2009 FINANCIAL MARKET INTEGRITY INDEX

CANADA

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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Contents

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 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 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 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 Canada. This survey was specifically designed to gather the perceptions of only the Canadian 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 Canada.

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

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

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

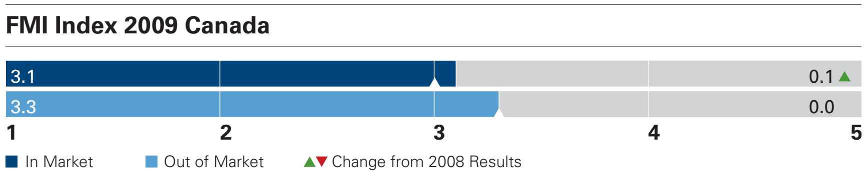
[1] One question dealing with severity of unethical behavior or ethical lapses was an exception and listed a score of 1 as not severe at all and 5 as extremely severe. This question did not figure in the final calculations of the FMI rating.

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

Executive Summary

Figure 2

In 2009, in-market respondents gave the Canadian market nearly the same overall FMI rating (3.1) as they did in 2008 (3.0).



Despite the financial turmoil that rages around the globe, the sentiment of Canadian charterholders, as demonstrated in **Figure 2**, remains largely unchanged from 2008. Most of the ratings regarding the ethical behavior of Canadian financial professionals did not appreciably change. Ratings concerning the effectiveness of Canadian regulatory systems or investor protections changed somewhat, although none of these changes was drastic.[3]

The relative stasis of these ratings points to an obvious "good news–bad news" conclusion: Canadian respondents perceive neither much improvement nor much decline in the integrity of financial professionals or the effectiveness of market systems in Canada. These static ratings contrast starkly with the opinions respondents offered about market participants and systems in some of the other markets surveyed. The perception respondents had in 2009 about the U.S. and U.K. markets, for instance, declined greatly from the 2008 FMI Index, signifying a loss of faith in both the individuals and the investor protections in their respective markets. The stable ratings for the Canadian market suggest that respondents believe that the integrity of their market has not changed appreciably over the past year and that, unlike other markets, Canadian respondents do not appear to blame Canadian professionals or market institutions for the current global financial crisis.

The comments of Canadian survey respondents in 2009 express mainly the same set of concerns as in 2008, with the country's regulatory system at the top of that list of concerns. Those who commented on regulation in Canada most often addressed the need for more coordinated regulation—often endorsing a "one-regulator" model—and a perceived lack of strong regulatory enforcement. Survey responses also revisited charterholders' concerns about the ethical behavior of financial advisers and the need for better financial transparency.

Conclusions

- Those inside Canada continue to show less confidence in the effectiveness of Canadian regulatory and investor protections than do those outside the country—a perspective unchanged from last year's survey.
- Respondents provided open-ended comments that cite the country's current regulatory model as a main cause of concern. These comments also advocated for a more streamlined regulatory model and stronger enforcement practices.
- The overall rating for the Canadian market in 2009 changed little from the 2008 rating, as was the case for most of the ratings for individual market participants.
- Based solely on the integrity of market participants and the effectiveness of regulatory and investor protections, respondents in Canada show only a slightly lower inclination to invest in the Canadian markets than they did last year. The percentage of respondents who said they were likely or very likely to invest in Canada dropped to 72 percent in 2009, versus 79 percent in 2008.
- Respondents expressed concern about the ethical integrity of financial advisers and the effectiveness of financial transparency in their comments.

Respondents advocated for a more **streamlined regulatory model** and stronger enforcement practices.

[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

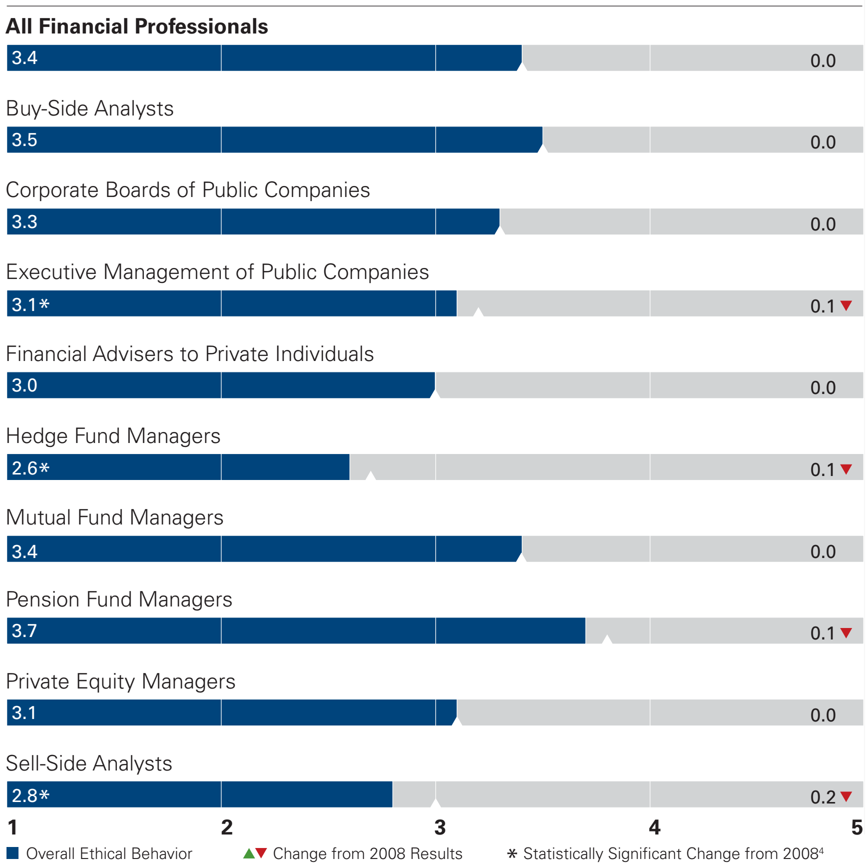
The first group of FMI Index questions asked respondents their opinions concerning the ethical behavior exhibited by various financial professionals—also referred to as "market participants"—in the market over the past year. All financial professionals, overall, received an above-average rating of 3.4. 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 3.2.)

Of the nine professions listed in **Figure 3**, the ethical behavior of hedge fund managers rated lowest at 2.6 and pension fund managers received the highest marks at 3.7.

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



There was little change from 2008 to 2009 among Canadian respondents in their rating of the ethical behavior of market participants, signifying a largely unchanging perception toward the ethical behavior of financial professionals in Canada. When given the opportunity to comment on the ethical behavior of financial professionals, respondents focused most closely on the ethical behavior of financial advisers.

“*Financial advisers to private individuals are too motivated by the commission they receive on certain products and recommend them to investors regardless of whether or not they meet their investment criteria.*

— Survey Respondent”

“*Investment advice should be provided by investment professionals. Unfortunately, financial/investment advice is too often being given by salespeople with little experience/training.*

— Survey Respondent”

Concerns were mainly centered on a perceived lack of competence among some (but by no means all) financial advisers in Canada and on incentives, including questions as to whether advisers always put clients' interests before their own.

Although the perception of Canadian corporate boards and Canadian corporate executives changed little from 2008 to 2009, respondents' comments did focus on the behavior of boards (32 comments) and executive management (31 comments). It is important to note that the ratings for each set of professionals remain consistently above an "average" rating of 3.0 (3.3 for boards and 3.1 for executive

[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.

Ethical Behavior of Individuals
(continued)

> *Corporate boards need to be made more accountable for their decisions.*
>
> — Survey Respondent

management), so it does not appear that respondents see a crisis manifest in the ethical behavior of these individuals—although the comments we received do reflect a sentiment that the ethical behavior of each group can be improved.

An even larger group of respondents expressed opinions about incentive structures (45 comments). Many of these comments focused on the compensation of senior executives and the role Canadian boards played in awarding what many have seen as

> *Compensation drives behavior. Those with the highest incentive to act unethically have, in my opinion, engaged most frequently and more severely in such behavior.*
>
> — Survey Respondent

> *"The compensation system for financial professionals needs to be changed. All fees should, like a dentist's or lawyer's fees, be billed to the clients. This is especially true for financial advisers to private individuals who extract enormous fees for 'distribution' unseen to clients as they are bundled as part of mutual fund management fees."*
>
> — Survey Respondent

excessive executive compensation. 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 a lack of such long-term incentives fostered the short-term mindset prevalent among the companies involved in the credit crisis. In such cases, the boards and managers were perceived to have been blinded to the detrimental effects such short-term policies had on the long-term viability of their companies.

A number of comments about incentives focused on the remuneration of financial advisers.

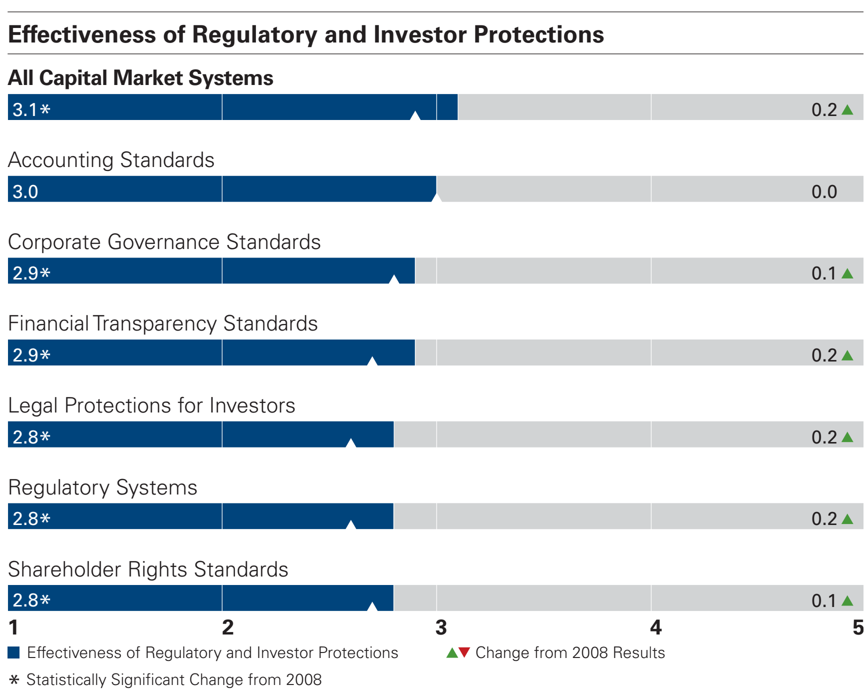
> *"Executive management seems to have wrested corporations from control of the shareholder. Disproportionate benefits accrue to the managers with most of risk to the shareholders."*
>
> — Survey Respondent

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 (see **Figure 4**). In the control question seeking ratings of all capital market systems, this group of investor protections received a rating of 3.1. This control question rating was somewhat higher than the *average* rating of 2.9 earned by the group.

With the exception of accounting standards, Canadian respondents perceive the effectiveness of regulatory and investor protections in 2009 in a significantly better light than they did in 2008. Minus that one exception, every one of the differences in ratings from 2008 to 2009 concerning the effectiveness of capital market systems is significant at a 95 percent confidence level. Unlike the ratings for individual behavior, however, many ratings for market systems are still under 3.0, or "below average" in the eyes of many Canadian respondents. When respondents were given the opportunity to offer open-ended comments on the effectiveness of regulatory and

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.



investor protections in Canada, the Canadian regulatory system earned the most criticism (86 comments). These concerns focused mostly on two issues: (1) the need for better regulatory enforcement in Canada and (2) the fractured regulatory environment in Canada—with many calling for a single securities regulator.

Many respondents also expressed concern about the state of transparency in the Canadian market (41 comments). The issue raised most often in this type of commentary was the need for better transparency about the risk of an investment or the risk inherent in a company's assets (which are too often not being disclosed to investors).

"*When investment professionals engage in unethical behavior, they can and do ruin many peoples' lives, yet the punishment they receive is very light if any. Common criminals (nonviolent crimes) harm far fewer people and receive far harsher sentences. We treat financial crimes as if there were no victims. Obviously, there are many millions of victims.*"

— Survey Respondent

Effectiveness of Regulatory and Investor Protections
(continued)

Respondents also expressed concern about transparency in adviser and mutual fund fees, executive and financial adviser compensation, and risk reporting from hedge funds.

Respondents 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 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

> *"Canada needs to go to one regulatory body of qualified individuals. There is currently one per province, and many of the individuals are not financial market professionals, so they do not understand the nuances of the market."*
>
> — Survey Respondent

> *The most pressing ethical issue affecting individual investors is transparency in the financial system.*
>
> — Survey Respondent

investor rights. Respondents gave these regulations and policies an average rating of 3.0 out of 5.0 (this rating was 2.9 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 Canada: This score is 2.5 out of 5.0 in this year's survey (2.5 in 2008 as well). This low rating for regulatory enforcement reinforces the sentiment expressed in respondents' comments about the Canadian market.

> *A lack of full disclosure of the risk inherent in complex securities is the main problem (complex derivative instruments, for example).*
>
> — Survey Respondent

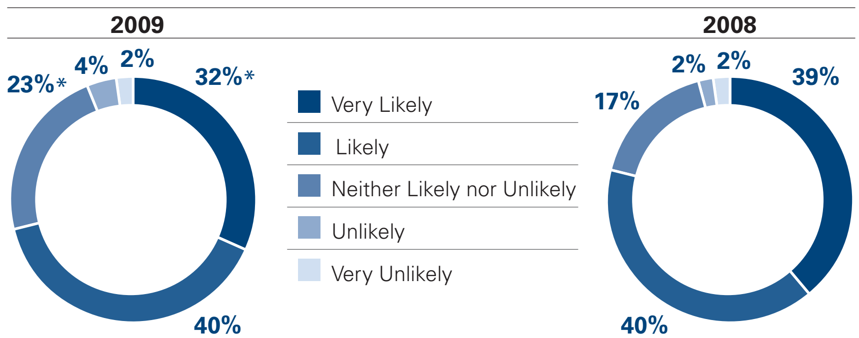
Willingness to Invest in Canada

Considering the lack of change in respondents' perceptions of the ethical behavior of individual financial professionals, it is not surprising that Canadian respondents are only marginally less likely to recommend investing in the Canadian market this year than they were last year. Based solely on the ethical behavior of market participants and the effectiveness of regulatory and investor protections, in 2009, roughly 72 percent of Canadian respondents said they are likely or very likely to recommend investing in the Canadian market. This number is down slightly from the 79 percent in 2008 who said they would make such a recommendation (see **Figure 5**).

Based on the same criteria as for in-market respondents, those outside Canada are less likely to recommend investing in the Canadian market, despite those outside Canada consistently rating the professionals and systems higher than did in-market respondents. In 2009, 57 percent of respondents outside Canada said they

Figure 5

Likelihood of in-market respondents to recommend investing in Canada 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 Canada?

* Statistically Significant Change from 2008

NOTE: Percentages may not total 100 percent because of rounding are likely or very likely to recommend investing in Canada, down slightly from a rate of 63 percent in 2008.

We offered the hypothesis in the 2008 Index that perhaps this dichotomy is the result of investors outside Canada investing in the Canadian market for reasons other than the ethical behavior of its participants or the effectiveness of regulatory and investor protections—or that they take these things for granted in Canada.

It is likely that those investing from outside Canada invest in the market for diversification reasons. For example, out-of-market investors may be looking at certain Canadian companies as a "commodity play" because of the country's concentration in mineral and natural resource companies. A consistent disconnect between higher FMI ratings and a lower propensity to invest in Canada by those outside the market is likely a sign that investors take for granted the relatively high quality of professional behavior and investor protection in Canada. It is safe to assume that investors are electing to invest, or not, based on economic and market factors. If investors perceived a risk to their investments as the result of poor professional behavior or regulatory protections, we would see a lower propensity to invest and lower ratings for Canadian professionals and systems across the board.

Other Key Survey Considerations

In-Market vs. Out-of-Market Perceptions

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

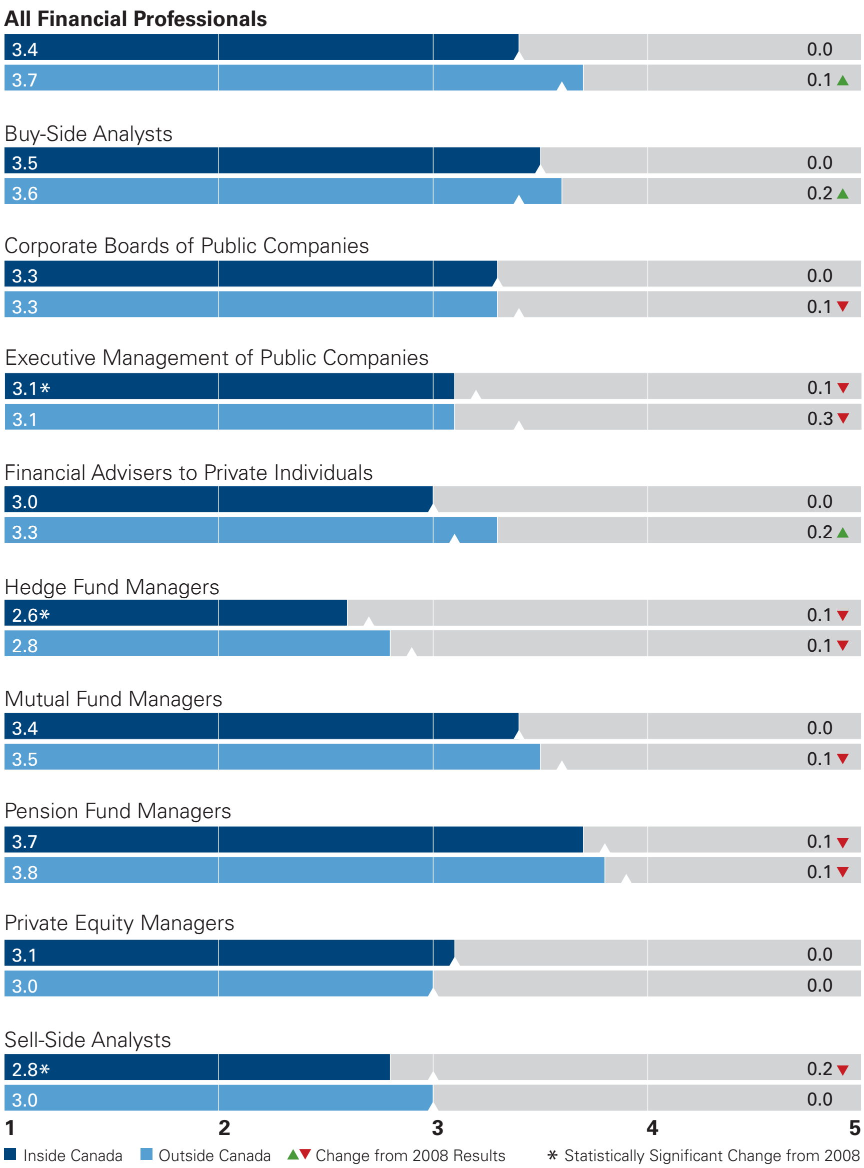
Much as they did in 2008, this year Canadian respondents and those outside Canada gave very similar ratings concerning the ethical behavior of individuals, but they differed greatly on their assessment of the effectiveness of regulatory systems and investor protections in fostering market integrity.

As demonstrated in **Figure 6**, the average ratings that respondents outside Canada gave for the behavior of individual market participants generally mirrored the ratings given by in-market respondents. The main difference between the two groups of respondents was in their perception of financial advisers. Those inside Canada rated financial advisers 10 percent lower than did those outside Canada (3.0 vs. 3.3). This small discrepancy is likely explained by the comments we received from those in Canada about financial advisers (see sections on ethical behavior of individuals and comments of survey respondents).

Respondents outside Canada showed more faith in the effectiveness of Canadian regulatory and investor protections than did those inside Canada. There was a difference of half a point between ratings given by those inside and those outside Canada for accounting standards, legal protections, and regulatory systems; see **Figure 7**.

Ethical Behavior of Individual Market Participants

Figure 6



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

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

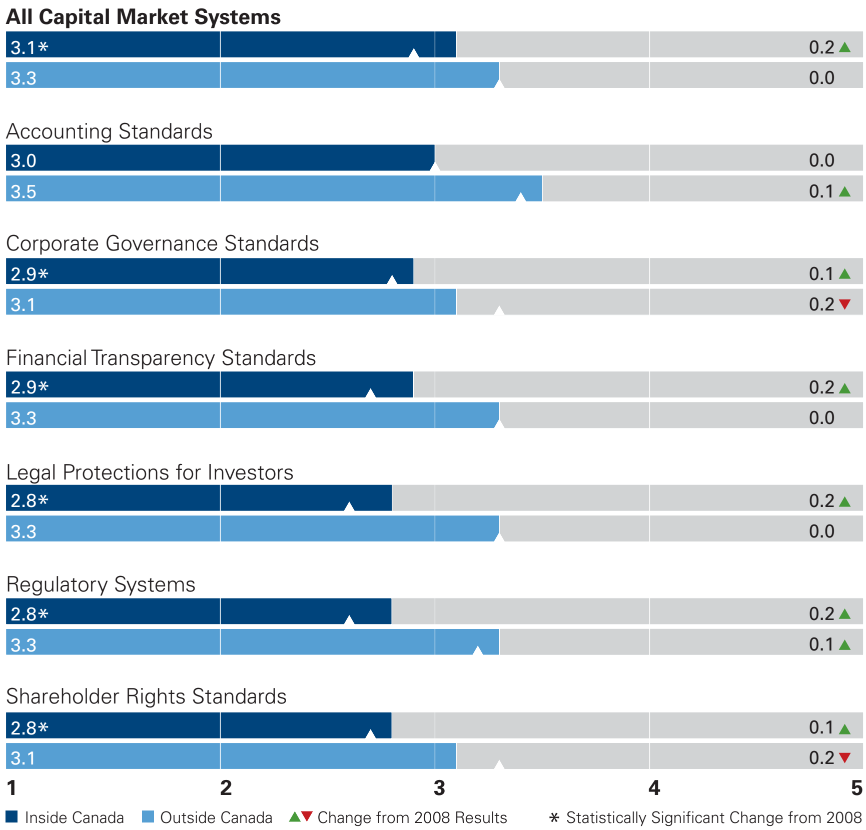


Figure 6 and Figure 7 also demonstrate the change in sentiment toward Canada by out-of-market respondents from 2008 to 2009. None of the ratings concerning the ethical behavior of individuals appear to have changed significantly in the past year—the greatest change for any rating was just 0.3 points.

When rating the effectiveness of regulatory and investor protections, the views of charterholders outside Canada changed little as well, with corporate governance and shareholder rights ratings changing the most over the past year.

It remains to be seen whether out-of-market respondents' perceptions of the Canadian markets and market participants will remain static in future years or if the small shifts experienced in 2009 will grow to larger differences in future years.

Comments of Survey Respondents

More than 400 respondents offered comments to expand on their opinions about the current state of financial market integrity in Canada. 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 500 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, financial advisers, and transparency.

Issues Raised Most Frequently

Regulation/Regulatory Systems	**86** comments
Financial Advisers	**45** comments
Transparency	**41** comments
Incentives	**37** comments
Corporate Boards	**32** comments
Senior Executives	**31** comments

> *Canada has 13 (weak) regulators and very few convictions for financial fraud and mismanagement.*
>
> — Survey Respondent

Regulation

When respondents were given the opportunity to provide open-ended comments in this year's survey, regulatory systems garnered more comments than any other subject. These comments focused mainly on the need for better regulatory enforcement mechanisms and the need for one centralized securities regulator in Canada.

The single issue most commented on by survey participants is the lack of adequate enforcement.

In January 2009, the Expert Panel on Securities Regulation appointed by the Canadian Federal Minister of Finance released its final report, which recommends that the current system of 13 provincial and territorial securities regulators in Canada be replaced with a single national securities regulator.

Based on FMI Index comments and another survey, it appears that CFA Institute members are in agreement: In response to a targeted survey on the topic administered in January and February 2009 by the CFA Canadian Advocacy Council and the CFA Institute Centre for Financial Market Integrity, 59 percent of the 583 respondents agreed that one national regulator would greatly improve the capital markets in Canada.[5]

> *White collar criminals don't seem to find their way to jail cells as they do in other markets. There does not seem to be much in the way of a deterrent for a dishonest operator.*
>
> — Survey Respondent

[5] View full results at www.cfainstitute.org/aboutus/press/release/09releases/20090203_01.html.

Comments of Survey Respondents
(continued)

Financial Advisers

Financial advisers were the market participant group most often cited in the comments we received. These comments primarily focused on respondents' concerns about a lack of training or the incompetence of some financial advisers and the inherent conflicts of interest advisers face, balancing the profit motive and the clients' interests.

> *Individual investors place far too much trust in advisers; some advisers are not that qualified and/or take advantage of their clients. Investors must take a more active role in managing their finances and become more educated. Having said that, firms must ensure that their advisers have adequate training and are giving proper advice (I know, in a perfect world).*
>
> — Survey Respondent

Transparency

We received roughly the same number of comments about financial transparency in 2009 (41) as we did in 2008 (39). Respondents concerned with transparency in the Canadian market focused on a wide range of transparency issues: A desire for better reporting about risk, whether the risk of an investment or the risk of assets on a company's balance sheet, came up most frequently. Respondents also called for more transparency concerning executive and financial adviser incentives, adviser and mutual fund fees, and hedge funds.

> *Any product sold to an individual investor (who rarely understands the markets) should have LARGE disclaimers on issues of risk, lock ups, etc. At this point, these issues are hidden in the fine print that never gets read.*
>
> — Survey Respondent

Incentives

Relatively new to this year's survey commentary were the concerns respondents raised about incentive structures and the role they may play in enabling unacceptable risk taking by market participants. These comments were divided roughly equally between concerns about the incentives of financial advisers and corporate executives.

> *One of the biggest ethical issues remains the way people in the financial industry are compensated. Investment advice needs to be taken in the context of how the investment professional gets paid.*
>
> — Survey Respondent

Boards and Executives

More than 30 respondents took the time to comment on the ethical behavior of corporate boards. About the same number of respondents commented on the ethical behavior of corporate executives. Although (as demonstrated in Figure 3) each group of professionals earned an FMI Index rating above "average" (3.0), in open-ended comments respondents voiced concerns on a wide range of topics concerning the actions of corporate boards and executives. Topics raised include agency problems resulting from poor incentive structures, interlocking directorships, and dual-class voting structures that may disenfranchise shareholders.

> *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.*
>
> — Survey Respondent

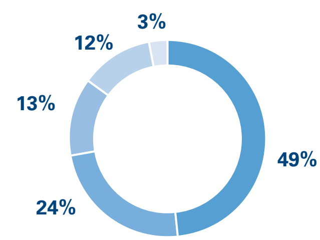
Demographics

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). It is interesting to note that of the overall group of respondents, a large number indicated that they were working or employed in some capacity other than one of the practitioner categories identified in the survey.

Overview of Out-of-Market Respondents

Market

49%	United States
24%	United Kingdom
13%	Switzerland
12%	Hong Kong
3%	Japan



Respondent Profiles for Canadian Market

In Market (508 respondents)		Out of Market (76 respondents)
	Buy/Sell Side	
41%	Buy Side	39%
14%	Sell Side	13%
3%	Both	5%
42%	Neither	42%
	Client Asset Base	
29%	Institutional Entities	26%
25%	Private Individuals	20%
4%	Equal Institutional and Private Clients	11%
42%	Not Involved in Asset Management	43%
	Institutional Asset Client Type	
19%	Bank/Investment Bank	25%
5%	Endowment/Foundation	4%
3%	External Corporation	4%
5%	Government/Municipal Entity	4%
5%	Hedge Fund	4%
4%	Insurance Company	7%
1%	Internal Corporate/Proprietary	4%
11%	Mutual Fund/Investment Company	11%
44%	Pension Fund	39%
2%	Private Equity Fund	0%
2%	Other	0%

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

Respondent Profiles for Canadian Market (continued)

In Market (508 respondents) — Out of Market (76 respondents)

Assets Under Management

In Market	Assets Under Management	Out of Market
20%	Less than US$250 Million	16%
10%	US$250 Million to Less than US$1 Billion	10%
13%	US$1 Billion to Less than US$5 Billion	12%
20%	US$5 Billion to Less than US$20 Billion	20%
13%	US$20 Billion to Less than US$50 Billion	10%
18%	US$50 Billion to Less than US$250 Billion	12%
6%	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	Years in the Investment Industry	Out of Market
11%	5 Years or Less	1%
55%	6 to 15 Years	62%
30%	16 to 30 Years	28%
4%	31 Years or More	9%

Primary Job Function

In Market	Primary Job Function	Out of Market
3%	Academic	3%
1%	Accountant/Auditor	4%
1%	Analyst (General)	0%
1%	Appraiser/Assessor	0%
2%	Broker	1%
7%	Executive (e.g., CEO, CFO, CIO, COO, CMO, etc.)	7%
7%	Consultant	4%
6%	Corporate Financial Analyst	0%
3%	Credit Analyst	7%
0%	Director (General)	1%
1%	Economist	1%
6%	Financial Adviser	0%
2%	Investment Banking Analyst/Banker	5%
1%	Manager (General)	1%
3%	Manager of Managers	4%
0%	Officer (General)	1%
2%	Performance Measurement Specialist (GIPS)	3%
21%	Portfolio Manager	21%
1%	Private Banker	3%
1%	Regulator	0%
5%	Relationship Manager, Sales, Marketing	11%
8%	Research Analyst	4%
6%	Risk Manager	8%
1%	Strategist	4%
2%	Treasurer	0%
3%	Trader	4%
4%	Other	1%

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 367154