2009 FINANCIAL MARKET INTEGRITY INDEX

UNITED KINGDOM

CFA INSTITUTE | Centre for Financial Market Integrity

CFA Charterholders and Professional Integrity

CFA Institute is the not-for-profit, professional association of 95,000 financial analysts, portfolio managers, and other investment professionals in 131 countries, of whom 85,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute Centre for Financial Market Integrity is the research, policy, and advocacy arm of CFA Institute.

The CFA designation is widely recognized as the designation of professional excellence within the global investment community. CFA charterholders must pass three rigorous examinations that test their understanding of a number of financial disciplines, including ethics and professional standards, and must complete several years of qualifying financial work experience to earn the charter. To retain the designation, CFA charterholders also must annually renew their pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct.

In 2002, when CFA Institute and the United Kingdom Society of Investment Professionals partnered, UKSIP members were adopted into CFA Institute and holders of the corresponding FSIP and ASIP designations were accepted into CFA Institute membership based on the comparable level of rigour needed to obtain these designations. Although all CFA Institute members adhere to an ethical standard, only CFA, FSIP, and ASIP designees also have displayed a level of mastery in investment principles. Therefore, this research does not include responses from all CFA Institute members but, rather, only from those who are active members with CFA, FSIP, or ASIP designations; all will be referred to collectively as "CFA charterholders" throughout this report.

ISBN 978-0-938367-16-1

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Introduction

Concept of an FMI Index

The Financial Market Integrity Index (the FMI Index) was developed by the CFA Institute Centre for Financial Market Integrity (the CFA Institute Centre) to gauge the perceptions investment professionals have about the state of ethics and integrity in six major financial services markets and how these perceptions evolve over time. Specifically, the index measures the level of integrity that investment practitioners experience in their respective markets—Canada, Hong Kong, Japan, Switzerland, the United Kingdom, or the United States—and the practitioners' beliefs in the effectiveness of regulation and investor protections to promote such integrity. This pragmatic input from working investment professionals will help raise awareness of leading issues in the capital markets and will inform the work of the CFA Institute Centre in conducting regulatory outreach and developing enhanced professional standards.

The FMI Index is distinguished from other market surveys and is proprietary in that it capitalizes on our exclusive access to seek the opinion and perspective of the CFA Institute membership (see inside cover for details). CFA charterholders are investment professionals who have earned the CFA designation and are required to adhere to a stringent code of ethics. The informed opinion of this particular respondent group offers valuable insight into the current state of ethical practices and standards in select global markets and will help to inform regulators and other financial industry thought leaders concerning potential areas for improving the investment profession.

The Financial Market Integrity Index was developed to gauge the perceptions investment professionals have about the state of ethics and integrity in financial services markets.

The CFA Institute Centre provides this report to advance the cause of ethics and integrity in financial markets.

The CFA Institute Centre provides this report on the findings of the survey (the Report) to advance the cause of ethics and integrity in financial markets through the views and opinions of trained investment professionals so as to:

- Inform investors and regulators of the perceived ethics and integrity of practitioners and the effectiveness of regulatory systems in the market;
- Encourage investors to consider whether they are likely to be treated fairly and ethically if they invest in the market;
- Help assess whether a particular country or market has specific integrity issues that need to be addressed by regulators; and
- Inform practitioners in the market about how others perceive their actions and honesty, in general, and to stimulate remedial actions on their part where appropriate.

Each FMI Index Report measures the sentiments expressed by a cross section of survey respondents concerning ethical standards and investor protections of a particular market. The ratings discussed in this Report represent the opinions of a distinct group of professionals, CFA charterholders, responding to a series of questions about their experiences with practitioners, regulations, and investor protections in the United Kingdom. This survey was specifically designed to gather the perceptions of only the U.K. market. Because respondent populations differ significantly between markets, we believe it will be more valid and informative to assess each country's report independently of the others rather than to try to make cross-country comparisons.

About the FMI Index Methodology

The FMI Index is constructed to give equal weight to two dimensions of evaluation: (1) the ethics of market participants and (2) the effectiveness of market systems in ensuring market integrity.

The CFA Institute Centre, in consultation with Harris Interactive, developed the FMI Index to specifically reflect the perspectives and opinions of investment professionals identified as being committed to the highest level of professional ethics. CFA charterholders and holders of the ASIP and FSIP designations were asked to evaluate and rate a number of financial "market participants," including sell-side analysts, hedge fund managers, board members, and others, as well as "market systems," such as market regulation and investor protections, including corporate governance, shareowner rights, and transparency. The questions relate to how market participants and market systems contribute to financial market integrity (see **Figure 1**). Respondents were asked to answer a number of questions that rate on a five-point scale the ethical behaviour of these market participants and systems.[1]

FMI Index Questions and Rating Scales

Please rate the overall ethical behaviour exhibited by the following groups in the United Kingdom.

1 Not Ethical at All	2 Slightly Ethical	3 Somewhat Ethical	4 Very Ethical	5 Completely Ethical

For each of the following, please rate the overall effectiveness of market systems for ensuring market integrity in the United Kingdom.

1 Not Effective at All	2 Slightly Effective	3 Somewhat Effective	4 Very Effective	5 Completely Effective

Figure 1

The ethical behaviour of market participants and the effectiveness of market systems were the two dimensions of evaluation that produced the final FMI rating.

More than 2,000 professionals in six countries who hold the CFA, FSIP, or ASIP designations participated in the research for the 2009 FMI Index by taking the survey either online or by scripted telephone interview between 26 February and 13 March 2009.

To provide the most statistically reliable opinions, this Report will use in-market ratings when referring to an index rating or score, unless otherwise noted.[2] Out-of-market ratings will be used for discussion and comparisons only where noted because these results are statistically less significant as a result of smaller sample sizes.

The FMI Index is constructed to give equal weight to two dimensions of evaluation: (1) the ethics of market participants and (2) the effectiveness of market systems in ensuring market integrity. Data gathered during phone interviews were adjusted to align them with online responses so that all responses could be accurately integrated into one pool of responses. For more comprehensive information regarding the overall FMI Index methodology, please refer to the separate report available on the CFA Institute Centre's website at www.cfainstitute.org/centre.

This is an opinion-based survey, and CFA Institute makes no representations concerning accuracy or otherwise warrants use of the FMI Index for any purpose by readers.

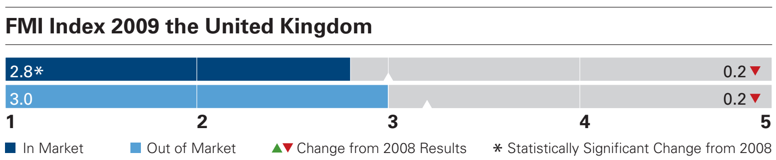
[1] One question dealing with severity of unethical behaviour or ethical lapses was an exception and listed a score of 1 as not severe at all and 5 as extremely severe. This question did not figure in the final calculations of the FMI rating.

[2] In this Report, in-market ratings are those from respondents inside the United Kingdom and out-of-market ratings are those given by respondents outside the United Kingdom.

Executive Summary

Figure 2

In 2009, respondents outside the United Kingdom gave the U.K. market a higher overall FMI rating (3.0) than did those inside the United Kingdom (2.8).



The ongoing turmoil in the U.K. financial markets and a precipitous drop in the value of U.K. equities during the past year likely played a role in the in-market rating[3] falling from 3.0 in 2008 to 2.8 in 2009, a statistically significant drop at the 95 percent confidence level.[4] Consistently mediocre ratings for the U.K. market are surprising given the high regulatory and investor protection standards the country is known for. As demonstrated in **Figure 2**, those outside the United Kingdom were slightly less negative regarding the overall market integrity and effectiveness of regulatory and investor protections than were those inside the United Kingdom in 2008 and 2009.

The financial crisis gripping global markets has clearly reduced confidence in the ethical behaviour of market participants and in the ability of current U.K. investor protections to ensure an orderly functioning of the equity markets in the United Kingdom. The ratings for nearly all market participants and market systems addressed in this survey were lower than the results from 2008, although most ratings dropped only slightly.

The rating given to executive management of public companies dropped the most among survey respondents both inside and outside the United Kingdom, conveying a strong message that respondents assign a large portion of the blame for U.K. market failures to public company executives. The second largest drop in ratings given by those in the United Kingdom was for corporate boards of public companies, which were criticized in part for their failure to properly oversee executive management.

Conclusions

- The overall ranking of 2.8 that respondents in the United Kingdom assigned to market integrity signals a need for improvement. Only a few market participants received a rating higher than 2.8, and no market system was rated higher than 2.9.

- Respondents in 2009 lost the most faith in the executive management of public companies and corporate boards. Respondents also expressed higher levels of dissatisfaction with regulatory systems and corporate governance.

- Based on ethics and integrity alone, only 58 percent (72 percent in 2008) were likely or very likely to recommend investing in U.K. markets. Significantly fewer respondents outside the United Kingdom—just 39 percent—were likely or very likely to make a similar recommendation (67 percent in 2008). Interestingly, the ratings given by those outside the United Kingdom suggest that this group has greater confidence in the U.K. market than their in-market peers do.

- Respondents who provided open-ended comments in addition to their survey rankings overwhelmingly indicated that the country's current regulatory model was the primary area of concern.

- Consistent with 2008 ratings, in 2009, those outside the United Kingdom rated all U.K. market systems higher than did in-market respondents. The majority of market professionals were also rated higher by those outside the United Kingdom in both 2008 and 2009. Of the nine professional categories rated, respondents both inside and outside the U.K. market expressed the greatest loss of faith in corporate executives.

Respondents
lost most faith
in management and boards.

[3] A market's overall rating is composed of the 10 factors that make up the financial professionals rating and the 7 factors that make up the market systems rating. The final, overall rating for this market was created by taking the average rating or score from two sets of questions. The first question set contained 10 equally weighted components from a set of questions pertaining to investment professionals (i.e., market participants). The second question set contained 7 equally weighted components of questions pertaining to the effectiveness of capital market systems in ensuring market integrity. These two sets of questions were averaged as a set, and then each set carried equal weighting in the final determination of the FMI Index rating for this market.

[4] For these purposes, a 95 percent confidence level means that if we were to replicate this study 100 times, we can be confident that 95 out of 100 times the differences between the two groups would be different from zero. There is still a chance that in five of those 100 replicated studies, there is no significant differences between those two groups. Five percent represents the level of uncertainty that a surveyor is willing to accept when conducting a study with a limited number of respondents.

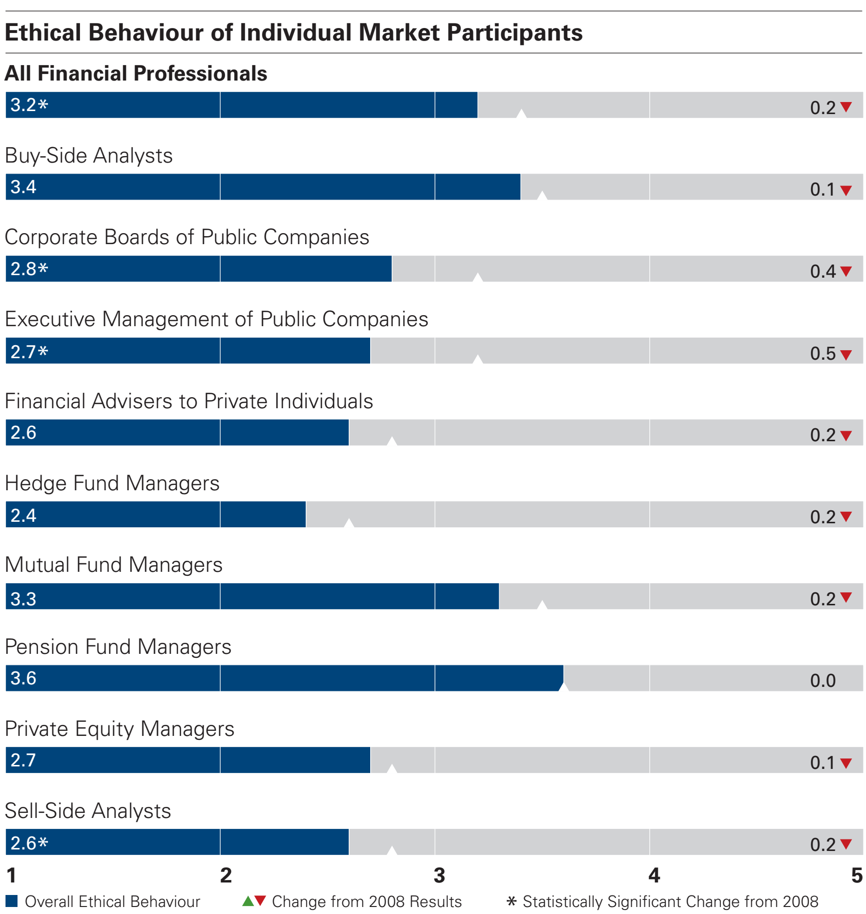
Key Findings

Ethical Behaviour of Individuals

The first group of FMI Index questions asked respondents their opinions concerning the ethical behaviour exhibited by various financial professionals—also referred to as "market participants"—in the market over the past year. All financial professionals, overall, received an above-average rating of 3.2. This rating is not simply an average of the nine ratings linked to the ethical behaviour of specific professions but was asked separately as a control question. (The *average* of the ratings of the nine professions is 2.9.) In 2008, the category of all financial professionals was rated 3.4 (with an *average* rating of 3.1).

Figure 3

Respondents were asked to rate the ethical behaviour of financial professionals as a whole as well as the ethical behaviour of specific financial professionals.



Although the majority of ratings for 2009 are down only slightly from 2008, they do indicate an overall trend of declining confidence in the integrity of market professionals. Two categories, however, are noteworthy: executive management and corporate boards of public companies. Along with the rating for sell-side analysts, ratings for corporate boards and corporate executives declined by a statistically significant amount at a 95 percent confidence level in the past year.

Out of the nine classes of market participants they rated, survey respondents commented most often on corporate boards, although comments about public company executives frequently echoed comments about corporate boards. Respondents clearly believe that in some cases, corporate boards are ineffective and have failed to conduct proper oversight of executive management. Many of those who commented on executives spoke of a culture of self-gain.

> “*Executive remuneration structures have incentivized managers to take excessive risks and place too much focus on short-term performance relative to a peer group.*”
>
> — Survey Respondent

> “*Executive management and corporate boards have acted in a self-serving manner to the extent that the two-tier system of corporate governance has failed in spectacular fashion in key economic sectors…to the detriment of shareholders, clients, and society at large.*”
>
> — Survey Respondent

Of the nine professions listed in **Figure 3**, the ethical behaviour of pension fund managers received the highest rating at 3.6. Respondents also rated the integrity of mutual fund managers and buy-side analysts more highly than the control question of “all financial professionals.” In addition to corporate boards and executive management, other professions that were rated below a “somewhat ethical” rating of 3.0 include private equity managers, financial advisers, sell-side analysts, and hedge fund managers. The high mark for pension fund managers was consistent across the six countries surveyed, whereas respondents in five of the six countries gave the lowest marks to hedge fund managers.

Ethical Behaviour of Individuals
(continued)

> *Individual investors should be concerned about the quality of advice they receive from investment professionals and the lack of alignment of interests of investors and advice givers*
>
> — Survey Respondent

When given the opportunity to provide open-ended comments on issues or behaviours that they thought need to be addressed, respondents cited the behaviour of boards most often (23 comments). The second most frequently addressed topic relating to financial professionals was incentive structures (15 comments). Respondents who commented on incentives overwhelmingly expressed dissatisfaction with both the high level of executive compensation and a misalignment between incentive structures and client or shareholder best interests. Incentive structures appeared among the top five concerns in only two other markets surveyed—the United States and Canada.

Respondents also expressed great concern regarding financial advisers. Although 12 comments were directed specifically toward financial advisers, many of those remarks were included as part of comments about incentives and conflicts of interest. Many respondents believe that financial advisers' independence and objectivity have been compromised and that a lack of adequate financial knowledge permeates the industry. Respondents frequently cited a lack of alignment between adviser incentives and clients' best interests.

“

Sell-side analysts lack independence; their research is often heavily influenced by other advisory work.

— Survey Respondent

”

Sell-side analysts were the subject of as many comments as were financial advisers. Respondents mentioned biased advice and ineffective firewalls between equity analysts and investment banking.

Among those who elaborated on their concerns about ethical behaviour in the U.K. market, there were far fewer comments in 2009 regarding insider trading (7 comments) and conflicts of interest (11 comments) than there were in 2008, when insider trading was among the top issues raised by respondents (20 comments). During the past year, the FSA (Financial Services Authority) has toughened its stance considerably on insider trading and implemented several high-profile changes. These changes include arresting and prosecuting offenders in criminal instead of civil court and making fundamental shifts in regulation, such as allowing regulators to have expanded supervisorial authority. It is possible that these actions have addressed respondents' insider trading concerns somewhat and that worries about conflicts of interest also have been overshadowed by other issues that have surfaced in the past year.

“

The concept of sell-side research differs in the United Kingdom as paid research is acceptable and there is less of a barrier between the investment banking and research groups. This brings the independence and integrity of the sell-side research into question.

— Survey Respondent

”

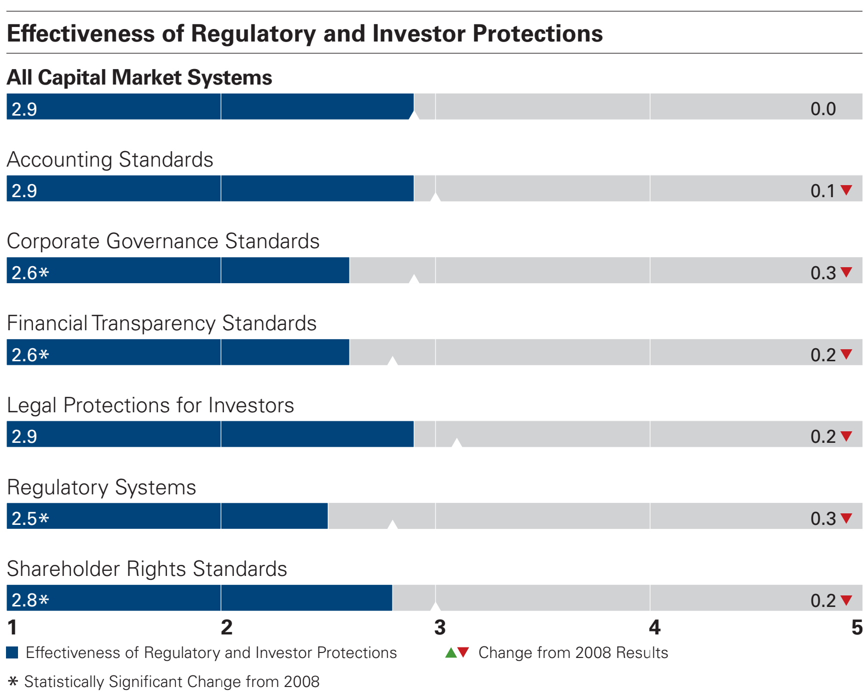
Effectiveness of Regulatory and Investor Protections

The second group of FMI Index questions asked the respondents their opinions concerning the effectiveness of regulatory and investor protections in the market (referred to as "market systems") over the past year. In the control question seeking ratings of all capital market systems, this group of investor protections received a less-than-adequate rating of 2.9 (see **Figure 4**). This control question rating was somewhat higher than the *average* rating of 2.7 earned by the group. In our 2008 survey, this control question also earned a rating of 2.9 and the *average* of all the market systems ratings was the same as the control question at 2.9.

The ratings for each category declined from the previous year, with declines for U.K. regulatory systems and corporate governance showing the most pronounced change. The rating for regulatory systems was the lowest of all, at 2.5. All market system ratings, except those concerning accounting standards and legal protections, fell by a statistically significant amount at a 95 percent confidence level.

Figure 4

Respondents were asked to rate the overall effectiveness of capital market systems as a whole as well as the effectiveness of specific systems and standards.



> *“The problem is not with the creation of policy—the policies are generally good—but with the enforcement of those policies.”*
>
> — Survey Respondent

The U.K. regulatory system generated more comments than any other issue; it was widely cited by respondents as the market system most responsible for the current financial crisis. In 2009, 49 respondents expressed concern about the state of regulation in the United Kingdom, compared with just 21 respondents who raised similar concerns in 2008. Although a number of respondents suggest that it is the policies or regulatory system itself that needs reform, others consider the failure of U.K. regulation to be the result of ineffective enforcement. Many respondents believe that the FSA lacks the expertise to conduct proper oversight.

Effectiveness of Regulatory and Investor Protections
(continued)

> *London's desire to be a leading financial centre has involved a regulatory 'hands off' policy for many years.*
>
> — Survey Respondent

Many respondents also expressed concern about the state of transparency in the U.K. financial markets (22 comments). Comments generally fell into two categories: (1) concern regarding a need for greater transparency in company financial statements, particularly from financial institutions, and (2) concern regarding the transparency of risk inherent in financial products, such as derivatives.

Respondents also were asked two subquestions about capital market systems to further illuminate some of the reasoning behind the individual scores given to the various market system components. These subquestions do not figure in the final calculation of ratings. The first subquestion asked about the effectiveness of capital market regulation policies themselves. Specifically, we sought respondents' perceptions of whether the regulations and investor protections available in the market represent industry standard or best practice and if implemented correctly, whether those market systems would offer a solid framework for investor rights. Respondents gave these regulations and policies an average rating of 2.7 out of 5.0. (This rating was 3.0 in 2008.)

The second subquestion focused on the effectiveness of implementation or enforcement of such regulations and policies. Respondents appear most concerned with the enforcement of regulation in the United Kingdom; this score dropped to 2.4 in 2009. In 2008, survey respondents answered this question with an average rating of 2.8.

> *"Financial transparency and accounting standards have improved with the introduction of MIFID (Markets in Financial Instruments Directive), but in general, the tendency is to adhere to the letter of the law and not the spirit. There is a deliberate obfuscation and arbitrage of the regulatory, financial, and accounting and financial transparency standards within the industry."*
>
> — Survey Respondent

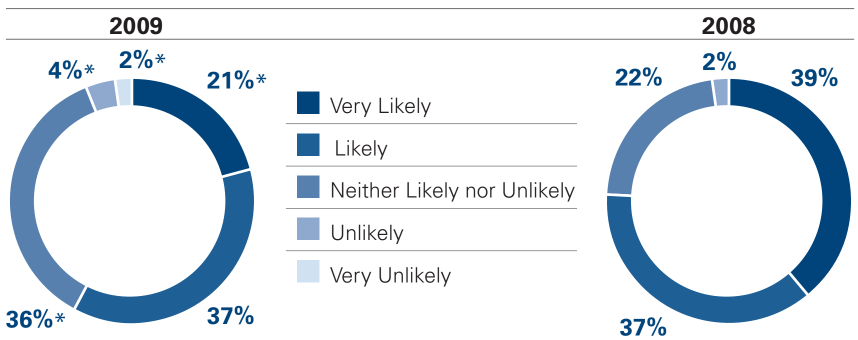
Willingness to Invest in the United Kingdom

Although the U.K. regulatory and investor protection standards have been regarded as among the highest in the world, financial markets in the United Kingdom have been severely affected by the global financial crisis that began in the United States. Since the 2008 version of this survey was conducted nearly a year ago, the U.K. equity markets have experienced a severe correction. The sharp drop in the equity markets, the government bailout of the country's largest banks, and the seizing up of the credit markets have certainly influenced investors' opinions regarding the overall safety of investing in the U.K. markets.

This historic, global meltdown of the markets is the result of a number of factors, including the actions of various market participants. Survey respondents were asked to assess their willingness to recommend investing in the United Kingdom based solely on the ethical behaviour of market participants and the effectiveness of capital market systems.

Figure 5

Likelihood of in-market respondents to recommend investing in the United Kingdom based solely on the ethical behaviour of market participants and the effectiveness of capital market systems.



Based Solely on Ethical Behaviour and Capital Market Systems, Would You Recommend Investing in the United Kingdom?

* Statistically Significant Change from 2008

The percentage of in-market respondents who said they would be likely or very likely to recommend investing in the United Kingdom dropped significantly in 2009, down to 58 percent from 72 percent in 2008 (see **Figure 5**). Out-of-market respondents were even more negative about investing in the United Kingdom. Those likely or very likely to recommend investing in the country plummeted to 39 percent in 2009, from 67 percent in 2008.

If we assume that those views are truly based only on two factors—ethical behaviour and the effectiveness of market systems—then the willingness to invest in the U.K. market has fallen precipitously in the past year. An overwhelming number of respondents cited a lack of faith in the U.K. regulatory system (rated 2.5). Concern regarding a lack of transparency of U.K. public companies (rated 2.7) and a perceived failure in corporate governance (rated 2.6) also featured prominently. Despite the higher ratings that out-of-market respondents assigned to nearly all U.K. market professionals and systems, such respondents are far less likely to recommend investing in the United Kingdom today than in the past.

Other Key Survey Considerations

In-Market vs. Out-of-Market Perceptions

For purposes of this FMI Index, charterholders from five other markets we surveyed (Canada, Hong Kong, Japan, Switzerland, and the United States) were given the opportunity to rate and comment on both their own and the U.K. market. (Survey respondents were given the option to skip questions pertaining to any market about which they did not think they were knowledgeable.)

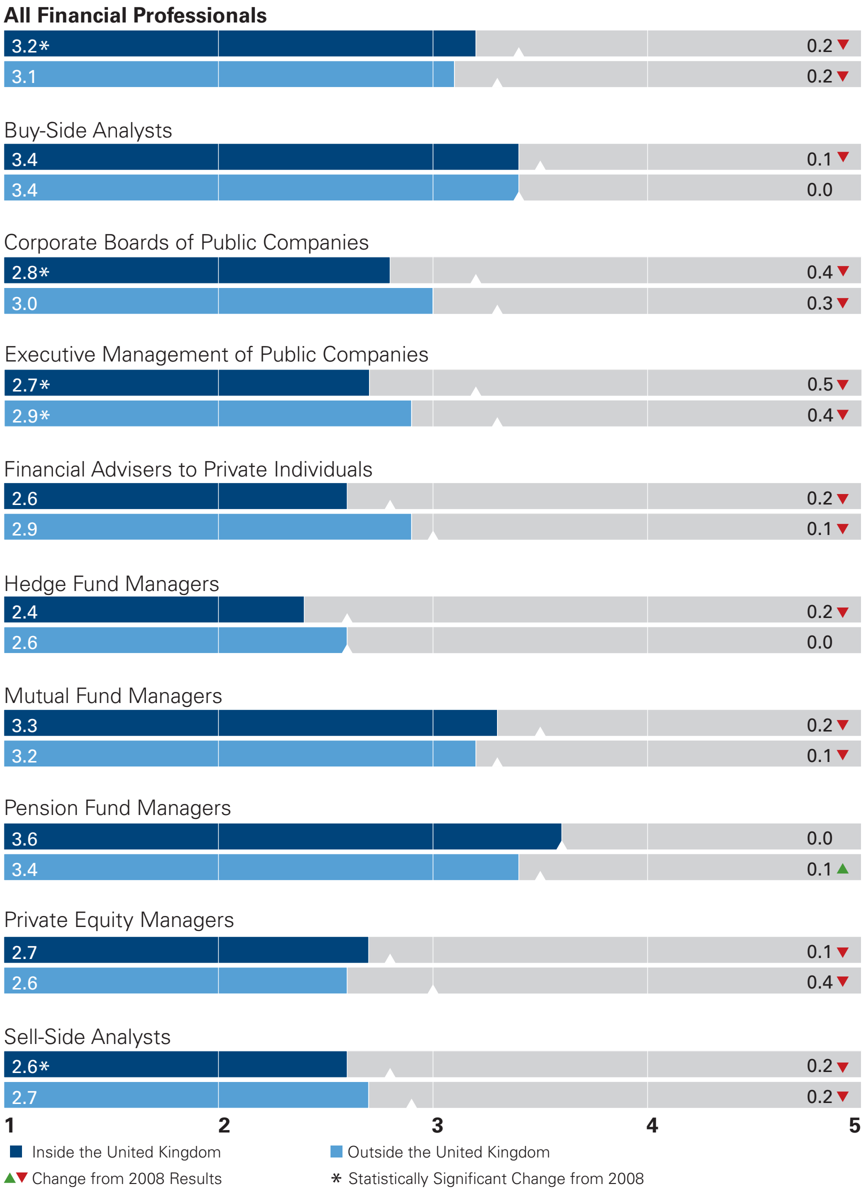
In most categories, those outside the United Kingdom tended to have greater faith in the integrity of market participants than did respondents inside the United Kingdom. Those outside the United Kingdom also trusted U.K. market systems to ensure investor protections more than did those inside the United Kingdom. This set of responses is consistent with 2008 responses.

As seen in **Figure 6**, for the majority of ratings concerning the ethical behaviour of market participants, there are only slight differences between in- and out-of-market respondents. However, those inside the United Kingdom have much less faith in the integrity of financial advisers. In-market respondents rated the ethical behaviour of advisers to private clients 2.6, compared with the out-of-market rating of 2.9.

There is, however, a greater disparity in ratings given for the effectiveness of regulatory and investor protections between respondents inside and outside the United Kingdom (see **Figure 7**). In-market respondents expressed notably less confidence in each market system, with the exception of accounting standards and legal protections; both were rated just slightly lower than were the same categories by out-of-market respondents.

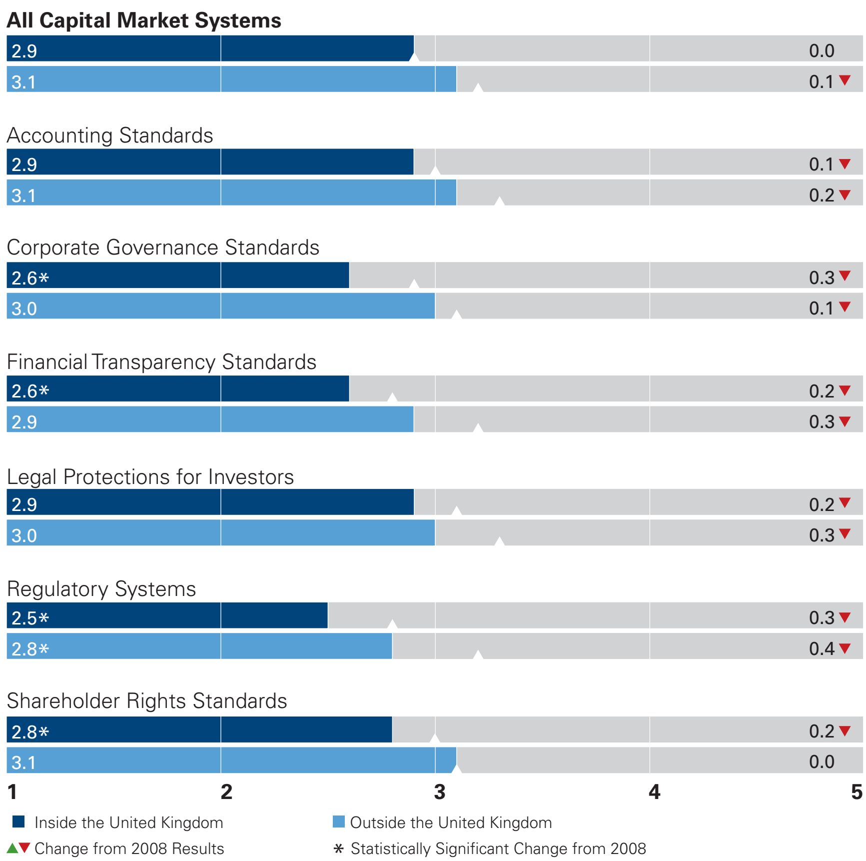
Ethical Behaviour of Individual Market Participants

Figure 6



In-Market vs. Out-of-Market Perceptions
(continued)

Figure 7 **Effectiveness of Regulatory and Investor Protections**



It is apparent that investors outside the United Kingdom still consider U.K. regulatory and investor protections to be adequate, whereas those inside the United Kingdom are more disillusioned with the state of their capital markets.

Figure 6 and Figure 7 also demonstrate the changes from 2008 to 2009 in external sentiment toward the United Kingdom. Compared with 2008 ratings, in 2009, respondents working outside the U.K. market rated most categories of market participants lower. Those outside the United Kingdom apparently agree with in-market respondents that public company executives deserve much of the blame for the nation's role in the global financial crisis. This category of market participants experienced the biggest decline in ratings, both from in- and out-of-market respondents. The out-of-market respondents' rating for corporate executives dropped a statistically significant amount at a 95 percent confidence level.

When rating the effectiveness of regulatory and investor protections in 2009, investors outside the United Kingdom assigned lower ratings than they did in 2008 to all market systems except one—shareholder rights standards. Declines in confidence were most evident for regulatory systems. Still, the out-of-market rating for regulatory systems was significantly higher than that given by in-market respondents (2.8 as compared with 2.5).

Comments of Survey Respondents

More than 250 respondents offered comments to expand on their opinions about the current state of financial market integrity in the United Kingdom. Respondents were given opportunities in connection with several of the survey questions to provide written comments about their thoughts and concerns. In particular, additional comments were solicited in the survey section concerning individual market participants and again after questions concerning market systems. At the completion of the survey, respondents also were asked what additional or specific issues investors should be concerned about and for any other comments.

More than 300 substantive comments were received; those responding with "no answer" or "nothing to add" types of remarks were excluded.

The various responses were examined and then categorized based on the concerns addressed in each comment (e.g., corporate governance, transparency, incentives). The key areas of comment and the topics raised most often are highlighted in **Figure 8**. In instances where an individual raised more than one concern, each separate concern was identified and counted.

Figure 8

Survey respondents commented most about regulation, corporate boards, and transparency.

Issues Raised Most Frequently

Regulation/Regulatory System	**49** comments
Corporate Boards	**23** comments
Transparency	**22** comments
Incentives	**15** comments
Government	**13** comments
Corporate Governance	**12** comments

Regulation

We received more than twice as many comments about the U.K. regulatory system as we did on any other survey issue. Many respondents called for reform, but many commented on the failure of the FSA to enforce existing policies.

> *"The FSA doesn't appear to have the skill set to properly evaluate risk exposure in the marketplace.*
>
> — Survey Respondent
>
> *The United Kingdom has focused on public company board independence in recent years rather than competence and experience, particularly in banks. As with some other markets, [the] regulator seems too driven by political pressures to [the] extent that overly optimistic reporting by banks appears to be condoned.*
>
> — Survey Respondent"

Corporate Boards

More respondents commented about boards of directors in the United Kingdom than about any other group of market participants (23 comments). Many who commented on boards also commented on corporate executives, although only 11 comments were received on executives per se. Clearly, respondents believe that boards failed dramatically in their oversight of executive management and deserve much of the blame for the current crisis.

> *"A lack of collective shareholder activism and expertise in corporate governance often allows boards to exploit cash flows and gamble with balance sheets.*
>
> — Survey Respondent"

Comments of Survey Respondents
(continued)

Transparency

Twenty-two comments were received regarding a lack of transparency in the United Kingdom. Many respondents cited concern over the transparency of a company or its business segments and performance or over the transparency of risk inherent in financial products, particularly derivative securities. Some respondents also spoke of a need for disclosure in the incentive compensation of financial advisers and of price transparency in certain asset classes.

> *"Transparency of business performance is a key area where ambiguity has increased, leading to information asymmetry."*
>
> — Survey Respondent

> *"Bonus incentives cause the application of strategies that are not always in the best interest of the client in the risk/return space."*
>
> — Survey Respondent

Incentives

Many respondents who commented on incentives (15 comments) expressed dissatisfaction with both the level and structure of executive compensation. Several respondents voiced concerns about hidden incentive structures for financial advisers. Incentives were generally criticized as contributing to the financial crisis by being too short term in nature and not aligned with client or shareholder interests.

Government

Thirteen respondents commented on the role of the U.K. government in causing the current financial market crisis. Several respondents stated that the government allowed regulators to favour corporate executive management and to turn a blind eye toward corporate misconduct. Others expressed concern regarding market distortions caused by the growing role of government in the financial markets. Two respondents wrote about the government providing material, nonpublic information to the media.

> *"The United Kingdom has lost its way politically, so it's really no surprise that the financial regulation and accountability are missing."*
>
> — Survey Respondent

Corporate Governance

Although corporate governance was among the top issues raised in open comments, nearly half of respondents simply noted "corporate governance" without elaborating. Of those respondents who provided comments, there were calls for greater shareholder activism, consistent enforcement of existing policy, and stronger oversight.

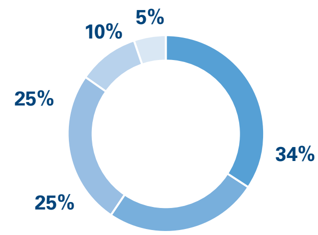
Demographics

The following figures indicate some of the key demographic information about the respondent base (please see complete methodology report at www.cfainstitute.org/centre for further details).

Overview of Out-of-Market Respondents

Market

34%	United States
25%	Canada
25%	Switzerland
10%	Hong Kong
5%	Japan



Respondent Profiles for U.K. Market

In Market (282 respondents)		Out of Market (110 respondents)
	Buy/Sell Side	
48%	Buy Side	48%
14%	Sell Side	11%
5%	Both	4%
33%	Neither	37%
	Client Asset Base	
39%	Institutional Entities	31%
9%	Private Individuals	24%
14%	Equal Institutional and Private Clients	10%
38%	Not Involved in Asset Management	35%
	Institutional Asset Client Type	
16%	Bank/Investment Bank	7%
3%	Endowment/Foundation	2%
2%	External Corporation	9%
1%	Government/Municipal Entity	7%
14%	Hedge Fund	18%
5%	Insurance Company	13%
1%	Internal Corporate/Proprietary	2%
22%	Mutual Fund/Investment Company	13%
30%	Pension Fund	29%
1%	Private Equity Fund	0%
5%	Other	0%

These results represent only those respondents identified as being in the "Institutional Entities" Client Asset Base category

Respondent Profiles for U.K. Market (continued)

In Market (282 respondents) | Out of Market (110 respondents)

Assets Under Management

In Market		Out of Market
8%	Less than US$250 Million	19%
11%	US$250 Million to Less than US$1 Billion	10%
12%	US$1 Billion to Less than US$5 Billion	13%
18%	US$5 Billion to Less than US$20 Billion	23%
5%	US$20 Billion to Less than US$50 Billion	4%
17%	US$50 Billion to Less than US$250 Billion	11%
28%	More than US$250 Billion	20%

These results represent only those respondents identified as being in the "Institutional Entities" Client Asset Base category

Years in the Investment Industry

In Market		Out of Market
10%	5 Years or Less	6%
66%	6 to 15 Years	53%
24%	16 to 30 Years	36%
4%	31 Years or More	6%

Primary Job Function

In Market		Out of Market
2%	Academic	4%
2%	Accountant/Auditor	1%
1%	Analyst (General)	1%
2%	Broker	0%
4%	Executive (e.g. CEO, CFO, CIO, COO, CMO, etc.)	8%
5%	Consultant	5%
3%	Corporate Financial Analyst	2%
6%	Credit Analyst	4%
1%	Economist	1%
1%	Financial Adviser	2%
7%	Investment Banking Analyst/Banker	5%
0%	Investor	1%
1%	Manager (General)	0%
3%	Manager of Managers	3%
0%	Performance Measurement Specialist (GIPS)	2%
25%	Portfolio Manager	24%
3%	President/Vice President (General)	0%
1%	Private Banker	5%
7%	Relationship Manager, Sales, Marketing	7%
10%	Research Analyst	9%
0%	Retired	1%
5%	Risk Manager	7%
2%	Strategist	1%
0%	Treasurer	3%
4%	Trader	2%
4%	Other	3%

NOTE: Percentages may not total 100 percent because of rounding

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