I A F E I

Q U A R T E R L Y

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INTERNATIONAL ASSOCIATION OF FINANCIAL EXECUTIVES INSTITUTES

The Premier Global Society of Financial Executives

Message from the Chairman

Dear IAFEI members,

Greetings to all from the Philippines!

It is my pleasure to present to you the 45th issue of the IAFEI Quarterly, the 3rd for this year.

So far, this year has been very busy for IAFEI, exploring opportunities to increase its membership and expand our footprint globally by partnering with international institutions.

Last June and August, we issued the 1st and 2nd issues of the IAFEI Forum, the e-newsletter of our organization. This publication is intended to be the venue for member-institutes to promote their projects and activities and make them known globally. It is also our way to learn from each other in terms of organization, committees and activities.

The IAFEI Technical Committee was also launched in June. I thank Piergiorgio Valente of ANDAF for taking on the responsibility to be its chairman and Filipa Correia to be the secretary. As we are in the process of building the foundation of this committee, I hope you can nominate your members to play an active role in the various working groups.

Also, the IAFEI brochure was recently updated and is now posted in our website, www.iafei.org, for your reference.

As we continue to improve the services that IAFEI provides to your organization, I hope you can do your share, together with the ExCom and Advisory Council, by providing articles to the IAFEI Quarterly and updates for the IAFEI Forum, by significantly contributing to the projects of the Technical Committee and by promoting the advocacies and activities of our global organization to your peers, among others. I believe, these will help us increase our membership.

For any suggestions and comments, you may share it through the IAFEI Secretariat at m.vinluan@iafei.org and secretariat.iafei@gmail.com.

I hope you enjoy this issue.

Thank you and all the best!

Sincerely,

EDUARDO "Ed" V. FRANCISCO
Chairman

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accenture
High performance. Delivered.

Agile change for digital finance – a critical capability to steer the digital transformation journey

by Mauro Marchiaro, Senior Managing Director Accenture, Italy,
and **by Riccardo Volpati,** Managing Director Accenture, Italy

Leveraging the true power of digital is about reinventing the Finance organization, changing its culture and operating model, to drive innovation and find new ways to provide high-value services and improve business outcomes. CFOs that have undertaken the digital finance transformation journey might have leant it the hard way: this is not a traditional fixed-scope project, as much as it is an extensive change endeavor that calls for a new mindset in the finance department and in the whole enterprise. As an example, think about Intelligent Automation, i.e. robotic process automation (RPA) and artificial intelligence (AI) applied to Finance business processes. Setting up a large Intelligent Automation journey with a traditional waterfall approach is highly likely to be a recipe for failure, at least for a couple of reasons:

1. All digitalization opportunities, and related process changes, cannot be planed upfront and some of the ones you will plan for will no longer be worth pursuing by the time you start developing; on the other hand, other opportunities that were not planned might materialize in the process

2. Once developed, your robots must keep evolving just like your operating processes, organization and people do; this will require skills in the team to effectively rewire the automations in the evolving business context

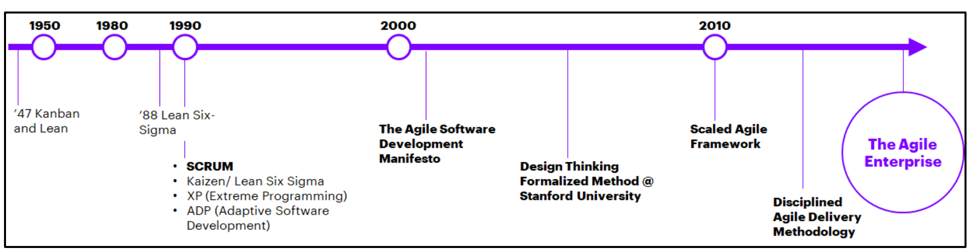
In view of these challenges, Agile turns out being a very effective way to conduct these changes, fostering collaboration between technology and business experts, allowing for frequent and scope adjustments, contemplating and managing multiple dependencies and contingent evolutions(business portfolio, systems, processes, people), while starting to achieve tangible results quickly, with incremental value and short feedback loops at each release.

Although that might sound great, the shift to Agile Change in Finance is not something that can be done overnight. This often goes together with the broader shift to Agile of the entire business organization. For us to better understand how pervasive this shift could be, let us take a step back, and start from the basics of what Agile is and what it requires to become a true capability.

What is Agile Change?

Initially related to software development and delivery process optimization, Agile has evolved into a managerial approach to change that encompasses the whole organization.

THE HISTORY OF AGILE IN BRIEF



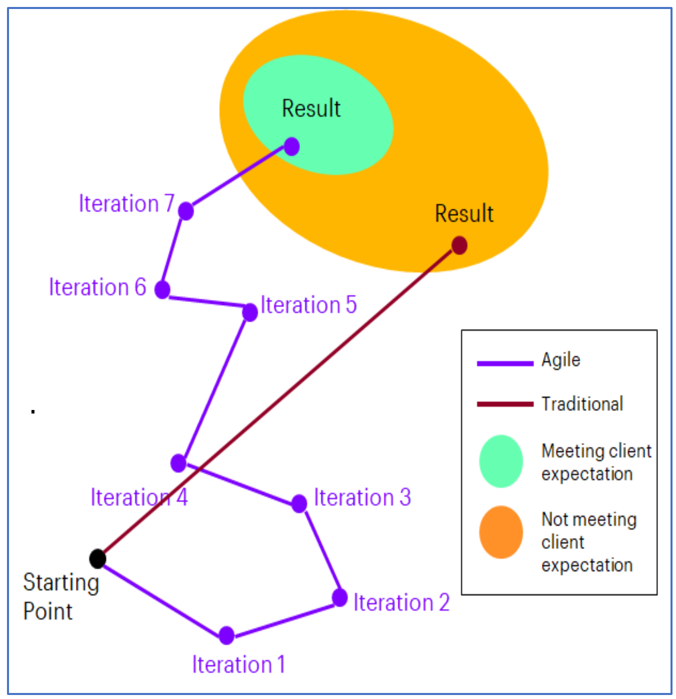
Agile has nowadays become a critical change capability (Agile Change) in global organizations that need to navigate and rapidly adapt to multiple disruptions and volatility. Organizations that shift to Agile Change have recognized that predicting change and its multiple implications is less valuable than being able to effectively sense and respond. Additionally, these organizations recognize that pursuing change with traditional deterministic approaches such as Waterfall is no longer productive, as this entails higher execution risk, longer delivery cycles and excess efforts/costs and, even more important, higher

FROM	TO
• Rules of the game don't change	• Change is to be expected
• Plan everything upfront	• Plan as you go
• Make decisions ahead of time	• Make decision based on what you learn

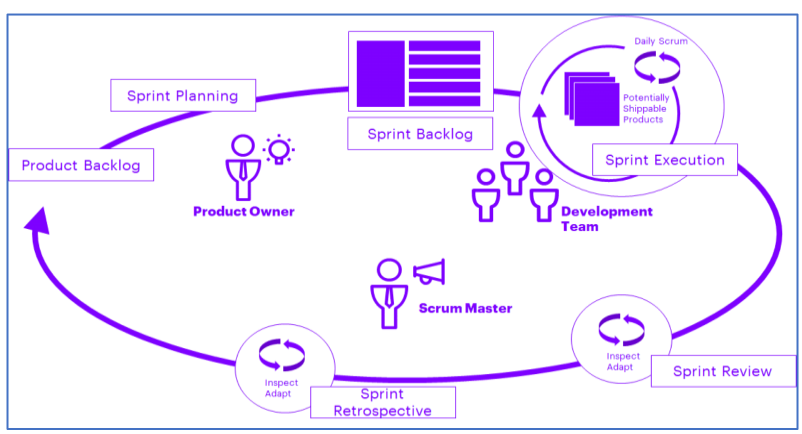
likelihood of not fulfilling customer expectations by the time results are delivered, when compared to Agile. In these corporate contexts, Agile is becoming a capability embedded in every part of the organization, that is applied in major change programs encompassing all aspects, well beyond technology delivery (Agile Enterprise).

In practical terms, setting a clear direction is still necessary (e.g. what should be the digital operating model of the Finance Department), but Agile is about getting there through multiple iterations rather than through the traditional full-blown "analysis – design – development – test - go-live" project phases. This allows to invest less time and effort on design and implementation planning, which in highly volatile environments typically generates waste and deviation risks, and to start implementing and releasing outcomes much sooner. This also helps ensure adherence of the results to the expectations of the client (which for Finance transformation could be the CFO himself as well as the CEO or the business line management), as all iterations should primarily target the requirements that are perceived as valuable by the customer. Customer experience will be fully embedded in the development efforts, as "users" are involved in the development sprints since the beginning, as opposed to be involved toward the end in the traditional testing/ user acceptance phases. When adopted at scale,

Additionally, Agile Teams are inherently cross-functional, likelihood of not fulfilling customer expectations by the time results are delivered, when compared to Agile. as the execution-oriented approach needs all the capabilities (business, technical, organizational, etc.) to be available inside the team, working together collaboratively in a simple and self-organized way. Below is an illustration of how the key roles work together according to SCRUM, one of the most commonly adopted Agile frameworks.



Agile change has substantial implications on the way companies operate. Agile Change inevitably challenges functional boundaries and organizational siloes. The roles that need to be part of Agile Teams must be iterating "in live", with frequent cadence, and participate to the activities in person.



What is needed to build Agile Change capabilities into the organization?

Agile Change is a capability that enables execution of large digital transformation journeys. When adopted at scale, it becomes the way to manage changes involving technology, processes, people and organization. Agile Change, however, challenges the traditional functional, siloed operating models by introducing constant, frequent and iterative cross-functional collaboration. For these reasons, to apply Agile in complex and long change journeys, shifts are required in Finance, IT/ Digital, HR and other business functions. Below is a summary of the four elements that can successfully enable adoption of Agile Change: Leadership, Talent, Collaboration and Culture

Leadership. In an Accenture study surveying 1.300 senior executives from leading Agile Organizations, "building the right leadership team" was defined as one of the key success factors fostering agility. Additionally, Accenture's Change Tracking data, which includes the collective insights of more than 1 million participants in 650 change journeys, outlines that "leadership" at all levels has the single biggest impact on performance

during any transformation, while "vision and direction" has the single biggest impact on realization of target benefits. The move to Agile Change needs to be driven from the top, at board level, with C-Level sponsors accountable for transition to a fundamentally different way of working and managing change. Leaders should encourage a culture of experimentation (fail safely - learn quickly). Finally, Agile requires distributed decision-making, as key decisions are taken by experienced stakeholders at every level (not only senior leadership) as this would result in loss of pace and bottlenecks. This also requires Finance to establish a very close working relationship with the business: if a solution (e.g. a visualization dashboard within a digital Enterprise Performance Management platform) will not be the same as originally planned, working with business Product Owners will ensure that anyway the product is valuable and relevant.

Talent. Agile change requires dedicated, experienced cross-functional teams. Senior Leadership will need to take a critical look at their workforce and consider whether they can rely on enough people with enough experience to build such cross-functional teams.

Finding gaps will not be unlikely, and to speed up mobilization these may need to be initially filled by recruiting experience subject matter experts or partnering with external players. Profiles that are most frequently scarce are IT people capable of working within agile frameworks, business analysts (within and beyond Finance) that can map customer/user journeys and propose innovative solutions and change management professionals who can work through the multiple releases and speed up adoption once changes are developed and live.

Collaboration. Success with Agile Change relies largely on working closely together with no friction and misalignment. When applied to digital finance transformation, this principle might be challenged by the organizational separation that traditionally exists between Finance, other corporate functions and business operations. Setting up temporary cross-functional teams is a common way to handle this challenge, which requires setting up the right governance, process and performance management structures so that functions continue to focus on their own objectives (be it finance, customer service or operations),), whilst also supporting the ability to free up to deliver specific transformation initiatives. The members of these teams need to take their badges off at the door of the "Agile room" and work closely together to achieve the desired outcomes. As a matter of fact, also workspace layout may be challenged by Agile change adoption, since barriers to collaborative working (such as different locations or sitting at individual desk) must be reduced. Basic collaboration tools (such as SharePoint) are an important factor to overcome constraints to collaboration and can be further extended to include more powerful enablers such as virtual whiteboards and pin boards, distributed design tools for co-creation, team-wide messengers and omnipresent video conferencing, allowing team members to collaborate effectively even when they do not sit together.

Culture. Agile Change requires openness to innovation and collaboration, forward-thinking and proactivity. To promote these cultural aspects CFOs should communicate clearly to the Finance team the new desired behaviors, keeping them simple and practical. They should encourage and reward people demonstrating these behaviors and show success stories. Retrospective times at the end of each iteration should be used, among other things, to help the teams reflect on how they could work together better. Also, performance management schemes can evolve to put more emphasis on collective performance and discourage silo mentality. Winning agile teams are highly focused on user/customer satisfaction, have strong collective commitment to results and achieve them primarily through strong collaboration.

Bringing it all together: why is Agile Change relevant for digital finance transformation?

As mentioned above, Agile Change is emerging as a critical capability to manage business change in fast-evolving businesses and operating models. As outlined by an Accenture studies on the evolving role of Finance Leaders, CFOs are highly involved in business change, in the "front-line" of enterprise digitalization, building on their knowledge of data, analytics and finance to navigate uncertainty and shape strategies. Looking ahead, Finance leaders will increasingly focus on a set of priorities that outline a leadership role that goes beyond traditional Finance boundaries.

In this perspective, Digitization of Finance is now a requirement, and the fundamental transformation of the Finance operating model is already underway in most corporate environments. As digitization of Finance becomes more pervasive, adopting Agile Change for large-scale Finance transformation programs can offer significant advantages such as:

- A clear focus on outcomes and benefits
- Putting customers (i.e. "internal customers" in particular) at the heart of the design
- Emphasis on speed to benefits
- Ability to manage changing priorities along the way, thus lowering delivery risk and "flexing" program costs

These advantages are extremely relevant in Finance digitalization, as value (mainly in the form of higher productivity, lower costs and better insights) and user experience (better decision support and business outcomes) are and will increasingly be key measures of success.

Mauro Marchiaro, Senior Managing Director Accenture, Italy

Riccardo Volpati, *Managing Director Accenture, Italy*

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Opinion statement on European Tax Advisers' policy priorities for the EU Mandate 2019-2024

Jointly prepared by the CFE Board and CFE Technical Committees submitted to the European Institutions on 12 July 2019

This Opinion Statement sets out the policy priorities of European tax advisers for the 2019 - 2024 mandate of the European Institutions.

I. General Remarks

The current era of taxation policy making is marked by a multitude of global players and unprecedented levels of cooperation in several areas. The international tax governance network is obtaining new members: the well-known bodies such as the OECD, with the extended BEPS Inclusive Framework, and the UN Committee of Experts on International Cooperation in Tax Matters are joined by other institutions in weighing in on the international tax policy debate: the World Bank, the International Monetary Fund and, last but not least, the European Union.

The European Commission, the Council of the EU and the European Parliament have taken up the gauntlet and pursued an ambitious anti-tax avoidance agenda in the past years. Increasingly, national tax authorities cooperate more closely at international level, creating initiatives such as Tax Inspectors Without Borders, joint tax inspections and audits, and work together on multilateral advance pricing agreements. In addition, the post-BEPS exchange of information on CbCR and tax rulings are indicators of increased cooperation, albeit in a slightly different vein. This fast-paced change poses enormous pressure on the tax profession, the existing cooperation framework mechanisms and the tax cooperation possibilities. As the EU institutions are considering the policy priorities for the next mandate, CFE Tax Advisers Europe is taking the opportunity to set out the tax and professional affairs policy issues it identifies as significant concerning taxation and the future as follows in the Opinion Statement below.

II. Taxation of the Digitalising Economy

Under the designation 'taxation of the digitalizing economy', We recognise the difficulties in pinpointing all digitalising business models as current definitions are likely to become outdated in due course. However it is precisely because of the fast-paced change of the digital environment that today's solutions must be future-proof and consistent with the principles of aligning profit with underlying economic activities and value creation. As noted in CFE's submission to the OECD public consultation on the tax challenges of the digitalising economy1, it emerges that a new international tax framework would be required to make the new profit allocation methods operational in a global setting: new legal instruments, guidance and widespread multijurisdictional consensus. Inevitably, the issue of double taxation would arise, which is already difficult to address considering the bilateral nature of double taxation treaties and inadequacy of tax dispute resolution mechanisms at present.

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In absence of a common approach, we are increasingly facing an uncoordinated international tax landscape, consisting of unilateral actions being taken by individual countries. Such actions inevitably lead to misalignment of tax bases globally, resulting in double taxation and significant compliance burdens for businesses. As a consequence, such actions will stifle economic growth and innovation.

A longer-term view seems appropriate to evaluate the entirety of the remaining BEPS issues. Within the EU, a number of anti-BEPS legislative measures have been introduced, such as the ATAD directives, which significantly reduce the incentives to shift mobile tax bases to low-tax jurisdictions. From an EUperspective, this is particularly the case where policy initiatives such as the introduction of CFC rules are designed to achieve the same objective as the OECD's income inclusion rule.

In addition, the EU's objectives as set out with establishment of the 'blacklist' of non-cooperative jurisdictions for tax purposes are closely aligned with those of the BEPS project, which is to increase transparency and encourage compliance with anti-BEPS measures.

CFE believes that a *de minimis* threshold should be considered in relation to the global anti-base erosion proposals to prevent these rules from becoming a barrier to business development, innovation and new markets. This is relevant in particular as the risk of increased profit shifting concerns large global companies of a particular size, and not SMEs or emerging businesses. As tax advisers, we would not like to see proposals which continue to put pressure on the existing transfer- pricing framework. Any disparity in the implementation of minimum tax rate proposals will inevitably lead to double taxation in instances where countries fail to take into account tax already paid under such regimes (under CFC rules or under the GILTI regime in the United States).

The outcomes of a global minimum tax rate will differ significantly depending on the chosen model: jurisdiction-by-jurisdiction approach vs. an average rate approach. The complexities in designing a minimum tax rate in a global context should not be underestimated. It will be technically very challenging and, as such, will require significant efforts by the OECD and the Inclusive Framework jurisdictions to ensure close international coordination.

CFE Tax Advisers Europe is supportive of a coordinated international policy response on the issues that arise from digitalisation in order to avoid fragmentation of the EU Single Market, and the risk of double or multiple-taxation. We therefore strongly support collaborative work towards a future-proof, longer-term reform of the international tax system that addresses the tax challenges of the digitalisation of the economy. Given the rate of transformation of the global economy, the solutions that we discuss need to be ambitious and sustainable in the long-term, able to follow the pace of emergence of new business models. To that end, CFE Tax Advisers Europe encourages redoubling of efforts to achieve an early consensus among the Members of the Inclusive Framework on the way forward. CFE's detailed views on the OECD consultation document can be found here. CFE's views on the EU proposals that we understand may be resurrected should the interim paper fail to progress a global solution is set out in an Opinion Statement here.

III. Taxpayers Rights and Tax Certainty

CFE has strongly advocated in favour of binding, or other equally effective, mechanisms that set out in clear terms the rights and obligations of taxpayers so that these can be adhered to and followed by tax administrations and relied on by taxpayers. This needs to be the case not only in Europe but also in all other countries in the world. We believe the fundamental rights of taxpayers need to be enshrined in law or in arrangements which have the full support of tax administrations. CFE has fully endorsed the EU's approach and views expressed by the European Commission that a Code or Charter on Taxpayers' Rights

1 Opinion Statement FC 1/2019 CFE Response to the OECD Consultation Document: Addressing the Tax Challenges of the Digitalising Economy Issued by the CFE Fiscal Committee Submitted to the OECD on 5 March 2019, available to view at: http://taxadviserseurope.org/wp-content/uploads/2019/03/CFE-Response-OECD-Consultation-Taxation-of-the-Digital-Economy.pdf

Can enhance the efficiency and effectiveness of tax systems and can also increase the tax morale of European citizens. After a public consultation in 2012 and an intensive work programme the EU Member States published Guidelines for a Model for a European Taxpayers' Code, which we believe could form the basis of future work by the European Commission in this area. CFE has recently written an opinion statement on tax competitiveness touching on issues concerned with tax administration. It can be located here. A further statement on tax certainty can be viewed here. Recently, CFE, on behalf of the Global Tax Advisers Platform (GTAP), has strongly supported OECD's proposition that increased tax certainty and strengthened taxpayers' rights could serve as a proxy for increasing tax morale among individuals and businesses.3 To that end, in order to protect the rights of both taxpayers and tax administrations, mandatory obligations on both should be established in these charters or cooperative compliance programmes. As a means of providing advance certainty for taxpayers by tax administration, CFE is supportive of any programmes that establish such protection for taxpayers. We support both cooperative compliance programmes and tax ruling practices that comply with the OECD and the EU tax good governance standards and primary EU law rules. Equally, cooperative compliance was recently endorsed by the IMF/OECD, on the basis that "cooperative compliance programs could reduce uncertainty for low risk companies, assist tax administrations to better focus their resources and promote a culture of greater trust".

In the same vein, where tax administrations provide tax rulings and Advance Pricing Agreements (APAs) these have proved to be an effective tool for the prevention of tax-related disputes, especially with respect to transfer pricing issues. They provide the taxpayer with advance knowledge of the tax treatment of particular transactions and therefore allow certainty for taxpayers in planning for the future, and also prevent the risk of subsequent disputes. The EU should harmonise measures that would outline an EU framework of tax rulings.

All Member States should be required to establish simple and effective procedures for the conclusion of bilateral/multilateral APAs and/or confirmative tax rulings. Such a coordination of national procedures would benefit investment and competitiveness by providing clarity and a more predictable tax environment, as well as by simplifying the rules applicable in the EU Single Market. However, in order to balance these measures to protect taxpayers' rights obligations on both taxpayers and tax administrations should be established, such as in the horizontal monitoring in the Netherlands. This is particularly the case considering the importance being placed on personal data security and confidentiality following the GDPR which came into force on 25 May 2018. Although the majority of tax treaties since the mid-1900s have included provisions for exchange of information, recent measures have progressed to agreement, both within the European Union and at international level, which have enhanced investigative powers of tax administrations and increased the amount of taxpayer information required to be provided to tax administration.

In a time of immense change in the international tax environment, CFE believes that tax certainty must become a priority of policy makers. Whilst CFE appreciates the importance of measures to tackle aggressive tax avoidance schemes and base erosion and profit shifting (BEPS), it believes that the balance of legislation must be redressed to promote certainty for individual taxpayers and business and, consequently, economic growth.

In redressing the balance between taxpayers and tax administrations, CFE believes that tax certainty is only one element of the equation. We would encourage EU-level measures to encourage consistency of treatment of taxpayers by tax authorities to reinforce certainty. To that end, an EU-wide charter on taxpayers' rights should encompass both the concept of certainty and the concept of consistency of application

2 http://www.taxpayercharter.com/charter.asp?id=15

3 http://taxadviserseurope.org/blog/portfolio-items/opinion-statement-on-the-oecd-consultation-on-draft-report-on-tax-morale-2/

and treatment. In addition, cooperative compliance programmes, and a system of broader advance rulings would help with both certainty and consistency of treatment and application.

III.1 Common Approach to Anti-Avoidance and Substance Measures

A related point follows regarding tax certainty, which CFE would like to draw focus on, concerning issues related to anti-avoidance and substance measures. Taxpayers and tax advisers have had to ensurethey are compliant with an unprecedented scale of recently introduced anti-avoidance measures, which brought with them new concepts such as the Principal Purpose Test (PPT), the GAAR introduced by ATAD, substance requirements based in CFC rules, as well as local and different approaches aimed at reducing tax evasion. These new concepts, as well as new approaches which must now be applied to some old concepts (such as beneficial ownership, given the new approach of the CJEU in the Danish beneficial ownership cases), create a hard-to-follow path where the same terms are used differently by different Member States. Moreover, the distinction between them appears to be difficult to draw in many cases. The reason is that, generally speaking, these concepts refer to "business substance" requirements – a non- defined term, currently used as a major test for granting tax benefits.

While it is fully understandable that certain actions are needed in order to preserve tax fairness, it would be highly desirable to create a common EU understanding under which substance-related terms are applied and understood. CFE would accordingly welcome and join any initiative aimed at producing further guidelines and clarifications aiming at better, fair and certain use of the anti-avoidance measures.

IV. Mandatory Disclosure Rules

Following the implementation of the European Union Mandatory Disclosure Rules Directive (DAC6) will continue to be a priority for CFE Tax Advisers Europe.

In the course of the implementation of the Directive, CFE has set out its expectation that European Union Member states will fully respect the legal professional privilege reporting wavier of Article 8ab(5) of DAC6 in the transposition of this Directive, in those Member states where such rights exist for tax advisers under domestic law. As discussed *supra,* CFE would welcome a coordinated transposition across the European Union.

V. Tax and Climate Change – Sustainable Tax Policies

Climate changes affects us all. CFE members aspire to share their unique knowledge on tax with governments and other international stakeholders in the process of transition to a low carbon global economy. Tax policy is a key tool to internalise environmental costs and foster the transition to a low carbon economy, for the generations to come. CFE can accordingly see merit in policy proposals being subject to a thorough climate change and environmental assessment. Future-proof tax systems are an equilibrium between today's public finance needs and tomorrow's sustainable policies.

VI. Sustainable Tax Systems & Tax Competition

Tax competition and competitiveness is a question of balance in tax policy in general. It is not only a matter of EU Member States following primary and secondary EU law, but all Inclusive Framework jurisdictions (in the case of BEPS initiatives) implementing and adhering to agreed initiatives. If this is not the case, issues of competitiveness arise. The EU is at the forefront of providing equilibrium in this respect.

Reducing complexities and distortions in the tax system is crucial to improving tax competitiveness. It requires the introduction of simple and easy to understand tax laws which ultimately work well in practice. In this respect, legislation should set clear general principles, which seek to prevent misinterpretation of the rules by both taxpayers and tax administrations. At EU and international level, coordination should be pursued in order to avoid mismatches and loopholes that create opportunities for double interpretations. The established standards should also provide for best practices within the legislative process. In particular, stakeholders should be given the opportunity to meaningfully engage with legislators prior to the introduction of legislation and during the implementation stage of new legislation. Additionally, tax policy choices between Member States (and within Member States) should be able to support quality healthcare, security, public safety, education and infrastructure, as basic pillars of the social model underpinning the European Union.

From our perspective, sustainability of tax systems should be seen as an equilibrium of investment and growth-friendly tax policies that support the social goals of each Member State and the EU Single Market as a whole. We welcome coordinated measures that reduce cross-border tax barriers on doing business and compliance burdens, such as the introduction of instruments such as the Mini One-Stop-Shop (MOSS) (soon to become OSS). We also welcome any measures that ensure clear guidance and that are fit for purpose to allow taxpayers to do business in a simple, efficient and coherent manner throughout the EU. CFE is pleased to be part of the Human-Centred Business Model Project, which seeks to create a practical business model that provides a real choice for entrepreneurs who are looking for an opportunity to conduct their enterprises in a sustainable manner (creating an alternative approach to doing business that potentially combines profit-seeking with the social and environmental sustainability (link).

Notwithstanding the above observations, we would also like to emphasise that it is not only the process of achieving harmony in tax competition and competitiveness which may, ultimately, boost economic growth and benefit EU citizens. It is also a question of balancing other policy areas from safety through to judicial systems, transport policy and a properly functioning financial market, to name but a few. Achieving economic growth which will benefit EU citizens can only be achieved if the system is balanced across these complex and interrelated areas.

VII. Double Taxation and Dispute Resolution

Given the ever-increasingly complex interplay of tax legislation for taxpayers involved in cross-border trade, dispute resolution will become a more significant issue in taxation. To that end, CFE's Forum in June examined issues concerning dispute resolution and a statement surrounding the outcomes of the panel discussions at the Forum will be produced. A previous statement concerning disputes can be found here.

Double non-taxation remains an issue, as does the problem of double taxation and the negative effect on the world economy, consumers and taxpayers. In particular, in relation to new proposals addressing the tax challenges of the digitalising economy, any new tax measures must be designed in a manner to avoid double taxation, and must come within the ambit of double taxation treaties. Otherwise, the whole tax treaty system, which the international taxation is built upon, and network will be completely undermined.

CFE understands the challenges in designing new tax rules that are not going to produce unintended consequences and lead to double taxation.

VIII. Anti- Money Laundering

CFE Tax Advisers Europe is closely following EU developments in relation to the European anti-money laundering framework and will continue to participate in the ongoing dialogue with the European Commission and other stakeholders at EU level, putting forward experts' opinions of tax advisers as obliged entities for anti-money laundering purposes. CFE continues to support the baseline scenario that would entail full implementation and enforcement of the existing EU anti-money laundering framework that is already in force (4th and 5th Anti-Money Laundering Directives) as well as the introduction of more robust feedback mechanisms, where appropriate.

CFE would also welcome a discussion on the effectiveness of the EU AML Directives in reducing the risk of money laundering and terrorism financing. CFE has invited the European Commission to consider why, with all the existing AML directives and procedures, the risk for tax advisors as a whole, has not reduced over the years, compared to the initial risk assessments.

IX. Simplification of Indirect Taxes

CFE Tax Advisers Europe supports proposals that aim to simplify and streamline the operation of the VAT system within the EU, and views engagement on the topic of the proposed definitive VAT regime as a key priority for the organisation. CFE also believes it is important that efforts are taken to minimise double taxation and to minimise the increasing burdens placed on business by new non-harmonised reporting requirements, payment obligations and systems that have been implemented by some Member States.

Even in a national context it can frequently be very difficult to determine the appropriate rate at which to tax supplies. This can be particularly true with supplies of services, when difficulties can arise in determining whether there is one composite or multiple supplies for VAT purposes, or whether supplies are closely linked to supplies that are exempt. Particularly in relation to small and medium sized businesses, the CFE is therefore concerned about the implications of enacted and proposed reforms which will increasingly require suppliers to account for VAT in the country where their customer is established.

The issue will clearly be particularly serious if traders become subject to penalties, particularly significant penalties, on account of errors. If care is not taken, the CFE is concerned that such measures may discourage businesses from operating in the internal market.

CFE Tax Advisers Europe considers that it would be desirable to ensure that innocent errors are not penalised and certainly not unduly penalised (this might be done by having harmonised maximum penalties). Furthermore, it is of fundamental importance that accurate, and preferably binding, guidance is available to traders who are not established in that state. This should ideally be available in a number of languages, otherwise a business established in another state may find the information difficult to locate. Ideally it should be available from a single portal, so that traders throughout the EU know that there is one source to which they can turn for guidance.

X. Global Tax Policy – Global Tax Advisers Platform (GTAP)

As a response to the globalised tax governance environment, CFE would also like to promote the Global Tax Advisers Cooperation Platform, GTAP. GTAP was established by CFE Tax Advisers Europe, AOTCA and WAUTI, who collectively represent more than 600,000 tax advisers in Europe, Asia and Africa. GTAP is an international platform that seeks to bring together national and international organisations of tax professionals from all around the world. GTAP serves a unique purpose: to encourage tax professionals to take up the challenge of proposing a new system: simple, flexible, and fit for purpose, a system that can reclaim taxpayers' confidence.

XI. Conclusion

The EU should take the lead in helping Member States create tax systems which contribute to an environment which is business friendly and attracts investment. Private sector investment creates growth and jobs, whilst the current state of the economy calls for tax policies that give priority to an investment- friendly environment. Ideally, tax policy decisions would as little as possible distort the investment forms and choices, in the longer-term interests of the EU internal market. In absence of common EU action the investment decisions could be driven by fiscal factors, and Member States should retain their powers to influence such decisions to the extent these decisions take into account EU's criteria for tax good governance and the commitments made in the OECD BEPS process.

A common approach for the Single Market is crucial. On the other hand, fiscal sovereignty of Member States and their liberty to design tax policies fit for their social and economic systems needs to be respected, to the extent these policies comply with primary EU law (fundamental freedoms and State aid rules) and secondary EU law. The latter concerns harmonised areas of taxation (such as VAT, the DAC framework and directives relating to corporate tax that affect the functioning of the Single Market).

Simpler and more coherent tax rules throughout the EU would also contribute to making the EU Single Market a more dynamic and business-friendly environment. As such, coordinated measures among EU Member States' rules would prevent mismatches among national legislations, which is an element to consider for a competitive tax environment, taking the interest of the Single Market as whole. From CFE's perspective, simplicity must be a key design-element in relation to the tax challenges of the digitalising economy in particular. We will not have achieved much if in reality it becomes impossible for tax administrations, taxpayers and tax advisers alike to work with any new rules on a multilateral basis.

By continuing to work together, as we have done for many years in CFE Tax Advisers Europe, tax policy stakeholders will meet the challenges of inclusive policy making, whether they concern the taxation of the digital economy, addressing tax avoidance and evasion, helping our respective governments detect and deter money laundering, assisting governments to develop stable economic environments in which businesses can start, grow and prosper or indeed with issues yet to emerge.

CFE Tax Advisers Europe is a Brussels-based association representing European tax advisers. Founded in 1959, CFE brings together 30 national organisations from 24 European countries, representing more than 200,000 tax advisers. CFE is part f the European Union Transparency Register no. 3543183647-05. We would be pleased to answer any questions you may have concerning our Opinion Statement. For further information, please contact Piergiorgio Valente, CFE President, Ian Hayes, Chair of the CFE Tax Technology Committee, Stella Raventós-Calvo, Chair of the CFE Fiscal Committee, Wim Gohres, Chair of the CFE Professional Affairs Committee, Aleksandar Ivanovski, Tax Policy Manager, or Brodie McIntosh, Tax Technical Officer, at info@taxadviserseurope.org. For further information regarding CFE Tax Advisers Europe, please visit our web page http://www.taxadviserseurope.org/

S&P Global

2019 Midyear outlook: Despite strong year-to-date market performance, the outlook remains negative for asset managers

(Source: https://www.spglobal.com/)

Notwithstanding the sharp rebound in markets from their December lows, we continue to have a negative outlook for the asset management sector. We continue to see numerous headwinds for the industry, including passive market share gains, declining fees, and active performance that can be characterized as mediocre at best.

Furthermore, financing costs have stayed low, which could continue to fuel appetite for incremental debt issuance. This has been one of the primary drivers of our negative rating actions in the year-to-date period and could be another headwind for ratings over the remainder of the year.

Table 1

Many Asset Managers Have Taken Advantage of Low Rates In 2019 By Issuing Incremental Debt

Date	Company	Amount ($ mil.)	Type	Coupon (%)	Maturity	Rating	Use of proceeds
Jul-19	CI Financial Corp.	350	Sr notes (CAD)	3.215	5-year	BBB+	Repay debt
Jun-19	Apollo Global Management LLC	125	Sr notes	4.872	10-year	A	GCP
Jun-19	KKR & Co Inc.	500	Sr notes	3.750	10-year	A	Repay debt
May-19	Victory Capital Holdings Inc.	1,100	1L term loan	L+325	7-year	BB-	Acquisition
May-19	Invesco Ltd.	4,000	Pfd stock	5.900	Perp.	BBB-	Acquisition
May-19	KKR & Co Inc.	650	Sr notes (EUR)	1.625	10-year	A	GCP
Apr-19	BlackRock Inc.	1,000	Sr notes	3.250	10-year	AA-	GCP, repay debt
Apr-19	Blackstone Group Inc.	600	Sr notes (EUR)	1.500	10-year	A+	GCP

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Mar-19	Affiliated Managers Group Inc.	300	Jr sub	5.875	40-year	BBB	Repay debt
Mar-19	IGM Financial Inc.	250	Sr notes (CAD)	4.206	31-year	A	GCP, repay debt
Mar-19	Lazard Group LLC	500	Sr notes	4.375	10-year	A-	GCP, repay debt
Feb-19	Apollo Global Management LLC	550	Sr notes	4.872	10-year	A	GCP
Jan-19	Brookfield Asset Management Inc.	1,000	Sr notes	4.850	10-year	A-	GCP

Although we can't predict the direction of the markets going forward, we continue to believe that the next several years will not be a repeat of the current decade-plus bull market. Asset managers have benefited from a rising tide and have masked years of net outflows with buoyant asset prices. S&P Global economists forecast that the S&P 500 will be roughly flat over the next several years. As such, we don't expect asset appreciation to meaningfully buttress assets under management (AUM) and, consequently, credit ratings.

We believe that alternative managers are less exposed to the ongoing sector challenges because of their largely locked-up capital bases and hard-to-index strategies.

Given this, we believe they currently are relatively better positioned than their traditional cousins. However, we don't expect alternative asset managers to be completely immune, especially if the market environment takes a turn for the worst. So far this year, we have taken 12 rating actions, of which 75% were negative in direction--meaning either negative outlooks or downgrades. Additionally, we have negatively revised several companies' business risk subscores this year, highlighting our expectations for challenging competitive dynamics to persist. Our negative outlook on the sector continues to underscore our view that we expect more negative rating actions than positive ones. However, rating actions overall will likely be idiosyncratic, with leverage remaining a key factor for both positive and negative actions.

Table 2

Year-To-Date Actions Have Largely Been Negative And Set The Stage For More Potential Downgrades		
Date	Company	Rating/Outlook Action
Jul-19	Lazard Group LLC	Outlook revised to negative from stable at 'A-'
Jul-19	FEH Inc. (First Eagle)	Outlook revised to negative from stable at 'BB+'
Jun-19	FIL Ltd.	Outlook revised to CW negative from stable at 'BBB+'

May-19	Tortoise Parent Holdco LLC	Outlook revised to negative from stable at 'BB-'
May-19	Victory Capital Holdings Inc.	Downgraded to 'BB-' from 'BB'; outlook stable
May-19	Focus Financial Partners LLC	Outlook revised to positive from stable at 'BB-'
Apr-19	EIG Management Co. LLC	Downgraded to 'BB' from 'BB+'; outlook stable
Apr-19	Legg Mason Inc.	Outlook revised to positive from stable at 'BBB'
Mar-19	CIFC LLC	Upgraded to 'BB'; outlook stable
Mar-19	BrightSphere Investment Group plc	Outlook revised to negative from stable at 'BBB-'
Feb-19	CI Financial Corp.	Outlook revised to negative from stable at 'BBB+'
Feb-19	Apollo Global Management LLC	Outlook revised to negative from stable at 'A'

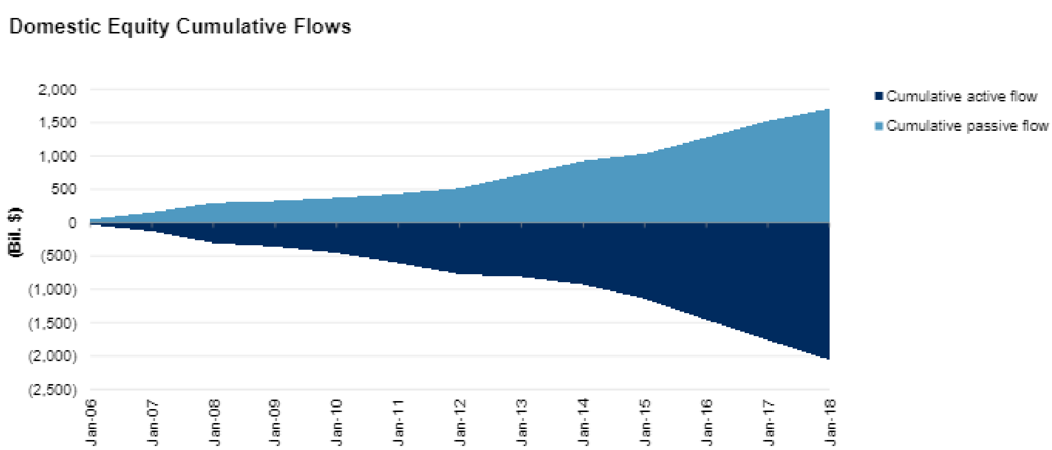
Frequently Asked Questions

Where does the industry stand today?

Unsurprisingly, the asset management industry is becoming increasingly passive, especially in equities, and has become highly concentrated by firm (see the mergers and acquisitions [M&A] section below). Passive strategies now comprises 36% of U.S. registered assets. Over 20 years ago, this metric was less than 2%, amounting to a growth rate of 12.6% per year.

Domestic equity strategies have borne the burden of the shift toward passive since equities are largely homogenous, mostly liquid, and have a well-defined benchmark. Consequently, flows into passive domestic equity products have been almost unabated. Since 2005, we estimate that cumulative flows into passive strategies have been just shy of $1.7 trillion, while active domestic equity strategies have experienced over $2.0 trillion in outflows (see chart 1).

Chart 1

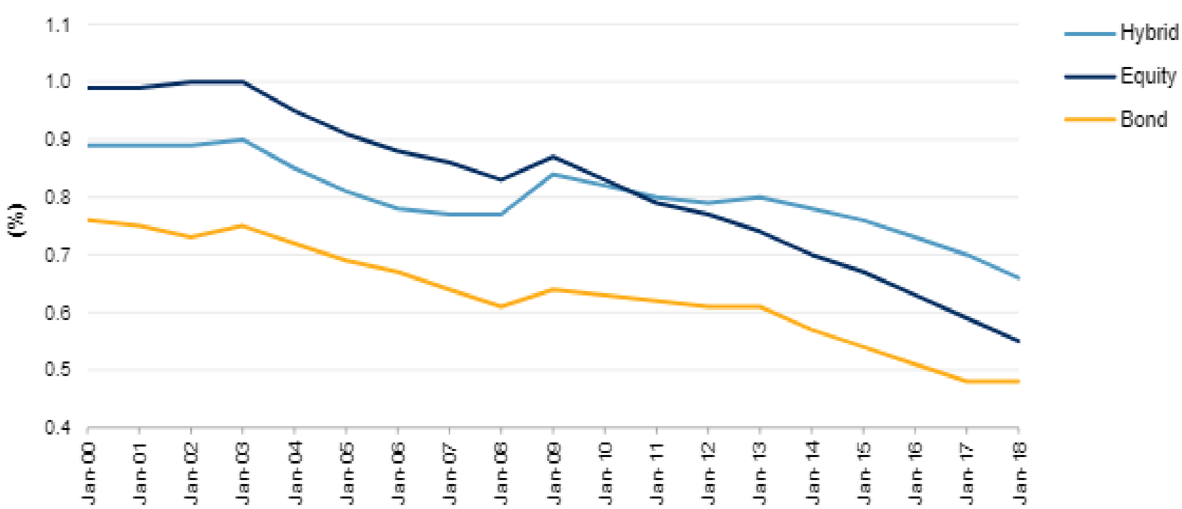


Source: ICI, S&P Global Format

Not only has passive taken market-share from active, but also it has pushed fees lower across the board. Average mutual fund expense ratios have dropped for equity, hybrid, and fixed income products to current average expense ratios of 55 basis points (bps), 66 bps, and 48 bps, respectively.

Chart 2

Mutual Fund Expense Ratios



Source: ICI, S&P Global Format

What is your outlook on active management?

Despite the decline in active investing, we still believe that active will have a role going forward for several reasons. First, certain asset classes will be difficult to replicate with passive strategies. For instance, investments in infrastructure or certain portions of credit markets don't easily lend themselves toward indexing. Furthermore, we still believe that active corporate selection is necessary for smaller companies (i.e., small caps) or in early stage investing (i.e., venture capital). Additionally, certain strategies will involve some type of active selection. For example, environmental, social, and governance (ESG) is becoming an integral part of the investing universe. Screening for companies that qualify for this universe will become increasingly important as the demand for this type of product grows (our assumption is that ESG will become integral over the next several years).

Our view on the active-passive debate is also largely shaped around our view for prospective returns. To be clear, we continue to believe that passive takes market share over the long term, particularly in large-cap domestic equity.

That said, we believe that the current beneficial environment for passive strategies has the potential to reverse over the intermediate term. Since the financial crisis, we have witnessed unabated central bank intervention at the slightest downtick in markets, not only in the U.S., but also globally. With negative real interest rates and very accommodative global central banks, which has led to high correlations among equities, it has been easy for passive to gain share. Proverbially, all one had to do is "buy the dip" and watch as the tidal wave of liquidity pushed up all assets. Investors reacted accordingly by allocating increasing amounts to beta, since central bank policy made alpha hard to come by.

We don't think that the next decade will be like the last decade. A decline in markets or long-stretches of sidewise movements will not be endearing to passive strategies. For example, the Japanese Nikkei index is currently around 21,100, the same level that was first crossed in 1987. We don't think passive investors, or any investor, Will tolerate 30 years of close to zero returns (returns are likely to be slightly positive once accounting for the dividend). We do caveat that in such an environment, active would have to generate alpha and that investors would still have to have an allocation to risk-assets and not simply move to cash or cash equivalents.

Do you expect asset managers to consolidate?

The industry has become increasingly concentrated over the past decade plus. The largest five mutual fund companies now comprise 51% of the total mutual fund/exchange-traded fund (ETF) market, up from 35% in 2005. Additionally, the largest 25 companies are 79% of the market, up from 67% in 2005.

Table 3

Share Of Mutual Fund And ETF Assets At Large Fund Complexes						
(%)	2005	2010	2015	2016	2017	2018
Largest 5	35	42	45	47	50	51
Largest 10	46	55	56	58	60	61
Largest 25	67	74	75	76	77	79

It's not hard to see why this is occurring. Take a look at the top five fund families at the end of 2018, BlackRock (mostly passive), Vanguard (mostly passive), State Street Global Advisors (mostly passive), Fidelity (active), and BNY Mellon Investment Management (active). The top three are all largely passive.

We expect the market to continue to bifurcate. At one end, we expect large fund families to remain entrenched as they garner the predominant amount of flows. At the other end, we believe that there remains a roll for smaller companies who provide distinct services from the larger complexes. Currently, in our view, we don't see much of a middle ground as the sector evolves. Recently, the industry buzzword has been "obtain scale"--namely try to get as large as possible to compete with the passive behemoths at the top of the list.

That said, we don't expect a surge in large M&A deals. Instead, we think deals will likely be smaller in size and centered around adding new investing or distribution capabilities. Given that the most important asset for an asset manager is its human capital, we think large deals could potentially disrupt corporate culture and damage what made each individual firm unique.

Moreover, we view simply acquiring AUM as a losing strategy. Deals have to make strategic sense and most midsize firms already have a relatively diversified product offering. Adding similar strategies to the ones a company already offers just to gain scale doesn't really accomplish much.

Year to date, Invesco closed on its acquisition of Oppenheimer Funds, and Victory closed on its acquisition of USAA Investment Management. Both of these acquisitions (which were solely, in the case of Victory, or predominantly, in the case of Invesco, funded with debt or debt-like securities) resulted in downgrades. We would expect asset managers to largely continue to lean toward debt-financing acquisitions given the relatively low cost of debt and in some cases languishing share prices, which would likely not respond favorably to share issuance.

What is S&P Global Ratings' view on the recently announced exemptive relief granted by the SEC for non-transparent ETFs?

Precidian Investments, a company that specializes in creating and designing products for the financial services industry, Announced during the second quarter of 2019 that it had received exemptive relief from the SEC for the company's non-transparent ETFs structure (named Active Shares). As a result of this development, companies that acquire the license (pending some further regulatory steps) can effectively skip the requirement of making their holdings available to the public on a daily basis, which could in turn protect asset management firms from disclosing the way they structure these types of portfolios. Through an ETF wrapper, entities that obtain the license are hoping for a more tax-efficient and cheaper product relative to traditional mutual funds while safeguarding the value of active portfolio management.

While we are still in the early days for this product and the impact of this development on the growing ETF industry remains uncertain, several industry players like Legg Mason (which owns a minority stake in Precidian), BlackRock, and Nuveen, among others, have already licensed the product. Following years of outflows from mutual funds to the benefit of ETF portfolios (a significant portion of it in passive offerings), some traditional asset managers that might have elected to avoid ETF products in the past could now be more prone to launch ETF strategies that benefit from the features displayed by ETFs while protecting their "secret sauce."

However, the new ETF structure is not without drawbacks. For instance, there are limitations on the type of investments that can be included in active ETFs. Accepted investments include common stocks, American depositary receipts (ADRs), preferred stocks, ETFs and other exchange-traded notes, REITs, commodity pools, and some type of futures, and all these investments have to trade on a U.S. stock exchange contemporaneously with the ETF shares. Based on these premises, leverage or short positions, illiquid investments, or global/emerging markets strategies are not currently suitable for this type of ETFs (although some exceptions might apply depending on the case).

Furthermore, there are considerations related to board oversight, fair disclosure, and other provisions that will likely be taken into account by entities loo
king to license their strategies with Precidian. We anticipate that the exemptive relief provided by the SEC to Precidian could support further growth in the ETF space, but we do not expect a meaningful change in cash flow generation for our rated asset managers in the near to medium term. In short, this remains uncharted waters for active management, and we will take a wait-and-see approach on how active ETFs fare in the market, both against other active products and passive. We expect little rating implications from active ETFs.

Where does the asset management sector stand from an ESG perspective?

S&P Global Ratings is in the early stages of rolling out company-specific ESG commentary for those asset managers whose E, S, or G, in our view, deviates materially from our view of the overall sector's E, S, or G component.
We consider the asset management sector as having low environmental risk (1, on a scale of 0 to 6, where 0 is low risk and 6 is high risk) due to these companies' limited use of physical infrastructure and facilities. Asset managers are primarily service providers that produce low levels of greenhouse gas emissions, low levels of pollution, and have inconsequential land and water usage.

However, asset managers are exposed to climate change through the potential impact on their investment performance if the value of the companies they invest in becomes depressed because of the transition to a low-carbon economy. This could hurt their investment fees, reputation, and competitive position. Still, some asset management companies intend to reduce their exposure to the most polluting sectors/entities as they start to introduce tighter ESG criteria in their investment decisions. The asset managers in our rated universe typically have well-diversified investment portfolios. The industry also benefits from the increasing adherence to the U.N.-supported Principles for Responsible Investment.

We assess social exposure for the asset management sector as fairly low as well (at 2, on a scale of 0 to 6, low to high), reflecting the risks coming from social cohesion, demography, and human capital management. At the same time, asset managers face material reputational risks that could damage their customer franchise. For instance, data privacy and security issues could lead to a rapid loss of confidence. The industry benefits from being regulated and supervised, although it is less strict than for banks and not uniform across regions. Governance factors are more relevant than environmental and social factors for most asset managers. Beyond board and management governance qualities at the asset managers themselves, we believe that large asset managers, who have influence over substantial swaths of corporate America, are becoming a focal point for governance issues at the companies they invest in.

What ratings are most at risk in a downturn scenario?

This depends on numerous variables, including the depth and duration of the downturn. If a brief downturn were to occur followed by a swift bounce back (similar to the recent market drop in late 2018), then it would be challenging to see any real risks to ratings (all rating changes this year have been idiosyncratic). Our main concern to credit ratings is a prolonged downturn in capital markets, which would expose the entire sector to credit deterioration, given its procyclical nature. In this scenario, we would expect a relatively large portion of our universe to be at risk for a downgrade.

Those that would be best insulated would clearly be our largest and highest-rated managers, which we expect to exhibit the greatest level of rating stability. For instance, we see little risk to BlackRock in a downturn given its substantial diversification, market leadership, and strong cushion relative to our downside leverage threshold.

That said, we see three different groups as more exposed than others: entities with volatile sources of earnings (generally equity- or performance-fee driven) that could potentially cross over their leverage thresholds in a stress scenario, companies that are below investment-grade that lack substantial cushion relative to their leverage thresholds, and those companies that currently have a negative outlook.

Table 4

Companies Most At Risk Of A Downgrade In A Stress Scenario

Company	ICR/outlook	Negative outlook	Equity oriented	Performance-fee oriented	Speculative grade	2019 leverage (estimated)	Downside trigger
Apollo Global Management LLC	A/Negative	X		X		1.4x-1.5x	1.5x
Affiliated Managers Group Inc.	A-/Stable		X			1.5x-2.0x	2.0x
Lazard Group LLC	A-/Negative	X	X			~1.5x	1.5x
Ares Management Corp.	BBB+/Stable			X		1.5x-2.0x	2.0x
CI Financial Corp.	BBB+/Negative	X	X			1.5x-2.0x	~2.0x

FIL Ltd.	BBB+/CW Negative	X	X			-	-
Citadel Limited Partnership	BBB/Stable			X		1.5x-2.0x	2.0x
BrightSphere Investment Group plc	BBB-/Negative	X	X			1.5x-2.0x	2.0x
FEH Inc. (First Eagle)	BB+/Negative	X	X		X	2.9x-3.3x	4.0x
Finco I LLC (Fortress)	BB/Stable			X	X	4.0x-4.5x	5.0x
Russell Investments Cayman Midco Ltd.	BB-/Stable		X		X	4.0x-5.0x	5.0x
Tortoise Parent Holdco LLC	BB-/Negative	X			X	~5x	5.0x
Resolute Investment Managers Inc.	B+/Stable		X		X	4.0x-4.5x	5.0x
The Edelman Financial Engines Center LLC	B/Negative	X	X		X	7.0x-8.0x	8.0x

ICR--Long-term issuer credit rating.

Table 5

Rating Factor Assessments

Company	Business Risk Profile	Financial Risk Profile	Anchor	Capital Structure	Financial Policy Assessment	Liquidity	Management & Governance	Peer Adjustment	Stand Alone Credit Profile	Group influence	Government Support	ICR	Outlook
BlackRock Inc.	Strong	Minimal	aa-	Neutral	Neutral	Exceptional	Strong	Neutral	aa-	Not applicable	Not applicable	AA-	Stable
Blackstone Group Inc.	Strong	Minimal	aa-	Neutral	Neutral	Exceptional	Strong	Unfavorable	a+	Not applicable	Not applicable	A+	Stable
FMR LLC	Strong	Minimal	aa-	Neutral	Neutral	Exceptional	Fair	Neutral	a+	Core	Not applicable	A+	Stable
Franklin Resources Inc.	Satisfactory	Minimal	a	Neutral	Neutral	Exceptional	Satisfactory	Favorable	a+	Not applicable	Not applicable	A+	Stable
Alliance Bernstein L.P.	Satisfactory	Minimal	a	Neutral	Neutral	Strong	Satisfactory	Neutral	a	Moderately strategic	Not applicable	A	Stable

Rating Factor Assessments													
Company	Business Risk Profile	Financial Risk Profile	Anchor	Capital Structure	Financial Policy Assessment	Liquidity	Management & Governance	Peer Adjustment	Stand Alone Credit Profile	Group influence	Government Support	ICR	Outlook
Apollo Global Management LLC	Satisfactory	Minimal	a	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a	Core	Not applicable	A	Negative
China Jianyin Investment Ltd. (JIC)	Fair	Minimal	bbb	Neutral	Negative	Adequate	Fair	Neutral	bb+	Not applicable	Extremely high	A	Stable
IGM Financial Inc.	Satisfactory	Modest	bbb+	Neutral	Neutral	Strong	Satisfactory	Favorable	a-	Moderately strategic	Not applicable	A	Stable
KKR & Co. Inc.	Satisfactory	Minimal	a	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a	Not applicable	Not applicable	A	Stable
Affiliated Managers Group Inc.	Satisfactory	Modest	bbb+	Neutral	Neutral	Strong	Satisfactory	Favorable	a-	Not applicable	Not applicable	A-	Stable
Eaton Vance Corp.	Satisfactory	Minimal	a-	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a-	Not applicable	Not applicable	A-	Stable
Lazard Group LLC	Satisfactory	Minimal	a-	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a-	Not applicable	Not applicable	A-	Negative
Nuveen Finance LLC	Satisfactory	Significant	bb+	Neutral	Neutral	Adequate	Fair	Favorable	bbb-	Strategically important	Not applicable	A-	Stable
Oaktree Capital Group LLC	Satisfactory	Minimal	a-	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a-	Not applicable	Not applicable	A-	Stable
Standard Life Aberdeen PLC	Satisfactory	Minimal	a-	Neutral	Neutral	Exceptional	Satisfactory	Neutral	a-	Not applicable	Not applicable	A-	Stable
Ares Management Corp.	Satisfactory	Modest	bbb+	Neutral	Neutral	Strong	Satisfactory	Neutral	bbb+	Not applicable	Not applicable	BBB+	Stable
CI Financial Corp.	Satisfactory	Modest	bbb+	Neutral	Neutral	Adequate	Satisfactory	Neutral	bbb+	Not applicable	Not applicable	BBB+	Negative
FIL Ltd.	Satisfactory	Inter-mediate	bbb	Positive	Neutral	Exceptional	Fair	Neutral	bbb+	Not applicable	Not applicable	BBB+	CW Negative

Rating Factor Assessments

Company	Business Risk Profile	Financial Risk Profile	Anchor	Capital Structure	Financial Policy Assess-ment	Liquidity	Managemen t & Governance	Peer Adjustment	Stand Alone Credit Profile	Group influence	Governmen t Support	ICR	Outlook
Guangzhou Industrial Investment Fund Management Co. Ltd.xc0.	Weak	Modest	bb+	Neutral	Negative	Adequate	Fair	Neutral	bb	Highly Strategic	Extremely high	BBB+	Negative
Invesco Ltd.	Satisfactory	Intermediate	bbb	Neutral	Neutral	Strong	Satisfactory	Favorable	bbb+	Not applicable	Not applicable	BBB+	Stable
Janus Henderson Group PLC	Fair	Minimal	bbb	Neutral	Neutral	Exceptional	Satisfactory	Favorable	bbb+	Not applicable	Not applicable	BBB+	Stable
Neuberger Berman Group LLC	Satisfactory	Modest	bbb+	Neutral	Neutral	Exceptional	Satisfactory	Neutral	bbb+	Not applicable	Not applicable	BBB+	Stable
The Carlyle Group L.P. and subsidiaries	Satisfactory	Intermediate	bbb	Neutral	Neutral	Exceptional	Fair	Favorable	bbb+	Not applicable	Not applicable	BBB+	Stable
3i Group PLC	Fair	Minimal	bbb	Neutral	Neutral	Strong	Satisfactory	Neutral	bbb	Not applicable	Not applicable	BBB	Stable
Citadel Limited Partnership	Fair	Modest	bbb-	Neutral	Neutral	Strong	Satisfactory	Favorable	bbb	Not applicable	Not applicable	BBB	Stable
Legg Mason Inc.	Satisfactory	Intermediate	bbb	Neutral	Neutral	Exceptional	Satisfactory	Neutral	bbb	Not applicable	Not applicable	BBB	Positive
BrightSphere Investment Group plc	Fair	Modest	bbb-	Neutral	Neutral	Strong	Fair	Neutral	bbb-	Not applicable	Not applicable	BBB-	Negative
Gamco Investors Inc.	Weak	Minimal	ood	Neutral	Neutral	Strong	Fair	Favorable	bbb-	Not applicable	Not applicable	BBB-	Stable
Intermediate Capital Group plc	Satisfactory	Intermediate	bbb-	Neutral	Neutral	Strong	Satisfactory	Neutral	bbb-	Not applicable	Not applicable	BBB-	Stable
MIPL Group Ltd.	Fair	Minimal	bbb-	Neutral	Neutral	Strong	Fair	Neutral	bbb-	Not applicable	Not applicable	BBB-	Stable
Noah Holdings Ltd.	Fair	Minimal	bbb-	Neutral	Neutral	Strong	Satisfactory	Neutral	bbb-	Not applicable	Not applicable	BBB-	Negative
Waddell & Reed Financial Inc.	Fair	Minimal	bbb-	Neutral	Neutral	Strong	Fair	Neutral	bbb-	Not applicable	Not applicable	BBB-	Stable
AssetMark Financial Holdings Inc.	Fair	Intermediate	bb+	Neutral	Negative	Adequate	Fair	Neutral	bb	Moderately strategic	Not applicable	BB+	Stable

Rating Factor Assessments

Company	Business Risk Profile	Financial Risk Profile	Anchor	Capital Structure	Financial Policy Assessment	Liquidity	Management & Governance	Peer Adjustment	Stand Alone Credit Profile	Group influence	Government Support	ICR	Outlook
Clipper Acquisitions Corp.	Fair	Intermediate	bb+	Neutral	Neutral	Exceptional	Fair	Neutral	bb+	Not applicable	Not applicable	BB+	Stable
CORESTATE Capital Holding S.A. Luxembourg	Fair	Intermediate	bb+	Neutral	Neutral	Adequate	Satisfactory	Neutral	bb+	Not applicable	Not applicable	BB+	Stable
FEH Inc. (First Eagle)	Fair	Significant	bb	Neutral	FS-4	Adequate	Fair	Favorable	bb+	Not applicable	Not applicable	BB+	Negative
Zhongrong International Trust Co. Ltd.	Fair	Minimal	bbb	Neutral	Negative	Strong	Weak	Neutral	bb	High Strategic Importance	Moderate	BB+	Stable
CIFC LLC	Fair	Significant	bb	Neutral	Neutral	Adequate	Fair	Neutral	bb	Not applicable	Not applicable	BB	Stable
EIG Management Co. LLC	Fair	Intermediate	bb+	Neutral	Neutral	Adequate	Fair	Unfavorable	bb	Not applicable	Not applicable	BB	Stable
Finco I LLC (Fortress)	Fair	Aggressive	bb-	Neutral	Neutral	Exceptional	Fair	Neutral	bb-	Moderately strategic	Not applicable	BB	Stable
Franklin Square Holdings L.P.	Fair	Intermediate	bb+	Neutral	Neutral	Adequate	Fair	Unfavorable	bb	Not applicable	Not applicable	BB	Stable
StepStone Group LP	Fair	Significant	bb	Neutral	Neutral	Adequate	Fair	Neutral	bb	Not applicable	Not applicable	BB	Stable
Victory Capital Holdings, Inc.	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Fair	Neutral	bb-	Not applicable	Not applicable	BB-	Stable
Virtus Investment Partners Inc.	Weak	Intermediate	bb	Neutral	Neutral	Strong	Fair	Neutral	bb	Not applicable	Not applicable	BB	Stable
Focus Financial Partners LLC	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Fair	Neutral	bb-	Not applicable	Not applicable	BB-	Positive
Och-Ziff Capital Management Group LLC	Fair	Aggressive	bb-	Neutral	Neutral	Adequate	Fair	Neutral	bb-	Core	Not applicable	BB-	Stable
Russell Investments Cayman Midco Ltd.	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Fair	Neutral	bb-	Not applicable	Not applicable	BB-	Stable

Rating Factor Assessments

Company	Business Risk Profile	Financial Risk Profile	Anchor	Capital Structure	Financial Policy Assessment	Liquidity	Management & Governance	Peer Adjustment	Stand Alone Credit Profile	Group influence	Government Support	ICR	Outlook
Tortoise Parent Holdco LLC	Fair	Aggressive	bb-	Neutral	FS-5	Adequate	Fair	Neutral	bb-	Not applicable	Not applicable	BB-	Negative
Resolute Investment Managers Inc.	Weak	Aggressive	b+	Neutral	FS-5	Adequate	Fair	Neutral	b+	Not applicable	Not applicable	B+	Stable
The Edelman Financial Engines Center LLC	Fair	Highly Leveraged	b	Neutral	FS-6	Adequate	Fair	Neutral	b	Not applicable	Not applicable	B	Negative

ICR--Long-term issuer credit rating.

Related Research

- Lazard Group LLC Outlook Revised To Negative On Weaker Earnings And Rising Leverage; 'A-' Ratings Affirmed, July 26, 2019
- Brookfield Asset Management 'A-' Long-Term Rating Affirmed; Short-Term Rating Raised to 'A-1'; Outlook Remains Stable, July 17, 2019
- FEH Inc. Outlook Revised To Negative On Continued Outflows; Recovery Rating Revised To '4', 'BB+' Ratings Affirmed, July 16, 2019
- FIL Ltd. 'BBB+' Ratings Placed On CreditWatch Negative On Potential Demerger Of Its Proprietary Investment Arm, June 26, 2019
- Victory Capital Holdings Inc. Downgraded To 'BB-' On Higher Leverage; Outlook Is Stable, May 20, 2019
- Focus Financial Partners Outlook Revised To Positive On Good Business Performance And Stronger Credit Metrics, May 15, 2019
- Legg Mason Inc. Outlook Revised To Positive On Projected Lower Leverage; Ratings Affirmed At 'BBB', April 15, 2019
- BrightSphere Investment Group plc Outlook Revised To Negative On Persistent Outflows And Potential For Higher Leverage, March 12, 2019
- CI Financial Outlook Revised To Negative On Continued Outflows And Potential For Higher Leverage; 'BBB+' Rating Affirmed, Feb. 12, 2019
- Apollo Global Management LLC Outlook Revised To Negative On Proposed Senior Debt Issuance; New Notes Rated 'A', Feb. 4, 2019

For further insights regarding S&P Global Ratings views on ESG, please see our ESG website: https://www.spglobal.com/en/capabilities/esg-evaluation

This report does not constitute a rating action.

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Talent remains top concern, immigration reform desired

By **John Graham**, D Richard Mead Jr. Family Professor of Finance, The Fuqua School of Business, Duke University and
Philippe Dupuy, Associate Professor, Accounting, Law and Finance, Grenoble Ecole de Management

IAFEI AND A GROUP OF PARTNERS AMONG WHICH DUKE UNIVERSITY AND GRENOBLE EM SURVEY CFOs ACROSS THE WORLD. FOR THE SECOND QUARTER 2019, THE SURVEY WAS RUNNING FROM 20TH MAY TO 7TH JUNE 2019.

- Nearly half of chief financial officers in the United States believe the nation's economy will enter a recession in about a year. CFOs in other parts of the world predict an even higher probability of recession.

- Meanwhile, U.S. companies remain concerned about a shortage of talent and support immigration reform, both for high-skilled and seasonal and lower-skilled workers

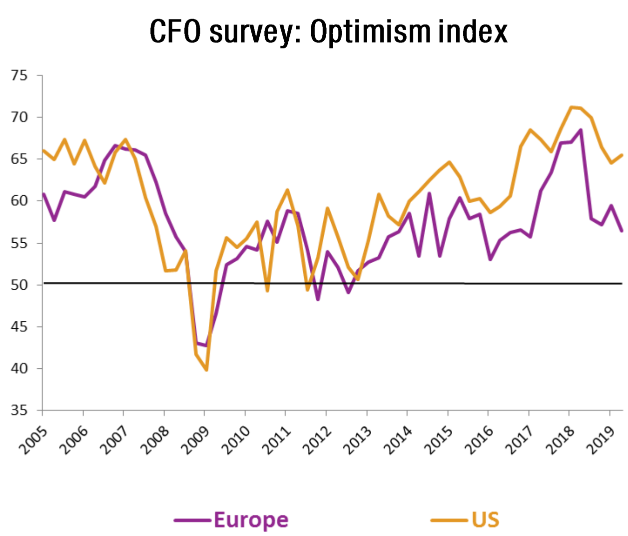
The Global Business Outlook CFO survey has been conducted for 93 consecutive quarters and spans the globe, making it the world's longest-running and most comprehensive research on senior finance executives.

Recession likely by 2020

Nearly half (48.1 percent) of U.S. CFOs believe that the US will be in recession by the second quarter of 2020, and 69 percent believe that a recession will have begun by the end of next year. The results are consistent with last quarter's survey in which 67 percent of CFOs predicted recession by the third quarter of 2020. The numbers may fluctuate slightly, but this is the third consecutive quarter that U.S. CFOs have predicted a 2020 recession. It is notable this quarter how strongly recession is being predicted in other parts of the world.

Eighty-five percent of African CFOs believe their countries will be in recession by the second quarter of 2020, as do the majority of CFOs in Europe (63 percent), Asia (57 percent), and Latin America (52 percent).

For the first time in a decade, no region of the world appears to be on solid enough economic footing to be the engine that pulls the global economy upward. Trade wars and broad economic uncertainty are hurting the economic outlook.



Optimism falls

The U.S. CFO Optimism Index, which historically has been an accurate predictor of hiring and GDP growth, is sending mixed signals this quarter. Pessimists outnumber optimists by a two-to-one margin in terms of their optimism about the overall U.S. economy. At the same time, those growing more optimistic about their own firm's prospects outnumber those growing more pessimistic. Both indices were strongly optimistic as recently as September 2018. The reduced optimism about the overall U.S. economy likely reflects continued uncertainty about trade policy and weaker global economic growth.

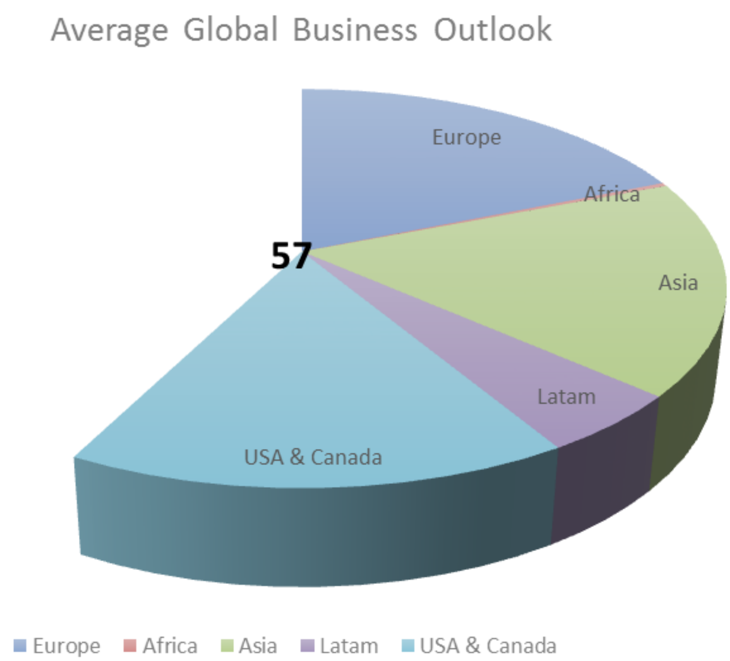
Another factor is the ominous inversion of the yield curve, which means short-term interest rates are higher than long-term rates for at least a full quarter. Inverted yield curves have predicted the last seven recessions. All of this bodes poorly for economic growth.

Global Results

Optimism in **Europe** fell one point to 57, on a scale of 0 to 100. Capital spending is expected to grow by a median 4.6 percent but employment will not grow next year. The top concern among European CFOs is economic uncertainty, followed by difficulty attracting and retaining qualified employees, regulatory requirements, and employee productivity.

Optimism in **Asia** remains low this quarter at 54, on a scale of 0 to 100. Economic uncertainty remains the top concern. Other concerns include difficulty attracting qualified employees, currency risk, and government policies. Capital spending is expected to grow about 4 percent, and employment 2.3 percent, over the next 12 months. **Latin American** optimism fell to 56 this this quarter, down from 65 last quarter. Much of this drop is attributable to Brazil, which fell from 69 last quarter to 56 this quarter. Optimism also fell in **Chile** (58) and **Peru** (47) and remains low in **Ecuador** (34). Optimism is relatively strong in **Colombia** (66). Economic uncertainty remains the top concern among Latin American CFOs. Other concerns include government policies, weak demand and currency risk. Capital spending is expected to grow a median 5 percent and employment 2 percent over the next year. Business optimism in **Africa** fell to 46 this quarter. Employment should remain flat and capital spending grow slowly over the next 12 months. African CFOs are most concerned about economic uncertainty, weak demand, governmental policies and currency risk.

CFO survey: Optimism index



GDP weighted Average Global Business Outlook (World Bank GDP constant prices in USD)

TALENT REMAINS TOP CONCERN, IMMIGRATION REFORM DESIRED

Difficulty hiring and retaining qualified employees remains the most-cited concern among CFOs (with 45% choosing it as their top concern). Other top concerns include government policies (37%), economic uncertainty (29%), data security (26%), and the rising cost of wages and benefits (24%).In the late stages of a business cycle, it is not unusual for CFOs to be confronted with tight labor markets and face difficulty hiring and retaining top talent. However, this time is different. Given the reshaping of the American economy toward tech, there is an acute shortage of qualified labor. CFOs are strongly advocating immigration reform to fill the gap. Eighty-three percent support expedited granting of green cards to allow foreign graduate students in science technology engineering and math (STEM) fields to work in the U.S. A similar 82 percent favor expedited work permits for STEM undergraduate students. Two-thirds of finance chiefs favor increasing the cap on work visas for seasonal and lower skill immigrant workers.

Nearly 80 percent of CFOs believe the U.S. should drop its lottery-based immigration policy in favor of a merit-based system If the shortage of technologically-oriented talent is not addressed, this will stifle innovation, slow growth even further and winnow away at America's traditional position of being the world leader in tech. The business community is sending a strong message to lawmakers about the importance of immigration reform.

The survey concluded June 6, and generated responses from nearly 600 CFOs, including 250 from North America, 54 from Asia, 59 from Europe, 189 from Latin America and 33 from Africa For more information: philippe.dupuy@grenoble-em.com

Duke's Fuqua School of Business / CFO Magazine Global Business Outlook
Results for 238 U.S. firms (own-firm changes expected during the next 12 months)

	Jun 2019	Mar 2019	Dec 2018	Sept 2018	Jun 2018
Weighted Averages for	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months
Earnings growth*	4.1% Median=5.0%		4.5%	12.8%	9.5%
Capital spending	3.4% Median=2.0%	8.2% Median=5.0%	1.0% Median=2.0%	5.7% Median=5.0%	8.3% Median=5%
Advertising and marketing spending	2.8% Median=2.0%		1.3%	3.6%	1.9%
Technology spending	4.8% Median=2.0%		4.3%	6.3%	7.2%
R&D spending	2.1% Median=1.0%		1.4%	2.7%	3.1%
Employment – full-time	3.4% Median=2.0%	4.6% Median=2.0%	3.6% Median=3.0%	3.9% Median=2.0%	4.5% Median=3.0%
Wages and Salaries	3.8% Median=3.0%	5.1% Median=3.0%	4.2% Median=3.0%	4.8% Median=3.0%	4.1% Median=3.0%
Inflation (Chg in prices of own-firm products)	1.4% Median=1.0%		2.7%	3.0%	3.8%
Health Care Costs	6.2% Median=5.0%		6.0%	7.8%	7.6%
Revenue	5.1% Median=4.0%	6.3% Median=5.0%	4.9%	7.5%	6.9%

* indicates public firms only. All other numbers are for all survey respondents (including private). The reported averages are weighted by revenue or number of employees, so that large firms are weighted more heavily.

U.S. BUSINESS OPTIMISM
Duke's Fuqua School of Business / CFO Magazine Global Business Outlook

	Jun 2019	Mar 2019	Dec 2018	Sept 2018	Jun 2018
	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.
Optimism about the U.S. economy	More opt: 19.8% Less opt: 40.1% No chg: 40.1%	More opt: 24.1% Less opt: 36.8% No chg: 39.1%	More opt: 16.6% Less opt: 45.0% No chg: 38.4%	More opt: 43.6% Less opt: 23.0% No chg: 33.3%	More opt: 47.1% Less opt: 21.3% No chg: 31.6%
U. S. optimism level (0 to 100)	65.7	64.6	66.4	70.0	71.1
Optimism about own company	More opt: 44.3% Less opt: 27.0% No chg: 28.7%	More opt: 48.3% Less opt: 21.9% No chg: 29.9%	More opt: 35.1% Less opt: 32.7% No chg: 32.2%	More opt: 48.6% Less opt: 21.4% No chg: 30.0%	More opt: 54.0% Less opt: 17.3% No chg: 28.8%
Own company optimism level	68.1	70.4	68.5	71.4	71.0

Results for 59 European firms (own-firm changes expected during the next 12 months)

	Jun 2018	Mar 2019	Dec 2018	Sept 2018	Jun 2018
Weighted Averages for	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months
Earnings growth*	2.3% Median=3.8%		6.2%	7.6%	3.1%
Capital spending	7.1% Median=4.6%	8.5% Median=5.0%	2.2% Median=0%	1.5% Median=2.0%	6.2% Median=3.0%
Advertising and marketing spending	4.0% Median=0.8%		0.7%	1.0%	4.5%
Technology spending	3.6% Median=0.0%		3.5%	4.8%	6.6%
R&D spending	4.5% Median=4.7%		1.7%	2.9%	1.4%
Employment – full-time	-0.3% Median=0.0%	1.8% Median=1.0%	1.6% Median=1.0%	1.6% Median=1.0%	2.9% Median=1.0%
Wages and Salaries	4.7% Median=3.0%	2.9% Median=2.0%	3.1% Median=2.0%	2.2% Median=2.0%	3.1% Median=2.0%
Inflation (Chg in prices of own-firm products)	4.8% Median=2.0%		1.5%	1.2%	1.1%
Health Care Costs	3.7% Median=2.3%		1.8%	0.7%	2.1%
Revenue	8.5% Median=5.0%	3.5% Median=3.0%	5.4%	3.8%	8.3%

* indicates public firms only. All other numbers for all survey respondents (including private)

European BUSINESS OPTIMISM

	Jun 2019	Mar 2019	Dec 2018	Sept 2018	Jun 2018
	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.
Optimism about the country's economy	More opt: 20.3% Less opt: 50.8% No chg: 28.8%	More opt: 26.2% Less opt: 38.3% No chg: 35.5%	More opt: 11.0% Less opt: 54.9% No chg: 34.1%	More opt: 23.6% Less opt: 37.8% No chg: 38.6%	More opt: 38.4% Less opt: 22.2% No chg: 39.4%
Country optimism level	56.5	59.5	57.2	57.9	68.5
Optimism about own company	More opt: 28.8% Less opt: 32.2% No chg: 39.0%	More opt: 42.4% Less opt: 25.1% No chg: 32.5%	More opt: 32.1% Less opt: 33.3% No chg: 34.6%	More opt: 32.3% Less opt: 26.0% No chg: 41.7%	More opt: 45.9% Less opt: 24.5% No chg: 29.6%
Own company optimism level	62.2	67.5	64.1	62.5	69.1

Results for 54 Asian firms (own-firm changes expected during the next 12 months)

	Jun 2019	Mar 2019	Dec 2018	Sept 2018	Jun 2018
Weighted Averages for	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months
Earnings growth*	3.0% Median=2.1%		6.4%	14.7% Median=5.0%	5.7%
Capital spending	4.7% Median=2.0%	11.0% Median=5.0%	10.0% Median=3.4%	4.6% Median=0%	7.0% Median=5.0%
Advertising and marketing spending	3.8% Median=1.0%		3.0%	2.5%	3.9%
Technology spending	4.5% Median=2.0%		4.6%	4.1%	6.0%

R&D spending	4.5% Median=5.9%		3.2%	3.8%	4.7%
Employment – full-time	2.3% Median=2.5%	3.0% Median=1.0%	2.0% Median=3.0%	3.5% Median=2.7%	3.6% Median=5.0%
Wages and Salaries	3.7% Median=3.0%	6.1% Median=5.0%	2.2% Median=2.0%	4.3% Median=3.0%	4.1% Median=3.0%
Inflation (Chg in prices of own-firm products)	0.9% Median=0.0%		1.5%	3.6%	4.3%
Health Care Costs	1.8% Median=0.0%		2.1%	2.4%	2.0%
Revenue	2.2% Median=-0.4%	10.4% Median=7.4%	5.1%	6.7%	4.8%

* indicates public firms only. All other numbers for all survey respondents (including private)
** numbers in the bracket are GDP-weighted results

ASIA BUSINESS OPTIMISM

	Jun 2019	Mar 2019	Dec 2018	Sept 2018	Jun 2018
	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.
Optimism about the country's economy	More opt: 25.9% Less opt: 55.6% No chg: 18.5%	More opt: 47.4% Less opt: 29.6% No chg: 23.0%	More opt: 16.2% Less opt: 64.3% No chg: 19.5%	More opt: 21.8% Less opt: 43.4% No chg: 34.7%	More opt: 36.5% Less opt: 36.6% No chg: 26.9%
Country optimism level	53.8	64.9	51.9	59.5	60.3
Optimism about own company	More opt: 22.2% Less opt: 37.0% No chg: 40.7%	More opt: 60.7% Less opt: 19.3% No chg: 20.0%	More opt: 20.6% Less opt: 50.2% No chg: 29.1%	More opt: 20.4% Less opt: 35.7% No chg: 43.9%	More opt: 38.0% Less opt: 25.4% No chg: 36.5%
Own company optimism level	58.6	69.6	58.8	59.8	64.8

DUKE THE FUQUA SCHOOL OF BUSINESS | CFO | DUKE CFO GLOBAL BUSINESS OUTLOOK | GRENOBLE ECOLE DE MANAGEMENT TECHNOLOGY & INNOVATION

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INDIA

How enterprise content management leads to a paperless workplace

By Vikrant Rai, Marketing Manager of Accely Consulting India Pvt. Ltd

Enterprise Content Management (ECM) has by far, been an integral part of corporate architecture for more than 10 years now. If you are looking for a traditional definition then it is something which is a set of strategies, processes, and tools that allows an organization or an enterprise to capture, manage, store, and preserve content throughout the organization. ECM, also termed as **CSP (Content services platform)** which recently is being used as a replacement to Enterprise Content Management (ECM). Gartner was behind changing the terminology. The change from ECM to CSP was announced with Gartner's 2017 CSP Magic Quadrant.

Earlier, ECM was something which was completely disorganized and restricted to the back office, though centralized, it was a way to manage a plethora of content. Nevertheless, over the past few years, ECM has shifted towards a more interactive role in Business.
As per Gartner's research, a lot of big players have entered the market providing Content Management Solutions on a Global Level.

If you have a look at **Gartner's Magic Quadrant**, you will get an overview of who the big players are and who visionaries are Companies like IBM, Microsoft, OpenText, Hyland have already stamped their authority in this market with only companies like Oracle, Alfresco challenging them for their spot. Now if you ask the customers who are using their services, not everyone of them have different views on this.

They usually preferred it because it:

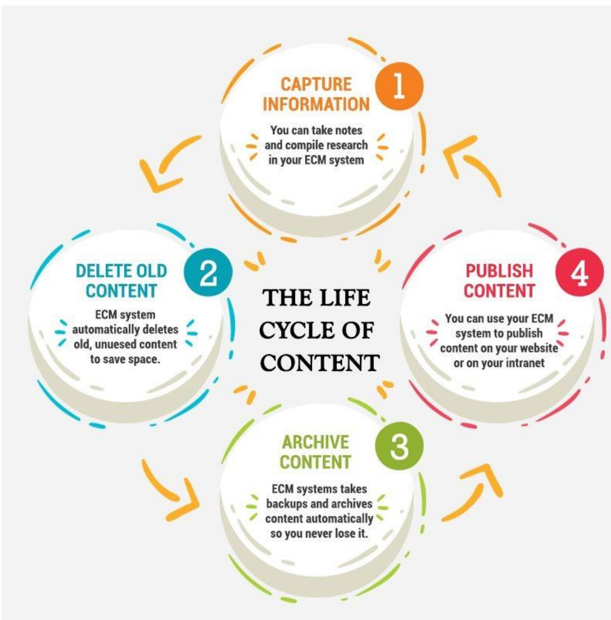
- Reduces time to market
- Improves business process outcomes
- Enhances decision making
- Improves supplier or partner relationships
- Improves business process agility
- Cost management
- Improves customer relations/service

Source: Gartner (October 2018)

Paper is almost coming to extinction as "Digitization" is on the verge of becoming the new normal. Cloud Technology, Mobile capability, and Machine Learning give new opportunities for the business and also the world has now been introduced to different types of content i.e., Video, Audio, etc that restricts the lines of the traditional ECM.

History

Evolving out of the Document Management Systems of the late '90s, ECM was designed with the sole purpose to induce an enterprise layer to the automation of core back-end, and other processes which are document-focused. It aimed at creating a repository where all the content could be stored, managed, searched and retrieved. These ECM solutions were very powerful as more and more content- whether it is structured or unstructured, it ensured that the content remains searchable and easily accessible for the users.



How does the ECM function?

Millions and millions of documents, spreadsheets, emails, presentations are being created every day. As more and more people/employees around the globe work together, sharing accurate information is critical. Such activities necessitate immediate, shared access to files and documents. As a matter of fact, Content is Everywhere which is why it becomes necessary to build a centralized location for the data which can be easily be accessed by a large group of people.

The idea behind building a centralized platform is pretty simple or you can say self-explanatory. Give everyone in the company, access to all the relevant information which they need to make decisions or complete a project or other tasks with maximum efficacy.

The job of an ECM is simple. Eliminate paper documents and filing systems. ECM keeps all your files and documents organized in a secured repository and provides you with an easy to access ecosystem. What you will gain from this is, you won't be getting any more paper cuts and what our planet will gain is no more cutting trees.

Coming back to Business!!!

Why is ECM so Important for Businesses?

An effective ECM is regularly improving day-to-day processes across various industries and service sectors while increasing efficiency and minimizing overhead. They play an important role in getting rid of the data which is not needed, removes duplicate data and outdated information.

What it also helps with is that it reduces the risk of miscommunication.

More importantly, the ECM provides you with an easy way to manage and monitor your content and gives an environment that only your key personnel can effectively respond to and protect it from breaches and fraud. If you are planning to implement ECM for your organization you need to identify the current state of your organization by asking yourself a few questions:

1) Figure out your short and long term business goals and figure out how ECM will help you meet those goals?
2) How do people in your organization currently handle different types of content?
3) How does the data move across the organization, among employees, different teams/departments and systems?

How are you at an advantage after implementing ECM?

1) You can securely store your data.
2) You can be more efficient in terms of your work and be more productive by leveraging the easy-to-access platform.
3) You can retrieve any type of file, from any location and then you can have it stored in your system.
4) Report on how the data is being used/accessed within the ECM.

Author Info

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“The two portfolios fit very well to each other”

Interview with **Dr. Marcus Kuhnert**, CFO of Merck Group, from Börsen-Zeitung, Frankfurt am Main, Germany, article provided by GEFIU, Association of Chief Financial Officers Germany, the German IAFEI member association.
The interview was made **by Sabine Wadewitz**

The CFO of Merck Group, Darmstadt, Germany, about the acquisition of the US corporation Versum, the financing of the transaction and the risk-diversification in the Group, from Börsen-Zeitung, Frankfurt am Main, Germany, June 15, 2019, article provided by GEFIU, Association of Chief Financial Officers Germany, the German IAFEI member association.

The pharmaceuticals and special chemicals Group Merck at first started a hostile attack on the US competitor Versum, but then managed to get Versum to an agreement and is now before a 6.5 billion US $ heavy takeover, in order to further expand the business with semi-conductor materials. The CFO Markus Kuhnert explains in an interview the financing of the deal and the further strategic moves.

Dr. Kuhnert, the Merck Group, as family owned Group, had the courage to go into a hostile takeover in the USA. Did the group owners agree to this from the beginning?

At a transaction of this size the group owners naturally are included closely into the decision. The family is present in the supervisory bodies which extensively discuss about the acquisitions.

From the beginning we have seen good chances for a success of the takeover of Versum. In view of the already contractually agreed merger plans of Versum and Entegris, it was clear, however, that a competing acquisition attempt at least at the beginning would be seen as a hostile action. However, we have always underlined our willingness for talks. A key for success.

The Merck management from the beginning has given the impression that it is confident to become a winner. What did make you so confident?

We have made it clear from the beginning, that we are the best strategic owner for Versum. The two portfolios are complementary and they fit very well to each other – especially with a view to the transition in the semiconductor industry. We anticipate, that data volume in the next years will grow exponentially. And thus, there will be increasing requirements to new chip technologies and the materials used for them.

Do Merck and Versum have the right products here?

Merck and Versum have the material categories of which we assume, that they are important for the development of new chip technologies.

This Entegris would not have offered?

Entegris is also an interesting enterprise, but when evaluating between the two, then Versum – from our point of view – with a view to the joint portfolio has really the lead. Also the service business of Versum is playing a role, because thereby we can support the semiconductor producers with innovations even better. The assortment here comprises not only gases and process-chemicals but also equipment with which one can overlay these materials in the chip-production.

So you have been confident that with that logic you will also be able to convince the investors of the deal?

We have looked at the business of Versum very precisely at the basis of publicly available information, and we have made a first offer in February, which was a good bit above the value of the merger proposal between Versum and Entegris. Thus, it was financially attractive for the investors. In addition, it was a pure cash offer, so there was not the risk for the Versum shareholders that the value would depend on a successful integration and realization of synergies. These components together have influenced the success probability positively.

But for Merck it was still a risk to have to make the evaluation without due diligence.

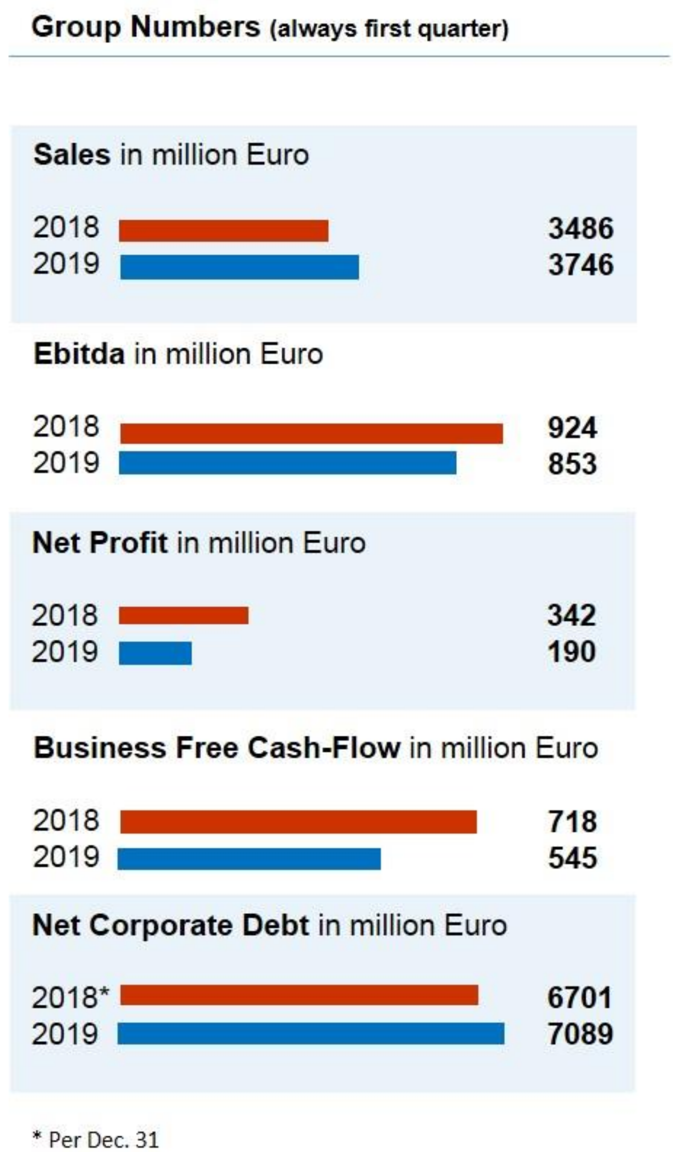
We have anticipated that Versum at a certain point of time would open the door and would be open for talks. So it then happened, which has mad ite possible for us to have a look into the books, beyond that, what we already knew by way of our intensive analysis of externally available information.

How is Merck financing the purchasing price of 6.5 million US $?

With a combination of cash and debt capital. It is now a size which can be realized without problems because after our sale of consumer health we have regained financial leeway. We have syndicated the financing with our 19 relationship banks and we will have, at the end of the day, a term loan by the volume of 2.3 billion US $.

This loan has the advantage that it can be repaid in a flexible way. So we can repay it in the next years from the cashflow in a flexible way, without being bound to fixed maturities.

Merck Group



Then you also have to replace the bridge financing of 4 billion US $?

This we want to do with two hybrid bond issues and one Euro-bond issue. The hybrid bond issues of a total of 1.5 billion Euro we will issue with two different maturities, in order to structure the liability side of the balance sheet.

For which maturities are you striving?

For this it is still too early. But it will be done in a comparable way to the financing of our acquisition of Sigma-Aldrich. There, it was 6 ½ and 10 years.

The hybrid bond issues are protecting from a rating-downgrade?

They have a positive influence. The rating agencies might recognize 50 % as equity, which supports the rating situation. This we have consciously structured in such a way.

So, one has not to expect a downgrading?
No.

Which financing costs are to be expected?

We will profit from the presently low interest rate level. Presently, we anticipate that we can generate financing costs for the entire transaction of roundabout 1 %. And here the interest rates of the hybrid bonds will be above the rate of the Euro-bond and of the term loan.

What have you indicated to the rating agencies and to the debt investors? How quickly will you achieve the debt reduction?

We have not yet set precise targets. But this is clear: We will be again very reluctant as to bigger M&A transactions. Smaller projects will be possible, but not more than the maximum of 200 million Euro per annum.

Do you have to limit yourself so strongly? With this, one stands in ones own way, when by surprise new options arise.

This may be the case, but it is important for us to here send a clear signal also into the group. The emphasis, after the acquisition of Versum, is now again and first of all the organic growth.

The goodwill amounts, already before the acquisition of Versum, to more than a third of the balance sheet total and to 80 % of the equity-capital. How much will be added to this with Versum?

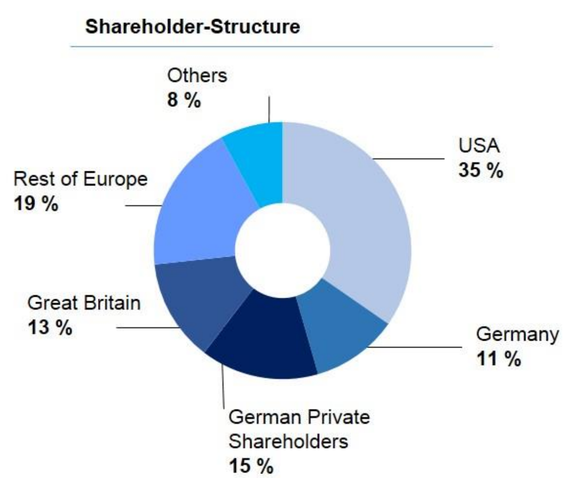
For this, we have to wait for the allocation of the purchasing price. There will be added an additional amount in the order of a billion.

With such balance sheet ratios, will you not slowly approach frontiers?

As long as the businesses are doing so well, this is an indicator that as an example the price which has been paid for Sigma-Aldrich has absolutely been justified. We anticipate that this will not be different as to Versum, also when the start into the current year in the semi-conductor industry was a bit weaker. Over the medium term the growth trends from our point of view are intact.

The business with semiconductor materials might, however, be more volatile than the one of the laboratory equipment producer Sigma.

The life-science-business is the master-example of a steady cash-flow-profile. But the volatility of the semiconductor industry has decreased. And this mainly because the industry in the meantime has a much broader portfolio of end-applications. Formerly, one was heavily depended on the investment cycles of the computer-industry. Today, semiconductor chips are contained in many more instruments, like entertainment-electronics, in the traffic-industry or in the medical technology-industry. With this, the growth is stronger aligned to the development of the entire economy.



Market capitalization
Status July 29, 2019
12.3 billion Euro

Source: Corporation, Thomson Reuters

What is the main emphasis at the integration of Versum?

It will be very important to make the integration in such a way that one is not impairing the business on both sides. The sales growth must not be impacted negatively. This has functioned excellently at Sigma, and this is also our objective at Versum.

There have been named synergies of 75 million Euro. Where will these be generated?

Savings will especially be possible in the administration and in purchasing, and less though, in marketing, sales and research and development. But cost synergies are not the primary drive of all the transaction. We want to especially further develop the combined business.

To what extent are the customers of Versum and Merck overlapping?

One can assume that there are overlappings. But it is important for me to point to this: Presently, both groups are still competitors in the market and this limits my ability to give answers at this point of time.

Which market share will have Merck and Versum together?

We have a good position. The market, however, is so fragmented that there will be no leading market shares anywhere.

Let us look into the future. How will the portfolio be changed further, or have the great steps have been done?

We want to stick to the three columns and we will strengthen all divisions in the next years further. Beyond that, we have no firm objective as to how the size of the portfolios relate to each other.

So, all three divisions must not become equally large?

No. But we want to avoid that one of the divisions will become a dominating one. We also want to avoid that one of the divisions will be marginalized.

The family owners of the group are striving for a risk equalization by way of the portfolio diversification, and this would then not function anymore. Also from this point of view the acquisition of Versum makes very much sense for us.

Is it imaginable that parts of the portfolio will be sold?

For our portfolio within the three columns we naturally have again and again a health-check and we think about whether we are the best strategic owner for all three activities. For this reason, as an example, we have got rid of our biosimilar-business and also of our consumer health-business.

Still, when so doing, you are not being pushed by shareholder-activists.

This is correct. But this does not mean that we are not carrying out our homework. Our regular and open exchange of views with the capital market as well as our extensive internal analysis processes help us much with this.

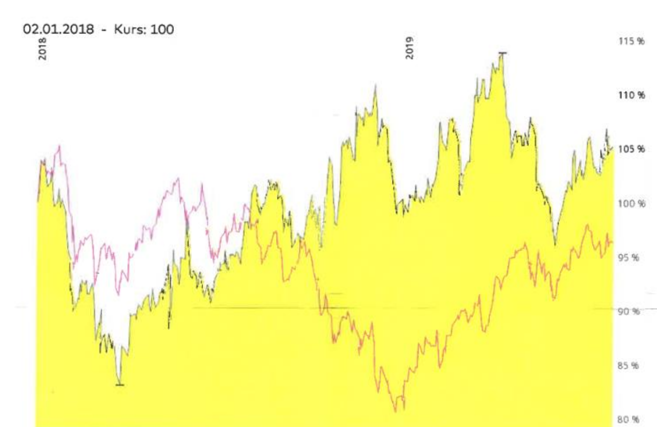
This you can also see at the very active portfolio policy which Merck has pursued successfully in the past 10 - 12 years.

Merck KGAq 94,72 .Lnro Share Price as of July 29, 2019, German Stock Exchange Xetra

Index Price Chart, Index-base as of January 2, 2018 = 100

-Black line: Merck KGAA Share

-Red line: DAX German 30 Companies Large Cap Stock Index



Merck in the past years also has had the courage to go into big deals. Can one expect such an active M&A-strategy and transactions in this dimension also in the future?

This is imaginable, but not in the nearer future. After the closing of this transaction we now have for once 13 billion Euro corporate debt in the balance sheet, which we must reduce. As a matter of principle, however, greater transactions are also imaginable in the future – when we have a strategically reasonable M&A-target and when the deal can be done in a financially reasonable way. In any case, we shall pursue a conservative financing policy. **This might also depend on the future financing possibilities. The interest rates could, indeed, increase again.**

Low interest rates are not misleading us to pay unreasonable prices. The criteria with which we evaluate investments and acquisitions, have not changed a bit. It is the decisive prerequisite that the internal interest rate is above the weighted cost of capital of the group. In addition, we build a risk evaluation into our projects and we are looking at how long it takes until the acquired company can contribute positively to the earnings per share. In addition, it is highly relevant for us to maintain the investment credit rating.

How high are the capital costs?

Around 7 %. Since a few years, we also report capital costs for our divisions. However, they are not deviating materially from each other. Here, there is no big spread. **Is in the pharmaceutical business in the future again a major step possible, or is Merck primarily aiming at partnerships?**

At present, we are expecting to further develop the much promising assets in the product pipeline – this costs enough money. We have very interesting perspectives with the cancer immune therapy Bintrafusp alfa which we have just partnered with GlaxoSmith-Kline. As to the cancer immune therapy Bavencio, we expect the closing of several important studies, as an example for the treatment of lung- and stomach-cancer.

Then, there are running clinical studies regarding our BTK-inhibitor at different auto-immune diseases for especially at multiple sclerosis.

Has the group of investors for Merck, outside the family group owners, been changed, with the portfolio restructuring away from pharmaceuticals?
We continue to be predominantly observed by pharmaceuticals analysts, but we are now also analyzed by life science analysts – significantly more than before the acquisition of Sigma-Aldrich. At some banks, in the meantime, we now even have a doubled coverage. There, a pharmaceutical analyst is looking at us, but also a life science expert. Today, we are a science and technology group. This reflects significantly more our reality than the common label “pharmaceuticals and chemicals”.

Had also new shareholders come on board?
In our shareholders-structure we have also seen changes in the past years. The share of value-investors has decreased a bit, growth-investors have increased.

Is the diversification of the group worrying some investors?

This we hear in the capital market from time to time. There, conglomerates are not especially appreciated. But one must understand our shareholder-structure. Around 70 % of the equity is being held by the family. This risk diversification must be guaranteed by the business model of the group. And experience has shown: When times become more difficult, then a diversified corporation-structure has indeed advantages.

Nevertheless, you must align the interest of the family and of the external investors.

Both sides have the same interest: that the group will be successful. At us, the conglomerate discount has become only a subject, when the division performance materials with the liquid cristal business entered into a weak position. With our new strategy for performance materials, however, we are now on the right way.

Merck is pushing the digitalization in the operating business. How is the finance function being included in the process?

The digitalization here is also playing a big role. The more intensive analysis and preparation of data will improve the decision quality over the next years dramatically. And into this is the increasing automization of processes. This is an important lever for efficiency.

About the person
With a spirit of sportsmanship

Since August 2014, Dr. Markus Kuhnert is responsible in the managing board of the pharmeceuticals and specialty chemicals Group Merck for the finances. Shortly after entering his position, his know-how for the 17 billion US $-heavy takeover of the US-laboratory specialists Sigma-Aldrich was important. Now follows with the upcoming acquisition of the US specialty chemicals producer Versum the second deal. Here, a purchasing price of 6.5 billion US $ has to be put on the table. To the sportsman like manager the special requirements and aspects of a family owned group were known, as he had worked before his change to the city of Darmstadt at Merck Group for the also family owned Henkel Group at Düsseldorf, Germany.

Kuhnert knows the operating numbers down into the details, but he can also talk without bogging about the different pharmaceuticals projects in pharmaceuticals research. He stands for a conservative balance sheet and finance policy and he regards it as right to make sure with a clear voice that there is financial discipline in the group. He also strives for pushing the digitalization in the finance function – for the increase of efficiency, but also for the deaper analysis of existing data. The manager has been born in 1968 at Chicago, then moved at the age of 4 years with his parents to Germany and has the double-citizenship. He studied and graduated as business engineer at Darmstadt, Germany. The father of three kids formerly has himself played soccer actively, but in the meantime, he prefers to visit games at the stadium or to be active in gaming consoles. His heart belongs to the team of Eintracht Frankfurt in the German premium soccer league.

From Börsenzeitung, Frankfurt am Main, Germany, June 15, 2019 Responsible for English translation: GEFIU, the Association of Chief Financial Officers Germany, the German IAFEI Member Association, translator: Helmut Schnabel

Book review: Bean counters - the triumph of accountants and how they broke capitalism, by Richard Brooks

By Ciaran Ryan, Journalist for www.cfotalks.com a SAIBA online news portal

We are programmed to regard accountants with reverence and unquestioning trust. They are the record keepers of the economy and arbiters of financial truth. Double-entry bookkeeping was an astounding development. It allowed business owners to record assets and liabilities rather than simply track the movement of cash and goods. It introduced the concept of 'capital' to the business world, centuries before Karl Marx wrote *Das Kapital*. With this new insight, business owners could accurately reflect profits, which in turn opened up opportunities for outside investors.

Just as astounding as the development of double-entry bookkeeping is the rise of the Big Four accounting firms – EY, PwC, Deloitte and KPMG – as business titans equal to or even mightier than their clients. The Big Four audit 97% of US public companies, 100% of the UK's top companies and 80% of Japanese-listed companies. Not to mention their overwhelming representation among the JSE's top companies. And yet trust in the accounting profession has seldom been lower.

Richard Brooks, author of *Bean counters: the triumph of accountants and how they broke capitalism*, details how why this trust has slipped, and how a nicely balanced set of figures can often be a fraudster's friend. To listen to an interview with Richard Brooks, conducted by www.cfotalks.com the online news portal for African CFOs managed by the Southern African Institute for Business Accountants (SAIBA) a IAFEI member body, go to https://cfotalks.com/podcast/24-richard-brooks/

Avoiding scrutiny

The major accounting firms have managed to avoid the scrutiny that their importance warrants. Perhaps, as Brooks advises, we should force them to open their financial statements to public scrutiny so we can see how they earn their money.

Before the Big Four there were the Big Five – Arthur Andersen & Co having disappeared in a puff of smoke after it cooked up false accounts for the now defunct US energy company Enron.

A mandatory 10 year audit rotation is the latest solution to this overwhelming concentration and the inevitable Stockholm syndrome that comes from having auditors sleep with the same client, year after year. Consider that KPMG counted General Electric as a 106 year-old client and PwC stepped down from the Barclays audit in 2016 after 120 years. It hardly needs pointing out that given enough time, the Big Four (if they are still around in 10 years, which is a pretty safe bet) will eventually cycle back to the clients who rotated them out of their engagements.

Accounting regulators are working overtime to keep up with the schemes being hatched to boost revenue or hide liabilities, TONGAAT and STEINHOFF are good South African examples.

Given enough accounting scandals, and we surely have enough of those, investors will start to apply a 'truth discount' on all public companies' figures.

Crafting rules in their own interest

It would be foolhardy to count on the regulators bringing sanity to the profession. As Brooks points out, the accounting standard-setters are swimming in alumni from the Big Four, ensuring the rules are crafted to suit the major accounting firms and their clients. If you're a major company, you cannot stray very far from one of the Big Four, despite the regulator's efforts to transform the sector and introduce audit rotation. What is astonishing is the growth in revenue for the Big Four firms through good times and bad. Brooks demonstrates that their revenue growth barely paused for breath during the 2008/9 financial collapse.

Every crisis, or indeed change, is a revenue opportunity for these firms: Y2K, climate change, cyber security, corporate governance, business restructuring, and integrated reporting. You name it, they have a solution for you. The result is sports-star-level incomes for men and women employing no special talent and taking no personal or entrepreneurial risk.

Worldwide, these firms make just 39% of their income from audit. They have become consulting firms with auditing sidelines. Though these firms will swear that auditing and getting the numbers right is the sacrosanct heart of their business, the evidence suggests otherwise. With so many inadequate audits on their own ledgers, one might expect a dip in their earnings. You would be wrong. Poor performance is not a matter of life and death when there are so few competitors from which to choose.

Their own key performance indicators (KPIs) emphasise revenue growth, profit margin and staff satisfaction, rather than exposing false accounting, fraud, tax evasion and the systemic risk these pose to the economies they operate in.

The demise of sound accounting became a critical cause of the early-twenty-first-century financial crisis, says *Bean Counters*. The tendency is to blame reckless banking practices for the last financial collapse, but far less attention is given tothe accountants who signed off on dud loan books. Vincent Daniel was a disaffected former Arthur Andersen accountant employed by Steve Eisman, depicted in the film *The Big Short*.

Magic figures

In just a few months, Daniel came to the conclusion that the subprime mortgage loans being dished out by the major banks suffered exceptionally high delinquency rates. He saw what the major accounting firms had apparently missed or ignored. Eisman and several other short-sellers made fortunes predicting the subprime crisis – yet the banks' books, sanctified by the magic of mark-to-market accounting, pretended nothing was amiss. Millions of people were impoverished by the wilful negligence of the accounting firms. That's what happens when accountants go rogue.

Undeterred, the Big Four raced off to India and China to capitalise on the record-breaking growth in these zones. The *Bean Counters* details how the same lapses in oversight started to appear in these new markets. Deloitte was forced to resign from two important clients after signing off on vastly inflated profit figures. Again, it was the short-sellers who highlighted these anomalies. PwC was fined by US authorities for a deficient audit at Indian IT company Satyam. In one country after another, each of the Big Four has been sanctioned, fined and worse for turning a blind eye to fraud, corruption or fake accounting.

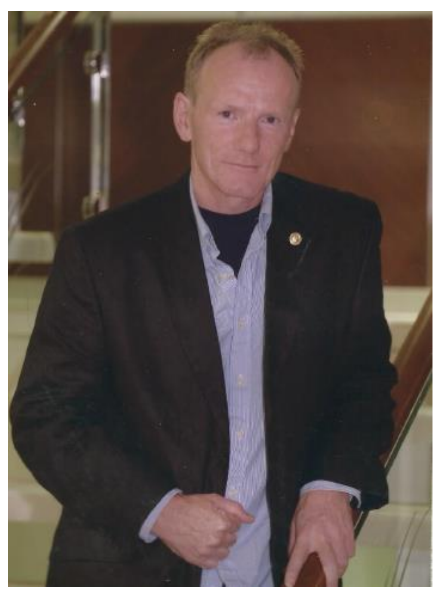
Despite the economic wreckage caused by accounting firms, they operate with relative impunity. "Even before Enron, the big firms had persuaded governments that litigation against them was an existential threat," writes Brooks. "They should therefore be allowed to operate with limited liability, suable only to the extent of the modest funds their partners invested in their firms rather than all their personal wealth."

Perhaps even more troubling is the fact that governments turn to these accountants for advice on tax, finance, trade and other issues. Complexity is always a money-making opportunity for these accountants, and the rules they craft in the "national interest" are often serving another master entirely. Are these the right people to be guiding national policy?
Blatant corruption in accounting is the exception. The real problem is the profession's "unique privileges and conflicts that distil ordinary human foibles into less criminal but equally corrosive practice," says Brooks.

Talk of breaking up accounting firms

For years there has been talk of breaking up the Big Four, and detaching their audit from their consulting arms. It happened after Enron and is happening now again. The accounting firms concede the need for reform, but never to the point of threatening their fee-earning capacities.

One possible solution is to have an independent body appoint auditors, rather than allow clients to make their own choices. After all, auditors are there to perform a public oversight function that goes far beyond the interests of management and shareholders. Audit rotation will certainly help. But the only real long-term solution is to reintroduce a questioning, objective and sceptical mindset to the business of accounting and auditing.



Ciaran Ryan, Journalist for www.cfotalks.com a SAIBA online news portal

PHILIPPINES

ASEAN must move for financial integration

by Abelardo "Billy" Cortez, *IAFEI Secretary and Executive Committee Member / Independent Director First Metro Philippine Equity Exchange Traded Fund, Inc.*

ASEAN (Association of Southeast Asian Nations) is a dynamic region known for diverse strengths. It has a total population that stands at more than 622 million people. Significantly, the region's economic growth continues to surpass that of advanced economies in recent years. The region has one of the largest economies in the world, and it is believed that by 2050, it will have the 4th-largest economy in the world. It also has one of the largest labor forces in the world, falling only behind India and China. The total region stretches across over 1.7 million square miles. ASEAN governments and private capital need to step up common efforts to keep pace with a rising middle class. There's also the fact that current market forecasts predict a better economic outlook for the region amid the threat of a global economic slowdown early next year.

Clearly, during this period of unprecedented technological power, cooperation and collaboration have never been more crucial among the ten (10) ASEAN member-nations in the coming years.

In the AEC Blueprint, ASEAN seeks to achieve, anchored in the real world, a well-integrated and smoothly functioning regional financial system, characterized by more liberalized capital account regimes and inter-linked capital markets. This calls for a herculean set of tasks to achieve such vision. More than anything else, it will take more time, more action to chip away at the inefficiencies, vested interests, and structural underbrush within the ASEAN financial sector.

It calls for ASEAN to expand cross- border cooperation agreements among ASEAN banking and financial institutions, largely focused on common utilities for services like electronic payments, inter-modern technology and processess like fintechbank payments, trade finance employing today's h and blockchain.

For a better perspective, ASEAN policymakers will have to make sure that they possess a clear idea of what consumers of financial services are looking for, and how their respective governments' regulatory agencies, clothed with authority, will implement with clarity and efficiency key and relevant financial market concerns. This will place the ASEAN vision for financial integration on a much firmer ground.

Proponents for the ASEAN financial integration by 2025 have spelled out as front-and-center of their goals, three (3) strategic objectives, namely, financial integration, financial inclusion, and financial stability as well as three cross-border concerns (capital account liberalization, payment and settlement systems, and capacity building); these objectives will be addressed as follows: First, the strengthening of financial integration to speed-up intra-ASEAN trade and investments will be facilitated and implemented through increasing the role of ASEAN indigenous banks, and putting up a more integrated insurance and capital markets system. This will be supported by a robust financial market infrastructure that is safe, cross-efficient and more connected; second, the promotion of financial inclusion will be done through the delivery of financial products and services to a much wider community that has remained underserved, including micro, small, and medium business enterprises. These would include initiatives to address the uneven digital gap in the region and will reflect changes in the demographic structure as some ASEAN countries become aging societies; and, the third is the financial stability that will be ensured through the continuous strengthening of regional infrastructure particularly during times of regional financial crisis.

Success, however, is far from assured. The global economic outlook has deteriorated in all parts of the world over the last few months due to an escalating trade dispute between the United State and China, South Korea and Japan trade issues and Brexit problem. Certainly, the escalating trade tensions through higher tariffs and restricted access to various markets is hurting sentiments, increasing costs, damaging supply chains and weakening corporate profits.

It helps if the ASEAN collective leadership will remain steadfastly committed to strategic thinking with strong bias toward flexibility, improvisation and innovation that matters now more than ever in our constantly changing global economy.

The ASEAN vision is always paved with the best intentions. If done right, the best is yet to come.

Atty. Abelardo "Billy" Cortez is currently IAFEI secretary and Executive Committee member. He is an independent board director at First Metro Securities Corp. and First Metro Exchange-Traded Fund (ETF) (Metrobank Group). He was formerly FINEX president and chairman of the Phils. Capital Markets Development Council.

ITALY

Let's meet in Matera and celebrate IAFEI's 50th anniversary

IAFEI 49th Congress will be held in Matera on 25 and 26 October 2019

By Piergiorgio Valente, Charmain IAFEI Technical Committee

In the year in which IAFEI celebrates its 50th anniversary, the 49th Congress of IAFEI will take place in Italy in Matera (2019 European capital of culture) on October 25th and 26th.

The main topic is quite inviting: "***An holistic view of the enterprise in a changing world – Cultural heritage, basic value and forward guidance for driving change in business and growth models***". The scope is to discuss how shall the today's enterprises evolve towards the one of the future.

Companies live in a time of change, in a globalized economy, in which digital transformation is a key driver and sustainable development is a crucial desirable goal.

This year's Congress will be an occasion to share views and experiences among international experts, CFOs from many jurisdictions and members, *on what should be the plan for our enterprises to meet a virtuous sustainable path*, ensuring global growth and development.

The Congress will be organized around three main Roundtables. It will start with a Roundtable on *Culture and Competitiveness: two worlds apart?*, followed by a keynote speech on European and world economy outlook.

Within the topics to be discussed we will have the Continuity of Enterprises and the Generational Handover, Globalization & Value Chain as well as the importance of environmental, social and governance factors for decision-making process of enterprises. The Second Roundtable's topic will be devoted to Digital Culture and Digital transformation, in which we will have the opportunity to discuss the main challenges, technologic threats and opportunities as well as regulatory changes due to the digitalized economy.

The last Roundtable of the day will be "*the Silk Road – focusing on the point of views between China and the East versus Italy and Northern Europe*".

Last but not the least, during the second day of the Congress we will focus on sustainability and development and its impact on businesses.

The topic of the Roundtable is "*Social Reporting: the Developments of the Reporting Process from Financial Impact of the Integrated Reporting Framework. Changes in the CFO's role*" and it will include national and international experts to discuss this critical subject matter which is driving the agendas of almost all leading institutional bodies.

We will conclude the day by focusing on some disrupters and the EU development and its single currency: Brexit and supranational initiatives.

Speakers from different jurisdictions are confirmed and full program will be released soon in the registration site of the Congress. For further information and registration please visit: https://www.iafei.org/eventsintl.html or link.

We are looking forward to welcoming you all in Matera!

Piergiorgio Valente
Charmain, IAFEI International Tax Committee

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