

Media Contacts

Steve Wellard
+44 (20) 7531-0755
steve.wellard@cfainstitute.org

Sarah-Jane Purvis
+44 (20) 7531-0766
sarahjane.purvis@cfainstitute.org

CFA MEMBERS IN EUROPE VOTE AGAINST SUSPENSION OF FAIR VALUE STANDARDS

EU leaders should stick to globally accepted accounting standards to rebuild confidence in the European Banking System

London, October 2, 2008 – In an overnight poll of CFA Institute members based in the European Union (EU), 79 percent of those who responded do not support the suspension of fair value standards under the International Financial Reporting Standards (Total of 597 respondents). 85 percent also think that a suspension of fair value standards would further decrease confidence in the European Banking System (Total of 559 respondents). CFA Institute polled its EU based members in advance of the summit called by EU and French President Sarkozy to establish a common European position on regulation.

Following the poll results, Jeff Diermeier, President & CEO, CFA Institute, and Nitin Mehta, Managing Director, EMEA, CFA Institute, submitted a letter to President Sarkozy, who is seeking more flexibility in accounting rules. The letter affirms that any weakening of accounting rules will not improve market stability and will further undermine investor confidence.

“On behalf of investor members, we respectfully urge you and EU leaders to carefully consider whether increasing flexibility in the fair value accounting standard will do anything to increase investor confidence in the European banking system.”

“CFA Institute believes that fair value accounting, coupled with accompanying disclosure, aids transparency and allows investment professionals to assess the financial health of a company. It can also discourage company management from taking imprudent risks. This financial crisis is about the mis-pricing of risk and ill-considered risk management. We do fully acknowledge that fair value should be based on more factors than an isolated fire sale price. However, masking financial performance through the suspension of fair-value accounting will not address these fundamental points and will continue to impact on investor confidence”

CFA Institute

CFA Institute is the global association for the investment profession. It administers the CFA and CIPM curriculum and exam programs worldwide; publishes research; conducts professional development programs; and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry. CFA Institute has more than 97,000 members, who include the world's nearly 84,000 CFA charterholders, in 134 countries and territories, as well as 136 affiliated professional societies in 57 countries and territories. More information may be found at www.cfainstitute.org

CFA Institute Centre for Financial Market Integrity

The CFA Institute Centre develops timely, practical solutions to global capital market issues. Established in 2004, the CFA Institute Centre builds upon the CFA Institute mission to lead the investment profession globally by setting the highest standards of ethics, education, and professional excellence. It carries forward the organization's 60-year history of standards and advocacy work, especially its Code of Ethics and Standards of Professional Conduct for the investment profession. More information may be found at www.cfainstitute.org/centre.

Poll Question & Results

Do you support a suspension of fair value standards under the International Financial Reporting Standards (IFRS)?

Total response = 597

Yes	127	21%
No	470	79%

Do you think such a suspension would increase or decrease confidence in the European banking system?

Total response = 559

Increase	86	15%
Decrease	473	85%

CFA Institute has just over 11,600 members in the European Union

Letter to President Sarkozy

2nd October, 2008

Dear President Sarkozy,

On behalf of our members, we respectfully urge you and EU leaders to carefully consider whether increasing flexibility in the fair value accounting standard will do anything to increase investor confidence in the European Banking System.

CFA Institute believes that any weakening of accounting rules will not improve market stability and will further undermine investor confidence. Accounting standards are developed to provide investors and other users of financial statements with a faithful representation of economic reality. Altering fair value accounting policies will reduce transparency, undermine globally accepted standards, increase investor risk and hence raise the cost of capital.

As a global body representing 97,000 investment professionals – with approaching 12,000 practicing members across the European Union – CFA Institute believes that fair value accounting, coupled with accompanying disclosure, aids transparency and allows investment professionals to assess the financial health of a company. It can also discourage company management from taking imprudent risks. This financial crisis is about the mis-pricing of risk and ill-considered risk management. We do fully acknowledge that fair value should be based on more factors than an isolated fire sale price. However, masking financial performance through the suspension of fair-value accounting will not address these fundamental points and will continue to impact on investor confidence.

Complaints about fair value arise largely in the context of their impact on capital adequacy. Rather than suspending fair value measurement, and thereby the transparency and relevance of financial information, consideration should be given to other means for addressing issues of capital adequacy.

We urge EU leaders keep fair value rules in place so that investors continue to have the most relevant or faithful representation of economic reality with which to make their decisions, particularly during periods of extreme market stress. Such transparency sits at the heart of restoring confidence and we should not allow ourselves to be distracted by fine tuning the accounting rules in the belief that this will fix the situation.

Yours faithfully,

Jeffrey J Diermeier, CFA
President & CEO
CFA Institute

Nitin Mehta
Managing Director, EMEA
CFA Institute