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Letter of the Editor **March 23, 2015**

Dear Financial Executive,

You receive the **IAFEI Quarterly XXVIII th Issue**.

This is another issue of the **IAFEI Quarterly**, the electronic professional journal of IAFEI, the International Association of Financial Executives Institutes.

This journal, other than the IAFEI Website, is the internal ongoing information tool of our association,

destined to reach the desk of each financial executive,
or reach him, her otherwise,
at the discretion of the national IAFEI member institutes.

This issue contains a broad variety of articles on accounting, financial and tax matters from 8 countries, respectively country groups, and from very diverse sources.

Our former IAFEI member institute from Spain, AEEF, did contribute an article by the Spanish State Secretary for European Union Affairs, Inigo Mendez de Vigo y Montojo, on " Europe after the Crisis: Which Future waits for the European Union ? ", an impressive collection of the facts and the philosophy, building the European Union.

Once again:

I repeat our ongoing invitation, to IAFEI member institutes, and to their members,
to send us articles for inclusion in future IAFEI Quarterlies, and to also send to us your suggestions for improvements.

With best personal regards Helmut Schnabel

Helmut Schnabel

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(1 September 2014 to 31 August 2015)

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-
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-
by assigning trade receivables to a bank or factor

CREDIT MANAGEMENT
-
by optimising credit management tools

It is the sponsorship policy of IAFEI, to thereby enhance the value of the organization to is member institutes and its individual financial executives members, around the world, while, at the same time, entering into a professional dialogue, by various ways and means, with the sponsoring corporations. In so doing, IAFEI is striving for having such corporations as sponsors, which are world class corporations, and among the best in their business sector, and with a truly global scope and focus of activities. Thus, IAFEI and its sponsors, want to jointly serve financial executives, worldwide, for their professional benefit.

HIGH FLIER

Air France treasurer Frédérique Lacombe explains how her team is helping the airline to reduce its costs, pay down its debt and manage its business risks

Words: **Sally Percy** / Photography: **Sébastien Dolidon**

If the airline industry is considered one of the most glamorous businesses to work in, then that must be doubly true when it's a French airline that we are talking about. So there will be many European treasurers who would secretly covet the job of Air France treasurer Frédérique Lacombe. But a business in any industry faces its own unique challenges and, as Lacombe herself will be the first to admit, airlines are no exception to this rule. They face very strong headwinds, both in the sky and on the ground.

Since the financial crisis and the economic meltdown that followed it, the Air France-KLM Group has been battling to curb its operating costs and to get on top of its net debt (which stood at €5.27bn as of 30 September 2014). With this in mind, Air France launched the Transform 2015 turnaround programme in 2012, which aimed to slash its cost base by €1.5bn. At the same time, it moved to regain competitiveness and take its brand 'upmarket' by enhancing its customer service and improving its seats, lounges and catering.

Since 2012, Air France has indeed succeeded in reducing its controllable costs by €1.5bn, down 7.9% in three years. But the process was inevitably painful, with employees being asked to accept salary freezes and longer working hours, as well as seeing the headcount of the workforce cut by 10%. Then, in September 2014, the Air France-KLM Group revealed its new Perform 2020 strategy, which is the successor to Transform 2015. Under this strategy, it is targeting an 8% to 10% growth in EBITDAR between 2013 and 2017. Lacombe describes the new strategy as setting out to achieve growth and improve competitiveness, while still having a "strong focus on costs and financial reinforcement". Part of this strategy entails expanding into selective growing markets in Africa, Asia and South America.

Air France's treasury has two main responsibilities with regards to supporting Perform 2020. Firstly, it is reducing costs through improved working capital management, lower banking fees and increased productivity. Indeed, such is the importance that Air France stores by working capital that it has a cross-functional finance committee specifically dedicated to the issue of improving it. "We make people more sensitive to cash management," Lacombe explains. "We ask our operations staff to be more careful about when they pay their suppliers and when they get their cash in." Secondly, treasury is helping to create a smoother payment experience for customers by accepting more payment methods (for example, wire transfer and e-wallets) and facilitating payments on tablets and mobiles.

Headwinds

Air France has a small treasury given its size (it turned over €16bn in 2013). The team consists of 10 people, including Lacombe herself, and is based at Charles de Gaulle Airport. It carries out a wide spectrum of duties that range from worldwide cash management and investment to FX interest rate hedging and payment coordination.

One preoccupation is managing credit card payments, which are the source of around 65% of the group's turnover. Credit card payments are challenging, Lacombe says, because of the technological and regulatory issues associated with them, and also because of the many places where customers can pay for their flights or other services. "They can pay in travel agencies, at airports, through the call centre, on the web and on mobiles," she explains. "So we have to work with a lot of different teams."

She continues: "We are present in more than 100 countries and we get payments from all over the world by credit card. We need to be able to cash that money, so we need to have international acquiring banks acting for us. We centralise all the payments that we get and every day we make the remittance for all the transactions that have been done."

The treasury team works with a group of 12-15 core relationship banks globally. But it also uses a lot of local banks,

“Even though we are an international business, our largest markets are still our home markets and the lack of growth is impacting on us” since it needs to draw on their cash management services in the various countries in which it does business. "Our activity is cyclical and seasonal," says Lacombe. "Therefore, we have all our cash pooled at the centre so that we are able to operate." This cash is in the region of €1.5bn, which is invested in deposits, term accounts and money market funds. Just in case you're wondering, the interest rates it gets are positive, not negative.

Asset-based finance is Air France's preferred form of financing for its aircraft and buildings. But, as part of its policy of diversification, it also uses bonds and syndicated loans. The airline, which gets away with being unrated because it is a fifth owned by the French state and is so well known, taps the bond market from time to time and Lacombe says there is "a good liquidity".

Fluctuating fuel prices are a concern for Air France because they constitute around a third of the group's costs and make up its second-biggest cost after payroll. They are also dollar-denominated, which presents the group with a significant currency exposure that treasury has to manage.

The airline holds a short position on the dollar, although it is long in all the other currencies in which it operates. This is because while it sells tickets in dollars, the proceeds of these are heavily outweighed by the costs of fuel, plane leasing and spare parts. It also has capex exposure in dollars due to its investment in planes. So it buys around €3bn in dollars annually. "We have hedging policies for the group," Lacombe explains. "On the plane investment side, we try to smooth the FX risk by hedging on a long-term basis. On the operating side, and for the fuel, we have a two-year rolling hedging policy. We hedge the net exposure between our income and our expenses."

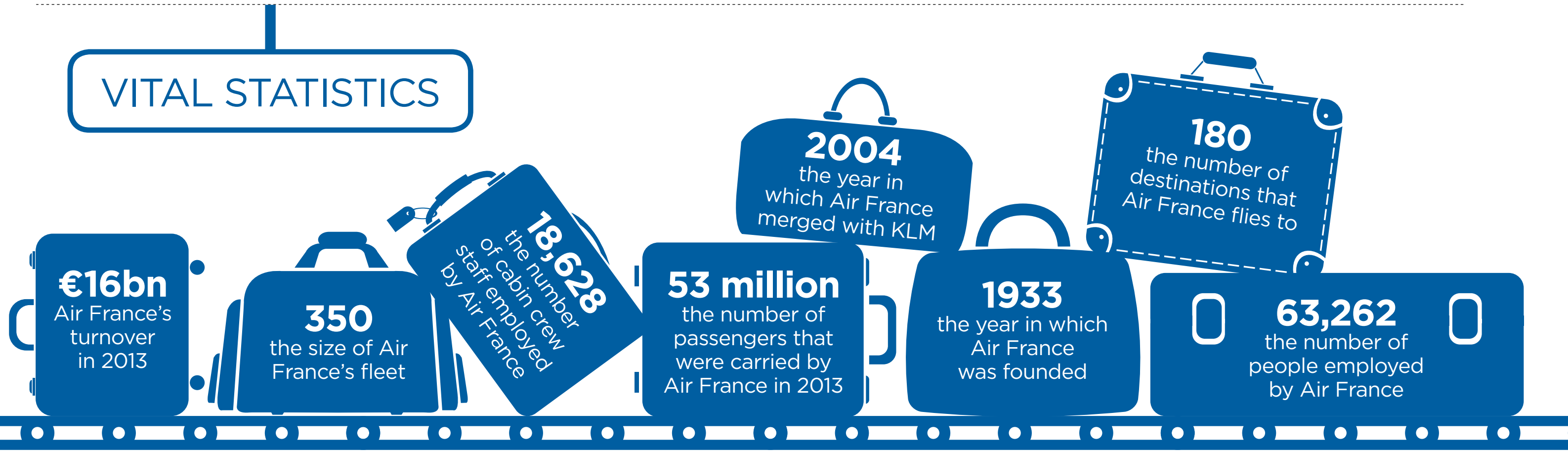
Airlines are assumed to be major beneficiaries of the fall in oil prices that has hogged the headlines in recent weeks. Lacombe confirms that Air France will partly benefit from the price drops, since it was only partly hedged for 2015. Furthermore, the fall in oil prices naturally reduces the group's exposure to the dollar.

The absence of growth in the eurozone clearly causes Air France some concern. "When you have no growth in economic activity, people don't travel," Lacombe says. "Even though we are an international business, our largest markets are still our home markets and the lack of growth is impacting on us." In particular, fierce competition for passengers within the airline industry is squeezing ticket prices. Nevertheless, Lacombe is optimistic that the weakening of the euro against the dollar may boost the European economy this year and encourage Air France's customers to travel more.

Regulatory burden

It isn't just FX that troubles Air France's treasury. The airline's international exposure poses other issues. For example, it runs into problems with sanctions issued by the Office of Foreign Assets Control when it needs to pay charges for flying over countries such as Iran, North Korea or Sudan. "It's getting more and more complicated to pay the charges that we owe to these countries," Lacombe explains. "The banks don't want to transfer money to them."

Then there is other legislation to consider. "We are affected by many different types of regulation," notes Lacombe. "The Single Euro Payments Area [SEPA] affected our wire transfers and direct debits. Meanwhile, the European Market Infrastructure Regulation affected all our derivative transactions. Because we are required to match and declare these transactions on a regular basis, we have to do a lot of additional work."



The upcoming Payment Services Directive, which aims to make cross-border payments as easy, efficient and secure as 'national' payments within a member state, is also a bugbear. "Even when rules are made with the good intention of simplifying processes and reducing costs, they can be difficult to apply," Lacombe notes. She also has concerns about the Payment Card Industry Data Security Standard, a regulation relating to data protection that will impose costs on airlines – because it requires investment in IT systems, for example – without generating any additional revenue.

Of all the new regulations, SEPA is the only one that has added value so far, she concludes, "because we have a wide European exposure and it simplifies transactions".

Career trajectory

As a woman in a senior treasury role, Lacombe is one of the fortunate few. She does, however, believe that the gender imbalance could be worse than it actually is. "It is still a profession where there are more women compared with some other professions," she says. "I don't find it either an advantage or a disadvantage to be a woman in treasury. But there is a glass ceiling, globally, which is a real problem. In the financial world, it's an issue that women don't have the same possibilities as men."

While there are limited domestic professional qualifications available to treasurers in France, there is a very active treasury association in the country called the Association Française des Trésoriers d'Entreprise. Lacombe values being a member of that association and praises the training that it offers, as well as the "very useful material that its working groups provide on the main issues affecting treasurers".

Despite the challenges that come with her role, Lacombe still gets a buzz from working for the group that she joined in 2003 after a decade-long stint in the nuclear industry. What Lacombe loves about the airline is its "international exposure, size and culture", she says, and the fact that it is focused on people and service rather than on machines. And she says that she generally sleeps well despite the stress and responsibilities that come with her job, explaining: "I try to solve my issues during the daytime."

FRÉDÉRIQUE'S TOP TIPS FOR SUCCESS

1

"Never lose an opportunity to learn. In our jobs, we have the chance to meet a lot of different people, so it can be very enriching."

2

"The French treasury association offers a lot of value and it's very interesting being part of this association. It's good to be able to exchange your views and discuss issues with your peers."

3

"My favourite gadget is my iPhone. I use it a lot. On it, I have market information, press information, my contacts, my music and even my transportation timing schedules."

4

"The secret to my career success is having deep technical knowledge and being able to form good relationships. Also, I am curious."

5

"The most difficult question my CFO could ask is: 'Where will the euro-dollar exchange rate be in six months?' No one would be able to answer that question!"

6

"The best way to unwind after a stressful day is by going for a run or having a good dinner with friends or family. For French people, food is important!"

FRÉDÉRIQUE'S CURRICULUM VITAE

2003-present
Treasurer, Air France

1991-2001
Deputy director of finance and treasury, Framatome

1986-1991
Broker, GREL

Qualifications
Diploma from Rouen Business School (1986)
Master in finance from Dauphine University (1987)

Sally Percy is editor of ***The Treasurer***

France, Article: Central Banks Getting Off the Right Path

Patrick Artus, Chief Economist of the Investment Bank Natixis, Paris, France, criticises the modern monetary policy - and also Germany

by Gerald Braunberger, from Frankfurter Allgemeine Zeitung, Frankfurt am Main, Germany, February 25, 2015

Patrick Artus is shaking the head with disagreement, when he is addressing the monetary policy, which is presently practised in the industrial countries. " The central banks are doing something, what they had promised, to never do again ", said the chief economist of the investment bank Natixis in a conference in Frankfurt am Main. Examples for wrong actions has the French economist available.

" The central banks have once promised, to prepare the public for important decisions ", reminds Artus. But what has done the Swiss Central Banks in January? At first it had assured, that tieing the Swiss Franc exchange rate to the Euro remains very important. But a few days later, the central bank gave freedom to the exchange rate to a free float, criticises Artus.

The European Central Bank is not coming off better. Artus reminds, that the former European Central Bank president Jean-Claude Trichet rightly had pointed at the need that financial markets value risks as correctly as possible. But the European Central Bank, with its monetary policy, in the reality is not only eliminating the price differences between government bonds of different quality in the Euro area. It has also contributed to a not justified reduction of the return spreads of bank bonds.

Artus is looking very critically at this, because he is not believing that against these costs of the monetary policy sufficient returns can be achieved: A contribution of the monetary policy, worth mentioning, to economic growth, the French expert does not expect.

The third critique by Artus about the modern monetary policy relates to how inflation rates are addressed. This critique relates not only, but also to the European Central Bank. Artus does regard it as inappropriate, to take the inflation rates, lowered by the fallen oil prices, as a reason for easing the monetary policy. A low oil price improves the conditions for production in the economy, but it is no reason for actions of monetary policy. If one eliminates the energy from the inflation rate, then in the Euro area it is, though, below the European Central Bank target of slightly below 2 %, but it is still positive - and most importantly it will probably increase again over the medium term. As a support for this forecast the French Expert mentions the growth of unit labor costs by 1.5 %. In his view, the inflation rate should move towards this number over the medium term.

The fourth critique about the monetary policy relates to the negative incentives, which emanate from it for the fiscal policy of the states. He says, that from France and from Italy no consolidation of the government budgets can be expected in the coming years. To this, he says, do contribute the purchases of government bonds by the European Central Bank.

Artus shares on principle many views and convictions with the German Federal Central Bank president Jens Weidmann. But he considers as inappropriate the German insisting that government bond purchases must be made by the national central bank of the respective European state. Through this, wrong incentives would be set.

“ When the Banque de France, the French Central Bank, is buying French government bonds, then this means an easing for the French fiscal policy, because the interests being paid on these bonds by the French finance minister will flow back to him by way of profit pay out by the Banque de France, “ explains Artus. “ But if the Deutsche Bundesbank, the Federal German Central Bank, is buying French government bonds, then the interests paid by the French finance minister are not any more flowing back to him.”

And finally Artus is also addressing the exchange rate orientation of several Central Banks. He calls this orientation as wrong, and mentions the European Central Bank, the Japanese Central Bank, and the Canadian Central Bank. The French expert is not sure, that the bond purchases by the European Central Bank will further lower the Euro exchange rate in the foreign currency markets, as for instance the analysts of Goldman Sachs and of Deutsche Bank do expect.

Because Artus sees opposing effects: On the one hand, the monetary policy of the European Central Bank does not induce bond investors to purchases in other currency areas like the Dollar. But against this, Artus sees incentives for purchasers of stocks, to move money into the Euro area, because the profits of many enterprises in Europe will benefit from a weaker Euro.

For Germany, however, Artus does not see a benefit from a weaker Euro: Exports are profiting not much from this, by contrast imports are becoming more expensive. High wages are a danger for the competitiveness of Germany. For the longer term there is the danger, that Germany becomes like how Spain was a few years ago - heavy weight to consumption, but not very competitive.

Responsible for translation: GEFIU, the Association of Chief Financial Officers Germany, translator: Helmut Schnabel

Germany, Article: **“There is no reason for us to shift back”**

Interview with Bodo Uebber, CFO of Daimler-Group, Stuttgart, Germany,

The Daimler CFO about the provisions relating to anti trust investigations, the increase of capital expenditure, a higher dividend and about employment

Interviewed by **Gerhard Bläske, Börsen-Zeitung,** Frankfurt am Main, Germany, December 20, 2014

Mr. Uebber, 2014 is coming to an end. What are your conclusions about the year?

We have progressed further, and we confirm our forecasts. Sales volume grows significantly, the turnover - and to an even stronger degree Earnings before Interest and Taxes (EBIT), as well as Group net results - have increased over proportionately in the third quarter. The Free Cash-Flow of 5,4 billion € was excellent. You see: Our strategy works out.

What are the reasons for this? Until mid 2013 you had repeatedly missed your objectives.

The investments are paying off. Our new models, and this relates also to trucks, are welcomed excellently by demand. The efficiency programs do work step by step and deploy their full result in 2015. The net liquidity of the industrial business segment is with 17,9 billion € by 4 billion € above the previous year`s level. And we have sold our holdings in Tesla and Rolls Royce Power-Systems (formerly Tognum) at a very good point of time. The capital market reacts very positively to this.

What do you then do with all the money ?

We invest especially in new models and services. There we have the highest capital returns. But we also improve our balance sheet structure. Because of our good liquidity cushion we could now increase the asset funding for our pension obligations by 2.5 billion €, and thus could compensate a part of the higher pension provisions which have resulted from the discount by the lower interest rate level. This has also a positive effect on the Group net result and on the equity. With this, our leverage ratio is reduced, and this is again positive for our external rating. On the other hand, the execution of the law on payment delays does reduce our liquidity position by roundabout 900 million €. But we remain, though, on a comfortable level. As well we are funding the health fund, which is administered by the labour unions, at our North American Truck subsidiary DTNA with 350 million €.

You also want to invest more in the Services business ?

Yes. We are investing 500 million € in improving our financing business in China where the share of customers, who finance the car purchase through us, is growing significantly.

You have increased the provisions by 600 million €, in connection with investigations by European Union anti-trust administrations because of eventual violations of anti-trust regulations. Is this enough?

We do assume, that with the increase of the provisions we have adequately provided for the risk. We cooperate with the authorities, but at the same time and as this investigation goes on, we shall present our view of the legal situation, make use of our rights and check all procedural legal options.

When the restated EBIT is increasing so significantly, in the third quarter by 21 %, then the shareholders can look forward to a healthy dividend increase!

We are paying out roundabout 40 % of the group net profit of the current year and thus provide an attractive dividend return of more than 3,5 %. This compares favourably to many other corporations and to the present interest rate level. Without pre-obligating the supervisory board, the better result from the current year is a good basis, in order to propose a higher dividend.

On the currency side, you are experiencing further relief. How does this show in 2015 ?

As to the hedging of our currency exposure, we have not changed our strategy. We have a model, which is hedging us over the next two to three years. By way of hedging we are smoothening on the upside and on the downside. Yearlong trends we cannot stop, however. For 2015 we are hedged by around two thirds, for instance as regards the Dollar and the Renmimbi. But there are still other currencies. Whereas the Dollar and the Renmimbi have strengthened, the currencies of the developing countries and also the Yen have significantly depreciated. The effects on 2015 depend on the further development as regards the aforementioned currencies. As a matter of principle one must mention, though, that a strong € devaluation does reflect an only slowly developing European economy.

The stock price has recently developed well, but by contrast to BMW and Volkswagen you have no anchor shareholder.

If I could bake for myself ideal shareholders, I would choose Gottlieb Daimler and Carl Benz. But seriously: Our shareholder structure is balanced. We have many long term oriented investors like Kuwait Investment Authority, which is a shareholder since over fourty years. In addition to that we have a number of long term oriented shareholders, who each hold 1 to 3 %. The best protection from unfriendly shareholders is, to further develop the corporation successfully and thereby increase the shareholder value.

What is your situation on the financing side?

It is very good. When refinancing in China, we have in the meantime with two bond issues opened this market for our business segment. In addition, in future, we shall bill the export of finished cars to China in Renmimbi, and thus further develop the financing market in China. When using local financing, we have played a pioneer role in many markets, for instance in South Africa and in Brazil. In India we do not intend to do this now due to an unfavourable interest rate level.

Which other financing instruments are you using?

We are broadly diversified. Apart from private placements - for instance in Argentina - we execute asset backed transactions, and we take up bank loans. In the third quarter 2015, we had a volume of 41,6 billion € of outstanding bonds. 11 billion € are maturing at the end of 2015. In addition, we have 21,9 billion € bank loans. Of which around 12 million € are maturing in 2015.

At the end of 2013 you have signed a credit line of 9 billion € with a syndicate of banks….

….whom we continue to need. Because of the strong growth, we need more financial flexibility. The Rating Agencies, for example, request from us, that we can overcome twelve months, without having to go to the capital market. At this, also our high net liquidity in the industrial business of now 17,9 billion € is of help.

Will you be able to maintain your speed of growth?

There is no reason for us, to shift back or down. Our capital expenditure remains high.

To where the means are flowing? Do you increase capital expenditure for new models?

The most reasonable capital expenditure is for new models. Also in 2015, the capital expenditures in fixed assets and the expenses into research and development will increase.

The financial means flow for instance into the new E – class, in motor projects, new technologies like plug-in-hybrids as well as in our truck business.

By the way, how big is the share, that goes into alternative motor devices?

50 % of our expenses for research and development go into "green" technologies: alternative motor devices like Plug-in-Hybrids, or into the fuel cell. But also at the classical motor technology we are investing into further enhancing the efficiency. The new motors show sensational performances.

Do you attain the severe CO2 limit data?

We are on course. We want to meet our objectives and at the same time set new light towers. One of these new light towers is the new Mercedes-Benz S – class Plug-in-Hybrid. But when taking a comprehensive view, one must not only look at our industry. Also at the improvement of the infrastructure as well as in house building one can reduce massive volumes of CO2.

Apart from your offence of new models and your investments in alternative motors, you also lately extend your presence in the growth markets!

Yes, because we want to benefit from the growth in these regions. This holds true as well as for trucks as well as for the passenger car division. We enlarge our presence in China and in India, we build new passenger car factories in Brazil and Mexiko, and we produce the Sprinter in future also in the USA.

But this is at the expense of your production in Düsseldorf, Germany, where you heavily cut back the workforce.

We are strengthening the production site in Düsseldorf, by way of giving to the location and the workforce a clear perspective. Within our long term production strategy for the follow up generation of the Sprinter, we invest 300 million € for modernising the location Düsseldorf. We shall also build in addition a production site in the NAFTA area, in order to be closer to the North American market. Overall we are improving the efficiency. Accordingly, in the next years, the core workforce in Düsseldorf will melt down. The medium term decrease of the workforce by 650 jobs we shall execute in a socially acceptable way. The agreement, to which we have come there, is very reasonable.

The build up of your presence in the growth markets still does, however, lead to losses in employment domestically, as can be seen at the example of Düsseldorf. Are the German sites too expensive?

We have in Germany 170.000 employees, and we sell here 350.000 vehicles. The share of Germany in our total sales volume will, on balance, rather go down. The employment here will certainly not grow much, but it will certainly not go down dramatically either. Basically, also our German sites do benefit from the larger growth potential abroad.

But the costs have to come down. Do you need a further cost lowering programme?

The striving for efficiency gains does never end. We want to be even more competitive, more robust and more flexible, as well as do business in a sustained profitable way. Here, all production sites are involved, but also structural situations. To this contributes, as an example, the agreement for the site Sindelfingen, Germany, as well as material cost reductions in connection with our model strategy for example at the next compact car class. The further localising of production in China also contributes to this, as well as the lately reached agreement with the workers council in Düsseldorf.

When do you attain your target return of 9 % in the Group, 10 % in the passenger car segment, and 8 % at the trucks?

As a principle we want to grow in a profitable way. And we want to get nearer to our target returns step by step. Because of the volatilities and the prevailing uncertainties in the markets we hold on to this strategy, instead of naming a year. We do not want to make promises, which we cannot meet due to external factors.

Are you thrown back, due to the development in China, where the growth decreases, or by the geopolitical turbulence in Russia?

Naturally, we observe developments in the various regions diligently, in order to be able to react quickly and flexibly. In China we are growing quite well, and we not only strongly enlarge the local production, but instead also our local sales network. We also benefit from our strong product portfolio. The growth of Gross Domestic Product in China will eventually go back from formerly 9 % to now 6.5 to 7 %. It is clear, the market becomes more and more mature. In Russia, we could add with passenger car sales against the market trend. However, we have to be aware, that the market situation in Russia becomes increasingly difficult. At trucks we experience, like all other producers, a strong weakening of demand.

Do you attain your target numbers with trucks, in spite of the difficult situation in Latin America and Europe?

With trucks we are benefitting from our worldwide presence. We can compensate the weaknesses in Latin America and in Europe by the strength in America. We expect this year, overall, a small increase in sales volume. In addition, and in spite of the partly weak markets, the earnings will grow significantly.

Your product portfolio has seen strong changes in the last years. You have divested your shares in Tognum, and in Tesla, but you went into the Chinese BIAC, the motor cycle producer MV Agusta and the noble trademark Aston Martin. Which logic is behind the divestments and the investments?

For us is decisive, what is strategically meaningful, and whether the activities belong to our core business, or whether they will support our core business. At Aston Martin it is a cooperation, which supports our business, because we are supplying motors and electronic components. The engagement at MV Agusta is more driven by sales and marketing considerations and will strengthen our subsidiary AMG. And at BAIC it is a long term and strategic investment, which will enhance our business in China. The shares in Tesla we did sell, because this cooperation does not necessarily need a capital participation.

Why then the mutual participation with Renault-Nissan?

Renault and Nissan are long term strategic partners, with whom we are working on a large number of projects. The mutual participation underscores the specialty of this partnership.

Is this cooperation not image-detrimental to the trademark with the star?

No. Our successes underline the absolute strength of the trademark Merced-Benz.

You are also working on your mobility services business. Is this, in view of the small volume of business, not rather an alibi exercise?

With Car2go and our mobility services platform Moovel we have a sales volume this year of 100 million €. A few days ago we could welcome the one millionth Car2go client - with this, Car2go is the world`s largest car sharing offer worldwide. And we care very serious about this. This has also effects on our core business: When many people are driving in our products, then this also means a higher customer attachment to us.

But profitable this is not yet!

Basically we are already profitable, but we invest further in new sites and offers like Car2go black, with the smartphone-based renting of B – class –vehicles. Of course we want to achieve sustained profits also with these services.

How strong are the effects on your classical business? Customers can only drive Smart and the B-Class!

I do not exclude, that further models will be added, when we see a business model for them. With Mercedes-Bent Rent we, by the way, already have an offer, at which also other Mercedes vehicles can be rented. We therewith have a reference to our products, but we develop in addition to it a bouquet of mobility services, which we offer on our platform Moovel. To this belong, other than Car2go, for instance chauffeur services and rides with the long distance bus or the railway, inclusive of booking and paying. There additional business does arise, into which we want to further invest.

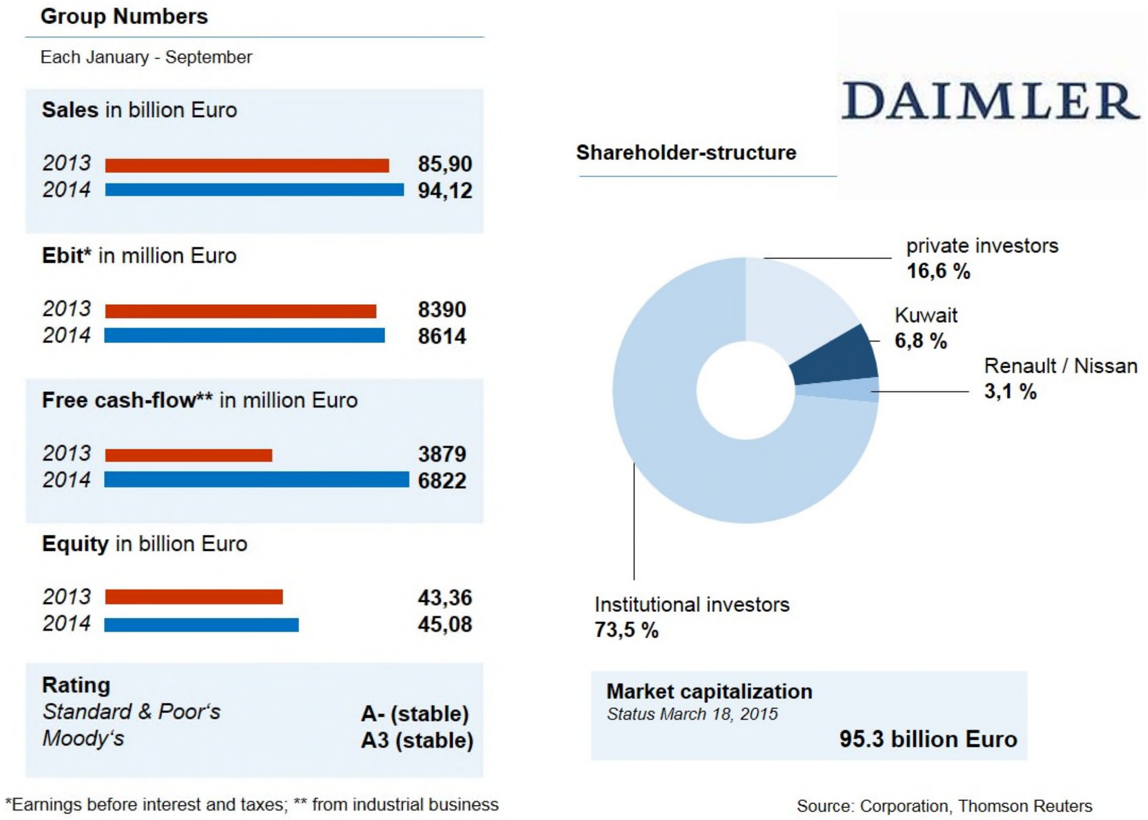
How come?

This kind of services is a dynamically growing business segment with great potential. The development of the autonomous driving can once more strongly accelerate this growth. When I once shall retire, then I would like to have, that a Car2go autonomously picks me up at from my home.

In the Formula 1 you are already there, where you want to be overall: The clear number 1. Inspite of this, please permit the question: Are the high costs worth it ?

We had, this year, two big events, from which we profited much. We are the main sponsor of the German national soccer team, and we have had, through winning the soccer world championship, an enormous advertising effect. In the Formula 1, an engagement does only then make sense, when one drives in the front segment. The ultimate top cherry is then the world championship. The marketing effect of this title then brings us even further ahead and provides to us a worldwide platform. This value is significantly higher than the budget. We have the best management, the best drivers, the best technology and the best formula 1 service team. In order to become world champion, one needs patience and the belief in oneself. It is our objective now, to stabilise this success. As well as to stabilise the development of our business

Daimler at a glance



As to the interviewed person

Sporty Managing Director

The Daimler finances are solid, the profitability develops positively, and also the financing of the car group is well done. This excites CFO Bodo Uebber (55), who has not always been uncontroversial. But the man born in the German town of Solingen, married and father of a two year old daughter, has lately led the trademark with the star into more quiet waters and is always seen again as a potential successor of group chairman Dieter Zetsche.

This might, however, not work out already from reasons of age. Because in the meantime it is seen as probable, that the term of Zetsche will be extended to 2019. Uebber would then be 60.

The business engineer started his career at MBB in Munich. Later he was responsible for the controlling of the weapon producers Dornier, DASA and MTU and CFO in 2001, then chairman of Daimler Financial Services in Berlin.

Uebber might have also made a career as soccer player. Still, he made it into the regional team of Lower Rhine. Also today he occasionally puts on soccer shoes. He participated in the Daimler Challenge end of April, where twelve corporation teams fight for a trophy. Other than that he is occasionally skiing and jogging. Once per year he participates with 1000 Daimler employees in the Stuttgart half-marathon.

Uebber is member of the managing board since 2003. Since the end of 2004 he is CFO and in addition responsible for Daimler Financial Services (DFS). From 2007 to 2012 he was supervisory board chairman of the then Airline and Spacetravel Subsidiary EADS. Subsequently he remained on this board until the sale of the participation in 2013. Uebber is also supervisory board member of the Bertelsmann Group.

Responsible for translation: GEFIU; translator: Helmut Schnabel

Germany, Article: To Stand Up for Cocos

by **Dr. Andreas Dombret,** member of the managing board of Deutsche Bundesbank Eurosystem, the German Central Bank

Guest Commentary in the Frankfurter Allgemeine Zeitung, Frankfurt am Main, Germany, February 21, 2015

A central result of the reform on banking regulation, started in 2008, is an increasing need for equity capital by the banks. Thus, the new regulatory framework Basel III prescribes to the credit institutions, to have significantly more and qualitatively better equity capital. In addition, the globally systemically relevant banks must strengthen their equity capital base further, in order to stand up for possible losses by way of their own capital strength.

With this, the capacity to withstand by banks is to be increased, and it is to be excluded, that at future crises again the taxpayers will be held liable for the losses of banks. These reforms are good, but they put up the question, how the banks can cover the need for the rising demand for equity capital.

Against this background, he CoCo – Bonds deserve attention as capital instrument. They stand, abbreviated, for “Contingent Convertible Bonds” and are debt instruments, which in case of pre-defined events will be automatically converted from debt capital into equity capital - for instance, when an institute is threatened by insolvency, or when the pre-defined core equity capital ratio is not any more maintained. CoCo-Bonds in such situations increase the equity capital cushion of the bank.

For credit institutions such new debt instruments are interesting: Because the Supervisor recognizes the CoCo-Bonds as supervisory compliant bank equity capital, insofar as the respective prerequisites are being fulfilled. The prerequisites are dependent on the class of equity, into which the capital is to be included, and they orient themselves for example at the subordination or the length of time, for which the capital is being held available. A further prerequisite is the freedom for the issuing bank, whether or not performance payments to the investors are to be made or not. And CoCo-Bonds are for the banks also attractive, because interest payments on the bonds are taxwise deductible.

Also for institutional investors CoCo-Bonds can be attractive. So they promise by comparison to regular bonds, higher returns due to their special risks - what makes them especially interesting for investors in the presently low interest rate phase.

Are CoCo-Bonds then the perfect new capital instrument for banks? At least in Germany their importance so far has been low. Until the end of last year they were especially issued by large banks in Great Britain, Spain and in Switzerland. The total volume was at 50 billion €. In Germany in 2014 only two German institutes have issued CoCo-Bonds.

One reason for the abstention by German banks were tax uncertainties, which in the meantime have been clarified. Also the German Shareholder Law so far has no explicit regulations for contingent convertible bonds, where the conversion right is on the part of the issuer.

The Shareholder Law Reform 2014, which presently is in the legislation process, creates the possibility, that also here in Germany CoCo-Bonds can be issued, which then can be converted into equity capital. Especially against the background of the increasing need for equity capital at the banks, the importance of CoCo-Bonds could also increase in Germany - a reason more to have a precise look at them.

Because against all the attractiveness for banks and for investors, it must not be overlooked, that they are very complex capital instruments. To this contributes especially the mixing of corporations law with debt law, tax law and supervisory law. The danger exists, that especially small investors are looking only at the comparatively high returns, and thereby lose sight of the risks. Banks are conscious about these risks. So, as an example, the Deutsche Bank when issuing its CoCo-Bonds was making sure, that by way of a minimum nomination of 100.000 € per bond, only institutional and professional investors could invest into them.

In Great Britain, the marketing and sale of CoCo-Bonds to retail investors is even forbidden.

For the banking supervisor now the right time has come, in order to establish an optimal procedure for the issuance of CoCo-Bonds. We supervisors thereby must, by observing the national law systems, create as far as possible a standardization, in order to produce convergence in the European Union. Important for this is, that , indeed, CoCo-Bonds will effectively participate in eventual losses of the issuing bank.

The European Union Legislator and the supervisory agencies have recognized this challenge. The central challenge for the Supervisor now is, to exactly observe the market development and to promote the further development of the legal framework for CoCo-Bonds. As soon as these challenges will have been mastered, can CoCo-Bonds complement the capital structure of banks in a meaningful way. With this they further contribute to that by way of a reinforced capital base the banks will be more resistant against future crises.

Responsible for translation: GEFIU, the Association of Chief Financial Officers Germany, translator: Helmut Schnabel

Globe, Article: Global Competitiveness

Global Growth at Risk from Slow Reform Progress; USA Climbs Two Ranks

by Margareta Drzeniek Hanouz, Lead Economist, Director World Economic Forum, Geneva, Switzerland.

Innovation, talent development and institutional strength continue to play a defining role in determining the world`s most competitive economies, according to the Global Competitiveness Report 2014 - 2015. The annual report - issued by the World Economic Forum (WEF) - evaluates 144 economies and finds that the leading economies in the index all possess a track record in developing, accessing and utilizing available talent, as well as making investments that boost innovation.

According to the report's Global Competitiveness Index (GCI), **Switzerland** tops the ranking for the sixth consecutive year.

Singapore remains second ; the **United States of America** improves its competitiveness position for the second consecutive year, climbing two places to third on the back of gains to its institutional framework and innovation scores. And **Finland** (4th) and **Germany** (5th) both drop one place compared with last year`s rankings. They are followed by **Japan** (6th), which climbs three places and **Hong Kong SAR** (7th), which remains stable. Europe's open, service-based economies follow, with the **Netherlands** (8th) also stable, and the **United Kingdom** (9th) going up one place. **Sweden** (10th) rounds up the top-10 of the most competitive economies in the world.

GCI 2014-2015 Top 10 economies

GCI 2015	Country/Economy	GCI 2014	
1	Switzerland	1	➔
2	Singapore	2	➔
3	United States	5	↑
4	Finland	3	↓
5	Germany	4	↓
6	Japan	9	↑
7	Hong Kong SAR	7	➔
8	Netherlands	8	➔
9	United Kingdom	10	↑
10	Sweden	6	↓

Americas

The **United States** goes up in the ranking for a second year in a row on the back of improvements in a number of areas, including some aspects of the institutional framework, and more positive perceptions regarding business sophistication and innovation. As it recovers from the crisis, the U.S. can build on the many structural features that make its economy extremely productive. U.S. companies are highly sophisticated and innovative, and they are supported by an excellent university system that collaborates admirably with the business sector in R & D. Combined with flexible labour markets and the scale opportunities afforded by the sheer size of its domestic economy - the largest in the world by far - these qualities make the U.S. very competitive. However, the macroeconomic environment remains the country`s greatest area of weakness.

Latin America finds its major economies in need of implementing reforms and engaging in productive investments to improve infrastructure, skills and innovation. Overall, the region continues to suffer from strong headwinds related to weak investments, a fall in exports an commodity prices, and tighter access to finance. Building the economic resilience of the region will depend on its capacity to strengthen the fundamentals of its economy by boosting its level of competitiveness. Chile (33rd) continues to lead the regional rankings ahead of Panama (48th) and Costa Rica (51st). Brazil drops one position and ranks 57 this year. In spite of the drop of six places, **Mexico** (61) has adopted important structural reforms in the past year.

Europe

In **Europe**, several countries that were severely hit by the economic crisis, such as Spain (35th), Portugal (36th) and Greece (81st), have made significant strides to improve the functioning of their markets and the allocation of productive resources. At the same time, some countries that continue to face major competitiveness challenges, such as France (23rd) and Italy (49th), appear not to have fully engaged in this process. While the divide between a highly competitive North and a lagging South and East persists, a new outlook on the European competitiveness divide between countries, implementing reforms, and those that are not, can now also be observed.

Switzerland tops the Global Competitiveness Index again this year, keeping its first place for six years in a row. Its performance is stable since last year and remarkably consistent across the board.

Germany`s small drop is the result of some concerns about institutions. And infrastructure and is only partially balanced out by improvements in the country`s macroeconomic environment and financial development. Moreover, Germany`s education system is assessed less positively than it was in previous years. Overall, Germany weathered the global economic crisis of recent years quite well thanks at least partly to its main competitiveness strengths, which include highly sophisticated businesses and an innovation ecosystem that is conducive to high levels of R & D innovation.

BRIC Countries and Other Emerging Economies

Some of the world's **largest emerging market economies** continue to face difficulties in improving competitiveness. Saudi Arabia (24th), Turkey (45th), South Africa (56th), Brazil (57th), Mexico (61st), India (71st) and Nigeria (127th) all fall in the rankings. China (28th), on the contrary, goes up one position and remains the highest ranked BRICS (Brazil, Russia, India, and China) economy.

Russia`s weak and inefficient institutional framework remains its Achilles heel and will require a major overhaul in order to eradicate corruption and favouritism and re-establish trust in the independence of the judiciary. Diversification of the economy will require reinforcing the very small SME (small and medium-size sector) as well as continued progress toward a stronger and more stable financial system. These challenges prevent Russia – placed at 53 this year from, taking advantage of its competitiveness strengths, which are based on a well-educated population, fairly high levels of information and communication technology use, and its solid potential for innovation.

Asia

In **Asia**, the competitiveness landscape remains starkly contrasted. The competitiveness dynamics in South-East Asia are remarkable. Behind Singapore (2nd), the region's five largest countries (ASEAN-5) – Malaysia (20th), Thailand (31st), Indonesia (34th), the Philippines (52nd) and Vietnam (68th) – all progress in the rankings. Indeed, the Philippines is the most improved country overall since 2010. By comparison, South Asian nations lag behind, with only India featuring in the top half of the rankings.

The region is home to three of the 10 most competitive economies in the world: Singapore, Japan and Hongkong. Another three economies are featured in the top 20: Chinese Taiwan, New Zealand, and Malaysia (20), which is the best ranked of emerging and developing Asian nations. At 28, China stands some 40 places ahead of India (71), the other regional economic giant.

India`s slide in the rankings began in 2009, when its economy was still growing at 8.5% (it even grew by 10,3% in 2010). Since then, the country has been struggling to achieve growth of 5 %. Overall, India does best in the more complex areas of the GCI: innovation and business sophistication. In contrast, it obtains low marks in the more fundamental drivers of competitiveness, such as health and primary education. The country`s health situation is indeed alarming: infant mortality and malnutrition incidence are among the highest in the world; only 36% of the population has access to improved sanitation; and life expectancy is Asia`s second shortest, after Myanmar. On a more positive note, India is on track to achieve universal primary education - although the quality of primary education remains poor, and it ranks low in higher education and training.

Middle East and Africa

Affected by geopolitical instability, the **Middle East and North Africa** depicts a mixed picture. The United Arab Emirates (12th) takes the lead and moves up seven places, ahead of Qatar (16th). Their strong performances contrast starkly with countries in North Africa, where the highest placed country is Morocco (72nd). Ensuring structural reforms, improving the business environment, and strengthening the innovative capacity so as to enable the private sector to grow and create jobs are of key importance to the region.

Sub-Saharan Africa continues to register impressive growth rates close to 5%. Maintaining the momentum will require the region to move towards more productive activities and address the persistent competitiveness challenges. Only three sub-Saharan economies, including Mauritius (39th), South Africa (56th) and Rwanda (62nd) score in the top half of the rankings. Nigeria continues its downward trend and falls by seven places to 127 this year. Overall, the biggest challenge facing the region is in addressing human and physical infrastructure issues that continue to hamper capacity and affect its ability to enter higher value added markets. Angola - the continent`s second biggest oil exporter - ranks 140 overall.

Call for Structural reforms

"The strained global geopolitical situation, the rise of income inequality, and the potential tightening of the financial conditions could put the still tentative recovery at risk and call for structural reforms to ensure more sustainable and inclusive growth," said Klaus Schwab, Founder and Executive Chairman of the World Economic Forum.

Xavier Sala-i-Martin, Professor of Economics at Columbia University in the US, added: "Recently we have seen an end to the decoupling between emerging economies and developed countries that characterized the years following the global downturn. Now we see a new kind of decoupling, between high and low growth economies within both emerging and developed worlds. Here, the distinguishing feature for economies that are able to grow rapidly is their ability to attain competitiveness through structural reform."

Article by Margareta Drzeniek Hanouz, Lead Economist, Director World Economic Forum, Geneva, Switzerland. Margareta.drzeniek@weforum.org From: Regions & Locations Guide. For the Chemicals and Life Science industries, Volume 7, December 2014, 1

About The Global Competitiveness Report:

The Global Competitiveness Report's competitiveness ranking is based on the Global Competitiveness Index (GCI), which was introduced by the World Economic Forum in 2004. Defining competitiveness as *the set of institutions, policies and factors that determine the level of productivity of a country*, GCI scores are calculated by drawing together country-level data covering 12 categories – the pillars of competitiveness – that collectively make up a comprehensive picture of a country's competitiveness. The 12 pillars are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.

Read **The Global Competitiveness Report 2014-2015** at http://wef.ch/gcr14reader

Spain, Article:

Europe after the crisis: What future for the Union?

speech by

Íñigo Méndez de Vigo y Montojo

Secretary of State for the European Union

Ministry of Foreign Affairs and Cooperation of the Kingdom of Spain

at Humboldt University of Berlin

in the framework of the *Forum Constitutionis Europae*

Berlin, 3 February 2015

To take the floor today in Berlin has a very special meaning for me.

Let me explain why: Spanish children know by heart some lines in a poem by Antonio Machado, where he depicts his childhood as 'memories of a patio in Seville and a sunny orchard with a ripening lemon tree'. My childhood memories are also from Spain, but from somewhere else. To paraphrase Machado, I could describe my childhood as memories of the German School playground in Madrid. The fourteen years that I spent there brought me happiness, a fruitful education, and love towards Germany, her people, her language and her culture.

Now you may understand just how moved I am to have the honour of standing here and sharing with you a few of my thoughts on the state of play of Europe.

But I am deeply touched for yet another reason: our host institution. It is an honour for me to be speaking at the prestigious Humboldt-Universität, which bears the names of two great German thinkers and is the alma mater of many of the fathers of European thought. I am, therefore, grateful to Professor Doctor

Pernice and Ambassador García-Berdoy, who conspired into bringing me before you today.

Exactly fifteen years ago, Joschka Fischer, the then German Minister for Foreign Affairs, delivered a much-commented speech at this very University. I am going to use his words of that day as a starting point for assessing what became of those proposals, as well as the course that Europe ended up taking. Thus will we be in a position to extract some useful lessons as guidance for our present and orientation for our future.

As Mr Fischer asserted back then, I am just speaking on my own behalf, so everything that I say here today can only be attributed to me. My opinions are endorsed by my roughly twenty years of experience as a member of the European Parliament, and the three years that I have served as the Secretary of State for the European Union at the Spanish Government.

Let us go back fifteen years and consider the Europe of Joschka Fischer when he made his speech. Back then, we had:

- the era of globalization in full swing.
- the adoption of the euro and the ensuing disappearance of old national currencies.
- the most ambitious enlargement in EU history looming on the horizon. Let me remind you: those twelve countries accounted not only for a third of the EU population at that time and for a third of its territory, but also for a third of its income.
- the implementation of the Lisbon Strategy, which aimed for the EU to become, and I quote, 'the most competitive and dynamic knowledge-based economy in the world'.

This scenario was completed by:

- a GDP growth of approximately 4%.
- clear progress in the integration of justice and home affairs following the Tampere European Council.
- budding more structured cooperation in the fields of foreign and security policy.

In view of this climate of growth and expansion, Mr Fischer advocated taking a quantum leap forward. In his own words, 'the transition from a union of states to full parliamentarization'.

This would mean, he continued, the 'division of sovereignty between the Union and the nation-states'. To put both of these proposals into place, Mr Fischer argued that a European constitution should be drawn up, focusing on strengthening the democratic structures of the Union and the division of powers between the Union and its Member States on the one hand, and between the different European institutions on the other. The passing of this constitution, Mr Fischer contended, would represent one more step in a process that should end, and I quote him again, in 'the completion of integration in a European Federation', thus completing the circle that Robert Schuman sketched out and initiated fifty years earlier.

What happened for the promising outlook that Mr Fischer glimpsed not to come to fruition? Spanish philosopher Ortega y Gasset would answer this by stating 'I am myself and my circumstances'. Well, the circumstances changed:

- the Lisbon Strategy culminated in unmitigated failure, as evidenced in Wim Kok's report.
- enlargement, though in itself one of the Union's greatest achievements, turned out to be hard to digest, and brought to the ill-prepared institutions what Alain Lamassoure referred to as 'the revolution of numbers'.
- the euro felt the onslaught of a severe crisis coming from across the Atlantic. From 2008 onwards we suffered the consequences of not having developed the economic pillar of the Maastricht Treaty.
- financial instability spread to the national public accounts, with a major credit crunch and shrinking economic activity. This led to rising unemployment and social tensions.

As a result of all of these factors, the European constitution, which resulted from a Convention spanning 2002 and 2003, did not see the light of day until late 2009, and only after a turbulent process of national ratifications.

And, even so, it only came into being:

- in the shape of yet another Treaty (the Treaty of Lisbon), a far cry from the Convention's desire for clarity and transparency.
- stripped of its constitutional nature.
- deprived of some of its most symbolic features.
- utterly different from the Founding Pact for a New Europe that should have topped the enlargement process.

Fifteen years after Mr Fischer's speech on Europe here at Humboldt University, is our old continent in good health?

I mentioned earlier the most acute financial crisis in our history: the euro crisis. Solving this crisis has captured all the attention of the European institutions over the last five years, requiring:

- far-reaching financial regulations (six-pack, two-pack, Fiscal Compact, revision of the Lisbon Treaty, banking union).
- specific measures in certain Member States (financial programmes, the opening of credit lines).
- pioneering initiatives from the European Central Bank.
- a decisive political stance on the part of the European Council, in which the role played by its President, Herman Van Rompuy, was of paramount importance.

As Sir Winston Churchill, an early Europeanist himself, would say, with 'blood, toil, tears and sweat' we managed to save, first, and then consolidate the euro.

However, the coordinated action that the European governments took in order to return to economic convergence, which remains the basis for our single currency, has aroused a wave of euroscepticism, particularly in the countries of southern Europe hardest hit by the crisis.

This crisis-driven euroscepticism has, paradoxically enough, come hand-in-hand with another phenomenon: popular demand for participation in political decision-making. Historically, European decisions were of interest only to the initiated few; while 80% of the EU budget was spent on the Common Agricultural Policy, there was little enthusiasm for debating, let us say, the price of beetroot. All of this changed when the Berlin Wall came down and Politics with a capital 'P' emerged onto the European agenda. To this must be added the technological revolution that has taken place over the last decade, which allows everyone to access huge amounts of information about European issues and make their own opinions. We have gone from 'I am not interested' to 'I demand to be heard and take part'.

This phenomenon, which is affecting representative democracy at the domestic level, is also demanding explanations from European democracy. At the same time, it adds to a dilemma that has remained unresolved since the foundations of Europe were laid, a dilemma that is actually the result of the differing political views on how to answer the question, 'WHAT IS EUROPE ACTUALLY FOR?'

In response to this query, some defend the idea of Europe as a 'supermarket', a superstore where what really matters is to have the largest number of products available, the fewest rules, and the best prices.

This concept is opposed by those who defend the notion of Europe as a 'protector'. This is a more supportive and paternalistic Europe, a source of grants and subsidies, or the solution for external competition or dumping practices.

These two different notions co-exist within the same geographical space, giving rise to phenomena such as the European constitution being rejected in France for being 'too liberal' and criticized in the United Kingdom for being 'too social'.

The fact that both of these notions still endure in the same European realm forces those who accuse the Union of encroaching upon domains exclusive to Member States to co-exist with those who reproach it for not acting resolutely enough.

We must, therefore, educate our citizens, explain to them what things the Union can do and what other things are beyond its reach. Governments, too, should use their statements as a teaching opportunity. It is, unfortunately, an all-too-frequent occurrence to see governments blame the EU for the bad news while taking credit for the good news, even though they took part in the European decision-making process in both cases. How can we expect Europeans not to be disenchanted with the Union if their governments do not cease to criticize its decisions time and again? And I include myself among the guilty: we, politicians, tend to highlight what we do not like rather than appraise what we have achieved; to use a hunting analogy, 'once the catch is in the bag, we forget about it'.

There is one last feature of European politics to which we should give some thought: after reaching a goal, we do not bother to get the most out of what we have achieved, to squeeze out every last drop of opportunity, or to explain it to the wider public. Instead, we immediately start chasing after a new ambition.

In light of everything I have just set forth, we could describe today's Europe as a patient who just beat a long, extremely serious illness and is no longer in critical condition, but who is still weak and disoriented, distrusts the doctors and cannot find the way to a full recovery.

How can we help Europe to recover her health and self-confidence?

Firstly, we have to be positive. Some of the symptoms of Europe give us cause for optimism:

1. The euro crisis is behind us, which is excellent news because the single currency is a key political element of the European project.

2. Institutional stability has been achieved following the European elections of 2014:

    - For the first time since 1979, there was virtually no drop in voter turnout.

    - The polls failed when they predicted landslide results for Europhobe/Eurosceptic/populist parties —forces skilled in destroying but incapable of building.

    - A grand coalition of pro-Europe forces (Christian Democrats, Socialists and Liberals) has been agreed at the European Parliament.

    - The College of Commissioners has been appointed in full accordance with the established procedure.

    - Also in accordance with the established procedure, Donald Tusk has been elected as the new President of the European Council. On top of his indisputable personal merits, the appointment of the former Polish Prime Minister has remarkable symbolic significance: twenty-five years after the fall of communism, a citizen of the ‘kidnapped Europe’, as expressed by Milan Kundera, is ‘stitching the two Europes together’, as Mr. Tusk’s fellow Pole and dear friend, Bronislaw Geremek, used to say.

3. The role of the European Commission has been strengthened:

    - As the candidate topping the list of the European party which obtained the most votes, Jean-Claude Juncker was indirectly elected President of the Commission by the European citizens, thereby fulfilling Article 17 of the Treaty on European Union. In fact, José María Gil-Robles, Elmar Brok, and I had a part to play in the re-wording of this article operated by the Treaty of Lisbon.

    - The College of Commissioners also embodies the idea of a grand coalition, with special status afforded to the First Vice-Presidency. This post is currently being held by Frans Timmermans, whom President Juncker has defined as his ‘alter ego’.

- The Commission is linked to the European Council through the five points of the so-called ‘European Strategic Agenda’ approved in June 2014.

Indeed, we have established that our patient is on the mend. However, her illness is still to be diagnosed —a previous, essential step for any medication to have an effect.

In this century of globalization, interdependence, the communications revolution and the digital world, size matters. This is a well-known fact in the European Union; Paul-Henri Spaak acknowledged it over fifty years ago when he asserted that “in Europe, there are no big or small countries; they are all small. But some of them have not realised it yet” . With all the more reason now than then, the critical mass that only the European Union can provide is essential if we are to have our own, respected voice in the Concert of Nations.

And why is it necessary to have a respected voice in the world? Because, surrounded as we are by emerging powers, re-emerging powers and new actors, Europe cannot afford not to sit at the table where the new rules of world governance are drawn up. And the reason for this is that we believe the ‘European way of life’ to be the most appropriate political, social and economic model to uphold peace, democracy, human rights and fundamental freedoms, free market, economic, social and territorial cohesion and solidarity.

At this point, allow me to digress. I sometimes hear it said that the principles that inspired the ideas about Europe in the 1950s are no longer relevant today. I could not disagree more.

True: these tenets stem from Greek philosophy, from the contribution of ancient Rome—that ‘vast system of incorporation’, as Theodor Mommsen called it; from Christian thought, and from the ideas of the Enlightenment. But the fact that these are age-old, venerable cultures and movements does not make their principles any less relevant to our times.

Or isn’t peace still one of our highest values? Just ask the Ukrainians.

And, still under the shock caused by the recent attacks in Paris, isn’t defending freedom of speech, in conjunction with human dignity, still worth something? Of course it is, and this is precisely what is enshrined in Article 1 of the Charter of Fundamental Rights of the European Union.

Isn’t it still necessary to join forces against those who seek to impose their ideas, beliefs or identities by force?

Shouldn't we build the strongest possible bastion to face those who want to eradicate our democracies by means of terror?

Along with these old challenges of the past, the 21st century pounds on our door with new knockers, leaves new challenges on our doorstep, to which we will also have to respond. I am thinking of those arising from climate change, from demographic decline, from the digital revolution, from poverty and social exclusion, from new pandemics and from all those other issues that surface when we least expect it.

If our diagnosis is correct, that is to say, if the euro crisis is truly behind us and now we just need to get our confidence back, bolster growth and focus on adding value to European policies, then what medicine should we prescribe, and what should the dosage be?

The entire arsenal provided by the Lisbon Treaty is available. It entered into force back in December 2009. Five years, now! The process was not quick: let us not forget that the seed was planted with the Amsterdam Treaty of 1997, and that its development passed through the milestones of the Treaty of Nice of 2001 and the project of the Constitutional Treaty of 2005. *Thirteen years*, ladies and gentlemen.

If my fairy godmother granted me the wish of making just one change to the Treaty of Lisbon, this would be it: to do away with the unanimity required for treaty revisions and their entry into force. My fairy godmother would find it easy to grant it, and she wouldn't even have to use her fairy dust: the change would be debated and approved at an intergovernmental conference lasting only a few hours, and ratified immediately. But, in the words of the classical Spanish dramatist Calderón de la Barca, a well-known figure in Germany, 'dreams are only dreams'.

That is why, in the harsh light of reality, I think it neither possible nor desirable to embark upon a revision of the Treaties. I will give you two reasons for this. Firstly, success depends on reaching basic consensus on the scope of the intended reform, and, as of today, this consensus is nonexistent. On top of this, the ordinary revision procedure set forth in the Treaty requires a Convention to be convened , something that, as we saw with Lisbon, takes time. For both reasons, I would rule out this option.

If a revision is not the right medicine, we have only one option left: to use the existing provisions. Secondary law does indeed have many applications, but it must be used at the right dosage.

Historically, the European Union had to legislate copiously to reach certain goals. That was the case in the 1980s and early 1990s, when 393 Directives were needed to complete the Internal Market. And, as I have just explained, we have recently seen a frenzy of lawmaking activity in the drive to give the euro its credibility back.

The construction of Europe has also been compared, as I heard from Jacques Delors and Michel Rocard, to riding a bicycle: you cannot stop pedalling, that is, lawmaking, unless you want to fall. Although I have also read Ralf Dahrendorf's riposte to this analogy: 'when I used to cycle in Oxford, and stopped pedalling, I simply put my feet on the ground and did not fall'. I think you understand what I mean.

I think the time has come to dose out the medicine. It is, therefore, essential that we set the priorities on which to focus our work. Two texts I think would be useful for defining today's priorities are the five-point Strategic Agenda approved by the European Council in June 2014 and the ten proposals put forward by Juncker in his inaugural speech.

Allow me to give you my view. There are four major issues to which the Union should pay special attention during this legislative term:

1. The Europe of growth, job creation and social welfare. The Juncker plan, with its planned investment of 315 billion euros, and structural reforms at both domestic and European level are two key elements to obtain results.

2. The Energy Union, an oft-delayed project that is now of the utmost urgency as a result of the Ukraine crisis and its impact on relations with Russia.

3. All issues linked to the security and freedom of our citizens, which are two sides of the same coin:

   - common policies are required in the area of immigration, with the recent events in the Mediterranean providing a dramatic example;

   - cooperation is also necessary to combat the new forms of terrorism. Here, we, Spaniards, can offer our experience of bringing an end to ETA terrorism, where European solidarity was a key component for the triumph of democracy.

4. Consolidating and strengthening the common foreign and security policy. I hear so many people reproach the European Union for its inability to speak out on international affairs with one voice… I think, however, that things have to be taken into perspective: in 1984, the then ten EEC Member States failed to issue a joint condemnation when two Soviet MIGs shot down a Korean Airlines plane, causing 400 deaths; and in the 1990s the EU witnessed the devastating war in the former Yugoslavia. The situation today is very different: we have launched a European External Action Service, our diplomacy has become more effective and we have managed to maintain unity of action, never an easy task, in Mali, Ukraine and the Middle East.

Ladies and Gentlemen:

Fifteen years ago, Mr Fischer ended his speech with some musings about the future design of Europe. He recalled Hans Dietrich Genscher's tenet that 'no Member State can be forced to go farther than it is able or willing to go; but those who do not want to go any farther cannot prevent others from doing so'.

He then went on to analysing the different proposals on the table, among which Delors's Federation of nation-states or the Lamers-Schäuble idea of a 'core Europe'.

For Mr. Fischer, the key element lay in finding what he termed the "centre of gravity that would allow us to progress towards full integration".

Fifteen years on, the future design of Europe continues to be a topical issue. Yearning for certainty about the future is probably a trait common to all human beings. But it is not easy to give a decisive answer. Allow me to share some guidelines with a view to preventing this reasoning from slipping into the 'Doris Day Doctrine' —remember her hit 'Qué Será, Será'?—

1- I do not believe anyone who blindly posits that the integration process is irreversible. Quite the opposite: I think that any progress in that direction must be legitimized through citizens' involvement. The European construction can no longer be compared to a train that passengers board uninterested about its destination. Today, they insist on knowing the price, the route and the comparative advantages over other means of transport. That is why we have to fine-tune our arguments if we want our passengers to take a seat and embark on the journey towards deeper integration.

2- I believe that the centre of gravity of deeper integration will be the euro area. Valery Giscard d'Estaing and Helmut Schmidt have expounded a similar position. But when we talk about the euro area, we must bear in mind that there are three groups of countries:

- those that form part of the euro.
- those that do not form part of the euro right now, but aspire to do so in the future.
- those that do not, and do not want to, form part of the euro.

Clearly, the line between the first and second categories is, and must continue to be, very thin, whereas the group of countries that are not, and do not want to be, part of the euro, will end up becoming more and more apart from the other two groups.

3- Taking advantage of this centre of gravity, in which domains can further integration take place? In line with what I have expressed already, here goes my answer: in those areas where the citizens agree to greater advances. This being said, I think that the report by the so-called 'four Presidents' (those of the European Council, the Commission, the Eurogroup, and the European Central Bank) on a genuine EMU, published on 12 October 2012, contains a number of avenues that are worth exploring; from among them, I would single out the realms of fiscal integration and political union, which the document cautiously dubs 'democratic legitimacy and accountability'.

4- If the euro area countries decided to deepen integration, and the others decided not to follow their path, we would see the emergence of two spaces, of two concentric circles: the first, a more integrated circle, would be the United States of Europe (the term used in the External Action Strategy of Spain); and the present European Union would continue to form the second, less integrated circle.

5- Should this happen, we would had opened a way for the solution to the 'British question': by guaranteeing the United Kingdom the ability to opt out of further integration, the announced referendum would lose all meaning. The threat of a 'Brexit' would then transform into the certainty of a 'Britstay'! And there is always the possibility of the UK reconsidering its position, because the door will stay open to anyone who wants to join in. Nothing would make me happier than to see history repeat itself:

remember how the United Kingdom turned down the chance to become one of the founding states of the Communities in 1957... only to apply for membership later on. Heinrich Heine was once asked in what country he would like to die. ‘In England,’ he replied without hesitation, ‘because there everything happens one hundred years later’. A great lesson from a great German Romantic poet, who, incidentally, studied right here at this University.

Let me conclude. I believe it is our duty to give this somewhat downcast Europe a boost, to give it, to use a hard-to-translate Spanish word, *‘ilusión’*, which means hopefulness, aspiration, and motivation all together.

- As Europeans, we are all encouraged by the need to stick together to make our voice heard on the world stage.

- As Europeans, we are all strengthened by the desire to do things together. Thus will we foster added value for the general progress and welfare of our citizens.

- As Europeans, we are all are driven by the fact of sharing values and principles. These are, indeed, ties that have been weaved over the course of history, and which have made our continent a place worth living in, in freedom, in peace and with dignity.

Should the Union not exist, it would have to be invented!

Article provided by the former IAFEI member institute from Spain, AEEF

Payden&Rygel

Economic Update

THOUGHTS FROM OUR ECONOMICS TEAM

JANUARY 20, 2015

SWISS LESSONS: ONE EXPERIMENT IN CENTRAL BANKING ENDS

Since former US Treasury Secretary Hank Paulson explained his bazooka in 2008 (that merely having a strong weapon means you likely won't have to use it), central bankers have grown more confident in their ability to "manage expectations." Investors often welcome their actions to boost liquidity, boost the economy or just hold things together. Yet despite their size and influence, central banks do not perform magic. Such was this week's lesson when the Swiss National Bank (SNB) announced that it would no longer maintain the "floor" value of the Swiss franc at 1.20 per euro (see Chart below).

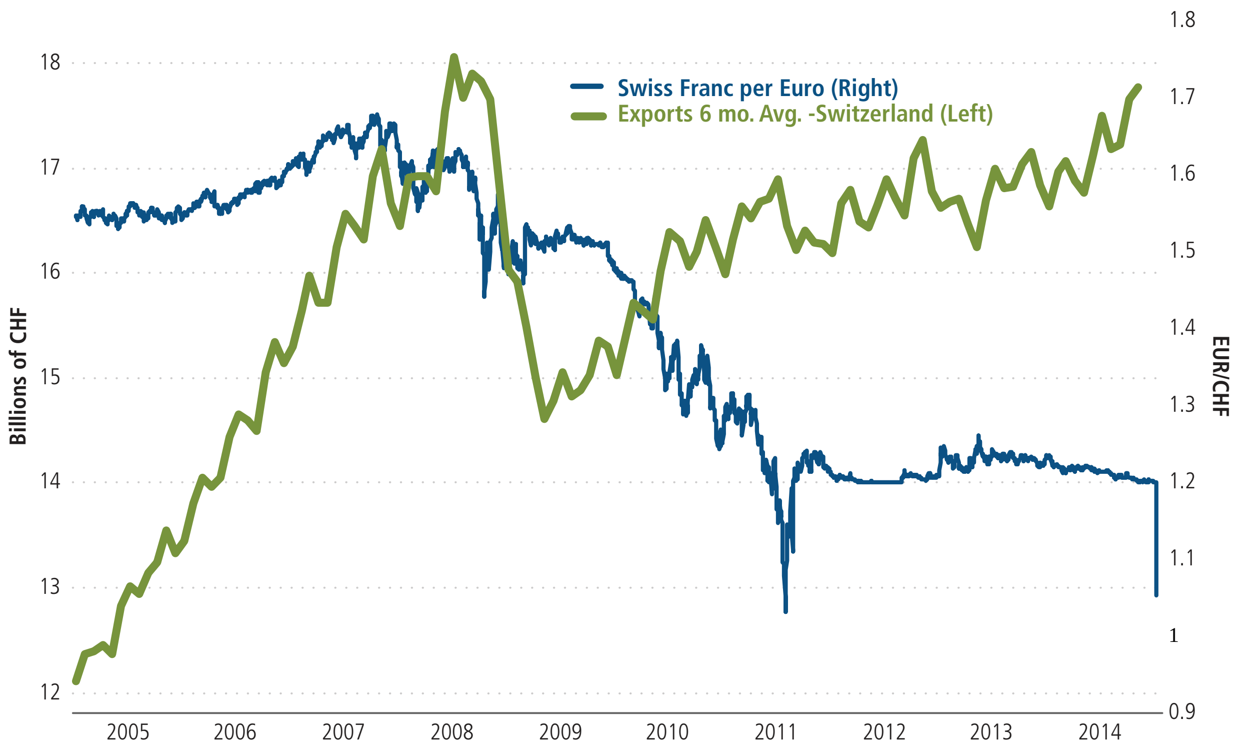
As investors dumped the euro for the Swiss franc in 2011 (worrying about euro area "break up" risk), the safe-haven currency's value surged. For a nation in which exports account for 54% of GDP, a more expensive Swiss franc threatened exporters and growth. So in September 2011, the SNB drew a line in the sand: the Swiss Franc shall not be worth more than 1.20 to the euro, it announced. Its bazooka—the pledge to buy any and all euros at that rate—was the key component.

In effect, the central bank stood ready to buy euros at an above market rate (i.e., the SNB chose to pay more than *other* market participants were willing to pay for euros). And investors were willing to take this generous offer: the SNB balance sheet grew to nearly CHF500 billion to accommodate investors' desire to sell euros. As a share of GDP, the SNB's assets climbed from 20% to 86%—much bigger than even the BoJ's balance sheet as a share of its economy (see Chart on next page).

What did the SNB do with those freshly purchased euros? It "recycled" them back into euro area government bonds, such as German bunds and French government bonds. No doubt the purchases contributed to the scarcity of fixed-income securities in the euro area and, as a result, pushed yields to near zero and even below. The SNB also "diversified" its holdings into equities—buying more than 2,000 different US stocks, for example. The SNB's balance sheet became intertwined with global financial markets.

Flash forward to 2015. Despite dramatic actions from central banks, inflation is evaporating almost everywhere. Investors remain

WITH THE SWISS FRANC MUCH STRONGER, WHAT WILL HAPPEN TO EXPORTS?

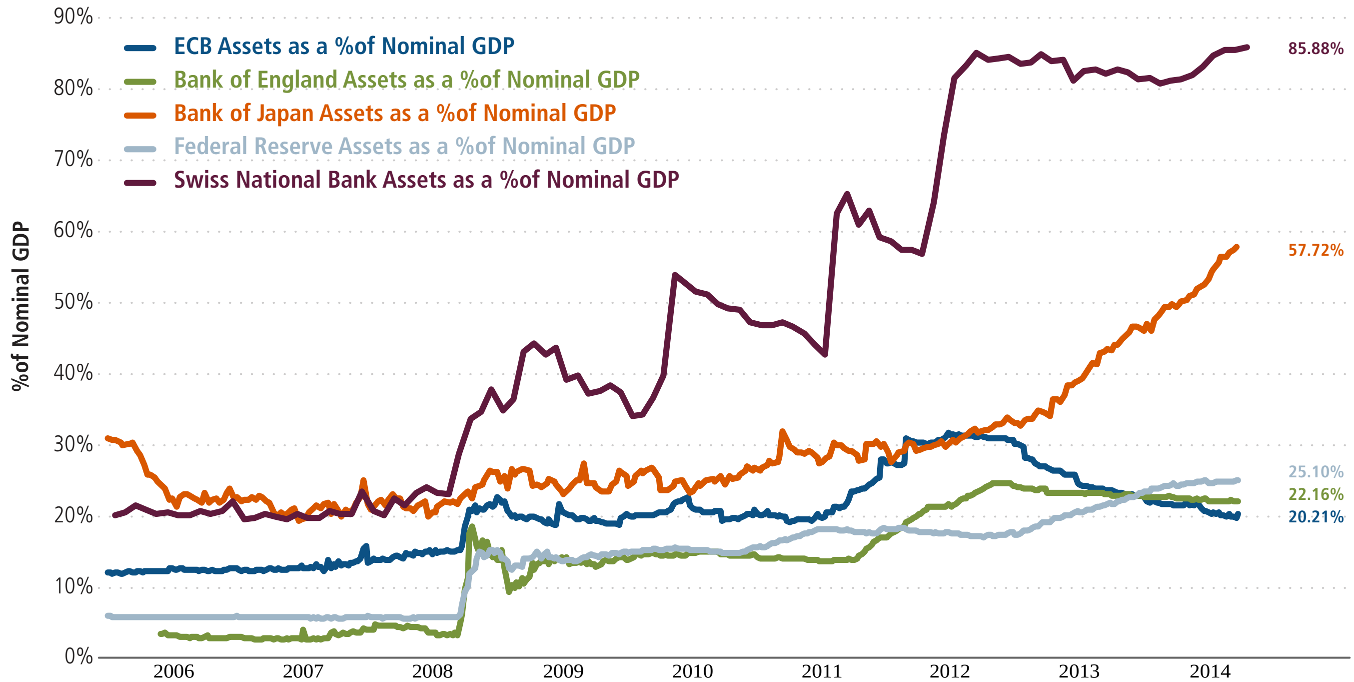


Source: Swiss Federal Customs Administration, EuroStat convinced that, at long last, the ECB will unveil a large scale asset purchase program to rival the best laid plans of the US Fed and the BoJ. Perhaps anticipating a renewed rush to sell euros, the SNB took the prudent step: it removed the sign on its window advertising an exchange rate of 1.20/EUR.

We can step back and think of the situation in another way: just consider the "trade" the SNB had in its portfolio. The SNB was absorbing the risk of a weaker euro in a Sisyphean effort to hold down the franc. As such, if the ECB were to pledge (once again) to do "whatever it takes" to cheapen the euro, the holders of that "put risk" would be the Swiss. Central banks, despite all their pomp, circumstance and jargon, are institutions in the global financial system taking on risks with the one hand (whether its duration risk, credit risk or currency risk) and issuing their own liabilities with the other. In the end, there may be a limit to their willingness or ability to assume risks—particularly in a complex, dynamic system like the world economy where other central banks' actions impact your own and where losses from portfolio decisions may not be spread over millions of taxpayers (as is this case for the US Fed).

For investors, the choice by a major central bank to abandon a policy—particularly one seen as bold and rigid as the Swiss floor—may spell an end to the low volatility period investors have enjoyed for several years. The prevailing view has been that investors "don't fight the Fed," for example. While we did not hear a similar mantra of "don't fight the SNB," there was widespread acceptance that central banks in their infinite wisdom could influence financial market expectations and therefore achieve some desired macro outcome. Continue to question this premise, we advise.

SNB RAPIDLY EXPANDED ITS BALANCE SHEET TO KEEP THE SWISS FRANC UNDER VALUED. IN FACT, AS A SHARE OF GDP, THE SNB WAS UNRIVALED



Corporate finance category and overall Deals of the Year Awards winner

SKY

HIGH DRAMA

THE TREASURY TEAM OF MEDIA GIANT SKY SECURED THE FUNDING FOR TWO BIG, COMPLEX ACQUISITIONS WITHIN A VERY TIGHT TIMESCALE

Sky group treasurer Simon Morley: "We have a lean department, so it was critical that everyone pulled in the same direction"

Media giant BSkyB's £4.9bn acquisition of Sky Deutschland and Sky Italia, which was announced in July 2014, was the grand finale of a strategy that had been many years in the making. The enlarged entity – which has been simply renamed Sky – now becomes one of the largest television operators in Europe. It is expected to have revenues of £11bn and 20 million customers in a potential market of 97 million households.

By the standards of a FTSE 100 company, BSkyB's treasury team was modest, consisting of just six individuals. Together, they were responsible for the group's £6bn debt portfolio, interest rate and FX risk management, along with cash investments. BSkyB's investments usually average around £500m, but they peaked at £6bn in the weeks before the acquisitions took place.

The acquisitions of Sky Deutschland and Sky Italia were largely debt-funded, so BSkyB's treasury team was instrumental in the process of making them happen. The job was made more complex, since two large acquisitions were taking place at once. Sky Italia was 100% owned by 21st Century Fox, while Sky Deutschland was 57% owned by Fox and 43% publicly listed on the German stock exchange. Not only was the total funding requirement for the acquisitions unknown at the outset, there were three key challenges to overcome.

Firstly, once BSkyB had made an offer for 21st Century Fox's shares in Sky Deutschland, there was a legal requirement for BSkyB to launch a public offer for the remaining 43% of publicly held shares at a minimum price of the last three months' volume weighted average price. This meant the funding requirement could have had a potential swing factor of £2bn, with the final investment being anywhere from £6bn up to £8bn.

Secondly, BSkyB was a sterling-functional company that was buying two euro-functional companies priced in euros and sterling from a US dollar-functional entity. Inevitably, cross-border transactions carry significant FX exposures, which needed to be clearly communicated to the independent board members.

Finally, while BSkyB's balance sheet had been strengthening for some years, with leverage managed by share buybacks, this transaction would potentially test the leverage limits of covenants on the company's existing revolving credit facility, as well as its credit ratings. Since the transactions would make a material difference to the company's leverage, a downgrade was inevitable, but the board remained committed to holding an investment-grade rating.

BSkyB's treasury team set to work to put a broad range of credit facilities in place. During a six-week period over the summer, they syndicated £6.6bn of underwritten facilities across 15 banks in two weeks. They then pre-funded €4bn by issuing bonds as soon as the markets opened in September. It was the company's debut issuance on the continent. BSkyB also undertook a £1.4bn share placement to raise funds for the acquisition.

Simon Morley, Sky's group treasurer, attributes the success of the deal to "a huge amount of meticulous planning, scenario testing and challenging our investment banks on a wide range of scenarios". He adds: "We had extensive and detailed project plans and tracked progress religiously. We also dovetailed this planning across our excellent in-house and external legal teams, as well as with the bank teams advising on the transaction. We have a lean department, so it was critical that everyone pulled in the same direction."

Andrew Griffith, Sky's CFO, who nominated his treasury team for this award, described the team's approach to financing the acquisitions as "balanced, insightful and fair". He added: "Each leg of the transaction has gone incredibly well. I can think of no better way to help celebrate Sky's transformation than for our first-rate treasury team to receive the external recognition they so richly deserve."

Deal highlights

Issuer: Sky

Amount: £6.6bn + €4bn

Structure: £6.6bn in syndicated underwritten credit facilities across 15 banks, €4bn euro bond issuance with five-, seven-, 10- and 12-year maturities

Rating (at time of deal): BBB+ (Standard & Poor's) Baa2 (Moody's)

Blended debt cost: Approximately 2%

What the judges said:

"Sky stood out by a mile, even in a strong category with some great nominations. It was good to see the treasury team playing a core role in M&A"

HIGHLY COMMENDED

Bayer

The German pharmaceutical company's busy year started with the launch of a multi-tranche bond in January 2014, in order to finance the acquisition of its Norwegian counterpart, Algeta. This comprised €500m in two-year floating-rate notes, €750m in four-year fixed-rate notes and €750m in seven-year fixed-rate notes. It was followed by another €500m floating-rate note in March. Then, in May, Bayer put in place a $14.2bn bridge facility to acquire the consumer care business of US pharmaceutical company Merck & Co. After this came the launch of a €3.25bn hybrid bond. Finally, the firm issued a multi-tranche $7bn 144A/Reg S bond – its largest bond in history.

{ GOVERNMENT BOND YIELDS }

JEREMY WARNER

The fact that sovereigns can borrow so cheaply tells us some important truths about the state of the global economy

ILLUSTRATION: IMAGE SOURCE

As far as we can ascertain, the UK economy has returned to trend growth. Output rose by 2.6% in real terms last year, and all the signs are that it will do something similar this year. Even real wages seem to be growing again, at least in the private sector.

So how come government bond yields, which reflect forward interest rate expectations, keep on hitting new lows? This might be understandable in the still economically depressed eurozone – though even here there is some reason to believe the economy will rebound this year – but why are the US and the UK, which have returned to growth, drawn into the same dynamic?

To the two most obvious reasons, both of which suggest an element of market mispricing, must be added a third, rather more worrying, one. Inflation is low, and, most analysts believe, likely to remain so for the foreseeable future. Yet current deflationary pressures are substantially down to falling energy and food prices, which will eventually reverse. Deflation may not be as permanent a fixture as widely imagined, and will, in any case, melt away as quickly as summer snow the moment a bit of decent wage growth returns to the economy. Rates, it seems to me, are already lower than they should be given the trajectory of the recovery.

The advent of eurozone money printing is, meanwhile, adding to the downward pressure on rates. When the yield on 10-year German bonds is just 0.3%, then US treasuries and UK gilts at around 1.4% look good value. What's more, the US and UK bond markets provide a hedge against eurozone breakup, the chances of which have again risen significantly with Greek threats of default.

Excessive hoarding may be the result of high levels of US corporation tax

Both these reasons suggest that UK and US interest rates are again somewhat out of kilter with fundamentals. When real interest rates remain artificially depressed for too long, then they begin to incubate problems for the future. We see this in the re-emergence of the 'search for yield' and the revival of some forms of high-risk lending.

There is, however, another, more worrying, reason for low interest rates, which might suggest a rather different kind of problem. It is perhaps best reflected in continued corporate cash accumulation, or excessive saving. Corporate surpluses just keep on growing, regardless of negative real rates of interest and the growth spurt in some advanced economies.

President Obama is so worried by the corporate hoarding that he threatens to tax it. In the US case, excessive hoarding may be as much the result of comparatively high levels of US corporation tax as anything else. Some big multinationals prefer to keep their cash offshore than have it taxed away by repatriating it. Yet this is not just a tax-driven, US phenomenon; it is pretty much global. And it is a reflection both of extreme risk aversion and some big structural changes in the way the economy works.

Admittedly, there are signs of a decent pick-up in business investment in recovering economies. Yet it is from a very depressed level, and it is hard to find anyone who thinks it will soon be back to pre-crisis levels. Capital investment as a driver of growth may no longer be as important as it was and, if that's the case, then today's low-interest-rate environment may prove quite durable. Rates in the US and Britain will no doubt rise a little over the next couple of years, but back to pre-crisis norms? As is becoming ever more evident, that may not happen again in our lifetimes.

Jeremy Warner is assistant editor of *The Daily Telegraph* and one of Britain's leading business and economics commentators

...BUT WHAT DOES QE HAVE TO DO WITH INFLATION?

The ECB is doing QE to cause inflation. But QE doesn't cause inflation.

The above is, in our opinion, the most important takeaway from Thursday's news. The ECB announced its much anticipated asset purchased program, dubbed "QE" by the marketplace. In March, the ECB will begin buying EUR60 billion bonds per month through September 2016. If things go as planned, that sums to EUR 1.1 trillion in fixed income securities over the next 18 months.

During introductory remarks, ECB President Mario Draghi explicitly linked the asset purchase plan to the central bank's inflation objective. Asset purchases, he guided, would continue until "we see a sustained adjustment in the path of inflation which is consistent with our aim of achieving inflation rates below, but close to, 2% over the medium term." At present euro area wide core inflation is growing at just 0.7% year-over-year.

In the aftermath of Thursday's ECB meeting we've seen headlines suggesting the ECB unveiled its "bazooka" and that the "ECB exceeded expectations." But we wonder: what does this have to do with inflation?

Didn't we learn QE doesn't cause inflation? In the last six years we have witnessed the closest thing to a laboratory experiment we will see in macroeconomics. Despite bond-buying campaigns by major central banks across the globe, consumer prices have not increased at a faster rate. Anywhere you look—the US, the UK, Japan, China, Switzerland, Europe—inflation is below 2%. Why should *this* QE program be any different?

We think QE is even *LESS* likely to solve Europe's problems than it did the US problems when the Fed launched its asset purchase program! QE's proponents have advanced four main arguments. We offer skepticism on all four fronts.

First, the textbook explanation of QE says that it works through the "portfolio balance channel" effect, where a central bank forces yields lower by reducing the outstanding supply of safe assets than can be held by the public. Investors rebalance their portfolios toward higher yielding investments, routing capital away from government bonds and into the real economy. In effect, this discourages "hoarding" and stimulates economic activity and inflation. This is how Ben Bernanke sold QE.

But in Europe, banks play a more important role than the capital markets (as in the US). Consequently, forcing European investors to "rebalance" will not be as effective as QE may have been in the US. And the data shows that both private bank credit and private firm growth are *still* contracting in the euro area. No wonder the unemployment rate remains above 11%. QE fails to address the root cause of the economy's weakness.

The second argument for QE suggests that the printing of euros by the ECB to buy euro-denominated bonds will cheapen the euro *vis a vis* its major trading partners, boosting growth and inflation. Indeed, external trade is a bigger share of euro area GDP than many of its major currency bloc peers. Exports of goods and services account for 45% of euro area GDP, 46% of German GDP but just 14% of US GDP and 16% of Japanese GDP. So a weaker euro may help. Our cautious optimism stems from the Japanese experience of 2013 where, after the yen depreciated by roughly 30%, annual export growth averaged 9%. The euro is down 18% from its peak, how much will trade jump? And will the currency effect be a one-time shot?

Proponents also argue that QE *could* act as a signal that interest rate hikes will not occur before 2017 at the earliest. But, such "forward guidance" about the future path of short-term interest rates—though tried in Canada, the UK and the US—also failed to revive inflation.

The final argument we hear in favor of ECB QE is, "Well, it can't hurt and they have to do something." In fact, it can hurt. Just like an ill patient spending precious time and resources on unproven cures, bond buying campaigns tie up high quality securities on central bank balance sheets, impeding overall financial market liquidity. What is more, focus on QE distracts from the real (political and social) reforms which might actually help the economy heal faster. Perhaps Larry Summers said it best today at Davos: "We have to recognize that the era when central bank improvisation can be the world's growth strategy has come to an end."

Have investors finally learned the lesson about QE and inflation?

IAFEI News **March 23, 2015**

IAFEI Board of Directors Meeting, Manila, The Philippines, October 15, 2014

This Board of Directors Meeting made the following elections/ reelections of IAFEI Officers, for 2015:

Elections, reelections of IAFEI Officers, for 2015:

Luis Ortiz Hidalgo, Mexico	Chairman IAFEI
Fausto Cosi, Italy	Vice Chairman IAFEI
Victor Y. Lim, Jr., the Philippines	Secretary IAFEI
Emilio Pagani, Italy, Interim 2015	Treasurer IAFEI
Juan Alfredo Ortega	Area President the Americas, IAFEI
Hiroaki Endo	Area President Asia, IAFEI
Armand Angeli, France	Area President Europe, IAFEI
Armand Angeli, France, Interim 2015	Area President Middle East, Africa, IAFEI

Please turn over

IAFEI Executive Committee Meeting, April 26 to 27, 2015, St. Petersburg, Russia

Hosting IAFEI member institute will be the Russian Club of Financial Directors, RCFD

45th IAFEI World Congress, 2015, Milano, Italy, October 15 to 17, 2015

Hosting IAFEI member institute will be the Financial Executives Institute of Italy, ANDAF

46th IAFEI World Congress, 2016, in Russia

Hosting IAFEI member institute will be the Russian Club of Financial Directors, RCFD
Location, and exact time, not yet determined.