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

White paper

XIII[th] International CIFA Forum

April 22-24, 2015 – Monaco

Public Debts & Deficits, Unrestrained Taxation: Who Will Pay?

Report of round tables and debates

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CIFA at a glance
January 2016

CONVENTION OF INDEPENDENT FINANCIAL ADVISORS
at a glance

The **Convention of Independent Financial Advisors** (CIFA) was created on 14 December 2001 in Geneva at the initiative of a group of financial entrepreneurs, all members of the Swiss Association of Independent Financial Advisors (SAIFA/GSCGI/SVUF).

The non-profit Swiss foundation aims to strengthen the role of independent financial advisors (IFAs) at international level as they are the best guarantors that the interests of investors are preserved at all times.

The success of CIFA can be measured in four ways. First, it has created a highly successful annual congress – the International CIFA Forum – which attracts delegates from CIFA's partner federations and associations, individual IFAs, bankers, regulators and journalists, establishing the event as one of the major international forums for the financial intermediation community. After five conferences in Geneva (2003-2007), then Prague (2008), Paris (2009), Madrid (2010), Monaco (2011, 2012, 2013, 2014 and 2015), CIFA will hold its:

14th International Forum in Monaco, from May 31st to June 3rd 2016

The second measure of CIFA's success: the number of its partner associations has more than quadrupled since the first Forum of 2003. Today, CIFA cooperates with over 70 national associations – mostly professional IFA bodies, whose combined membership is estimated to top 1 million individual IFAs – but also other associations active in closely related fields, such as fund management, financial analysis and financial training certification. The original European base of these partnerships has been significantly extended over the last years to all Continents.

The third measure: CIFA has become the first and only NGO in financial intermediation with consultative status with the Economic and Social Council of the United Nations. Since 2007, CIFA is in a position enabling it to make recommendations in legislative projects of the UN-ECOSOC. In recognition of its significant work with the Economic and Social Council of the United Nations, CIFA was awarded the **General Consultative Status** with ECOSOC in 2015. Only 150 NGOs worldwide enjoy such a high level status *(please read the article CIFA's NEW ADVISORY ROLE AT THE UNITED NATIONS, TRUSTING MAGAZINE nr. 7, page 12)*.

CIFA enjoys a consultative status with UNCTAD as well.

CIFA has also entered into various collaboration agreement with other UN agencies.

Fourth measure: CIFA is the possessor and custodian of the **Charter of Investors' Rights**.

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OPENING CEREMONY

Jean-Pierre DISERENS, Secretary-General, CIFA

I am very pleased to welcome you all and to open the XIIIth International CIFA Forum taking place for the fourth year in a row in Monaco, which offers us high quality services. I would like to thank all the participants and in particular the high representatives of the Principality of Monaco and the high UN Officials who honor us with their presence. During these three days, the main topics covered by the various panels will be high debts and deficits, and who will "eventually" pay, which we probably do know already. In fact, and since the financial crisis of 2008-2009, efforts to cut those deficits have been non-existent especially in countries primarily affected by them. We have a full program to cover during the whole afternoon. Therefore, let me give immediately the floor to our President, Pierre Christodoulidis, for his opening remarks.

Pierre CHRISTODOULIDIS, President, CIFA

Courage and Freedom

During my whole career as a believer in a new paradigm in finance and banking, I could never find the way to launch a progressive dialog and interaction between the heads of the representative bodies of professional associations.

In the eighties already, I became aware of the slow, but clear, development of a banking culture dominated by greed. Together with some colleagues, I tried to contain the dehumanized evolution of the financial world. In those days, this wasn't a clear observation yet, but a premonition, an intuition that has been confirmed through subsequent experiences, when the bank's soldiers of fortune arrived in close rows for prospecting. They came with no rules, no boundaries or ethics in the hunt for clients. This boundless fever of predation and harshness infested the entire banking environment and destroyed "trust" that essential moral restraint that once linked people in this profession. In the 1990s, it was important for financial institutions' shareholders to get ever increasing profits, for the Praetorians to receive innocently high bonuses, and an unbridled drive for gigantism dominated.

As long as the banking world, i.e., the social (and, therefore, human) bond that facilitates the exchange of services between individuals and is vital for the creation of wealth, will keep multiplying the issuance of financial products, the human dimension of the banker-client relationship will not exist any longer. The banking activity is no longer focused on its original purpose, which is to act as provider of credits, as well as the intermediary between entities far apart, as it was the case at the time of the Lombard bankers. To the contrary, the banking activity has since slowly turned into a resource-consuming machine, creating products devoid of any real economic substance (designated by the term "financialisation").

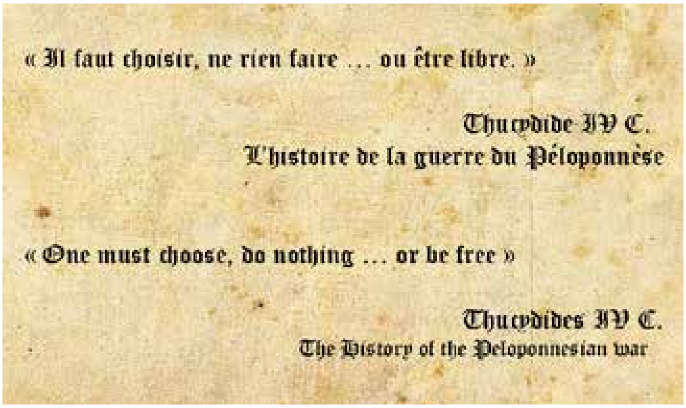
I would like, then, to challenge anyone to tell me which, among the "mammoth" banks, have truly fulfilled their true role as credit provider to new companies (start-ups). Perhaps, only a few.

Slowly, a new model of bank management, inspired by Wall Street, has emerged (and I know what I am talking about as I have lived, in the 1970's, what I consider to be the "true" Swiss bank model experience) only aiming at the proliferation of financial products, often toxic, combined with the phenomenal acceleration of brokerage transactions realized by algorithm-driven trading operations between powerful computers. In comparison with traditional ways of trading, these new techniques require considerably less efforts from bankers whilst generating incredibly high margins. The problem becomes even worse when those formulas are applied to real estate and mortgage financing. The escalation is exponential, which inevitably leads the system towards destructive and criminal explosion. What happened in 2008 is even worse. The speculative frenzy, although very clearly identifiable during the high-tech and ENRON crises, was neither detected nor stopped on time by the costly State supervision bodies. In the absence of timely action, the negligence of the so-called State oversight bodies (such as the SEC and others) resulted in financial and economic crises spreading across the European Union and the United States, not to mention the collateral damages it has caused to citizens in these regions, which will continue to impact their lives for many decades to come.

As long as the model, producing banks being larger in size than States, which, in case of default and thanks to their international scope, are always being saved with taxpayers' money (therefore, designated as "TBTFs" - Too Big to Fail), is not radically changed, there will be neither remedy nor progress.

The second phenomenon, partly resulting from a sense of guilt by State supervisors and only to redeem themselves in the public's eyes, is to make the mistake (without reaching the point of caricature as a case like Madoff might inspire) of requiring the recording and monitoring of everything by using intrusive and invasive monitoring systems, as well as through the issuance of thousands of pages of rules and regulations. Well, let's be careful here, since the management teams of banks that are imposing today "cleaner than clean" compliance regulations are the same which yesterday drove the subprime's dance, the re-funding of bankrupt countries and the indiscriminate solicitation of clients. After reading an excellent article by Ruedi Bogni that explains it all in simple terms and which is entitled "Farewell Old Retainer", we can draw the conclusion that the banking institutions, after having fooled their clients by selling them toxic products, have now

turned into auxiliary agents of Governments (instrumental for their survival?) and into informers for governments of their clients' businesses, the very same that they courted not so long ago. Then, where are those sacrosanct principles of loyalty, fidelity and transparency that the authorities keep shouting in our ears?
How far will this disgraceful charade go? Will it go as far as to destroy the private sphere by using new definitions of guilt directed to savers in countries trying to cover up their wrongdoings and the failure to perform their supervisory role? What's simpler than accusing savers of all crimes, instead of assuming having failed in state policies, and by treating them like criminals? At the same time, there have been no serious sanctions impose on high-level criminals within the financial world, o the exception of a few fines here and there, certainly heavy, that at the end of the day are borne anyhow by shareholders. Thus, those who have the financial wherewithal to "redeem their sins" can quietly continue their wrongdoings, as several examples show like the long list of manipulative agreements and market activities of TBTFs.
Who will, then, have the courage to reform the banking world? Who will dare enough to take on the challenge to reform the financial circuits and, thus, revive the entrepreneurial initiative and the healthy competition between companies, manufacturing goods and services, upon which sound economic growth is based?
Ladies and gentlemen, honorable colleagues from the associations, you could act in this role of intermediaries if only you make the effort to federate yourself and actually show your customers that you are a "force" able to protect their interests.


« Il faut choisir, ne rien faire ... ou être libre. »

Thucydide IV C.
L'histoire de la guerre du Péloponnèse

« One must choose, do nothing ... or be free »

Thucydides IV C.
The History of the Peloponnesian war

As for me, after fifteen years of «pro-bono» contacts and efforts, regretfully I can only make this sad remark: you refuse to commit to this effort (of dialogue) which should lead to the establishment of a highly representative body, initiated by CIFA, and able to assume a key role in this fundamental change, able as well to defend the respect of the private sphere of citizens, while fighting against the cartelisation of the banking activity.

To conclude, I would like to issue a serious warning to all of you, professionals, academia and associations' executives: ***"our loss of freedom is largely the result of the weakening of the first conditions of freedom: "Courage"***!

H.E. Nassir Abdulaziz AL-NASSER
High Representative – UNAOC
– United Nations Alliance of Civilizations
UNAOC Perspective on Managing Sustainable Development

Message presented by: Hanifa MEZOUI, Moderator, PhD, Senior Advisor Humanitarian Affairs and Civil Society, United Nations Alliance of Civilizations (UNAOC), New York

Mr. Pierre Christodoulidis, Chairman and Executive President of CIFA,
Mr. Jean-Pierre Diserens, Secretary-General, CIFA
Distinguished Guests,
Dear colleagues,
Ladies and gentlemen,
I am honored to join you here today at the Thirteenth International CIFA Forum in the beautiful Principality of Monaco. His Excellency Mr. Nassir Abdulaziz Al-Nasser, the United Nations High Representative for the Alliance of Civilizations, wanted very much to be present with you today but engagements in New York have prevented him to do so. Together with the Secretary-General of the United Nations Ban ki-Moon and the current President of the General Assembly Sam K. Kutesa, Mr. Nassir Abdulaziz Al-Nasser is heading a debate at the United Nations Headquarters in New York on Promoting Tolerance and Reconciliation, Fostering Peaceful, Inclusive Societies and Countering Violent Extremism.

He asked me to present his best regards to all of you, to wish you every success for this 2015 CIFA International Forum and also to convey the following personal message:

Distinguished Guests,
This year will be a milestone for the United Nations. In September 2015, the leadership of the world will converge on the United Nations in New York to agree on a road map for the world to prosper in a sustainable environment. The subject of this year CIFA forum - **"Public Debts and Deficits, Unrestrained Taxation and Who Will Pay"** - is, as you can well imagine, of great interest to the United Nations. We all agree that public debts, deficits and unrestrained taxation are major impediments to economic development.
You might recall that fifteen years ago, in the year 2000, all States agreed on a set of priority goals on the socio-economic development of the world with the hope that these goals could be reached by 2015. These goals are commonly referred as the Millennium Development Goals. The MDGs covered eights goals in the areas of poverty alleviation, education, gender equality and empowerment of women, child and maternal health, environmental sustainability, reducing HIV/AIDS and communicable diseases, and building a global partnership for development. The agenda agreed upon proved to be quite a challenge.
We are now in 2015 and, while there has been improvements in many countries, it is clear that a world devoid of poverty, a world where access to health services, education and natural resources remains a goal that we all have to work together to achieve. We need to define the shape and content of a successor framework to provide to future generations a world where our children can prosper in a common sustainable future. Better standards of life in larger freedom are one of the mottos of the United Nations.
Over the last few years, the United Nations collected the perspectives from over one million people on the subject of 'the world we want'. After consultations with governments,

national institutions, the private sector and the civil society, the United Nations has drawn an updated universal agenda to eradicate extreme poverty from the face of the earth by 2030. We want to offer hope for a better future and a role to every person in the world.

As President of the General Assembly and now as High Representative for the United Nations Alliance of Civilization, I have made it my mission to draw the attention of Member States on the importance for peace and prosperity of our world, for the world leadership to face head on the challenges posed by economic and financial instability and to ensure sustainable growth. The responsibility of the United Nations to promote higher standards of living, full employment, and conditions of economic and social progress and development is enshrined in the United Nations Charter. During my tenure as President of the General Assembly, I held in 2012 a high-level thematic debate on **the state of the world economy and finance.** This debate took place just a few weeks after I attended the CIFA forum. Already then I stressed to you the importance I attached to the role of the private sector in reaching the Millennium Development Goals. A strong and stable international financial architecture responsive to the priorities of growth and development continues to be a priority of the General Assembly.

In my current position as High Representative of the Alliance of Civilizations, it is my responsibility to advocate for a world of tolerance, a world where differences of culture and religions are respected. It is one of my strongest beliefs that tolerance for differences provides an environment where people can prosper in peace. Radicalization and extremism fuel terrorism and are major obstacles to poverty alleviation. But let me draw your attention to one of the bedrocks of the United Nations development agenda already embedded in the Millennium Development Goals and reiterated in the 2015 Sustainable Development Agenda: partnership with the private sector and the civil society.

It is within the framework of global partnership that the impact of an organization like CIFA is fundamental to the ability of the United Nations to support sustainable development.

The United Nations is aware more than ever that financing for development cannot rely solely on the public sector. Engaging the private sector in a partnership to promote economic growth is the only way to implement the ultimate goal of reducing poverty, providing education for all, ensure a healthy life, give access to energy, clean water, while taking into account the necessity to protect the environment.

The private sector is the critical driver of economic growth in both developing and developed countries. It is key to higher living standards for poor people. Around 90 percent of employment in the developing world is generated by the private sector.

The private sector is, of course, the source of most tax revenues and it is key to ensuring the efficient flow of capital. It is also the motor behind innovations and new sources of employment. The public and private sectors can be most effective when they work together, and the public sector has a critical role to play in creating a healthy environment for investment and business activity. It is the responsibility of governments to secure an environment where the private sector can generate wealth.

CIFA provides a unique platform to address systemic issues that hamper development. The protection of the right of individual investors helps individuals to plan a life of prosperity without government assistance. The projects of CIFA to harmonize operating rules and regulations across countries and to facilitate the implementation of new rules and procedures deserve the full attention of the international community. Sustainable development cannot take place where there is corruption. The goal of CIFA against money laundering is exemplary. Reinforcing the nature of ethical business practices supports poverty eradication and sustainability. Ethical investments in developed and emerging economies, instilling basic work values and honesty in all societies are the principles followed by both the United Nations and CIFA to brace sustainable development for all.

The importance of CIFA was just recently recognized by the United Nations when the Economic and Social Council (ECOSOC) agreed to upgrade the status of CIFA from special to **'GENERAL consultative status'**. This status allows CIFA to interact directly with the United Nations during thematic debates, a privilege reserved to a handful on non-government organizations. The participation of CIFA to meetings that take place at the United Nations on financing and development allows your voice to be heard at all levels of the international community. The engagement of CIFA in United Nations programs is multi-faceted. Together with UNITAR, it has developed training modules on ethics and finance. Through its regular participation to meetings held at the United Nations, CIFA has advocated for the achievement of the Millennium Development Goals and the implementation of the new post 2015 Development agenda.

Let me conclude by saying that, more than ever, the United Nations and the Alliance of Civilizations want to work with your organization to advance the universal goal of peace and economic prosperity. We cannot do it alone. We need to support each other to achieve the objectives of our respective organizations. Our purposes are complementary. Together, we can make a difference in bringing peace in the world and quality of life to all.

Thank you for your kind attention.

Jean CASTELLINI
Minister of Finance and Economy, Principality of Monaco

Ladies and Gentlemen, Greetings one and all.
Although French is the official language of the Principality of Monaco, I am going to address you in English in order to ensure easier and smoother understanding of the main topic. Actually, I believe that there is "no better place in the world as Monaco" to cover this year's main topic. When it comes to deficits and taxation, Monaco has fairly unique model to offer to the rest of the world. In Monaco, there is no structural deficit, no public debt and a very well restrained taxation. Monaco is like the "united nations of business". There are about 130 nationalities represented in Monaco. Attracting talents from all over the world, able to contribute to the wealth and prosperity of the principality, is achieved through inspiring "trust". And I know that "trust" is a fundamental principle for CIFA, also highlighted by the magazine TRUSTING shown on the back of the conference program. Trust is what exists and maintains the business relationship between independent financial advisers and their clients. Monaco inspires trust with "sound" public finances. Even more unique is the fact that Monaco cannot be destabilized, politically, socially, financially and economically, by elections looming in the horizon every three to five years as it occurs in other countries across the world. Monaco, a constitutional monarchy, offers instead long term vision and stability in all areas, as well as consistency of goals and market conditions precious to investors willing to set up their personal and business lives in the principality. When the rules of the game change constantly, you cannot inspire "trust"! If you manage to attract talent, then you only

need to offer the ideal conditions to encourage investments that in turn will generate economic development and healthy employment, higher consumption, growing wealth and higher revenues for the State.

How do you generate fiscal revenues without taxation? The system called of "restrained taxation" (fiscalité adaptée) is based on encouraging business and investment in Monaco, and on taxing success, via VAT, taxes on trade and corporation. Our fiscal system is not based on ex-ante taxation, but is able to bring revenue to state coffers by mainly taxing "success". Moreover, managing state finances is not dissimilar of how you manage corporate and household finances. Avoiding overspending, investing for the future, constraining the ever growing and recurring social spending - becoming sooner or later unmanageable - inevitably lead to stable economic conditions for all, the State and its businesses and households. Monaco offers a sound health and social benefits' system, recognized education institutions, all enhancing the attractiveness of living and doing business in our country.

Our economy is extremely well diversified and not over-reliant on a given and specific sector. There are several examples around the world of countries, which I do not need to name as you will easily recognize them, depending exclusively either on banking, real estate, tourism, etc. It is a quite dangerous model to build your economy on. Monaco is a well diversified economy with activities spanning from the historical sectors (tourism, financial services, real estate transactions, and trade) to another half-dozen industrial and infrastructure based activities and services. In fact, no sector of our economy represents more than 15% of Monaco's annual GDP, with about ten sectors representing between 5%-6% and 15% of GDP. Moreover, it is important to notice that, although located in Europe, Monaco has experienced Asian-like rates of growth in recent years. The last published data showed the annual GDP of Monaco being remarkably 10% larger than the previous year.

Other topics that I would like to touch on are taxation, fiscal transparency and exchange of information. Since 2009 and under the firm stewardship of Prince Albert, Monaco is committed to complying fully with these new international rules, mostly OECD-inspired standards and best practices. But, rules about more transparency and more cooperation must be clearly defined and applicable in full respect of the now famous "level playing field" concept. The panel discussion you are having later today about transparency and automatic exchange of information is about a concept accepted by many nations, but States should be vigilant to whom and where information is transferred and for which purpose, especially in order to prevent unlawful uses of personal data. Nations should join forces to define, clearly and beyond the current global standards, best practice principles from a legal standpoint, as well as from the important technological evolution aspect. Therefore, these nations must involve in the process private entities such as France's CNIL (Commission Nationale de l'Informatique et des Libertés) and Monaco's C.C.I.N. (Commission de Contrôle des Informations Nominatives).

To conclude, I invite all the participants to listen to tomorrow presentation within the CIFA Forum called "Monaco for Finance", an initiative aimed at enhancing Monaco's financial sector and which is based on public and private cooperation. Monaco for Finance is an example of government-sponsored initiatives that are mainly initiated by private local entities.

Thank you for being in Monaco again this year and I hope that the CIFA forum will continue to be held in the Principality of Monaco over the foreseeable future.

ECOSOC Roundtable with UN high representatives and the civil society: Managing the transition from Millenium Development Goals to Sustainable Development Goals: What will it take?

Hanifa MEZOUI, Moderator, PhD, Senior Advisor Humanitarian Affairs and Civil Society, United Nations Alliance of Civilizations (UNAOC), New York

It is such a great honor, Jean-Pierre and Pierre, to open the CIFA Forum with the United Nations' touch. The UN-ECOSOC has granted CIFA the "general consultative status", quite a great achievement. The distinguished members of this panel will be discussing how to manage the transition from MDGs to SDGs. The objective will be to address the challenge of sustainable development in the face of ever changing economic, social, cultural and political conditions. How can the international community partner in order to reach the 17 Sustainable Development Goals? I am going to give the floor first to H.E. Ambassador Elshad Iskandarov.

H.E. Ambassador Elshad ISKANDAROV, President, ICYF-DC, Istanbul, Turkey

Thank you very much for inviting me and I would like to congratulate CIFA's President and Secretary-General for the very important initiative launched by the private sector and also for including the social agenda to the forum. Being in Monaco is a pleasure on its own, but it also brings an important message: holding the forum just a couple of blocks away from the biggest entertainment center in town might show people how to best spend their money. I will try to bring, within the framework of this panel, how the economic and social challenges, which the next generation will be facing particularly in the OIC (Organisation of Islamic Cooperation, the second largest inter-governmental organization after the United Nations which has membership of 57 states spread over four continents) Member States, ideally fit with the overall design of the SDGs development framework. The United Nations are in the final process to adopt the SDGs by September 2015. I will just mention a couple of figures to start with. Only 35 percent (or 500 million) of the overall populations in the 57 Member States represent the young generation (16 to 28), but if you add children and young adults the number grows to 600 million constituencies. The economic and social challenges, closely related to the security issues and the overall development of the region, are huge. While about 100 million predominantly young people in the Middle-East and North Africa, called the MENA region, enter the workforce only 25 million are expected to get sustainable employment, which underlines the limitations of job capacity in these countries. There are three main analysis perspectives which led to formulation of ICYF-DC Developmental Strategy as adopted in the **"10 Goals in 10 Years" Istanbul Declaration**. The first challenge is youth unemployment, which is only in MENA region standing at 28% against the world's 12%. The second is the impact of unemployment and non-sustainable development leading strained social conditions and lifting to the security environment of MENA region. Young generations, not employed in the private or public sectors, are easily attracted to extremist groups which master exploiting these unfavorable economic issues. Social and economic conditions are very important to ensure not only security in the region, as they affect safe trade and shipment of energy products to the world. Achieving sustainable development is, therefore, paramount for MENA and for the world. The third factor is related to the problem of migrants from OIC countries to the EU, in particular a growing trend of Islamophobia toward migrants. There are about 75 million of young people desperate to find in other countries the work opportunities they cannot have in their own countries. Crises always make people vulnerable, but it is no excuse for letting populations being forgotten in the modern day economies. There is another research that was discussed recently with the United Nations Alliance of Civilizations (UNAOC) show how artificial and incorrect is the media coverage of these topics. But, it may seriously affect the social fabric of a population as it would be built on wrong beliefs. Europeans tend to grossly overestimate the proportion of Muslims within their population. In France, it is believed that one in three citizens is a Muslim, while the correct number is 7.8% of total population as opposed to approximately 6% on average across Europe. To conclude, I would like to stress out that, in the SDGs consultation process, it is extremely important to prioritize especially the regions which are likely to be the most affected by the development agenda. A bolder, more imaginative cross-regional program of actions is urgently needed. Moreover, it is important to set up a program which addresses demand and supply-side together, which considers not just national but regional and intra-regional labor markets as part of a global whole. Lastly, SDGs must acknowledge, and try to correct, the limitations and frailties of labor markets in regions with development strategies that have led historically to greater distortions rather than genuine economic growth. For my final words and referring also to what CIFA's President told us in the opening session: we all have a choice. Monaco in itself symbolizes human choice between utmost consumerism and human values. It is a place, where a single person can misspend overnight a fortune at the Grand Casino. That capital could sustain the whole Somali refugee camp for a year. However, it is also home for global initiatives like the one of Jacques-Yves Cousteau on preserving the oceans, as it can be observed in the Oceanographic Museum of Monaco (J.-Y. Cousteau was the museum director from 1957 to 1988). So there are always right choices to be made.

Hanifa MEZOUI, Moderator

I have now the great pleasure to introduce Mr. NAVID HANIF, who, after holding various assignments in the Ministry of Foreign Affairs of Pakistan and as a member of Pakistan's Permanent Mission to the United Nations in New York since 1995, joined the United Nations in 2001 where he held prestigious assignments in various Departments. In June 2012, he was appointed Director of ECOSOC's Office for Support and Coordination at the United Nations Department for Economic and Social Affairs (UNDESA). He has been at the root of various initiatives culminating into the SDGs and their future development.

Navid HANIF, Director, Office For ECOSOC Support and Coordination, Department of Economic and Social Affairs (DESA), United Nations

Thank you, Hanifa, for this generous introduction. Secretary-General of CIFA, Ladies and Gentlemen, Colleagues, I would like to thank the organizers, especially the Secretary-General of CIFA, Mr. Jean-Pierre Diserens, for the invitation to speak at the CIFA Forum. It is indeed a honor to be part of such a distinguished gathering.
The Forum is addressing one of the most pressing issues of our time. That is the issue of not only securing our future, but the future of many generations to come. The fundamental question is: can we mortgage the financial, ecological and

social future of the succeeding generations? The United Nations is also addressing this challenge, but on a much larger scale. It is focused on the future of humanity and on how to change the trajectory of the future that "we are likely to have" to the future "that we want". A future that is free from the scourges of poverty, ecological ruin and social upheavals. A future that young people can embrace happily. This is a massive undertaking.

The theme of this ECOSOC roundtable very succinctly captures that challenge. It is about "Managing Transition from MDGs to SDGs: What will it take?" This is also the theme of the 2015 High Level Segment of the UN Economic and Social Council. This transition, or if I may call it transformation, will not be easy. This requires a major shift in the way we think, live and plan our lives. It requires a change of mindset. We have to move from fixed to a growth mindset. A mindset that is open and altruistic. A mindset that is global. A mindset that aims to work towards the collective good of people and the planet.

That is why the UN has proposed a universal agenda to transform the lives of people and to save the planet. Let me first answer the question that I am often asked. Why the Sustainable Development Goals? Why such an ambitious agenda? I do not have to give many reasons. I mention just few facts. The consequences of climate change are evident in every part of the world whether it is Europe, the Americas or Africa. Inequality within and among countries is shaking the foundations of our societies. This was made graphically clear in the aftermath of the financial crisis. There have been street protests in 80 countries. In a world awash in grains, 800 million people go hungry every day. Almost a million children die of preventable diseases. Billions of people still live under $1.25. We need a more equitable world, a world where we have not only equality of opportunities but also equity of outcomes. That is why, Ladies and Gentlemen, the UN has proposed 17 Sustainable Development Goals with 169 targets.

I would now like to focus on the five “I”s of the SDGs. Those are Inclusion, Integration, Investment, Innovation and Implementation.

Inclusion: The central objective of the SDGs is to ensure that no one is left behind. That is why these are universal and comprehensive. These are not just focused on meeting the basic needs of people in developing countries. SDGs are designed to transform the way we live, share, produce and consume in all countries. It is a network of goals and targets that covers biophysical, social and economic systems. They aim to cover the whole sustainable development universe. This includes almost all areas of the human enterprise on Earth.

Integration: Inclusion cannot be achieved without policy integration. SDGs are enablers of integration. They enable both political and technical integration. The goals provide a framework around which policy and action aiming to improve human well being will be organized. Let me give just an example by looking at the area of health. SDG 3 is about ensuring healthy lives and promoting well being for all at all ages. It has 9 targets. In addition, there are targets under other goals *(2, 6, 11 and 12)* that also explicitly refer to health in their wording. This is meant to ensure that each and every goal works towards the achievement of other goals. In the case of SDGs, integration even goes beyond social, economic and environment. They also integrate human rights, development, peace and security by focusing peaceful societies in SDG-16. To provide a platform for global discussions on policy integration, the Economic and Social Council has created an Integration Segment. The segment focuses on issues that provide the most effective entry points for integration. For instance, in 2014, it focused on sustainable urbanization and this year the issue of employment creation and decent work for all was the theme for the Integration Segment. This is one venue for engagement of all actors on policy integration for sustainable development.

Investment: SDGs will transform development finance. The scale of investment is monumental. We will have to move from billions to trillions. According to estimates, at the global level, total investment needs are in the order of \$5 to \$7 trillion per year. Total investment needs in developing countries in key SDG sectors are estimated at \$3.3 trillion. Current investment in these sectors is around \$1.4 trillion, implying an annual investment gap of between \$1.9 and \$3.1 trillion. This will require a massive injection of private finance. This will have to be leveraged by public finance along with providing secure and stable environment for investment. The issue of financing for development, or Means of Implementation, is the cornerstone of the discussions on the adoption of the SDGs. This week in New York, negotiations are going on how to ensure that the SDGs are well funded. The Financing for Sustainable Development Conference to be held in Ethiopia, Addis Ababa, in July this year is expected to provide a framework for ensuring that sufficient resources both public and private are available for achieving the SDGs. Here, I would like to mention a paradox. SDGs are meant to achieve universal transformation of our societies. It is not only about investing in sustainable development, but it is about making all investments sustainable in all their components, namely, economic, social and environmental. This means that the Global World Product of around \$75 trillion has to change. And not just the \$ 5-7 trillion.

Innovation: SDGs will require innovation in all spheres of our lives. It is not just technological innovations that will help us saving our planet and yet achieving prosperity for all. But, we also need policy innovations, social innovations and, of course, financial innovations. We need to be very creative and leverage our knowledge and resources in order to achieve this universal transformation. This will also require large scale sharing of innovative ideas, technologies and policy frameworks. We should establish platforms for knowledge sharing.

Implementation: Unlike the MDGs, monitoring, implementation reviews and national level accountability will be an integral part of the post-2015 development agenda. There are widely shared expectations that this will be pursued at three levels: (1) the most rigorous accountability at the national level; (2) peer reviews at the regional level; and (3) thematic reviews at the global level. The High Level Political Forum, under the auspices of ECOSOC, will undertake regular reviews to ensure that commitments made for the post-2015 development agenda are fulfilled. These reviews are meaningless if we do not have the right data. There is a big gap in the whole picture. That is why the UN Secretary-General is advocating for a data revolution. Such a revolution has to start by building the capacities of countries to collect, tabulate, analyze data. Given the broad range of the SDGs and attendant targets, it will require major efforts by all countries, especially by developing countries, to improve their outfits that work on data. With the growing role of big data, the private sector will have a big role in supporting countries to use the most modern tools for data collection.

Ladies and Gentlemen, these five “I”s are usually followed by a question on how do we engage influential actors such as your organization in shaping and implementing the post-2015 development agenda. I would like to identify some of the entry points for your engagement:

- For CIFA members, the ongoing discussions on the outcome of the Third Conference on Financing for Development, to be held in Addis Ababa, provide an appropriate platform to engage and contribute your ideas on how to move from billions to trillions? This issue was also the focus of recently concluded spring meetings of the World Bank, IMF and ECOSOC meeting held on 20 April in New York City.
- A number of avenues have been opened by the ECOSOC such as the Integration Segment, Partnerships Forum, and the High Level Political Forum to bring your perspectives to inform the discussions and decisions by governments.

- Last but not least, you can embrace the SDGs and the overall principles of underpinning these goals in your own area of activity. Your decisions to invest your money will determine the trajectory of this planet's future and the lives of its inhabitants.

It is our generation that can save this planet and yet end poverty. But, let's remember that if our generation does not do it, then the succeeding generations may not have a chance to do it, due to irreversible consequences of climate change, which are already here. I do not want to end my remarks with the doom and gloom scenario. The consensus on the SDGs gives me strong hope that we will be able to transform our societies. This transformation will secure the future of humankind and of our planet.

Hanifa MEZOUI, Moderator

The five "I" will require integration, leadership and human capacity. I have now the pleasure to introduce Ruth Engo Bamela, President of African Action on AIDS (AAA). She will explain how effectively AAA deals with these aspects.

Ruth Engo BAMELA, President, African Action on AIDS

Thank you so much Hanifa. This panel is really good at showing the global aspect of SDGs and I will try to show real and pragmatic aspects of SDGs. The mere presence of a Community organization like AAA in the Forum is already part of your answer to the lead question of this session: **What Will It Take To Manage Goals To Sustainable Development Goals?** Here, we are all encouraged to ***"evaluate"*** the MDGs, ***"identify"***, and then prepare ourselves to ***"manage"*** Sustainable Development Goals. We can do it… (1) if we combine global thinking, local thinking and various other efforts; and (2) if each partner – *global or local* – is encouraged to impact the scaling up of the whole process, taking in consideration the fact that failure at any level has repercussions on the global. As the first Executive Director of UNAIDS, Peter Piot, wrote a few years ago *(Preface of the Global Framework on HIV/AIDS in 2001)*, *"The only way the epidemic can be reversed is through a total social mobilization. Leadership from above needs to meet the creativity, energy, and leadership from below joining together in a coordinated program of sustained social action"***.** Based on the above understanding, I will address to the following issues: (a) what we learn from the MDGs; (b) how many SDGs and why should HIV/AIDS be chosen as a lead goal? …and (c) the impact of AAA activities including Family Planning and the new Concept of Donors of the 21st Century. We learn from the MDGs that progress was measured through a series of LACKS …of water, of heath, of education, of life for mothers and children, of initiative (because there was a global perception in the year 2000 that "materially poor people" could only be at the receiving end, as they seemed to have nothing to offer) and of money. Materially poor people, perceived as those who lack what money can buy, was not only wrong, but it removed the indispensible individual and community strength leading to ***"local appropriation of development"*** and its ***"sustainability"*** that we all officially call for today! When local conditions are favorable, FOREIGN AID, PUBLIC AND PRIVATE MONEY definitely altogether act as a booster. But the many assessments of MDGs show that the ***"Philosophy of LACKS"*** brought out the expected fruits based on the law of attraction. Why? The answer is "because the MDGs depending on foreign/public/private money were almost reached". The Economist of March 28th 2015 indicates that *"…Over 2.3 billion people got access to improved drinking water between 1990 and 2012 as countries built treatment plants. The targets for Malaria and Tuberculosis* *are also likely to be hit, thanks to ambitious public health programs…But cutting maternal and child mortality means treating preventable diseases and improving care at home; these targets are far from being met"*. When local conditions and people are favorable, foreign/public/private AID helps. But we have learned with MDGs that foreign/public/private money does not eliminate LACKS. Countries, communities, people do so on their own or they don't. In the early 90s, Robert J. Samuelson already warned us in his famous article on… END OF THIRD WORLD *(Newsweek July 23, 1990)*: *"The concept of THIRD WORLD implicitly presumed that all poor nations could be made wealthier with the correct doses of outside money and advice was a wild exaggeration"***.** We agree with him and emphasize that development must be culturally and environmentally determined. If not, we are closer to instability, and away from sustainability. That is why African Action on AIDS advocates for the combined knowledge and resources' concept. We sign "Conventions of Collaboration" with villages and encourage them to raise funds at their level for maintenance of infrastructure that they sometimes get through foreign/public/private money. We encourage them to create endowments for future transformative investments with long term sustainability, to stay afloat when outside funds are no longer available.

About how many SDGs and why HIV/AIDS should be chosen as the lead goal, from the large consultation still on-going around the world we understand that 17 Sustainable Goals will replace the 8 MDGs with the Final Review scheduled in 2030. It is clear that each important country, institution or lobby, is attached to one or two goals for different reasons – good and not so good… The number as such may matter less. As a community organization, AAA is more interested in the ***"appropriation"*** that did not happen during the MDGs. We aim for behavior change, to complement what money can do. Also important will be what mobilizes people to their own development as well as how to encourage people to mobilize their own resources, no matter how small, and develop self-respect and dignity. It will be important to trust people and instill a sense of responsibility for their personal development as well as their neighbors and communities. Based on this understanding, HIV/AIDS should not only remain on the list, but should actually become the lead goal! We should not forget that problems around the epidemic are not specific to AIDS alone. Dealing with AIDS is a multi–sectorial perspective that includes: (1) preventive health, including testing and cutting maternal and child mortality by treating preventable diseases and improving home hygiene; (2) curative health, by providing ARV as treatment and prevention of HIV/AIDS to larger groups and focusing on rural areas; and (3) education, not only to award degrees and distribute titles, but as knowledge and skills needed to promote sustainable development locally. Skills to know one's body and protect it, to reduce mortality, to mobilize villagers, to improve drinking water, build toilets and wells in villages, fight malnutrition, etc. To conclude, I would like to show the CIFA's sponsored well, which is in a village where there is no water. We encourage villagers to save funds at their level for maintenance. This saving system is a way of showing that people share the responsibility of development and of the appropriation of development, which is much heavier in pushing than merely getting the money and what money can buy. That is our message.

Hanifa MEZOUI, Moderator

Thanks Ruth for showing us not only all the "lacks", but also achievable more positive outcomes and how NGOs must be empowered. And thank you for showing us the dark side, but also for telling us what you get out of it. Now I have the pleasure to introduce Prof. William Gunn, who is also on the side of health as a former Director of the World Health Organization's Emergency Humanitarian Operations. Today, he is the President of the International Association for Humanitarian

Medicine Brock Chisholm in Geneva, Switzerland. He is going to give us maybe a more positive local perspective of MDGs' achievements. Prof. Gunn, you have the floor.

Dr. S. William GUNN, International Association For Humanitarian Medicine Brock Chisholm, Geneva, Switzerland

Thank you very much. I am very pleased to be here. When I shared this with some colleagues of mine, overall doctors with whom I'd shared previous adventures, they said "What are you going to do with financial people? They are at the top of a very metastatic activity!" But, the program of these three days is very appealing and I am very pleased to be here, to give you a brief account of how we, in the medical profession, the World Health Organization (WHO) and other health associations, help the United Nations with the implementation of MDGs. As you know, the UN has been involved, right from the beginning, in the development of persons and people. "We, the People" has been the slogan ever since. At the beginning we were talking about "underdeveloped countries", a definition that after 30-35 years has evolved into "developing" countries and, presently, to sustainable development. Such a progression in terminology happened thanks to women. It was introduced very dynamically by Indira Gandhi, and was taken afterwards to the level of "sustainable development" by Dr. Gro Harlem Brundtland, former Prime Minister of Norway. For sustainable development, the UN formulated eight goals, a program for 15 years, from 2000 to 2015, called MDGs. The program has been well organized administratively and managerially, as a very cogent roadmap was established with eight attainable goals, including 18 targets and 48 indicators, so that you could follow the progress or the non-progress of the program. The UN has long been concerned with all the goals for humanity, but MDGs focused specifically on "attainable" goals. Three of the eight goals were specifically about health, but other goals are also related to health. The lack of health cannot be separated from poverty, which is the goal N°1.

The main three goals are: reduce poverty, improve maternal health and combat HIV. For the last 15 years, the WHO has been doing just that and produced the following projected figures that I would like to share with you. If things were as we have hoped them to go or planned to go, there would be 500 million fewer people living in extreme poverty, 300 million fewer people suffering hunger, 30 million fewer children dying before the age of eight, 350 million more people having access to potable water and 650 million more people enjoying sanitation. Now, how do we fare vis-à-vis these projections? We have done well in certain sectors, although the track record is quite uneven. Nevertheless, there is good news. Malawi has raised agriculture productivity considerably. Ghana, Kenya and Tanzania have more primary schools than they had before the program started. Nigeria increased its country reforestation. As you can see, these are not medical or health problems, but they are related to health, although not directly. Togo and Zambia are reporting fewer malaria cases. Senegal is improving its water sanitation. Despite all the efforts, we believe that we are only at mid-point. There are still poor people, with no access to sanitation and in no better health conditions. Not one single country in sub-Saharan region has reached the MDGs targets planned for 2015. Health inequality has not diminished. It has not increased, which in itself is already an achievement for certain people. WHO's Social Determinants of Health (SDH) Commission has concluded that the situation in health vis-à-vis social determinants has in fact gone backward in the sub-Saharan countries. After 35 years of globalization, the situation has not improved much from the 1980's level. Indeed, the discrepancy has rather increased by 122%. These are general various branches of social activity.

Allow me to come to health, where we have more specific issues. The global burden of diseases has not diminished and the related disabilities have not diminished either. Diseases lead to high mortality. Surgery is the great loser. Most developing countries do not have surgical facilities, a worrying situation called a chronic disaster. A few examples of goals: Goal about hunger, under-nutrition contributes to about 45% of children under five – the proportion has declined to 22.8%; Goal 4, some 17,000 fewer children die every day since 2013, another good achievement thanks to MDGs, although far from the expected final results. A group of us is currently working on a global initiative called Essential Surgical Care (ESC), which can be performed by non-highly-specialized surgeons and which requires non-highly specialized material and medical equipment. Hopefully, the proposition will pass in about a month when it will be discussed at the WHO General Assembly. This is another way at boosting UN Millennium goals and at auspiciously beginning the Sustainable Millennium.

Hanifa MEZOUI, Moderator

I have now the pleasure to introduce François Loriot, a team leader and UN senior Court practitioner, at the international level. Mr. Loriot is also an economist and president of the bar association. François, you have the floor.

Me François LORIOT, President Bar Association for Inter-Governmental Organizations and Vice-President AIFOMD (UN-MDG training)

First of all, I would like to thank CIFA for the opportunity to participate and conclude to this very important Forum and especially to have me comment about this important topic connected to the MDGs and to the transition towards SDGs. MDGs correspond to something unique in the history of Humanity. It has become as important as the equivalent of a Humanitarian Charter both for the XXth and the XXIst century. In order to evaluate what the MDGs have achieved, it is important to recall the 2000 UN Millennium Declaration adopted by 190 heads of State convening in New York City, which was essentially sowing the seeds for the UN Humanitarian Charter on Development, whose key principles are:

- there can be no peace without development;
- there can be no development without peace;
- there can be no peace without security;
- there can be no security without human rights.

Fifteen years after the MDGs and the Millennium Declaration, these remain the most acute problems that the world still faces today. When we look at the international situation, at the ongoing wars in Syria and Libya, at the immigration crisis in the Mediterranean region, and at the events in Central Africa, all uniquely highlight and remind us of the overt human rights' violations occurring on a large scale. The four UN War Conventions, approved in 1949 are continuously violated, as if there were no international laws and no rules applicable to conflicts, to prisoners and to civil victims. There is nothing "conventional" in the presently ongoing wars! Wars are often conducted at distance, by air and robots, with no concern for collateral victims. In this context, when you speak about the transition from MDGs towards SDGs, we must remember what Ambassador Elshad Iskandarov mentioned earlier. Of all the 100 million of young people coming out of university, perhaps only 20% of them are able to find an employment. And that is just for the Middle-East. When you look at Africa, however, there are well more than 100 million of people across the continent with no opportunities to look for in a future. This really creates a context propitious for social and economic exclusion, which in turn might lead to civil wars and terrorism. So, economic development and job creation have become complex issues which we must urgently address at a time when we attempt to move from MDGs to SDGs. In this context, we could add a sixth "I" to those proposed by Navid Hanif, which would be **Initiative**. What is often missing and lacking, when we discuss the unemployment issue of these young people, is how to develop their spirit of "Initiative" and ideas for more job creation. Schooling does not offer much teaching on how to foster the spirit of initiative. Besides the time spent in schools to teach religious values, very little time is devoted in schools, colleges and universities, which could inspire solutions and job creation initiatives for their own community, in the spirit of MDGs. The issue of poverty is, indeed, tightly linked to education and to health. The issue of education must be addressed at its root in order to eradicate extreme poverty. Let's not forget that the eight MDGs speak of issues which are basically linked to poverty. Dr. Gunn gave us a realistic overview of the difficulties encountered to implement MDGs in countries where there is a lack of everything: water, education, money, and other vital necessities.

To conclude, we should remain aware that, as reported in the media recently, unlawful arm trafficking involves huge sums of money diverted from development. Just in recent months, almost $1 trillion was agreed between some countries for the traffic of arms, the purchase of planes and special war equipments and systems, which may eventually end up destroying other people and other countries. If the same money was spent for MDGs, we would have no financing problems to achieve these 8 Goals. Pakistan, for instance, a country which has been unable to achieve MDGs' goals, has increased this year its defense budget by almost 15 percent. Asia too is currently spending heavily on defense. In this context, the question that needs to be answered is: are we moving from a bread economy to a war economy? A war economy would infer that the tax burden is bound to increase dramatically, without much impact for humanitarian development in the world. Most countries are not very transparent about their war expenditures and their actual contributions to third-world countries. It is now time to be realistic on the world we want to choose for Humanity in this new Millennium.

QUESTION FROM THE FLOOR:

Regarding the objective of trying to attract private investments, when we look at the U.S., Europe as well as other countries, and the desire to invest in traditional terms into emerging countries, there is a pronounced bias into investing domestically, because investing in emerging countries still carries great fear and trepidation. How do you see the opportunity of educating the developed world into a greater sense of security that part of portfolios should have money invested into the emerging world?

NAVID HANIF

Thank you for your excellent question. There is a lack of expertise on both sides of the equation, the developing countries and the powerful countries, to properly analyze the situation. Both sides must improve their dialogue and put together their expertise. Risks can be mitigated by the right set of investment structures in these countries. Several global development banks have launched a plan bringing together their expertise from all sides, developing and developed countries; $40 billion were put on the table as a "Silk Road" infrastructure fund. This amount, however, can easily rise to trillions if nothing is done to address the current issues that we just discussed in this roundtable. There were also a lot of discussions about taxation policies. We do welcome it, because it can help reduce in the end the overall tax burden on citizens. This is also a way to contribute to the development of those countries. When people pay their share of taxes, more financial means could be available globally for enacting MDGs. Right now, most of the public finance is used to address the shortfalls of developing countries. Moreover, concerns of companies in those countries are about safety and security. So, both sides of the equation must be addressed.

Question from **Prof. William K. BLACK**

My question is directed to Dr. Gunn. Ecuador has doubled its expenditures on infrastructure, education and health as a deliberate policy over the last five years. Do you know anything about the results that the country might have achieved in the health side?

Dr. S. William GUNN

Ecuador has been doing very well. I am afraid, I do not have the latest figures, but here is an encouraging sign of the overall picture. So is in other European countries, such as Ireland which is doing very well. Canada, however, is doing disastrously bad. The country is really a "touch and go" type of situation. Various factors will need to be seriously addressed at the local level.

Hanifa MEZOUI, Moderator

We all know, by now, that the success on SDGs will be possible only with the contribution and partnership of governments, Parliamentarians, local authorities, businesses, NGOs, CSOs and the private sector, including the scientific and academic community as well as ordinary citizens like you and me! As far as the Youth are concerned, the UN position on SDGs is that investing in young people is critical to sustainable development and promoting national youth strategies is essential to meet the long-term needs and aspirations of young people. On the Women side, it was underscored that mainstreaming women's empowerment into financing for development and committing countries to undertake national action plans, as well as legislation and administrative reforms, will help in giving women equal rights. Allow me to remind all that, while the means of SDG implementation appear to remain very critical, the message to our generation of leaders is: "*Leave no one behind*" and "*Leave no country behind*". These mottos address two main obstacles in our generation: Seclusion and Inequality. We recognize that we have certainly made progress in eliminating extreme poverty. However, poverty has not ended; we still have inequality everywhere around the globe. We need the international community to come together to secure "*A life for Dignity for All*". This is a crucial step in reducing disparities and creating a successful global partnership. As stated in the UN SDGs' Report: *"Governments must respond with policies that support individuals throughout their life course and promote non-discrimination and inclusivity. Marginalized and disadvantaged groups, including children, youth, the old, women, indigenous people, persons with disabilities and migrants among others, need to be given adequate attention*". If we succeed by 2030 in combating these two plagues, our generation would have shown that tolerance, spiritual values and cultural diversity, are the silent weapon to promote peace and assure that nobody is left behind. In closing this panel, whose main topic was to address how the transition from Millennium Development Goals towards Sustainable Development Goals could be enacted, I hope that our discussion stimulated the public and the civil society to bring together great efforts for an optimal transition. I am very proud that this roundtable effectively opened the CIFA Forum of 2015. Thank you all.

Taxation and automatic exchange of information: what's left of our privacy?

Pierre CHRISTODOULIDIS, President, CIFA, Moderator

Dear friends, I will try to moderate in a lively way this roundtable aimed at figuring out how the various fiscal structures and automatic exchange of information global schemes could at some point be harmonized at the international level. Allow me to introduce **Stephanie JARRETT,** a Partner of Baker & McKenzie, who advises families with cross-border connections on legal and tax issues; family and family business governance; succession planning (including trusts); charitable planning; tax regularizations; disputes and asset tracing. Moreover, Stephanie is Vice-Chair of STEP's Geneva Branch and is an Advisory Board member of SATC. Next to her, Prof. **Xavier OBERSON** who teaches Swiss and International Tax Law at the University of Geneva and is a Partner of the Law firm Oberson Avocats, Geneva, Switzerland. He is also the Director of the LLM Tax Program at the University of Geneva and a member of the Swiss Federal Commission for harmonization of direct tax laws. Prof. Oberson was a member of the group of expert appointed by the federal government in 2009 about international assistance in tax matters. We are pleased also to welcome here Ambassador **Alexis LAUTENBERG** who is a Senior Policy Advisor in Steptoe's Brussels office. He advises the firm's clients based on his in-depth knowledge of the workings of the European Union and its Member States. Ambassador Lautenberg is widely recognized for his knowledge of European affairs. From 1993 through 1999,

Ambassador Lautenberg headed the Swiss Mission to the European Union and afterwards served as Swiss Ambassador to Italy (1999 to 2004) and to the United Kingdom (2004 to 2010). Finally, **Adolfo Enrique LINARES FRANCO** is a partner of TAPIA, LINARES & ALFARO, in practice since 1949 and specializing in company and foundations' formation and management. He is also President of AEGIST ASSETS ADVISORS, an External Asset Management company, a Swiss and Panamanian venture, regulated by the Superintendent of the Securities Market of Panama (SSM). Moreover, Mr. Linares is a member of the Board of Director of ST GEORGES BANK. From July 1st, 2001, to January 30, 2004, he acted as Vice Minister of Education and, from 2009-2012, as President of Panama´s Chamber of Commerce, Industries and Agriculture.
Now, as panelists have been properly introduced, let's get into the roundtable topic. How is the present situation with the various national systems, such as Monaco, Panama, the U.S., European countries, the EU, and so on? What are the perpsectives for these systems to eventually converge and be more harmonized at the global level?

Prof. Xavier OBERSON, Professor of Swiss and international tax law at the University of Geneva, Partner at Oberson Avocats, Geneva, Switzerland

We can definitely say that there is a sort of a "battle" of models beyond us. We often talk about exchange of information and automatic exchange of information, but no one really knows which legal basis could apply and which model might emerge as the one applicable at the global level. The problem is that, today, there are various and conflicting models. First of all, there are bi-lateral double-taxation treaties *(DTC – Double Taxation Conventions)* between two states. DTCs are based on the OECD standards about the exchange of information and its famous art. 26. Today, no less than 3,000 DTCs exist. Europe has issued its own Directive as well, the Directive on Administrative Co-operation in Taxation, or DACT. The second model is called the "TIEA" *(Tax Information Echange Agreement)*, not to be confused with the above-mentioned treaties. After a slow start in 2002 with only 10 TIEA signed up to 2009, this model began gaining greater acceptance. Currently, more that 1,000 TIEAs have been signed, which highlights that various states have become increasingly interested in "requesting and receiving" information through this kind of international network of countries. A third model is FATCA, a unilaterally imposed model by the United States for tax enforcement at the international level. FATCA is about domestic U.S. law exclusively. But, it is not a treaty that deals primarily with national laws. FATCA represents truly a turning point in the global fiscal systems. Integer to this model is the concept of reciprocity about the exchange of information. Then, in 2012, some countries (G5) developed another bi-lateral model called IGA, or intergovernmental agreement: the IGA1, which is about the standard reciprocity approach, and IGA2 without reciprocity. This fourth model is rapidly spreading around the world. So, where do we go from here? I believe that the OECD is taking the lead under the G20 mandate. Furthermore, a fifth model emerged. It is called "CRS", or Common Reporting Standard, directly inspired from FATCA. In a sense, we can say that America succeeded with its unilateral system (FATCA) in developing a world standard now designed by the OECD. This will be the new standard for the automatic exchange of information. The required legal basis for this standard remains rather complex. The world will have to deal with either bi-lateral treaties or multi-lateral treaties, the latter being essentially based on FATCA for America and CRS for the rest of the world. Finally, several questions remain. How are taxpayers going to be protected? How will the various States enforce these new models? Will the "level-playing-field" be preserved? What will be the legal basis for the exchange of information?

Simply signing a treaty is the easy part. But, today, which countries can claim to have all the information that supposedly will be exchanged with other states? First of all, all countries including America need to develop the domestic legal basis in order to collect the information at the national level to be sent abroad afterwards. As of today, very few countries have the proper tools to do so. In other words, there is chance that the system might collapse due to lack of the legal basis and the proper technological tools, i.e., harmonized at the global level.

Pierre CHRISTODOULIDIS, Moderator

Do you have additional comments, Stephanie, on this specific topic? In the United States, for instance, FATCA does not seem to have been ratified by Congress. How these systems are going to be enforced?

Stephanie JARRETT, Partner, Baker & McKenzie, Geneva, Switzerland

My concerns go even beyond the fact of technicalities of sending and receiving such information by the various States. Yes, governments can collect, exchange, and receive information. But, what are they going to do, or not do, with that information in the countries where individuals and entities are tax residents? This is "key" in my opinion. What uses are going to be made with the received information by the tax administrations in the various countries? Here we are talking about sensitive information from a business point of view, a personal security point of view, the privacy point of view, and so on. There is a real concern. Bear in mind that there are many countries in the world where governments and tax authorities are corrupt. Families are concerned that this information could be used for all sorts of crimes, simply for kidnapping their children the next day, or for other unlawful uses. The uses of this information are a real, real problem. And, it is very difficult for governments to resist now on this automatic exchange. In Switzerland, it has been said that they will transfer information only if it is assured that the information is going to be used in such and such manner. But, how is it going to be checked? I am not just talking about countries in distant parts of the world, but also about countries within the European Union, where there is a real concern about the "éteinchéité" of the information received by tax authorities. How to be sure that this highly sensitive information is going to be properly sealed and protected?

Pierre CHRISTODOULIDIS, Moderator

A country like Panama, how is it going to handle these problems? Panama, as Switzerland, finds itself in the eye of the storm? Is it a matter of international competition? Do you have to adjust your domestic rules? How do you face this situation?

Adolfo Enrique LINARES FRANCO, Partner, Tapia, Linares & Alfaro; President Aegist Asset Advisors Inc; President Chambers of Commerce, Industries and Agriculture of Panama; Vice Minister of Education from July 1, 2001 to January 1, 2004

I believe that this is not a matter of taxation, rather of national sovereignty. The OECD is acting in violation of the most basic principles of international law and international standards that were approved by the majority of civilized countries around the planet. Countries, since probably 1945 with the foundation of the U.N., decided to regulate the relationship between States based on equal principles, no matter how big or small, or how strong or weak each State is. When you read the founding documents starting with "We the people of the United Nations… *(etc. several articles were cited here*)" you really get the all important sense of "equality" transpiring from international standards. In other words, no country should unilaterally play the game of "blame & shame" on other member States, such as the U.S. is doing with Panama. Our country is a founding member of the UN on an equal footing with all other founding countries. Panama is complying with all the internationally established standards. But, Panama cannot accept to enforce FATCA when the U.S. does not even apply FATCA domestically, since no reciprocity is contemplated there. As far as I know, it is forbidden by law in the U.S. to exchange information about passive investors, i.e. non-resident, non-American entities, non-U.S. taxpayers.

Pierre CHRISTODOULIDIS, Moderator

What do you think about this evolution about the increasing loss of privacy for savings across the planet? There are not many countries anymore left where investors can feel their savings are safe. Even countries where privacy was a long standing pillar are reneging currently this to savers who had entrusted them with their savings. Why so much excitement about total transparency across the planet and what at are your views about this subject?

Alexis LAUTENBERG, Chairman of the Swiss Finance Council, Senior Policy Advisor at Steptoe & Johnson, Brussels, Belgium

Thank you very much for inviting me to CIFA's prestigious forum. This reminds me of the time when Prof. Mario Monti became the EU Commissioner for the interior market in 1995 in charge of taxation. On the very first day, he had the idea of gathering a high level group. At that time, it was rather frustrating to witness that he added two categories to this group: tax specialists and economists. Those two groups couldn't possibly agree on anything, even on the way to proceed. For quite a long period, tax matters have been in the hands of the Commission. If we go back to eight years ago, when the U.S. tried to fight organized crime, tax crimes were used as a means of discussion for organized crime. The whole system was misused and misunderstood for a very long time. As Prof. Oberson said, the approach has been rather eclectic and bottom-up as far as the international tax cooperation is concerned. For a long period of time, the OECD blatantly took the coordinating role of defining the rules of the game, but it was not a multilateral work and it had practically no effect other than public declarations. What really made the difference, however, were two things. First, the imperfect character of the Savings Tax Directive, launched in 1993 and enforced at the beginning of last decade. It was imperfect in many ways; it only covered fixed-income; it was difficult to apply outside the EU; it was not accepted by the Americans, the Canadians, Honk Kong and Singapore, and so on. In a certain way, the European Union failed to come forward with any type of credibility to try to engage, for instance, with the United States. The second point, which was briefly mentioned, is absolutely important to understand. It really represented a change of paradigm. In 2008, in order to tackle the global financial crisis, a joint EU-US initiative laid out the basis for launching the G20 at the States' level. This really changed the game. From that moment on, the approach was maybe misused and became highly political. There is, of course, a relation between the role of the G20, FATCA and what eventually has been delivered by the OECD as common standards. There is an element that one has to be aware of. Over the last thirty years, the United States has been very good at focusing on specific new issues. At the beginning of FATF (Financial Action Task Force), in 1990, money-laundering was really about money laundering of drug crimes and mainly oriented to Latin America. But, the U.S. has been very good at bringing in more and different crimes. So, what is this exchange of information system all about? It will be used for all sorts of purposes. The whole instrument, i.e., the toolbox, has become huge and it goes far beyond tax matters. And a last element to consider is the certainty of change of focus from personal taxation to corporate taxation. The automatic exchange of information has not even been implemented yet (it will eventually be enforced), but there is already a US agenda for corporate taxation, which will cause much more conflicts for various reasons.

Prof. Xavier OBERSON

I would like to add something here. Undoubtedly, the world has changed and there is no going back. In Switzerland, we tried the Rubik model that received a lot of criticism. Rubik, like a Swiss fondue where you mix two different types of cheese, was a system aimed at resolving the "past" while at the same time preserving the identity of foreign savers, in accordance with personal confidentiality requirement under Human Rights. It was a compromise, where the tax was to be levied in Switzerland at the rate of the taxpayers' country of residence. RUBIK did not succeed. The German Parliament rejected Rubik. Currently, even in Switzerland, nobody is talking about this approach any more. So, there is no going back. The political focus is on tax evasion and transparency. What is really important now is to care about taxpayers' rights. With the automatic exchange of information and its universal nature, however, this approach might target widely all kind of people, even those who are not involved in tax evasion at all. It is imperative to work out a set of rules aimed at preserving individual rights, as some people might see their lives unduly destroyed, as well as their reputation. These rules should be applied effectively by all countries.

Lastly, I completely agree with Ambassador Lautenberg that what is the real issue here is not "banking secrecy" as it has been over for quite a while now. The real focus will be on corporate taxes involving multinational companies. Here we are talking about billions of Dollars and Euros, of Swiss Francs, in taxes being transferred constantly across the planet. So, with the automatic exchange system, the information will be readily available for global tax authorities to act on. This is how the tax system will change dramatically in the future.

Pierre CHRISTODOULIDIS, Moderator

Considering what it has just been said and that in countries such as Kuwait or the United Arab Emirates for instance where people are not required to pay taxes, how is the system going to work? How is a country like Panama going to cope with it?

Adolfo Enrique LINARES FRANCO

Honestly, I do not believe that the world will change to the point where only two or three countries will impose their own rules on others. States are sovereign. The economy and taxation are domestic issues. Panama, although willing to comply with international rules, has no problem with the automatic exchange of information system, but it wants it to be based on demand. More importantly, Panama does not want to be forced into accepting a treaty. In the case of the automatic exchange of information system, the OECD is putting a lot of pressure on Panama. Our country does not need and does not require any information from abroad. Panama does not tax income that is not generated in Panama. That is why my country is not engaging into any kind of global automatic exchange of information systems. We do understand that the world is changing, but we reject the idea that such a change is happening in the name of greater transparency. To the contrary, what is happening is merely tax competition. The real problem, which caused the 2008 crisis, is that governments around the globe keep spending more than they collect from their taxpayers. We apply the same tax rate to all residents, without differentiating natives from foreigners. In Panama, we collect corporate taxes at a 30% annual rate, therefore higher than the rate applied in the UK and other OECD countries. But we only tax income generated in Panama. The problem with the OECD is that they want to impose a global standard as being fit for all countries. It cannot work since some countries have a residential based tax system while others, like Panama, have a tax code based on territory. Panama is a small country that has historically been involved in commerce and services because of its privileged geographical position. Panama has developed as a trade and financial hub long time ago.

Pierre CHRISTODOULIDIS, Moderator

Prof Oberson and Ambassador Lautenberg, would you please comment briefly on the evolution towards the big battle about global institutional taxation?

Prof. Xavier OBERSON

First of all, I would like to say very clearly that, even under the automatic exchange of information approach, States are and will remain independent and sovereign, which does not prevent them from engaging as well in bilateral and multilateral agreements or treaties. Even Switzerland has agreed to TIEAs, unheard of not long ago. Switzerland has already issued information requests to Guernsey, Jersey, and so on. Another element important to discuss is: how are we going to solve the past? Again, Rubik, which I mentioned before, offered a convenient way to solve the past (penalties and taxes). This is a real issue. Look for instance at the DOJ programs (U.S. Department of Justice) with a number of Swiss Banks being required by the U.S. to pay large amounts in penalties in order to solve the past. France is also going after some Swiss banks. The U.S. is going after banks in Andorra as well. And so on. This a major issue for the next five years or so.

Alexis LAUTENBERG

There are many points that could be made here. A major change of paradigm does necessarily entails ending up severely penalizing people in their country of origin. At the end of the day, the basic truth that one should never forget is that the relation is between the taxpayer and the State. If there is no trust, the relation becomes extremely strained and difficult. If States are not careful, both sides will end up losing. About the legal and institutional dimension of this paradigm change, there is a lack of legal basis even inside the European Union. The way in which the EU is trying to implement forthcoming changes, at its level, shows how incredibly complicated it is. They are going to denounce the Savings Taxation Directive. They are transforming the Directive for the mutual administrative corporations, which is hugely difficult. Inside the EU, there is no agreement on how the EU could interact with third countries. With countries with which the EU concluded bilateral tax agreements they work on the assumption that it is going to be repeated. Aside from those, Member-States will have to come to terms individually with all other countries. Lastly, I would like to comment on Rubik. I was very close to the birth of this instrument. It made a lot of sense. Unfortunately, it was actually dumped by the German parliament. But, we were over the top already. Even if it had been approved then, it would have worked probably only for a couple of years. So we have to forget about Rubik. Currently, we have FATCA-1 and FACTA-2 to deal with, also a quite complex model.

Pierre CHRISTODOULIDIS, Moderator

About the concept of "level playing field" introduced by the U.S., Prof Oberson would you please offer us your views? Then, I would appreciate hearing from you, Stephanie Jarrett, about how the tax advisory practice is going to adapt to the major global changes that we just discussed.

Prof. Xavier OBERSON

Not only The United States, but all the countries must deal with the "level playing field" issue. The United Nations played an important role, since it is at the UN that all countries gather to find global solution. In addition to the UN, there is the Global Forum, whose member are both "OECD and non-OECD" countries. The forum designed a tool called the "peer review" which is run under the supervision of the Financial Stability Board. Transparency is a crucial element of this approach. It could be quite an effective tool, because wrongdoings, i.e., non-compliance to "level playing field" requirements, might be so widely exposed in the global media that the problem might even correct itself without requiring additional action.

Stephanie JARRETT

I am referring here to corporates and individuals as well. You probably remember that a few years ago, as published in UK by the HMRC tax authority, the issue about deliberately going out to attack "tax avoidance". Tax avoidance is legal, and was legal, at that time. It is not tax evasion. It refers in particular to tax planning, minimizing the tax burden within the terms of the legislation. Advising corporate clients has become more difficult and riskier going forward for legal firms, accountants and other advisory services' entities which have become increasingly exposed to prosecution and/or damage to their reputation. We have seen already professional insurance premiums go up. But, I would like to come back to what I mentioned earlier. My concern is on the reporting for both corporates and for families. What is going to happen to that information? Advising corporate clients is more a political issue, a competition issue, and so on. But, for families, the issues are wider on pure privacy, privacy within the families in preventing members of the family being married or living with family members on pure non-desired financial motives, privacy to ensure physical security, and so on. How is the exchanged information going to be controlled? With tax authorities and governments corrupt in many parts of the world, where politicians and bureaucrats may be part of or in league with criminal gangs. In these instances, the judicial system is just not there to protect corporations and families. If you do not feel comfortable in the country where you live, or where you are based as a company, you are going to have to consider leaving. There are no other solutions. Otherwise, you will not be tax compliant. When I look at many specific situations and structures that families have in place, we must advise them to decide on where they will feel comfortable being resident and having the tax authorities receive information on their wealth and income. Families invest in different countries. Families, or some family members, have moved to different countries. But, they have to establish themselves or their corporation somewhere. Dealing with all these issues has become quite difficult. As advisors, we have to look very carefully at reporting issues and control of information issues, as well as about all the information that can come out from the various countries. The issues for the future are privacy and business confidentiality, not the amount of tax paid.

Pierre CHRISTODOULIDIS, Moderator

To close this panel discussion, the last words will be from Ambassador Lautenberg about the legitimate concerns on how to control the uses of the information which could have been transferred to corrupt tax authorities and governments.

Alexis LAUTENBERG

I can give you the example of a country South of Switzerland, a very close neighbor, about information required that goes back to 7 or 10 years and which could have involved individuals not connected to this case at all. The civil consequences are enormous. This truly opens a huge Pandora's Box and no one knows what the civil consequences will be. Returning to the institutional dimension, there is a very weak legal basis at the European level, let alone the global level. It is interesting that for a long time the "peer" pressure was the principal instrument, along with the code of conduct with the corporate field globally, although more specifically within the OECD. Now, a new notion, which is even weaker than "peer" pressure, is being introduced by the G20 as part of its high level principles on beneficial ownership and transparency. It is about the principles referred to as "management by leading and going ahead". This is very important. In the case of FATCA, five of the largest countries within the European Union, when they finished the negotiations bilaterally with the United States, decided to apply the same principles among themselves. This sort of fragmentation of the systems, with very weak legal basis and a very wobbly institutional conduct, is an extremely serious issue in my opinion.

The fiscal equity principle and the legal adviser in this new context

AMEL **MERABET**, CORPORATE JURIST

Good Afternoon Ladies and Gentlemen. Thank you for your warm welcome. I am very honored to be here and to address this very distinguished audience. Without any doubt, I will learn a lot from all of you during the next two days.
A few years ago, I chose to study Law because of the nobility of the profession. I always placed lawyers on a moral pedestal as they have chosen to dedicate their lives towards the search of justice and equality. Three adjectives could qualify lawyers: Passionate - Scholarly and Ethical.
(1) Passionate: Law is the profession of passion which requires its disciples to love people. This is why a lawyer needs to read, and by that, I don't mean reading volumes of law books - because…to face the truth, who would be exhilarated, by the judicial-archives-of Federal-Court? No one. Not me at least. When I say «to read» I am talking about… reading - like the works of Greek tragedians, Russian writers, German Philosopher or Buddhist monks. I think one needs to get inspired, in order to understand humanity and to serve mankind.
(2) Scholarly: While contemporary experts are valued for their high skills and technical prowess - the traditional lawyer used to be a scholar: a person of culture, philosophy and wisdom. Originally, lawyers were perceived to be gods among mortals. This nostalgia of greatness comes from the long standing belief that - except for dentists - everything was much better back in the day.
(3) Ethical: Lawyers should define what is right and what is wrong. Justice and Truth are only points of view. Lawyers intend to work towards a collective interest by respecting

their values and personality. Despite this purpose, corporate lawyers could have been thought of as untrustworthy people only motivated by the perspective of earning money. I personally do not subscribe to that belief. While money should not be an end, it can definitely be a means. More like a reward for a well done job. Some clients even pay their lawyer's fees with works of art - and this is why lawyers have nicely decorated living rooms.

(4) My list should be now complete - nevertheless there is a fourth and last adjective coming to my mind. This adjective is "ambitious". Indeed, the business world necessitates high ambition as well as perseverance and a strong desire to succeed. Lawyers always strive for more - and this is why there is this fourth point. The corporate law is not the most glamorous law field: "trusts", "holding companies", "family businesses" and "offshore firms" can definitely not compete with John Dillinger, Al Capone, and Bonnie and Clyde. According to the public opinion, corporate lawyers have one function: ensure the legitimate defense of tax evaders.

This common prejudice and the distrust from the public opinion bring us to the question: is taxation fair? Does taxation favor everyone equally? At first glance, this issue can appear to be trivial, but in reality, it has deep rooted technical implications for our global financial system. The objective of fiscal equity has two components: one is vertical, the other is horizontal. According to the principle of horizontal equity, individuals in similar circumstances (that means with equal ability to pay) should pay similar amounts of tax. On the other hand, vertical equity relates to fairness in the distribution of wealth among different income groups and suggests that two taxpayers with different incomes pay proportionally different amounts of tax. In this context, a tax can be regressive, progressive or proportional. In France, according to public opinion, a progressive tax on revenues is a way to restore a minimum sense of fairness to the system and would be the most equitable tax regime. However, what is viewed as equitable is not obviously the most efficient - in this context of international tax competition. And this point can be perfectly illustrated with the storm around banking secrecy. In Switzerland - for those who still haven't received the obituary notice - our banking secrecy is dead.

The alibi claimed by the OECD is the fight for more fiscal equity. In that way, fiscal equity has priority as an important competitive advantage in the financial services industry of a country. This new context of transparency - justified by the desire for more fiscal equity - will bring change and transformation to a lot of business activities. Let's take the example of legal advisers in Europe. Corporate lawyers have multiple roles such as in voluntary tax advice and patrimonial engineering. Some countries, in Asia for instance, are not yet concerned by the automatic exchange of information and the clientele from those countries have specific needs that traditional European services can respond to and in a way that is better than a simple "offshore platform". It can also be interesting to notice that the automatic exchange would be irrelevant with some countries like for example Arab nations who don't collect income taxes or capital gains.

In a new context of fiscal transparency, the private banking sector is transformed. If we take the example of the Swiss private banking business, we can notice some relevant points in the new strategy: more openness in Asia and emerging countries, transparency on the services delivered to customers, the strengthening of the "ultra-high net-worth-individuals" segment and the institutional-actors-as-the-investment funds. So, I think this is the quality of the service, more than the insistence of banking secrecy, that can - and must make - the difference for a clientele coming from emerging countries who are getting more and more rich but whose local services on assets, management, and financial counseling are insufficient and ill equipped (except perhaps in Hong Kong and in Singapore) in comparison to what the Europeans have to offer.

The European legal adviser or asset manager has definitely a role to play, and adds real additional value in this new world where discretion and personalization remain appreciated. The role of the legal adviser is essential, now more than ever, in the new context of transparency, because the line can sometimes be thin between tax optimization - and fraud. This is why the experience of the legal adviser can properly make the distinction between an ingenious exploitation of the law and the abuse of right. In the situation of crisis that we find ourselves in, marked by elements such as high unemployment, slow economic growth, high levels of public debt, and lack of competitiveness in the global financial markets - the financial world is facing the challenge of the century. In order to be able to tackle this challenge we need to dare to innovate, we need to perform and most of all…we need to be courageous. This is the reason why I am much honored to be able to benefit from your expert insights on the subject and to be part of this thirteenth forum of CIFA.

Is altruism compatible with modern economic systems?

Matthieu RICARD, Ph.D., Humanitarian, Buddhist monk, photographer and author

Good Afternoon Ladies and Gentlemen. Thank you for your warm welcome. I am much honored to be here again. Three years ago, Jean-Pierre asked me to attend as having a Buddhist monk would fit well with CIFA's mission. Frankly speaking, although not denying my being a Buddhist monk, I am really here today as a human being with certain pursuits and passions. I am also a scientist in a sense that all throughout my life my goal has been to pursue a rigorous understanding of reality. After being immersed for thirty years in the study and practice of Buddhism I was involved in research projects in psychology and neuroscience, it became evident to me that "altruism" was the best answer to the biggest challenge of our times: is altruism compatible with the modern economic system? Not only it is compatible, but it is definitely essential and a cardinal value of human life. Criticizing classic economics' beliefs, such as Francis Edgeworth, one of the founders of neoclassic economic systems, who once said "There is no place for altruism in the economic system", I believe that the *"homo economicus"* theory of maximizing personal preferences and interest discarded altruism and can, thus, only be seen as a caricature of human beings. Even the philosopher Ayn Rand raised up against the ethics of altruism, perceived as a demand for sacrifice. But, human beings are not just about maximizing personal interests. Notably, the psychologist Daniel Batson, who devoted his career to the study of altruism, defined "altruism as "a motivational state with the ultimate goal of increasing another's welfare" and came to the fundamental conclusion that "The results of thirty different experiments support the altruism hypothesis. None of the egoistic explanations proposed have received more than scattered support". As for the economy, believing that it is led only by the "voice of reason" leads to wrong conclusions. Human beings do have emotions. It is simply better to encourage them to express pro-social emotions rather and destructive ones. But, altruism cannot be confined solely to emotions. Rather, it is a multidimensional concept linking the emotional experience to cognitive altruism, wisdom and reason. The extensive works of Daniel Kahneman and Amos Tversky (Prospect Theory) are about human beings only caring about absolute personal wealth in a given situation. Even they came to the conclusion that economic decisions are thus based on "illusionary" choices. Therefore, the voice of reason must be complemented with the voice of "care" in order to come up with economic decisions that are beneficial to the society at large. Recent scientific research in psychology and neurosciences supports the concept that human beings are not by nature as selfish as some have previously thought. I am very inspired by the concept called "caring economics" promoted by Dennis Snower, the founder of the Global Economic Symposium *(Kiel - Germany)*. He has stressed out that along the "voice of reason", economists, politicians and individuals alike must now also speak with the "voice of care". There are two types of problems that free economic market activity and individualistic selfishness will never be able to resolve: poverty in the midst of plenty and collective goods. In order to tackle the issue of poverty and of the growing inequalities in the world, one needs to step out of selfishness and of exclusively pursuing the promotion of self-interest. The same is true about caring for the common good — the quality of our environment being the most striking example of this. Common good is something we must contribute to in order to preserve it for the good of all. Of course, one can get a free ride, while others lose their lives for democracy or try to protect our oceans and prevent dramatic climate changes. One must not get rid of the "voice of reason", but he must use it in conjunction with the "voice of care".

Before getting into the main part of my speech, I would like to stress out how seduced I am as well by CIFA's goals, which are so profoundly focused on ethics and preserving the private sphere.

Going to the bigger picture, human beings are facing three main challenges corresponding to three distinct time scales: short term, medium term and long term. The challenge is to reconcile them. Short term deals with the day-after-day activities and the economy, the quarterly and annual balance sheets for companies, and so on. Medium term, however, has another dimension. It is basically akin to life satisfaction …5 years, 10 years, 20years… a career, a family, a life time! It is about how we look at our life, at the quality of every moment of our life and over the span of a decade. Being considerate of the quality of life of those around us is the first step in the whole process of making sure that working conditions, family life and many other aspects of society are improved for all. If a nation is the most powerful and the richest and everyone there is unhappy, what's the point?

Then, there is a new and bigger challenge, about the long term, the environmental threat which has taken us all by surprise. Ten thousand years ago, when agriculture began being developed along with hoarding land, cattle, grains and goods, there were only about one to five million people on Earth. No big deal! The limited damages caused by humans were immediately repaired by the natural resilience of the planet. Then, the expansion of the population, the industrial revolution, the scientific revolution, the technological revolution, the development of immensely powerful tools, all effectively accelerated our impact on the planet to a point we never imagined. As a result, the situation reversed. Today, human beings are the major factor influencing the future of the biosphere on the planet. Although we never meant to voluntarily damage Earth's precious equilibrium, now for the first time in history we are actually affecting future generations. It is very hard to set up a global platform to think about the future of our planet and of future generations in a major way. Economists, for instance, do all too well know what impact today's strategic decision might have in 50 years, but it is not their job to deal with what might happen in the distant future. I would like to mention here the absurdity of famous quotations, the first by Groucho Marx: "Why should I care about future generations? What have they ever done for me?" …and the second by a U.S billionaire, whom I heard on Fox News, saying about the rise of oceans: "I find it absurd to change my behavior today for something that will happen in a hundred years" …those are not examples to follow. We need to value the fate of others. Human beings are truly at the edge of the precipice. Instead of continuing this endless growth, endless use of material resources, we should focus on qualitative growth. We don't have many planets, and resources are limited. Let's not do as a former president, whom I will not name, of a country that I will not name either, who once said: "Five years ago, we were at the edge of the precipice. Today we made a big step forward." Now we are on the edge of a precipice. This edge is the same that has been defined by scientists as the planetary boundaries. And within those boundaries, they can carry a number of factors. Humanity could still prosper for another 50,000 years if we keep the same stability of climate as in the Holocene for the last 12,000 years. But this depends on choosing a voluntary simplicity, growing qualitatively, not quantitatively. Now we have vastly overrun some of the planetary boundaries. Just to take biodiversity, at the current rate, by 2050, 30 percent of all species on Earth will have disappeared. Even if we keep their DNA in some fridge, that's not going to be reversible. So, here on this photograph I am sitting in front of a 7,000-meter-high 21,000-foot glacier in Bhutan. The Himalayas and the Tibetan plateau have been called the "Third Pole": 2,000 glaciers are melting fast, faster

than the Arctic. So what can we do in that situation? Well, however complex politically, economically, scientifically the question of the environment is, it simply boils down to a question of altruism versus selfishness. Undoubtedly, there is an impelling need for a responsible decision-making process and for a caring and responsible economy, where “finance is at the service of society” and not “society at the service of finance”. It is a great challenge, but deeds by all, such as CIFA’s focus on business ethics, are extremely important.
Cooperation, synergy and interdependence must replace individualistic free-riding and selfishness. But, is individual change possible at all? If we were more considerate of future generations, the quality of life, education and health, we would not blindly sacrifice the environment they are inheriting from us in favor of our mere and short-lived wants and needs. Many studies have also highlighted the link that exists between altruism and well-being and have shown that the joy of undertaking an act of disinterested kindness provides profound satisfaction. All along these three main challenges there is a common thread, and that is “altruism”. But, is altruism the answer, or just a novel idea? Altruism is a real, pragmatic solution. Does true altruism truly exist? Or are we rather selfish? Some philosophers thought we were irredeemably selfish. But, are we really all just like rascals? Many philosophers, like Hobbes, have said so. But, not everyone looks like a rascal. Or is man a wolf for man? But this guy doesn’t seem too bad. In fact, we love cooperation. There’s no higher joy than working together? Not only for humans. Of course, there’s the struggle for life, the survival of the fittest, social Darwinism. But in evolution, cooperation – though competition exists, of course – has been much more creative in bringing about increased levels of complexity. We are super-cooperators – look at the work of Martin Novak’ at Harvard and we should even go further. About the quality of human relationships, the OECD did a survey among 10 factors, including income. The number one factor that matters the most for people is the quality of social

relationships. Are we irredeemably selfish? There is not a single sociological study, psychological study, demonstrating that. Rather, the opposite. Daniel Batson spent a whole life putting people in the lab in very complex situations. And, of course, we are sometimes selfish, and some people more than others. But he found that systematically, no matter what, there are a significant number of people who do behave altruistically with no ulterior motives. That's good news. So, some psychologists *(those believing in universal selfishness)*, when I told them I run 140 humanitarian projects in the Himalayas that give me so much joy, they said, "Oh, I see, you work for the warm glow. That is not altruistic. You just feel good." But, if you were doing good just to feel good, in a selfish manner, the "warm glow" will never come about because it is deeply rooted in genuinely wanting to benefit someone else, in altruistic love. Altruism is about making a choice. That was the case of Pastor André Trocmé and his wife, and the whole village of Le Chambon-sur-Lignon in France. For the whole Second World War, they saved 3,500 Jews, gave them shelter, brought them to Switzerland, against all odds, at the risk of their lives and those of their family. Their actions were deliberate and made at great risks. Undoubtedly, there was a choice as a reflection of their inner nature. During genocides, there are so many people making those choices, caring for others. Altruism does exist.

But, what is altruism? It is the wish: "may others be happy and find the cause of happiness". Now, empathy is the affective resonance or cognitive resonance that tells you this person is joyful, this person suffers. But empathy alone is not sufficient. If you keep on being confronted with suffering, you might fall into empathic distress, burnout, so you need the greater sphere of altruistic love. Now, if we want a more altruistic society, we need two things: individual change and societal change. So, is individual change possible? Two thousand years of contemplative study said yes, it is. Now, 15 years of collaboration with neuroscience and epigenetic said yes, our brain change when you train in altruism. I spent 120 hours in a MRI machine. Many meditators have now been studied in various labs in the U.S. and Europe. The results have been published in many scientific papers. They show without ambiguity that there are structural changes and functional changes in the brain when you train the altruistic love or any other mental skill, such as attention and emotional balance. Just to give you an idea: this is the case of a person meditating at rest on the left, in compassion meditation, you see all the activity, and then the control group at rest, nothing happened, in meditation, nothing happened. You do not necessarily need 50,000 hours of meditation. Even with preschoolers, just ten weeks, 40 minutes a day, of caring, mindfulness meditation already brings a significant increase in pro-social behavior. And, then, the ultimate scientific test: the stickers test. Before the intervention, you must determine for each child who is their best friend in the class, their least favorite child, an unknown child, and the sick child, and they have to give stickers away. So, before the intervention, they give most of it to their best friend. Four, five years old, 40 minutes, three times a week. After the intervention (only ten weeks), no more discrimination: they give the same amount of stickers to their best friend and the least favorite child. That's something we should do in all the schools in the world. In just ten weeks you can level down discrimination, either the gender or the social type. Where do we go from there? Individual change is possible. Now, do we have to wait for an altruistic gene to be in the human race? That will take 50,000 years, way too much for the environment. Fortunately, there is the evolution of culture. Cultures, as specialists have shown, change faster than genes. That's the good news. Look how dramatically the attitude towards war has changed over the years.

Finally, Martin Luther King Jr.'s quotation "Every man must decide whether he will walk in the light of creative altruism or in the darkness of destructive selfishness" is enlightening. Of course, there is the responsibility of elected governments. But, there is something that concerns us all and must be treated at our level. With individual change and cultural change, acting in a mutual fashion with each other, we can definitely achieve a more altruistic society. On the global level, we need five things. (1) Enhance cooperation: cooperative learning in the school instead of competitive learning, unconditional cooperation within corporations – there can be some competition between corporations, but not within; (2) We need sustainable harmony, not just sustainable growth or development - sustainable harmony (in society and in the interdependence with nature over time), can help reduce inequality; and (3) in the future, we must do more with less, we need to grow qualitatively, not quantitatively, we need caring economics. The *homo economicus* cannot deal with poverty in the midst of plenty, cannot deal with the problem of the common goods of the atmosphere, of the oceans, and so on; (4) We need local commitment and global responsibility; (5) We also need to extend altruism to the other 1.3 million species because they are co-citizens in this world, not just instruments for us. They have a life on their own. We have no moral right to inflict unnecessary sufferings upon them and dispose of their lives at will. The excessive consumption of meat is bad for the environment (industrial meat production is the second cause of greenhouse gas emissions) and it is bad for poverty in the world (animal breeding consumes 775 million tons of grain and corn per year, which would be enough to adequately feed 1.4 million of the poorest human beings). The excessive consumption of meat also happens to be bad for human health, as the recent WHO report, based on 800 scientific studies has unambiguously shown.

We need to care. We need to dare altruism. Altruism appears to be the most direct way to accomplish both the happiness of others and one's own. At the end, there will be a better world! So, long live the altruistic revolution.

Welcome address by the Day Chairperson

Afaf KONJA, Spokesperson for the President of the United Nations General Assembly 68th Session, New York, USA

Good morning everyone and a very warm welcome to one and all. My name is Afaf Konja and I am delighted and honored to be here with you all to help facilitating today's discussions.

Excellencies, distinguished participants, dear friends. As we embark on tackling the various pressing issues and important themes laid out for this day, I'd like to begin by bringing our attention to what I believe is imperative to realizing any solid change for good: Leadership and humanity. When I say leadership and humanity, I mean leadership executed with moral conviction while reclaiming our humanity as a people. I highlight these elements because, just about anywhere we turn today, we see a need to strengthen leadership and our values as a human community. We need only to ponder upon the various causes of the systematic financial and economic crises we've all witnessed or consciously look at the wounds left open across the Middle East allowing the formation of savage groups to kill the innocent as they please, while major world leaders fall short to substantially stop it. And while armed conflicts and human rights violations are the front cover of news today, its backstage is poverty and its many consequences. This year, the United Nations has called for global action for people and for our planet. This 2015 world leaders are expected to agree on the so called "Post-2015 Development Agenda", a new, universal and transformative framework forecasted for the next 15 years set on ending poverty and promoting shared prosperity. This agenda will include the fundamental elements of human rights, but it will also require innovative financing, both public and private, as you have heard. Technology synergies and transfer mechanisms will also be key, along with new and more global partnerships, and one universal agreement to tackle climate change. The post 2015 development framework will be formalized through its adoption during a special three-day UN Summit set for this September in New York and the climate negotiations to be held in Paris this December, which include goals to stimulate the economy, create decent jobs and promote low-carbon growth. Thanks to the vision of the Member States of the United Nations and the UN System, the Post-2015 Development process is unprecedented because, in its discussions and negotiations, it has included the concerns and priorities of countries around the world, regardless of size or power. It has engaged the youth through global surveys and activities. It has woven the voices and participation of women and included inputs from civil society, academia, business and parliamentarians alike, which gives it its inclusive and equitable character. However, it will require true leadership to bring wind to the sails of this resilient ship, full of hope and human merit. Because we are put on this Earth to witness sustained peace, and durable development for all – whether it be financial peace, personal peace, or the peace we all hope for, within and between nations – "leadership and humanity" must go hand-in hand. It is a partnership in and of itself, and it is within each of us, ready to take the best parts of who we are. It is regardless of our diversity, our walks of life, our geography, our religion, or our gender that we must merge in great causes, with our highest sense of responsibility. Acknowledging that the human desire to live a purposeful life and dare I say a happy one, and to 'make a difference' is in each and every one of us. CIFA is a prime example of a leader with conviction because it serves as a gateway for open, honest, informed and responsible discussions. It provokes dialogues that speak of the importance of elements such as human morals and values, compassion and our connectedness just as it does on the largest domestic and global financial issues striking our world today. Therefore, it is holistically and strategically designed to help structurally pave the way for a better global financial environment tomorrow. Our annual gathering is a testament to this desire. Just as the ambitious Post-2015 Development Agenda seeks to transform lives and to protect the planet by 2030, CIFA, and this includes all of you participating here this week and every year, is also a strong piece of that partnership for good in the world. Simply because it is about being humane. Thank you very much.

Theme 1:
Are capitalists about to kill capitalism?
Is finance killing off capitalism?

AFAF KONJA, SPOKESPERSON FOR THE PRESIDENT OF THE UNITED NATIONS GENERAL ASSEMBLY 68TH SESSION, NEW YORK, USA

Now let's go straight to the roundtable discussion. I kindly ask the distinguished panelists to give us their perspective with a five-minute intervention. Then, we will engage in the discussion and make it as interactive as possible with the audience.

WILLIAM K. BLACK, MEMBER OF THE ADVISORY BOARD, ASSOCIATE PROFESSOR OF ECONOMICS AND LAW, UNIVERSITY OF MISSOURI, KANSAS CITY, USA

How is it that we have not simply fraud, but endemic fraud at our most prestigious financial institutions and precipitous fraud? The Cabbage (shown on screen as "The perverse Cabbage incentive) is part of the answer. If you are familiar with the British scandals which they refuse to call "fraudulent", banks sold about £50 billion worth of PPI and, routinely sold covered swaps to small businesses with the strategic plan to rip off customers. If you didn't want to go along and rip off your customers, you would find a cabbage on your desk, designed to humiliate good people. Massive markup on PPI made the primary source of UK bank profits, which went surprisingly unnoted for years by regulators. In the U.S., auto lenders, such as Ford Motor Credit or GMAC, often gave car dealers' brokers incentives to markup the borrower's interest rate. Lenders will often pay a dealer, sometimes thousands of dollars, if the dealer can get the consumer to sign a loan at an inflated rate. Another example are the so-called "jumbo loans" that New Century sold to Citi back in the 1990s that were packaged and resold while allowing for about 200 basis points average fee from the borrowers to be paid to brokers, who also received yield spread premiums from new Century for a large share of these loans. The hot adjustable rate mortgages (namely sub-prime mortgages) are just another example. Back in 2000, James Grant, a seasoned and very conservative fixed-income analyst looked into a representative sample of loans and found that just 25 percent lacked proper documentation of income or the like, as reported by Johan Norberg, a CATO Scholar and an Austrian School economist. These examples of "liars' loans" highlight that the lack of independence in bank's financial adviser capacity is "the" problem leading to massive, incredibly destructive, real world consequences for bank customers. CIFA should put together a major paper on this problem and should begin to honor bank whistleblowers. Concerning LIBOR rigging, we must be aware that it happens in two ways and two different time periods. First, they rig FX, or the largest cartels in the world by three orders of magnitude and, by all means, the most destructive. They affected an enormous number of transactions, although it caused fewer injuries in society than other massive fraud epidemics. Second, they encouraged liars' loans by deliberately inflating and distorting appraisals. Then, they made liars' loans. Forty percent of 2006 loans were liars' loans. It's a great fraud mechanism and a great profit center. Consumers everywhere are ripe to be plagued. These scams went on for decades and in so many countries, the U.S., the UK, Ireland, and so on. But, they have nothing to do with central banks, or the banks, although they are morally

culpable. Bankers commit fraud. That said, I agree with Dan Mitchell's opinion that bailing failing banks was a mistake. Actually, government authorities and the Federal Reserve even transformed the wording used to make the 2008 financial crisis appear as a national problem. On that respect, nationalizing banks is definitely not Marxist, rather inspired by the notorious economist Schumpeter "there is no better 'creative destruction' than putting into receivership a failing bank, removing a fraudulent and incompetent management and replacing it with honest and competent managers".
Concerning the question about non-prosecution agreements, in the U.S. for the S&L crisis over a thousand executives were convicted, but never prosecuted. Today in the U.S., there are 1.5 million executives in the criminal justice system investigating executives convicted but not incarcerated. The best way to have people prosecuted, whistle blowing is the best system. Bush II, in fact, eliminated from the agencies the capability of making criminal referrals, limiting their activity to "Fred and Mary" cases.
Closing critical takeaway message – I believe that CIFA should have the "cabbage" problem officially recognized as unethical, not only among our members but also by extending it to banking. Incentive structures inspiring perverse and fraudulent behavior should be changed.

Daniel MITCHELL, Senior Fellow, Cato Institute, Washington, USA

When I saw the title of this roundtable, I thought that it is very important to define first what capitalism is. Capitalism is a system of voluntary exchange in a world of private property. It does neither say that fraud is OK, nor that cronyism is OK. When I look at the problems that exist in the world of finance and the economic system, as well as those just mentioned by Prof. William Black, these are not issues of capitalism but of human failures and bad government policies. Specifically, when we are talking whether finance is killing capitalism, we have to consider the current context: central banks are pumping a lot of liquidity which works to the advantage of high finance, but that is not capitalism. Therefore, we should change the title to "Is cronyism about to kill capitalism?" Or "are certain people, acting in the name of capitalism, but basically as fraudsters in collusion with capitalism effectively killing capitalism"? Capitalism should not be blamed for the mistake of fraudsters or of the government. After all the global quantitative easing and central bank money printing, this is a system pumping money to the favored few instead of dealing with the systemic problems a government should take care of. We need a genuine and honest system of exchange. Again, don't blame capitalism for the action of fraudsters and negligent governments.

On the subject of LIBOR rigging, if there is fraud, it must be punished. Greed is always there, both in a good sense and on a bad sense. Blaming greed is like blaming gravity for airplane crashes. Yes, there are morally culpable actors, but we must not forget the role of easy money facilitating "bad" greed. We should not have bailed out any of the defaulting banks during the financial crisis of 2008. It would have been much more sensible to have all the failing banking institutions submitted to the FDIC Resolution procedure that was so effective in solving the S&L crisis. In fact, since Schumpeter was mentioned, let me add what the former head of Eastern Airlines once said "capitalism without destruction is religion without hell!"

Closing critical takeaway message – I wish we had a light switch that we could flip and get more ethics across the board. We must make sure that people who make bad decisions, fraudulent or economic, is punished or allowed to go bankrupt, respectively. In the absence of punishing fraudulent actions, we are going to have increasingly imprudent behavior in the future, subsidized by the easy money policies and other bad mistakes by politicians.

Roger NIGHTINGALE, Economist, RDN Associates Ltd, London, UK

A few years ago, when I was here, I mentioned a little story about the stick and the dog. If we walked out and we a man hitting brutally the dog with a great big stick, the dog whining in agony, bleeding and bruising, what would you feel? You would feel great sympathy for the dog and great loading in contempt with the man. But, what would you feel about the stick? Nothing… would be the answer, because the stick is an inanimate object. Who holds and wields the stick is responsible for what it does, not the stick itself. Correct. The dog is the economy, i.e., the taxpayers, who keep being beaten up horrifically by the authorities (governments, central banks and regulators). The stick is the financial system, in particular the bankers, i.e., the mindless and inanimate objects that only do what the authorities make them do. When central banks issue ludicrous huge amounts of liquidity, inevitably bankers misbehave. Who is ultimately responsible? The idiot banker? Or the idiot central banker? The central banker, of course, has to bear responsibility for what he has done. Normally, central bankers are quite sensible and nice people by far and large. But, they tend to ignore the macro data, while getting excited about little pieces of data. The world economy is headed into depression. Central bankers are economists who do not understand economics (they do courses in economics and when they come out of them they know even less than what they knew before taking those courses). I am a mathematician and I do know what I have to know. We don't know what drives the economy, but we do know when the economy is deteriorating although we don't know what to do about it. Economists, instead, don't know anything about anything. Even Keynes proved, beyond any conceivable doubt, that fiscal policies are ineffective at curing depression-time problems. We also know that monetary policies, which worked well during non-depression-time, do not work when depression takes hold. All the quantitative easing of the last decades, with ludicrously expansive monetary policies aimed at stimulating the global economy, failed badly. America is slowing down consistently. Look at Europe, China lying about the economic data, the commodities' world, the emerging countries, Africa, they are all dead in the water. The central banks won't admit it. The politicians won't admit that they can't do anything about it. They know that the only thing that might conceivably work is to make money easier. They have been doing that. Quantitative easing does not work on the economy, but it does work for the financial community. Bankers, insurers and other financial intermediaries have to do "something" with all that liquidity. So, they make bad investment decisions. How to stop it? You can make money tighter and end up with a steeper depression, or another 1930s type of situation! There is nothing to do other than fasten your seatbelt and wait. It won't last forever. In five or ten years or so, we will come out of it.

Referring to how badly conceived was for governments, during the financial crisis, to rush on "saving" the banks, while they would not give a hand to failing companies and businesses. Bankers should have not been saved. In fact, they took resources from non-banks, put them in their pockets and paid themselves huge bonuses. No wonder, politicians have become so unpopular with their own constituencies. Capitalism is being threatened not by capitalists, but by public authorities, governments, regulators and public service people. And a final advice, we should not worry about public debt, but about public spending. Only cutting public spending will lead to a healthier economy.

On the subject of breaking banks into several pieces, it is the central banks that by injecting so much liquidity into the system caused the banks to divert from their fundamental role of lending money to the temptation of making money with money. Even the money transmission system still imposes two trading days to transfer money from one account to a neighbor bank, certainly an improvement from the five-day rule of older times. Yet, in trading a transaction is executed in milliseconds! I believe that we must identify the bad guys and distinguish them from those who are partially good. Central authorities are the bad guys. Excess supply of money is "the" problem. There is no need for whistle blowing to clean up the system. Authorities must have a solid and efficient regulatory system in place, instead. I am afraid, however, that the solution will be negative inflation, depression and, eventually, after 10-15 years of brutal suffering we will come out of it.

Closing critical takeaway message – Punishment for misbehavior is essential. It is sensible to reduce public intervention in the economy and to reduce public spending substantially. And I would increase democracy. I regret the lack of democracy in Europe. I regret the fact that the Commission has the power. I regret that our national assembly's reduced its own power. I believe that national sovereignty is extremely important.

MARC ROCHE, FOREIGN CORRESPONDENT IN LONDON FOR THE FRENCH WEEKLY MAGAZINE LE POINT AND ECONOMIC SPECIALIST, AUTHOR OF THE BEST-SELLER'S BOOK "BANK: HOW GOLDMAN SACHS RULES THE WORLD, OUTLAW CAPITALISM, AND BANKSTERS"

My message is even gloomier than what we just heard. In the UK, a country where I live, there is an incredible situation. With strong economic growth and low unemployment, Conservatives should be at least 10 points ahead. But, after the 7th of May most probably Labor will come into power, I mean the old Labour. Why? "It's the economy, stupid!" does not work anymore. What is happening across Europe is a revolt of the middle class feeling to have suffered the most from the financial crisis. Even worse, people feel that their political leaders are too close to the bankers and to the financial world. It is an incredible list. Tony Blair and Peter Mandelson in the UK, Schroeder in Germany, Dominik Strauss-Kahn in France, and Dohan in Belgium, where I am from, they are all left-wing politicians working for banks or advising bankers. Moreover, Mario Draghi (European Central Bank) and Mark Carney (Bank of England) are both scholars of Goldman Sachs. Furthermore, you have the EC president who was once linked to Luxembourg money laundering and other scandals, and Lord Hill, the European Financial Commissioner, quite closely linked with the City. I don't think that former politicians or prime ministers can be good bankers or vice-versa. People do resent the overt lack of ethics. As a consequence, we are witnessing a rise of nationalist, populist and extremist parties in several countries, which should not come as a surprise to anyone. It is quite clear that, in Europe, the crisis of 2010 was partly due to the fact that the 2007-2008 melt-up raised the need to save the banks. These banks were "too big to fail" and now they are even bigger after having been saved. Bankers, politicians and regulators share the guilt of the crisis. The problem is that between political soft law and the fact that the brightest minds are not attracted to work in unglamorous regulatory jobs, the situation is even worse nowadays. In France, there are three large banks being much less regulated today despite a mountain of available regulation.

On the subject of LIBOR rigging, we need banks to lend to entrepreneurs and SMEs, we need them to do M&A, but we do not need the casino aspect of banks. We need asset management, but we do not need these institutions to wildly speculate across global markets, especially not on commodities.

On the subject of breaking banks into several pieces, we must be aware that today the banking lobbying is extremely strong. Any legislation in this sense will be strongly opposed. So, we must forget about breaking banks.

Concerning the question about non-prosecution agreements, in Europe the situation is even worse than in the U.S.

The whole regulatory and investigative system has been transferred from States to Brussels and the ECB, which lack experienced people to uncover financial fraud. For instance, executives involved in the BNP-Paribas commodity-finance cases were not prosecuted, but they also retired with full pensions and, today, they still work in finance.
I would like to add that putting on the spot politicians so much is very dangerous because it would lead to the "conspiracy" theory. We could end up with helping extremist parties, which would make problems even worse.
The solution about the 1% getting richer during crises is to be fiscal. The fiscal system must support solidarity in order to create the harmonious society that all want.
Closing critical takeaway message – Stop the politicians from being too close to banking; regulate the banks not more, but better, and introduce ethics in business as well as in "paying taxes".

QUESTION FROM **STEVE YOUNG**:

In today's Wall Street Journal, a lead story is about Deutsche Bank which apparently agreed to settle with the UK and the U.S. and accepted to pay a €2 billion fine for fixing LIBOR. Is there a connection between government policies and private banks getting together for fixing a benchmark interest rate affecting multiple trillion dollars worth of loans?

QUESTION FROM **PIERRE CHRISTODOULIDIS**:

Coming back to Dan Mitchell comments about cronyism and his suggestion that the title of this roundtable should have been *"is finance killing capitalism?",* finance is essentially in the hands of large banks and other financial institutions. On top of this, they received billions of dollars from the central bank to put their books in order in the aftermath of the financial crisis of 2008. How can we rein in greed? The SEC and regulators failed to impose that all these large banks be ordered to split their businesses into smaller entities. Moreover, there are so many scandals where the actors are bankers and prominent people working in these institutions. Yet, none of these people are either inquired, sued or in jail. Is merely applying severe fines likely to solve the problem? Don't we need to break these banks?

QUESTIONS/REACTIONS FROM THE FLOOR:

- About banks, are non-prosecution agreements really effective, since people responsible of fraud are not prosecuted? Moreover, these banks, pay fines and even get a fiscal advantage out of it.
- Fish rot from the top. Politicians benefit from banks. There is overall fraud and overall corruption by certain actors in the system that is killing capitalism.

QUESTIONS FROM **AFAF KONJA**:

How is it that we experience economic and financial crises and only the happy few and rich 1% of the population manages to become even richer?

Theme 2:
Financialization and speculative bubbles, deepening of inequalities, economic stagnation: how to stop the deflationary spiral?

AFAF KONJA, SPOKESPERSON FOR THE PRESIDENT OF THE UNITED NATIONS GENERAL ASSEMBLY 68TH SESSION, NEW YORK, USA

Distinguished panelists, we will develop the theme with the following aspects in mind:

- A crisis of confidence triggered by unconscionable behaviors is pushing savings into institutional networks (pension funds, insurances, etc.) instead of into real economy growth. Who will reverse this trend?
- Which economic engines for the future: innovation, solidarity, fight against tax optimization? What can start the engines of economic growth? Innovation, solidarity, middle-class entitlements, lower taxes?
- Can moderate inflation restart consumer demand?

Please also address the issue of growing inequalities, the middle-class shrinking across the globe, and how this trend is affecting the social situation across the globe.

MICHEL GIRARDIN, FOUNDER OF MACROGUIDE, PROFESSOR OF MACROFINANCE AT THE UNIVERSITY OF GENEVA, SWITZERLAND

The takeaway of my few slides can be summarized as follows: The equity market is risky and expensive in absolute terms, but it definitely remains attractive compared to bonds with the potential scope to move higher. Whenever interest rates will begin to rise (perhaps before the end of the year especially in the U.S.), then it will be the time to reassess the situation, not now. So enjoy the equity rally as long as it lasts. Is this a bubble? Regardless, we all know that central banks' injection of liquidity ultimately fuel speculative bubbles in the global equity universe. Undoubtedly, when the Fed will start raising rates, investors should pay much more attention to the long end of the yield curve because that is where significant losses might materialize in portfolios. In Europe, the ECB quantitative easing policy seems to be working for the time being. Moreover, the central bank has affirmed being ready to inject as much liquidity as needed in the market place. The problem is that all this liquidity does not end up in the real economy despite the fact that the central banks are injecting cheap money into the banking system that, especially in the Eurozone, are being used to finance the huge public deficits, the so-called "Sarko-trade". Unfortunately, the great risk of the systemic monetization of public debt is that it eventually destroys trust.

Regarding inequalities, it is indisputable that growth and redistribution of wealth is what helps reducing inequality. We did a thorough study at the University of Geneva. The conclusions were that, globally, inequality is decreasing, although this is an issue that some countries still need to address.

On the topic of government spending, I agree that there is productive and non-productive government spending. However, we must consider that citizens will bear any government spending. Debt might keep rising, but we need growth to rise much faster than debt. The main problem with high public debt is that governments must imperatively embark into growth-producing spending. And, banks must to more lending to SMEs and job-creating enterprises instead of just recycling government debt.

Markus P. GRIMM, Managing Director, Special Investment Situations, Hermes Partners International Ltd, Hong Kong

There is always hope for everyone. What we have heard today is that financial institutions are just not only unethical, but also incompetent in managing the money their clients have entrusted them with. I agree. Incidentally, I recall that the former Swiss National Bank Governor said on prime time national TV that the two largest Swiss banks, which are among the 33 systemic banks in the world, have not been successful in running their business during the last decade. Ironically, two months later he had to resign for unethical misconduct by a member of his family. There are some major and undisputable facts that any strategist has to take into consideration, such as demographics or the IT revolution. With seven billion people in the world, at least half of them want to be integrated into the new global economy. And they are being integrated! So, we are being confronted with some of the most profound changes in the world economy For example, the largest international airline company in the world, employing 65,000 people, has achieved not only being a price leader, but is also paying employees in the cockpit of its planes the same salary, regardless of their country of residence and nationality. In China we have a new middle class - over 400 million (more than Western Europe's population) - who wants and will travel the world. Thailand even wanted to consider limiting how many Chinese tourists they are ready to let enter the country. But, going back to banks and insurance companies, we also know that these institutions are the worst custodians of savings in the world. Thus, the question is: How to invest safely your clients' capital when they, the banks cannot manage themselves? Yet, there is hope for both rich investors and the less fortunate people in the world. I believe that multinational corporations (such as Novartis, Nestlé, etc.) are excellent examples of sound stewards of capital, as they have become more concerned about ethics, environmental issues, and their shareholders and about the market. These corporations do not need banks anymore. They can finance their operations without recurring to bank financing. Moreover, these companies provide growth and they are the best stewards of capital by all means (proof: S&P500 returns). To conclude, I also recommend avoiding investing directly in emerging markets. Empirically, there is an inverse correlation between emerging market growth and return on investment. Furthermore, we must be aware that, across the board, there is a global pricing equalization, which applies not only to goods but also to services, even in medical care. As said, there will be, indeed, huge social ramifications out of these global trends.

Cronyism is a big problem across Asia and Indonesia. Very few families have a huge control as stakeholders of prominent national companies. This is a strong deterrent to real growth in these emerging economies. Only big multinational companies are effectively vigilant in order to correct wrongdoings very quickly and to cope with these challenges.

Today, growth can only be achieved by reaching out to increasingly more consumers, even the poorest consumers, and this is very high on the agenda of all multinational companies. For example, today, in The Philippines, it is cheaper to fly than to take the ferry, thanks to Airbus. Smart companies take real actions in order to adapt and to attract even the poorest consumers, like Nestlé's adding vitamins to chicken cubes sold to West African consumers, or in Vietnam, for instance, where the mental threshold whether to buy a product or not is as low as 5 cents. Helping the poor is a win-win for these multinational companies. They also tend, as much as possible, to employ local people, because wages are low. Therefore, poor populations of this world are not forgotten by most of the multinational companies because there is their (only) chance of growth.

Concerning government spending and the current deflationary spiral, do you know that, during the two decades of deflation in Japan, the country had the highest growth in PER CAPITA terms thanks to higher productivity? This defies academia and it is far apart from the theory I was taught in Wharton in earlier days. Huge public and private debt, zero interest rates for twenty years, yet impressive per-capita growth has been the result. Obviously, the old paradigms are being discredited. Furthermore, in Japan, banks are preeminently recycling government debt. Indeed, Japanese corporations do not need banks for financing anymore, a trend that is currently developing in Europe as well. There is a very easy answer to the question "who's going to pay?". In the case of Japan, with population shrinking at the rate of (almost) 1 million per year and very few kids left in families, inheritance taxation could facilitate the government confiscation of private wealth, as could happen in other economies.

Steve YOUNG, Global Executive Director, Caux Round Table, St. Paul,Minnesota, USA

My point – in answering the question "Who will reverse the trend?" – is that it has to be the private sector and it has to be intellectual leadership from the private sector, because the public sector has failed by focusing on easy money as "easy accelerants" of growth. It just doesn't work. Only real growth is the way out. Growth in real asset values and growth in actual purchasing power will lead to real wealth creation. Financialization does not create real growth. Financial instruments are only contract rights designed by lawyers, such as fiat currencies, stocks, bonds, loans, mortgages and mortgage-backed securities, options, futures, CDOs, syndications and securitizations. "One man's trash is another man's treasure" is integral to financial markets, where financial value is determined by "speculation" about future events and future income. This is where fraud and misrepresentation come in, as intentional distortion of future income projections will distort present capital values. In fact, bad pricing of assets creates excessive risk, discourages investment and reduces probability of real growth. Financial intermediaries, entrusted as stewards of "other people's money", should get inspired by Warren Buffet who only buys real growth and not financial instruments. Financial intermediaries, as stewards for both those who provide capital and those who use capital, have the mission to provide liquidity to empower economic growth and prosperity on reasonable terms commensurate with assumed risk. Social well-being depends on the quality of our services. Our duty is to provide effective risk management for the benefit of our stakeholders. As stewards and trusted intermediaries, we will avoid conflicts of interest with our customers, placing their interests above our own. We will adhere to best practices of governance, insuring maximum material transparency, fairness and honesty in our communications, and prudential accountability to our stakeholders. I suggest that IFAs fund a new rating agency to compete with the projections made by the S&P, Moody's and Fitch.

On the question about reducing inequality, only growth and wealth transfer will solve this problem. When the society is divided by class warfare, it should be the role of government to fund the very companies that create opportunity for real growth and employment. An important problem the world has to face is cronyism. There are crony elites, applying in spades across Asia, even taking hold of the U.S. A recent book about the Clintons explains very clearly how the people injecting money into the Clinton Foundation get something in return. Cronyism is massively creating rent extraction opportunities. Wealth is unfairly being siphoned away from the middle class and the real economy by increasingly wider cronyism across the globe.

About financial intermediaries and the future outlook, undoubtedly we need finance and cash that goes hand in hand with a "growth" system. The key is to keep a sense of moderation, when working with other people's money. Trust is at the basis of a sound system and the concept of being "stewards" of wealth you are entrusted with. Having such norms is vital as well as is a system of checks and balances. When Goldman Sachs and other companies go public, they lose their sense of loyalty and the magic word for financial intermediation becomes "leverage" instead of "trust".

In recent decades or really since the 1930s, our consciousness has been schizophrenically divided between capitalism, the private sector and the government. Leading opinions were basically saying that government had to be empowered with raising all boats, helping the poor and solving problems. If we look at the last 250 years, the only thing which has improved human standards of living is growth, which started with the industrial revolution. The UNDP-HDI (United Nations' Human Development Index) has been rising steadily in almost every country in the world, except for North Korea, which never experienced growth since the country was founded, and Cuba. Moreover, the average life-expectancy has improved across the world. The problem poor and developing countries are confronted with is a large flight of illicit capital. Who is ripping those countries off the growth and creating unjust and imbalanced access to fair living standards? The flight of illicit capital from poor countries is estimated to a trillion dollar a year, while FDI amounts to only $200+ billion. Corruption pervades local governments and administrations. Without genuine good growth, there is no possibility of raising living standards.

On the subject of government "good" and "bad" spending, there are fundamental forms of capital that are necessary for growth and a just society. But, how do you finance capital? During the Erie Canal era (1820s) there was no bond market. There is not a good, clear and bright line between "good" and "bad" government spending. When is there genuine good government spending and when is there is cronyism-based State intervention? We need to be more realistic in the future about all these intangibles.

QUESTION FROM **MATTHIEU RICARD**:

My question is for Prof. Girardin. You mentioned in your presentation that inequality has been decreasing for a certain number of years, although it stays stable in some countries. Are you looking at the same criteria of the OECD, Joseph E. Stiglitz and others? Your conclusions seem to clash with theirs. What is correct?

QUESTION FROM **RUTH ENGO BAMELA**:

What is the link between growth and the betterment of life conditions of people like me, just living, working for food, clean water and good health? What happens when growth does not have any trickledown effect across the economy causing insecurity? Does it have anything to do with future growth? Multinational companies tend to invest and actually make people sick by encouraging eating more salt and sugar, but these people do not have enough financial resources for taking care of their health and be treated for their illness. What can be said about growth, the absence of trickle down impact and inequality?

REMARKS FROM **WILLIAM K. BLACK**:

Erie Canal, which is one of the most important State projects of the early years of the United States, water systems, why people live longer, a lot of high-tech project that come out of DOD (Department of Defense), all were realized thanks to public intervention. It is not that simple that there is only "evil State" that does not contribute anything. Concerning risk and distribution, we should not exclude getting rid of risk. People who do not like risk will pick the "sure thing", i.e., fraudulent behavior. There is no exogenous distribution of bad events. We make our own distribution in finance in very large part and we create, indeed, a criminogenic environment leading to potential wrongdoings.

QUESTIONS/REACTIONS FROM THE FLOOR:

Are we putting all intermediaries in the same basket? For the most part, banks, insurance companies, etc., all have a "Code of Conduct". We do need financial institutions and intermediaries as market makers. What is the role of intermediaries? What is the outlook especially for those which are essentially doing a good job for their customers?

Solutions made in Luxembourg in an unstable international environment

Afaf KONJA, Spokesperson for the President of the United Nations General Assembly 68th Session, New York, USA

Marc Nicolas will moderate this roundtable

Marc NICOLAS, International Sales Manager, Vitis Life

CIFA is the right place to present how well companies in Luxembourg adapt to the unstable and rapidly changing global financial environment. That is why 2015 is the third year in a row that Luxembourg for finance and ACA have decided to attend the CIFA Forum. Philanthropy, the Luxembourg insurance market and other tools along with wealth-planning will be discussed here.
Important fact and figures about Luxembourg financial services need to be taken into consideration in order to better appreciate their potential, especially with a particular attention to the fact that, in 2014, Luxembourg collected €26.47 billion total premium income from direct insurance, of which €21.62 billion came from life insurance.

Tonika HIRDMAN, Director General, Fondation de Luxembourg

The new stage of philanthropy can be best described by this quotation from Matthew Bishop, Chief Editor of the NY Economist, while speaking at the WEF (Davos) in 2010: *"A web of wealthy, motivated donors has set out to change the world. Their focused donations may be the greatest source for change in our world... It is the first time when we live in a world where the role of government is decreasing and will continue decreasing, and the role of individuals and companies tend to increase. That is why we are facing the new stage of philanthropy development"*. The role of philanthropy is definitely increasing. Millionaires are 15 million today and they are projected to increase to 55 million by 2020. At the same time, we are facing big challenges: inequalities, overpopulation and climate change. Nowadays, donors do not exclusively donate through mere charity groups, but they are getting more organized to funnel their donations through philanthropy structures such as Fondation de Luxembourg, created by the Luxembourg government as an intermediary between donors and the non-profit sector. Through the years, Luxembourg has been recognized as a center of philanthropy expertise offering an umbrella foundation which enables companies and individuals to create their own foundation structures. Luxembourg, situated at the heart of Europe, offers a stable political and economic environment, along with international expertise in cross-border legal, fiscal and financial matters. A foundation, however, is normally considered for an endowment minimum capital of €1-€2 million, a level able to generate enough means for philanthropy projects. There are 55 foundations set up and active in Luxembourg at the present time.

Christian EILERT, Director, ACA

Luxembourg, founding member of the European Union and member of the euro area, has a solid economy, low public debt and fiscal deficit, both well below the EU's average, and a political stability appreciated by international investors. The country enjoys AAA rating by the main rating agencies. Finally, the European Investment Bank and European Stability Mechanism are headquartered in Luxembourg. In terms of international regulation, Luxembourg is in full compliance the OECD-FATF recommendations. As a premier wealth management center within the Eurozone, the financial expertise offered by Luxembourg spans from cross-border wealth management to an extensive tool-box of wealth structuring vehicles. Although the economy is diversified, the financial sector is very important in Luxembourg. The insurance industry represents an important segment of the financial sector, with 98 insurance companies and 226 reinsurance companies - the largest captive reinsurance domicile within Europe and about 8% of the global captive reinsurance market.

Paula LEITE, Head of Markets Development, Cardif Lux Vie

Luxembourg was quite successful in developing cross-border expertise and know-how thanks to its small size and the fact that relating to key regulatory authorities is therefore made easier. Moreover, the free market approach broadens the freedom of action of institutions willing to always innovate and explore new business venues. The Luxembourg financial tool-box includes a large range of services for a large range of traditional as well as innovative funds. Luxembourg is a leading hub for Islamic finance and the distribution of related funds. Financial services include banking and accounting, audit and tax, advisory and fiduciary services, insurance and reinsurance, and fund administration services. Finally, the "family office" services sector is a regulated profession in Luxembourg since December 2012. As a matter of fact, Luxembourg is the first country in the world regulating this sector.

Zulmiro DA COSTA, Relationship Manager France, Lombard International Assurance

Explaining the various wealth structuring services, SOPARFI represents the most widely used structure, with approximately 70% of the non-EU investments into the EU done with Luxembourg structures and mainly with SOPARFI holding companies. The tool-box includes as well Luxembourg Limited Partnerships, SPF wealth management companies, pension schemes and life insurance, along with philanthropy and fiduciary agreements. Investor protection is very high on Luxembourg-dictated priorities. For instance, insurance companies must segregate insurance policies' underlying assets and insulate them from the insurance company own assets. This is also required from custodian banks.

Caroline BOHRER, Sales Director, Swiss Life

To close the roundtable discussion, the best way to resume the attractiveness of Luxembourg as a financial hub for UHNWI (ultra-high-net-worth-individuals) is through a practical example. Let's assume that a UHNWI would like to engage into philanthropy, wants to invest into art as well as trade in art. The investment adviser will need to optimize the customer fiscal situation depending on the country the client is domiciled or decides to move to. SOPARFI would then be a good tool. Nevertheless, a life insurance wrapper would offer more flexibility along with fiscal optimization. Life insurance would also satisfy families' estate planning. Therefore, the life insurance solution is an efficient and less costly alternative to a trust.

Questions/Reactions from the floor:

What size of capital would be the minimum required to set up a foundation that would make sense?

Theme 3:
Debt or growth?

Afaf KONJA, Spokesperson for the President of the United Nations General Assembly 68th Session, New York, USA

The discussion of this roundtable will be about "Debt or Growth?" Welcome to all distinguished panelists. We will focus in particular on following aspects:

- Was it a mistake to grow debts after 2008?
- Federalism, regionalism, decentralization: which of these models are better fit to trigger world growth?
- Public debts and bankruptcies: which remaining public assets can be put on sale? Should everything be privatized?
- To pay off public debts will we need to confiscate savings through inflation or taxation?
- Stagnation, deflation: deeds not words from the decision makers

Werner EICHHORST, Director of Labor Policy Europe, Institute for the Study of Labor (IZA), Bonn, Germany

As specialist in labor market and social policies' researcher, I am happy to provide some insights about the role of institutions especially within the labor market, the role of the European Union, as well as the productive use of public policies aimed at improving economic growth and achieving greater integration across Europe. Unemployment, especially "youth" unemployment, is a problem that the EU

needs to address in particular in the Mediterranean countries, as the shocks from the 2008 crisis stubbornly persist. The challenge is to keep people employed and to reduce income inequalities, which in turn would stabilize the economy while maintaining social harmony. Public debts need as well to be addressed. The response to the 2008 financial crisis was quite different in each EU country. Public efforts ranged from short-term work schemes to more active labor market policies along with unemployment subsidies, increased labor market flexibility aiming at re-integration of people out of a job, and finally training and education aimed at greater human capital formation. It came out that the labor market needs fundamental reforms. Crises create the opportunity to engage in such reforms, despite the fact that results will not be visible in the immediate future. Moreover, public spending is absolutely needed as a form of investment aimed at increased productivity and social integration. It is crucial and it must be funded. Governments must prevent inequality and social segmentation. Moreover, convergent policies must be encouraged. It will be much easier to achieve convergence within the European Monetary Union where member states' labor markets are directly interlinked. Furthermore, European unemployment insurance, such as reinsurance of national benefit systems, should be contemplated as an automatic stabilizer or, at least, the existing national systems should have also a European component.
On the topic of employment, within the high income countries we have not seen a massive decline in work offers and employment. True, the workplace is changing due to technology and life expectancy. We do not see any direct competition developing between young and older people in Europe. In the early 2000, many countries across Europe removed the possibility of early retirement. The major problem that Europe is facing currently is to ensure a successful transition from education to employment.

Aymo BRUNETTI, Professor of Economics at the University of Bern, Switzerland

Public debt, per se, is not such a bad thing. There are times when public debt is truly crucial to invest into important and long-term projects, where the private debt would not be that patient. To have a balanced budget at all times is a bad idea. To the contrary, governments should see to accumulate surpluses as insurance for rainy days. The situation currently is worrisome, as there is a tendency to increase the public debt levels. Structural deficits should never be the norm, as they are in quite a number of countries. In Switzerland, we introduced about ten years ago a "debt-break rule", requiring to accumulate public surpluses in times of good economic conditions. I must say that having this mechanism helped Switzerland to weather the crisis without excessive difficulties. In other words, if countries have fiscal rules in place, they must also have solid provisions to reduce debt during good times. The main problem that governments now have to address is that they do not really know how to recover from such an extreme shock caused by the financial crisis of 2008 and to go back to normal times. Moreover, demographics and the ageing of population are structural changes that will require increasingly more important public spending, thus complicating government efforts to reduce the public debt levels. Furthermore, what happens, for instance, with countries like Greece? In my opinion, there is an urgent need to establish some international rules dealing with State bankruptcies. The IMF tried about ten years ago. Now, it has become urgent to consider a rule of orderly sovereign default. It would eliminate some market distortions, such as the abnormal investor interest to invest in government debt. According to Basel capital requirements, government debt carries no risk, which is absurd. To the contrary, having a sovereign bankruptcy regime in place would help raising the awareness, within the global investment circles, that also government debt does not escape risk evaluation equations.

It would also force governments to spend more responsibly. We have witnessed in Europe, before the crisis, how absurd it was to have almost zero spread between German and Greek government yields. Obviously, financial markets believed that Greece could not carry higher risk than Germany! Under such an extremely favorable environment, what ensued was a huge buildup of public debt in Greece, which at some point became unsustainable. The end result, however, has been to force Greece into extreme austerity measures and the Eurozone Member States have no other choice than to bail them out. That is why it would make a lot of sense to have a system to deal orderly with sovereign default.

On the question about Greece and the Troika, when the crisis first broke out in 2010, the EU made the decision to save Greece from default and to bail out indirectly the Hellenic banks. Such a decision fundamentally changed the way Europe is organized. Before, there were no bailout rules. Then, suddenly, there were bailout rules and bailout institutions. But, there is still no fiscal union across the Eurozone! This has raised hope that Greek debt could at some point in time be repaid in full, which is merely an illusion since Greece is effectively broke. What is the sense of carrying unreal valuations in banks' books? It would be much more honest to admit that Greece is unable to repay its debt and to write-down those amounts once for all. The illusion of no country-bankruptcies does distort financial markets. Investors and creditors must be aware of the real risk existing in every investment decision.

The IMF should be put in charge of lending money for the sovereign restructuring and supervising the whole bankruptcy procedure. Ten years ago, the IMF proposal was discarded, but it is apparently being resurrected now.

On the employment topic, I would like to add a positive note. There are important opportunities available in many European countries. In Switzerland, the employment rate is 80%, whereas in Europe only 60%-65% of the population is in the workforce. Managing the deregulation of the

labor market will be crucial, beyond the inherent political implications. Germany is a clear example that a lot more people can be included into the labor force, with benefits trickling down in the employment sector and the wider economy. Reforming the labor market is, indeed, very challenging from a political standpoint.
Automation coming from technology is not a problem. Consider, for instance, that when more women came into the workforce, unemployment for men did not increase at the same time, as was the case in Switzerland. Additional jobs create additional income and, in turn, additional demand and, down the road, additional jobs. Demand for labor will remain even in an era of increased automation, although not exactly for the same kind of labor. That is why labor skills have to adapt to changing global economies.

David CAYLA, Academic teacher's/researcher, University of Angers, France; member of Les Economistes atterrés

On the subject of debt, I am as alarmed as other panelists, for different reasons. Total debt, measured as percent of GDP, within the Eurozone is actually decreasing. Financial debt, mortgages, etc., began decreasing right after 2009, while public debt kept increasing up to current days. A similar trend has been witnessed as well in the U.S. during the same time span, with the exception, however, that the mortgage crisis was already pervading across America. In other words, the private debt was reaching unsustainable levels, while public debt was more contained. The response from the U.S. government has been to increase substantially public spending. At the same time, private debt entered a substantial deleveraging phase. What penalized economic growth in some countries within the EU was mainly due to austerity measures adopted instead of increasing public

spending aimed at stimulating growth. As a result, countries which had increased public spending actually fared better than those who did not.
On the question about debt-and-growth, the defining line is between the quality of debt and who takes it on, as well as how debt is transformed into producing growth. Debt is always a transaction. On one side you have a liability and, on the other, you have an asset. The question is not only about good and bad debt, but also about good and bad savings.

Question/Reactions from **Cosima F. BARONE**:

My questions are for Prof. Aymo Brunetti. You mentioned that the world should adopt a supranational bankruptcy system applying to sovereign States. Then, in the case of Greece, wasn't the intervention of the "Troika" a de-facto bankruptcy procedure? Who would supervise, at the supranational level, such a sovereign bankruptcy system?

Questions/Reactions from **Joshua BOWER SAUL** (Origen Capital):

The big elephant in the room that nobody has mentioned yet in this conference is the €1.3 billion gap in the EU's pension scheme, which concerns us as much as our clients? We are basically borrowing from the pension fund to pay for our running costs. The regulatory environment, combined with the absence of lending, combined with the pension gap, means that Europe has about €3 trillion growth gap over the next 15 years, which is pretty big. The answer to that is going to be "technology", i.e., parallel worlds involved into lending, raising equity and supplying that equity directly to growth management teams we believe in, regulatory technology, cyber-currencies, blockchains, and other things providing alternative ways of transacting to a regulatory heavy world with better controls and better data on default and other things. As we heard this morning, it is really about the people. Will these parallel worlds contribute to the solution?

Questions/Reactions from **Ruth ENGO BAMELA**:

What is the trend in research about the labor market in Europe and the employment of younger people when life expectancy is longer? With retirement benefits being reduced, senior people is almost obliged to work longer to complement their life expenses. Regardless of who will take the labor space, young or senior people, the problem remains that the kind of education given at least in my part of the world is traditional whereas, with technology taking over, the workplace is not what it used to be? The future is including fewer workers than in the past. All these issues are important. What will the future be?

Questions/Reactions from **Yorick CAZAL**:

Back to the main question of this roundtable: Debt or Growth? By listening to Mr. Cayla, member of the Economistes Atterés, the topic should be better phrased as about "Debt and Growth", since in order to maintain growth you need to borrow substantial and you need growth in order to pay back debt. Moreover, this morning we discussed fraud within the car industry and the mortgage sector. Also, the example of Greece was mentioned. When military vessels are sold to Greece, is it debt-and-growth or a fraud? And on technology, does it provide proper data such as in the case of Greece. Mr. Cayla, I am also "atteré" and your arguments in support of your theories are pretty light.

Questions/Reactions from **Pierre CHRISTODOULIDIS**:

What is worrying me is that, with technology bringing higher levels of automation within the producing segment of the economy, more and more people will be out of work. How do we tackle then the unemployment issue?

Questions/Reactions from **Paul J. CICUREL**:

Going back to Debt versus Growth, I believe that debt stifles growth. But, you cannot know 'a priori' which debt is bad or good. It's a concept, but it does not work in practice. Debt kills growth. What is underlining the whole thing is over-promising too many expectations. Government and politicians, in order to get votes, have been promising things to the workforce, all sorts of entitlements and benefits that cannot be afforded any longer.

Monaco for Finance

Elisabeth RITTER MOATI, General Manager (Investment & Promotion), Monaco Chamber of Economic Development

In the Principality of Monaco, a cosmopolitan State with a territory of only 2 Km^2, 124 nationalities are represented. A population of 37,000 inhabitants and 5,000 companies are prospering in a debt-free economy, with enough reserves for 4 years. In 2013, GDP grew €4.94 billion that is +9.3% compared to the previous year. The Principality, relying largely in VAT for state revenues (over 50% of total revenues), neither imposes personal income tax, nor inheritance, nor gifts tax. Moreover, corporate profits are not taxed either if 75% of the turnover is generated in Monaco. Although the economy includes several economic sectors, two of them are the largest. Accounting for one third of Monaco's GDP, we have Finance and Insurance industries along with scientific and technical activities. Real estate, which saw its highest growth in 2013, accounts for 8.5% of GDP and is the third biggest contributor to GDP. The Chamber of Economic Development provides, at no charge, wide assistance to entrepreneurs embarking in new endeavors in the Principality. *(An insightful movie showed key projects developed within the Principality.)*

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

I joined only recently the Board of AMAF. I will highlight the most important aspects of Monaco's financial industry. Banking accounts for approximately 20% of the Principality total activity (30% with indirect business) and includes 35 banks as well as 56 asset management and mutual fund management companies. Monaco is a prosperous, professional and safe place where to store one's wealth. Assets under management (AUM) amount to €120 billion, of which €109 billion are deposited at local custodian banks. Assets have almost doubled in the past ten years. Loans (mortgages and back-to-back lending) to residents and non-residents (Africa, Middle-East, America and Oceania) have been expanding quite substantially as well during the last decade. A full range of private banking products and services are provided in Monaco, as well as customized services for highly sophisticated clients. Our financial marketplace is safe. Banking activities are supervised by the Prudential and Resolution Supervisory Authority (ACPR, in accordance with agreements between the Banque of France and Monaco), while asset management activities are supervised by the "Commission de Contrôle des Activités Financières" (CCAF). Monaco complies with international regulations – FATF, Moneyval, IMF – and its FIU, or financial intelligence units within the 110 countries members of the Egmont Group, is operational under the name of SICCFIN, or Service d'Information et de Contrôle sur les Circuits Financiers. Monaco is also member of EBF, the European Banking Federation. The Principality will continue to focus in the future on private banking and fund management. AMAF, mostly involved into establishing professional standards corresponding to the best international standards for the most sensitive areas of the financial industry, is regularly consulted by the Monegasque authorities when new laws are being prepared.

Theme 4: Western economies against a multi-polar world: which model will prevail?

Afaf KONJA, Spokesperson for the President of the United Nations General Assembly 68th Session, New York, USA

The last round table of today will be focusing on…

- The uprising of emerging countries against the grip of western economies?
- Tertiarization, financialization against productive economies: who will arbitrate the debate?

… and Mr. Jean-François di Meglio will begin.

Jean-François DI MEGLIO, Chairman, Asia Centre, Paris, France

Since my area of expertise is Asia, I will focus on emerging countries, more specifically on India and China, but I would like to mention immediately that the major challenge that global institutions (the World Bank, the Asian Development Bank and the IMF) are facing is AIIB, a formidable yet mysterious tool that China is probably using to build a parallel monetary system. India too is coming back to the international arena, but China is the most relevant. In the last ten years, GDP grew substantially and surpassed the most advanced economies after the U.S. and raised itself to the second place in terms of economic size and global value of goods and services exported. The Renminbi, according to SWIFT transaction data, was standing at the fifth place in terms of trade-currencies, the first five being the U.S. Dollar, the Euro, the British Pound, and the Japanese Yen. But, all is not well in China. Demographics are posing huge challenges to Beijing. By 2050, a large part of the population will be over 65 years old. Moreover, imbalances are especially evident when investment is compared to consumption. Consumption is improving, slowly, but there is an evident lack of investment. In other words, China is living up on past fortunes and the accumulated trade surpluses. However, China needs infrastructure for its own companies and it needs, as well, to conquer new markets, especially as India is emerging as a threatening economic power across Asia. China set up AIIB, the Asian Infrastructure Investment Bank, to help its economy grow, most probably with the plan of building a parallel financial system. China is actively moving towards making the Renminbi an internationally recognized currency sooner than later.

On the "coexistence" topic, the economy is ruled by the monetary system. Can the current global financial system be challenged? There might be an alternative system emerging. The point I was trying to make in my presentation is that China might be challenging the current monetary system, which was on the brink of collapse a few years ago, with their new monetary system. Their new system might not prevail globally, but it can very well prevail regionally. The Chinese Yuan is poised to become an international currency.

Concluding remarks: Concern is crucial. China and India, for instance, are so concerned about their national challenges and wellbeing that they do not want to get involved into a G2. The U.S. would like to rule. Europe would like to be involved, but we have less and less might to do so. Therefore, multi-polarity is a real concern and it might be our fate.

Henri STERDYNIAK, Director of the Economics Department of the globalization of the French Economic Observatory (OFCE), Paris, France

Tomorrow, the world will be multi-polar. Then, which countries are going to retain global power? The U.S. will remain a global power. It has the most important financial center in the world, and it is globally recognized as a leader in high technology and other economic sectors. The American dominance is well served by the Trans-Pacific Partnerships, the Trans-Atlantic Trade Agreements and the Investment partnerships. Europe, to the contrary, is not a world power. The Euro was prematurely introduced with an ill-conceived strategy. The response of Europe to the crisis has been rather disappointing, absurdly imposing austerity and fiscal rules instead of conceiving a coordinated and well structured economic strategy. Germany dominates Europe, but it does not play the role that is expected from a dominant State. Europe has no industrial strategy and is unable to defend its social model as well. China is an opportunity and a challenge. It is an alternative to the dominance of the United States both in terms of international trade and financial services. The Chinese Renminbi is rapidly gaining global importance and aiming to become a fully convertible currency. Moreover, by setting up AIIB, China is directly competing with the World Bank and the IMF in the field of helping emerging countries to deal with their financial and economic growth challenges. It is a plus for the world, as China tries to have its word heard in the international arena at the same level of Western powers. Western countries must allow emerging countries to take part on global strategic decisions. I regret that climate change was not included in this panel discussion, because it is a great challenge of our times. There are two options possible: either do nothing and wait for the ecological disaster to happen, or try to take strong measures at the global level. The other challenge that we

are facing today is about education and other State services (such as health). Will these crucial services shift into the private sector and, as a result, become more costly and less efficiently distributed across the population? I see also as a problem the dominance of the United States by companies, such as Google, Amazon and Apple, which are de-facto monopolies and avoid paying taxes. They end up being more rich and powerful than States. Another problem for the world important to tackle is the excessively increasing trend of financialization and the destructive aspects of unstable financial markets and bubble bursting so often nowadays. Adding liquidity is just a short-term solution to long-term structural problems that advanced economies must deal with head on. A valid solution would be for States to organize and manage the important global transition towards a more ecologically oriented future perhaps under the guidance of the G-20.
Concluding remarks: With the emergence of developing countries activities. Ecological constraints will, as a consequence, become bigger. We have no choice, but work together to tackle the climate change challenges. We will have to explain this to the people.

LEONG SZE HIAN, PAST PRESIDENT, SOCIETY OF FINANCIAL SERVICE PROFESSIONALS, SINGAPORE

If you come from my part of the world, it is customary to start with a joke. Have you noticed that in most conferences, participants normally quickly turn to their mobile phones and play with their tablets. It does not happen in Monaco and I don't know why. A year ago, I was speaking at a conference and, in order to keep the audience attention on my intervention, I was standing in front of them to maintain eye-to-eye contact. All of a sudden, participants started using their tablets. What happened? After the conference, I was

told that the conference was broadcast live in the Internet and I had been elected the best speaker of the day. I wasn't aware about the live broadcast. You're not laughing. The joke wasn't good, then! By telling you this joke here today I want to highlight that the world is changing and that "unexpected" things can happen at the blink of an eye. How are we going to finance the new UN Sustainable Development Goals (SDGs)? Who is going to facilitate the goals and pay for SDGs? I am going to share with you the Singaporean model. Singapore is very much like Monaco, although it is a bigger country with good economic growth, almost zero external debt and budget surpluses, and so on. The unemployment rate is only 2%. How is it that the Singaporean model can do all the things it does? The secret to the Singaporean model is "innovative possibilities", not solutions. Singapore is the only country in the world where the government keeps a part of the annual social security pension funds' annual returns in order to pay for services to people. It began with retaining 1/10th and now it is roughly 50 percent, or about 3%, as the government got carried away. Another example is public housing. In old times, it was the cheapest public housing in the world and Singapore got even a UN award for it. Everyone in Singapore owned its own house. Then, the government got carried away and public housing became very expensive. Pre-funding healthcare is another insightful example, which nowadays costs 10.5% of salaries. Bottom line: who is paying? The people are "happily" paying, because they trust the government. If your governments could get the people to agree on such a regime, all debt problems would simply go away. To conclude, and thanks to Cosima, you can read about the Singaporean model in the TRUSTING magazine (N°7, January-June 2015. page 104).
On the "coexistence" topic, I agree with Mr. Hanif. The Singapore philosophy has always been to work together. The benefits of all past decisions are coming out today.
Concluding remarks: most of our debates about which model might prevail as of today are only academic. In Singapore,

a couple of weeks ago we had in depth discussions about how the Nordic model works. We had ambassadors from Norway, Sweden and Denmark. There is not much that you can extract from the Chinese or other Western models to solve the problems that countries will have to face. Arguably, the Singaporean model is the only valid model for the challenges that we have to face, i.e., paying for the SDGs.

Steve YOUNG, Global Executive Director, Caux Round Table, St. Paul, Minnesota, USA

I would like to start by focusing on the word "arbitrate" on the assumption that there are different systems and the non-West needs to have somebody to arbitrate with the West. My suggestion is that we live under one rule, one global universal rule, called the Golden rule. Whoever has the gold will rule. If China becomes very wealthy. It will have influence. The Middle-East, rich in oil reserves, will have influence. Given this rule, there is only one global system that we have, but there are differences within the system. You may remember that Francis Fukuyama, in his essay "The End of History" (1989), looked at the collapse of communism and said that humanity has basically arrived at one system, which is fundamentally a bourgeois democratic private-property-based system. He was right. In my view, we could add that the system is actually a continuum and you can be on various points on this continuum. There are two polar ends of the continuum. On one side, there is the government, i.e., government power, government in control and government interactions. On the other side, there is the libertarian ideal of the Tea Party and of the State of Texas in America arguing that government control should be minimal and individual private actors should have maximum autonomy. At the extreme end of the government side there was an experiment. The most concentrated use of government power was seen in Cambodia under the Khmer Rouge, where there was no private property.

Cambodians did not even own their own clothes. Moreover, as you may remember, there was no money in the country under Khmer Rouge (Pol Pot) regime, as there was no need for money because there were no trades, neither buying, nor selling. But, this was an extreme example of purely utopian regime and of pure collectivism. In reality, our society is somewhere in the middle with the gradient being the degree and amount of government interaction and control. On the gradient, if you move towards the government end, you have what some legal scholars call "rule by law" where the State has rules and you follow. On the more private-property end we have the tradition to recognize the "rule of law" where individuals have lots of rights. At the government end of the continuum you have a high rent extraction by the State, while in the private end of the continuum there is control of abusive public power and very low rent extraction because there is competition. There is a reason why we have only one system. Human beings need material goods. A certain level of autonomous individual wellbeing is necessary for human dignity. Only private property, free market, and private sector create wealth. What wealth was created under Pol Pot? Zero. Government can do many things, but ultimately it cannot create wealth. There is an insightful anecdote about "free markets" that I would like to mention here. It is the story of Guan Zhong in China. The Duke of Qi said *"I love purple cloth but it is too expensive."* Guan Zhong replied: *"Leave it to me. The next time someone comes near you wearing purple cloth, hold your nose."* (The substance used to make purple dye left a smell in the colored cloth.) The next time someone approached the Duke wearing purple cloth, the Duke held his nose. Everyone in court dumped their purple clothes in the market and the price dropped. Guan Zhong bought up all the cloth on the cheap and gave it to his Duke.

On the "coexistence" topic, there are a few points to make. The first is about the ecological constraints on the whole system across the globe and about how to have growth without consuming all resources and destroying the planet. Technology might be the answer. And the other is about inequality in wealth and income. If this goes out of whack, no matter where you are on the continuum, you are sure setting up tensions and conflicts in society and probably between countries, especially poorest countries against other nations where wealth might be concentrated. Another point to make is that most abuse of power and war seems to be associated with political leaders and governments. In order to have a better chance of peace and people working together we must fight abuse at the government end of the continuum. Great historic "trading" city states, like Venice, where commerce was key, were intent to make money and did not rush to start wars, though they did police their environments to protect their property interests.

On the Iraq question, the normal process would have been for the American people to have opposed the President. But, the Democrats, such as Hillary Clinton, failed to oppose Bush because of important Jewish constituencies. There was evidently some failing of the private sector to make its position prevail.

Concluding remarks: There are two main challenges: ecological and inequality in wealth and income of people. There is a need for a fundamental change in our financial system, which should be "sustainable", in order for these challenges to be met. I was in Paris a month ago at the Institut de France, at a meeting of the Académie des Sciences Morales et Politiques, where Jacques de Larosière and Jean-Claude Trichet were speaking. They had a French perspective very different from the American one. There is, they argued, too much instability, selfishness, volatility, superficiality, lack of stability and lack of reliability in the financial system we have built. How can such a system effectively support the SDGs? Who is really thinking where the leadership is coming from? Moreover, I worry about the political side of thing. Where there are regimes bent on narrow visions of justice, which have access to weapons and war, we have problems there.

There are also non-State actors, such as the Salafis of Islam. Even if we do everything right in our countries with SDGs, the environment, good economic growth and fair sharing within people, how can we solve these other problems? There are bad people and bad situations that cannot be addressed by finance and economics.

Questions/Reactions from **Navid HANIF**:

Let's bring the debate to the center question. In our world, there is hardly one model economy. There are only mixed economies. I do not believe that there is a truly free-market economy. Given the climate change and the ecological challenge that we are facing, we should start to work together as a world. "Coexistence" is the buzzword. Could we reframe the debate, look at coexistence and try to find ways to work together?

Questions/Reactions from **David CAYLA**:

In the case of the Iraq war, were not private companies from Texas playing an important role?

Questions/Reactions from the floor:

Which model is going to prevail and what will be the outcome? Did the local people really have free choice, in Singapore, for instance? Are people in China taking a cooperative approach and responsibility for the outcome or are they being forced to accept whatever the government decide? Contrast that with the Western world. What unintended consequences there will be depending on which model prevails?

Association Day's Chair Persons Welcome Address

Vincent DERUDDER, Honorary Chairman and Chair of the Consultative Committee of FECIF, Brussels, Belgium, Member of CIFA's Executive Committee

It is the second year in a row that CIFA is having a full day dedicated to IFAs' member associations within its annual forum. It is a great opportunity for the associations to discuss their role and how they adapt to a changing financial market place. Over the past two days we learned about the UN SDGs and yesterday all debates about the global financial system, global growth, and so on were quite insightful. I hope that today there will be as live interactions with the audience as in previous days. Every single day, the media is running headlines that the crisis is over and that all will be well tomorrow. I am not so sure. For the last seven years, the response of authorities to crises has been to increase the level of regulation. As a result, 150,000 IFA entities have disappeared across Europe between 2007 and today. In other words, a total of 500,000 jobs were lost - thanks to EU Commissioner Michel Barnier - as each entity employs 3 to 5 people on average. Excessive regulation is extremely negative as it kills innovation and people's appetite to create wealth. Let's make the most of this day debates.

Zoltan LUTTENBERGER PhD, Member of CIFA's Executive Committee

The critical topics IFAs discuss with their clients are about current concerns, such as "trusting or not" politicians and their promises, QE and money printing pretending it is bound to work, and so on. An advisor needs to draw scenarios for the various potential outcomes of investment portfolios resulting from State leaders decisions. Intermediaries will need to say clearly whether or not they are salesmen or advisers. Are intermediaries moving towards the "fee-only" model or the uniform fiduciary model, i.e., advisers working only for the sole interest of customers? Several topics like these will be discussed by our panelists.

Client decisions on Investment Strategies during the "New Normal": Active or Passive, DIY or Advised or Discretionary?

THOMAS ABEL CFP, PRESIDENT OF NFPB NETWORK
FINANCIAL PLANNER, BERLIN, GERMANY

To begin with I would like to mention the David Allison's "four steps" essential to create a better investment strategy, which are:

- Can you write down your investment strategy as a process?
- Does your investment strategy contain a belief about why investments become over or under valued? If so, how do you exploit that?
- Will your investment strategy perform well in every market environment? If not, when will it perform the worst?
- Do you have a system in place for measuring the effectiveness of your investment strategy?

A yes answer to all four questions would refer to a DIY case, while a negative answer would point to the need for the client to hire an advisor or a discretionary asset manager. Regarding the latter case, again these four questions should be asked to the intermediary. Whether a customer would be better off to hire an advisor or a discretionary asset manager presents pros and cons. I favor the latter.
In Germany, fee-only advisors are recognized legally since August of last year. So far, only 150 advisors are registered as such.

Peter BROOKE, Financial Planner and Investment Team Strategist, The Spectrum IFA Group

I see clients every day as my daily role is to meet with English expatriates. Going back to the first two words of the subject being discussed here - 'client decisions' - I would like to stress that our role should be not only to give our clients the necessary information about investments, but also to educate them to understand the information they get. As an industry, we should engage more in the education side and then help them choose the tools they need. Giving customers an "informed choice" is crucial. As you know, we still live in a world of "commissions" across Europe. There is nothing wrong with commissions, but there are problems inherent to them, such as the lack of transparency. Once we have enabled clients to make "informed decisions", then their choice will be between an outcome and a relative performance. We need to discuss risk with customers, as well as the chance of loss, especially when investment tools chosen happen to be the most advanced and sophisticated. Concerning the cost aspect, it remains low for DIY customers as opposed to the "discretionary asset management" model. Nevertheless, the required education and information work behind each model is the same. Moreover, customers need to know what they are paying for, why they are paying for, how they are paying for and what are their options.

On the question about incentivizing people to go and seek advice, unfortunately we are still in a world where financial solutions, whatever those might be, need selling. However, within the financial planning industry selling investment products is a rather small part of the overall services provided by FPAs.

Johannes MUSCHIK, Chairman AFPA, Austria, Chairman FECIF, Brussels

I am engaged in lobbying for FECIF in Brussels regarding the European Directives, the MiFID II which deals with remuneration, transparency and costs, topics that we are discussing today. The perception at the EU level is that our industry – fund selling – is ripping off customers, which is pushing clients into DIY and rather passive investments that rarely deliver good results. Actually, a broad survey was run at the EU level and the results were insightful (more than 60% of investors totally rely on advisors) as the EU realized that our industry is extremely important in its role of education and information delivered to clients. It is crucial for our industry to deal with conflicts of interest in order to restore consumer trust. The following are only five basic and essential points our industry needs to focus on in order to rebuild trust:

- Mandatory status disclosure of intermediary
- Total cost disclosure of financial product
- Pure sales or ongoing relationship
- Free choice of remuneration by the customer
- Level playing field for all sales channels

Regarding the accountability of senior management, it is definitely being held responsible for infringements and fraud. Sanctions include fines of minimum €5 million for companies, plus two times the infringement amount. At the individual level, fines amount to minimum €700,000. Sanctions also include a ban from practicing for at least a year and the infringement will be publicly known.

In Europe, for instance, there has been some arbitrage between the fund industry, the equity-linked life insurance industry and the life insurance itself. In a few years, the European Commission will be dealing with it in the PRIIPS regulation. Full transparency about fees and commissions during the whole life of a product/contract is required as well. Concerning the fair level of compensation, I believe that the

aggregate cost has to be disclosed in full to clients and that customers, in the end, decide whether to accept it or not.
On the cost of ignorance topic, to some extent intermediaries have been surfing the wave of getting paid for selling financial products instead of selling their competence. That is why customers might resist paying for advice that they are getting for free.

Giorgio CANELLA, EFA, Fee for Service Financial Life Planner, Italy

It is important to make clients aware of pros and cons of the DIY and the discretionary models. To me, there is a third model to consider since money is an important part of clients' lives. Clients and advisors work together. Then, the advisor can get from the client an informed consent. I place the 'planner' in this section as professional clients want to deal with FPAs. Putting clients' interest and preferences first is paramount.
In the overall comprehensive fiduciary advice for clients, including clients' protection, it can be included also finding the right specialist for specific problems that the client needs to solve. That's when the "fee-only" solution works better.

Tino LEUKHARDT, Precious Metal Specialist, Ophirum Group, Germany

I am the only sales person in this panel. I work for a product company and I specialized in precious metals, which are unregulated assets. The company I work with is regulated since it provides as well some exchange-trades products. While working at the Bundesbank some years back (2010) I came to the conclusion that the crises of our times might not end well. I also realized that precious metals are very seldom part of investment portfolios. Concerning the commissions' topic, Ophirum has a platform providing both models, with or without commission. In Germany, 98% of the market is commission-based. Ophirum is involved into precious metals' trading, it provides a platform for banks and financial advisors, and it structures financial products based on gold. Concerning the question about advice and cost, the dividing point is definitely if an advisor is tied, multi-tied, or totally independent. As an advisor, I have to educate and inform my clients, as well as to provide results about a comprehensive comparison within the various investment products available in the market place. Hence, regarding full information on ETFs' disclosure, eventually the regulator might have to require it from advisors operating in a "full fiduciary" role.

Questions/Reactions from **Leong ZSE HIAN**:

Most of the regulations that are being discussed in Europe today have been implemented in Singapore for many years. In the Singaporean regulation, the senior management and the Board are both held accountable. Is something like this also being discussed in the European regulation?

Questions/Reactions from **Shawn BRAYMAN**:

I am on the board of FPA Planplus in the U.S. and I am firm believer in the value of advice. Whether it is commissions or fees charged it doesn't matter. It is the aggregate amount that the client pays that is important. If a client pays 2.5% as the aggregate cost for advice and his equity risk premium is an equal amount, the client ends up with zero profit. What is a fair aggregate cost charged to the client so that he gets something in his pocket at the end of day? In Canada we have a program called CRM2 regulating all sorts of things, including full disclosure of all the fees a client pays for advice. Further to the arbitrage that it inspired, many advisors are giving up their mutual fund licenses and, thus, things have become much worse for the end client.

Questions/Reactions from **Zoltan LUTTENBERGER PhD**:

There are times when too much science can harm. Remember "EMH", or the efficient market hypothesis that we all learnt about? No one really respect that advice matters as much as cost. If a client is not informed about some ETFs as standard investment solutions, what are we discussing about?

Questions/Reactions from **Roger NIGHTINGALE**:

I would like to go back to the Canadian earlier question, which seems to me fundamental. The cost of advice, however it is judged – fee or commission – does not appear to be justified by the performance that it is generated. Same thing applies to fund managers. They charge a fee for fund management, while they consistently underperform the market and trackers. So, the client is a looser in all instances. When you add regulation, you must consider the gigantic cost that it causes. Does the regulator do anything valuable? No, because it can never stop any malpractice in the history of the universe. To the contrary, if anything it adds to it. Is the educational aspect of the advisory services valid at all? Since nobody understands economics, politics, markets, how can an advisor offer his clients anything valid? All these people are charging fees for doing nothing. It does not appear totally fair!

Questions/Reactions from **Vincent DERUDDER**:

I believe that what is missing in this discussion is that the intermediaries' main asset is their relationship with clients. In other words, they will make sure that clients are happy, well informed and that he, as the advisor, will always deliver the best possible advice in order to keep the client base.

Questions/Reactions from the floor:

We have been discussing the cost of advice. But, what is the cost of ignorance? What about the cost of clients with delusional thinking that "doing things by themselves" will carry no cost? Instead of focusing on bad or good advice, we should rather focus on how to incentivize the customer to seek for the right kind of advice and pay a fair price for it. The industry has evolved. We keep connecting the cost of advice to a particular type of financial products, rather than considering a comprehensive and holistic approach about the qualitative aspects, such as inheritance, succession, business transition, and managing cash flows, which are not necessarily tied to a specific product. This is exclusively fee-based advice. Clients may even be underpaying for such qualitative advisory services. There is a cost of ignorance. How do we incentivize customers - whether you are a regulator or a firm - to seek for the right kind of advice and pay a fair price for it?

Self-Managed Superannuation Funds in Australia

Andrea SLATTERY, CEO/MD, SMSF Association, Australia

Thank you very much for inviting me here today. I am very pleased to be given the opportunity to present on the Australian Self-Managed Super Fund (SMSF) industry. Although the history of superannuation began in Australia in the early 1900s (please read my article published in TRUSTING N°7), the Superannuation Guarantee (SG), compulsory savings by employees, was introduced in July 1992 at 3% of salary, gradually increasing to 9% by 2003 (expected to reach 12% by 2025). SG was part of the Government "three pillars" approach to retirement income – the Government age pension, SG savings, and voluntary savings. The SMSF Association has a clear mission of enabling Australians to take greater control of their own destiny through a sustainable SMSF community, i.e., a range of professionals providing direct or indirect services to super fund members (less than 5 members per fund). SMFS Association represents the industry, the advisers, the service, product and investment providers, the trustees, and advocates to the Government as well as regulators and legislative designers. Our professional association role is to ensure that all professionals offer the highest quality advice and service, and that trustees are able to make informed decisions for their own dignified retirement. The integrity of the SMSF industry is paramount. According to Mercer Global Pension Index research, Australia ranks #1 in adequacy, #2 in sustainability and #4 in integrity. Moreover, Australia ranks second (to Denmark) within the overall OECD Pension Systems ranking, which is a great achievement. According to the OECD, Australia ranks #3 in terms of the size of the pool of retirement funds. Australian Superannuation is approximately $2 trillion (expected to reach $7.6 trillion by 2033). SMFS represent one-third of that pool, or about $590 billion. APRA funds are the large institutional funds set up for industry, retail, corporate and public sectors, and are regulated by the Australian Prudential Regulatory Authority (APRA). SMFSs are regulated by the Australian Taxation Office (ATO). Australia has a system of light co-regulation as opposed to the light touch regulation in the U.S. and Europe's bank-led regulation. However, regulation is expected to impact more as the nation is facing several challenges, such as the efficiency of superannuation funds, tax concessions being reviewed, and the ageing demographics. The Australian Retirement Income System is based on three pillars. Pillar 1 is for the age pension. Pillar 2 is the compulsory employer contribution (predominantly contributions are sourced from members of the APRA Funds. Pillar 3 is the voluntary member contributions (predominantly contributions are sourced from the SMSF sector). To conclude this presentation, I would like to stress that SMFS is a largest, fastest growing, the most efficient (fees on average are below 0.5% per fund and less per member) and the best performing superannuation sector. Superannuation is now the largest sector of the Australian wealth sectors. In other words, Australia has a good "*retirement and draw-down*" system and the rest of the world should pay close attention to it.

From Sales to Advice: What can we learn from RDR? What trade-offs and trends?

Vincent DERUDDER, Honorary Chairman and Chair of the Consultative Committee of FECIF, Brussels, Belgium, Member of CIFA's Executive Committee - Moderator

In this roundtable, we go back to a main concern within the intermediary industry: from sales to advice. We will try to focus on the following:

- What changed the best advisory businesses to adapt?
- How the clients and the platforms reacted?
- Can we close the advisory gap?
- What challenges still ahead?

We will begin with Phil Billingham. Phil you have the floor.

Phil BILLINGHAM CFP, Transition Expert, UK

I am currently wearing two hats in this presentation: one is about helping about 500 firms in their transition from the old model to the new model, and the second is about running a "new model" firm in order to experience the whole transition process for real. I have only a few slides. The best advisory businesses have been able to adapt to the increased regulation times without major disruptions. FCA, created as anti-commerce, anti-personal provision body considers that the industry cannot be trusted and that commission is dirty. The commission system is viewed as distorting advice, as the role of advisers is not always clear and, most often, they are under-qualified. Finally the cost of investing is too high. Clients/consumers reacted well since they were able to get more information about their investments. Consumers are delighted to pay a fee if they get good advice in return. In the old model, on top of consumers' distrust we notice that advisers are often under-rewarded and are not recognized as professionals. In the new model, which sees an increased fiduciary-like role of the adviser, the sales culture must upgrade to a more regulated environment. Many are the challenges for the advisers, such as learning to live on lower fees and commissions, as well as have a "value proposition" to offer to his clients. Under the new model, profitability can even be higher than when "selling to new clients". In the UK, with the advent of RDR, the number of advisers contracted about 30% in the last five years, but profitability increased along with the perception that the advice given seemed to go up in quality. To conclude, change is inevitable, the adviser has better to adapt or to die, but the survivors become more profitable.

Vincent DERUDDER, Moderator

Paul, based on what we know regarding the tsunami of EU regulation, PRIIPS and the rest, would you please comment on this?

Paul STANFIELD, CEO, FEIFA, England

What we are seeing happening in Europe is not particularly excessive compared to what we have been through in the UK. Referring to Phil's point on profitability as opposed to turnover, I agree entirely. Our sector has been obsessed, for so long, about the number of clients rather than focusing on the need for clients to be profitable to the business and the adviser. Those are predominantly the clients who are able to appreciate the "value" of your services and are, therefore, ready to pay for it.

All of the recent regulation put the consumer at the center of the process. Therefore, our industry should start working with consumers and consumer groups far more closely. The public, at least in part, is starting to value what we do and we should work with them, particularly when discussing important matters with regulators to ensure that regulation becomes fit for purpose; in other words, that it is fit for and relevant to consumers.

Vincent DERUDDER, Moderator

Garry, you have been extensively researching the effects of RDR. Your comments will be particularly appreciated. You know that, strangely enough, most of our EU politicians seem to believe that whatever comes out of the UK is perfect. Do you share this vision?

Garry HEATH, Editor, The Heath Report

NO, I don't. Not for a second. The real question now is "how do we transact from where we were to that sort of model where profitability is the key driver? But, for those in the other category, what do we do for them?" The latter is a huge issue. There is only one voice and it is the regulator's voice. In my view, there should be a second voice just for the sake of having a second opinion. The UK IFA market, worth about £6 billion *per annum*, includes 33,000 advisers and involves 120,000 jobs. FCA, created as anti-commerce and anti-personal provision body, considers that the industry cannot be trusted and that commission is dirty. According to the FCA, advisers are not educated to a high enough level, as opposed to consumers' loss claims amounting to £223 million per year. That is how RDR was introduced to deal with all these problems, as perceived by the FCA. In other words, in order to tackle the £223 million loss issue, consumers will have to bear the RDR £360 million cost! Moreover, since RDR was announced, 13,500 advisers have left the industry, along a similar number of administrators, leading to initial job losses of over 25,000. In the UK, approximately 23 million people get advice, 7 million from banks and 16 million by IFAs. After RDR, only 7.2 million get advice; so, there were 15.8 million losses. With the Heath Report Two, we found out that, if the reliance on trail commission is to be banned, then the advisers' industry might experience a loss in capacity of between 22% (7,260 IFAs) and 47%(15,510 IFAs) with potential job losses of 55,000. In other words, the unprincipled and out of control RDR has set up a spiral of declines. The fewer actors will be in the industry, the higher the regulatory and compensatory costs, in turn leading to a further contraction in the industry. Hence, there are 16 million consumers without an adviser. Our proposals are: (a) to stop the planned removal of trail Commission in 2016, (b) new legislation to restore proper Parliamentary accountability to Financial Services regulation, and (c) advisers must disclose the cost of regulation as a separate item. RDR could have been prevented by a more rigorous and robust representation by the IFA trade associations. I am concluding with some lessons for European IFAs: (1) all regulators meet regularly and copy each others' ideas; (2) UK regulators try to lead European Regulation by developing ideas before directives; (3) European IFAs need a strong UK association; (4) all European IFAs must join common cause with consumer bodies against the costs and excesses of regulation; and (5) all European IFAs must join and support their Association. The best thing that IFAs do is to challenge people to think about their future. So, we got to do it for the little guys, those 16 million people without an adviser.

On the topic about changes in business models, I believe that seeing them coming through the prism of regulation is taking the wrong analytical approach. Nothing in the RDR stated that advisers should their raise their fees, but they did. The FCA has something called "the consumer panel". Who do you think are on this panel? Among the 11 consumers on the panel, there are 6 national civil servants (all on high pensions), 5 from the Treasury, two of them are professors of social sciences and two of them have been campaigners on poverty. The number of actual consumers is nil. It is crucially important for us, based on our "fiduciary duty" role, to act as the agents of clients. Nowadays, most of the politicians have little or no knowledge at all about the outside world. And they are going to tell you, the advisers, what to do!

About consumer financial knowledge, lawyers should stop writing laws. Text laws and financial literacy are too complicate for the average consumer to understand. They have their own lives and have no time for all these complex systems and models. It is our role, and of our legislators, to simplify things for them. I am in support of financial literacy and better financial education, but I am massively in support of decomplexification ... starting with the tax system.

VINCENT DERUDDER, MODERATOR

Concerning accountability, do you know that the three super agencies set up by the former EU Commissioner Michel Barnier, ESMA, EIOPA and EBA, are the only bodies with no responsibility to report to the EU Parliament and that their budget is approved blindly by the European Parliament without auditing the numbers. No MEPs have ever commented on this. My second point is about consumers. They have a big problem with regulators, as they never consult with them before issuing regulation meant to "protect" the consumer. Gilles-Guy, can we have your comments based on your considerably important European experience?

Gilles-Guy de SALINS, Vice-President of ANCDGP, France

Within RDR, the several type of charges considered do not include either “fee-only” or “trail commissions”, therefore, leaving the IFAs free to do as they wish. MEPs in the European Commission do not master English well enough. In the EU the discussion is around “incentives”, which are not commissions. Misunderstanding on words and distortions from wrong translation can travel quite far as, in the EU, texts are being translated into 28 different languages. Even more surprising is that, most often, regulators are not knowledgeable enough about what they attempt to regulate, as they stand always several steps back compared to the industry. Ignorant IFAs would instantly be put on jail, but not regulators. Nowadays, the biggest problem is that the largest share of the population is not represented, while the happy few have all the necessary means to efficiently lobby the legislative bodies. The intermediary industry has, therefore, failed if the mass does not get the advice they need.
About consumer financial knowledge, PRIIPS (Packaged Retail and Insurance-based Investment Products) is meant to have a simplified key information document available to retail investors.

Questions/Reactions from **Zoltan LUTTENBERGER PhD**:

I was pleased to listen to Garry’s insight and analysis about the industry. Within the EU countries, there are probably only 10% or 20% of the people who can afford this kind of financial planning. I believe that freedom is a key element in our discussion. I could add that, coming from a communist country (Hungary), the top down approach and the planning approach do not work. The good news, however, is to realize that Germany ignored the newest regulations - MiFID I and MiFID II, IMD1 and IMD2 - as they just kept on with their own special simplified regulatory model, which is commission based. The statement that came out of Berlin was "can we afford or do we need competition among different business models and different regulations models? Do we want to allow different business models in the advice industry?"

Questions/Reactions from **Giorgio CANELLA**:

Concerning client protection, do you think that regulators really care about what type of services customers expect from the adviser? In Europe, there is generally a strong pressure coming from banks.

Questions/Reactions from **Josep SOLER-ALBERTÍ**:

Could we really talk about consumers being served by the industry without talking about consumer financial literacy and consumer financial education? Shouldn't the industry try to elevate the level of financial knowledge of the consumer?

Behavioral Finance: Searching for the Holy Grail… we didn't find the Best Product

Zoltan LUTTENBERGER PhD, Member of CIFA's Executive Committee - Moderator

For this roundtable's topic, we will listen to recognized experts in the field of behavioral finance, with a specific focus on best products and/or tools, software, platforms and best practice. Robert, you have the floor first.

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

To begin with, I prepared a sketch about the main title of the CIFA Forum this year "Public Debts & Deficits, Unrestrained Taxation. Who Will Pay?" …showing that as we keep buying things that we cannot afford, believing that the universe will pay for it, we could end up in holding huge collections! Financial markets are about stress, emotion, greed and fear, and so on. What does the adviser tell his clients? Investors and clients keep being herd followers, buying high and selling low. Complexity, as we discussed this morning, is a big problem. Uncertainty, unclear goals keep feeding widespread confusion, which prevent anyone from taking the necessary action. Our decisions should not be based on the past, but with a clear vision of the future, our industry should be able to help the client in the investment decision process. The financial industry should focus even more on the client, meeting expectations and how to manage them.

We, as advisors, play a major role in guiding our clients to achieving their wishes and goals, so that they can live their life. It should be as simple as that, but changing behavior appears to be challenging for many advisors as well!

Henry COBBE CFA, Managing Director, Target Date Fund Expert, Elstonconsulting UK

How can we harness behavioral finance to both democratize investment and improve the investment outcome? The main challenge for policy makers is to deal with an ageing population not saving enough. So, how can policy makers reduce future reliance on the State? The answer might appear simple, but it is very complicate to achieve: having more people saving more, more often and for longer. In the UK and the U.S., behavioral nudges are being used to stimulate savings, such as automatic enrolment for workplace savings and children saving plans, which are policy-led. There are also initiatives coming from innovation, such as online investment platforms. All aim to design better consumer outcomes. Government efforts to stimulate investment participation through education, choice, information, portfolio construction and risk modeling are good only for some, but not for the majority. You may read our article in the TRUSTING magazine where we explain some important issues. For instance, education does not work in trying to get people save more. Cash is not good for savings, because you need long-term savings in long-term risk investment solution. Valid examples are the Target Date Funds introduced in the U.S. back in 1993. They are easy to own and easy to get. Provided managed investment solutions complement the financial planning process. These solutions mitigate known behavioral risks, which Robert just outlined, for customer and advisers alike. As an adviser, what client concerns are you trying to address? Both the emotional and economic value added will be appreciated by the customers. They do not care about the Sharpe ratio! Focusing on emotional intelligence – listening, empathy, identifying and understanding client needs, caring with genuine interest and so on - improves job performance and wins more business.

Paul RESNIK, Co-Founder, FinaMetrica, Australia

With my colleagues and founders of FinaMetrica about 21 years ago, I have been through almost all the revolutions in finance since WWII. The revolution of robot-advising is not there to replace or compete with the advisor, but it is complementary in many ways. For us, it is a natural progression. Robot advising provides highly personalized portfolios. It is going to give the advisor the technology to be able to offer the best suitable portfolio to his customer. Robots help enabling clients to give their properly informed consent, by ensuring that investment strategies recommended to clients are consistent with their risk tolerance and that the risks are understood as will as ensuring that the risk in their investment strategies are reflected in the investments selected. The outcome is a facilitated and strong relationship with customers based on mutual clarity and understanding. The advisor will have to explain to the customer, and to himself, what added value he can bring. The ambitious advisor sees beyond regulation and understands that TRUST is the key ingredient to future success.

Richard CROTTY FMII MIITD QFA APAI, Expectation Management Expert, Ireland

I am involved in several activities, but today I will be speaking about behavioral finance based on my teaching experience. Human behavior is applicable to any area of activity and also to financial advising. At Hawkeye we developed a model aimed at turning the "learning curve" into a "learning gradient". We offer training and technology. While making the transition from a financial servicing industry towards professional financial advising, we need to manage as well the client expectations. Can you read the future? In the financial sector, we feel that we can, but nobody truly knows what the future will be. When advisors say "projections" customers hear "predictions"; "assumptions" create the customer expectation of "anticipations"; the same way, "possibilities" are perceived as "probabilities" and "forecasting" as "facts". There is, therefore, a decades' long conditioned thinking that needs to be re-conditioned. There are principles (3Cs) and methods (3As) that the advisors must apply. The 3Cs' principles are (1) Create the expectation, if not the clients will make its own assumptions; (2) Control the expectations with continued and proactive communication; and (3) Continue the process with ongoing evaluation and re-balancing. The 3As' basic methods are agreement, assessment and adjustment. The agreement process aims to clearly identify the client's objectives, to understand the factors that influence their decisions, to agree the key performance indicators and to put the agreement in writing. During the assessment phase, measurement and regular communication are paramount, as much as asking the right questions and listening to the client, especially hearing what the client really wants. Finally, the adjustment phase aims to have review meetings scheduled regularly, to be honest about promises made to a client, to educate the client with simplified explanations, and be open-minded as, sometimes, the advisor needs to change. An advisor will have achieved managing client expectations by keeping the 3Cs as key complementary elements of 3As. The goal, therefore, will be achieved by adopting the Principles and implementing the Methods.

ID theft: a major threat for the coming years

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

Thank you to CIFA for having me here again this year. ID theft, although uncovered many years ago, is still a great source of unlawful gains for fraudsters across the globe. ID theft is a crime and can take many forms. If you have a cell phone, you are at risk unless you are extremely vigilant when handling your personal data. Also ID cards, passports, car plates, online ID, bank accounts, credit card, social security ID, and so on, represent high risks of ID theft. ID fraud refers to any process of using other people personal data by fraudsters in order to get wrongfully an economic advantage. Unlike your finger prints, which are unique for each individual, personal data can be used to personally profit at someone else's expense. Let's look at some examples. "Car cloning" consists in copying a vehicle number plate and placing it on a different, unconnected vehicle, so that fines and other traffic penalties are then passed on to the owner of the cloned car. Well organized criminals clone the car plate number and use it for another vehicle, normally of the same type and model. "Phishing" refers to the process of obtaining financial and other confidential data stolen from Internet users. It is pretty well orchestrated by fraudsters, but in order to work, phishing requires the user's action: to click on the link received in the e-mail. Don't click! Another common case of ID theft is "Pharming" or phishing without a lure. Pharming is a scamming practice through which a malicious code is installed on a personal computer or a server, misdirecting users to fraudulent web sites without their knowledge. Pharming, a quite vicious system, is also known as DNS poisoning (domain name system). "Phishing Derivatives", also known as "vishing" (VoIP – voice over Internet protocol), is a technique, much like phishing, which allows criminals to maliciously access personal information with the intent of perpetrating an ID theft. Vishing scams can occur within social circles where criminals send the victim some kind of notice or message requesting a return call to verify an account, even a bank account or credit card account, or similar ploys. Within phishing derivatives, "smishing" (SMS) has emerged as a potent threat using technological vulnerability found in the iPhone's SMS messaging system. ID theft and CEO fraud emerged in France over the last decade, involving officials of large and highly renowned companies. In French it is called "fraude au president" and it is perpetrated as an organized scam with the purpose of fraudulently impersonating a CEO, who can issue orders to his employees to wire important sums of money to third parties. Lastly, criminals may conduct data breaching intrusions into large companies' data systems with the intent of skimming customer credit card details. The cost of a data breach can be enormous. Remediation costs and potential fines could compound with reputation damage and loss of customers' trust, which altogether might impact a company results for years. Actually, some companies never recover after having been hit by a major data breach. I will conclude this presentation by saying once more: Don't Click and be very vigilant with personal and company's highly sensitive data!

Women in Global Finance

Yelena KHANGA, Journalist, Television Moderator and Writer, Moderator

Thank you to CIFA for having me here. It is a wonderful idea for CIFA to have a discussion about "Women in Global Finance". I remember that Warren Buffett wrote in one on his books that females are biologically trying to avoid risk and that explains why they are so good in economics. With the insight of our distinguished female panelists we will debate about:

- Do women have a different view on Finance or the Economy?
- Are there special attributes distinguishing female financial advisors?

We will begin with your individual statements, and then we will discuss as well personal life examples of gender discrimination. Are those successful females "queen bees"? The idea is that they could be even harder on other females than men in their same position and would not hire female employees. Moreover, within the financial industry, are there female clients seeking advice from female advisors exclusively? What advice would you give to make the financial industry more female friendly? Vania, you have the floor first.

Vania FRANCESCHELLI, Executive Committee Member, ANASF, Italy

In Italy, where financial advisors must be registered in the national register (APF – Albo unico dei Promotori Fnanziari), women still make up for a minority presence in the industry as compared to the total. However, recent data points to a greater number of women working in finance year after year. As an example, in the nine first months of 2014, there were twice as much more women entering the industry as advisors, comparing with a +5% overall total. The underrepresentation of women in financial planning is evident in the U.S., but not across Europe. ANASF actively supports the professional development of female advisors. Several initiatives to mention at this time: (1) a round table organized last October by "Advisor PF al femminile" where I was joined in the panel by Cosima F. Barone of CIFA and Germana Martano of ANASF; (2) in March 27, 2015, a conference in Milano targeted the online community of female advisors and focused on "Invest in yourself: Invest in Your Business Reputation"; (3) APF set up a technical committee on gender equality with the financial advice industry; lastly (4) ANASF supports research activities, surveys and webinars about female empowerment. ANASF's survey, completed in November 2014 with 536 responses, 60% of which were sent by men, unveiled that a large percentage of men believe that women are treated equally in the organization they work with. To the question about a "male dominated" work environment, men and women hold different views on gender inequality and its causes. To conclude my introduction, I would like to stress out that we should increase the awareness about gender gap and we must identify and remove obstacles to reach gender equality. Regarding personal examples, most often I am asked, especially by women, if I am married or not, whereas they never ask such a question to a "male" financial advisor. I believe that this is discrimination. That said, half of my client base is made up by women. I believe that increasing the awareness is important in order to make the world more female-friendly. I am mentoring a young girl that recently entered the financial advising industry and helping her become more confident.

Marta GELLOVÁ, EFPA Czech Republic, Prague

I did not know that Vania had data to show from such a large survey. Do you know that for the CIFA forum this year, there were only 40 women registered out of approximately 200 participants? Jean-Pierre said that we are getting better. I did a little survey of my own highlighting that finance is a male dominated industry. The second question was: "do women have a different view on finance and economy? Curiously enough, both men and women answered yes, although the latter had a louder "no". Among the most evident gender stereotypes between females and males, males tend to excel in math, science and engineering, while women's strengths lie in languages and creativity. Men are also more work-career oriented, while women value family first.
I agree with Vania, that we could help younger entrants in the industry with mentoring initiatives. Actually, there are a lot mentoring clubs in the Czech Republic helping younger women to become more confident and get forward with their careers.

Susan JORDAN BSc, Transition Expert, UK

I know that FCA in the UK has the actual data about this topic. Unfortunately, I could not get hold of it. However, women in finance tend to represent about 10%-15% of the UK industry. Moreover, out of the 50 platforms in the industry, only one is led by a woman. There are successful women in finance, as I meet then when I attend financial planners' (FP) gatherings. Maybe women do not see financial services as being relevant to them both from a professional point of view and as an advise-seeking point of view. Trust is still an issue. A survey done by the university shows that 85% of the people engaged with an advisor trusted their advices, while an equal percentage of people not-engaged

with an advisor did not trust their advices. Therefore, the issue is to get the latter engaged in the process. Financial services are still seen as having a “sales’ role. How do we resolve it? The majority of “paraplanners” in the UK are actually female. It is surprising since paraplanners work is technical and consists in completing a number of the non-client facing tasks involved in preparing and administering a financial plan or report for a client. In the future, female paraplanners might well transition to the financial planners category. I would very much like to see that. In order to make financial services relevant to women, education and delivery of service are key steps. There are three universities in the UK that are doing degree courses about financial advising. I believe that financial planning is a key driver to support an increased presence of women within the industry professionals. Women are more dedicated and talented to find solutions for clients than men, instead of just pushing sales of financial products.
From my own experience, I had to work very hard to get the same financial compensation as my male colleagues. I have been lucky enough to work for lovely females. Actually, if they sometimes take a “male” approach it’s probably not a question of choice, but because their position requires it.

Andrea **SLATTERY**, CEO/MD, SMSF Association, Australia

How I started in the financial services industry? I came from the farm, a small country town in the south of Australia. I went to university and there were 4 girls and 200 boys in my accounting and tax degree. When two guys, trying to set up a financial advising company, called me and said: we have tried everything; we got 98 percent of country people as our client base; can you come and help us talk to them? Regardless of whether it’s male or female clients coming in, most often, females make the decisions. In Australia, there is around

15% women participation from an advising point of view. But, in the SMFS area, which is where there are engaged clients and advisors from a range of a diverse background, we got close to 30% women membership. There have been quite a lot of programs in Australia, associations, conferences, and all sorts of initiatives (awards and scholarships), all aimed at getting an increasing number of women interested in the financial industry. If we look at the five major associations, three of them are led by female CEOs. Actually, my goal in the future is that we don't have a discussion on gender inequality anymore.
As to gender inequality, once I could not get - as a female - a part-time job by an employer. I have also encountered all sorts of obstacles while trying to work up the career ladder. I am a believer of quality as a key to professional career success. What must, indeed, always apply is trying to get the best person in the job, regardless of gender.

Yelena KHANGA, Moderator

Thank you to the wonderful panelists for sharing your personal experiences with us. I hope that, next year, CIFA won't have such subject, talking about female and their problems in finance, and rather have a panel on finance!

What can financial advisors expect from their associations to support them in turbulent times?

Vincent J. DERUDDER, Honorary Chairman and Chair of the Consultative Committee of FECIF, Brussels, Belgium - Moderator

This is the last panel of the day, but not the least, since we will try to explain why we exist and whether or not we serve the purpose we got associated for. Seventy associations are members of CIFA. When we started FECIF in 1999, there were only a few trade associations in Europe. The distinguished Italian academic Romano Prodi was the new President of the European Commission (16 Sep. 1999 – 30 Oct. 2004) and Frits Bolkestein was the financial Commissioner (15 Sep. 1999 – 22 Nov. 2004). At that time, there was a very ambitious plan to create a European-wide financial services industry without borders, a real single market for finance, and so on and so forth, the so called "Bolkestein Directive". Then, I was very enthusiast about the plan. Not anymore. After 15 years, I feel extremely disappointed as Europe has not delivered what my generation, born after WWII, was expecting. I can tell that doing business cross-border was much easier then. What Europe has achieved is not very conclusive. Therefore, the role of trade associations is extremely important. Our associations must promote, defend, and represent an industry which is "essential" to service the European consumer in spite of the regulators. The distinguished panelists in this round table represent different segments of the financial servicing industry. So, we look forward for sharing your expert views with us. David, you have the floor first.

David CHARLET, Chairman ANACOFI, France

As France counts over 20,000 IFA entities, the need for them to get organized emerged early on especially in order to have their opinions to be heard by the central regulator. We are involved into education and representation of our fellow members. We also help them with professional advice and referrals when times become challenging and they are confronted with specific problems they need to solve. Actually, we realized that, in times of crisis, our membership tends to increase, which highlights quite well the importance of the kind of services provided by a trade association. It is unfortunate, however, that IFAs do not realize it even when they are not facing problems.
The crisis was not caused by the IFAs. Banks did. Our role, as trade associations, is to be able to represent effectively our members and their most prevalent interests when debating with the regulatory authorities.

Josep SOLER-ALBERTÍ, EFPA Chairman, Spain

To begin with I am not very happy with the title of this round table. For me, the question should have been: what do members expect from their trade association? If we tend to the "professionalization" of the financial servicing industry, then our role is long term and results might not be visible in the immediate future. Of course, we need to solve also the short term problems our members are confronted with, but the main goal should be more professionalization. In other words, **IFAs should ask themselves what they can do for their association**. In my view, the main task for the association is to elevate the level of financial advice and financial planning by improving professionalism. Moreover, a trade association must ensure that the profession is duly recognized through creating the necessary conditions for that. It is about doing things right and making that known widely

to people, regulators, customers, and so on. At €FPA, we are supportive of transversal financial services, i.e., available to all. As conflicts of interest might not be entirely eliminated, a trade association should aim at limiting them within the industry. In €FPA we set standards and we are a certification body. Another important task is to influence regulators, but "if you cannot beat them, join them"!
Being absolutely against the tsunami of regulation won't work. Regulators will continue to regulate. All the problems are not to be put on the shoulders of regulators. We must self-regulate our activities and focus on professionalism.

Lubomir CHRISTOFF PhD, ChFC, Member of the Securities Markets Stakeholder Group at ESMA

There may be a couple of reasons why I am standing before this distinguished audience. Number one: I am a co-founder and the chairman of the widely and globally unknown Bulgarian trade association called ICFC – Institute of Certified Financial Consultants – and number two: I am also, on the receiving end, member of the U.S.-based Financial Planners Association (FPA), also partner of CIFA. I agree with Josep, FPA too asks members what they can do for the association. I would like to discuss the regulatory tsunami and will try to come up with an answer to the question: is it good news or bad? As Vincent this morning, and I can assure you that we did not coordinate this beforehand, I am using the word tsunami as it is the most appropriate to describe the avalanche of regulation being introduced in our industry and particularly in Europe. In the U.S., there has been the Dodd-Frank Act, in the UK the RDR, in Europe 40 EU financial regulations and directives introduced by the EU Commissioner Michel Barnier during his tenure, and FOFA in Australia. I am also a member of the stakeholder group, ESMA, and I had to read its 844 pages document in only two

weeks. However, I summarized for you three main takeaways and an inference I made out of them. First, Europe is moving from regulating product selling to regulating financial advice. Second, MiFID2's suitability standard emphasizes assessments of customers' risk tolerance and ability to bear investment losses. Third, MiFID2 provides for 'independent advice', bans commissions when advice is provided on an independent basis. In other words, the inference that I am proposing you is that regulation of financial advice is aligned with the standard six-step financial planning process. Regulation introduced after the global financial crisis dictates that all financial products are to be submitted to the same rules, irrespective of their legal form and of the specific distribution channel proper to each of them. The suitability standards, however, apply to all of them.
How can trade associations help? Ensuring that their members are fully compliant, get continued education and embrace a high level of ethics. They should have representatives in ESMA if they want their opinions to be heard. Preparing consultation documents is not enough. Nowadays, ESMA is totally dominated by large institutions. I encourage trade associations to take a more proactive approach.
Finally, after reading the 844 pages ESMA paper and the 140 pages of MiFID2, I wrote a two pages article that, thanks to Cosima, you can find in TRUSTING 7.
Vincent, I fully agree with you. Trade associations should work more closely with consumer associations and, thus, give their common message a greater chance of being heard and taken into consideration at a higher level.
I am not advocating that regulation is the most important thing in the world. Demography and technology are much more important by all means. While reading the historic book about the founding of the Financial Planning initiative, I remember that the book began with this sentence "Thirteen men, without asking permission from anybody, gathered together at a hotel near the O'Hara airport in Chicago and decided to do what they thought it was the right thing". It

is high time for us to do that in Europe and not follow the regulators. We actually begged for this regulation simply because we failed to take action for a long time.

VINCENT J. DERUDDER, MODERATOR

Concerning the distinction between the treatment of the investment services and the insurance sector, it was not the idea of Mr. Bolkestein. Beginning in 1999, the plan was to have separate directives: one for distribution (insurance, investment, mortgage, etc.), another one for banking services (including mortgage and consumer credit, etc.) and a third directive for investment. This plan was vetoed by France, Luxembourg and Belgium. In Europe, there is always someone blocking, for some strange reasons, what could have been a real progress for the whole industry.
To conclude, I want to stress how important it is for trade associations to be more proactive and defend their industry. I believe that there is a real opportunity, within the framework of CIFA, for all associations including the consumer associations to defend the industry as well as the interests of the consumer.

QUESTIONS/REACTIONS FROM ZOLTAN LUTTENBERGER PHD:

Concerning qualification and continued education, a question to ask is: why not promote and show how "integrity" works, as well as what "fiduciary practice" means, instead of creating loads of new laws and regulation? Within Europe, different systems provide different results. Do you know which countries were able to prevent a banking crisis in the recent years' financial crisis? Switzerland and Russia, two countries that are not members of the European Union and have not followed these regulation whammies!

Questions/Reactions from **Jean-Pierre DISERENS**:

The last discussion we had today leads me to stress out again what CIFA is. CIFA is here to defend the investors' rights. Where did the regulatory tsunami come from? It came from the 2008 financial crisis, which inspired a big push for regulation. And who was responsible for the crisis? Big systemic banks and over-indebted governments are responsible for the financial crisis, not the IFAs. But, the tsunami of regulation has been imposed on financial intermediaries. In the meantime, the systemic institutions have become larger than ever. It is not with the "bottom up" approach that we can solve these problems, rather with CIFA's "top down" strategy. That is where CIFA intervenes with the United Nations and the ECOSOC. That is why CIFA has requested the "general consultative status" with the UN-ECOSOC, which it has received in April 2015. CIFA is one of the 150 NGOs in the world with such a status - therefore, less than there are countries in the world. It is a great privilege for CIFA and the IFAs we represent at a such high global level.

Closing Speech

Jean-Pierre DISERENS, Secretary-General of CIFA

At the end of the 2015 Forum in Monaco (April 22-24, Hôtel Hermitage), CIFA's Secretary-General Jean-Pierre Diserens addressed the distinguished audience with the following resolutions:

XIIIth International CIFA Forum Resolutions

1) As the global financial community approaches the 7th anniversary of the 2008 collapse of credit markets, several worrisome disappointments are apparent…

   a. Too many systemic institutions have lost sight of their primary responsibilities to customers, investors and owners of capital, productive enterprises, communities and prudent sustainability of economic growth.
   b. The cause of low growth lies with human error, in both public and private sectors and in the crony partnerships among elite firms and political leaders, in failing to meet stewardship standards of investment in the real economy.
   c. A strategy of deflation, debt accumulation, and liquidity creation has not worked and will not work.
   d. Public policies of restoring growth both at national and global levels through expansion of cash liquidity have failed.
   e. Neither financial firms, nor governments and central banks have new and different strategies and recommendations for stimulating real growth.

2) Thus, prospects for successful implementation of the proposed UN global goals for sustainable development have been compromised. The growth needed to fund such implementation efforts in not on the horizon of global economic and financial endeavors.

3) Systemic efforts are needed to build equity capital to offset the levels of debt and "fiat currency" liquidity injected into the global financial system as a remedial response to the 2008 collapse of credit markets. Such accumulation of equity will contribute to the expansion of SME's, employment, and net assets of the middle and working classes, including the working poor, if designed with sophistication and compassion. IFAs can provide leadership in advising the working poor and middle classes in financial literacy and the accumulation of personal and family equity investments over time, contributing to a better financial equilibrium in global society. The role of IFAs is to serve as wealth professionals for all social sectors and, by so doing, improve economic outcomes across the board.

4) Too much emphasis has been placed on public efforts to initiate robust growth, leading to counter-productive intrusive micro-management of private initiatives.

5) To counter the bias now supported short-sighted public leveraging of debt and private rent extraction from financial markets through trading, a culture of moral excellence where concern for the common good is marked by its nobility and its insistence on stewardship norms is needed. Incentives are needed to encourage both government officials and private financiers to listen more to the better angels sitting in judgment of their actions than to temptations leading to repudiation of the common good in favor of private gains.

6) Public policy must emphasize growth of real investment over the buying and selling of contract rights in financial markets.

7) A code of conduct is needed for financial intermediaries.
8) CIFA will recognize and applaud those in financial markets who in exemplary fashion contribute to robust and fair economic growth.
9) CIFA calls for the creation of a new, non-profit, rating agency to offset misguided nominal, short-term pricing of financial assets that does not embody long-term drivers of real economic growth.

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AUTHOR: COSIMA F. BARONE – FINARC SA –
WWW.FINARC.CH

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 150 NGOs accredited to interact during UN thematic debates.

CIFA'S INTERNATIONAL FORUMS IN PAST YEARS

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

- 2003 — WHAT CHALLENGES FOR INDEPENDENT FINANCIAL ADVISERS?
- 2004 — REINVENTING TRUST
- 2005 — LET'S PROVOKE A DIALOGUE WITH THE REGULATORS
- 2006 — LEGISLATION AND REGULATION: REAL PROBLEMS, POOR SOLUTIONS!
- 2007 — LET'S FACE THE FUTURE!
- 2008 — INVESTOR'S FREEDOM OR CONSUMER'S PROTECTION?
- 2009 — RECURRING FINANCING JOLTS & CRISES - Advance warning signs of a New Economic World Order
- 2010 — FINANCIAL BUBBLES AND REGULATORY BUBBLES
- 2011 — ETHICS AND GOVERNANCE IN FINANCIAL MARKETS FINANCIAL SERVICES - Reform or Die?
- 2012 — 2012, ELECTION YEAR: WHAT CHALLENGES FOR THE INTERNATIONAL FINANCIAL SYSTEM? Ethics, Politics and Finance
- 2013 — CAN THE WORLD FINANCIAL SYSTEM BE REFORMED?
- 2014 — THE NEW PARADIGM FOR WEALTH MANAGERS Freedom, Regulation, Transparency, Taxes, Rule of Law, Expropriation, Privacy and much more!
- 2015 — PUBLIC DEBTS & DEFICITS, UNRESTRAINED TAXATION: WHO WILL PAY?
- 2016 — EXCESSIVE REGULATION: IS IT REALLY INTENDED TO GUARANTEE ENTREPRENEURIAL FREEDOM AND PROPERTY?

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