CFA Institute

COVID-19-RELATED CRISES AND THEIR EFFECTS ON THE INVESTMENT MANAGEMENT INDUSTRY

Americas' Results: Brazil, Canada, Mexico, and US

June 2020

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AMERICAS RESULTS

One of the first indicators of the turmoil arising from the COVID-19 virus and the related economic shutdowns was the rapid and significant increase in volatility of global financial markets. Thousand-point-plus swings in market indexes not only became the norm in late February and early March, they created expectations of ever-rising disorder.

A month after the market mayhem, CFA Institute reached out to its global membership to gauge their assessment of the durability of the volatility, where it had made its presence felt most, and whether Dodd–Frank era rules helped to stem the collective crisis. Over the course of 10 days, between 14 April and 24 April, 13,278 CFA members responded to a sweeping survey on the virus's near- and long-term effects on the market. The 8% response rate produced results with an overall 0.8% margin of error.

In the pages that follow, we provide a report on CFA Institute members' responses to this survey. In this report, we focus first on their perspectives on how they and others in global investment markets were responding to the market and whether the turmoil would upset the trend in recent years toward increased investor use of index and exchange-traded funds. Included in the survey was a consideration of how trading market volume was affecting different asset classes across different types of markets.

The report then looks at how the regulatory system functioned during the turmoil, followed by members' recommendations on what market regulators should or should not do in these kinds of crises. We conclude with a short list of policy responses as the effects of the joint crises (we interchangeably use the terms "crises" and "crisis" to describe recent events) ease and economic activity resumes a modicum of normalcy.

We focus this report on four nations in the Americas: the United States, Canada, Brazil, and Mexico. No other market in the region generated a statistically significant universe of responses to create an accurate report. And while members in Mexico responded in higher percentages than members in other markets in the region, their collective numbers were limited to the point that the margin of error for Mexico was 13%, above the 10% threshold CFA Institute set as sufficiently indicative to include in the general survey results. This report includes those members' responses, regardless.

Rounding out the region, nearly 5,500 responses, or 41% of the global total, came from members located in the United States. Canadian members accounted for 1,615 responses, or 12.2% of the global total. Latin American members provided 427 responses, with 147 coming from Brazil, 59 from Mexico, and the remaining 221 spread across the region.

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Investment Market Performance

Members' views of the crises' effects on financial markets generally were in many cases dependent on where members are domiciled. Those in the United States and Canada differed—sometimes substantially—from Brazil and Mexico (remember, Mexico's data have a margin of error greater than 10%). For example, as shown in **Table 1**, whereas the responses of Canadian and US members mirrored closely the views of the overall membership on whether market volatility has or will change strategic asset allocations, Brazil and Mexico hinted at significant changes.

In particular, members in Brazil and Mexico expressed a more binary response to the volatility in the markets than did members in Canada or the United States, as shown by the much lower percentages of members from Brazil and Mexico expecting no significant changes to their investment strategies or choices. Likewise, members from the two Latin American nations were at least twice as likely to anticipate significant changes to their investment strategies and choices than were their fellow members in the United States and Canada.

When asked whether the crises would halt or reverse fortunes in the increasingly fierce battle between passive and active investing, members generally did not think the crises would have any effect. See **Chart 1**.

Market Liquidity Effects

Developed-Market Government Bonds. The survey brought some surprises about market liquidity, particularly between market categories within the Americas region. Whereas few Canadian members (10%) and even fewer US members (7%) saw an increase in liquidity for their government bonds, much greater percentages of members in Mexico (23%) and Brazil (20%) saw increases. See **Chart 2**.

A plurality of members from every market in the region reported a decline in developed-market bonds, negating the general tendency for a flight to quality in times of crisis. In

TABLE 1: HAVE MEMBERS' FIRMS CHANGED THEIR STRATEGIC ASSET ALLOCATIONS OR INVESTMENT CHOICES DUE TO MARKET VOLATILITY?

Response	US	CN	BZ	MX	Global
Investigating changes to strategic allocation	42%	43%	31%	35%	42%
No significant effect on strategic allocation	36	34	22	15	32
Significant changes to strategic allocation	22	23	47	50	26

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CHART 1: Index vs. Active Investing

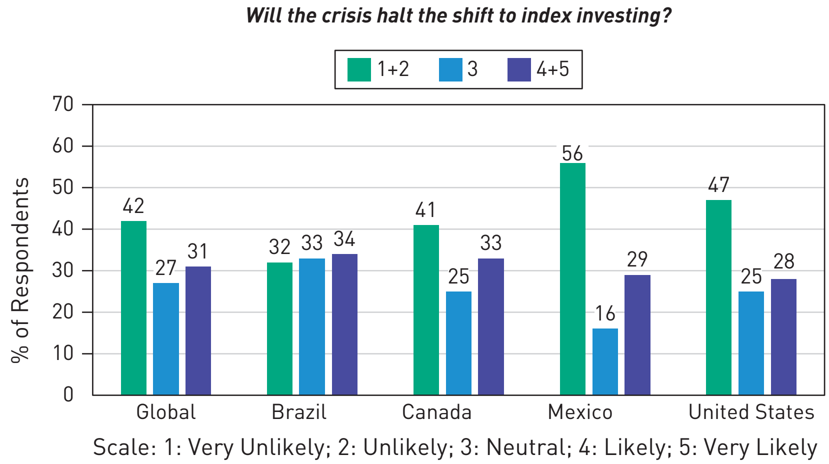
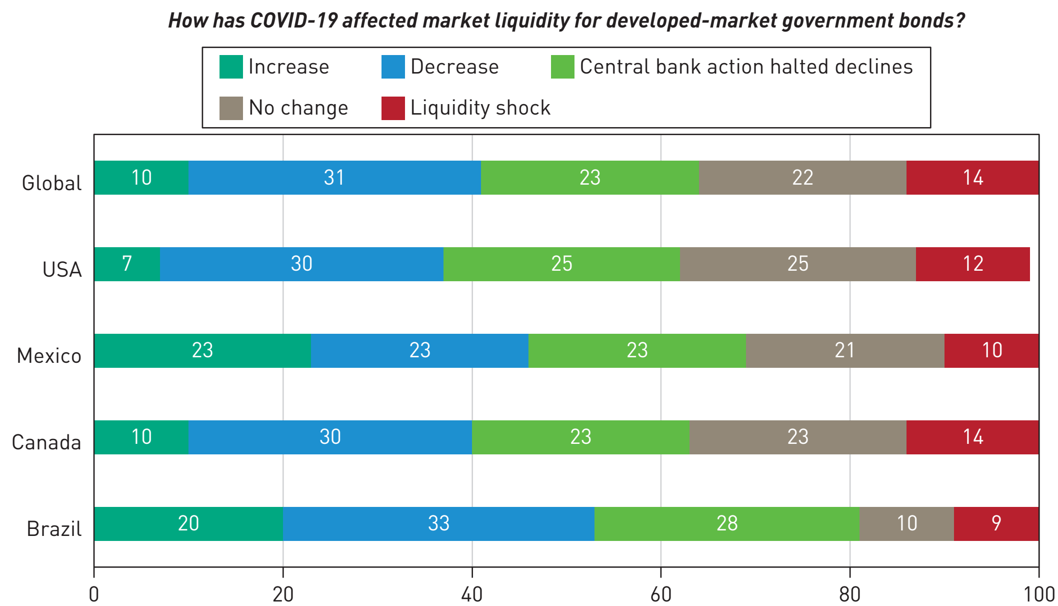


CHART 2: Changes in Liquidity for Developed-Market Government Bonds



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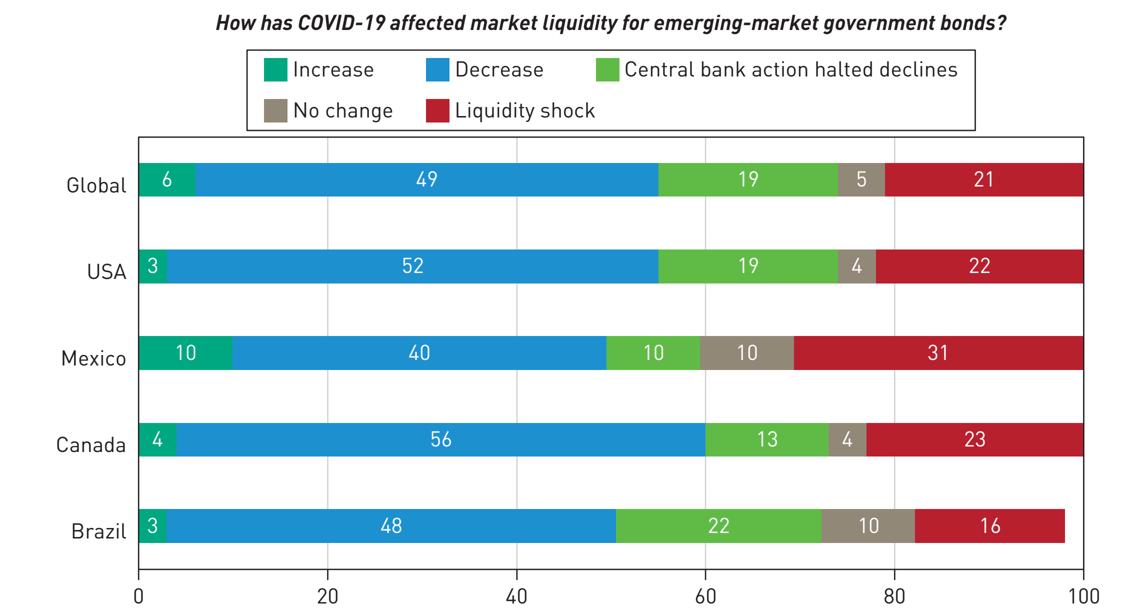
fact, Canada and the United States had among the largest percentages of members reporting liquidity declines in these bonds, though Brazil had the highest percentage of members reporting trading volume declines at 33%. Brazil (28%) and the United States (25%) had the highest percentage of members reporting no change in developed-market government bonds during the height of market turmoil.

Emerging-Market Government Bonds. Responses from members in any market were not as positive for emerging-market government bonds (see **Chart 3**). The percentage reporting a decrease in liquidity for these bonds was a magnitude greater across the board. Likewise, the percentage seeing liquidity increases for this asset class was generally lower than for developed-market government bonds.

Most respondents saw emerging-market government bonds enduring a liquidity shock of greater proportion than a general decline in liquidity. More than 20% of respondents in the United States (22%), Canada (23%), and globally (21%) saw the market turmoil as indicative of larger liquidity concerns than just a decline in trading volume. While the percentage of members in Brazil was least among members in the region at 16%, it was countered by members in Mexico of whom 31% said market liquidity for emerging-market

CHART 3: Changes in Liquidity for Emerging-Market Government Bonds



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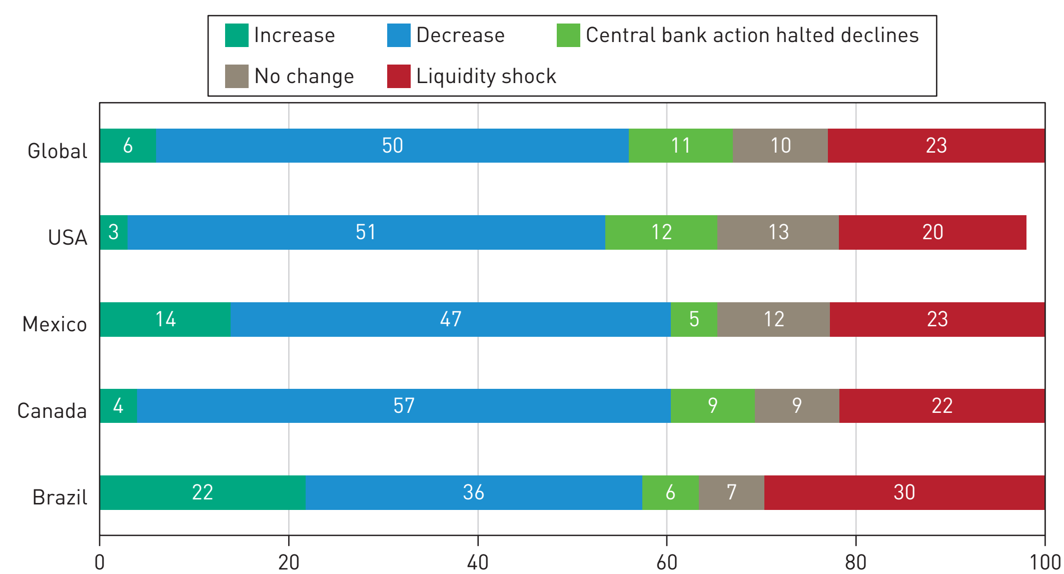
bonds amounted to a liquidity shock—eight percentage points higher than any other market in the Americas.

Equity Markets. A similar dynamic plays out in responses about liquidity in emerging- and developed-market equities. For instance, as shown in **Chart 4**, as was the case with government bonds, more emerging-market members in the Americas saw liquidity increases for equities in both market categories than did members from developed markets. Whereas just 3% of US members and 4% of Canadian members saw liquidity gains for emerging-market stocks, 22% of members in Brazil and 14% in Mexico reported increases.

As was the case in emerging-market government bonds, most members in the region saw emerging-market equities enduring a liquidity shock, with more than 20% of respondents in the United States (20%), Mexico (23%), Canada (22%), and globally (20%) seeing the market turmoil as indicative of larger liquidity concerns. The percentage of members in Brazil (30%) expressing this belief was seven percentage points higher than in any other market in the Americas.

CHART 4: Changes in Liquidity for Emerging-Market Equities

How has COVID-19 affected market liquidity for emerging-market equities?



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As shown in **Chart 5**, the percentage of Brazilian members (20%) and Mexican members (23%) seeing an increase in developed-market equities' liquidity was double—or more—the Canadian and global percentage (10%), and more than three times the percentage of US members (7%).

Corporate Bonds. **Chart 6** graphically describes troubles in the corporate bond market, reflected in the survey of members across the entire region. No more than 6% in any part of the region saw an increase in liquidity for the instruments, while more than 30% saw declines, with Brazil and Canada having the highest percentage of members—37% and 35%, respectively—seeing liquidity declines. Mexico was the outlier with a relatively small percentage of 29% seeing declines in liquidity for the instruments.

Likewise, a plurality of members in all parts of the region saw benefits from central banks' collective actions to stem the declines in buying interest and, therefore, prices. At 49%, US members' responses represented the highest plurality seeing the benefits of central bank action—seven percentage points greater than Mexico's, which had the second-highest percentage, seeing the benefits at 42%. The differential may have been due to the magnitude and visible effects of the actions of the Federal Reserve and the US Treasury

CHART 5: Changes in Liquidity for Developed-Market Equities

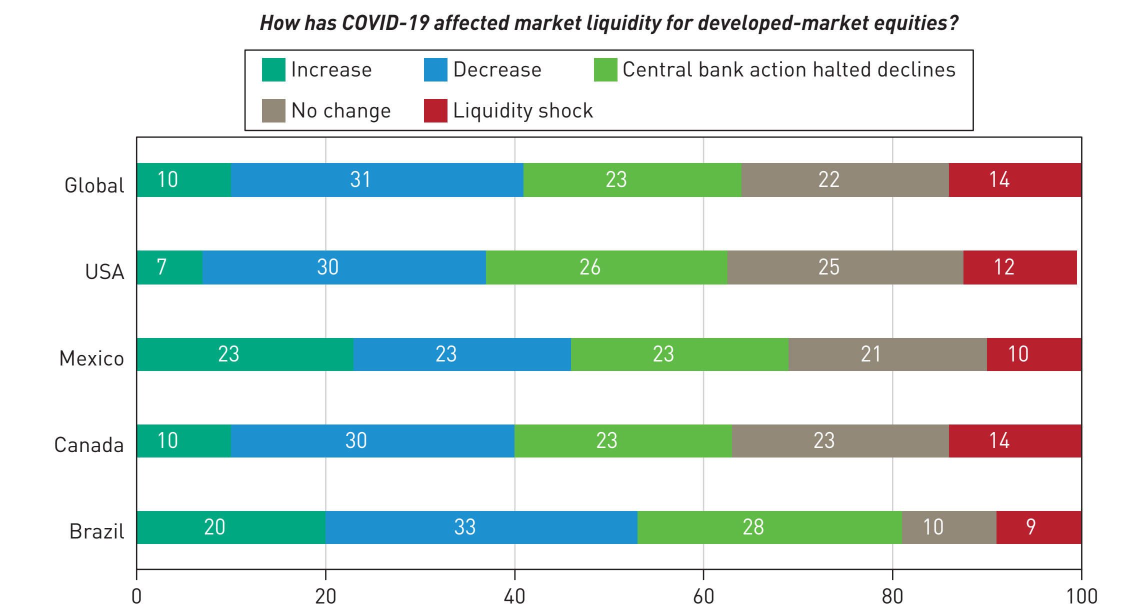
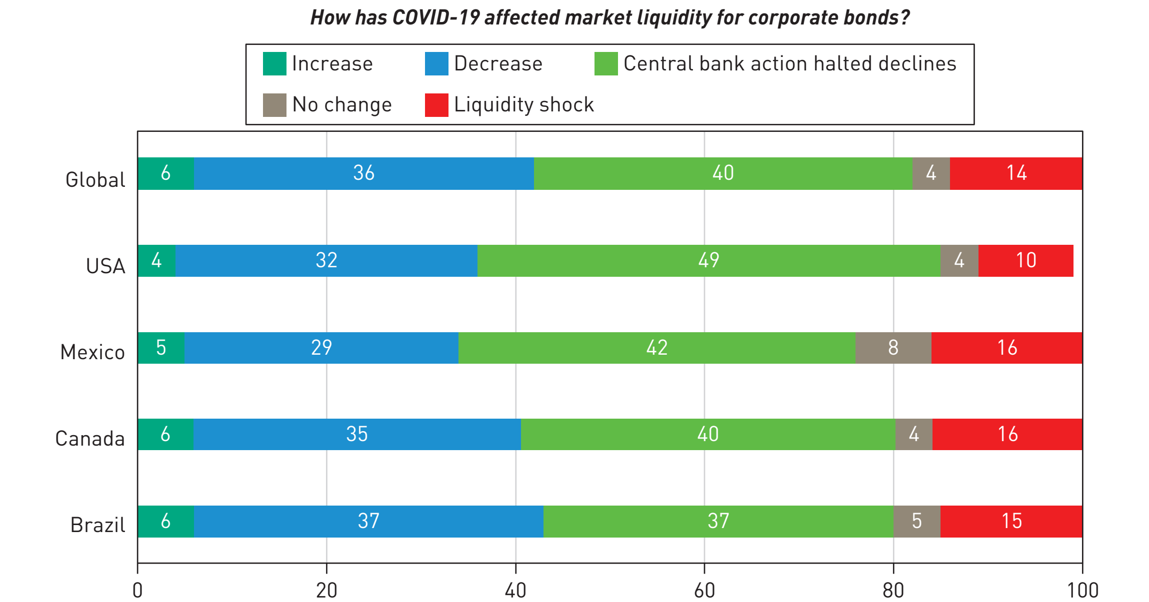


CHART 6: Changes in Liquidity for Corporate Bonds



in stemming market volatility. Members in Canada (40%) and Brazil (37%) were the least influenced by the central bank actions.

Systemic Effects

An event as significant in global influence as the COVID 19–created economic crisis is bound to generate discussions about its effects on the financial system, and in this case, the broader economic system. In our survey of CFA Institute members, we wanted to get their sense of the lasting effects they expect from the crisis. The results are shown in **Charts 7a and 7b**.

Lasting Effects of the COVID-19 Crisis

In Chart 7a, we see that members in the four nations reviewed disagreed on the most lasting effect of the crises. (Recall that the response from members in Mexico exceeds a 10% margin of error.) A plurality of 49% of Brazilian members, for example, saw consolidation within the financial services sector as the most likely outcome of the crises, while 56% of members in Mexico (the highest percentage in the Americas) saw an increasing

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CHART 7A: Long-Term Effects

Largest Long-Term Effects of Virus and Market Conditions on Financial Services

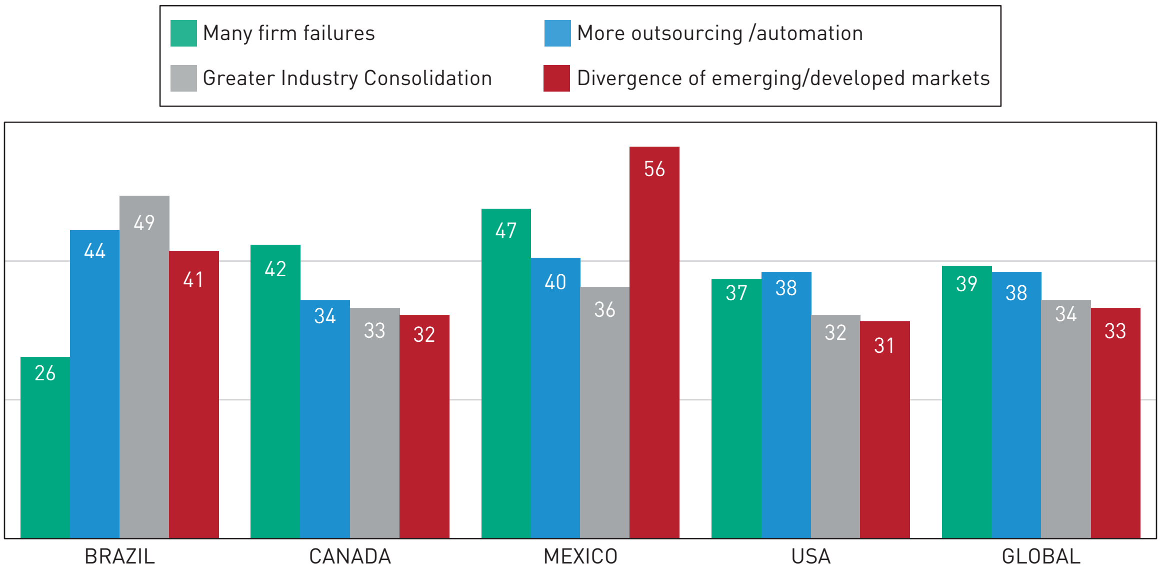
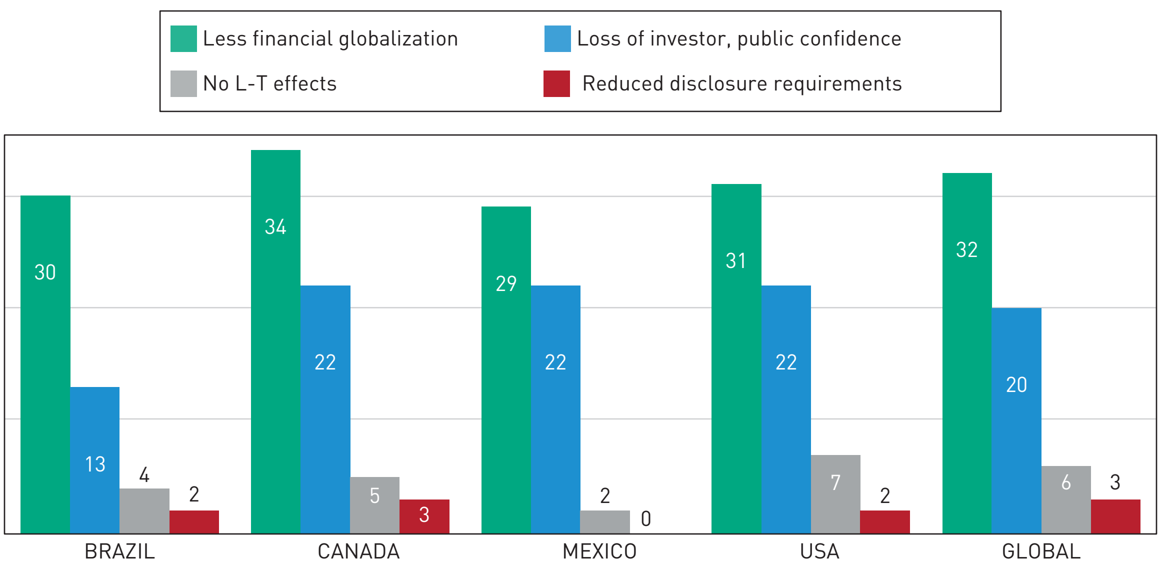


CHART 7B: Long-Term Effects

Largest Long-Term Effects of Virus and Market Conditions on Financial Services



divergence of emerging and developed markets as the likely result. Whereas US members (38%) chose outsourcing and automation as what to expect coming out of the crises, Canadian members (42%) opted for large numbers of firm failures. Canada's rankings were consistent across the board with those of members globally.

Responses to the second set of questions, found in Chart 7b, showed more uniformity across the region. Members in each nation saw a reduction in globalization of the financial services sector as a likely consequence of the virus-created crises. Among nations in the Americas, Canada at 34% had the highest percentage of members who saw this as the likely outcome—32% of members globally concurred—while Mexico's members had the lowest percentage in the region at 29%.

Unfortunately, an expected loss of investor and public trust in financial markets and the financial sector in general was the second most popular response of members across the region. Uniformly, 22% of members in Mexico, Canada, and the United States said this was a likely outcome, expecting the worst in light of the loss of trust following the 2008 global financial crisis. Only members in Brazil saw this as less likely than members globally, and by a significant margin at that, with just 13% seeing this as the most likely outcome.

Most sanguine about the long-term effects of the crises were US members, though even among them the percentage was a mere 7%, versus 6% globally, 5% in Canada, 4% in Brazil, and 2% in Mexico. Finally, no more than 3% in any Americas market saw regulators reducing disclosure requirements for securities issuers.

Members' Views on Support

In response to what they thought of government and central bank intervention in the economy and financial markets, the consensus perspective of Americas' members is that the support was needed, but that authorities needed to step back from their interventions as quickly possible to avoid creating lasting damage to the pricing and capital-allocation functions of the markets. The results from this line of inquiry can be found in **Chart 8**.

Members in Brazil were most adamant about the near-term end to authorities' interventions in the markets, with 61% of members choosing this answer to the question. Not surprisingly, US members were the second more demanding of an end to intervention at 53%, just ahead of Mexico, with 51% of its members choosing this response. Only Canadian members, at 48%, chose this option less frequently than members globally (49%). On the flip side of this option, it is not surprising that half of Canadian members said authorities'

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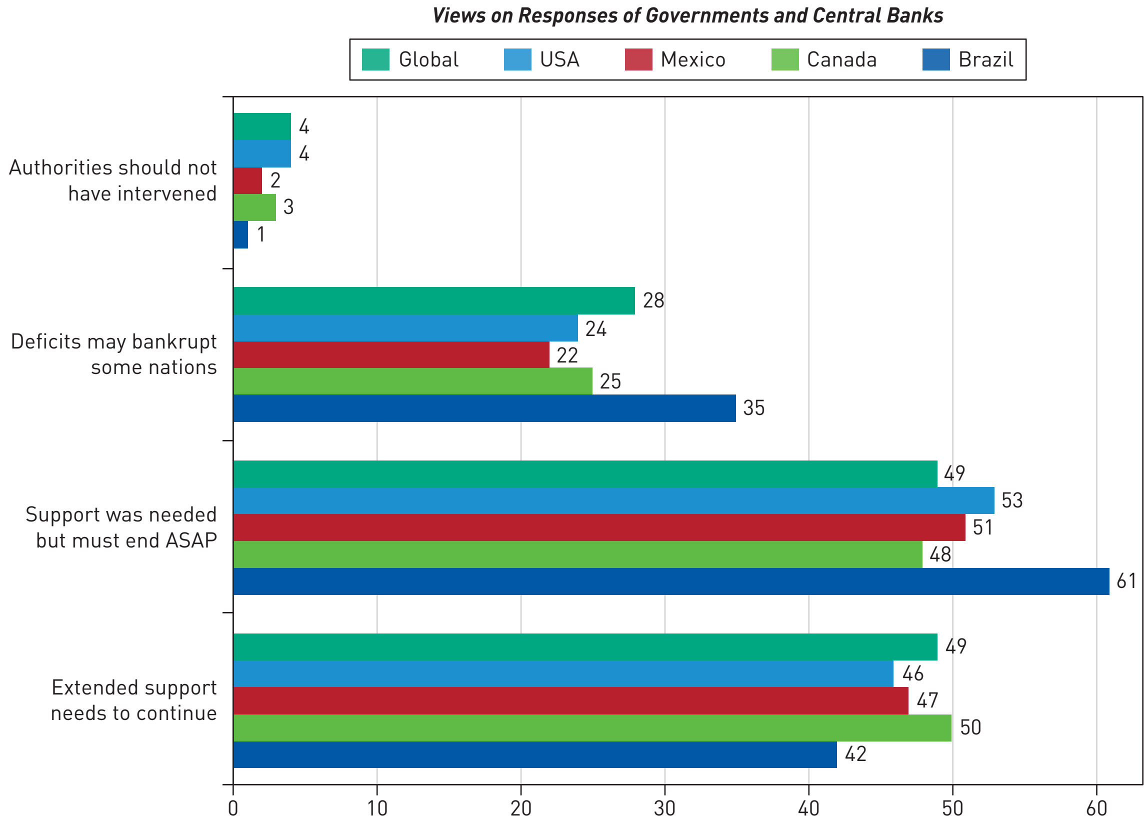
CHART 8: Views on Intervention Responses



interventions should continue for an extended period of time—higher than the global average of 49%, 3% higher than Mexico's members, 4% higher than US members, and 7% more likely than Brazilian members.

Brazil had the highest percentage of members (35%) saying the deficits resulting from government interventions would lead to bankruptcy and default in some nations. Only the response of members from Canada came within 10% of the Brazilians' response, with the response of Mexican members having the lowest percentage at 22%. Globally, 28% chose this as a likely outcome.

No more than 4% of members said authorities should not have intervened.

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Recommended Regulatory Actions

As part of the global survey, CFA Institute also asked members a series of questions relating to regulatory matters. These questions ran the gamut from the regulatory infrastructure in which members were operating to different temporary and long-term changes to address issues faced in the crises.

As with results for market performance, we have focused attention on the responses of members in four nations in the Americas: Brazil, Canada, Mexico, and the United States. Like the responses in the preceding sections, we note that the margin of error for the responses of CFA Institute members from Mexico is greater than the +/- 10% threshold CFA Institute set as sufficiently indicative to include in the general survey results. And, as before, we nevertheless include those members' responses in the analysis that follows.

What Regulators Should and Should Not Do

In the first set of questions, members were asked about a specific financial market regulatory policy and given the choice of whether market regulators should or should not adopt and implement such a policy. **Tables 2a and 2b** provide the results of eight possible regulatory responses to the COVID-19-related crises.

Ban on Dividends, Buybacks, and Bonuses. In Table 2a, members were first asked whether regulators should prevent companies from accepting government support to weather the crises through (a) paying dividends, (b) engaging in share buybacks, or (c) paying executive bonuses. Globally, three-quarters of members said regulators should proscribe such payments for companies accepting government assistance to endure the crises. Of course, the country with the largest payouts is the United States, where CFA Institute members supported such limits by a margin of 73% to 27%. Members in Canada and Mexico expressed the highest support for such limits at 77%, while Brazil's support was lowest in the region, though still robust at 72%.

Ban on Short Selling. The second question considered the possibility of banning short selling in their market. To paraphrase a member of the CFA Institute Capital Markets Policy Council, banning of short selling is the last refuge of a regulatory scoundrel. Indeed, members resoundingly opposed the proposition globally (83% to 17%) and in the region (91% to 9%). Within the Americas, opposition was weakest in Mexico (84%) and Canada (86%), and highest in Brazil (96%) and the United States (92%).

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Exchange-Traded Products. A new issue in the regulatory equation in these crises was the increasing importance of exchange-traded products (ETPs) such as exchange-traded funds (ETFs) and notes (ETNs). A month prior to the crises taking center stage globally, the Research Foundation of CFA Institute released a report noting the potential for systemic risk created by these new products. Among other things, the paper recognized the potential for authorized participants (APs) to step away from their role as arbitrageurs between the price of the exchange-traded instrument and the net asset value of the underlying basket of securities, particularly for baskets comprising illiquid instruments or whose underlying structures were leveraged or involved bespoke indexes. The paper also noted risks arising from the potential for the price of the exchange-traded instrument to lead the securities within the underlying basket rather than the other way around. Both of these risks were realized during the height of the market turmoil in late February and early March.

As shown in Table 2a, 84% of members in the United States, the Americas generally, and globally agreed that regulators should review their performance for anomalies and possible modifications in regulation. Support for such reviews were weakest—though still robust—in Brazil (71%) and Mexico (70%). In part this may be a result of their relatively short lifespan compared with the United States and Canada.

TABLE 2A: WHAT, IF ANYTHING, ARE THE MOST IMPORTANT THINGS THAT SECURITIES REGULATORS SHOULD OR SHOULD NOT BE DOING?

	Ban Dividends, Share Buybacks, and Executive Bonuses At Companies Receiving Emergency Support		**Ban Short Selling**		**Review ETF Performance During the Crisis**		**Educate the Public About Risks of Investor Fraud**	
	SHOULD	SHOULD NOT	SHOULD	SHOULD NOT	SHOULD	SHOULD NOT	SHOULD	SHOULD NOT
GLOBAL	75%	25%	17%	83%	84%	16%	94%	6%
AMER	74%	26%	9%	91%	84%	16%	94%	6%
BRAZIL	72%	28%	4%	96%	71%	29%	95%	5%
MEXICO	77%	23%	16%	84%	70%	30%	98%	2%
CANADA	77%	23%	14%	86%	86%	14%	96%	4%
USA	73%	27%	8%	92%	84%	16%	93%	7%

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Members were nearly unanimous globally and across the Americas in their view that regulators should help educate the public about the risks of investor fraud. Support was well into the 90%s in every market, with Mexico having the highest support at 98%. Regulators globally have indeed urged investors in their markets to maintain extra vigilance regarding the potential for fraudulent activities.

Shown in Table 2b, the survey posed two similar but separate questions. The first asks whether regulators should continue to focus on market surveillance, rulemaking, compliance exams, and enforcement actions. Asked in this manner, respondents showed strong and uniform agreement that regulators should pursue these activities. As was often the case with this survey, members in the United States expressed support at the low end of the range, in this case the lowest in the region at 81%, in comparison with 82% support globally and across the region as a whole. Support in Brazil (84%) and Canada (86%) exceeded the global average, while Mexico's 90% topped the chart in the Americas.

Posing the question differently, we asked whether regulators should suspend nonessential rulemaking and examinations until the crises pass. This approach garnered much less support across the region, with no market exceeding 59% (Brazil and members globally) or falling below 53% (Canada). Mexico (55%) and the United States (58%) fell within these extremes.

TABLE 2B: WHAT, IF ANYTHING, ARE THE MOST IMPORTANT THINGS THAT SECURITIES REGULATORS SHOULD OR SHOULD NOT BE DOING?

	Market Surveillance, Continue Rulemaking, Compliance Exams, And Enforcement Actions		**Close Markets**		**Suspend Nonessential Rulemaking and Exams Until the Crises Pass**		**Let Companies Temporarily Delay Reporting On Changes In Operations / Financial Condition**	
	SHOULD	SHOULD NOT	SHOULD	SHOULD NOT	SHOULD	SHOULD NOT	SHOULD	SHOULD NOT
GLOBAL	82%	18%	18%	82%	59%	41%	27%	73%
AMER	82%	18%	17%	83%	57%	43%	21%	79%
BRAZIL	84%	16%	10%	90%	59%	41%	46%	54%
MEXICO	90%	10%	18%	82%	55%	45%	44%	56%
CANADA	86%	14%	19%	81%	53%	47%	22%	78%
USA	81%	19%	16%	84%	58%	42%	20%	80%

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Regulatory Strategies during and after the Crises

The final set of questions considered how regulators should respond to the crises, both during the market tumult and after. In these questions, members were able to agree or disagree on a scale of 1 to 5, with answers of 1s and 2s registering as disagreement, and 4s and 5s as agreement. **Table 3** compiles these responses.

As shown in Table 3, responses to the first two questions elicited slim majorities. In the first, the slim majority (52% in the Americas)—or plurality globally at 50%—was given in response to whether regulators should relax market conduct regulation to encourage increases in trading and liquidity. Again, the slimmest support in the region to this question was with US members at 51%, which was still higher than the average for all responses globally. Canadian members, at 54%, rejected this proposal in the highest percentage, while Brazil and Mexico registered 52% opposition.

The second question that produced slim majorities or pluralities asked whether policymakers should quickly design new regulatory structures to help restart normal trading activity. Slim majorities or pluralities supported such regulatory moves, though nowhere in the region did support match global support for this proposition (53%). Members in Mexico and Brazil equally showed the least support for the idea at 49%, while Canadian members were most supportive at 52%. Half of US respondents supported the idea.

When asked whether regulators should take a back seat to the markets, members again uniformly though timidly rejected the proposal. Members in the United States were more likely to trust market forces than their colleagues in the region or globally, with 24% in favor of the idea versus 51% against. Only Canadian members' responses in opposition to letting the market take the lead (58%) exceeded the global average (56%), with Brazil and Mexico (both at 52%) falling between the United States and Canada.

The final regulatory question asked whether regulators should take a proactive role in calling on market participants to find solutions to current market issues. Support for this question was a magnitude higher across the board than for the earlier regulatory questions. Globally, members supported the proposal by a margin of 69% (4s and 5s) in support to 11% (1s and 2s) against. Support in Brazil, Canada, and Mexico topped the global response, with 71% in each market expressing support for a cooperative regulatory and industry response to the crises. Only members in the United States fell below the global average, at 65%.

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TABLE 3: ON REGULATION OF FINANCIAL SERVICES (BANKING, ASSET MANAGEMENT) IN TIMES OF CRISIS, PLEASE SELECT IF YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS.

	Regulation On Market Conduct Should Be Relaxed To Encourage Trading and Liquidity			**Regulators and Policymakers Should Design New Regulatory Frameworks Aimed at Restarting Normal Market Activity As Soon as Possible**			**Regulators Should Take A Back Seat and Let the Markets Fix Themselves**			**Regulators Should Take A Proactive Role and Consult With Firms On Possible Solutions**		
	Disagree (1+2)	3	Agree (4+5)	Disagree (1+2)	3	Agree (4+5)	Disagree (1+2)	3	Agree (4+5)	Disagree (1+2)	3	Agree (4+5)
GLOBAL	50%	24%	26%	19%	27%	53%	56%	23%	21%	11%	19%	69%
AMER	52%	25%	24%	21%	28%	51%	53%	24%	23%	12%	21%	67%
BRAZIL	52%	16%	32%	21%	31%	49%	52%	33%	15%	12%	17%	71%
MEXICO	52%	16%	32%	21%	31%	49%	52%	33%	15%	12%	17%	71%
CANADA	54%	25%	21%	18%	30%	52%	58%	23%	19%	9%	20%	71%
USA	51%	25%	24%	22%	28%	50%	51%	25%	24%	14%	22%	65%

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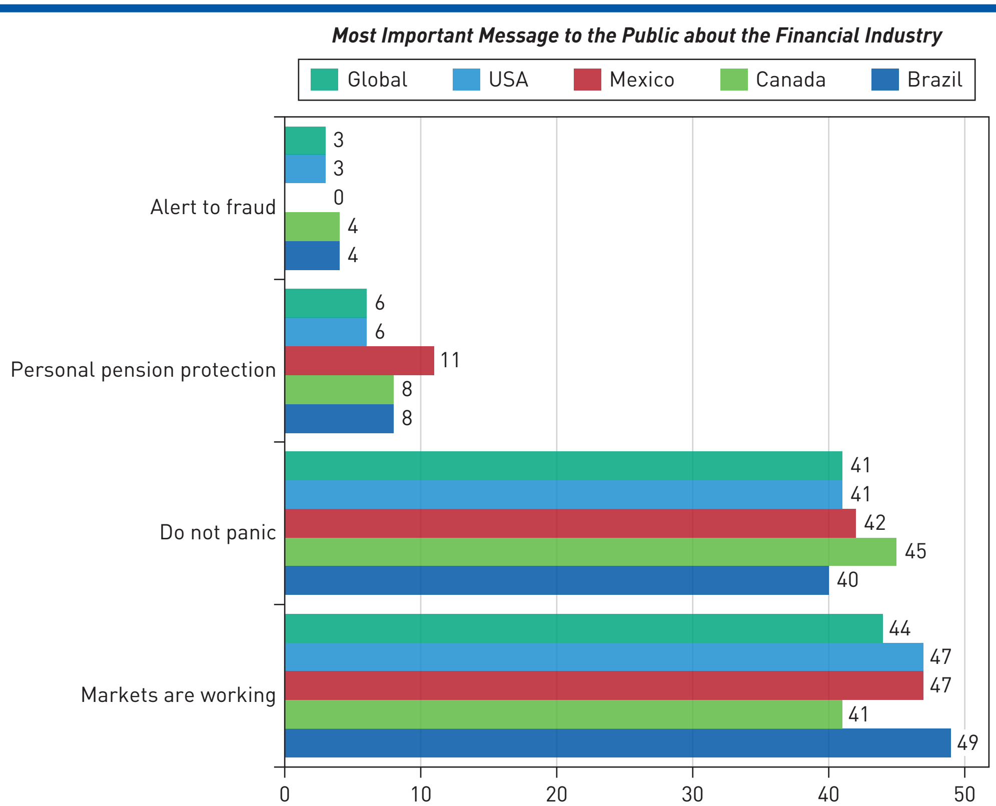
Advice to Investors

When asked what is the most important message CFA charterholders could convey to investors and the public, respondents produced generally uniform answers. Everywhere but Canada said the most important message was to assure the public that financial markets were functioning as intended despite the turmoil. Whereas a plurality of 44% of members globally, together with 47% of US members, 49% of Brazilian members, and 47% of Mexican members, expressed this as the most important message, Canadian members said the primary message should be that investors should not panic (45%) versus the message that markets are functioning (41%). The "don't panic" message was the second-highest vote getter in the other markets, at 42% among members in Mexico, 41% for US members and members globally, and 40% in Brazil.

CHART 9: Message to the Public



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It is interesting that only among members in Mexico was concern about protecting investors' retirement accounts above 10% (11%). Responses from members in Brazil were not far behind at 9%, with Canada and the global average at 8%. In the United States, this was a primary message for just 6%. No more than 4% of members globally (on average) or in the Americas said the primary message should be to alert investors to fraud.

Policy Recommendations

As evident from the survey, CFA Institute members recognized the substantial contributions of investment market regulators, as well as those of prudential regulators, during the COVID-19–based crises. For instance, members were nearly unanimous in their belief that regulators in the Americas did the right thing in not banning short selling or closing markets. The negative messages such actions would convey to market participants, particularly retail and institutional investors, would have to potential to damage investor and public trust in the functioning of market systems for years to come. It was appropriate inaction on the part of regulators at a time when members said the most important message to the general public was that markets were functioning as intended and that investors should not panic.

Likewise, members generally applauded regulators' forbearance on calls to permit securities issuers to delay financial reporting or relax the conduct of business rules. Financial reporting is no more critical to investors' decision-making than when markets are in turmoil. That regulators retained issuers' reporting requirements was uniformly welcomed by members throughout the region. Likewise, it was particularly important that regulators not relax the conduct of business rules during this tumult. Given expectations for and evidence of an increase in fraudulent activities in the investment markets, it was critical that regulators not only not relax their rules but also continue with their market surveillance, rules enforcement, and compliance exams.

Central Banks Support of Markets

While members were uniformly supportive of prudential regulators' actions to stem the extraordinary volatility of securities markets in March – fewer than 5% of members across the region opposed such intervention – their views on how quickly authorities should exit the markets was nearly evenly divided. In this regard, we recommend that policymakers look for ways to reduce their influence on and in markets and asset prices in an orderly and timely manner as is prudent.

Based on the foregoing survey results, CFA Institute also has the following recommendations for policymakers to consider.

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Regulators' Review of Trading in Exchange-Traded Products

On January 29, the Research Foundation of CFA Institute released a commissioned report on the potential systemic risks of ETPs, including exchange-traded funds. The report contended that ETPs may not function as intended in times of market turmoil in part because authorized participants may not step in to facilitate arbitrage trades at critical moments. This warning was prescient as circumstances in certain markets for less-liquid, bespoke, leveraged, and inverse ETPs were beset by mismatches between the net asset values for the ETP and the value of the related exchange-traded instruments.

Likewise, the report noted the reversal of direction within the ETP market, where prices for exchange-traded instruments were leading, and in many cases dictating, the values of securities comprising the ETPs' underlying index. The concern for CFA Institute was that price changes for the exchange-traded instruments would lead to higher correlations with price changes in the individual securities within the underlying indexes, rather than idiosyncratic price changes of those underlying securities. Our concern is that this could lead to greater systemic risk.

On the basis of these concerns, we believe market regulators, and perhaps prudential regulators, should study movements in ETP markets, particularly during the chaotic trading of late February and early March, as well as during the period that central banks are/were providing market support. The studies also should consider not just the effects on market pricing of central banks' decisions to purchase ETPs to stabilize prices, but also the actions of investment firms employed by central banks to engage in such price-stabilization activities.

In some cases, we expect the studies to find no negative implications for long-term market stability. Nevertheless, we believe such studies should be undertaken to answer market concerns, regardless of the answers they produce.

Investor Education on Fraud

While many members called on regulators to step up with greater investor education regarding risks of investor fraud, advocacy staff at CFA Institute are not as eager to make this recommendation. This is not due to a lack of interest in investor education on the part of CFA Institute. The need for such education is particularly acute at times of crisis such as global investment markets are facing currently.

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Rather, our reticence is due to the ineffective history of such efforts, as well as those of many private efforts. Educating the public about investing in general, not to mention educating the public to specific risks, has regularly proven difficult. These are issues about which investors either have little interest or experience anxiety in addressing.

We believe regulators would serve the public better at this time by focusing their attention on maintaining their market surveillance, compliance exams, and rules enforcement. This would help to recognize and halt fraudulent activities quickly, thereby limiting the number of defrauded investors.

Suspension of Nonessential Rulemaking and Exams

We call on regulators to proceed with and conclude rulemaking on matters initiated before the crises developed to avoid losing momentum on these topics and therefore forcing regulators and market participants to retrace their steps. At the same time, while we support proceeding with rulemaking in these cases, we believe it may be necessary for regulators to delay adoption and implementation of these rules until the effects of the current crises are appropriately addressed.

Moreover, we believe regulators should refrain from adopting or implementing rules related to matters initiated after the crises began. In many ways, market participants have been preoccupied with enduring the market volatility of February and March and assessing how markets may rebound in the future. Consequently, we fear that regulators may not have received a complete picture of firms' and investors' perspectives under these circumstances.

If you have questions or comments, please contact James C. Allen, CFA, at 434.227.1338 or at james.allen@cfainstitute.org, or Olivier Fines, CFA, at 011.44.207.330.9599 or at Olivier.fines@cfainstitute.org.

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