



Mr. Ian Neal

Message from Director

Cracking down on money laundering and terrorist financing

Following the 9/11 tragedy there is greater scrutiny of money laundering and the financing of illegal terrorist activities.

Late last year, Senator The Hon. Chris Ellison, the Australian Minister for Justice and Customs, announced that Australia is to implement new global standards aimed at aligning Australia's anti-money laundering system with new international standards.

The federal Attorney General's Department published a suite of Issues Papers outlining proposals that apply to the financial services sector, real estate agents, dealers in precious metals and stone, the gambling industry, legal practitioners, accountants and company and trust service providers.

These proposals are being driven by two major themes. Firstly, the current domestic regime administered through the *Financial Transaction Reports Act 1988* (FTR Act), which requires cash dealers to report significant cash transactions, international funds transfer instructions and suspicious transactions to the Australian Transaction Reports and Analysis Centre (AUSTRAC), is outdated and requires a substantial overhaul to bring it into line with current industry practices and international regulatory standards.

Secondly, the Financial Action Task Force (FATF) completed a review of its "Forty Recommendations". These standards now apply to money laundering as well as terrorist financing and highlight particular high-risk areas of concern. Another international development that is impacting the debate is the passage of the *USA PATRIOT Act 2001* through the US Congress in October 2001.

This international setting has meant that the priority to update Australia's legislation has been surpassed by a priority to adopt an anti-money laundering framework that is internationally consistent and compliant.

Issue Paper 1 – Financial Services Sector ("the Issues Paper") outlines reform proposals that apply to financial services businesses engaged in "handling the flow of funds through the financial system". The proposed reforms will require substantial changes to Australia's anti-money laundering program and will require financial services businesses to consider how they currently conduct business.

The proposals will shift current efforts in four key areas:

- **Coverage:** The proposals will expand current transaction reporting obligations from "cash" transactions to "value" transactions, resulting in a substantial increase in the volume of reporting.
- **Detecting suspicious activity:** The proposals will significantly expand current processes by requiring financial institutions to conduct enhanced initial customer due diligence and conduct ongoing scrutiny of customers and transactions.

- **Record keeping and tracking:** The proposals will require redeveloping reporting systems, delivering staff training programs and adopting new record keeping and information handling practices.
- **Oversight and compliance:** The proposals will require re-engineering internal control measures and risk management procedures.

The Securities Institute strongly supports the broad direction of the proposals as they seek to safeguard Australian business and the community from the impacts of crime, particularly as efforts aim to prevent the laundering of criminal proceeds and the flow of terrorist funds. However, we must ensure that legitimate commercial activities are not unduly restricted.

As a guiding principle, the Securities Institute asserts that the proposals should be introduced consistently across the various industry sectors to the extent that is reasonable and practical through adopting a *risk-based* approach.

Risk-based strategies aim to identify activities that may be vulnerable to money laundering and terrorist financing. A risk-based approach allows for some flexibility for financial sector businesses to tailor their policies and procedures to the potential risk of money laundering, in particular to financial transactions and business relationships.

The proposals as currently outlined are likely to introduce a compliance burden on industry that surpasses implementing the *Financial Services Reform (FSR) Act 2001*. Therefore it is essential that there is a balance between the tension to introduce an internationally recognised and compliant anti-money laundering program with ensuring careful and thorough consideration is given to designing a robust and practical legal and regulatory framework.

In addition, it is vital that the community is confident that the increased collection, retention and sharing of their information is conducted with confidentiality and only for the purpose of supporting Australia's national security.

The financial services industry will be able to deliver a reasonable, practical and outcomes based anti-money laundering program.

The federal Attorney General's Department has recently published a Policy Principles Paper, which identifies a number of key principles that will guide the implementation process.

We expect that the exposure draft legislation will be released for public comment shortly. The Institute will continue to consult with the Government on the anti-money laundering reform.

Ian Neal FSIA

ASAF Director

Securities Institute of Australia

Committee News

Education Committee News

As previously reported, a questionnaire regarding "Study for the implementation of an exchange scheme for educational materials and examination questions, etc." was sent to all 14 societies in January, and nine had responded by the end-February deadline. Reminders were sent to the other five members by the ASAF Secretariat and it is hoped replies will be received by end-July in order to facilitate actual implementation of the scheme by the end of this year.

All three presentation papers of the Education Committee Seminar held in October in Beijing were published in the ASAF E-Journal No. 6. Comments/questions should be addressed to the ASAF Secretariat at asaf-manager@saa.or.jp.

Advocacy Committee News

The interim Executive Committee Meeting held in early April in Auckland confirmed that the first "Advocacy Committee Seminar" will be held the afternoon of 17 October 2004 in conjunction with ASAF Committee Meetings/AGM and the ASAF Conference 2004 in Tokyo. Details and names of those giving presentations will be decided shortly and invitations sent to all member societies.

Another project of the committee is a review of member societies' codes of conduct and ethics, which was also confirmed at the interim Executive Committee Meeting. The first step, collation of related information from all 14 members, will commence shortly. Other international organizations, such as the ACIIA®, of which ASAF is a federation member, are also planning to conduct similar projects.

ACIIA® News

CIIA® examination results, March session 2004.

The 7th CIIA® final exams were held on 5 and 6 March at examination centers organized by individual societies. The results are as follows:

Pass rate for Exam 1: 54.4%

Exam. 1: Economics, Financial Accounting and Financial Statement Analysis, Equity Valuation and Analysis, Corporate Finance

Pass rate for Exam 2: 58.7%

Exam 2 : Fixed Income Valuation and Analysis, Derivative Valuation and Analysis, Portfolio Management.

ACIIA® Council Meeting and Annual General Meeting, Amsterdam.

On 23-24 June 2004, Council Meeting/AGM was successfully held with 41 attendees in Amsterdam, the Netherlands. Among other issues, the following were announced/decided:

* **Financial Statements**

ACIIA® posted a profit (about GBP 35,000) for the financial year en December 31, 2003, which mainly owes to the substantial number of CIIA® candidates, increased annual membership fees, and foreign exchange gains. (In the case of the last CIIA® exam session, candidates came from 14 countries).

* **Transfer of ACIIA® registered office**

ACIIA® has been studying transfer of the registered office from the UK to Switzerland taking into account (i) the efficiency of operations and management of the company and (ii) Switzerland already being the home for many international organizations. All documents and procedures necessary for the transfer were decided during the meetings. Firstly, ACIIA®, Switzerland will be formally established and will takeover all assets and liabilities of ACIIA® UK will be liquidated.

* **ACIIA® Code of Ethics**

ACIIA® has decided to establish a task force to draft an ACIIA® Code of Ethics. The task force will be led by Mr. Giampaolo Trasi, and Japan and Iran from ASAF and APIMEC from Brazil will join. They will define principles that can function as recommendations and minimum standards for an ACIIA® Code of Ethics and also adding points considered essential, taking the current social background into account.

* **Three-year CIIA® candidate commitment**

ACIIA® has been asking Contracting Members to estimate the number of exam papers for the initial five years, and to submit a five-year commitment. The first such five-year commitment period for Founding Members expires in June 2005. ACIIA® has decided that following this Contracting members should submit another commitment, this time for a three-year period, expecting that such commitment will contribute

to further expanding the number of CIIA® candidates as well as making it easier to compile the budget.

*Mr. Kiyoto Hagiwara, ASAF Chairman, was elected ACIIA® Chairman succeeding Mr. Fritz Rau, and Mr. Gary Cheung were elected Council Member representing ASAF. Mr. Sanjay Ramchandani of CPMR, India and Dr. Lin Yixiang of SAAC, China were elected Council Members from Contracting Members.

Secretariat News

Thanks to an excellent arrangement by the host society, Institute of Finance Professionals New Zealand (INFINZ), the interim Executive Committee Meeting was successfully held on 2nd April 2004 in Auckland, New Zealand. In addition to ordinary agenda items such as progress reports on each committee activities and report on half-yearly financial statements, the ExComm members intensely discussed how to activate the ASAF activities especially focusing on supporting weaker societies. Content of the discussion will be eventually disclosed to all member societies, and actual measures will commence in due course. In addition, outline of the ASAF Conference 2004 scheduled in mid-October this year was explained during the meeting.

Calendar 2004

16 October 2004

ASAF Education Committee Meeting
ASAF Advocacy Committee Meeting
ASAF Communications
Committee Meeting
ASAF Executive Committee Meeting

17 October 2004

ASAF Annual General Meeting
ASAF Advocacy Committee Seminar

18 October 2004

2004 SAAJ Annual Conference

19-20 October 2004

2004 ASAF Conference

Tokyo, Japan

Member's Regional News

Australia – SIA

We have enhanced our education programs, focused our attention on policy and advocacy priorities, and developed customer-focused strategies for professional development.

Highlights from the quarter

New Institute National President appointed



The 2004 AGM, held in Sydney on 19 April 2004, marked the beginning of the term of office for **Fred Grimwade FSIA**. The Institute will continue to educate, support and guide industry participants in an increasingly complex market environment.

At the AGM, **Michael Shepherd FSIA** (NSW/ACT) was appointed National Vice President, and **Michael Willis FSIA** (Qld) remains as Honorary Treasurer.

Securities Institute well placed to expand operations in the Asia Pacific

The Institute has appointed international manager Sue Jeffery to head a tactical campaign to dramatically boost student numbers, memberships and education standards throughout the Asia Pacific region.

The Securities Institute is in a unique position to develop further in the Asia Pacific market by capitalizing on the Institute's highly regarded brand name and extensive networks through the Institute's wide-ranging international membership base in over 45 countries.

During 2003, the Institute ran a capacity-building program for the Bank of Thailand on the development of a derivatives and corporate bond market.

The Institute's extensive distance education program includes students in countries like Fiji, China, Vietnam, Malaysia, Thailand, Samoa, Indonesia, India, Philippines, and Singapore, and many others.

The Institute's first National Finance & Investment Week a success

Over 3,000 participants attended events nationally, with a wide range of seminar.

Anti-money laundering media briefing

On 1 June 2004, the Institute hosted a media briefing to discuss proposals for reforming Australia's anti-money laundering program. The Attorney General's Department released a Principles Policy Paper outlining the key principles guiding the implementation process. We expect that draft legislation will be released towards the end of June. The Institute will continue to work with the Government

Update on CLERP 9

ON 6 April 2004, Securities Institute representatives appeared before the Parliamentary Joint Committee (PJC) on Corporations and Financial Services to advocate members' concerns regarding proposals contained in the CLERP 9 Bill. Particular issues discussed included the CEO/CFO sign-off, conflicts management obligation, fundraising disclosure and the Financial Reporting Panel.

ASIC Speaks seminars rolled out nationally over June 2004/06/25

The new round of ASIC Speaks seminars, occurring nationally during June 2004, offered the opportunity to take stock of the industry's position under Financial Services Reform (FSR) and over 1,200 participants attended nationally. ASIC is keen to have feedback via interested industry associations on outstanding issues, such as product disclosure, fee disclosure guidelines and developing model documents.

Second Australasian Investment Management Conference set for September 2004

Preparations for the second Australasian Investment Management Conference are well advanced. The conference is being co-hosted with the CFA Institute (formerly AIMR) and will be held at the Four Seasons Hotel on 16 and 17 September. A combination of five plenary and fourteen technical sessions in two streams will present the latest financial research and portfolio management topics from around the world.

For more information visit the website located at www.securities.edu.au/aimc04.

Record number of 2003 graduates from Institute education courses

Regional graduation ceremonies around the country during April 2004 saw a record 2,415 students graduate from the Institute's Masters, Graduate Diploma and Diploma courses in Applied Finance & Investment, Financial Planning & Advising, Financial Services and Mortgage Lending. There were a total of 47 Masters graduates, 1,698 post graduates and 670 diploma course graduates.

Hong Kong – HKSI Hong Kong brokers participate in Mainland China examination and training

As a result of the Closer Economic Partnership Arrangement (CEPA) announced last year, Hong Kong professionals (defined as Hong Kong permanent residents holding or having held within the past three years a license issued by the Securities and Futures Commission of Hong Kong) have been offered a fast track to Mainland China securities industry qualifications by means of the PRC Securities Regulations Examination developed by the Securities Association of China. The Institute is pleased to announce that in March 2004 a number of Hong Kong practitioners successfully completed this examination and has now obtained the required corresponding industry qualification for Mainland China.

In response to the recent reforms in the Mainland China futures market, the Institute organized an intensive two-day training course on "Laws and Regulations of China's Futures Market" in May

with Mr. Yu Xuehui, Legal Advisor of China Futures Association and Partner of Hanhua Law Company. In addition to the training programme, futures market practitioners also participated in a presentation by Dr. Zhang Guangping of the Shanghai Futures Exchange who outlined his views on the potential development opportunities of the market place in the coming years.

The HKSI continues to work closely with the HK Investment Funds Association (HKIFA) in providing relevant training programmes of interest to both securities and investment management professionals alike. Many changes have been seen in the operation of the investment management industry in Mainland China with the introduction of the QFII framework last year. To assist practitioners keep up to date with these changes, the HKSI in conjunction with the HKIFA and the Shenzhen Securities Association held a workshop entitled "The Latest Development of Investment Fund Industry in China" on 18 March. The event was held in Shenzhen and presented by Dr Xiao Feng, the President of Boshi Fund Management Company Limited.

A follow up programme will be held in July presented by Ms. Sun Qiqing, Head of Compliance of Boshi Funds Management Co Ltd. She will be presenting on "The Latest Development on Law and Regulations of Funds in China" on 31 July 2004. The purpose of this particular training programme will be to assist practitioners develop a thorough understanding of the current legal regime for investing funds in China.

Securities and Futures Commission consultation paper on "Analysts conflict of interest"

On the 31 March 2004 the Securities and Futures Commission (SFC) in Hong Kong released a consultation paper on "The Proposed Regulatory Framework for Addressing Analysts Conflict of Interest".

Under the current regulatory framework, analysts employed by securities firms are licensed with SFC and are subject to relevant SFC codes of conduct and guidelines.

The SFC regulatory proposal covers eight key areas including:

- Analysts' trading and financial interests
- Firm financial interests and business relationships
- Analysts reporting lines and compensation
- Firm compliance systems and senior management responsibility
- Outside influence
- Clarity, specificity and prominence of disclosure
- Integrity and ethical behavior
- Investor education

To assist local regulators in their research on this issue, the HKSI presented them with a copy of the ASAF Position Paper "Recommendation for Addressing Conflicts of Interest in Securities Analysts Research" for their review.

In the month of April, the Institute was also privileged to have the Global Vice Chairman of CSFB, Mr. Gary Lynch present his views on the provision of independent research in securities firms in the US. Mr. Lynch presented an interesting picture of the current regulatory environment of the US and outlined key areas of US regulatory policies CSFB have implemented globally. His comments were certainly "food for thought" for local practitioners responding to the SFC submission.

India – ICFAI

The ICFAI University launches The ICFAI School of Marketing Studies

The ICFAI University has launched the ICFAI School of Marketing Studies (ISMS), to promote quality education, research, training and consultancy in marketing, international marketing, marketing research, advertising and public relations and allied areas. ISMS offers one year full-time campus-based Programs viz., MS (Marketing), MS (International Marketing), MS (Advertising & PR) and MS (Marketing Research) Programs. The MS Programs are organized in 4 terms spread over 12 months, including soft skills training. For further details, you may visit www.icfai.org/isms



National Conclave of Leaders in Education

The ICFAI University recently organized the National Conclave of Leaders in Education, a residential Program for the Heads of Educational Institutions. Three such Programs were conducted at Ooty, Tamil Nadu, India. Over 150 Directors of Business Schools and Principals of Degree, Engineering and Junior colleges from all over the country participated in these Programs. The Program was exclusively designed by the ICFAI University to discuss the sweeping changes taking place in the educational sector and the emerging importance of Private Sector Educational Institutions in the field of higher education. The Program included topics on emerging opportunities in educational sector, importance of intellectual leadership and institution building, managing students, teachers and industry expectations, managing placements, managing public relations, and fostering research culture.



The ICFAI University launches The ICFAI School of Financial Studies

The ICFAI University has launched the ICFAI School of Financial Studies (ISFS), to promote quality education, research, training and consultancy in finance, accounting, banking and insurance. ISFS offers two year full-time campus-based programs in finance, accounting, banking and insurance viz., MS (Finance), MS (Accounting), MS (Banking) and MS (Insurance). The MS Programs are organized in 4 semesters

spread over 2 years, including soft skills labs and computer labs. Students undergo a summer internship of 16 weeks duration during the intervening period between the third and fourth semester. Live projects are also required to be done in the fourth semester. For further details, you may visit www.icfai.org/isfs



New Books from ICFAI University Press

ICFAI University Press, a constituent of the ICFAI University has recently published 30 new titles. Some of the recently published books include:

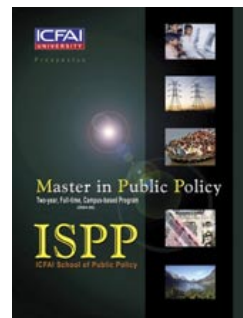
- Advertising Concepts and Cases
- Issues in Economic Development Education and Human Capital
- Six Sigma Concepts and Cases
- Trade Policies in India The New Agenda
- Training and Development Trends and Experiences
- Product Life Cycle Management Concepts and Cases
- Chinese Economy Issues and Perspectives
- East India Company From Traders to Rulers
- Reinsurance Concepts and Cases



These books seek to provide, at one place, a retrospective and prospective view of the contemporary developments in the environment, and their impact on managerial decisions. ICFAI University Press has so far published more than 265 books. For further details on the books published by the ICFAI University Press, please visit www.icfaipress.org/books

The ICFAI University launches The ICFAI School of Public Policy

The ICFAI University has launched the ICFAI School of Public Policy (ISPP), with the objective of providing students and working professionals with an understanding of the key elements of public policy analysis and decision making, especially of its socio-economic, political and environmental dimensions. ISPP offers a two-year Master in Public Policy Program on full-time format at Hyderabad, India. This Program offers 17 core public policy courses and eight electives from four functional disciplines: Economics, Environment, Politics and Sociology. This provides a broad foundation of skills and knowledge in diverse functional disciplines, apart from providing the option to specialize in specific areas of policy concentration. For further details, you may visit www.icfai.org/ispp



Japan – SAAJ 19th SAAJ ANNUAL CONFERENCE 18, October 2004 at Toshi Center Hotel in Tokyo.

The Security Analysts Association of Japan (SAAJ) is going to hold 19th SAAJ Annual Conference jointly with 2004 ASAF Conference coming October. The conferences offer impressive general sessions, panel discussions and field trips for participants. Conference official announcement will be distributed to ASAF member societies by early July.

Further information can be located on SAAJ/ASAF Conference website: <http://www.asaf2004.com>, which will be available mid-July.

Recent Events

SAAJ held the following six workshops during April-June 2004.

1. "Prospect for the Japanese Economy"
2. "Recent trends in physical distribution"
3. "Why are Capital Adequacy Regulations necessary for banking industry?"
4. "Financial Reforms in PRC and its evaluation"
5. "Recent market trends of Private Equities in the United States and Europe."
6. "Future of Japanese economy and Finance."

Upcoming Events/Seminars

Following seminars will be held in July and September:

The 4th SAAJ summer seminar: "Pension Management and investment in bonds" to be held on 9th of July, 2004.

Session 1 "Cash balance planning and strategy in investments in bonds."

Session 2 "New Frontier of Yen bond Portfolio – Management Inflation-Interlock Type Bond"

Session 3 "New Frontier of Yen Bond Portfolio – Management" Management of Hedged Foreign Bond

The 5th SAAJ-Nippon Finance Association Joint Seminar: "Elucidation of Investors' performance" to be held on 6th of September, 2004.

Session 1 "Investor Behavior: Forecast and the Bubble- Study through experimental finance--"

Session 2 "Bias of Investor Behavior – Implication in investment search and active management."

Korea – KCIAA

Kun Ho Hwang elected new chairman of KCIAA at the AGM

The KCIAA has elected Mr. Kun Ho Hwang as its New Chairman at Annual General Meeting on June 17, 2004. He is concurrently the Chairman of the Korea Securities Dealers Association (KSDA). Also the KCIAA has elected additional

five members of the board of directors as a vice chairman and four Directors at the AGM.

Mr. Hwang graduated from the Seoul National University, Seoul, Korea with a B.A. (business administration) and Rutgers Graduate School of Management, State University of New Jersey, U.S.A. with an M. A..

For 23 years from 1976 to 1999, he was employed at Daewoo Securities Co, Ltd. in positions from general manager to vice-president. And he worked at Meritz Securities Co., Ltd.(formerly Hanjin Investment & Securities Co., Ltd.) from 1999 to 2003 as the President & CEO. From March 2003 to February 2004, he was the vice chairman of KSDA. And he is a visiting professor of the College of business administration of the Ewha Woman's University in Korea from 2003.



Mr. Kun Ho Hwang

Thailand – SAA, in Thailand

Several activities lining up for analysts

SAA's board of directors started working as soon as it announced the new vision in April 2004 and came up with several activities for analysts and the public.

With an aim to increase visibility, SAA issued the first ever analysts survey in Thailand to serve as a guideline for the industry. SAA issued a questionnaire to its brokers members and received almost 80% response or from 26 out of 33 brokers. The topics in the questionnaire covered 4 factors concerning the investment industry in Thailand. SAA planned to issue similar analysts survey once a month.

SAA, in co-operation with the Stock Exchange of Thailand (SET), has held two analysts seminars during end April – beginning May. The events

aimed to increase analysts' access to detailed information from the government sector by top executives in concerning state enterprises.



The first seminar involved Financial Sector Master Plan developed by Finance Ministry and Bank of Thailand. It was presented by top executives from Bank of Thailand.

The second event involved privatization. The keynote address was delivered by H.E. Prommin Lertsuridej, M.D., Minister of Energy.

Both closed events were successful with 70-80 analysts and concerning personnels participating.

During 13-16 May 2004, SAA's directors delivered presentations in a seminar for individual investors and the public held as a part of Money Expo 2004 jointly organized yearly by the SET and Finance and Banking Magazine. Approximately 600 participants attended the seminar.

Another project still under development is the consensus of securities' information. Analysts will be requested to update their forecasts on listed companies' financial performance. The data from brokers will then be integrated into a consensus to be published on the website of SETTRADE.COM. This project is jointly developed by SAA and SET.

More projects are expected throughout the year as SAA aims to be a part in developing the investment industry and Thai economic as a whole.

New Chairman announced increasing focus on research analysts



In AGM on 20 April 2004, SAA, under its new chairman, announced the new vision. Dr.Kongkiat Opaswongkarn, the Chairman and Chief Executive Officer of Asset Plus Securities Public Co., Ltd, who assumed the position of SAA's chairman in March 2004, announced the new vision of being a center for the securities research profession.

Since last year, SAA's board of directors has been restructured to consist mainly of analysts.



SAA will be open to more participation by all securities analyst professionals as members and aims to double the number of securities analysts in the industry from 250 to 500 within two years.

SAA will act as analysts' representative in expressing their opinions to the public and related institutions, so as to promote their recognition at both the national and international levels.

In the long term, SAA will be monitoring the work among its analysts's peer group with an emphasis on ethics, independent observation and no benefit seeking from investment banking jobs or from any commission work.

"From now on, SAA's directors will be working with aims of increasing visibility of SAA, making SAA a center for analyst professionals, raising the quality of research, building investors' trust and raising the standards of capital market in Thailand.", the Chairman announced.



Disclaimer: Not for distribution in North America. Members' regional news supplied by ASAF members and ASAF takes no responsibility for the accuracy of the articles or views expressed therein.

Published by the ASAF Secretariat, Contact: Kazumichi Karita,
c/o 5F Tokyo Stock Exchange Building, 2-1 Nihonbashi-Kabutocho, Chuo-ku, Tokyo 103-0026, Japan
Tel: 81 3 3666 1576 Fax: 81 3 3666 5845 E-mail: asaf-manager@saa.or.jp Website: www.asaf.org.au