2009 FINANCIAL MARKET INTEGRITY INDEX

UNITED STATES

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 rigor 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.

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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 States. This survey was specifically designed to gather the perceptions of only the U.S. 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 behavior of these market participants and systems.[1]

FMI Index Questions and Rating Scales

Please rate the overall ethical behavior exhibited by the following groups in the United States.

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 States.

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

Figure 1

The ethical behavior 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 behavior 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.

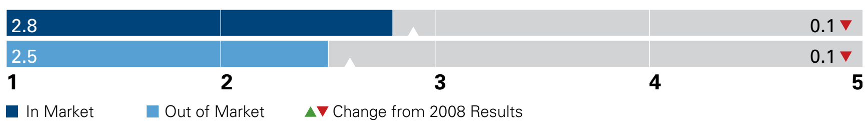
[2] In this Report, in-market ratings are those from respondents inside the United States and out-of-market ratings are those given by respondents outside the United States.

Executive Summary

Figure 2

In 2009, in-market respondents gave the U.S. market a lower overall FMI rating (2.8) than they did in 2008 (2.9).

FMI Index 2009 United States[3]



Since the 2008 survey, the global markets in general—and the U.S. markets in particular—have experienced the most difficult economic period since the Great Depression. Markets and market participants around the world have been affected by the growth in financial innovation, while risk management and regulatory practice have failed to keep pace.

This 2009 survey of sentiment concerning the U.S. market exposes the painful lessons investors have learned about risk and market excess. This index also reveals a continued decline in the perceptions that charterholders have about the ethical behavior of financial market participants and the effectiveness of regulatory and investor protections in the United States. The global financial crisis that began in the United States has obviously soured those sentiments and shaken market participants' faith in the ability of current U.S. investor protections to ensure an orderly functioning of the equity markets in the United States. Although several of the key ratings for market professionals and regulatory systems and investor protections addressed in this survey were significantly lower than in 2008, some ratings dropped only slightly, suggesting that survey respondents were already pessimistic about the behavior of financial market participants and market systems a year ago.

The ratings concerning regulatory protections in the United States by those both in and outside the United States dropped the most from 2008 to 2009, signaling a desire among survey respondents to improve the current U.S. regulatory model—a model with disparate parts that many commentators have blamed for precipitating the current global financial crisis.

Conclusions

- Of all those rated in the category of financial professionals, ratings for corporate boards and corporate executives dropped the most between 2008 and 2009, suggesting that respondents perceive these particular types of professionals to be most responsible for the current financial crisis.

- Based on their perception of market ethics and integrity alone, only 49 percent (versus 68 percent in 2008) of in-market respondents were likely or very likely to recommend investing in U.S. markets. Those outside the United States responded comparably, at 43 percent in 2009 versus 67 percent in 2008.

- The 2009 overall ranking of market integrity, at 2.8, down slightly from an overall rating of 2.9 in 2008, signals the growing need for improvements, primarily in the effectiveness of market systems and in the professional behavior of some market participants.

- The open-ended comments that respondents provided in addition to their survey rankings overwhelmingly affirm that dissatisfaction with the country's current regulatory model is the main area of concern.

- The rating for hedge fund managers shows that they were perceived poorly again in the 2009 index. This low rating was coupled with respondent comments calling for more transparency from hedge funds.

- In 2009, those outside the United States appear to have lost a significant amount of faith in U.S. market systems. In the 2008 survey, those outside the United States rated regulatory and investor protections higher than did those inside the United States; this perspective reversed in the 2009 survey.

Respondents **expressed greatest concern** with the integrity of corporate boards and executives and ineffective regulatory systems.

[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.

Key Findings

Ethical Behavior of Individuals

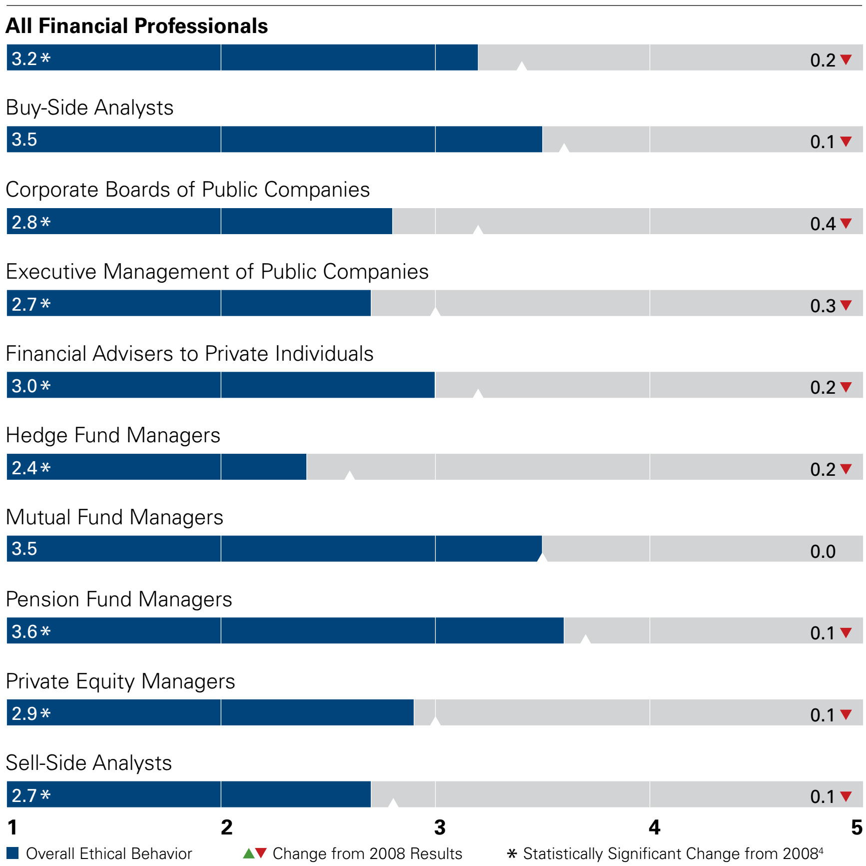
The first group of FMI Index questions asked respondents their opinions concerning the ethical behavior exhibited by various financial professionals—also referred to as "market participants"—in the market over the past year. All financial professionals, overall, received an above-average rating of 3.2. This rating is not simply an average of the nine ratings linked to the ethical behavior of specific professions but was asked separately as a control question. (The *average* of the ratings of the nine professions is 3.0.)

The largest decline in sentiment was in the rating for board members—from 3.2 in 2008 to 2.8 in 2009. The level of trust accorded to the executive management of public companies fell

Figure 3

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

Ethical Behavior of Individual Market Participants



nearly as much, dropping 0.3 points (a 10 percent decline). These lower ratings are reinforced by respondents' comments, which included opinions declaring that boards and executives played the largest role among all market participants in perpetuating the current financial crisis.

Of the nine professions listed in **Figure 3**, the perception of the ethical behavior of hedge fund managers rated lowest at 2.4, in contrast to that of pension fund managers, which ranked a 3.6. Respondents who commented on hedge fund managers generally focused on the lack of transparency from hedge funds and asked for more transparency from hedge fund managers.

It is interesting to note that the perceived ethical behavior of mutual fund managers and pension fund managers remains relatively high and largely unchanged in this time of such market turmoil. Survey respondents rarely commented on the ethical behavior of professionals in these groups—despite large losses by both groups in 2008—which signals that respondents were able to separate their assessment of ethical behavior from the year's performance figures when rating both groups of professionals.

When given the opportunity to provide open-ended comments on issues or behaviors that they thought need to be addressed, respondents most often noted the behavior of boards (38 comments) and executive management (32 comments), as noted earlier. However, the market participant issue that garnered the most commentary was not, in fact, directed at a specific profession or type of participant but, rather, addressed the broader topic of incentives paid to those professionals.

> "*Public companies seem to be run for the benefit of management not shareholders. Management almost always acts as if they are the company. Directors fail in their fiduciary duties to shareholders. Management is more interested in managing larger companies, making themselves more important and wealthier at the expense of shareholders.*"
>
> — Survey Respondent

[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 difference 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.

Ethical Behavior of Individuals

(continued)

"The 'agency problem' is still rampant. CEOs still have too much power, and a cult of personality prevails. Boards of directors are too cozy with the CEOs. Directors need to better represent shareholders and not be so easily swayed by the CEO and CFO.

— Survey Respondent"

More respondents commented about incentive structures (48 comments) than about any other topic related to the behavior of financial professionals. Most respondents spoke about the need for a better link between pay and performance and a need for long-term incentives at the executive level. A number of respondents noted that it was the lack of such long-term incentives—fostered by a short-term mindset that blinded boards and managers—that led to so many companies suffering damage to their long-term viability in the credit crisis fallout.

The considerable commentary about incentives was unique to the U.S. and Canadian markets; incentive structures appeared among the top five concerns in only one other market surveyed—the United Kingdom—where only 15 individuals thought that incentive structures were a major concern.

"Overall, too much emphasis is on short-term performance to get a 'big bonus' rather than on doing what is best for the long term. Incentive structure needs to be re-evaluated.

— Survey Respondent"

> *In general, too many financial professionals in the United States have put their own personal interests (compensation and bonuses) or their businesses' interests (profits) ahead of their fiduciary responsibilities to clients and their social responsibility to the greater society.*
>
> — Survey Respondent

U.S. respondents also showed significant concern about fraud (36 comments). Surprisingly, few comments concerning fraud focused directly on the high-profile case of Ponzi scheme operator Bernard Madoff, the subject of major news coverage about fraud in the United States during the administration of the FMI Index survey. At a minimum, though, it is safe to assume that the Madoff case brought the issue of fraud to the forefront as respondents were assessing the integrity of financial professionals.

Respondents provided only 26 comments in the 2009 survey elaborating on their concerns about conflicts of interest among market participants. By contrast, in 2008 more than twice as many respondents (54) raised the issue. This change likely means that other issues related to the financial crisis in the past year have overtaken concerns about conflicts of interest.

> *Fraud strikes me as the most costly ethical lapse in the investment business. It costs individual shareholders directly and impacts overall market integrity.*
>
> — Survey Respondent

Effectiveness of Regulatory and Investor Protections

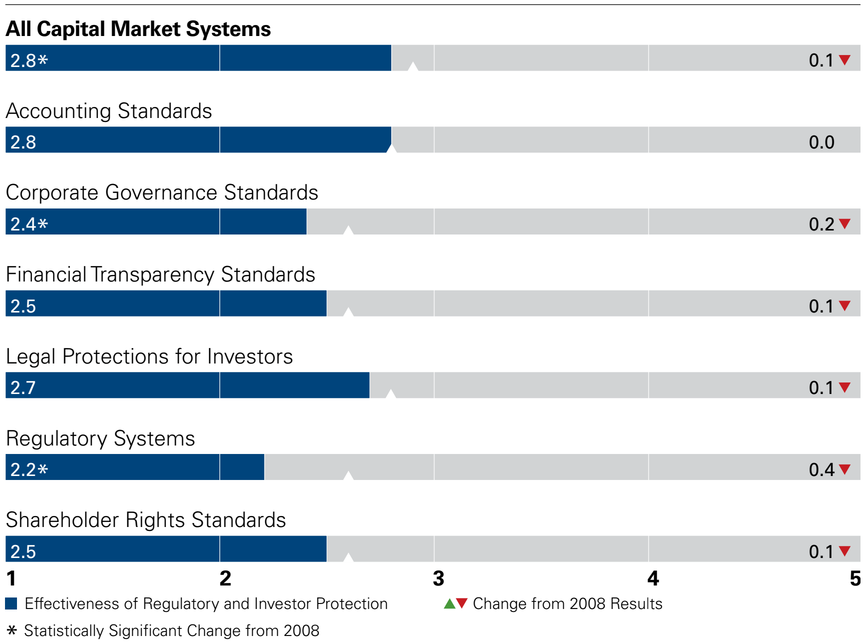
The second group of FMI Index questions asked the respondents their opinions concerning the effectiveness of regulatory and investor protections in the market (referred to as "market systems") over the past year. In the control question seeking ratings of all capital market systems, this group of investor protections received a less-than-adequate rating of 2.8. This control question rating was somewhat higher than the *average* rating of 2.5 earned by the group. In our 2008 survey, this control question earned a rating of 2.9 and the average of all the market systems ratings was 2.7 (see **Figure 4**).

Furthermore, in 2008, all ratings for individual market systems fell in a narrow range between 2.6 and 2.8, so respondents did not clearly single out which areas they considered most in need of improvement. Such is not the case this year: Respondents in the United States are clearly the most displeased with the U.S. regulatory system, as is explained in more detail in many of the comments we received.

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.

Effectiveness of Regulatory and Investor Protections



> *Recent evidence suggests regulation is basically an 'on your honor' system with insufficient oversight. 'Bad actors' need to be punished, including both fines and jail time. There hasn't been enough punishment handed out lately. People who behave badly and violate their fiduciary duties need to be punished.*
>
> — Survey Respondent

The ratings in nearly every category dropped somewhat from the 2008 ratings, although respondents' faith in U.S. regulatory protections experienced the most pronounced decline.

Regulatory systems are, by far, the greatest focus of concern in the area of investor protections that respondents registered in 2009. One hundred thirty respondents commented on the state of regulation in the United States, most of whom declared the current system to be inadequate due to a lack of resources or ineffective in its enforcement. (By comparison, only 50 respondents commented on the U.S. regulatory system in 2008.) The greatest number of regulatory comments in 2009 focused on respondents' perception of ineffective regulation and oversight;

> *Proliferation and politicization of regulators—who are long on lawyers and short on financially literate people—is the main problem.*
>
> — Survey Respondent

Effectiveness of Regulatory and Investor Protections
(continued)

weak regulatory enforcement and a lack of financial expertise among U.S. SEC staff were other areas of concern.

A number of respondents also expressed concern about the state of transparency in the U.S. financial market (59 comments). Most of these comments focused on the need for greater financial transparency and spoke to such issues as less ambiguity concerning off-balance-sheet items, better transparency in a market for derivatives, and the need for more discussion about the firm-specific and systemic risks facing each firm.

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

> *"There is this fascination with believing that enough 'regulation' will stop fraud. It won't. Transparency does. The Enrons of the world don't happen unless hype and parroting replace sound fundamental research."*
>
> — Survey Respondent

> *Investors should be skeptical of any investment product that has a lack of transparency.*
>
> — Survey Respondent

ratings. The first subquestion asked about the effectiveness of capital market regulation policies themselves. Specifically, we sought respondents' perceptions on 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 rated these regulations and policies an average rating of 2.6 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 States; this score dropped from a 2.7 in 2008 to a 2.2 in this year's survey.

Willingness to Invest in the United States

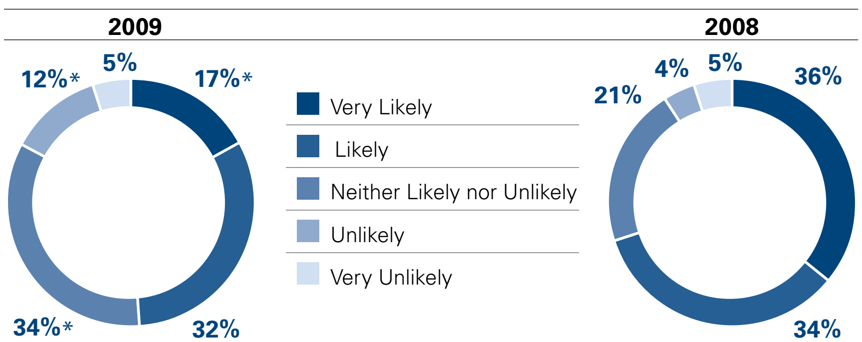
The steep downturn in the financial markets over the past year undoubtedly has influenced attitudes about the overall safety of the U.S. financial markets. Many pension funds and individual retirement plans have seen their assets cut in half—or worse—following the sharp downturn in the markets since the 2008 version of this survey was administered (approximately a year ago).

This historic meltdown of the global capital markets is the result of a number of factors, including the actions of a variety of market participants. In this section of the survey, respondents were asked the likelihood that they would recommend investing in the U.S. market based solely on their perception of the ethical behavior of market participants and the effectiveness of capital market systems.

In 2009, just less than half of respondents in the United States said they were likely or very likely to make such a recommendation (see **Figure 5**), versus

Figure 5

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



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

* Statistically Significant Change from 2008

43 percent of out-of-market respondents. In 2008, nearly 70 percent of in-market respondents and 67 percent of out-of-market respondents made such a claim.

If we assume that those views were based only on the two factors—perceived ethical behavior and effectiveness of capital market systems—in ensuring market integrity, it appears that the willingness to invest in the U.S. market has fallen precipitously in the past year due to these factors. The lack of confidence in the U.S. regulatory system and financial transparency (with ratings of 2.2 and 2.5, respectively) demonstrated in this survey's results mirrors the general tone of many in the market who fear investing in the United States. This fear particularly applies to financial institutions, both because of the lack of transparency in their finances and because investors are unsure of what regulatory model lawmakers will apply to financial institutions in the future.

Other Key Survey Considerations

In-Market vs. Out-of-Market Perceptions

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

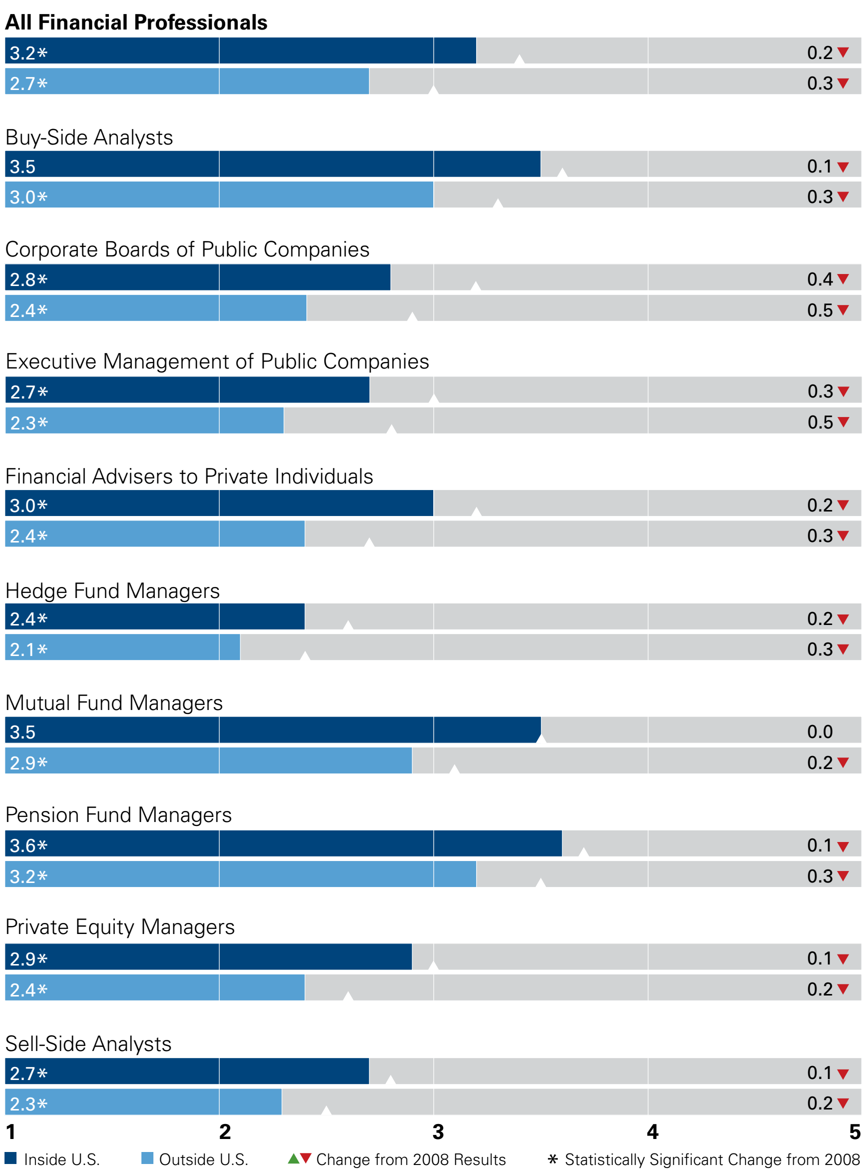
In each category, those in the United States tended to rate the integrity of individual market participants higher than did respondents from outside the United States, which is consistent with last year's ratings. However, those inside the United States also had more confidence in U.S. market systems to ensure market integrity than did their peers outside the United States, which is a reversal from 2008. This newfound lack of faith in the U.S. market system is likely because the global financial crisis had its origins in the United States, prompting a profound loss of reverence for the U.S. regulatory model.

It is also striking that, on a statistical level every one of these changes in ratings from 2008 to 2009 by those outside the U.S. market is significant at a 95 percent confidence level.

Those inside the United States appear to disagree mightily with those outside the market concerning the ethical behavior of several specific groups of financial professionals; there is a difference of at least 0.5 points between the rating given by in-market and out-of-market respondents in the cases of buy-side professionals, financial advisers, mutual fund managers, and private equity managers (see **Figure 6**).

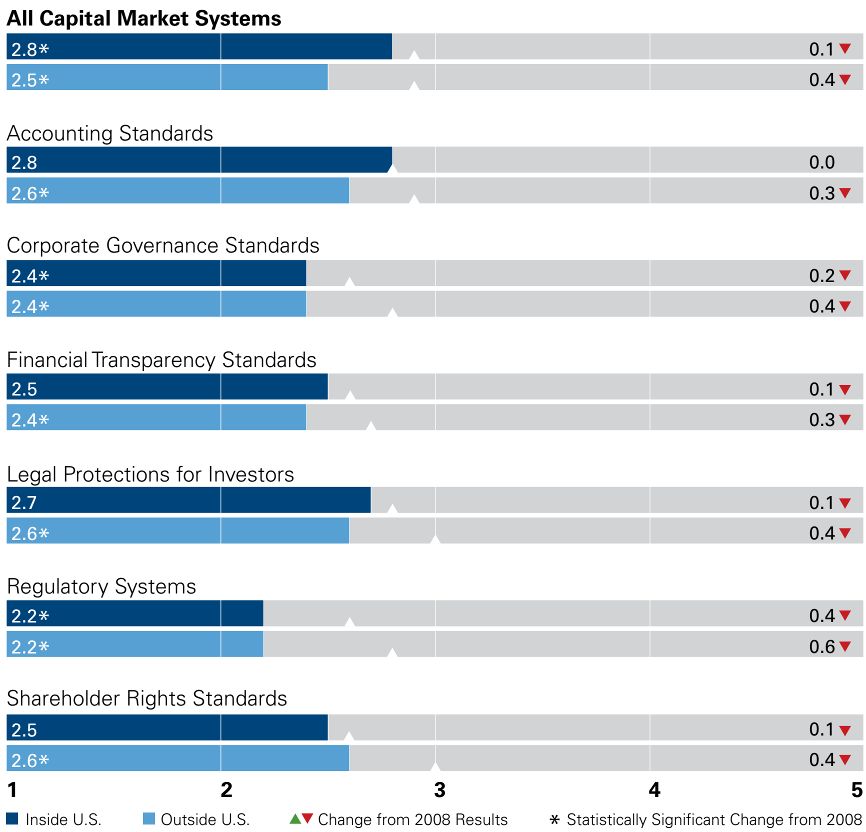
Ethical Behavior of Individual Market Participants

Figure 6



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

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



There were less distinct differences between in-market and out-of-market ratings for the effectiveness of regulatory and investor protections, although respondents outside the United States tended to rate these systems lower; see **Figure 7**.

Figure 6 and Figure 7 also demonstrate the change in sentiment toward the United States by out-of-market respondents from 2008 to 2009. Those working outside the U.S. market rated every category of market participant lower than they did in 2008. Clearly, respondents outside the United States place great blame for the current financial crisis with corporate boards and corporate executives; the ratings for those groups each dropped 0.5 points in the past year.

The views of respondents outside the United States changed the most with regard to the effectiveness of U.S. regulatory systems. This rating dropped 0.6 points—greater than 21 percent—in the past year.

Comments of Survey Respondents

More than 600 respondents offered comments to expand on their opinions about the current state of financial market integrity in the United States. 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 700 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, fraud). 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, transparency, and incentives.

Issues Raised Most Frequently

Regulation/Regulatory Systems	**130** comments
Transparency	**59** comments
Incentives	**48** comments
Government	**41** comments
Corporate Boards	**38** comments
Fraud	**36** comments

Regulation

It comes as no surprise that the state of the U.S. regulatory system earned the most comments from respondents. This market system received the lowest rating from respondents inside and outside the United States and is widely recognized as the market system most responsible for the current financial crisis and accordingly most in need of repair.

Those who commented on the state of regulation in the United States primarily focused their comments on the SEC—and the failings of the SEC in recent years. Comments were not limited to the SEC, however; some respondents acknowledged that the whole U.S. regulatory system is due for change. Many remarked that such a process will take a great deal of time and effort but will be necessary to restore trust in the U.S. capital markets.

"

There is a general sense that investors have absolutely no confidence in markets and the supposed 'information' that they provide. For the first time in my career, I am terrified that investors will give up on the equity markets given the rampant vagaries and permanent capital losses that seem to appear more often than not.

— Survey Respondent

Any shortfall of regulatory systems is not due to an insufficient level of regulation but to a failure of regulators to enforce existing laws and a failure to focus on critical issues.

— Survey Respondent

"

"

The accuracy of representations made by management in financial disclosures and performance is my main concern. I believe many disclosures are made to minimize the impact on current earnings rather than to make a fair and full disclosure of the company's performance.

— Survey Respondent

"

Transparency

We received more than 50 separate comments concerning a lack of transparency in the United States. Although these comments are generally short on specifics, most address issues of transparency believed to have led to the financial crisis or issues of financial opacity that persist today.

Comments of Survey Respondents
(continued)

Incentives

Two of the areas of interest that received the most comments in 2009, regulation and transparency, drew a great deal of commentary in the 2008 FMI survey as well; the area of incentive structures did not. This year, however, we received nearly 50 comments dealing with incentive issues, the majority of which specifically referred to executive compensation. And of those comments, the most frequently cited subject was misaligned incentives as a contributing factor to the current financial crisis.

"*The CEO pay problem is a major ethical issue, but there may be a simple solution: Executive compensation should be voted on directly by shareholders—that should be the only new regulation and should solve the problem.*

— Survey Respondent

Limited downside liabilities for CEOs and board members coupled with upside reward for CEOs foster highly risky behavior.

— Survey Respondent"

"*The greatest risk to the U.S. financial markets and the thing that is weighing most heavily on the economy is the risk that the politicians and/or Treasury will (continue to) change the rules of the game, penalizing investors and savers and paralyzing or scaring away potential investors.*

— Survey Respondent"

Government

More than 40 respondents cited the U.S. government in some form as a cause for the current crisis, spreading the blame fairly generously between the executive branch and Congress. Few respondents particularly targeted the former or current president's administration but, instead, noted the ways in which government actions thus far have been unwelcome or ineffective.

Corporate Boards

Boards of directors in the United States were the group of market participants that received the most scrutiny from respondents (38 comments), and perhaps the most blame for the U.S. financial meltdown. Corporate executives were not far behind (32 comments), and many who commented on one group commented on the other, showing that many respondents saw corporate executives and their boards as equally culpable in their companies' problems.

> *"The chairman needs to be a pain in the CEO's side and constantly questioning if the shareholders are getting true value out of the compensation paid to the CEO. The chairman should be the primary shareholder representative, and the CEO should simply be the hired professional hand to lead and manage the business operations."*
>
> — Survey Respondent

> *"Outright fraud among supposed fund managers is apparently far more widespread than anyone imagined."*
>
> — Survey Respondent

Fraud

Not all comments concerning fraud in the U.S. markets focused on the high-profile case of Ponzi operator Bernard Madoff, but many did. Respondents who targeted fraud as a cause of concern also mentioned corporate fraud but most centered on private money managers (such as Madoff), hedge fund managers, or financial advisers.

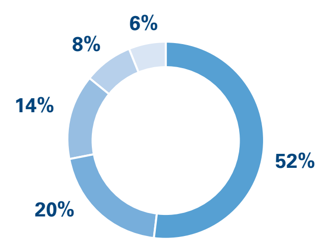
Demographics

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

52%	Canada
20%	United Kingdom
14%	Switzerland
8%	Hong Kong
6%	Japan



Respondent Profiles for U.S. Market

Buy/Sell Side

In Market (545 respondents)		Out of Market (369 respondents)
47%	Buy Side	45%
11%	Sell Side	14%
4%	Both	5%
38%	Neither	37%
0%	Decline to Answer/Not Sure	1%

Client Asset Base

In Market (545 respondents)		Out of Market (369 respondents)
30%	Institutional Entities	33%
29%	Private Individuals	21%
8%	Equal Institutional and Private Clients	9%
33%	Not Involved in Asset Management	38%

Institutional Asset Client Type

In Market (545 respondents)		Out of Market (369 respondents)
16%	Bank/Investment Bank	20%
11%	Endowment/Foundation	3%
4%	External Corporation	3%
2%	Government/Municipal Entity	3%
7%	Hedge Fund	12%
10%	Insurance Company	8%
1%	Internal Corporate/Proprietary	1%
26%	Mutual Fund/Investment Company	14%
17%	Pension Fund	31%
2%	Private Equity Fund	1%
2%	Other	4%

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

Respondent Profiles for U.S. Market (continued)

Assets Under Management

In Market (545 respondents)		Out of Market (369 respondents)
20%	Less than US$250 Million	21%
13%	US$250 Million to Less than US$1 Billion	11%
14%	US$1 Billion to Less than US$5 Billion	11%
12%	US$5 Billion to Less than US$20 Billion	16%
9%	US$20 Billion to Less than US$50 Billion	8%
12%	US$50 Billion to Less than US$250 Billion	16%
20%	More than US$250 Billion	17%

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

Years in the Investment Industry

In Market (545 respondents)		Out of Market (369 respondents)
6%	5 Years or Less	9%
48%	6 to 15 Years	51%
36%	16 to 30 Years	37%
10%	31 Years or More	4%

Primary Job Function

In Market (545 respondents)		Out of Market (369 respondents)
2%	Academic	3%
2%	Accountant/Auditor	1%
1%	Analyst (General)	1%
1%	Broker	2%
6%	Executive (e.g. CEO, CFO, CIO, COO, CMO, etc.)	10%
8%	Consultant	5%
2%	Corporate Financial Analyst	3%
4%	Credit Analyst	2%
1%	Economist	1%
7%	Financial Adviser	3%
2%	Investment Banking Analyst/Banker	3%
1%	Investor	0%
1%	Manager (General)	1%
4%	Manager of Managers	4%
2%	Performance Measurement Specialist (GIPS)	1%
23%	Portfolio Manager	24%
0%	Private Banker	2%
0%	Regulator	1%
5%	Relationship Manager, Sales, Marketing	5%
11%	Research Analyst	10%
3%	Risk Manager	6%
1%	Retired	0%
2%	Strategist	2%
1%	Treasurer	2%
4%	Trader	2%
6%	Other	4%

NOTE: Percentages may not total 100 percent because of rounding

CFA Institute Centre for Financial Market Integrity

FMI Index Report Staff

Kurt N. Schacht, JD, CFA
Managing Director

Charles Cronin, CFA
Head, Europe, Middle East, Africa Region

Lee Kha Loon, CFA
Head, Asia-Pacific Region

James C. Allen, CFA
Director, Capital Markets Policy Group

Matthew Orsagh, CFA, CIPM
Senior Policy Analyst

www.cfainstitute.org/centre

For More Information

Media may contact:

United States	Kathy Valentine, +1 (434) 227-2177
United Kingdom	Steve Wellard, +44 (0) 20-7531-0755
Hong Kong	Henry Chua, +852 3103-9363

The Americas

560 Ray C. Hunt Drive
P.O. Box 3668
Charlottesville, VA 22903-0668
USA

Phone: +1 (434) 951-5499
USA and Canada: (800) 247-8132
Fax: +1 (434) 951-5262
E-mail: info@cfainstitute.org

477 Madison Avenue
21ST Floor
New York, NY 10022-5802
USA

Asia-Pacific

Suite 3407, Two Exchange Square
8 Connaught Place, Central
Hong Kong SAR

Phone: +852 2868-2700
Info Hotline: +852 8228-8820
Fax: +852 2868-9912
E-mail: info@cfainstitute.org

Europe

10th Floor
One Canada Square
Canary Wharf
London E14 5AB
United Kingdom

Phone: +44 (0) 20-7531-0751
Fax: +44 (0) 20-7531-0767
E-mail: info@cfainstitute.org

Square de Meeûs 38/40
1000 Brussels
Belgium

www.cfainstitute.org

90000
9 780938 367147