Monetary Monitor in 1983, he proposed a currency board scheme for stabilizing the Hong Kong dollar. Mr. Greenwood was a director of the Hong Kong Futures Exchange Clearing Corp. for fouryears until 1991. In 1992, he became a council member of the Stock Exchange of Hong Kong, a position he held for a year. During that time, he was also an economic advisor to the Hong Kong government.*
*Mr. Greenwood has been a member of the Committee on Currency Board Operations of the Hong Kong Monetary Authority since 1998. He is also a member of the Shadow Monetary Policy Committee in England and serves on the board of the Hong Kong Association in London.*
*He earned an MA from the University of Edinburgh in addition to an honorary PhD he holds from the university.*
*Mr. Greenwood is the author of Hong Kong's Link to the US Dollar–Origins and Evolution, which was published in 2007. He is also an Officer of the Order of the British Empire.*

**JOE OLIVER**

CANADIAN FORMER MINISTER OF NATURAL RESOURCES (2011) AND FORMER MINISTER OF FINANCE (2014)

# QUANTUM POLITICS AND THE SUSTAINABLE DEVELOPMENT GOALS

■ INVESTING—GLOBAL ECONOMY

The views expressed are those of the author and do not necessarily reflect those of the Canadian Government.

Democracy in the Western world is in trouble. Politicians are often held in contempt by the public because they make promises they do not keep. Governments fail to address the concerns of wide sections of the population they were elected to serve, and may even treat them with contempt. Meanwhile, buying votes with electors' money continues apace, creating huge debt and crushing interest obligations that reduce growth, diminish funding for social programs and burden the next generation.

The rise of populism, and populist leaders drawn from outside the political establishment, is a direct consequence. Other challenges to democracy include extreme polarization of public debate, including in the media that too often do not distinguish between news and opinion, the difficulty in attracting quality candidates for public office and low voter turnout.

Some populists are legitimate alternatives to conventional parties that have ignored legitimate public concerns, while others pander to darker emotions. However, the progressive tendency to indiscriminately label every conservative populist government as racist and a threat to human rights, global development and international peace is neither accurate nor an effective strategy to building public support. Nor is deriding widespread concerns or foisting costly policies on a electorate trying to make ends meet. Without public support, it is impossible to achieve sustainable development goals in a democratic society.

Public skepticism and hostility toward the governing establishment creates an overarching problem for financial policymakers advocating painful policies they believe will address existential challenges.

In quantum physics, as in politics, linear, reductionist thinking is outdated. We live in an era of unpredictability, rapid change, complexity and interconnectedness. And that, I assume is what is meant by Quantum politics, of which populism is a manifestation.

This phenomenon is understandably viewed as threatening to U.N. goals. Our Agenda (CIFA Forum 2019) asks which of two fundamentally different approaches can counter populist opposition to SDGs: more regulation, international bureaucracy and higher taxes or less government, more freedom and lower taxes. There is no need to wonder which will be more popular among progressives and the *'cognoscenti'* elite and which among conservatives and the average citizen.

Advocates for SDGs advance an interventionist agenda designed to deal with the perceived failures of free markets, including corporate monopoly power, failure of financial regulation, income inequality, globalization, job killing automation and, prominently, climate change.

In so doing, they justify a transformation of the role of the private sector. They argue that corporations should assume a responsibility for societal ills and environmental risks, which have traditionally been the responsibility of governments, not-for-profit organizations and individual volunteers. Historically, companies have contributed to the greater good indirectly, but significantly, through corporate taxes, employment, innovation and products and services in demand. Now, they are called upon to undertake a broader task. One can agree that many of the SD objectives are desirable, but still question whether activities that may undermine profitability are appropriate for the private sector.

Furthermore, a multilateral approach, which implies foreign input to domestic policies, as well as increased regulation, heavy taxation of carbon content, and a bureaucratic approach, as the Agenda put it, are arguably the opposite approach needed. After all, enhancing growth and prosperity provide the funds needed to adapt to climate change, finance technological breakthroughs and reduce poverty.

It is relevant to reiterate an issue I briefly raised in an earlier panel. A problem arises when stakeholders push social goals that put a company's return in jeopardy, especially when shareholders have no choice, such as pension beneficiaries. Putting pensioners at risk to achieve a moral objective is highly questionable.

Furthermore, and I quote, ***"If the law allows directors and managers to elevate certain stakeholders over shareholders, the law is complicit in a breach of fiduciary duty."*** This is not taken from the ghost of Ayn Rand. Rather, they are remarks by Commissioner Hester Peirce of the SEC. A central function of securities markets is price discovery. Giving priority to some stakeholders to achieve a public policy purpose extraneous to the interests of shareholders, risks lowering the value of shares and hence the market capitalization of the company.

**"IF THE LAW ALLOWS DIRECTORS AND MANAGERS TO ELEVATE CERTAIN STAKEHOLDERS OVER SHAREHOLDERS, THE LAW IS COMPLICIT IN A BREACH OF FIDUCIARY DUTY".**

Let's take a look at the sustainable finance initiative as it relates to combating climate change, because that is so central to the thinking of its advocates and because it demonstrates some of the problems in pursuing its goals. I will use the Canadian example, but many of the same issues arise in Europe and elsewhere.

The Bank of Canada signed on to grim warnings of climate doom, yet voters in 5 Canadian provinces, representing 60% of the Canadian population, are vigorously opposed to a carbon tax, as are citizens in Washington State, Australia, France, Germany and elsewhere. As a Wall Street Journal editorial put it, *"Climate alarmists have convinced elites. Their problem is democracy."*

Polling suggests that most people are concerned about climate change, but do not want to sacrifice to deal with it. Others may be turned off by Chicken Little predictions that the sky is falling and disaster is imminent. Still, environmental alarmism has had a profound impact on public attitude and therefore public policy.

It is instructive to examine how opposition to resource development has impacted the Canadian energy industry and caused it to fall spectacularly behind its potential. At the core of Canada's challenge is climate change - not its existence, rather the perception of it and the consequences of that perception. Government policy, advocacy of militant environmental groups, susceptibility of public opinion, foreign financing and various rent seekers have combined to create a crisis in the fossil fuel industry, with negative implications for employment, economic growth and the standard of living of indigenous peoples.

This is remarkable because Canada is home to the third largest proven oil reserves in the world, over 170 billion barrels, and the 4th largest production of natural gas reserves, with proven reserves of over 414 trillion cubic feet, creating an industry that represents 10% of its $1.8 trillion economy.

A couple of months ago, I attended a Petroleum and Energy Summit in Port Moresby, Papua New Guinea (PNG), which put into stark relief the moral imperative of developing fossil fuels, especially for the poorest people in developing countries. By implication, it reinforced the profoundly unethical stand of climate-change alarmists who are working to rid the world of hydrocarbons, irrespective of the harm to economic growth, employment and a decent standard of living for billions of people.

A mere 13% of Papua New Guineans have access to electricity. The government's goal is to extend electrification to 70% by 2030, an ambitious precondition to substantially raising GDP per capita above its current $2,400.

PNG imports heavy fuel oil and diesel for 40% of its energy, but does not access its abundant coal reserves. Yet, coal is an important source of inexpensive energy in south-east Asia. Over 2,500 coal plants, with total generating power of around 2 million megawatts are operating or in development in Asian signatory countries of the Paris Accord.

**HUMAN BEINGS CONTRIBUTE TO RAISING EMISSIONS, BUT IT IS UNCLEAR HOW MUCH WARMING IS ANTHROPOGENIC.**

PNG is now debating development of its coal resources. It will take into account safety and economic advantages for its citizens. It should not consider global climate consequences, because they will be infinitesimal.

Almost a billion people lack access to electricity and over a billion have insecure access. Yet, it is impossible to elevate people in dire need to a decent standard of living without very inexpensive electricity. Depriving them of the opportunity to escape grinding poverty is inexcusable, without an existential justification.

Alarmists claim to have that justification. However, numerous failed predictions over the past 50 years about cataclysmic temperature change, disappearing polar bears, ice melting, accelerating sea rise and extreme weather events including cyclones and forest fires, have seriously undermined their scare tactics and moral preening. When Earth Day was launched 49 years ago, a terrible fate was apparently imminent in the form of over-population, mass starvation, species extinction, peak oil and global cooling. According to the U.N., the World Life Fund and the International Energy Agency, we should already be done for. The latest is from Congresswomen Alexandria Ocasio-Cortez warning that if we do nothing the world will end in 12 years.

**ALMOST A BILLION PEOPLE LACK ACCESS TO ELECTRICITY AND OVER A BILLION HAVE INSECURE ACCESS.**

In spite of the drumbeats of imminent disaster and criticism of our economic and political system, farm output continues to rise across the world. Hundreds of millions of people have escaped from dire poverty in China and India, thanks to fossil fuels. Life expectancy is rising, health outcomes are improving, education is increasing. Progress is undeniable and affordable energy is a key contributor.

The facts simply did not and do not substantiate the end-of-days prophesies. Nobel prize winner and theoretical physicist Richard Feynman commented that *"It doesn't matter how beautiful your theory is, it doesn't matter how smart you are. If it doesn't agree with experiment, it's wrong."* He could have added, it doesn't matter how many people agree with you. After all, science is not a popularity contest.

The climate is always changing. Doubling Greenhouse Gas (GHG) emissions increases the temperature by 1.1 degree Celsius, but secondary effects have not multiplied that number. Increased GHG makes plants more drought resistant and increases arable land. Human beings contribute to raising emissions, but it is unclear how much warming is anthropogenic. Extreme weather events have not increased, according to the IPCC (Intergovernmental Panel on Climate Change). There is no satisfactory explanation for why, during the last century of steadily increasing emissions, temperatures have risen, fallen and remained flat. So, it is undeniable that we don't know everything there is to know about climatology, though conventional wisdom does deny that.

These comments may set alarmists' hair on fire, because religious-like conviction does not tolerate conflicting evidence. Instead, we need to be more modest about what we know, less definitive about a dystopian future and more cautious about imposing immense costs on the private sector and on the global economy, costs which inevitably hurt the poorest people the most.

We should responsibly develop the resources we have been blessed with because we owe it to our countrymen in the here and now. Also, economic growth can finance science and adaptation, which offer the best opportunity for breakthroughs in innovative technology and environmental protection.

These issues are particularly stark for developing countries, but they impact on developed economies as well. Last year, the Canadian energy industry lost over $20 billion in foregone revenue because it could not build pipelines to access tidewater and overseas markets. Canada's employment, economic growth and government revenue for health care and education have been adversely affected.

Ironically, opposition to pipeline construction has increased environmental risk and higher GHG emissions, due to greater use of rail, but also less international substitution of coal by natural gas and increased imports from great distances of foreign crude. For example, Saudi Arabian oil transported by tankers up the St Lawrence River has increased 2/3 to $3.5 billion in the past 5 years.

Climate alarmists have long claimed the high moral ground. In fact, they stand in the way of progress and prosperity. They should be ashamed of how they have misrepresented science to advance a flawed agenda and even more for causing harm to the world's most vulnerable people.
More broadly, we urgently need to empower entrepreneurship, reduce counterproductive regulation, reduce taxes and focus on employment and growth. That does not mean fostering a Wild West of lawlessness and encouraging unbridled greed. It means strategic regulation and robust enforcement. That will do more to counter the threat of populism than pursuing unpopular and ineffective policies that created its emergence in the first place. ■

**CLIMATE ALARMISTS HAVE LONG CLAIMED THE HIGH MORAL GROUND.
IN FACT, THEY STAND IN THE WAY OF PROGRESS AND PROSPERITY.**

# REFUNDABILITY = REDISTRIBUTION

**DAN MITCHELL**

FOUNDER AND CHAIRMAN OF THE CENTER FOR FREEDOM AND PROSPERITY

■ INVESTING—TAX CORNER

Dan Mitchell is Chairman of the Center for Freedom and Prosperity, a pro-market public policy organization he founded in 2000. His major research interests include tax reform, international tax competition, the economic burden of government spending, and other fiscal policy issues.

I generally identify three big problems with the tax code in the United States:

- High tax rates on productive behavior.
- Double taxation of saving and investment.
- Loopholes to encourage inefficiency.

But, it may be time to include another item. Politicians have learned how to use "refundability" as a tool to redistribute income through the tax system.

A "refundable" provision gives money to selected people who file tax returns, even if they don't pay any tax.

In other words, refundability isn't the same as over-paying your taxes and then getting your money back after filing a tax return.

Nor is it like a traditional tax preference, where you can lower your tax bill if you do something politicians like—such as having a mortgage or contributing to charity.

With refundability, you get money even if your tax liability is zero.

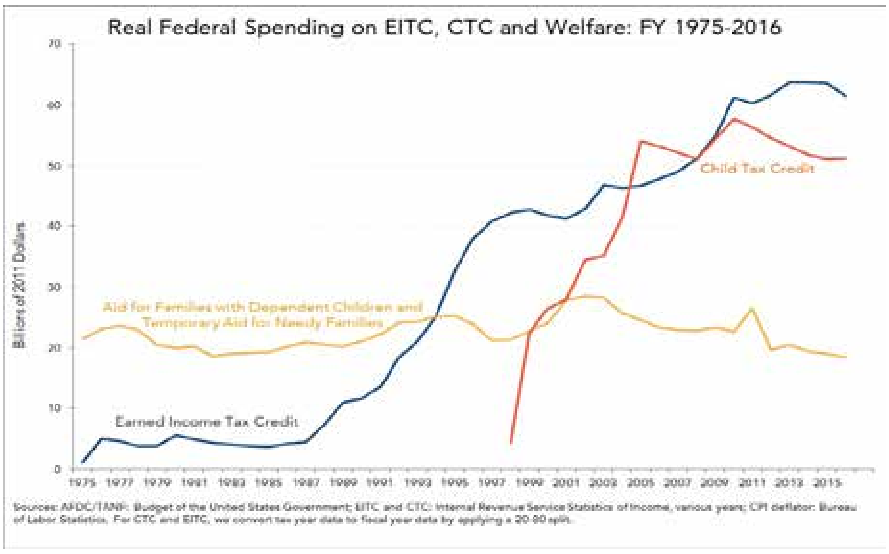
For instance, the "earned income tax credit" is now the federal government's fastest-growing redistribution program and 88 percent of the money is actually spending rather than a tax break.

Writing about this issue back in 2010, I referred to refundability as a form of political alchemy. Politicians can increase spending but pretend they are cutting taxes.

And it's a bipartisan problem. Republicans utilize this gimmick and Democrats utilize this gimmick.

The most-recent example is a proposal by Senators Mitt Romney (R-UT) and Michael Bennet (D-CO), and I've highlighted the relevant portions of their press release.

"***Create a New Young Child Tax Credit:*** *Create a new tax credit of $2,500 per child for children up to age six. The first $1,500 would be fully refundable, meaning that every taxpayer receives that amount regardless of income (up to the current law phase-out levels of $200,000 for individuals and $400,000*




*for couples). The next $1,000 would phase in at a 15 percent rate beginning at the first dollar of income, and begin phasing down at current law income thresholds.*

***Reform Existing Child Tax Credit:*** *Make critical reforms to a key measure that provides a $2,000 credit per child for children from age six up to age 17, including eliminating the current $1,400 cap on refundability, making the first $1,000 per child fully refundable regardless of income up to the phase-out threshold, and making the next $1,000 per child phase-in at a 15 percent rate starting at the first dollar income."*

To make matters worse, Romney and Bennet want to finance this additional redistribution spending by imposing capital gains taxes on the assets of dead people.

So, more spending financed by higher taxes. Perhaps now people will understand why I was so hostile to Romney when he was running for President in 2012.

I'll close with a comment about political honesty and transparency.

If Senators Romney and Bennet proposed to have the government send checks to people for having kids, I wouldn't support that idea. But, I would give them credit for introducing an honest proposal for more redistribution.

But, they instead chose to mask their agenda by laundering additional redistribution through the tax code.

The bottom line is that we already have record amounts of redistribution in America. And refundable provisions of the internal revenue code are the fastest-growing type of redistribution.

Adding to the problem is not a good idea.

P.S. Unsurprisingly, as is so often the case with redistribution programs, there's rampant fraud with the EITC and other refundable tax provisions. ■

**REFUNDABLE PROVISIONS OF THE INTERNAL REVENUE CODE ARE THE FASTEST-GROWING TYPE OF REDISTRIBUTION**

**GARRY HEATH**

MCIM, DIRECTOR GENERAL OF IFAA

# IFAA, IMPARTIAL FINANCIAL ADVISERS ASSOCIATION, LATELY LIBERTATEM

■ **THE LIFE OF ASSOCIATIONS**

The IFAA, lately Libertatem, is a trade association. Its purpose is to represent and protect the commercial interests of IFA businesses.

IFAA is a Partner Association of CIFA.

Garry has started representing IFAs for over 3 decades ago.

His influence on the industry as a whole was recognised in 2019 by International Adviser by including him in their list of the top 100 most influential figures worldwide.

Nowadays, he is best known as the creator of the Heath Report series which looks at the availability of professional advice for UK Consumers.

The first Heath Report was published in 2014 and it focused on the impact Retail Distribution Review was having on the consumer market. It was to be the first independent report to identify the true cost of the loss of independent financial advice to the mass consumer market.

It also led to the creation of the Impartial Financial Advisers Association or Libertatem as it was originally called. As the UK is seen as the gold standard for financial advice, the impact of the Heath Report series can be seen all over the world. Garry continues to be a keynote speaker at conferences worldwide, as well as at CIFA's annual Forum.

The Heath Report 3, published in 2019, identified the need to train a large number of trainees into the industry to replace the 2,000 advisers that will shortly be retiring from the sector. Called Adviser Train, the aim is simple: To maintain a presence in the mass market to ensure advice is available to all those that need it. It is a huge challenge! But, one that Garry and the IFAA are hopeful of achieving in the coming years.

The demise of APFA has left the IFAA as the adviser only representative in the IFA sector.

The organisation has also been appointed as secretariat to an All-Party Parliamentary Group looking into the actions of the FCA over the Connaught Fund. Meanwhile, Garry's influence has continued to grow with regular visits to the Treasury Select Committee and the FCA.

Garry also chairs working party into an alternative dispute resolution system using a Tribunal rather than the current Ombudsman.

However, this is not the first time Garry has represented the adviser community.

In 1986, Garry had established his own IFA practice in Buckinghamshire which led to him questioning the standard of regulation and the lack of effective IFA representation at the highest levels.

By 1989, Garry had formed the National Federation of Independent Financial Adviser with a group of like-minded industry specialists and set about amalgamating the various representative bodies into one, organized association. Rebranding as the IFA Association (IFAA), the trade body quickly grew to represent 60% of all UK IFA practices and had a turnover in excess of £2 million.

After 10 years, Garry left to pursue a number of ventures, including forming his own racing car team, a publishing business specialising in generic consumer publications for IFAs to pass to their clients, a marketing consultancy for niche life products and Special Risks Bureau, a firm offering an innovative and robust system for IFAs with complex life clients to be handled by Life Assurance Companies.

As the public face of the IFAA, Garry regularly features on both television and radio. Morepver, he is a regular visitor to Westminster where he advises the Treasury Select Committee and a number of All Party Select Committees on the importance of the impartial advice sector to the UK economy, as well as the need for effective regulation and a common standard.

## TOGETHER WE ARE STRONGER

The independent financial services sector in the UK appears to be healthy which is certainly true in the short term, but is going to be under serious threat in the next 3 years. The IFAA's Heath Report 3 identified that there would be a drop in adviser numbers, mainly due to the enhanced retirement plans of advisers. This would leave net drop of advisers of 1,650 per annum. Our estimate of 1,650 has proven to be a serious underestimate. We have already lost a shade under 5,000 advisers in just 18 months. This creates some major issues. We have a decreasing supply of advisers for an increasing client demand. That will increase the cost of employed advisers. Worse still; the cost of regulation will not drop in line with the drop in adviser numbers. So, the cost of regulation will increase from £1,825 to £2,200 per adviser for 2020 and that doesn't include any additional hikes in FSCS. Adviser numbers are diminishing, costs are rising and the regulatory bodies are continuing to control the direction the industry is heading in with little regard to those it purports to regulate, or the consumer. Regulator policy appears to be anti-adviser and pro unproven ideas like robo-advice. We need to bring regulation back into the world of the practical and away from social engineering.

**THE IMPORTANCE OF THE IMPARTIAL ADVICE SECTOR TO THE UK ECONOMY AND THE NEED FOR EFFECTIVE REGULATION AND A COMMON STANDARD**

*URL: https://www.ifaa.co.uk*

# CIFA's PARTNERS

**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**
https://anbima.com.br
**ANCDGP, France**
http://www.ancdgp.net
**APFA, UK**
http://www.apfa.net
**APFIPP, Portugal**
https://www.apfipp.pt
**ASCOFIND, Italy**
http://www.ascosim.it
**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**
https://www.cisi.org

**CNCEF, France**
http://www.cncef.org
**CNCFA, France**
http://www.cncfa.fr
**CRT, USA**
http://www.cauxroundtable.org
**EFAMA, Belgium**
https://www.efama.org
**EFFAS, Belgium**
http://effas.net
**EFFP, Germany**
http://www.effp-online.de/
**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
**FIFA, India**
https://fifaindia.org/
**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/
**IFAA-LIBERTATEM, UK**
https://www.ifaa.co.uk
**IFMA, Switzerland**
http://www.ifma-net.ch
**IFP, UK**
http://www.financialplanning.org.uk
**ICDA, Switzerland**
http://www.incoda.org
**LATIBEX, Spain**
http://www.latibex.com/ing/home.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**
https://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
**VZMD, Slovenia**
www.vzmd.si
**WMA, UK**
www.thewma.co.uk

C I
F A
CONVENTION OF
INDEPENDENT
FINANCIAL
ADVISORS

A NON-PROFIT FOUNDATION

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!

**www.cifango.org**