

FINANCIAL MARKET INTEGRITY INDEX™

CANADA

2010



CFA Charterholders and Professional Integrity

CFA Institute is the not-for-profit, professional association of 99,000 financial analysts, portfolio managers, and other investment professionals in more than 130 countries, of whom 87,000 hold the Chartered Financial Analyst® (CFA®) designation. The Standards and Financial Market Integrity Division 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 This Index

The Financial Market Integrity Index was developed by the Standards and Financial Market Integrity Division of CFA Institute (formerly known as the CFA Institute Centre for Financial Market Integrity) 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

the work of CFA Institute in conducting regulatory outreach and developing enhanced professional standards.

The Financial Market Integrity 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

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.

investment practitioners experience in their respective markets—Canada, Germany, Hong Kong, Japan, 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

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.

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

CFA Institute 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 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 Financial Market Integrity 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 Report 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 Index Methodology

The Financial Market Integrity 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 Standards and Financial Market Integrity Division of CFA Institute, in consultation with Harris Interactive, developed the Financial Market Integrity 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, shareholder 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

More than 2,700 professionals in 80 countries who hold the CFA, FSIP, or ASIP designations participated in the research for the 2010 Financial Market Integrity Index by taking the survey either online or by scripted telephone interview between 1 February and 9 March 2010. For the first time, in 2010, the out-of-market ratings and comments for each Financial Market Integrity Index Report were extended to CFA charterholders from around the globe and not limited to the six markets

Financial Market Integrity Index Questions and Rating Scales

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



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



Figure 1

The ethical behavior of market participants and the effectiveness of market systems are the two dimensions of evaluation that produce the final Financial Market Integrity rating.

covered by these Reports. CFA Institute believes that this will allow us to gather responses from a more diverse cross-section of our membership. An analysis of the 2010 ratings conducted by Harris Interactive suggests that ratings given by CFA charterholders from outside the six markets are not substantially different from those given by CFA charterholders within these markets, and therefore, out-of-market ratings comparisons can be made between 2010 and the surveys of previous years.

To provide the most statistically reliable opinions, this Report uses in-market ratings when referring to an index rating or score, unless otherwise noted.² Out-of-market ratings are used for discussion and comparisons only where noted.

The Financial Market Integrity Index is constructed to give equal weight to

two dimensions of evaluation: (1) the ethics of market participants and (2) the effectiveness of a market's regulations and investor protections (referred to herein as "market systems") in promoting and upholding 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 Financial Market Integrity Index methodology, please refer to the separate report available on the CFA Institute website at www.cfainstitute.org/ethics.

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

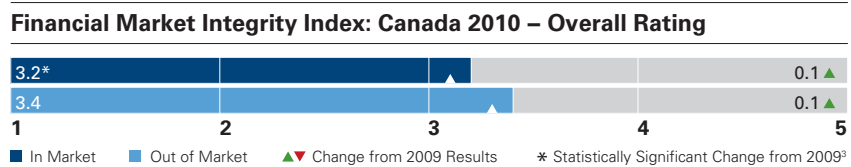
¹ One question dealing with severity of unethical behavior or ethical lapses was an exception and listed a score of 1 as not severe at all and 5 as extremely severe. This question did not figure in the final calculations of the Financial Market Integrity rating.

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 2010, in-market respondents gave the Canadian market a significantly higher overall Financial Market Integrity rating (3.2) than they did in 2009 (3.1).



Over the last three years, confidence in the integrity of the Canadian financial system among in-market respondents has slowly but steadily improved, increasing from a 3.0 rating in 2008 to 3.2 in 2010 (see **Figure 2**).⁴ Canada’s key measurements continued to garner confidence even during the recent global financial crisis, a trait unique to Canada among the markets surveyed for the last three years. It appears that those in Canada have slowly become more assured of the soundness of their system after watching other markets suffer far worse from the ravages of the global financial crisis.

Meanwhile, survey respondents outside Canada have consistently viewed the integrity of the Canadian market more favorably than do those inside Canada, giving the market a rating of 3.3 or better in each of the past three years. Even in the throes of the recent global financial crisis and the subsequent market lows of early 2009, survey respondents both inside and outside the country have viewed the environment in Canada as improving.

The overall sentiment regarding the ethical behavior of investment professionals and the effectiveness of regulation and investor protections improved from 2008 to 2010.⁵ In 2010, among both in-market and out-of-market respondents, the majority of the investment professional and market system categories either stayed the same or improved upon their 2009 ratings. In addition, each category received an “average rating” of 3.0 or better, with the exception of hedge fund managers.

Respondents inside Canada raised their ratings of regulatory effectiveness and investor protections from below to above average during the 2008–10 period, but 2010 ratings still generally remain below the ratings of respondents outside Canada. The comments received from Canadian investment professionals—who are closest to the issues—help explain this disconnect in their calls for reforms in the areas of financial adviser integrity and the fragmented Canadian regulatory system, which has been the top issue of concern among survey respondents for the last two years.

The improvement in sentiment over the last three years among Canadian survey respondents appears to indicate progress is being made in addressing investor concerns in the areas of governance and shareholder rights.

Conclusions

- The most noteworthy finding in this year's survey is the steady increase in trust placed in the capital market systems (accounting, corporate governance, transparency, legal protections, regulatory systems, and shareholder rights) during the past three years. Sentiment concerning each of these areas has steadily improved in this survey from 2008 to 2010.
- The comments of survey respondents show the greatest concern about the state of the Canadian regulatory landscape, with this topic eliciting more than 40 percent of survey responses.
- Based on their perceptions of market ethics and integrity alone, approximately 82 percent of survey respondents in Canada said they are likely or very likely to recommend investing in the Canadian market (72 percent in 2009, 79 percent in 2008).
- All market systems categories received a score of average or better in 2010, with the lowest rating of 3.0 given to shareholder rights standards and legal protections for investors. Looking solely at in-market responses, the 2010 ratings show marked improvement over those in 2008, when the highest rating was 3.0 and the lowest was 2.6. The responses of out-of-market participants, ranging from 3.3 to 3.5, changed little over the three-year period.
- Perceptions of the ethical behavior of all financial professionals improved from the prior year, but the scores reflect disparity among the categories, with pension fund managers rating 3.9 and hedge fund managers rating 2.8.

82%

of survey respondents said they are likely to recommend investing in the Canadian market.

³ 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 5 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.

⁴ 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 Financial Market Integrity Index rating for this market.

⁵ See the appendix for ratings from 2008 to 2010.

Key Findings

Ethical Behavior of Individuals

The first group of Financial Market Integrity 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. Financial professionals as a group received an overall above-average rating of 3.5. This rating is not simply

an average of the nine ratings linked to the ethical behavior of specific professions; it is based on a separately asked control question. (The average of the ratings of the nine professions is 3.3.)

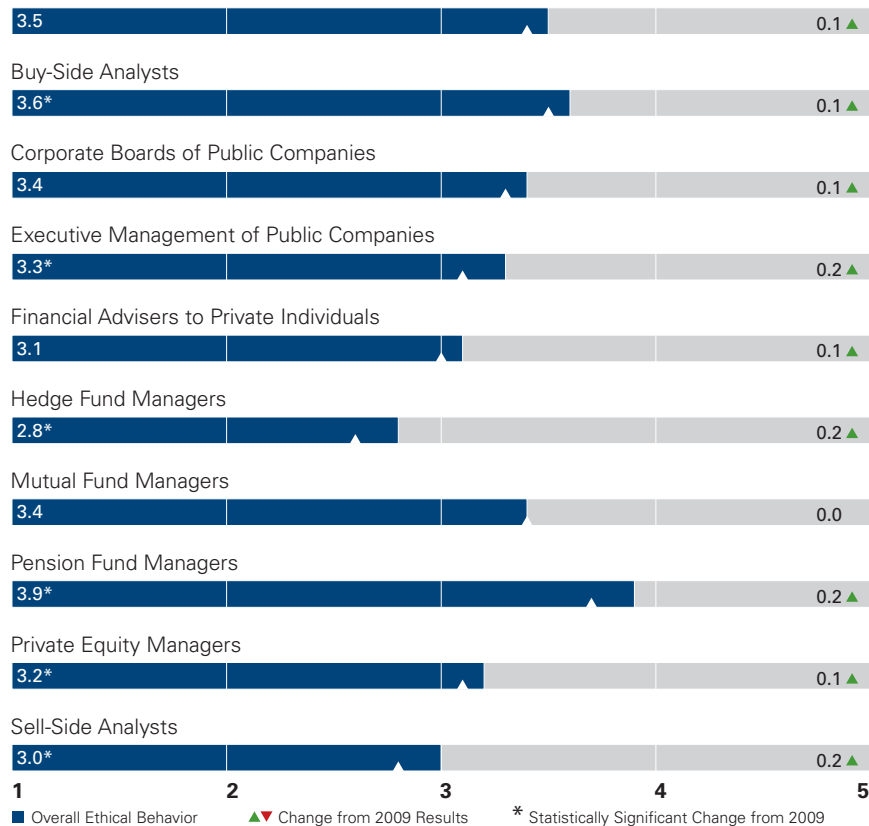
The ethical reputation of executive management of public companies, hedge fund managers, pension fund managers, and sell-side analysts

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

All Financial Professionals



garnered the largest improvement in sentiment from 2009 to 2010, each moving higher by 0.2.

The reputation of hedge fund managers is by far the least favorable with a score of 2.8. Sell-side analysts and financial advisers are rated slightly higher but are still perceived less favorably in terms of integrity than are pension fund managers (3.9) and buy-side analysts (3.6).

“
In my career the thing that stands out the most is that most advisers are not out for the client’s best interest; instead they are out for their own interests ahead of the client.

— Portfolio Manager/Investment Consultant
INSIDE CANADA

“
Clients often don’t understand the risks for themselves compared with the gains for the adviser.

— Vice President Investments
INSIDE CANADA

Ethical Behavior of Individuals

(continued)

Of the nine professions listed in **Figure 3**, the relative perceptions of the ethical behavior of each remained relatively consistent over the 2008–10 survey period, with hedge fund managers scoring the least favorably and pension fund managers the most favorably each year. In 2009, the ratings of executives, hedge fund managers, pension fund managers, and sell-side analysts dipped below their respective 2008 ratings, but in the current year, all rebounded to their 2008 level or moved higher.

When asked to provide comments about the ethical behavior of financial professionals in Canada, survey respondents most often cited the ethical behavior of financial advisers as cause for concern.

“
Most advisers are interested in their own bottom lines, which usually coincides with their firm’s bottom line. The individual investor’s bottom line is the last consideration, if a consideration at all.

— Assistant Treasurer
INSIDE CANADA

”

“
[We] need stronger enforcement of insider trading... sometimes actually punishing those responsible would be a start.

— Finance Manager
INSIDE CANADA

Although financial advisers earned a rating of 3.1, this group elicited the most comments from survey respondents. Causes for concern generally focused on conflicts of interest, adviser incentive/compensation structures, and the suitability of investment advice given by advisers.

Insider trading/dealing also remains a concern of many respondents as is the belief that the Canadian authorities are not focused on the problem. Insider trading ranked fifth among issues troubling survey respondents and third in the area of ethical behavior, after the two related issues of financial adviser integrity and conflicts of interest.

“
The regulators in Canada do not do enough to make sure that wrongdoing is punished. I have seen insider trading take place by salespeople who generate too much commission to fire.

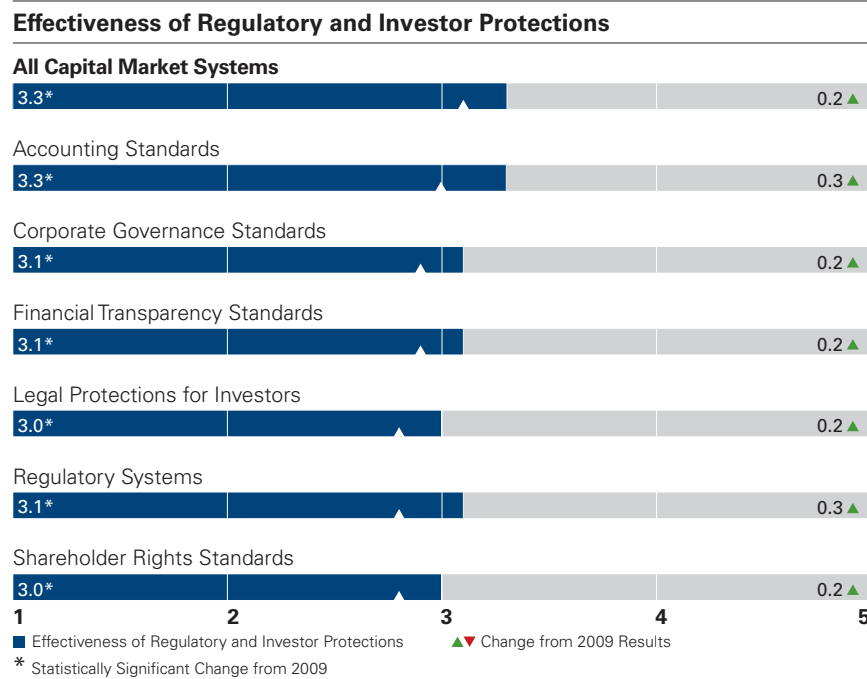
— Institutional Equity Sales
INSIDE CANADA

Effectiveness of Regulatory and Investor Protections

The second group of Financial Market Integrity Index questions asked respondents to rate the effectiveness of regulatory and investor protections in the market (referred to as “market systems”) over the past year. In the control question seeking a rating of all capital market systems, this group of investor protections received a rating of 3.3. The rating of the control question was somewhat higher than the average rating of 3.1 earned by the group. In the 2009 survey, the control question earned a rating of 3.1 and

the average of all the market systems ratings was 2.9 (see **Figure 4**). This control question rating has been higher than the average rating for the six individual market system ratings in each of the years we have conducted this survey. This finding helps illustrate that no matter the level of satisfaction survey respondents have in the Canadian capital markets as a whole, they are generally more concerned with the individual components of the system.

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.



“
Weak enforcement raises the risk that unethical people will not feel that the risk of getting caught is high enough to deter their actions.

— Vice President and Chief Compliance Officer
INSIDE CANADA

Each category rating of the effectiveness of regulatory and investor protections in Canada improved significantly from 2009 to 2010.

The ratings for accounting standards and regulatory systems moved the most, with each improving 0.3.

In 2009, the Canadian Advocacy Council for Canadian CFA Institute Societies

(CAC) asked its members to voice their opinions about the Canadian securities regulatory system.⁶ The majority of respondents (92 percent) believe the current provincial system should be reformed, with 62 percent in favor of moving to a single federal regulator.

The CAC survey also found that fairness, consistency, and strength of enforcement in Canada are deemed

“
We need a national standard/regulator for the capital markets and a system that can enforce the laws when broken; most individuals who break our securities laws seem to go unpunished.

— Managing Director and Senior Portfolio Manager
INSIDE CANADA

⁶ The Canadian Regulatory Structure Survey Report 2009 was prepared by the Canadian Advocacy Council for Canadian CFA Institute Societies.

Effectiveness of Regulatory and Investor Protections

(continued)

poor or very poor by 51 percent of survey respondents and that 41 percent of respondents believe Canada's ability to compete internationally as a result of these regulatory issues is poor or very poor.

Financial Market Integrity survey respondents in Canada echo these responses, exhibiting a great deal of

It appears that Canadian authorities are taking steps to address the issue of regulatory fragmentation, a topic of concern for so many survey respondents. In January 2009, the Expert Panel on Securities Regulation appointed by Canada's Minister of Finance released its final report, which recommended that the current system of 13 provincial and territorial securities

“
*The regulatory system
in Canada is fractured,
bureaucratic, and ineffective.*

— President, Head of Managed Assets
INSIDE CANADA

concern about the regulatory system in Canada. The topic of regulation garnered the greatest number of responses from survey respondents when asked to comment on the main issues facing the Canadian market. More than 110 comments addressed the state of the regulatory infrastructure in Canada, with the majority highlighting the need for stronger enforcement mechanisms and a single regulator.

regulators in Canada be replaced with a single national securities regulator.

In October 2009, the Minister of Finance announced the appointment of the Advisory Committee of Participating Provinces and Territories to the Canadian Securities Transition Office. This committee, which will study the possible transition to a single Canadian securities regulator, is expected to publish its first report in mid-2010.

“
The practice of carrying out securities regulation at the provincial level hampers effective securities regulation.

— Director, Risk and New Initiatives-Capital Markets
OUTSIDE CANADA

The Canadian government is also seeking the opinion of the Supreme Court of Canada as to whether parliament has the authority to enact a federal securities regulatory regime.

Survey comments also showed concern for a lack of transparency in the Canadian markets. In fact, transparency was the third most mentioned topic by survey respondents who focused on the need for better disclosure and increased financial transparency in the markets.

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, however, do not figure in the final calculation of ratings.

”
The first subquestion asked about the effectiveness of capital market regulation policies. 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, would those market systems offer a solid framework for investor rights. Respondents gave these regulations and policies an average rating of 3.3 out of 5.0 (this rating was 3.0 in 2009).

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, as this score only rose to 2.7 in 2010, from 2.5 in last year’s survey.

Willingness to Invest in Canada

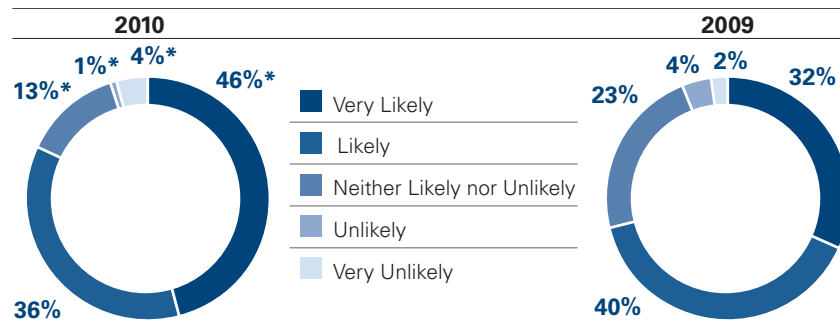
In this section of the survey, respondents were asked the likelihood that they would recommend investing in the Canadian market based solely on their perception of the ethical behavior of market participants and the effectiveness of capital market systems.

The 2009 Financial Market Integrity survey was conducted in February and March 2009 at the height of fear about

the confidence level investors had two years before. This year, approximately 82 percent of survey participants in Canada stated that they are likely or very likely to recommend investing in Canada based on the integrity of market participants and the effectiveness of market protections. In 2009, this number was 72 percent, and in 2008, it was 79 percent (see **Figure 5**).

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 2009

NOTE: Percentages may not total 100 percent because of rounding.

the global financial crisis and the lows of the stock market indices in Canada. It is hardly surprising, then, that willingness to invest in Canada has improved over the past year.

In this year's survey, sentiment concerning the willingness to invest in the Canadian market even surpassed

Those outside the Canadian market, however, are still a bit skeptical: About 63 percent of survey respondents outside the country are likely or very likely to recommend investing in the Canadian market based on the same criteria. This number is up from the 57 percent of survey participants outside Canada who were likely or very likely

to recommend investing in Canada in 2009 and nearly back to the 64 percent level seen in the 2008 survey.

Based on the answers to this question and the results we have observed elsewhere in this survey, confidence in the integrity of Canada's capital

markets appears to be relatively strong. The 2010 survey results show that sentiment regarding the integrity of Canadian investment professionals and the efficacy of Canadian capital market systems has improved steadily over the last three years.

“
Banking sector regulation has been more conservative, and Canada has been somewhat protected from the worst of the financial crisis.

— Chief Operating Officer
OUTSIDE CANADA

”

Other Key Survey Considerations

In-Market vs. Out-of-Market Perceptions

For purposes of this Financial Market Integrity Index, charterholders from other markets around the world were given the opportunity to rate and comment on both their own and the Canadian markets. (Survey respondents were given the option to skip questions pertaining to any market about which they did not think they were knowledgeable.)

In 2010, respondents both inside and outside Canada agreed that the overall integrity level of all financial professionals was above average and deserving of a rating of 3.5 (see **Figure 6**). The ratings given to the individual professional categories differed little as well, with no great discrepancies between in-market and out-of-market ratings.

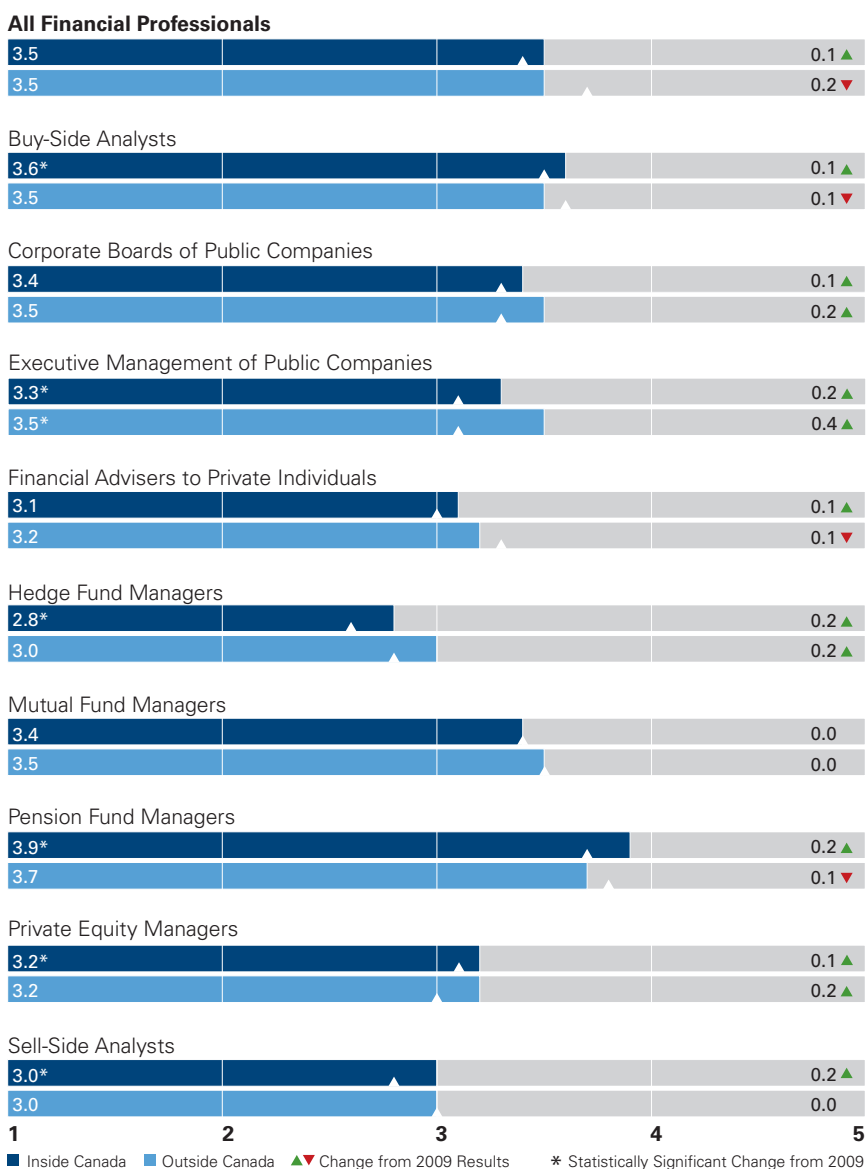
Both in-market and out-of-market respondents gave the highest rating to pension fund managers and the lowest rating to hedge fund managers.

Across the board, survey respondents inside Canada rated the effectiveness of the individual capital market systems lower than did respondents outside Canada (see **Figure 7**). In addition, the sentiment of those outside the country concerning the effectiveness of Canada's market systems improved slightly from the sentiment expressed in the 2009 survey.

Sentiment concerning legal protections for investors showed the biggest divergence in opinion between the two groups. Accounting standards earned

Ethical Behavior of Individual Market Participants

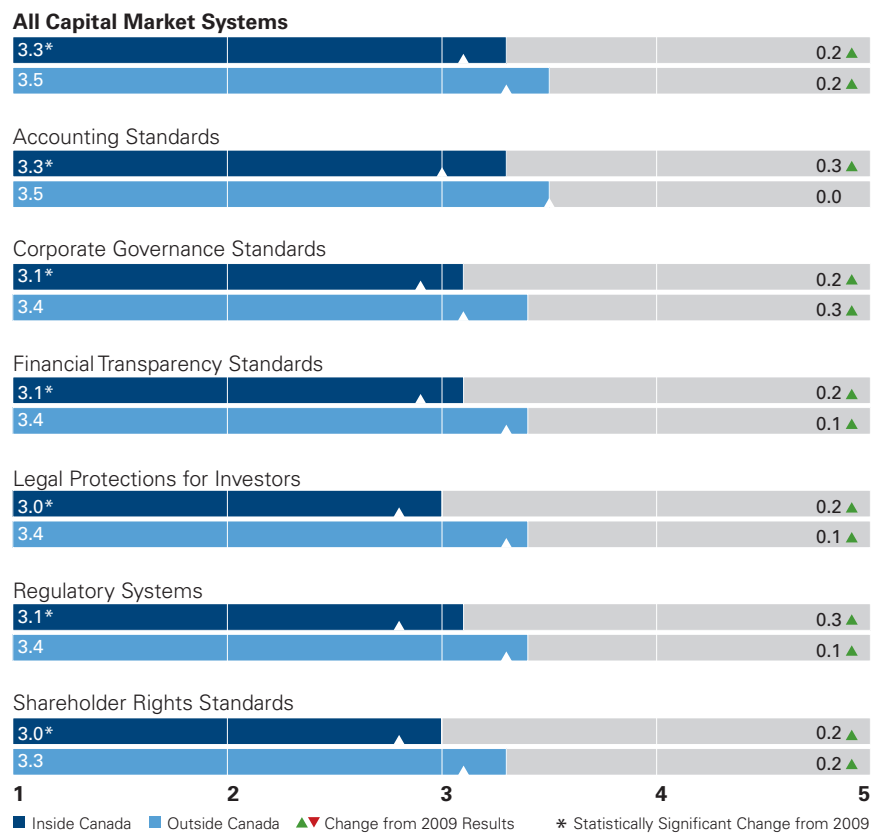
Figure 6



In-Market vs. Out-of-Market Perceptions

(continued)

Figure 7 Effectiveness of Regulatory and Investor Protections



the highest rating among market systems from those outside Canada, at 3.5. In-market respondents gave shareholder rights and legal protections for investors the lowest rating of the individual market systems (3.0).

In the eyes of those outside Canada, improvement was most significant in the perceived effectiveness of corporate governance standards, moving from 3.1 in 2009 to 3.4 in the current year. Despite the rough sledding in global markets over the last three years, the overall and individual category ratings for Canadian market systems have either held steady or slightly improved from 2008 to 2010.

Comments of Survey Respondents

More than 400 respondents offered comments on 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 for additional issues of concern and for any other comments.

More than 500 substantive comments were received; those responding with “no answer” or “nothing to add” 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 in which an individual raised more than one concern, each separate concern was identified and counted.

Figure 8
Survey respondents commented most about regulation and financial advisers.

Issues Raised Most Frequently	
Regulation/Regulatory Systems	111 comments (103 inside Canada/8 outside Canada)
Financial Advisers	77 comments (74 inside Canada/3 outside Canada)
Transparency	30 comments (28 inside Canada/2 outside Canada)
Conflicts of Interest	27 comments (24 inside Canada/3 outside Canada)
Insider Trading/Insider Dealing	22 comments (18 inside Canada/4 outside Canada)

Regulation

For the second year in a row, regulation and regulatory systems in Canada received the most comments from in-market survey respondents. The need for a single regulatory body to replace the current provincial regulatory system and the need for improvements in regulatory enforcement continue to be the two topics of greatest concern to those who offered comments.

As mentioned earlier in this Report, the 2009 survey by the Canadian Advocacy Council for Canadian CFA Institute Societies echoed the Financial Market Integrity Index survey respondents' opinion that regulatory reform and better regulatory enforcement are the most crucial issues when it comes to the efficient functioning of Canadian market systems.

“
The effort by the federal government to create a central securities regulator has so far been unsuccessful. The dispersed regulators at the provincial level make for inefficient apprehension [of offenders] and enforcement.

— Associate, Private Equity
INSIDE CANADA

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Comments of Survey Respondents

(continued)

Advisers

Financial advisers were the market participant group most often cited in survey respondents' comments this year as well as last year. The focus of the comments ranges from a lack of training or knowledge among some financial advisers to inherent conflicts of interest, particularly the inability of advisers to balance profit motives with the client's interests.

“
Front running is still very common among financial advisers, and compensation based on trading volume rather than performance encourages advisers' buy or sell [recommendations] even when the best strategy is to hold.

— Senior Financial Engineer
INSIDE CANADA

”

“
Too many so-called financial advisers are not qualified or properly regulated.

— Partner CFO
INSIDE CANADA

”

Transparency

For the third consecutive year, transparency was the third most frequently mentioned concern by survey respondents. In 2010, transparency regarding risk was less of an issue than in the prior year; this year more comments centered on the need for greater financial transparency and for full disclosure of potential market-moving events. Respondents also called for more transparency concerning executive and financial adviser incentives and compensation as well as adviser and mutual fund fees.

“
Public information is not as accurate as one is led to believe. Companies can control the type of information that is conveyed, including how much is disclosed in financial statements.

— Senior Manager
INSIDE CANADA

”

“
Disclosure of corporate market-moving events needs to be better.

— President
INSIDE CANADA

”

Comments of Survey Respondents

(continued)

Conflicts of Interest

Survey respondents cited the conflicts of interest faced by financial professionals as an issue to address in order to raise the overall level of ethical behavior and integrity in the Canadian markets. Many comments identified financial advisers as particularly egregious violators in this regard by failing

to place the interests of their clients first and foremost. Comments regarding financial advisers and conflicts of interest often contained references to the other, somewhat magnifying the weight of these concerns in the minds of respondents.

“
Conflicts of interest and misrepresentations of risk profile at mutual and hedge fund managers [are a concern].

— Vice President, Head of Managed Assets
INSIDE CANADA

”

Insider Trading

The presence of insider trading/insider dealing, combined with a lack of enforcement to stop and/or prosecute insider traders, was an issue raised by a number of survey respondents. The concern about insider trading may be related to the number-one concern of respondents—the need for a single Canadian regulatory body and stronger regulatory enforcement, which would include dealing with insider trading.

“
Trading on inside information and corporate finance issues is being done at any cost.

— Institutional Equity Sales
INSIDE CANADA

”

“
Canada has weak regulation when it comes to insider-trading corporate shenanigans.

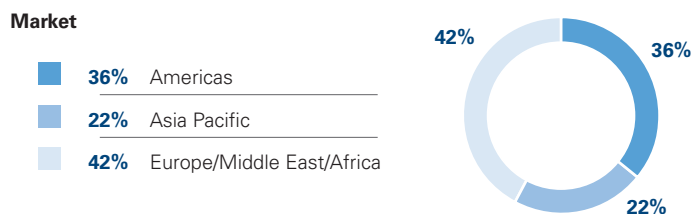
— Director, Workout Group
OUTSIDE CANADA

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Demographics

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

Overview of Out-of-Market Respondents



Respondent Profiles for Canadian Market

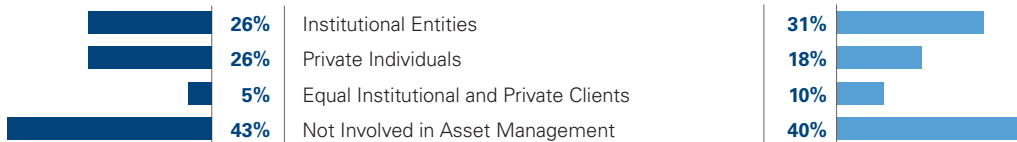
In Market (576 respondents)

Out of Market (883 respondents)

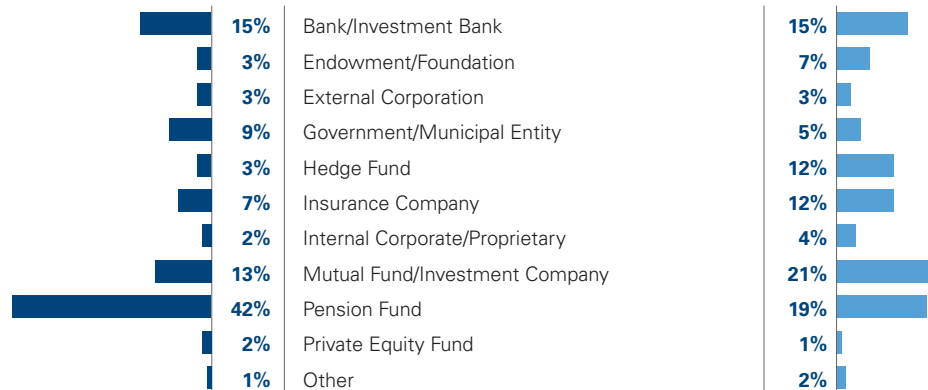
Buy/Sell Side



Client Asset Base



Institutional Asset Client Type



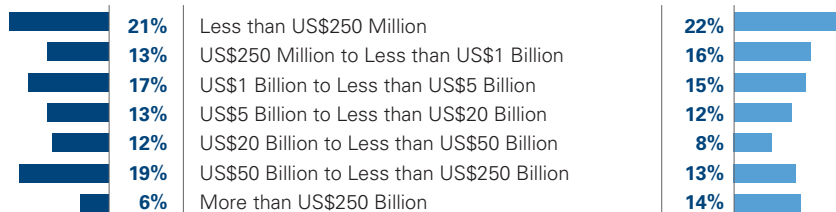
These results represent only those respondents identified as being in the "Institutional Entities" Client Asset Base category.

Respondent Profiles for Canadian Market (continued)

In Market (576 respondents)

Out of Market (883 respondents)

Assets Under Management

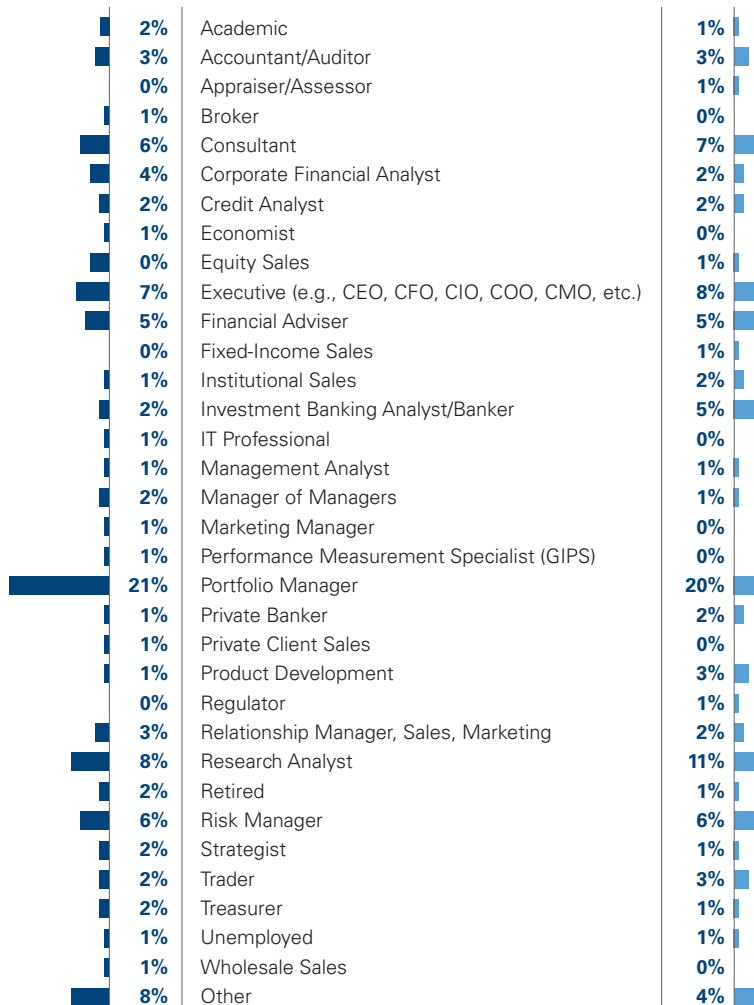


These results represent only those respondents identified as being in the "Institutional Entities" Client Asset Base category.

Years in the Investment Industry



Primary Job Function



NOTE: Percentages may not total 100 percent because of rounding.

Appendix

Results from 2008 to 2010

	In Market			Out of Market		
	2010	2009	2008	2010	2009	2008
	A	B	C	D	E	F
Overall Rating	3.2 BC	3.1	3.0	3.4	3.3	3.3
All Financial Professionals	3.5	3.4	3.4	3.5	3.7	3.6
Buy-Side Analysts	3.6 BC	3.5	3.5	3.5	3.6	3.4
Corporate Boards of Public Companies	3.4	3.3	3.3	3.5	3.3	3.4
Executive Management of Public Companies	3.3 B	3.1	3.2 B	3.5 E	3.1	3.4
Financial Advisers to Private Individuals	3.1	3.0	3.0	3.2	3.3	3.1
Hedge Fund Managers	2.8 B	2.6	2.7 B	3.0	2.8	2.9
Mutual Fund Managers	3.4	3.4	3.4	3.5	3.5	3.6
Pension Fund Managers	3.9 BC	3.7	3.8	3.7	3.8	3.9
Private Equity Managers	3.2 BC	3.1	3.1	3.2	3.0	3.0
Sell-Side Analysts	3.0 B	2.8	3.0 B	3.0	3.0	3.0
All Capital Market Systems	3.3 BC	3.1 C	2.9	3.5	3.3	3.3
Accounting Standards	3.3 BC	3.0	3.0	3.5	3.5	3.4
Corporate Governance Standards	3.1 BC	2.9 C	2.8	3.4 E	3.1	3.3
Financial Transparency Standards	3.1 BC	2.9 C	2.7	3.4	3.3	3.3
Legal Protections for Investors	3.0 BC	2.8 C	2.6	3.4	3.3	3.3
Regulatory Systems	3.1 BC	2.8 C	2.6	3.4	3.3	3.2
Shareholder Rights Standards	3.0 BC	2.8 C	2.7	3.3	3.1	3.3

NOTE: Column letters are used to denote significant year-to-year differences at the 95 percent confidence level. For example, a letter "B" next to a rating in column "A" means that the rating in column A is statistically significantly higher than the rating in column B at a 95 percent confidence level.

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

	In Market			Out of Market		
	2010	2009	2008	2010	2009	2008
Number of Respondents	462	506	589	267	76	57
	A	B	C	D	E	F
Very Unlikely	4% BC	2%	2%	3%	3%	4%
Unlikely	1%	4% A	2%	2%	1%	4%
Neither Likely nor Unlikely	13%	23% AC	17%	32%	38%	29%
Likely	36%	40%	40%	39%	39%	34%
Very Likely	46% BC	32%	39% B	24%	18%	30%

NOTE: Percentages may not total 100 percent because of rounding.

NOTE: Column letters are used to denote significant year-to-year differences at the 95 percent confidence level. For example, a letter “B” next to a rating in column “A” means that the rating in column A is statistically significantly higher than the rating in column B at a 95 percent confidence level.

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