

Partners for Financial Stability (PFS) Program

USAID Cooperative Agreement PER-A-00-00-00003-00

Final Report

December 6, 1999 through December 31, 2009

Submitted on March 31, 2010
to U.S. Agency for International Development
by East-West Management Institute, Inc.

The Partners for Financial Stability (PFS) Program was implemented under U.S. Agency for International Development Cooperative Agreement No. PER-A-00-00-00003-00, by the East-West Management Institute, Inc. from December 6, 1999 through December 31, 2009.

EWMI would like to acknowledge Geoffrey Mazullo (PFS Program Director), and our colleagues at USAID – Hugh Haworth, Jean Lange, and Steve Eastham, all of whom contributed to the success of the PFS Program over the past decade.

TABLE OF CONTENTS

	Page
Acronyms	ii
I. EXECUTIVE SUMMARY	1
II. SCOPE OF PFS ACTIVITIES	4
A. Accounting and Audit	4
B. Banking	7
C. Capital Markets	11
D. Insurance	21
E. Pension Reform and Regulation	26
F. Website	28
III. SELECTED SUCCESS STORIES	30
IV. HIGHLIGHTS OF MAJOR PARTNERS	37
ANNEXES	
A. Summary of events and number of participants	
1. PFS Program CEE Activities: 2000-2004	
2. PFS Program SEE Activities: 2005-2009	
3. PFS Program Eurasia Activities: 2007-2009	
B. List of PFS partners	
C. List of grants made under the PFS Program	
D. Success Stories (one-page descriptions)	

ACRONYMS

BRIC	Brazil, Russia, India and China
CEE	Central and Eastern Europe
CSR	Corporate Social Responsibility
CUs	Credit Unions
ESG	Environmental, Social and Governance Reporting
EBRD	European Bank for Reconstruction and Development
EWMI	East-West Management Institute, Inc.
FDIC	U.S. Federal Deposit Insurance Corporation
FEE	Fédération des Experts Comptables Européens
FIUs	Financial Intelligence Units
FSRAs	Financial Sector Regulatory Authorities
GIPS	Global Investment Performance Standards
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
INPRS	International Network of Pensions Regulators and Supervisors
IR	Investor Relations
ISA	International Standards of Audit
IT	Information Technology
KNUiFE	Polish Supervisory Commission for Insurance and Pension Funds
NAIC	National Association of Insurance Commissioners
NIS	Newly Independent States
PFS	Partners for Financial Stability
SEE	South East Europe
SME	Small and Medium Size Enterprises
SRI	Socially Responsible Investment
US SEC	U.S. Securities and Exchange Commission
USAID	U.S. Agency for International Development

I. EXECUTIVE SUMMARY

Purpose

The U.S. Agency for International Development (USAID) established the Partners for Financial Stability (PFS) Program¹ in late-1999 as a public private partnership to help complete reforms necessary to instill well-functioning financial sectors in the eight Central and Eastern Europe (CEE) countries that have since joined the European Union (EU). The PFS Program, implemented by the East-West Management Institute (EWMI), was mandated to fill remaining gaps in the institutional development of the financial sector through regional integration and cooperation, selective technical assistance, the practical application of lessons learned from sharing regional best practices, and the adoption of international standards.

After six years, the PFS Program was expanded into the countries of Southeast Europe (SEE), and in 2007 to the countries of the former Soviet Union (NIS). The goal of the program, however, remained the same—to promote regional and global integration of financial systems through the sharing of experience, and supporting cooperation. To achieve this goal, the PFS Program worked with financial market participants in Central and Southeastern Europe and Eurasia in order to accelerate financial market development based on best practices and international standards.

Geographic Coverage

When launched in 1999, the PFS Program was designated to work in the “post-presence” USAID countries of Central and Eastern Europe: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. After these countries joined the EU in 2004, the PFS Program was expanded to the countries of Southeastern Europe (SEE), which included: Albania, Bosnia Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Montenegro, Romania, and Serbia. Under this expansion, the PFS Program’s aim was to share the experiences of the newly joined EU countries with the countries of SEE. As such, most of the activities during this period addressed issues of concern in countries of the SEE region. Finally, in 2007 the PFS Program was further expanded to the countries of the former Soviet Union (NIS), including: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. The activities in these countries promoted “best practices,” and shared the experiences of implementing best practices in the countries of CEE.

Implementation Philosophy and Approach

PFS Program activities were demand driven, and included a cost-sharing element on the part of local institutions. They were designed not only to provide technical expertise to address financial sector challenges common to all countries in the region, but also to promote lasting cooperation and linkages. Facilitating the sharing of experience and knowledge, the PFS Program promoted the practical application of lessons learned since 1990 in building key financial sector institutions and the underlying legal/regulatory framework so that sound financial policies and practices could be adopted and effectively implemented.

¹ The Partners for Financial Stability Program was implemented under USAID Cooperative Agreement No. PER-A-00-00-00003-00, which was awarded to the East-West Management Institute on December 6, 1999. The program ended on December 31, 2009.

The PFS Program provided a wide range of assistance working in collaboration with both private and public financial sector institutions, including: accounting/audit associations, central banks, commercial banking associations, economic faculties/universities, finance ministries, judicial authorities, regional financial sector groups, regulatory authorities, research institutes and stock exchanges. The substantive program areas covered under the PFS Program included: accounting/audit, banking/bank supervision, capital market development, corporate governance/market transparency, financial sector research, insurance, pension reform/regulation and prevention of money laundering. PFS Program activities included: (i) seminars and workshops to address financial sector technical issues and policy challenges; (ii) professional exchanges to promote dissemination of best practices and sharing of institutional experiences; and (iii) grants to support research and projects addressing specific financial sector issues. A complete list of the grants made under the PFS Program is included in the Appendix.

Partners, Linkages and Cost Sharing

In implementing the PFS Program, EWMI relied on the participation and contribution of local, regional and international partners. For the program to be effective, a strong local partner was critical. As such, EWMI worked closely with government ministries, central banks, local NGOs, and universities. Regional partners included regional associations, regional NGOs and similar organizations. The participation of international organizations, other government institutions and universities was critical to the introduction of best practice. Finally, the success of the PFS Program benefited enormously from the experts who gave of their time and enthusiastic efforts. A list of PFS partners is included as an Annex to this report.

Cost sharing was critical to the success of the PFS Program, and assured the buy-in of all partner organizations. Overall, the PFS program was able to secure over 50 per cent of its costs as a cost share, reaching almost \$4 million. The cost share comprised cash contributions (from EWMI, other international non-US government agencies and organizations); in-kind contributions from professional organizations and financial sector specialists; and contributions (both cash and in-kind) from local partner organizations and governments.

Successes and Legacy

The PFS Program was unique in that it provided a mechanism for the sharing of information and experiences among public and private sector financial institutions throughout CEE, SEE and Eurasia. By sharing best practices, promoting the adoption of international standards, and developing linkages with and between international and regional institutions, the PFS Program was able to further the development of the financial sector in all three regions. Some of the major achievements of the PFS Program are:

- The collection, analysis and dissemination of time series data of corporate disclosures on investor relations and corporate social responsibility (CSR). This data was used to: identify best practice in Investor Relations (IR), promote the adoption of international standards in disclosure, and provide training on IR as well as on the reporting of environmental, social and governance (ESG) indicators.
- Contribution towards the implementation of corporate governance codes in several CEE and SEE countries, buttressed by training for corporate management and board members on corporate governance, disclosure and investor relations.

- Improving the understanding of the economic impact of registered pledge / secured transaction systems in CEE and SEE, through comparative research studies on this topic in several CEE/SEE countries. This initiative was co-sponsored by the EBRD.
- Raising consciousness about the prevention of money laundering through an innovative regional training program based on a case study methodology. The training program was interdisciplinary, multi-institutional and regional, bringing together Financial Intelligence Unit (FIU) experts, judges, police and prosecutors to debate, discuss and present cases, and thereby develop their analytical skills. This program emphasized peer-assisted learning.
- Strengthening the internal audit function in central banks and financial sector regulatory authorities (FSRAs) through a regional initiative designed to identify best practice and promote the adoption of international standards.
- Educating a new generation of insurance regulators by cooperating with the National Association of Insurance Commissioners (NAIC) on an international internship program. Insurance regulators from SEE and Eurasia participated in the program.
- The creation of an internship program that offered 49 research internships to students from CEE, SEE and other countries. Research interns conducted regional surveys under the guidance and supervision of PFS Program staff. Internships completed by students/recent graduates from CEE and SEE countries helped to strengthen financial sector capacity in the region; internships completed by students/recent graduates from other countries helped improve their knowledge of the CEE/SEE region.
- The creation of a **regional center of actuarial sciences** in Almaty, Kazakhstan, including both an Actuarial School and an Actuarial Analytical Center, furthering the development of the actuarial profession throughout the Eurasia region.
- The creation of a **regional association of credit union associations** as a platform for cooperation and further sharing of experiences. The new structure, organized as a non-profit organization registered in Kyrgyzstan, will receive logistical support from the Kyrgyz Credit Union Association, and will facilitate experience exchanges between credit union systems throughout the Eurasia region.
- The acceptance of the Kazakhstan Association of Financial Investment Analysts into the European Federation of Financial Analyst Societies, placing Kazakhstan on the international map as one of the countries introducing transparent financial and investment reporting. This was made possible through the support of the Ukrainian Society of Financial Analysts. The Kazakhstan Association has also become the country sponsor for **the Global Investment Performance Standards (GIPS)**.

II. SCOPE OF PFS ACTIVITIES

Overall, from 2000 – 2009, the PFS Program organized over 180 events, reaching out to almost six thousand financial sector specialists in the CEE, SEE and Eurasia regions. The activities organized under the PFS Program can be divided into five broad subject areas: accounting and audit, banking, capital markets, insurance, and pension reform and regulation. This section summarizes the activities in each of these subject areas in each of the three geographic regions where the program was active (i.e., CEE from 2000-2004, SEE from 2005-2009, and Eurasia from 2007-2009).

A. ACCOUNTING AND AUDIT

CEE Region

In the fields of accounting and audit, the PFS Program organized a total of 12 activities during the time period 2000-2004 for participants from CEE. A total of 708 accounting and audit specialists from CEE participated in the activities.

The activities focused on the following subjects: implementation of International Accounting Standards (IAS) and later International Financial Reporting Standards (IFRS); International Standards of Audit; and Internal Audit.

The first group of activities focused on the adoption of IAS/IFRS in the then candidate countries for EU accession. The first activity was a Symposium on IAS for accounting associations, accounting standards setting bodies, audit associations, legislators and regulatory authorities (including Ministries of Finance, National Banks and Securities Commissions) from the three Baltic Republics. The purpose of the symposium was to educate the audience about the process for implementing IAS within EU member states. Thereafter, the PFS Program launched a series of training seminars on specific IAS/IFRS in Czech Republic, Estonia, Latvia, Lithuania, Poland and Slovakia. (A separate seminar on IFRS, financial and extra-financial reporting took place in Slovenia, and this is covered in the capital markets section.) Thus, Hungary was the only CEE country in which the PFS Program did not conduct training on implementation of IAS/IFRS.

One activity on International Standards of Audit was conducted; it was co-financed by a PFS Program grant to the Chamber of Auditors of Czech Republic. On October 18-19, 2001 the Chamber of Auditors of the Czech Republic held a two-day seminar entitled, “The Role of the Auditor in Mergers and Acquisitions.” Over 95 participants from the Czech Republic, 11 from the Slovak Republic, five from Hungary and three from Poland attended the seminar. Representatives of the Chamber of Auditors of the Czech Republic, Chamber of Hungarian Auditors, National Chamber of Statutory Auditors of Poland and the Chamber of Auditors of the Slovak Republic; representatives of the international professional organizations Fédération des Experts Comptables Européens (FEE) and the International Federation of Accountants (IFAC); and an official from the European Commission Internal Market Directorate General attended and spoke at the seminar. Mr. Mazullo delivered a presentation and mini-case study on the role of the auditor in corporate governance.

In February 2003, the PFS Program organized a study tour to the United States on the topic of

internal audit of financial sector regulatory authorities (FSRAs). The study tour was designed in response to a request from the newly-established Estonian Financial Supervisory Authority (EFSA) to the PFS Program to assist in strengthening the internal audit function within the EFSA. Internal audit specialists from FSRAs in Estonia, Latvia, Hungary, Poland and Slovakia participated in the study tour. During the study tour, the group met with internal auditors from a number of FSRAs, including the Board of Governors of the Federal Reserve System, the US Federal Deposit Insurance Corporation (FDIC) and the US Securities and Exchange Commission (US) as well as representatives of the City of Philadelphia – Office of the City Controller, and the Department of Insurance and Securities Regulation (DISR) of the District of Columbia.

The study tour marked the beginning of a five-year regional initiative in the field of internal audit of FSRAs, which was expanded to the SEE region, as described below.

SEE Region

In the fields of accounting and audit, the PFS Program organized a total of five activities during the time period 2005-2009 for participants from SEE. A total of 36 accounting and audit specialists from SEE participated in the activities. Seventeen accounting/audit experts from CEE/new EU member states, 14 experts from EU member states and 39 experts from the US and other countries contributed their expertise to these activities. The activities focused on: Internal Audit of Central Banks and FSRAs, including Information Technology (IT) audit.

Following the above-mentioned study tour to the US, the PFS Program and the Center of Excellence in Finance (CEF) organized a number of regional workshops. The first event took place at the EFSA in Tallinn, Estonia in June 2004. (This activity was co-financed by a separate grant from the US Department of State and the participant statistics are not included in this report.)

Thereafter, regional workshops were organized in cooperation with the Center of Excellence in Finance (EF) in Ljubljana, Slovenia (May 2005, April 2006 and April 2007) as well as with the UK Financial Services Authority (FSA) in London, UK in February 2006. Following its participation in the two regional events at the CEF, the Federal Reserve Bank of Philadelphia suggested to the PFS Program that a Regional Workshop be held in Philadelphia in autumn 2008.

Internal audit has become increasingly important for financial sector institutions, both private and public, within the context of ongoing globalization of financial markets, development of increasingly sophisticated financial instruments, and information technology (IT) advancements enabling the instantaneous transfer of funds worldwide. High profile corporate scandals and shortcomings at a number of FSRAs around the world have led to more stringent regulatory regimes in a wide range of areas including: compliance, conflict of interest, corporate governance, disclosure, energy efficiency, fraud, IT, internal control, procurement, risk management, transparency and XBRL (extensible business reporting language).

All of the above-mentioned regional workshops were designed using the case-study methodology. They fostered interactive discussion among peers and helped participants develop new analytical and problem-solving skills.

This regional initiative was one of the PFS Program's most innovative programs, addressing an issue which other institutions had not yet addressed. It provided a forum for ongoing practical peer-to-peer learning experiences regarding adoption of international standards and

implementation of best practice.

A detailed description of each event, including presentations, speaker biographies and a list of participants may be found on the accounting and audit pages of the PFS Program website. The URLs are <http://www.pfsprogram.org/accounting.php> and <http://www.pfsprogram.org/auditing.php>

Eurasia Region

The PFS Program co-sponsored two events in the fields of accounting and audit in the Eurasia region. Over 100 hundred accounting and audit specialists from SEE, CEE and Eurasia participated in these events.

The first event, an international conference organized by the Georgian Federation of Professional Accountants and Auditors (GFPAA) held in May 2008 in Tbilisi, Georgia, was entitled “Professional Education and Service Quality Assurance: Experience, Reality, Prospects.” The conference focused on reviewing international best practices in ensuring the highest professional standards in the accounting and auditing profession. The conference participants included international professional and donor organizations, Georgian governmental and non-governmental sectors, as well as the educational and business communities of many countries (England, Germany, Turkey, Estonia, Kazakhstan, Uzbekistan, Russia, Ukraine, Azerbaijan, Armenia and Georgia). The participants shared their various experiences and approaches to professional education and service quality assurance in their countries in the field of accounting and auditing. The key discussions evolved around achieving full compliance with IFAC requirements, which serve as the international benchmark for the accounting profession worldwide.

The second event, an international conference, was the second event co-organized by the PFS Program and the GFPAA. This event, entitled “Regulation and Self-regulation of Accounting and Auditing: Experience, Reality, Prospects” was devoted to the important issue of regulation and self-regulation of the profession, and in particular to professional norms and ethics. The topic was very timely in view of the recent financial crisis, and drew over 60 participants not only from most of the NIS countries but also from the UK, Poland, Turkey, Bosnia and Herzegovina, and Serbia, in addition to Georgian representatives from the government, regulators and the accounting profession. The event showed that the issues of regulation and ethics in the accounting and auditing profession are very important and pose severe challenges in most countries. The review of various country experiences was very useful for systematizing different approaches, and provided the basis for another event organized by the Asian Development Bank in Tbilisi (November 16-18, 2008). The follow-on event focused solely on the three countries in the Caucasus region.

In the Eurasia region, GFPAA has emerged as one of the leading professional accounting organizations in the region and serves as a centre for professional excellence. Through the support provided by the PFS Program, GFPAA was able to connect various professional organizations, and to create a platform of cooperation and mutual learning experience.

In addition to these events, central banker auditors from Armenia and Azerbaijan participated in the Central Bank Audit Program, a PFS-organized regional event held at the Federal Reserve Bank of Philadelphia in September 2008.

B. BANKING

CEE Region

In the field of banking, the PFS Program organized a total of 15 activities during the time period 2000-2004 for participants from CEE. A total of 458 specialists from CEE participated in the activities.

The activities focused on the following subjects: bank privatization and bank restructuring; distressed debt resolution; institutional gaps in the financial sector; prevention of money laundering; registered pledge systems; risk management; and small- and medium size enterprise (SME) financing.

The PFS Program's first activity was a regional conference entitled, "Addressing Institutional Gaps in the Financial Sectors of the Baltic States, Central, Eastern and South-Eastern Europe." It took place on June 8-9, 2000 in Budapest, Hungary. The opening event paved the way for a number of activities requested by PFS Program counterparts.

Research institutions from Bulgaria, Czech Republic, Hungary and Poland obtained PFS Program grants to analyze the bank restructuring experiences of each country. The comparative research papers were presented at a seminar in Sofia, Bulgaria on June 22, 2001.

A similar approach was taken with the issue of registered pledges. Research Institutions from Albania, Bulgaria, Hungary, Latvia, Lithuania, Poland and the Slovak Republic analyzed the economic impact of the registered pledge system in each transition economy. A first symposium to present the comparative research was held in Gdansk, Poland on June 4, 2002. A second symposium was held in Budapest, Hungary on December 11, 2003.

In 2001 the PFS Program launched two regional initiatives in the area of prevention of money laundering. One set of activities was designed to train bank staff in compliance with new legislation, including the USA Patriot Act; in technical areas such as bank security, fraud, information technology (IT); and in other skills necessary to analyze, detect and prevent money laundering.

A second set of activities was a series of Regional Workshops on Prevention of Money Laundering for financial intelligence units (FIUs), prosecutors and the judiciary. The first event was organized in response to a request from the Latvian FIU. It took place in Riga, Latvia on October 30, 2001. Thereafter, regional workshops were organized in Estonia, Latvia, Lithuania, Poland and Slovenia. Participants from seven of the eight CEE EU candidate countries participated in the regional initiative; the Czech Republic was the only country which did not participate. Later, as described below, the initiative was extended to SEE.

All of the above-mentioned regional workshops were designed using the case-study methodology. They fostered interactive discussion among peers and helped participants develop new analytical and problem-solving skills. On the first day of each event, specialists from a number of jurisdictions presented their experiences in combating money laundering. A range of strategies were discussed, among them seizure and confiscation of assets. Following each presentation, participants engaged the speaker in an interactive discussion about the case. On the second day of each event, participants broke into two groups. In these smaller groups participants presented the one-page case studies they had prepared about real, sanitized, theoretical and/or

hybrid situations from their own jurisdictions. Participants analyzed, discussed and debated these case studies presented by their peers from each of the participating jurisdictions. Experts served as moderators for the discussions. In-depth discussion of real life situations from the three jurisdictions, complemented by insights offered by expert practitioners, proved to be an extremely fruitful exercise, enabling the exchange of lessons learned, strategies for the adoption of international standards, and identification of best practices.

Thus, each regional workshop in particular and the ongoing regional initiative as a whole succeeded in achieving several developmental goals, namely:

1. To provide a venue for representatives of various institutions from several countries to discuss real case studies from several jurisdictions;
2. To brainstorm and share experiences in order to develop the most effective strategies to be applied in the respective jurisdiction;
3. To promote in each jurisdiction the implementation of best practice and international standards in combating money laundering; and
4. To establish and strengthen inter-agency relationships on a national level as well as regionally and globally.

This regional initiative was another of the PFS Program's most innovative programs, addressing an issue, which other institutions had not yet addressed. It provided a forum for ongoing practical peer-to-peer learning experiences regarding adoption of international standards and implementation of best practice. It underscored that effective action against money laundering requires regional and multi-institutional coordination as well as interdisciplinary training covering a range of topics.

In the fields of distressed debt resolution, risk management and SME financing, the PFS Program co-financed participation of CEE experts in international/regional training programs.

SEE Region

In the field of banking, the PFS Program organized a total of nine activities during the time period 2005-2009 for participants from SEE. A total of 153 banking specialists from SEE participated in the activities. Twenty-two banking experts from CEE/new EU member states, nine experts from EU member states, and five experts from the US and other countries contributed their expertise to these activities.

The activities focused on the following subjects: economic models and methodologies for central banks; human resource management for central banks; internal audit; prevention of money laundering; SME business plan analysis; and training for bank associations / bank training institutions.

The training on prevention of money laundering included three regional workshops (in Sofia, Bulgaria; Belgrade, Serbia; and Kyiv, Ukraine) as part of the above-mentioned regional initiative.

On February 14-15, 2006 the PFS Program, the Warsaw Institute of Banking and The Gdansk Academy of Banking organized a Study Visit to Warsaw, Poland for Representatives of South

East European (SEE) Bank Associations / Bank Training Institutes. Representatives of the following institutions participated in the Study Visit: Association of Montenegrin Banks (AMB); Association of Serbian Banks (ASB); Kosovo Bankers' Association (KBA); and the National Bank of Serbia. During the Study Visit, representatives of the above-mentioned SEE institutions met representatives of the Warsaw Institute of Banking on February 14 and The Gdansk Academy of Banking on February 15, 2006.

Following the study visit, the PFS Program co-financed a study visit of the KBA to Poland to improve its training curriculum and training programs. It also co-financed two training programs run by the WIB and the AMB: internal audit in banks, and SME business plan analysis.

In the areas of economic models and methodologies for central banks, as well as human resource management for central banks, the PFS Program supported, respectively, regional workshops organized by the National Bank of Serbia and the Central Bank of Montenegro.

A detailed description of each event, including presentations, speaker biographies and a list of participants may be found on the banking page of the PFS Program website. The URL is <http://www.pfsprogram.org/banking.php>

Eurasia Region

Banking activities in the Eurasia region concentrated for the most part on the activities of credit unions in the region. In addition, the PFS program sponsored a series of debates in order to stimulate discussions on issues related to banking sector.

The first program to address credit unions was held in Azerbaijan, where the Azerbaijan Credit Unions Association (AKIA) hosted an international round table discussion in Baku (January 14-15, 2008) to review best practices in the regulation of credit union activities in the region and globally. Participants included representatives from SKOK – Polish credit union system, Belarus credit unions, Russian Leagues of Credit Unions, and the Ukrainian Association of Credit Unions, in addition to the World Council of Credit Unions (WOCCU). The Azeri participants in the round table included the leadership of Azerbaijan Credit Unions Association, as well as Members of Parliament of Azerbaijan, representatives of the State Agency of Agricultural Crediting under the Ministry of Agriculture, Ministry of Justice, State Committee for Equities under the President of Azerbaijan, and others. The event helped to review international practice in the regulation and supervision of credit unions, and led to the creation of a working group headed by AKIA to amend the credit union law in Azerbaijan thereby bringing it in line with international standards.

Following up on this event, in May 2008, the PFS program co-sponsored a sharing experience event for the AKIA in conjunction with AKIA's 5th Anniversary Conference in Baku (15-16 May, 2008). The purpose of this event was to enable the Association to introduce new legislation allowing for a pilot program of Credit Union member savings; additional legislative changes on exempting Credit Unions from payment of taxes on profits; and to bring the regulatory framework in line with international standards. This event provided an opportunity to share the experience of other credit union systems in improving efficiency and risk management, and in creating full service modern credit unions. The event helped to review international practice in the regulation and supervision of credit unions, and led to the creation of a working group headed by AKIA to amend the credit union law in Azerbaijan, thereby bringing it in line with

international standards.

Additional events sponsored by the PFS program in the area of credits unions, included the co-sponsoring with the Association of Credit Unions Kyrgyzstan of a regional event on the introduction of international standards in risk management for credit unions. This event, attended by representatives of credit unions from Russian Federation, Ukraine, Lithuania and Kyrgyzstan, resulted in the sharing of information among these groups, as well as strengthening future cooperation amongst them. Areas of cooperation included:

- Cooperation in improvement of existing legislation that regulates CU activities, including development of a model law and a model charter for CUs;
- Capacity strengthening of CUs by providing possibilities for attending trainings and seminars, and the distribution of materials on international best practices;
- Cooperation in the training of multiplication specialists by organizing training modules and training courses;
- Promotion and support of information exchange within the sector through creation of a magazine, development of a web-site, organization of forums, participation in various conferences, and study tours for exchange of information;
- Promotion of transparency of CUs' activities;
- Exchange of experience in operational activities of CUs through arranging apprenticeships for young specialists, including on specific issues such as the development of software;
- Dissemination of information on leading examples on managing CUs (cooperative principles of management), development of investment activities, creation of Guarantee Fund, and audit systems;
- Facilitation of the development of partnerships among CUs, both internationally and within Kyrgyzstan.

In addition to strengthening operations and risk management in participating CU systems, as well as developing local capacity, the national credit union associations decided to join forces and create a regional association of associations as a platform for cooperation and further sharing of experiences. The new structure, organized as a non-profit organization registered in Kyrgyzstan, will receive logistical support from the Kyrgyz Credit Union Association. The new platform will facilitate experience exchange between credit union systems in the region, and will strengthen the position of the national systems vis-à-vis global players.

The PFS program also sponsored a regional Financial Education Workshop, organized by the Training Center of the Credit Union League with 16 participants from Belarus, Kyrgyzstan, Ukraine and the Russian Federation. The workshop was facilitated by trainers from the Microfinance Center in Poland, which had successfully developed a financial education program for Central Europe and Eurasia. Financial literacy is increasingly important for access to financial services, and gained prominence in view of the prevailing global economic crisis. Participants were able not only to examine issues of organizing financial education, but also to share experiences on improving the financial literacy of low-income populations in their countries and regions.

In addition to the activities described above, the PFS program organized a study tour for the director of the Union of Banks of Armenia in Poland and the Czech Republic. The purpose of the study tour was to review the laws and regulations related to consumer protection and the

banking/financial ombudsman; to review practices and regulations related to banking deposits; to investigate the use of credit scoring in consumer lending; and to review the Financial Ombudsmen models functioning in Central Europe. In addition, the study tour strengthened the cooperation between the banking associations of Armenia, Poland and Czech Republic.

The PFS Program also co-sponsored the participation of the Director of Mortgage Market Participants Association of Armenia in the International Housing Finance Program at the Wharton School of Business in Philadelphia in June 2008. This international event brings together international practitioners in housing markets, and allows them to develop new skills and knowledge in housing finance.

Finally, in order to stimulate the discussion on current topics and issues of concern in the financial sector – primarily banking – the PFS Program co-sponsored a series of debates and discussion in Armenia, Georgia, Kazakhstan, and Kyrgyzstan. Most of these events were co-sponsored by Global Rating, and addressed issues such as: the risk associated with Kazakhstan's foreign borrowing; banks' participation in the corporate equity market in Armenia; the role of the regulator in decreasing risk to the Kazakhstan banking system; and a general discussion on the banking system in Georgia. In June 2009 the PFS program also co-sponsored an event co-organized by Mr. Ibrahim Keles, the Kyrgyzstan-based PFS Fellow at the Alatau University in Bishkek. The purpose of the event was to discuss the financial crisis as it relates to the future of financial stability in a developing country such as Kyrgyzstan.

C. CAPITAL MARKETS

CEE Region

In the field of capital markets, the PFS Program organized a total of 29 activities during the time period 2000-2004 for participants from CEE. A total of 1,289 capital markets specialists from CEE participated in the activities.

The activities focused on the following subjects: bond markets; compliance; corporate governance; corporate social responsibility (CSR); disclosure; extra-financial reporting; financial analysis and portfolio management; and investor relations.

On October 20, 2000 the PFS Program, in cooperation with the Institute of Economic Studies, Faculty of Social Sciences, Charles University, organized a seminar entitled, "The Developing Capital Markets of Central and Eastern Europe: Prospects for Stock Exchange Reforms and Harmonization." The seminar focused on the current strategic and regulatory challenges facing CEE and SEE stock exchanges. Panelists and participants from 17 CEE and SEE countries addressed these challenges in the context of globalization.

Following the above-mentioned event, professional associations, securities commissions and stock exchanges submitted requests for assistance to the PFS Program. In response to requests from several CEE stock exchanges, the PFS Program launched a regional initiative to improve the investor relations function of companies listed on CEE stock exchanges.

The initiative was multi-faceted, involving: a study visit to an Investor Relations conference in the UK; in-house research conducted by the PFS Program; research conducted by CEE research institutes and co-financed by PFS Program grants; investor relations seminars conducted in

cooperation with CEE stock exchanges; and cooperation with *Investor Relations* magazine on three investor relations conferences and awards ceremonies in CEE.

The PFS Program co-financed the participation of five CEE stock exchanges and one investor association in the UK Investor Relations Society conference in London on March 28, 2001. The conference provided an opportunity to brainstorm about topics to be presented at an investor relations seminar to be organized by each stock exchange in cooperation with the PFS Program. Thereafter a series of investor relations seminars was held, as follows: Tallinn, Estonia – June 2001; Riga, Latvia – October 2001; Budapest, Hungary – October 2001; Vilnius, Lithuania – November 2001; Prague, Czech Republic – December 2001; Warsaw, Poland – February 2002; Bratislava, Slovakia – March 2002; Budapest, Hungary – May 2002; and Ljubljana, Slovenia – May 2002. At each of the seminars, experts presented various topics related to investor relations, including: disclosure; IFRS; and public relations. At these seminars, the PFS Program presented data from a regional survey it launched in 2001, “Investor Relations Online: Survey of Websites of the Largest Listed Companies in CEE.”

In 2001, the PFS Program launched this regional “Survey of Websites of the Largest Listed Companies in CEE” to analyze the online disclosure practices of the largest listed companies in the then eight candidate countries for European Union (EU) accession. From 2004–2009, the survey analyzed the ten largest listed companies (by market capitalization) in 11 CEE countries: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. From 2007–2009 the survey also included a comparison with peers in BRIC (Brazil, Russia, India and China) as well as Ukraine.

Each survey presented data as of the record date (February and August of the respective year) aggregated in the following sub-groups in order to enable benchmarking among several peer groups: combined data on the ten largest listed companies in each of the 11 CEE countries; separate data on 80 companies in the eight CEE countries that joined the EU on May 1, 2004; separate data on 30 companies in Bulgaria, Croatia and Romania; comparisons of the data from the current survey with data from the previous 16 surveys conducted (since 2001); and separate data on 40 companies in BRIC and 10 companies in Ukraine.

These surveys analyzed the English-language websites and annual reports of the ten largest listed companies in the above-mentioned CEE countries in order to document the current disclosure practices of this ‘blue-chip’ peer group. Although the market capitalization of companies changes over time, the semi-annual surveys represented a snapshot of disclosure practices of the blue-chip peer group on a given day twice a year. Since the definition of the survey universe remained the same since the first survey, the surveys provided time-series data for CEE blue-chip companies, and thus enabled the identification of online disclosure trends as well as best practice within the peer group.

In the final edition of the survey, published in early September 2009, disclosure of detailed governance information increased in all categories surveyed, except in the local-language website category, where a slight decrease was recorded.

On the record date of August 17, 2009 91% of the companies surveyed provide a list of management online. This was the largest percentage recorded since the surveys began in 2001 and represents a slight increase vis-à-vis 84% in February 2009, 88% in August 2008 and 90% in February 2008. Sixty-eight per cent of the companies surveyed provide additional information

about management online. This is also the largest percentage recorded since the first survey, and represents an increase vis-à-vis 61% in February 2009, 64% in August 2008 and 63% in February 2008. Eighty-nine per cent of the companies surveyed provide a list of board members online, compared with 85% in February 2009, 91% in August 2008 and 87% in February 2008. Sixty-four per cent of the companies surveyed provide additional information about board members online; this also represents a record high percentage, and a significant increase compared with 56% in February 2009, 61% in August 2008 and 52% in February 2008.

From 2004-2009, the survey included recommendations on the ideal corporate website and compares CEE companies with the parameters of this ideal. This component of the survey identified best practice and enables CEE companies to benchmark their disclosure against peers in the region, other emerging markets, and industry best practice. Here also, the time-series data identified online disclosure trends.

On August 17, 2009, 64 of the 110 companies surveyed in CEE (58%) disclosed information in all of the categories analyzed in the basic PFS Program survey: local-language website; local-language website; list of management; list of board members; additional information on management; list of board members; and additional information on board members. This was the largest percentage recorded and a significant increase in comparison with February 15, 2009 when 52 of the 110 companies surveyed in CEE (47%) disclosed this basic information. In August 2008, 56 of the 110 companies surveyed in CEE (51%) disclosed this basic information, compared with 51 of the 110 companies surveyed in CEE (46%) on February 15, 2008.

The largest listed companies in BRIC disclosed more information in this survey than in the previous survey. In all categories surveyed, companies in BRIC outperformed peers in the eight CEE countries that joined the EU in 2004. The largest gaps exist in providing additional information on management and on board members. However, in contrast, the most transparent of the largest listed companies in CEE slightly outperformed their peers in BRIC in terms of providing detailed governance information online, either on the company website or in an annual report available online. Also, in several CEE markets the results were impressive. In August 2009 all ten companies surveyed in Poland provided information in each category surveyed; also, in February 2009 all ten companies surveyed in Hungary provided information in each category surveyed. These were the first such cases since the first survey was conducted in 2001.

In August 2003, the PFS Program launched its second regional survey, “Survey of Reporting on Corporate Social Responsibility (CSR) by the Largest Listed Companies in 11 CEE Countries.” When the PFS Program launched its first CSR Reporting survey, ESG (environmental, social and governance) was not yet a standard acronym used to list the set of extra-financial data investors increasingly use to evaluate corporate performance and analyze risk. However, eventually the acronym ESG – the basis for the PFS Program methodology – became mainstream.

By the end of the decade, this trend towards socially responsible investment was picking up steam, with a number of research reports issued in 2008 and early 2009 documenting continuing growth of assets invested in responsible and socially responsible investment (SRI) funds worldwide. Concurrently, a number of initiatives, both public and private, pushed SRI into the investment process of many “mainstream” financial institutions. Eventually the trend penetrated CEE, where over time more and more companies disclosed ESG data and at least two investment companies launched SRI funds investing primarily in CEE.

The PFS Program surveys “Reporting on CSR” analyzed the English-language annual reports and websites of the ten largest listed companies in the above-mentioned 11 CEE countries in order to document the current disclosure practices of this “blue-chip” peer group, and to identify best practice among the peer group. Whereas the universe of companies surveyed may have changed over time due to changes in a companies’ market capitalization, these semi-annual surveys captured this peer group’s CSR disclosure practices on a given day twice a year. Furthermore, by analyzing disclosures in both annual reports and websites, the surveys tracked the timing of the publication of the annual report and the related yet separate issue of periodic disclosure, namely, how blue-chip companies keep their websites data-rich and up-to-date. The surveys enabled companies to benchmark their disclosure practices against peers on a national, industry and regional basis.

By On September 16, 2009 all ten companies surveyed in all CEE countries except Croatia, Romania and Slovenia had an English-language website. Ninety-six percent of the 110 CEE companies surveyed have a 2008 or 2007 English-language annual report online on the same record date.

In contrast to all 12 previous surveys, the 13th and final edition of the survey documented increased disclosure in almost all areas analyzed. In 27 of the 30 categories surveyed, disclosure increased. In some categories, the increase was significant. Disclosure of information on shareholder rights increased in the annual report to 69%, from 47% in April 2009 and on company websites to 64%, from 51% in April 2009. Disclosure of information on environmental considerations in supply chain management increased in the annual report to 24%, from 19% in April 2009 and on company websites to 39%, from 30% in April 2009. In these and many other categories, new thresholds were attained. In three categories of social policy, disclosure in the annual report decreased.

Forty-five of the 110 CEE companies surveyed (41%) issued a stand-alone English-language environmental, social and governance (ESG) report in September 2009, compared with 41 companies (37%) in April 2009 and 28 companies (25%) in September 2008. This was the first time that the 40% threshold had been exceeded, and represented continuation of an ongoing trend during the past two years. It also demonstrated that the gap between best practice in extra-financial reporting in CEE blue-chip companies was closing vis-à-vis peers in Brazil, Russia, India and China (BRIC). In BRIC, 19 companies (47.5%) issued a stand-alone English-language ESG report in September 2009. The number was unchanged since April 2009, and represented a slight increase vis-à-vis 18 companies in September 2008. As a group, BRIC blue-chips generally outperformed CEE peers; however, the gap continued to narrow and a few CEE countries now approach the disclosure levels found in BRIC. One Ukrainian company issued a stand-alone English-language ESG report in September 2009.

These two categories of PFS Program surveys – Investor Relations Online (published annually in March and September) and Reporting on CSR (published annually in May and October) – have proved useful to companies themselves, individuals, and governments, in many ways. The overall objectives of analyzing the disclosure of Investor Relations and ESG data by listed companies in CEE were to: (1) enable these companies to benchmark their disclosure/reporting against peers on a national and CEE regional basis; (2) enable these companies to benchmark their disclosure/reporting against peers in other emerging markets; (3) collect time series on CEE corporate disclosure that practitioners can use to chart progress and identify trends; (4) collect

time series on CEE corporate disclosure that researchers can use as control data or analyze in greater detail; (5) identify best practice in the CEE region; (6) report on the corporate disclosure practices of this CEE peer group to a wide range of constituencies; (7) collect practical micro-economic data that can be presented at conferences, seminars and workshops; and (8) stimulate the writing of case studies about the disclosure practices of this peer group.

The surveys received widespread coverage in the financial press, online, print and broadcast, within CEE, SEE and internationally. For details of press coverage, please visit the PFS Program in the News page of the PFS Program website. The URL is http://www.pfsprogram.org/in_the_news_2009.php

The surveys played a significant role in promoting the implementation of best practice reporting by listed companies across CEE / SEE. The PFS Program distributed a press release about each survey to each company surveyed as well as other PFS Program contacts/counterparts. The number of PFS Program counterparts in the tailor-made distribution list grew steadily since the first press release was distributed in September 2002. In 2009, the distribution list included some 1,250 persons.

Furthermore, beginning in 2007 the PFS Program distributed press releases through *Business Wire*, an online corporate disclosure portal. As part of a *pro bono* cooperation agreement with the PFS Program, *Business Wire* waived the fee for distributing PFS Program press releases. Through the partnership with *Business Wire*, the PFS Program's press releases were posted on numerous news sites, including: *Accountability-Central.com*, *Business Wire*, *BusinessWire.de*, *ecomii* and *Yahoo Finance*. In addition, the press release was posted in all of the major search engines, including: AOL News, Google News, MSN News, and Yahoo.

The above-mentioned surveys were conducted in large part by PFS Program interns, who received training prior to the internship, and then worked with, and under the supervision of, PFS Program staff.

- From 2001-2009, the PFS Program offered one-month unpaid research internships in the EWMI/PFS Program office to students and recent graduates of business, economics and/or law. Forty-nine recent graduates/students from Austria (2), Bulgaria (1), Bosnia and Herzegovina (1), Canada (3), Croatia (1), Estonia (1), Germany (3), Hungary (1), Latvia (1), Macedonia (1), Poland (28), Romania (1), Slovak Republic (1), Serbia (2) and the United States (2) completed PFS Program internships.
- Each intern attended a lecture or workshop on corporate governance organized by the PFS Program prior to commencing the internship. In this way, the intern received in-depth exposure to the subject matter analyzed during the internship. Following on-site training in research methodology, each intern worked under the supervision of PFS Program staff.
- The PFS Program internships enabled the PFS Program to conduct cutting-edge, innovative and useful research on financial sector issues that is not available elsewhere. This in-house research: (1) significantly strengthened the PFS Program's up-to-date familiarity with the region on an ongoing basis; (2) enabled the PFS Program to engage counterparts in dialogue based on concrete and up-to-date facts; (3) enhanced the PFS Program's credibility as a partner in financial reform initiatives; and (4) provided valuable time-series data that facilitated benchmarking and quantitative analysis. Also, internships completed by

students/recent graduates from CEE and SEE countries helped to strengthen financial sector capacity in the region, while internships completed by students/recent graduates from other countries helped improve their knowledge of the CEE/SEE region.

In order to analyze and document the practices of a wider range of companies, the PFS Program provided grants to research institutions in CEE and SEE to survey a larger group of companies in individual countries. This research grant approach was designed to complement the above-mentioned regional surveys that were conducted by the PFS Program in-house. These country-based surveys utilized the same methodology as the PFS Program regional surveys, thus allowing for useful benchmarking and comparisons. Country surveys were conducted in the following countries: Bulgaria, Croatia, Czech Republic, Hungary, Macedonia, Poland and Serbia. The surveys were presented at a number of events.

In addition to the above-mentioned multi-faceted investor relations initiative, the PFS Program also conducted a wide range of other activities in the field of capital markets.

In cooperation with the Bratislava Stock Exchange and the Slovak Association of Securities Dealers, the Partners for Financial Stability (PFS) Program organized a capital markets seminar entitled, “Capital Markets in the Slovak Republic: An Alternative for Company Financing” in Bratislava on June 5, 2001. More than 120 participants from Slovak companies and the investment community attended the event. The PFS Program brought together experts in a panel that presented the capital markets experiences of neighboring countries to the Slovak audience.

The PFS Program also launched an innovative project to draft calendars of disclosure requirements in three jurisdictions: Hungary, Lithuania and Poland. The PFS Program worked with disclosure specialists at the regulatory authority in each country to create a calendar that outlined the disclosure requirements of publicly-traded corporations in each jurisdiction. Each calendar presented the type of information that the corporation should disclose annually, semi-annually, quarterly, monthly and *ad hoc*. Presented in chart form, each calendar described which information should be disclosed, who should disclose it, to whom it should be disclosed, and when the information should be disclosed. The calendars were presented at the above-mentioned investor relations seminars, and the seminars mentioned below related to issuer disclosure.

In cooperation with the US Securities and Exchange Commission (US SEC) the PFS Program co-organized three Regional Seminars in CEE. The “Issuer Disclosure Documents and Corporate Governance Seminars” took place in Budapest, Hungary (October 2001); Vilnius, Lithuania (September 2002); and Tallinn, Estonia (September 2003). Each event was co-organized and co-financed by the respective capital markets regulatory authority. These events provided an opportunity for staff of securities regulators and stock exchanges from CEE/SEE to interact with each other for one week, analyzing case studies and disclosure regimes in a variety of jurisdictions. These programs had an enormous impact in terms of providing networking opportunities and strengthening contacts between and among institutions. As a result of these events, the PFS Program established strong personal contacts with decision-makers at several institutions. These decision-makers later submitted requests to the PFS Program for technical assistance.

In December 2002 and December 2004 the PFS Program co-financed the participation of CEE experts in the biennial Corporate Governance Conference organized by the German shareholders’ association DSW. Participation in this event exposed CEE corporate governance

specialists to new developments in corporate governance in Germany and across the European Union.

In response to requests from several CEE stock exchanges, the PFS Program provided technical assistance in drafting corporate governance codes. The PFS Program organized a Corporate Governance Workshop with the Ljubljana Stock Exchange in March 2003 to present the first draft of its Corporate Governance Code. In May 2003 the PFS Program contributed to a panel at the Ljubljana Stock Exchange Annual Conference, where the Code was discussed with capital market participants.

Finally, the PFS Program helped support the research underlying *Investor Relations* magazine's CEE investor relations awards between 2002 and 2004. In September 2002 *Investor Relations* magazine held its inaugural Investor Relations in CEE Conference and Awards. The event took place in Budapest, Hungary and was co-financed and co-organized by the PFS Program. The PFS Program co-financed the analysis and research that led to the selection of the award-winning companies. A second Conference and Awards Ceremony was held in Warsaw in September 2003 and a third Conference and Awards Ceremony was held in Budapest in September 2004. The event and the awards had a significant impact in terms of recognizing best practice in investor relations. The initiative also helped CEE award-winning companies benchmark their practices against award-winning peers in other regions.

SEE Region

In the field of capital markets, the PFS Program organized a total of 40 activities during the time period 2005-2009 for participants from SEE. A total of 1,099 capital markets specialists from SEE participated in the activities. 55 capital markets experts from CEE/new EU member states, 403 experts from EU member states and 110 experts from the US and other countries contributed their expertise to these activities.

The activities focused on the following subjects: compliance; corporate governance; corporate social responsibility (CSR); disclosure; environmental, social and governance (ESG) reporting; investor relations; and socially responsible investment (SRI). The main activities were as follows:

Immediately in 2005 the PFS Program began to cooperate with SEE counterparts on corporate governance issues. In June 2005 the PFS Program participated in a Corporate Governance Seminar organized by the Bucharest Stock Exchange (BSE), Federation of Euro-Asian Stock Exchanges (FEAS), and the Center for International Private Enterprise (CIPE). This led to a long-term cooperation with the BSE.

In June 2006, the newly-established Corporate Governance Institute of the Bucharest Stock Exchange – Corporate Governance Institute (BSE-CGI) and the PFS Program organized a Corporate Governance Seminar in Bucharest. This was the first of four annual joint events, organized subsequently in June of each year: June 2007, June 2008 and June 2009. The seminars focused on a range of issues, including: corporate governance, CSR, market integrity, SRI and supply chain management.

In April 2007 the PFS Program co-financed an event organized by the Zagreb Stock Exchange to present its corporate governance code. The PFS Program organized a panel in which experts

from Germany, Poland and Slovenia shared these countries' experiences with implementation of a corporate governance code.

On February 20, 2008 the Global Corporate Governance Forum, the European Commission, the European Parliament, the IFC, the Slovenian Presidency of the European Union, and the PFS Program held a Seminar entitled, "EU Corporate Governance Standards: A Seminar for EU Candidate and Potential Candidate Countries, Including Lessons Learned from New Members." The Seminar took place at the European Parliament in Brussels, Belgium. The key objectives of the Seminar were to: raise awareness about existing EU corporate governance requirements and guidelines; assist candidate and potential candidate countries to better access relevant EU information; assist candidate and potential candidate countries to participate in current EU debates on issues including corporate governance control mechanisms, cross-border voting and executive pay; and review lessons learned from the new EU member states.

In response to a request from the Zagreb School of Economics and Management (ZSEM) the PFS Program organized a Regional Workshop on "How to Write a Case Study" at ZSEM in Zagreb on May 12, 2005. The workshop brought together academics and professors from several CEE countries to learn how to write a case study (on corporate governance) that would be used for teaching purposes. This initiative was later expanded to several educational institutions in Croatia and Serbia. Several students who participated in the workshops later undertook internships with the PFS Program.

On September 21-22, 2006 the International Investor Relations Federation (IIRF) held its annual conference in Warsaw, Poland. The title of this year's conference was, "Attracting Capital to Growth Markets and Companies." The event marked the first time that the IIRF held its annual conference outside one of the major financial centers in Western Europe and North America. The conference program included more than 40 moderators/speakers representing Poland and other European emerging markets as well as other countries worldwide. More than 150 delegates from a wide range of European and other countries participated in the conference. The PFS Program participated in the steering committee organizing the conference. It also co-financed the participation of several SEE capital markets participants in the event. PFS Program surveys were presented in a breakout session entitled, "Reaching Investors."

On November 9-10, 2006 Brooklyn Bridge – TBLI Group organized TBLI 2006 Europe. This was the seventh annual conference Brooklyn Bridge – TBLI Group organized in Europe on socially responsible investment (SRI). According to the organizers, "the event attracted over 550 total participants, 120 speakers and the most diverse mix of regional and industry segment participation in its seven-year history." The PFS Program co-financed the conference participation of representatives of the following institutions: Bulgarian Stock Exchange – Sofia (Bulgaria); Varazdin Stock Exchange (Croatia); Bucharest Stock Exchange (Romania); Belgrade Stock Exchange (Serbia); and State Securities and Stock Market Commission of Ukraine (Ukraine). PFS Program surveys were presented in a workshop entitled "TBLI Research."

This was the beginning of an ongoing partnership with TBLI Conference Europe. The PFS Program co-financed the participation of one SEE participant in TBLI Conference Europe 2007; six participants in TBLI Conference Europe 2008; and four participants in TBLI Conference Europe 2009. Also, Mr. Mazullo, Director, PFS Program, was invited to join the International Advisory Board of TBLI Conference.

Participation in TBLI Conference Europe significantly contributed to the PFS Program's ongoing regional initiative in the field of SRI. Through it, the PFS Program exposed representatives of the above-mentioned institutions to a wide range of SRI issues and increased awareness among investors about opportunities for SRI in South East Europe as well as Ukraine. The conference also provided an excellent opportunity to network with a cross section of the SRI community of analysts, asset managers, investors, researchers and trustees.

On November 28, 2006 the European Social Investment Forum (Eurosif), the Warsaw Institute of Banking, the Polish Bank Association, the Polish Institute of Directors and the PFS Program organized a roundtable entitled, "Responsible Investment: Sustainable Corporate Governance." The aim of the event was to promote greater practical understanding of the impact on investments of corporate Environmental, Social and Governance (ESG) issues. This includes the relationship between these ESG issues and elements ranging from fiduciary duty to extra-financial analysis. With the growing institutionalization of financial markets in Central, Southern and Eastern Europe, the organizing partners believed that this was the right time to create an opportunity to advance the discussion on the relevance of ESG issues for financial markets and in particular for long-term institutional investors. High-level speakers and expert panelists were invited to the Roundtable to present their views and experience in order to raise awareness and spark discussions among participants.

In 2007 the PFS Program expanded its investor relations initiative to SEE. In May 2007 an investor relations seminar was organized in Sofia, Bulgaria. It was organized in cooperation with the Bulgarian Stock Exchange. In June 2007 an investor relations seminar and a separate seminar on reporting on CSR were organized in Bucharest, Romania. The two events were organized in cooperation with the BSE-CGI. In May 2008 an investor relations seminar was held in Sarajevo, Bosnia and Herzegovina; it was co-organized by the Banja Luka Stock Exchange, the Sarajevo Stock Exchange, the Securities Commission of the Federation of Bosnia and Herzegovina and the Securities Commission of Republika Srpska. In September 2009 an investor relations seminar was held in Skopje, Macedonia. It was organized in cooperation with the Macedonian Stock Exchange.

The regional initiative to improve the investor relations function of listed companies in CEE/SEE was one of the PFS Program's most innovative and successful programs, which had a measurable and significant long-term developmental impact. The PFS Program's regional surveys and country surveys co-financed by PFS Program grants compiled time-series data, which permitted the benchmarking of disclosure practices and the identification of best practice in investor relations. Over time, a visible improvement could be seen in the quality and quantity of information disclosed in annual reports and on corporate websites. The number of companies issuing stand-alone ESG reports in English increased. The wide range of events organized provided an ongoing forum for the exchange of experiences and expertise. The Polish Investor Relations Institute (PIRI) was established, as were two (unfortunately competing) Investor Relations Societies in Bulgaria. These and other institutions now provide an institutional framework for networking, research and training, thus contributing to developing an even better new generation of investor relations professionals.

A detailed description of each event, including presentations, speaker biographies and a list of participants may be found on the capital markets page of the PFS Program website. The URL is <http://www.pfsprogram.org/capitalmarkets.php>

Eurasia Region

In total the PFS Program efforts in the Eurasia region reached a total of 405 capital market specialists, in ten countries with thirteen events. A majority of these activities targeted subject matters relevant to either Kazakhstan or Ukraine – the two most advanced financial markets in the region.

Activities focused on financial sector regulation and analysis; securities regulation and supervision; financial market liquidity; and investor relations. The main activities were as follows:

The program was launched in April 2007 with a Performance Measurement Workshop in Almaty, Kazakhstan, co-sponsored by the Kazakhstan Association of Financial Institutions. The two-day event attracted over 20 professionals from key pension funds, asset management companies as well as regulators from Kazakhstan and Ukraine who had an opportunity to learn practical approaches to measuring performance.

This was followed by a workshop presentation of the Global Investment Performance Standards (GIPS) by Carl Bacon and Dr. Liudmyla Zhurakhovska for pension funds and asset management companies as well as financial regulators. This workshop was additionally co-organized by the Kazakhstan Association of Asset Managers.

Following up on these activities, in October 2008 the PFS Program sponsored a training course on the CFA Level 1 syllabus, in preparation for the CFA Level 1 exam. A total of 30 participants from the region (Azerbaijan, Kazakhstan, Kyrgyzstan and Tajikistan) took part in the training program. Ten participants passed the exam — a pass rate comparable to results of the CFA examinations globally.

As an outcome of these events held in Kazakhstan, the Association of Financial Investment Analysts (AFIA) decided to create a local chapter of the CFA Institute in Kazakhstan. With sponsorship from the PFS Program, AFIA received initial assistance from KIMI (Kyiv Investment Management Institute), which was instrumental in creation of the Ukrainian CFA chapter, the first one in Eurasia. In addition, under a grant from the PFS program, KIMI's Center for Professional Certification developed CFA Institute materials in Russian (including GIPS standards and GIPS Handbook) for AFIA to use to train the Kazakh chapter and to implement the GIPS standards in Kazakhstan.

In addition, in April 2009, Dr. Liudmyla Zhurakovska and Stanislav Zhurakovsky of KIMI made a presentation on the need for transparency in capital markets, and for the introduction of international standards such as GIPS, at the plenary session of the Fifth International Risk Management Conference organized by the Eurasia Insurance Group. In particular, the speakers presented the international standards and outlined the process of adopting these standards in line with the international practice. The topic was very timely in view of the prevailing financial crisis and meltdown of local financial institutions in the region. Dr. Zhurakovska also led a workshop for investment practitioners and regulators on the implementation of GIPS, which was attended by about 20 persons.

The PFS Program also sponsored the participation of securities regulators from Ukraine and Moldova in the annual US SEC International Institute in Washington D.C. April 7-17, 2008.

Twelve regulators from the two countries had a chance to receive an in-depth training in securities regulations and supervision. For the first time the US SEC accepted such a larger group of professionals from Eastern Europe who were among 174 senior securities officials from 74 countries worldwide. The visit to the US SEC Institute initiated closer cooperation between the Securities and Stock Market State Commission in Ukraine and Moldova and the US SEC and has contributed to the better understanding of the development, operation, and regulation of securities markets as well as financial stability.

As a follow-on event to the participation in the US SEC International Institute, the PFS Eurasia program partnered with USAID's Capital Markets Program in Ukraine to organize a US SEC training on selected issues related to the emerging markets regulation and supervision of securities markets. This week-long event held in Kyiv June 23-27, 2008 focused on certain topics that require specific attention in the regulatory regime in Eurasia. In addition to Ukraine and Moldova, there were securities experts and officials from Georgia, Armenia and Kyrgyzstan. The event was led by several SEC experts who presented a broad range of issues from supervision of capital markets to regulation of brokerage firms to the use of new financial instruments.

In January 2009 the PFS Program sponsored a study tour for a group of senior managers and executives from the Kyrgyz Stock Exchange at the stock exchanges in Vienna and Prague. The purpose of the trip was to review the operations of the stock exchanges and other capital market institutions in more developed markets of Central Europe. It was an opportunity to understand the current trends in regional and global consolidation of trading platforms, which has changed the scope and role of smaller exchanges.

Finally, as with the banking sector, the PFS Program sponsored a series of debates and discussions on issues related to the capital markets in the Eurasia region. These included a debate on the Kazakh market liquidity shortage (April 2008), which suffered contraction due to its international exposure to the sub-prime market, and a debate on securitization and bank liquidity in Armenia, where the Central Bank of Armenia was working on including new instruments in a regulatory framework for securitization.

In 2009 the PFS Program expanded its investor relations initiative to NIS. In June 2009 an investor relations seminar and a separate corporate governance workshop were organized in Yerevan, Armenia. The two events were organized in cooperation with NASDAQ-OMX Armenia.

D. INSURANCE

CEE Region

In the field of insurance, the PFS Program organized a total of four activities during the time period 2000-2004 for participants from CEE. A total of 126 specialists from CEE participated in the activities. Thus, insurance was the technical area with the least amount of activities and the least amount of participants in CEE.

The activities consisted of one regional training seminar for insurance professionals (co-financed by a PFS Program grant) and three regional training seminars for insurance supervisors.

The training seminar for insurance professionals was co-financed by a PFS Program grant to the Lithuanian Banking, Insurance and Finance Institute. The training seminars for insurance supervisors were co-organized and co-financed by the Polish Insurance and Pension Funds Supervisory Commission. The topics covered by the training included: asset and liability management; corporate governance; International Association of Insurance Commissioners (IAIS) standards; and risk management

SEE Region

In the field of insurance, the PFS Program organized a total of 14 activities during the time period 2005-2009 for participants from SEE. A total of 103 insurance specialists from SEE participated in the activities. 40 insurance experts from CEE/new EU member states, six experts from EU member states and 24 experts from the US and other countries contributed their expertise to these activities. Thus, insurance was the one subject area in which the PFS Program conducted a greater number and a wider range of projects in SEE than in CEE.

The mandate of the PFS Program in SEE was to engage financial sector institutions in SEE target countries in programs that helped promote the identification of best practice and the adoption of international standards. Within this mandate, one important element of each PFS Program activity was the exchange of experience of the new member states of the EU with EU accession countries in SEE.

Insurance activities focused on the following subjects: actuarial science; corporate governance; human resource development and capacity building; insurance fraud and the use of insurance products to launder money; and prudential supervision. The principal activities were as follows:

On June 28-29, 2005 the PFS Program organized a study visit to the Polish Supervisory Commission for Insurance and Pension Funds (KNUiFE) for SEE insurance regulators. Two insurance regulators from the Bulgarian Financial Supervision Commission and three regulators from the National Bank of Serbia, Insurance Supervision Department participated in the study visit. The study visit was organized in response to specific requests from the Bulgarian and Serbian insurance regulators. During the May 2004 PFS Program financial sector assessment visit to Bulgaria, the Bulgarian Financial Supervision Commission requested that the PFS Program organize secondments for its staff to financial sector regulatory and supervisory authorities in the new member states of the European Union (EU). During the February 2005 PFS Program financial sector assessment visit to Serbia, the National Bank of Serbia, Insurance Supervision Department, requested that the PFS Program organize a study visit to Poland to learn from the Polish experience in insurance regulation/supervision.

- Prior to the study visit, the regulators from Bulgaria and Serbia submitted to the PFS Program a list of questions and an impact statement regarding the expected consequences of the study visit. The PFS Program forwarded these documents to KNUiFE in order for it to prepare for the study visit.
- The Polish regulators prepared a number of tailor-made presentations for the visit. In addition, in order to answer questions raised by the Bulgarian and Serbian colleagues, they directed them to documents available on the KNUiFE website. Over the course of two days, the colleagues from Bulgaria and Serbia met with a total of more than 20 insurance regulators from the following departments of KNUiFE: Commission Bureau;

Communication and European Integration Department (Consumer Protection Unit); Information Systems and Supervision Standards Department; Legal-Authorization Department; Life Insurance Supervision Department; Non-Life Insurance Supervision Department; Intermediaries Supervision Department; and Pension Funds Supervision Department.

- The study visit enabled the insurance regulators from Bulgaria and Serbia to analyze the Polish experience in insurance regulation and supervision. It also provided a first hand understanding of how KNUiFE implemented EU directives, best practice and international standards (for example, those proposed by the IAIS). Furthermore, the study visit promoted the exchange of experiences, information and strategies between Bulgarian and Serbian colleagues

In 2005, 2008 and 2009 the PFS Program co-sponsored the participation of actuaries from SEE in the Warsaw Actuarial Summer School.

In cooperation with the CEF, the PFS Program launched a regional initiative on insurance fraud and the use of insurance products to launder money. In October 2006, 2007, 2008 and 2009 a Regional Workshop on Insurance Supervision was held at the CEF. Via these events, both co-sponsors and all participating institutions raised awareness about insurance fraud / the use of insurance products to launder money and shared practical experiences through the analysis of case studies from a number of jurisdictions. Both the PFS Program and the CEF emphasized the case-study methodology and peer-based learning in their respective training programs. At the outset of each Regional Workshop, each of the participants introduced her/himself and provided information about her/his respective institution that was requested in a questionnaire distributed beforehand. This contributed to the interactive quality of the event. Thereafter each session consisted of a case study which participants analyzed, debated and discussed with the expert presenting the case. Each of the Workshops was successful, both conceptually and practically. During each session, speakers and participants engaged in discussions regarding the specific case(s) as well as strategies for investigating fraud. Thus, the four-year regional initiative achieved its goals of: raising awareness about the issues of insurance fraud and the use of insurance products to launder money; and promoting best practice and international standards in detecting, preventing and combating insurance fraud as well as the use of insurance products to launder money.

Beginning in April 2007, the PFS Program partnered with the National Association of Insurance Commissioners (NAIC) on an internship program for young insurance regulators. The participant breakdown was as follows: Spring 2007 – 1 Albanian insurance regulator; Fall 2007 – 2 Bulgarian insurance regulators; Spring 2008 – 1 Serbian insurance regulator; Fall 2008 – 1 Albanian insurance regulator; and Spring 2009 – 1 insurance regulator from Republika Srpska, Bosnia and Herzegovina. (In Fall 2009 an insurance regulator from Azerbaijan participated in the program, as described in the NIS section below.)

On March 12-13, 2008 the Albanian Financial Supervisory Authority (AFSA) and the PFS Program held a Regional Workshop on Corporate Governance of Insurance Companies. This Regional Workshop, held in Tirana, was the PFS Program's first activity in Albania. The AFSA invited the PFS Program to co-organize this Regional Workshop in order to promote the implementation of best practice and adoption of international standards of corporate governance

in the Albanian insurance market. A primary goal of the Workshop was to educate Albanian insurance regulators and senior decision-makers of Albanian insurance companies about corporate governance of insurance companies in new member states of the European Union. The practical information presented, debated and discussed at the Regional Workshop provided reference points and benchmarks for comparison with developments in Albania. The PFS Program emphasized case study and peer based learning in all its training programs. The PFS Program appreciated the contribution of speakers from Albania, Lithuania, Poland, Slovenia and the US to this Workshop, part of an ongoing PFS Program regional initiative in the area of insurance supervision.

A detailed description of each event, including presentations, speaker biographies and a list of participants may be found on the insurance page of the PFS Program website. The URL is <http://www.pfsprogram.org/insurance.php>

Eurasia Region

Over the two-half year period that the PFS Program was active in the Eurasia region, twelve events were held addressing issues relates to the insurance sector. Most of these activities worked to further develop the field of actuaries in the region, which had severe shortcomings.

The first activity was a study tour for three representatives of the Actuarial Society of Kazakhstan (ASK) to Warsaw, Poland in June 2007. The purpose of the study tour was to work with the Polish Association of Actuaries to develop a concept of a summer school for actuaries in Central Asia. The Polish Association of Actuaries, together with the University of Warsaw, had been conducting a very successful regional program - the Warsaw Actuarial Summer School for Actuaries since 1990. The Polish experience proved to be very relevant and useful for the Kazakh visitors, and it gave the participants a good overview of the potential evolution and the future steps that could be taken in developing a similar program for Central Asia. During the trip, with assistance from their Polish counterparts, the Kazakh representatives drafted an initial plan for the first summer school in Almaty. They also made numerous contacts with the Polish professionals, and received contacts of many other international lecturers who could be helpful in developing the program.

In February 2008, ASK held its First Actuarial School program in Almaty, in order to deepen professional development of actuaries in Central Asia and the Caucasus, and to provide exposure to contemporary methods and practices in the insurance field based upon the experiences of the developed countries of Europe, and the US. The week-long event was attended by over 90 participants from the region, including from Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, as well as Central and Eastern Europe. The First Actuarial School's theme "Products and Rating in Non-Life Insurance: International Experience" provided an overview of the key issues related to the emerging insurance markets. Topics included insurance economics, health insurance, non-proportional insurance, premium rating in non-life insurance, enterprise risk management and economic capital, and non-life employee benefit schemes. This event proved to be a starting point for the development of a regional center of excellence for actuarial professionals in Central Asia and the Caucasus.

Following the successful launch of the Actuarial School, the Actuarial Society of Kazakhstan organized the Second Actuarial School in September 2009. The event was designed to continue

to provide professional development opportunities for actuaries in Kazakhstan and other countries in Eurasia by exploring new developments and cutting edge issues in the profession. It also served as an opportunity to share professional experiences among countries and individuals. For the first time, the School was co-sponsored by the Financial Services Authority of Kazakhstan.

The presenters were selected with the help of Actuaries without Borders, a voluntary group of the Society of Actuaries, and all of the guest speakers provided their services free of charge. ASK chose 4 professionals from 4 different countries (USA, New Zealand, Russia and China) to help broaden their outreach and create new opportunities for the future. All guest lecturers expressed their interest in returning to Kazakhstan in the future, and offered several other practical ways of cooperation between ASK and their national associations. Some of the ideas include: launching a column (section) on actuarial issues with the most popular financial markets magazine in Kazakhstan, sharing various publications and papers with the Kazakh actuaries, and strengthening the activities of the association. Over 80 participants from ten NIS countries attended this event.

As part of the efforts to improve the standing of the actuarial profession in the Eurasia region, starting in July 2008 the PFS Program co-sponsored a series of professional development programs for actuaries in Azerbaijan. The purpose of this effort was to launch a series of professional development programs in the area of actuarial sciences and risk management, an under-developed subject matter in Azerbaijan. The overall program, developed in cooperation with the Ministry of Finance and the Azerbaijan Insurance Association, was the first step in the creation of this profession, with the aim of introducing stricter risk management standards for Azeri financial institutions. The training programs were based upon the PFS actuary development activities, and drew strongly upon the expertise developed in the region – specifically the expertise of ASK. The program for the Azeri actuaries was planned to comprise four levels, the courses for the first of which were offered in July 2008, and again in September 2008. In the first offering of the Level 1 course there were 31 students of which 16 successfully passed the final exam. The second offering of the Level 1 actuarial program, while not sponsored by the PFS Program was taught by the ASK trainers that PFS had identified and worked with on the Level 1 course in July 2008. Level 2 of the course was offered in November 2008, and was also co-sponsored by the PFS Program in cooperation with the Ministry of Finance and the Azerbaijan Insurance Association. Similarly, there was PFS co-sponsorship for Level 3a, offered in June 2009, and for Level 3b offered in November-December 2009.

In addition to the actuarial program developed in Azerbaijan, the PFS Program also started implementing a similar program in Kyrgyzstan. As there are no professional actuaries in Kyrgyzstan, the training program delivered by the Actuarial Society of Kazakhstan was the first such program in the country. In addition to the Level 1 course, which was offered in April 2009, the PFS Program also arranged for the Level 2 course in October 2009, and a repeat of the Level 2 course in December 2009. All indications were that the Kazakhstan-based ASK will continue to work with its colleagues in Kyrgyzstan in order to provide them with the training and materials needed in order to complete the program.

Finally, in order to allow for the further development and growth of the actuarial sciences in the Eurasia region, the PFS Program made a grant to the Actuarial Society of Kazakhstan to set up an Analytical Center. ASK provides a variety of professional development opportunities and

certification programs, and has been very active in promoting ethical professional practice among actuaries and risk managers. In addition, the Association actively participates in various policy discussions and debates related to financial regulation and legislation.

- As the financial markets develop, there is increasingly a need for independent actuarial research and studies both from the private market and the government. As either the private or public sector employs almost all licensed actuaries in Kazakhstan, there are no independent actuaries who can conduct research and provide unbiased opinions related to actuarial calculations and estimates. ASK wanted to take on such a role and decided to create the Analytical Center as a research unit within the Association.
- The PFS grant allowed Analytical Center to develop its initial activities. The creation of the Analytical Center was welcomed in particular by the government of Kazakhstan and the regulator who are keen to create independent research capacity to support new policies and regulation, as well as to support other governments in the region that are tackling similar issues and problems. It is expected that as a result of the research and analysis sponsored by PFS, the Analytical Center will become a center of excellence in the region.

E. PENSION REFORM AND REGULATION

CEE Region

In the field of pension reform and regulation, the PFS Program organized a total of 13 activities during the time period 2000-2004 for participants from CEE. A total of 486 specialists from CEE participated in the activities.

In late 2000 the PFS Program signed an agreement with the Organization for Economic Cooperation and Development (OECD) to establish the Eastern European Regional Network of the International Network of Pensions Regulators and Supervisors (INPRS). The Regional Office for the Eastern European Regional Network of the INPRS was housed in the PFS Program office in Budapest, Hungary. The Eastern European Regional Network of the INPRS facilitated linkages and experience sharing within the framework of the INPRS to assist in improving the design and operation of pension systems in the region, as well as in the implementation of current reforms. A PFS Program staff member served as Coordinator of the Eastern European Regional Network. The Regional Coordinator was responsible for the development of co-operation among major policy makers, market actors and researchers in the pension area for the region.

This Network supported the reform process by creating linkages and facilitating discussion among pension regulators and fund managers in the then EU pre-accession countries. It also identified gaps in the current structure and helped formulate suggestions for remedial action. It implemented a coordinated series of actions in the region to assist pension reform, as follows:

- Technical assistance via an annual regional conference, as well as regional training seminars, workshops, practical study tours and working groups; and
- Creation of a comprehensive pension data base, as well as research and policy analysis, including

- A taxonomy of pension systems world-wide;
- Detailed country information on regulation and supervision of pension systems; and
- Comparative analytical reports on key policy issues (e.g. investment regulation, pension funds, and governance issues).

Through the Eastern European Regional Network of the INPRS and partnership with OECD, the PFS Program supported the following and other general objectives: promotion of the successful implementation of pension reforms; establishment of strong supervision institutions; development of effective collection systems; strengthening institutions for safeguarding pension fund members, interest; and promotion of service provider professionals and financial institutions as an institutional foundation for effective pension funds.

From 2001 – 2003 the Eastern European Regional Network of the INPRS organized five Regional Seminars on Private Pensions, covering issues including: annuities; corporate governance; financial literacy; investment of private pension funds; pension fund inspection; pension fund governance; payout and distribution of pension benefits; portfolio management.

In cooperation with the Bratislava Stock Exchange and the Slovak Association of Securities Dealers, the Partners for Financial Stability (PFS) Program organized an International Seminar entitled, “The Role of Financial Markets in Pension Reform” in Bratislava on December 12, 2002. The event was co-financed by a PFS Program grant to the Slovak Association of Securities Dealers. One hundred and forty participants from Slovak financial sector institutions, one Czech pensions expert and one Hungarian pensions expert attended the event. The PFS Program brought together experts in a panel that presented the role of financial markets in pension reform in Belgium, Croatia, the European Union, Hungary and Ireland.

The Lithuanian Banking, Insurance and Finance Institute organized a roundtable discussion in Vilnius, Lithuania on December 17, 2002 to present the report “The Establishment of Pension Funds in the Baltic Republics.” Two experts from Estonia, one from Hungary, three from Latvia, 24 from Lithuania and one from Poland attended the event. A PFS Program grant co-financed the report.

The PFS Program issued a grant to fund a research report entitled, “Past Redistribution and Future Imbalances: Generational Accounts in the Hungarian Pension System.” The report was published on the PFS Program website on January 20, 2003.

On December 30, 2003 FI-AD Financial Advisory Ltd. (Budapest, Hungary) published the final version of its research report, “Investment Strategies of Pension Funds in CEE Countries” on its website and on the PFS Program website. This research, co-financed by a PFS Program Grant, represented a significant contribution of valuable comparative data to the PFS Program/INPRS comprehensive pension reform initiative involving all eight CEE countries that joined the European Union (EU) on May 1, 2004. The report’s authors presented excerpts from the research at the 5th CEE INPRS Regional INPRS Seminar on “Private Pensions: Security of Future Benefits”, held in Prague, Czech Republic on December 4-5, 2003.

While all intentions were that the INPRS project would continue with its activities after the PFS Program mandate ended, due to a lack of funding at the OECD, the INPRS project came to a close upon the completion of the PFS Program’s mandate in CEE.

SEE Region

In the field of pension reform and regulation, the PFS Program organized only one event for participants from SEE. The PFS Program co-financed the participation of a Macedonian pensions regulator in TBLI Conference Europe 2007. Thus, pension reform and regulation was the subject area in which the PFS Program conducted the least number of projects in SEE.

Eurasia Region

There were no events organized in the area of pension reform in the Eurasia region.

A detailed description of pensions reform events in all regions, including presentations, speaker biographies and a list of participants, may be found on the pension reform and regulation page of the PFS Program website. The URL is http://www.pfsprogram.org/activities_pension.php

F. WEBSITE

The PFS Program website should be viewed as an important legacy of the Program. The experience of designing, expanding and managing the PFS Program website provides a number of lessons learned for EWMI and USAID, as well as for others interested in international financial sector development.

Firstly, from a project management perspective, the PFS Program website served as a well-organized archive of all program information, a medium for disseminating information about activities undertaken and events held, a platform for announcing upcoming activities, a forum for ongoing information exchange with counterparts, and a communications portal to reach new audiences as potential future partners. The website served as an effective instrument for all of these functions.

The PFS Program was a regional program with a small operating budget. The PFS Program website provided an effective and a cost-effective mechanism to maintain a constant information exchange with PFS Program counterparts across the region, even though the PFS Program did not have a permanent physical presence in each of the countries.

Through the PFS Program website, data, information and research reached a wide audience, much wider than the limited audience of individuals who participated in the actual PFS Program activities and events. Wide dissemination of information was possible due to the prominent position of the PFS Program website in internet search engines. Website search engines use a complex algorithm to calculate website popularity. Factors influencing popularity include: the volume of traffic on the website; the number of links to the website; and the timeliness of the information published on the website. The PFS Program continuously expanded the links on the links page, and links embedded in text on other pages. It regularly updated the PFS Program website with information about recently-conducted activities and events. It encouraged counterparts to access information published on the PFS Program website.

Thus, the PFS Program was able to systematically increase the volume of traffic over time. By 2007, each month between 15,000 and 25,000 unique visitors visited the website. Each month,

the website received between 80,000 and 100,000 hits. Because the PFS Program website was data-rich and continuously updated, it was kept visible in search engines, thereby enabling interested parties to access the information online, usually within the top ten or 20 items listed. The following keywords generally resulted in a top-ten position with Google, msn and yahoo: CSR in BRIC; CSR in CEE; investor relations in CEE; and prevention of money laundering in CEE.

Secondly, from a reputational perspective, the PFS Program website established and maintained the reputation of the PFS Program as source of expert, independent and reliable information. Furthermore, counterparts and partners valued that the PFS Program website was updated regularly. In general, materials from a PFS Program event were published on the PFS Program website within ten days of the completion of the event.

Thirdly, from an information dissemination perspective, the “popularity” of the PFS Program website contributed positively to press coverage of research conducted by the PFS Program. The high visibility of the PFS Program website in search engines increased the likelihood that journalists would find information about PFS Program research. Furthermore, having visited the PFS Program website and seen the wealth of information available, a journalist would be more likely to report on the research.

Fourthly, from a relationship-management perspective, the PFS Program website opened new avenues for regional financial sector development in CEE/SEE. Due to the above-mentioned volume of traffic on the PFS Program website, media partners were extremely interested in developing relations with the PFS Program. *Business Wire* offered the PFS Program a newsfeed of its CSR news, and free distribution of four PFS Program press releases annually through its distribution network. *CSR Wire* offered the PFS Program a newsfeed of its CSR news. These two partnerships greatly expanded the dissemination of PFS Program press releases, and had a significant impact in drawing new visitors to the PFS Program website. Neither of these relationships would have materialized, and the counterparts would not have offered *pro bono* services, if the PFS Program website had not been an effective communication medium.

Effective use of the PFS Program website as a project management, reputation management, information dissemination and relationship management instrument reaped significant rewards that enabled the PFS Program to achieve many regional financial sector development goals.

III. SUCCESS STORIES

To better illustrate the successes of the PFS Program, EWMI employed a “case study” approach to highlight the challenges encountered, the PFS initiatives taken to address the challenges, and the results of these initiatives. While there were many successes resulting from PFS Program activities, we are highlighting below only a couple successes from each of the three regions covered by the PFS mandate. These and additional success stories are enclosed in a one-page format as an Annex to this report.

Implementing International Financial Reporting Standards (IFRS) in CEE

Challenge: Prior to 1999 a standard-setting body in each Central and Eastern European (CEE) country set national accounting standards and national audit standards. The requirement to harmonize national standards with European Union (EU) Directives set the groundwork for pulling divergent national standards in CEE towards common EU standards. However, the level, process and speed of harmonization with EU norms varied significantly from country to country. The situation changed radically on July 19, 2002 when the European Parliament and the Council issued a Regulation requiring that all companies listed on a stock exchange in an EU member state publish consolidated financial statements in accordance with International Accounting Standards (IAS) for the period beginning on or after January 1, 2005. The Regulation came into effect on September 14, 2002. The eight CEE countries preparing for EU accession realized that this Regulation would apply when they joined the EU on May 1, 2004.

PFS Initiative: In response to requests from professional associations in the three Baltic Republics, the Czech Republic and Slovakia, the PFS Program launched a regional initiative to train accountants and auditors about the implementation and use of IAS. The initiative began with a Regional Symposium on IAS, which informed accounting standard-setting bodies in the three Baltic Republics about the process of adopting IAS within European jurisdictions and other jurisdictions worldwide. The Symposium helped each of the standard-setting bodies develop a “road-map” for IAS implementation.

Thereafter, the PFS Program organized a series of training seminars on IAS, conducted by a world-recognized expert, David Cairns, who served as Secretary General of the International Accounting Standards Committee (IASC) from 1985-1994. The seminars took place in seven of the eight CEE countries that joined the EU on May 1, 2004 and included participants from all eight countries. Each of the seminars included a detailed explanation of one or more standards and practical case-studies/examples demonstrating how the standard should be applied in specific situations. The PFS Program also provided several grants to professional associations to analyze financial reporting of listed companies in the region and provide guidance for the particular challenges of implementing IAS/IFRS in the transition economies of CEE.

During the course of the initiative the issue of financial reporting took on increased urgency. In the context of increasing globalization as well as sophistication of financial markets, and in part

due to the fallout from high-profile corporate governance scandals such as Enron and Parmalat, the International Accounting Standards Board, a newly-established successor to the IASC, changed the name of the new standards to International Financial Reporting Standards (IFRS).

Result: The PFS Program organized a total of 12 regional seminars/workshops that trained more than 700 accountants, auditors, chief financial officers, stock exchange staff and financial sector regulators in IAS/IFRS. Many of the training materials were translated into local languages; thus the training reached a wider range of professionals, and the PFS Program made new IAS/IFRS materials available to a broader audience. All of the training materials were published on the PFS Program website and the websites of the respective partners. The training seminars helped strengthen the institutional capacity of local professional associations, and enhance the educational outreach of several stock exchanges. The PFS Program exchanged data and information about corporate reporting, financial disclosure requirements and national accounting standards to a wide range of donors, European institutions, multi-lateral financial institutions and non-governmental organizations (NGOs) engaged in accounting reform. In short, this PFS Program regional initiative contributed to the implementation of IAS/IFRS across the CEE region.

Implementing and Improving Registered Pledge / Secured Transaction Systems in CEE and SEE

Challenge: Prior to 1999 several countries in South East Europe (SEE) had not yet implemented registered pledge /secured transaction systems. The absence of such a system created an obstacle for individuals and businesses, particularly small and medium-size enterprises (SMEs), who/which did not have land to pledge as collateral for a bank loan.

The European Bank for Reconstruction and Development (EBRD) had launched a secured transactions initiative among all of its member countries. The initiative focused mainly on legislative analysis and technical assistance to expert teams in several countries to adopt new legislation, which would permit the creation of registered pledges and a pledge registry.

PFS Initiative: In response to a request from the Ministry of Justice of Bosnia and Herzegovina, the PFS Program organized a study visit of three Polish judges to Sarajevo. The Polish judges met officials of the Ministry of Justice and offered recommendations regarding implementing legislation for a registered pledge system.

In organizing the above-mentioned study visit, the PFS Program coordinated its efforts with the EBRD and Norway Registers Development AS. That coordination led to the launch of a regional initiative, co-financed by the EBRD.

In 2001/2002, the PFS Program co-financed five country studies (in Albania, Bulgaria, Hungary, Lithuania and Poland): Each study analyzed the economic impact of the registered pledge system in the respective country. The country studies were co-financed by PFS Program grants to research institutions in each country. The Hungarian study was co-financed by the EBRD. The country studies were presented at a Regional Symposium on Registered Pledge Systems in Six Transition Economies, held in Gdansk, Poland on June 4, 2002. The symposium was organized

in cooperation with The Gdansk Institute for Market Economics. Twenty-nine participants from 10 countries attended the symposium.

In 2003 the PFS Program awarded PFS Program grants to analyze the economic impact of the registered pledge system in Latvia and in Poland. On December 11, 2003 the PFS Program, in cooperation with the Association of Latvian Commercial Banks and the Gdansk Academy of Banking, held a Second Annual Regional Symposium on Registered Pledge Systems in Transition Economies. Nineteen persons, representing Hungary, Latvia, Norway, Poland, Serbia, Slovak Republic and the US, attended the Regional Symposium.

In 2004, the PFS Program and the Association of Latvian Commercial Banks co-financed a second study of the economic impact of the registered pledge system in Latvia.

Result: This PFS Program regional initiative addressed an issue that had not previously been examined by the international financial development community, namely, the *economic impact* of expanding access to credit through the use of registered pledges. The regional impact of the initiative was complemented by the benefit of conducting numerous country studies, which enabled benchmarking and comparisons with neighboring countries. Through two symposia and publication of the research on the PFS Program website the lessons learned were shared across the region and globally.

Detecting and Preventing Domestic and Cross-Border Money Laundering

Challenge: Concerns about laundering of the proceeds of crime, including organized crime, were raised in Central and Eastern Europe in the late 1990s. As legitimate financial flows and cross-border trade increased throughout the region, organized crime also found opportunities to make and launder money. National law enforcement agencies faced a number of obstacles tracking both criminals and funds once they crossed the national border. After the events of September 11, 2001 the laundering of money to finance terrorism became an additional concern.

PFS Initiative: In response to requests from bank associations in the Baltic Republics as well as a request from the head of the Slovene Financial Intelligence Unit (FIU), the PFS Program launched a regional initiative in the field of prevention of money laundering. Between 2001 and 2006 the PFS Program and partner organizations conducted eight regional workshops on prevention of money laundering that brought a total of 274 law enforcement professionals from the CEE region together with law enforcement experts from across new and old member states of the European Union (EU), South East Europe (SEE), Ukraine and the United States.

Each workshop was multi-institutional and covered financial, investigative and legal issues. On the first day of each workshop, experts presented a real case study of a money laundering investigation/ prosecution from his/her respective jurisdiction, and engaged participants in an interactive discussion about the case. On the second day, participants presented and debated case studies presented by participants from CEE, SEE and Ukraine. As part of the initiative, the PFS Program also organized a study tour to the US for staff of the Estonian, Latvian and Lithuanian FIUs, as well as a series of training seminars/workshops for Baltic commercial bankers on compliance with the USA Patriot Act and other prevention of money laundering regulations. The

PFS Program also commissioned a survey of websites of FIUs in 40 countries (30 OECD countries, eight non-OECD European countries and two non-OECD Asian countries). The survey was presented at several regional events and published on the PFS Program website.

Result: Law enforcement professionals trained by the PFS Program were responsible for the first successful prosecutions of money laundering in several jurisdictions, including Estonia and Lithuania. These cases, initially presented as participant case studies and discussed with peers from several jurisdictions, were successfully prosecuted and eventually heard in the supreme court of the respective countries. In addition, the PFS Program workshops served as a stimulus for law enforcement agencies in several jurisdictions to sign memoranda of understanding (MOUs) with institutions in neighboring countries.

Improving Corporate Governance Disclosure and Practice

Challenge: Prior to 1999 no stock exchange in Central and Eastern Europe had implemented a corporate governance code. Very few listed companies in CEE had a designated investor relations officer, and there were no local or regional investor relations societies. National standards in corporate governance, financial reporting and investor relations varied greatly. In large part they fell short of international standards or best practice. Stock exchanges and securities regulators across the region realized that EU accession would present an enormous challenge to CEE listed companies: How would CEE listed companies be able to compete with Western European peers, who had greater resources, and more experience in attracting investors, as well as managing relationships with shareholders and stakeholders?

PFS Initiative: In response to requests from several CEE stock exchanges and securities commissions, the PFS Program launched a multi-faceted regional initiative designed to stimulate listed companies to strengthen financial as well as extra-financial disclosure, and to improve corporate governance practices.

At the core of the initiative was in-house research, namely two ongoing semi-annual regional surveys: **Investor Relations Online: Survey of the Websites of the Largest Listed Companies in CEE** (launched in 2001) and **Survey of Reporting on Corporate Social Responsibility (CSR) by the Largest Listed Companies in CEE** (launched in 2003). In 2004, the PFS Program added listed companies in Bulgaria, Croatia and Romania to each of the surveys. Each survey conducted since 2005 contains an additional element. The surveys conducted in summer 2005 included a comparison with peers in Greece and Turkey. The surveys conducted in February and April 2006 included a comparison with peers in Portugal and Spain. Since August 2006 each survey includes a comparison with peers in BRIC (Brazil, Russia, India and China) as well as Ukraine.

The surveys provided a benchmarking tool whereby listed companies could compare their disclosure practices against peers nationally, regionally and with other emerging markets. Furthermore, they contain valuable time-series data used by a wide range of constituencies. The PFS Program used the survey data to develop tailor-made training programs on corporate governance, financial reporting, extra-financial reporting (on environmental, social and governance [ESG] issues) and investor relations.

Result: The multi-faceted PFS Program initiative helped institutionalize improved corporate governance disclosure and practices across CEE and SEE. Beginning in 2001 each of the CEE/SEE stock exchanges implemented a corporate governance code; the PFS Program assisted a number of them (Bucharest, Budapest, Ljubljana, Varazdin, Vilnius and Zagreb) in this endeavor. Inspired in part by the PFS Program surveys, the three Baltic stock exchanges launched the Baltic Market Awards to recognize excellence in investor relations. The PFS Program also cooperated with the Corporate Governance Institute established by the Bucharest Stock Exchange, the Polish Institute of Directors, the Polish Investor Relations Institute and other newly- created professional associations active in these fields. The PFS Program regional surveys and country surveys conducted by local research institutes (and co-financed with PFS Program grants) documented the ongoing positive trend towards disclosure of more detailed governance and extra-financial data. Between 2001 and 2009 the PFS Program held a total of 17 investor relations seminars in cooperation with the stock exchanges in each of the new member states of the EU, as well as Bosnia and Herzegovina, and Macedonia. More than 850 people were trained through these events. In cooperation with the School of American Law (SAL) in Gdansk, Poland, and in Wroclaw, Poland, as well as with other CEE/SEE partners, the PFS Program conducted a number of corporate governance workshops for students and recent graduates. Graduates of the SAL and these workshops undertook unpaid internships with the PFS Program. These student/interns analyzed and collected data for the PFS Program regional surveys. Thus, the PFS Program contributed towards educating a new generation of business leaders about the importance of good governance.

Expanding the Actuarial Profession in Central Asia

Challenge: The Actuarial Society of Kazakhstan (ASK), founded in 2001 with the support of USAID, had reached a crossroads. The financial market was growing fast and demanding more actuarial professionals. Successful in educating an initial pool of actuarial professionals, ASK had reached its capacity in meeting market needs. The challenge was not only to train a much larger pool of new actuaries in international standards and best practices, but also to provide a deeper knowledge to existing professionals.

PFS Initiative: The USAID-funded PFS Program, implemented by East-West Management Institute, Inc. (EWMI), building upon its vast network of professionals in the region and worldwide, linked ASK to counterparts in Poland, where actuarial professional development is fairly advanced. A group of Kazakh actuaries visited Poland in June 2007 to meet with the Polish Association of Actuaries and professors from the Warsaw University Actuarial Summer School. Upon their return to Almaty, ASK professionals developed a multi-tiered program to expand and improve their capacity to provide actuarial training.

The PFS Program provided a grant to ASK and retained the services of leading international experts to assist ASK in organizing the first Central Asian Actuarial School, which took place in February 2008. A second round of the Central Asian Actuarial School, took place in September 2009, and was partially supported by the government of Kazakhstan.

Result: As a result of PFS support, ASK has become a leader in actuarial professional education in the region. Professionals from Kazakhstan, Kyrgyzstan Tajikistan, Uzbekistan, Georgia, Armenia and Azerbaijan attended both the First and Second Actuarial School. In addition to providing professional development and training, the events created numerous opportunities for future collaboration between actuaries and insurance specialists in the region. Tuition fees covered a large portion of the costs, and introduced a sustainable training model.

Following this event, the Azerbaijan Ministry of Finance requested assistance from ASK and the PFS Program. ASK and international experts retained by EWMI helped to develop an actuarial certification program, and delivered a series of professional certification training programs in cooperation with the Ministry of Finance and USAID Mission in Baku. Other countries, including Kyrgyzstan and Tajikistan, also asked for assistance.

The PFS Program, through its regional and international partners, was able to help the Actuarial Society of Kazakhstan become a regional center of excellence, and capitalize on its excellent experience to further the growth of the financial industry.

Improving Transparency of Capital Markets in Kazakhstan

Challenge: Rapid growth in the investment industry and financial markets in recent years in Kazakhstan cannot continue without greater transparency in financial and investment reporting. Two challenges stood in the way of introducing international standards and applying the Global Investment Performance Standards (GIPS): lack of knowledge about the standards and lack of Russian language materials for the professionals.

GIPS is a set of guidelines and standards that instruct money managers how to present performance figures to the market, and on the associated disclosure of information on investment objectives. GIPS are designed to help the potential investor make an informed decision when they are investing in a fund. At first it was U.S.-centric, but evolved into Global Investment Performance Standards in 1999.

PFS Initiative: As a starting point, the USAID-funded PFS Program, implemented by East-West Management Institute, Inc. (EWMI), helped to organize a workshop on performance measurement and attribution to introduce GIPS concepts and practices to the investment professionals and regulators in Kazakhstan.

The workshop was led by Carl Bacon, one of the leading experts on the subject. In addition, the Ukrainian Society of Financial Analysts (USFA) presented their experience in creating the CFA Institute country sponsor for GIPS in Ukraine, and recommended that the Kazakhstan Association of Financial Investment Analyst (AFIA) act as a sponsor for the GIPS program in Kazakhstan.

Result: As a result of PFS support, and with the help of the Ukrainian experts from USFA, the Kazakhstan Association became a country sponsor for the GIPS program, and was accepted into the international network, and into the European Federation of Financial Analyst Societies. This

step has put Kazakhstan on the international map of countries introducing transparent financial and investment reporting.

As the next step in the cooperation between Ukraine and Kazakhstan, the Ukrainian experts provided the Russian version of the GIPS standards, which made them widely accessible for the financial professions. In addition, USFA is preparing the translation of the GIPS Handbook into Russian, which they will use to train the Kazakh professionals in the practical implementation and application of GIPS standards.

IV. PARTNERS

The success of the PFS Program would not have been possible without the active participation and contribution to the program made by our local in-country and international partner organizations. Below we have highlighted some of the key partners, and their contributions to the PFS Program.

Actuarial Society of Kazakhstan (ASK), founded in 2001 with the support of USAID, was a critical partner for the PFS Program actuarial programming activities in the Eurasia region. Starting in the summer of 2007, when a group of actuaries from ASK visited Poland to meet with the Polish Association of Actuaries and professors from the Warsaw University Actuarial Summer School, ASK developed into a regional center of actuarial sciences, developing the Central Asian Actuarial School, assisting in training actuaries in Azerbaijan and Kyrgyzstan, as well as developing a regional Analytical Center, which provides research to, and support for, actuaries throughout the region.

The **Center of Excellence in Finance (CEF)** in Ljubljana, Slovenia and the PFS Program designed and conducted a series of regional workshops on several topics, including: internal audit of central banks and financial sector regulatory authorities (FSRAs), bank privatization and insurance fraud/the use of insurance products to launder money. The regional workshops were organized in response to requests from human resource/training coordinators at CEF member institutions: Central Banks and Ministries of Finance from SEE. The joint workshops were part of wider PFS Program regional initiatives on these topics. Each workshop employed the case study methodology and peer-assisted learning. For more information about CEF, please visit <http://www.cef-see.org/>

In June 2006, the newly-established **Corporate Governance Institute of the Bucharest Stock Exchange (CGI-BSE)** and the PFS Program organized a Corporate Governance Seminar in Bucharest. This was the first of four annual joint events, organized subsequently in June of each year: June 2007, June 2008 and June 2009. The seminars focused on a range of issues, including: corporate governance, CSR, market integrity, SRI and supply chain management. For more information about CGI-BSE, please visit <http://www.guvernatacorporativa.ro/indexENG.html>

Polish Association of Actuaries and the **Warsaw University Actuarial Summer School** have been running the Actuarial Summer School since 1991. The PFS Program worked closely with the Association and funded the participation of numerous participants from the CEE and SEE in the school. In addition, the Association proved to be very helpful in assisting the development of the Actuarial Society of Kazakhstan.

Since 1999, **TBLI Group** has organized the largest conference on socially responsible investing (SRI) in Europe each year. From 2006-2009, the PFS Program hosted a CEE/SEE delegation to TBLI Conference Europe each year. Participating in TBLI Conference Europe exposed representatives of CEE/SEE regulatory authorities and self-regulatory organizations to new developments in SRI. It also provided excellent networking opportunities. Thus, TBLI Group contributed to the PFS Program's long-term regional initiative to strengthen reporting on environmental, social and governance (ESG) issues, and promote responsible investment in

South East Europe, as well as in Central and Eastern Europe. For more information about TBLI Group, please visit <http://www.tbli.org/>

Ukrainian Society of Financial Analysts (USFA) was instrumental in assisting the Kazakhstan Association of Financial Investment Analyst (AFIA) to act as a sponsor of the GIPS program in Kazakhstan. In addition to numerous trips from Ukraine to Kazakhstan in order to assist and train the members of the AFIA, the USFA also assisted by translating all of the necessary GIPS materials into Russian for use by AFIA.

The US SEC and the PFS Program organized several regional workshops on issuer disclosure and corporate governance: in Budapest, Hungary in November 2001; in Vilnius, Lithuania in September 2002; and in Tallinn, Estonia in September 2003. Each event was co-hosted by the capital markets regulatory authority in the respective country. In addition, the PFS Program presented its regional surveys on “Investor Relations Online” and “Reporting on CSR” at the US SEC’s International Institute in 2004 and 2005.

ANNEX A: SUMMARY OF EVENTS AND NUMBER OF PARTICIPANTS

ANNEX A:1 - PFS Program CEE Activities: 2000-2004

	Czech R.	Estonia	Hungary	Latvia	Lithuania	Poland	Slovak R.	Slovenia	TOTAL
ACCOUNTING/AUDIT									
International Accounting Standards Seminar Tallinn, Estonia - September 13, 2001		39		14	5				58
International Accounting Standards Symposium Riga, Latvia - May 31, 2001		3		18	12				33
International Accounting Standards Workshop Vilnius, Lithuania - October 24-25, 2001				14	14				28
Audit Seminar Prague, Czech Republic - October 18-19, 2001	97		5			3			105
International Accounting Standards (IAS) Seminar Prague, Czech Republic - April 9-10, 2002	34					4	14		52
International Accounting Standards Seminar Riga, Latvia - March 6, 2002		1		72	20				93
International Accounting Standards (IAS) Seminar Vilnius, Lithuania - February 19, 2003		1			74				75
International Accounting Standards Seminar Poznan, Poland - April 14, 2003						35			35
International Accounting Standards Seminar Warsaw, Poland - April 15, 2003						46			46
International Accounting Standards Seminar Katowice, Poland - April 16, 2003						47			47
International Accounting Standards (IAS) Seminar Horny Smokovec, Slovak Republic - October 2-3, 2003	1		1				129		131
Study Tour to the US on Internal Audit of Financial Supervisory Authorities Washington, US - February 22 - March 1, 2003		1	1	1		1	1		5
Accounting/Audit - Subtotal	132	45	7	119	125	136	144	0	708

ANNEX A:1 - PFS Program CEE Activities: 2000-2004	Czech R.	Estonia	Hungary	Latvia	Lithuania	Poland	Slovak R.	Slovenia	TOTAL
BANKING									
Addressing Institutional Gaps in the Financial Sectors of the Baltic States, Central, Eastern and South-Eastern Europe Budapest, Hungary - June 8-9, 2000	2	1	19	1	1	10	3	4	41
Risk Management Seminar - International Institute of Finance Vienna, Austria - November 6, 2001	1		2			1			4
Bank Restructuring Seminar Sofia, Bulgaria - June 22, 2001	1		2			1			4
Study Tour - Bank Security and Prevention of Money Laundering Budapest, Hungary - April 24-28, 2001		7	10	3					20
Prevention of Money Laundering Seminar Riga, Latvia - October 30, 2001	1	11	5	101	13	1		1	133
USAID Regional Distressed Debt Resolution Workshop Budapest, Hungary - March 13-15, 2002	3		2		2		3		10
Conference on Financing SMEs in CEE Budapest, Hungary - September 26, 2002						1			1
Regional Seminar on US and Foreign Banks' Compliance with the USA Patriot Act Riga, Latvia - October 30, 2001		10		72	10				92
Registered Pledge Systems Symposium Gdansk, Poland - June 4, 2002	2		5		1	11			19
Prevention of Money Laundering Seminar Ljubljana, Slovenia - September 26 - 27, 2002			6			5		35	46
The Economic Impact of Registered Pledge Systems in Transition Economies Budapest, Hungary - December 11, 2003			8	2		2	2		14
Regional Workshop on Prevention of Money Laundering Gdansk, Poland - May 22 - 23, 2003		1		3	3	32		1	40
Regional Workshop on Prevention of Money Laundering Krakow, Poland - October 16-17, 2003						22	2	1	25
Study Tour to the US for Baltic Financial Intelligence Units Washington, DC - January 25 - February 1, 2003		2		2	3				7
Workshop on Banking and Financial Sector Privatization: Experiences in Hungary and Other Central and Eastern European (CEE) Countries Ljubljana, Slovenia - March 26-27, 2004								2	2
Banking - Subtotal	10	32	59	184	33	86	10	44	458

ANNEX A:1 - PFS Program CEE Activities: 2000-2004

	Czech R.	Estonia	Hungary	Latvia	Lithuania	Poland	Slovak R.	Slovenia	TOTAL
CAPITAL MARKETS									
The Prospects for Stock Exchange Reforms and Harmonisation Prague, Czech Republic - October 20, 2000	4		3	2	2	4	2	1	18
Investor Relations Seminar Prague, Czech Republic - December 5, 2001	50					1	2		53
Investor Relations Seminar Tallinn, Estonia - June 19, 2001		21		3	1				25
Issuer Disclosure Documents and Corporate Governance Seminar Budapest, Hungary - October 8-12, 2001	2	1	38		5	3	2	1	52
Investor Relations Seminar Budapest, Hungary - October 10, 2001	1		50		1	2	2	1	57
Investor Relations Seminar Riga, Latvia - October 3, 2001		1		30	1	1			33
Investor Relations - Disclosure Seminar Vilnius, Lithuania - November 14, 2001		1			92	3			96
Disclosure Workshop Warsaw, Poland - November 9, 2001			1		1	2			4
Capital Markets Seminar Bratislava, Slovak Republic - June 5, 2001			1			2	130		133
Investor Relations Conference London, UK - March 28, 2001		1	1	1	1	1		1	6
Corporate Governance Conference Wiesbaden, Germany - December 4, 2002	2				2	1	1	2	8
Investor Relations Seminar Budapest, Hungary - May 8, 2002			40				4		44
Investor Relations in Central & Eastern Europe Conference & Awards Budapest, Hungary - September 17 - 18, 2002	9	2	107	1	3	11		7	140
Financial Analysis and Portfolio Management Seminar Vilnius, Lithuania - March 21-22, 2002				7	45	5			57
Issuer Disclosure Documents Seminar Vilnius, Lithuania - September 9 - 13, 2002	1	3	1	3	23	5	1	3	40
Investor Relations Seminar Warsaw, Poland - February 27, 2002			1		2	43			46
Investor Relations Seminar Bratislava, Slovak Republic - March 26, 2002			1			1	42		44

	Czech R.	Estonia	Hungary	Latvia	Lithuania	Poland	Slovak R.	Slovenia	TOTAL
Investor Relations Seminar Ljubljana, Slovenia - May 17, 2002					1		25		26
Bond Market Roundtable Discussion Budapest, Hungary - February 11, 2003			10				2		12
PFS Program Internship Budapest, Hungary - July 19 - August 16, 2003					1				1
US SEC Workshop on Disclosure and Corporate Governance Tallinn, Estonia - September 15-19, 2003	2	13	1	2	3	3	1	1	26
Presentation of Survey of Online Investor Relations of Polish Listed Companies Warsaw, Poland - July 11, 2003						84			84
Investor Relations magazine Second Annual CEE Conference & Awards Warsaw, Poland - September 17, 2003	8	3	11		10	95	1	1	129
Investor Relations Presentation at PKN Orlen SA Warsaw and Plock, Poland - December 15, 2003						9			9
Corporate Governance Workshop Ljubljana, Slovenia - March 26, 2003					1			50	51
Ljubljana Stock Exchange Annual Conference Porotoz, Slovenia - May 15-16, 2003								60	60
Conference on Corporate Social Responsibility Prague, Czech Republic - February 19, 2004	13					1			14
Internship - Ms. Katarzyna Hanula Budapest, Hungary - February 1 - March 12, 2004						1			1
Second Workshop on Corporate Social Responsibility (CSR): Reporting on CSR by CEE Listed Companies Budapest, Hungary - March 24, 2004						20			20
Capital Markets - Subtotal	92	46	266	49	193	300	190	153	1289

ANNEX A:1 - PFS Program CEE Activities: 2000-2004

	Czech R.	Estonia	Hungary	Latvia	Lithuania	Poland	Slovak R.	Slovenia	TOTAL
INSURANCE									
Training Seminar for Baltic Insurance Professionals - LBDFI Vilnius, Lithuania - February 18-22, 2002				3	19	1			23
Training Seminar for Insurance Supervisors Warsaw, Poland - March 14-15, 2002	2	1	1		2	19	2	2	29
Insurance Supervision Conference Krynica Zdroj, Poland - June 26-29, 2002	2		2	2	2	14	2	1	25
International Seminar of Insurance Supervisors Wroclaw, Poland - June 25 - 29, 2003	1	1	2	2	2	37	2	2	49
<i>Insurance - Subtotal</i>	5	2	5	7	25	71	6	5	126

ANNEX A:1 - PFS Program CEE Activities: 2000-2004

	Czech R.	Estonia	Hungary	Latvia	Lithuania	Poland	Slovak R.	Slovenia	TOTAL
PENSION REFORM AND REGULATION									
OECD Pensions Conference Sofia, Bulgaria - April 22-27, 2001	3	6	6	3	7	3			28
Pension Inspection Seminar Warsaw, Poland - November 8-9, 2001	3	3		1	3	7	2	2	21
Workshop on Pension Reform in the Slovak Republic Bratislava, Slovak Republic - December 3, 2001	1		1			1			3
Study Tour for CEE Pensions Supervisors: Employer Based Pensions Ireland / United Kingdom - September 4-8, 2001	3		4			3			10
Regional Meeting of INPRS Tallinn, Estonia - February 7-8, 2002	4	49	11	8	10	5			87
INPRS Seminar on Private Pension Fund Investment Budapest, Hungary - April 11-12, 2002	2	3	20	2	1	4	4	3	39
Pension Reform Roundtable Vilnius, Lithuania - December 17, 2002		2	1	3	24	1			31
Pension Reform Conference (OECD and other sponsors) Warsaw, Poland - May 20-21, 2002			1				1		2
Slovak Pension Reform Conference Bratislava, Slovak Republic - December 12, 2002	1		1				140		142
INPRS Seminar on Pension Fund Governance Ljubljana, Slovenia - November 7-8, 2002	3	3	6	3	1	6	6	32	60
World Bank Institute / INPRS / OECD Pensions Seminar Washington, DC - April 29 - May 3, 2002			2						2
CEE Regional INPRS Seminar Zagreb, Croatia - May 27 - 28, 2003	3	2	5		2	2	6	3	23
5th Regional INPRS Seminar on Private Pensions Prague, Czech Republic - December 4-5, 2003	15	2	13		2	4	1	1	38
<i>Pension Reform and Regulation - Subtotal</i>	38	70	71	20	50	36	160	41	486
TOTAL PARTICIPATION IN PFS SEE ACTIVITIES	277	195	408	379	426	629	510	243	3067

ANNEX A: 2 - PFS Program SEE Activities: 2005-2009

	Albania	Bosnia	Bulgaria	Croatia	Kosovo	Macedonia	Moldova	Montenegro	Romania	Serbia	Ukraine	Sub-Total	CEE / New EU	EU	US / Other	TOTAL
ACCOUNTING/AUDIT																
Seminar on Internal Audit of Central Banks Ljubljana, Slovenia - May 18-19, 2005			1	1	2		2		1			7	2		2	11
Seminar, Internal Audit of Financial Sector Regulatory Authorities London, United Kingdom - February 2-3, 2006			1		1						1	3	2	13	3	21
Workshop on Internal Audit of Central Banks Ljubljana, Slovenia, April 5-6, 2006	1				3	1		3	1			9	6	1	1	17
Regional Workshop on Information Technology (IT) Audit of Central Banks - in cooperation with the Center of Excellence in Finance (CEF) Ljubljana, Slovenia - April 24 - 25, 2007	1		1	1	4		1	2	1			11	5		1	17
Regional Workshop on Internal Audit of Central Banks and FSRAs Philadelphia, PA, USA - September 22-26, 2008	1	1		1	1		1		1			6	2		32	40
Accounting/Audit - Subtotal	3	1	3	3	11	1	0	4	5	4	1	36	17	14	39	106
BANKING																
Regional Workshop on Prevention of Money Laundering Kiev, Ukraine - September 29-30, 2005											44	44	5	2	1	52
Study Visit to Warsaw for SEE Bank Associations / Bank Training Institutes Warsaw, Poland - February 14-15, 2006					2		1		3			6	4		1	11
Regional Workshop on Economic Models and Methodologies Belgrade, Serbia, May 3-4 2006	1	1	1	1	2	1	1	1	13			22		1		23
Regional Workshop on Prevention of Money Laundering Belgrade, Serbia & Montenegro, May 26, 2006							4		21			25	4	1	1	31
Regional Workshop on Human Resources and Training Management Belgrade, Serbia - July 4-6, 2006	2	2		1	1	1	1	1	10			19		1		20
Study Visit of Kosovo Bankers' Association to Poland Warsaw, Poland - March 6 - 7, 2007					3							3	5		1	9
Regional Workshop: Developing Research on Financial Crime in South East Europe Sofia, Bulgaria - March 21, 2007			11						1			12		4	1	17
Workshop: Internal Audit in Banks Podgorica, Montenegro - April 23-25, 2007								10				10	2			12
Workshop: SME Business Plan Analysis Podgorica, Montenegro - May 28-30, 2007								12				12	2			14
Banking - Subtotal	3	3	12	2	8	2	0	29	2	48	44	153	22	9	5	189

ANNEX A: 2 - PFS Program SEE Activities: 2005-2009

	Albania	Bosnia	Bulgaria	Croatia	Kosovo	Macedonia	Moldova	Montenegro	Romania	Serbia	Ukraine	Sub-Total	CEE / New EU	EU	US / Other	TOTAL
CAPITAL MARKETS																
Presentation of Croatian Surveys Conducted by ZSEM Zagreb, Croatia - January 28, 2005				45								45			1	46
Workshop - How to Write a Case Study Zagreb, Croatia - May 12, 2005		2		18								20			1	21
Presentation of Two Croatian Surveys Conducted by ZSEM Zagreb, Croatia - February 28, 2006				45								45			1	46
Participation in Conference, "Good Governance" Zagreb, Croatia - March 16, 2006				2					2			4			1	5
Corporate Governance Seminar Bucharest, Romania, June 15, 2006	1	1	1					38			2	43	1	3	2	49
Plamena Spassova, Internship Warsaw, Poland - August 14 - September 30, 2006			1									1				1
International Investor Relations Federation (IIRF) Annual Conference Warsaw, Poland - September 21- 22, 2006			4					3				7	5	18	12	42
Presentation of PFS Program research at and sponsorship of SEE participants in TBLI Europe 2006 Conference Paris, France - November 9-10, 2006			1	1				2	1	1		6		100	20	126
EUROSIF Roundtable Discussion: Responsible Investment – Sustainable Corporate Governance Warsaw, Poland - November 28, 2006										2		2	28	4	2	36
Presentation of PFS Program research at and sponsorship of SEE participants in Corporate Governance Conference organized by the German Shareholders' Association DSW Wiesbaden, Germany - December 6, 2006		1						1				2	2	19	2	25
Case Study Writing Workshop Zagreb, Croatia - December 16, 2006			20									20			1	21
Disclosure Seminar Kiev, Ukraine - January 24 - 25, 2007											20	20	2		3	25
Regional Workshop: Case Studies on Corporate Social Responsibility (CSR) Belgrade, Serbia - February 12, 2007				1					41			42			1	43
Presentation of third Annual Croatian Surveys: Investor Relations Online of Leading Croatian Companies - 2006 and Survey of Reporting on Corporate Social Responsibility by Leading Croatian Companies - 2006 Zagreb, Croatia - March 7, 2007			1	57					1			59			1	60
Workshop - How to Write a Case Study Zagreb, Croatia March 8, 2007			1	48								49			1	50
Seminar to Present Croatian Corporate Governance Code Zagreb, Croatia - April 4, 2007		2		109								111	2	1	1	115
Investor Relations Seminar - organized in cooperation with the Bulgarian Stock Exchange Sofia, Bulgaria - May 10, 2007			20	1				2				23	2	2	1	28
Investor Relations Seminar - organized in cooperation with the Bucharest Stock Exchange - Corporate Governance Institute Bucharest, Romania - June 20, 2008	1	7						80				88	1	2	2	93

ANNEX A: 2 - PFS Program SEE Activities: 2005-2009	Albania	Bosnia	Bulgaria	Croatia	Kosovo	Macedonia	Moldova	Montenegro	Romania	Serbia	Ukraine	Sub-Total	CEE / New EU	EU	US / Other	TOTAL
Workshop on Reporting on CSR - organized in cooperation with the Bucharest Stock Exchange - Corporate Governance Institute Bucharest, Romania - June 22, 2007								32				32			2	34
Ivan Sentevski, PFS Program Internship Warsaw, Poland - September 10 - October 7, 2007									1			1				1
Presentation of Inaugural Bulgarian Surveys conducted by EPI Sofia, Bulgaria - September 20, 2007			54					1				55			1	56
Clear Profit 2007 Conference London, UK - November 1, 2007	1	1						1				3	1	15	2	21
Seminar on EU Corporate Governance Standards Brussels, Belgium - February 20, 2008	3	3	2	2		3		4	1	3		21	2	17	2	42
Case Study Writing Workshop Zagreb, Croatia - March 7, 2008		3		40		1						44			1	45
Investor Relations Seminar Sarajevo, Bosnia and Herzegovina - June 5, 2008		38										38	4	1	1	44
Regional Seminar: Issuers & Market Integrity Romania, Bucharest - June 20, 2008									1			1	2	1	2	6
Visit representative of Macedonian Stock Exchange to Warsaw to learn PFS Program survey methodology Poland, Warsaw - June 22 - 28, 2008						1						1				1
PFS Program Internship - Student from Case Study Writing Workshop, e-STUDENT, Faculty of Economics, University of Zagreb Warsaw, Poland - July 1 - August 1, 2008				1								1				1
PFS Program Internship - Student from Economics Faculty, University of Sarajevo Warsaw, Poland - November 3 - December 15, 2008		1										1				1
TBLI Conference Europe 2008 Amsterdam, The Netherlands - November 13-14, 2008	1	2						3				6	1	100	20	127
Roundtable to Present Pilot Macedonian Surveys Skopje, Macedonia - December 9, 2008						47						47			1	48
Corporate Governance Lecture Skopje, Macedonia - December 10, 2008						7						7			1	8
Regional Workshop on Corporate Governance Belgrade, Serbia - March 31, 2009						4			15			19			1	20
Roundtable to Present the Second Editions of Macedonian Surveys Skopje, Macedonia - May 19, 2009						60			1			61			1	62
International Seminar: Supply Chain Management and its Impact on SRI Bucharest, Romania - June 25, 2009		2				2		49				53			1	54
PFS Program Internship - Student from University of St. Cyril and Methodius, Skopje Warsaw, Poland - August 3 - August 29, 2009						1						1				1
PFS Program Internship - Student from Economics Faculty, University of Belgrade Warsaw, Poland - September 1 - October 16, 2009									1			1				1

	Albania	Bosnia	Bulgaria	Croatia	Kosovo	Macedonia	Moldova	Montenegro	Romania	Serbia	Ukraine	Sub-Total	CEE / New EU	EU	US / Other	TOTAL
ANNEX A: 2 - PFS Program SEE Activities: 2005-2009																
Presentation of Fourth Editions of Croatian Surveys: Investor Relations Online of Leading Croatian Companies - 2009 and Survey of Reporting on Corporate Social Responsibility by Leading Croatian Companies - 2009 Zagreb, Croatia - September 11, 2009				52								52			1	53
Investor Relations Seminar with the Macedonian Stock Exchange Skopje, Macedonia - September 24, 2009						63						63				63
TBLI Conference Europe 2009 Amsterdam, The Netherlands - November 12-13, 2009	2					1			1			4	2	120	20	146
Capital Markets - Subtotal	8	57	112	422	0	190	0	4	214	67	25	1099	55	403	110	1667

ANNEX A: 2 - PFS Program SEE Activities: 2005-2009

INSURANCE

	Albania	Bosnia	Bulgaria	Croatia	Kosovo	Macedonia	Moldova	Montenegro	Romania	Serbia	Ukraine	Sub-Total	CEE / New EU	EU	US / Other	TOTAL
Study Visit to the Supervisory Commission for Insurance and Pension Reform of Poland Warsaw, Poland - June 27-29, 2005			2						3			5	15		1	21
16th Warsaw Actuarial Summer School Warsaw, Poland - July 18-22, 2005	1						1		2			4	1	2		7
Workshop on Insurance Supervision: Financial Crime Utilizing the Insurance Industry and Insurance Products Ljubljana, Slovenia - October 25 - 26, 2006		1					2	6	1			10	9	1	3	23
National Association of Insurance Commissioners (NAIC) Internship USA - April 21, 2007	1											1			3	4
Regional Workshop on Insurance Supervision Ljubljana, Slovenia - October 17 - 18, 2007	1	2				2			1			6	5		3	14
National Association of Insurance Commissioners (NAIC) Internship USA - October 20 - December 8, 2007			2									2			4	6
Regional Workshop on Corporate Governance of Insurance Companies Tirana, Albania - March 12 - 13, 2008	45	1		2								48	5		2	55
National Association of Insurance Commissioners (NAIC) Internship USA - April 21, 2008 - June 6, 2008									1			1			3	4
Warsaw Actuarial Summer School Warsaw, Poland - September 11-19, 2008	2	1										3	1	2		6
Regional Workshop on Insurance Supervision Ljubljana, Slovenia - October 22-23, 2008		1	1		3	2		2	2			11	4	1	2	18
NAIC Autumn 2008 International Internship Program US - October 25 - December 12, 2008	1											1			3	4
National Association of Insurance Commissioners (NAIC) Internship USA - May 2, 2009 - June 20, 2009		1										1				1
Warsaw Actuarial Summer School Warsaw, Poland - September 7-11, 2009		2										2				2
Regional Workshop on Insurance Supervision Ljubljana, Slovenia - October 7-8, 2009	1			1		3		2		1		8	8	1	1	18
Insurance - Subtotal	52	9	5	1	2	3	7	3	10	10	1	103	48	7	25	183

ANNEX A: 2 - PFS Program SEE Activities: 2005-2009

	Albania	Bosnia	Bulgaria	Croatia	Kosovo	Macedonia	Moldova	Montenegro	Romania	Serbia	Ukraine	Sub-Total	CEE / New EU	EU	US / Other	TOTAL
PENSION REFORM AND REGULATION																
TBLI Europe 2007 Conference Paris, France - November 15-16, 2007						1						1	0	100	20	121
<i>Pension Reform and Regulation - Subtotal</i>	0	0	0	0	0	1	0	0	0	0	0	1	0	100	20	121
OTHER																
PFS Program South Eastern Europe (SEE) Regional Workshop Sofia, Bulgaria - February 24-25, 2005	1	2	15	3	2	2		2	3	3		33	3	0	5	41
Meeting of Research Institutes to Discuss Macroeconomic Research Skopje, Macedonia - May 13, 2005					1	2				1		4	0	0	0	4
<i>Other - Subtotal</i>	1	2	15	3	3	4	0	2	3	4	0	37	3	0	5	45
TOTAL PARTICIPATION IN PFS SEE ACTIVITIES	67	72	147	431	24	201	7	42	234	133	71	1429	145	533	204	2311

ANNEX A:3 - PFS Program Eurasia Activities: 2007-2009	Armenia	Azerbaijan	Belarus	Georgia	Kazakhstan	Kyrgyzstan	Moldova	Russia	Tajikistan	Turkmenistan	Ukraine	Uzbekistan	Sub-Total	CEE/SEE	US/EU/Other	TOTAL
ACCOUNTING/AUDIT																
Improving Service Quality of Georgian Accountants Tbilisi, Georgia - May 2008	1	1		60	1		1	1			1		66	4	2	72
Philadelphia Central Bank Audit Program USA - September 2008	1	1											2			2
Regulation and Self-Regulation of Accounting and Auditing: Experience, Reality, Prospects Tbilisi, Georgia Nov 5 - 6, 2009	1	1		39				2			2	1	46	5	5	56
Accounting/Audit - Subtotal	3	3	0	99	1	0	1	3	0	0	3	1	114	9	7	130
BANKING																
Growth in Kazakhstan's Foreign Borrowing: A Risk to the Economy? Almaty, Kazakhstan - February 2007					50			1					51		1	52
Entry of Banks into the Corporate Equity Market in Armenia Yerevan, Armenia - March 2007	41							1					42		1	43
Strengthening the Regulator decreases the risk to the Kazakhstan banking system Almaty, Kazakhstan - May 2007					42			1					43		1	44
Modernizing Credit Union Law in Azerbaijan Baku, Azerbaijan - January 2008		55	1					2			1		59	1	3	63
Improving Operational Capacity of Credit Unions in Azerbaijan Baku, Azerbaijan - May 2008		60				1		1					62		2	64
International Housing Finance Program USA - June 2008	1												1			1
Debate on Banking System in Georgia Tbilisi, Georgia - June 2008				30				1					31			31
Study Tour to Poland and Czech Republic for Armenia Union of Banks Poland/Czech Republic - June 2008	1												1	12		13
International Standards in Risk Management For Credit Unions Bishkek, Kyrgyzstan - October 2008						24		1			1		26	1		27
Financial Education Moscow, Russia - January 2009	1		2			2		11			2		18			18
Financial Stability Seminar Bishkek, Kyrgyzstan - June 2009					1	27							28		2	30
Deposit Insurance for Credit Unions - Study Tour to Germany July 7 - 12, 2009		2				2		2					6			6
Banking - Subtotal	44	117	3	30	93	56	0	21	0	0	4	0	368	14	10	392

ANNEX A:3 - PFS Program Eurasia Activities: 2007-2009	Armenia	Azerbaijan	Belarus	Georgia	Kazakhstan	Kyrgyzstan	Moldova	Russia	Tajikistan	Turkmenistan	Ukraine	Uzbekistan	Sub-Total	CEE/SEE	US/EU/Other	TOTAL
CAPITAL MARKETS																
Performance Measurement and Attribution Workshop Almaty, Kazakhstan - April 2007				20						5		25		1		26
GIPS Presentation Almaty, Kazakhstan - April 2007				35						5		40		1		41
SEC's International Institute for Securities Market Development Washington, DC - April 2008						2				10		12				12
Debate on Investing Kazakh Assets Internationally Almaty, Kazakhstan - April 2008				35			2					37		1		38
Securitization and Bank Liquidity in Armenia Yerevan, Armenia - May 2008	35						1					36		1		37
Capital Markets Development Program - SEC Training Program in Ukraine Kyiv, Ukraine - June 2008	2		1		2							5				5
CFA Institute Training Almaty, Kazakhstan - October 2008		2		26	1			1				30		1		31
Development of the CFA Chapter in Kazakhstan Almaty, Kazakhstan - December 2008 through May 2009				4								4				4
Study Tour to Vienna and Prague Stock Exchanges January 2009					4							4	12	14		30
GIPS Workshop Almaty, Kazakhstan - April 16, 2009				20						2		22				22
GIPS Presentation at Risk Management Conference Almaty, Kazakhstan - April 15, 2009				80	5		15	3		5	4	112		6		118
Investor Relations Seminar Yerevan, Armenia - June 17, 2009	52		4							1		57		4		61
Regional Workshop on Corporate Governance Yerevan, Armenia - June 19, 2009	20		1									21		1		22
Capital Markets - Subtotal	109	2	0	6	220	12	2	18	4	0	28	4	405	12	30	447

ANNEX A:3 - PFS Program Eurasia Activities: 2007-2009	Armenia	Azerbaijan	Belarus	Georgia	Kazakhstan	Kyrgyzstan	Moldova	Russia	Tajikistan	Turkmenistan	Ukraine	Uzbekistan	Sub-Total	CEE/SEE	US/EU/Other	TOTAL
INSURANCE																
Study Tour for the Kazakhstan Association of Actuaries to Poland Warsaw, Poland - June 2007					3								3	8		11
Expanding Actuarial Professional Skills in Central Asia Almaty, Kazakhstan - February 2008	4	2		2	65	6		1	1			6	87	2	2	91
Azeri Actuarial Professional Development Level I Baku, Azerbaijan - July 2008		31			2								33		1	34
Azeri Actuarial Professional Development Level I Baku, Azerbaijan - September 2008		40			2								42			42
Actuarial Professional Development - Level II Baku, Azerbaijan - November 2008		30			2								32		1	33
Actuarial Professional Development Level I Kyrgyzstan - April-May 2009					2	30							32			32
Actuarial Professional Development - Level IIIa Baku, Azerbaijan - June 2009		33			2								35			35
Second Actuarial School in Almaty Almaty, Kazakhstan - September 7-12, 2009	2	2		2	61	4	1	2	2		2	2	80		3	83
NAIC Autumn 2009 International Internship Program US - October 24 - December 12, 2009		1											1			1
Actuarial Professional Development Level II Kyrgyzstan - Oct-Nov 2009					2	17							19			19
Actuarial Professional Development - Level IIIb Baku, Azerbaijan - Nov. 30 - Dec. 21, 2009		30			1								31		1	32
Actuarial Professional Development Level II Kyrgyzstan - Dec 2009					1	9							10			10
Insurance - Subtotal	6	169	0	4	143	66	1	3	3	0	2	8	405	10	8	423
TOTAL PARTICIPATION IN PFS EURASIA ACTIVITIES	162	291	3	139	457	134	4	45	7	0	37	13	1292	45	55	1392

ANNEX B: LIST OF PFS PARTNERS

ANNEX B: LIST OF PFS PARTNER ORGANIZATIONS (2000-2009)

Albania

National Bank of Albania
Ministry of Economy, Trade and Energy
Tirana Stock Exchange
Albanian Financial Supervisory Authority

Armenia

AmRating
Central Bank of Armenia
Mortgage Market Participants Association of Armenia
NASDAQ OMX Armenia
Union of Banks of Armenia

Azerbaijan

Association of Insurance Companies in Azerbaijan
Azerbaijan Credit Unions Association
Insurance Supervisor from the Ministry of Finance
Ministry of Finance of the Republic of Azerbaijan
Ministry of Justice of the Republic of Azerbaijan
National Bank of the Republic of Azerbaijan
State Agency of Agricultural Crediting under the Ministry of Agriculture
State Committee for Equities under the President of Azerbaijan

Belarus

Association of Belarus Credit Unions

Bosnia and Herzegovina

Association of Accountants and Auditors of FBiH
Central Bank of Bosnia and Herzegovina
Banja Luka Stock Exchange
Insurance Agency of BiH
Insurance Agency of RS
Securities Commission of Republika Srpska
Securities Commission of FBiH

Bulgaria

Bulgarian Financial Supervision Commission (BFSC)
Bulgarian Stock Exchange - Sofia
Bulgarian National Bank
Orgachim
Economic Policy Institute - Sofia, Bulgaria
Navigation Maritime Bulgare

Croatia

Croatian Employers' Association HUP
E-Student (Croatia)

HAGENA

Marko Globan (Student, Croatia)

MAP Savjetovanja

Croatian National Bank

Varazdin Stock Exchange

VERN

Zagreb Stock Exchange

Czech Republic

Baker & McKenzie v.o.s. - Prague

Czech Ministry of Labour and Social Affairs

Czech Securities Commission

Ministry of Finance of Czech Republic

Ministry of Labor and Social Affairs of Czech Republic

Prague Stock Exchange

PricewaterhouseCoopers Ceska Republika s.r.o.

Union of Accountants of Czech Republic

Personnel Consulting

Estonia

Estonian Accounting Standards Board

Estonian Banking Association

Estonian Financial Supervision Authority

Estonian Public Prosecutor's Office

Hansabank

Limestone Investment Management

Money Laundering Information Bureau of Estonia

Tallinn Stock Exchange

Rita Ilisson

Georgia

Bank of Georgia Group

Georgian Central Securities Depository

Georgian Federation of Professional Accountants and Auditors

Georgian Stock Exchange

Hungary

Bancraft Kft.

BNP Paribas Hungaria Bank rt

Budapest Stock Exchange

Central European University

Hungarian Banking Association

Hungarian Financial Supervisory Authority

MKB rt

Kazakhstan

Actuarial Society of Kazakhstan

Association of Financial Institutions in Kazakhstan

Association of Financial Investment Analysts

Association of Financiers of Kazakhstan
Kazakhstan Association of Asset Managers
Kazakhstan Association of Financial Experts
KzRating

Kosovo

Banking and Payments Authority of Kosovo
Kosovo Bankers' Association

Kyrgyzstan

Alatoo University in Bishkek
Kyrgyz Stock Exchange
Ministry of Finance in Kyrgyzstan
National Union of Credit Unions and Cooperatives

Latvia

Association of Latvian Commercial Banks
Latvian Financial and Capital Markets Commission
Office for Preventing of Laundering of the Proceeds of Finance Crime - Latvia
Riga Stock Exchange

Lithuania

Accounting and Auditing Institute of Lithuania
Association of Lithuanian Banks
Financial Crimes Investigation Service of Lithuania
Lithuanian Accounting Institute
Lithuanian Securities Commission
National Stock Exchange of Lithuania
State Insurance Supervisory Authority of Lithuania

Macedonia

Irena Petkovska - Alumnus - AIESEC Macedonia
Komercijalna Banka AD Skopje
Macedonian Stock Exchange
MAPAS - Macedonia
National Bank of the Republic of Macedonia

Moldova

Securities and Exchange Commission of Moldova

Montenegro

New Securities Exchange Montenegro
Central Bank of Montenegro

Poland

AIESEC in Poland Local Committee University of Warsaw
Faculty of Law and Administration, University of Gdansk, Gdansk, Poland
Fundacja Centrum Organizacji Pożyczkowych (Microfinance Centre)
Insurance and PF Supervisory Commission - Poland
Polish Association of Individual Investors

Polish Ministry of Finance - FIU
Polish Ministry of Justice
Polish National Chamber of Statutory Auditors
Polish State Office for Insurance Supervision
Polish Superintendence of Pension Funds
PricewaterhouseCoopers Sp. z o.o.
The Gdansk Institute for Market Economics
Warsaw Stock Exchange
Bank BPH
XBRL Polska
University of Gdansk

Romania

Bucharest Stock Exchange
Bucharest Stock Exchange - Corporate Governance Institute
Michaela Ionescu
National Bank of Romania

Russia

Credit Union League of Russia
GlobalRating International
Foundation for the Support of Mutual Financial Organizations
Training Center of the Credit Union League

Serbia

AIESEC Serbia
Association of Serbian Banks
Belgrade Stock Exchange
National Bank of Serbia
Responsible Business Initiative Serbia

Slovakia

Bratislava Stock Exchange
Regional Prosecutor's Office Zilina
Slovak Chamber of Auditors
Slovak Financial Market Authority
Supreme Court of the Slovak Republic

Slovenia

Ljubljana Stock Exchange
Securities Market Agency - Slovenia
Slovene Office for Money Laundering Prevention
Center of Excellence in Finance (CEF)
Nina Cankar

Ukraine

Association of Credit Unions of Ukraine
Center for Professional Standards Development at the Kiev Investment Management Institute
Securities and Exchange Commission of Ukraine

State Committee for Financial Monitoring of Ukraine

US

Actuaries Without Borders

Caplin & Drysdale

Community Development Venture Capital Alliance

Federal Reserve Bank of Philadelphia

FTI Technology Consulting

International Insurance Foundation

Iowa Division of Insurance

Lainie Patterson

NAIC

Patton Boggs LLP

Personnel Consulting

Sidley, Austin Brown & Wood

TIAA-CREF

University of Pennsylvania's Wharton International Housing Finance Program

Other / International

Austria

DWS Investments Austria

Pensionskassen

Vienna Stock Exchange

Belgium

Deminor Rating

Canada

McGill University - Montreal

MBA's Without Borders

Denmark

ATP Pension Plan - Denmark

Finanstilsynet (Danish FSA)

European Commission

European Commission

France

Eurosif

Germany

DSW German Shareholders Association

German Cooperative Raiffeisen Confederation

India

IRIS Business Services

International Organizations

European Bank for Reconstruction and Development (EBRD)
Global Corporate Governance Forum
International Finance Corporation (IFC)
International Social Security Association
OECD
United Nations Principles for Responsible Investment (UN PRI)
The World Bank

Ireland

Irish Pensions Board

Israel

Ministry of Finance

Mexico

AFORE XXI – Mexico

The Netherlands

Brooklyn Bridge / TBLI Group

Norway

Norway Registers Development as

Sweden

GES Investment Services

United Kingdom

BusinessWire
ClearProfit
CMS Cameron McKenna
Cross-Border Publishing Ltd.
Department for Work and Pensions UK
European Bank for Reconstruction and Development - EBRD
Furnival Chambers - London, UK
Investor Relations magazine
John Howell & Co. Ltd.
Protiviti - London, UK
Royal & Sun Alliance Insurance Group
Standard Life Investments
UK Investor Relations Society
University College Northampton
UK FSA

ANNEX C: LIST OF GRANTS MADE UNDER THE PFS PROGRAM

ANNEX C: LIST OF GRANTS MADE UNDER THE PFS PROGRAM (2000-2009)

2000:

Economic Policy Institute, Bulgaria

"Transferring Expertise in Bank Restructuring"

2001:

Center for Social and Economic Research – CASE Foundation, Poland

"Restructuring and Development of the Banking Sector in Advanced Transition Countries: Lessons for Bulgaria. The Case of Poland"

International Center for Economic Growth European Center, Hungary

"Restructuring and Development of the Banking Sector in Advanced Transition Countries: Lessons for Bulgaria"

Charles University in Prague-Faculty of Social Sciences Institute of Economic Studies, Czech Republic

"Restructuring and Development in the Banking Sector in Advanced Transition Countries: Lessons of Czech Bank and Debtor Consolidation, Bank Privatization and Acquisition for Bulgaria"

Hungarian Banking Association, Hungary

"Study tour and Roundtable Conference on Bank Security issues in Estonia, Latvia and Hungary; Exchange of Experience in the Fight against Money Laundering"

Association of Securities Dealers (AOCP), Slovak Republic

"Alternative Financing for Companies in the Capital Market"

TARKI Social Research Center, Hungary

"Corporate governance of Pension Funds in an International Context"

M.E.S.A. 10 – Center for Economic and Social Analysis, Slovak Republic

"Pension System in the Slovak Republic"

The Gdansk Institute for Market Economics, Poland

"Analysis of the Economic Impact of the Registered Pledge System in Poland"

Lithuanian Banking, Insurance and Finance Institute, Lithuania

"Insurance Training for Baltic Insurance Professionals"

Chamber of Auditors of Czech Republic, Czech Republic

"International Auditing Seminar: The Role of the Auditor in Mergers and Acquisitions"

Lithuanian Free Market Institute, Lithuania

"Evaluating Economic Implications of the Registered Pledge System in Lithuania"

2002:

Albanian Center for Economic Research, Albania

"Economic Impact of the Registered Pledge System in Albania"

International Center for Economic Growth European Center, Hungary

"Economic Impact of the Registered Pledge System in Hungary"

Center for Economic Development, Bulgaria

"Economic Impact of the Registered Pledge System in Bulgaria"

TARKI Social Research Center, Hungary

"Past Redistribution and Future Imbalances: Generational Accounts in the Hungarian Pension System"

Center for Social and Economic Research - CASE Foundation, Poland

Partial funding for the April 12-13, 2002 conference: "Beyond Transition: Development Perspectives and Dilemmas."

Lithuanian Banking, Insurance and Finance Institute, Lithuania

"Establishment of Pension Funds in the Baltic Republics"

Association of Securities Dealers (AOCP), Slovak Republic

"International Conference: The Role of Financial Markets in Pension Reform"

2003:

Association of Latvian Commercial Banks, Latvia

"Economic Impact of the Registered Pledge System in Latvia"

Gdansk Academy of Banking, Poland

"Updated Analysis of the Economic Impact of the Registered Pledge System in Poland: 2002/2003"

MAKK Hungarian Environmental Economics Center, Hungary

"Survey of Reporting on Corporate Social Responsibility by Listed Companies in Hungary"

The Gdansk Institute for Market Economics, Poland

"Survey of Reporting on Corporate Social Responsibility by Banks, Financial Institutions and Listed Companies in Poland"

The Leadership Forum Prague, Czech Republic

"Survey of Reporting on Corporate Social Responsibility by Listed Companies in the Czech Republic"

2004:

Association of Latvian Commercial Banks, Latvia

"Updated Analysis of the Economic Impact of the Registered Pledge System in Latvia: 2004"

Lithuanian Free Market Institute, Lithuania

"Pilot Project to Develop a Public Awareness/Information Campaign for Pension Reform in Lithuania"

Zagreb School of Economics & Management, Croatia

"Investor Relations Online: Survey of Websites of Listed Companies in Croatia and Survey of Reporting on Corporate Social Responsibility by Listed Companies in Croatia"

2006:

Zagreb School of Economics & Management, Croatia

"Investor Relations Online: Survey of Websites of Listed Companies in Croatia and Survey of Reporting on Corporate Social Responsibility by Listed Companies in Croatia"

Center for Advanced Economic Studies (CEVES), Serbia

PFS Program Grant to co-finance the publication of the fourth issue of the Quarterly Monitor of Economic Trends and Policies in Serbia

Foundation for the Support of Mutual Financial Organizations, Russia

Assistance to EWMI/USAID Moscow fact-finding trip

2007:**Warsaw Institute of Banking, Poland**

Two Training Workshops to be implemented in Montenegro in cooperation with the Association of Montenegrin Banks

Kosovo Bankers' Association, Kosovo

Study Visit to Poland to visit Warsaw Institute of Banking, Polish Bank Association and Gdansk Academy of Banking

Economic Policy Institute, Bulgaria

"Investor Relations Online: Survey of Websites of the Forty Largest Listed Companies in Bulgaria and Survey of Reporting on Corporate Social Responsibility by the Forty Largest Listed Companies in Bulgaria"

Zagreb School of Economics & Management, Croatia

"Third Annual Surveys: Investor Relations Online: Survey of Websites of Leading Croatian Companies – 2006 and Survey of Reporting on Corporate Social Responsibility by Leading Croatian Companies – 2006"

GlobalRating International, Russia

Debate in Almaty, Kazakhstan entitled: "Strengthening the Regulator decreases the risk to the Kazakhstan Banking System."

GlobalRating International, Russia

Debate in Almaty, Kazakhstan entitled: Growth in Kazakhstan's Foreign Borrowing: A Risk to the Economy or Not?"

GlobalRating International, Russia

Debate in Yerevan, Armenia entitled: The Entry of Banks into the Corporate Equity Market is a Threat to the financial Stability and Development of the Market: True or False."

2008:**Azerbaijan Credit Unions Association (AKIA), Azerbaijan**

Roundtable on the Introduction of Deposit Services by Credit Unions in Azerbaijan

Actuarial Society of Kazakhstan, Kazakhstan

Expanding Actuarial Professional Skills in Central Asia - First Regional Actuarial School

Georgian Federation of Professional Accountants and Auditors (GFPA), Georgia

Partial funds for conference "Professional Education and Service Quality Assurance: Experience, Reality, Prospects"

Azerbaijan Credit Unions Association (AKIA), Azerbaijan

AKIA 5th Year Anniversary Conference - Sharing the experience of other credit union systems in improving the efficiency and risk management and creating full service modern credit unions

GlobalRating International, Russia

Debate in Kazakhstan entitled: "The sale of Kazakh banking assets to major foreign investors is the most effective way to resolve the market's liquidity shortage- true or false?"

GlobalRating International, Russia

Debate in Yerevan, Armenia entitled: "Securitization is an essential instrument for increasing the liquidity of banking assets"

GlobalRating International, Russia

Debate on the regulation of the Banking system in Georgia, Tbilisi, Georgia

Union of Banks of Armenia, Armenia

Study Tour to Czech Republic and Poland to assist in setting in the creation of the Financial Ombudsman in Armenia

National Union of Credit Unions and Cooperatives, Kyrgyzstan

Sharing the Experience of Credit Unions in Improving Efficiency and Risk Management

Actuarial Society of Kazakhstan, Kazakhstan

Actuarial School CFA Course Level 1, October - November 2008

Center for Professional Standards Development (CPSD) associated with the Kiev Investment Management Institute (KIMI), Ukraine

Assisting Association of Financial Analysts (AFIA) in Kazakhstan to introduce GIPS Standards

2009:

Zagreb School of Economics & Management, Croatia

"Fourth Edition of Croatian Surveys: Investor Relations Online of Leading Croatian Companies – 2009 and Survey of Reporting on Corporate Social Responsibility (CSR) by Leading Croatian Companies – 2009"

Kyrgyz Stock Exchange, Kyrgyzstan

Study Tour to Austria and Czech Republic to explore the workings of two small stock exchanges in Central Europe (Vienna and Prague)

Fundacja Centrum Organizacji Pożyczkowych (Microfinance Centre), Poland

Developing Expertise in Financial Education in the Eurasia Region

Training Center of the Credit Union League, Russia

Developing Expertise in Financial Education in the Eurasia Region

Azerbaijan Credit Unions Association (AKIA), Azerbaijan

Study Tour to Germany to Study Deposit Insurance for Credit Unions

National Union of Credit Unions and Cooperatives, Kyrgyzstan

Study Tour to Germany to Study Deposit Insurance for Credit Unions

Credit Union League of Russia, Russia

Study Tour to Germany to Study Deposit Insurance for Credit Unions

Actuarial Society of Kazakhstan, Kazakhstan

Launching and development of the ASK Analytical Center

Georgian Federation of Professional Accountants and Auditors (GFPAA), Georgia

Georgia Accounting and Auditing Regulation Conference

Actuarial Society of Kazakhstan, Kazakhstan
Second Regional Actuarial School

ANNEX D: SUCCESS STORIES

SUCCESS STORY:

Implementing International Financial Reporting Standards (IFRS) in CEE

CHALLENGE

Prior to 1999 a standard-setting body in each Central and Eastern European (CEE) country set national accounting standards and national audit standards. The requirement to harmonize national standards with European Union (EU) Directives set the groundwork for pulling divergent national standards in CEE towards common EU standards. However, the level, process and speed of harmonization with EU norms varied significantly from country to country.

The situation changed radically on July 19, 2002 when the European Parliament and the Council issued a Regulation requiring that all companies listed on a stock exchange in an EU member state publish consolidated financial statements in accordance with International Accounting Standards (IAS) for the period beginning on or after January 1, 2005. The Regulation came into effect on September 14, 2002. The eight CEE countries preparing for EU accession realized that this Regulation would apply when they joined the EU on May 1, 2004.

PFS INITIATIVE

In response to requests from professional associations in the three Baltic Republics, the Czech Republic and Slovakia, the PFS Program launched a regional initiative to train accountants and auditors about the implementation and use of IAS. The initiative began with a Regional Symposium on IAS, which informed accounting standard-setting bodies in the three Baltic Republics about the process of adopting IAS within European jurisdictions and other jurisdictions worldwide. The Symposium helped each of the standard-setting bodies develop a “road-map” for IAS implementation.

Thereafter, the PFS Program organized a series of training seminars on IAS, conducted by a world-recognized expert, David Cairns, who served as Secretary General of the International Accounting Standards Committee (IASC) from 1985-1994. The seminars took place in seven of the eight CEE countries that joined the EU on May 1, 2004 and included participants from all eight countries. Each of the seminars included a detailed explanation of one or more standards and practical case-studies/examples demonstrating how the standard should be applied in specific situations. The PFS Program also provided several grants to professional associations to analyze financial reporting of listed companies in the region and provide guidance for the particular challenges of implementing IAS/IFRS in the transition economies of CEE.

During the course of the initiative the issue of financial reporting took on increased urgency. In the context of increasing globalization as well as sophistication of financial markets, and in part due to the fallout from high-profile corporate governance scandals such as Enron and Parmalat, the International Accounting Standards Board, a newly-established successor to the IASC, changed the name of the new standards to International Financial Reporting Standards (IFRS).



“It was a great pleasure to cooperate with you and Mr. David Cairns on the International Accounting Standards (IAS) Seminar held in Prague on April 9-10, 2002. I hope to conduct another seminar in the future in cooperation with the PFS Program.”

Veroslav Sobotka, Head of External Affairs
Institute of the Union of Accountants of the Czech Republic

RESULTS

The PFS Program organized a total of 12 regional seminars/workshops that trained more than 700 accountants, auditors, chief financial officers, stock exchange staff and financial sector regulators in IAS/IFRS. Many of the training materials were translated into local languages; thus the training reached a wider range of professionals and the PFS Program made new IAS/IFRS materials available to a broader audience. All of the training materials were published on the PFS Program website and the websites of the respective partners. The training seminars helped strengthen the institutional capacity of local professional associations and enhance the educational outreach of several stock exchanges. The PFS Program exchanged data and information about corporate reporting, financial disclosure requirements and national accounting standards to a wide range of donors, European institutions, multi-lateral financial institutions and non-governmental organizations (NGOs) engaged in accounting reform. In short, this PFS Program regional initiative contributed to the implementation of IAS/IFRS across the CEE region.

SUCCESS STORY:

Implementing and Improving Registered Pledge / Secured Transaction Systems in CEE and SEE

CHALLENGE

Prior to 1999 several countries in South East Europe (SEE) had not yet implemented registered pledge /secured transaction systems. The absence of such a system created an obstacle for individuals and businesses, particularly small and medium-size enterprises (SMEs), who/which did not have land to pledge as collateral for a bank loan.

The European Bank for Reconstruction and Development (EBRD) had launched a secured transactions initiative among all of its member countries. The initiative focused mainly on legislative analysis and technical assistance to expert teams in several countries to adopt new legislation, which would permit the creation of registered pledges and a pledge registry.

PFS INITIATIVE

In response to a request from the Ministry of Justice of Bosnia and Herzegovina, the PFS Program organized a study visit of three Polish judges to Sarajevo. The Polish judges met officials of the Ministry of Justice and offered recommendations regarding implementing legislation for a registered pledge system.

In organizing the above-mentioned study visit, the PFS Program coordinated its efforts with the EBRD and Norway Registers Development AS. That coordination led to the launch of a regional initiative, co-financed by the EBRD.



In 2001/2002, the PFS Program co-financed five country studies (in Albania, Bulgaria, Hungary, Lithuania and Poland): Each study analyzed the economic impact of the registered pledge system in the respective country. The country studies were co-financed by PFS Program grants to research institutions in each country. The Hungarian study was co-financed by the EBRD. The country studies were presented at a Regional Symposium on Registered Pledge Systems in Six Transition Economies, held in Gdansk, Poland on June 4, 2002. The symposium was organized in cooperation with The Gdansk Institute for Market Economics. Twenty-nine participants from 10 countries attended the symposium.

In 2003 the PFS Program awarded PFS Program grants to analyze the economic impact of the registered pledge system in Latvia and in Poland. On December 11, 2003 the PFS Program, in cooperation with the Association of Latvian Commercial Banks and the Gdansk Academy of Banking, held a Second Annual Regional Symposium on Registered Pledge Systems in Transition Economies. Nineteen persons, representing Hungary, Latvia, Norway, Poland, Serbia, Slovak Republic and the US, attended the Regional Symposium.

In 2004, the PFS Program and the Association of Latvian Commercial Banks co-financed a second study of the economic impact of the registered pledge system in Latvia.

RESULTS

This PFS Program regional initiative addressed an issue that had not previously been examined by the international financial development community, namely, the *economic impact* of expanding access to credit through the use of registered pledges. The regional impact of the initiative was complemented by the benefit of conducting numerous country studies, which enabled benchmarking and comparisons with neighboring countries. Through two symposia and publication of the research on the PFS Program website, the lessons learned were shared across the region and globally.

SUCCESS STORY:

Combating Insurance Fraud and the Use of Insurance Products to Launder Money

CHALLENGE

Beginning in 2000, numerous international law enforcement agencies, multilateral financial institutions and national regulatory authorities noted an increase in insurance fraud and in the use of insurance products to launder money in new member states of the European Union (EU) and in accession countries in South East Europe (SEE). Analysts postulated that the increase in these financial crimes resulted from a combination of numerous factors, including: EU accession, free movement of capital within a larger EU, globalization of financial markets and organized crime's successful efforts to launder money in an effective yet non-violent manner.

Some of the schemes employed, such as criminal groups staging a series of automobile accidents in order to defraud insurance companies and launder money, followed patterns and typologies used previously in the United States and other jurisdictions.

PFS INITIATIVE

The PFS Program launched a regional initiative on this issue, in response to requests from central banks, Financial Intelligence Units (FIUs) and insurance regulators, submitted directly to the PFS Program and to the PFS Program through the Center of Excellence in Finance (CEF) in Ljubljana, Slovenia.



"I have found that networking with colleagues in this regulatory/investigations environment is one of the most powerful problem-solving methods that we as investigators have available to us."

Cindy Schmill, Insurance Fraud Bureau Chief,
Iowa Insurance Division

workshops now recognize that insurance fraud and money laundering through insurance products exist, not only in theory somewhere in the region, but in fact in their own jurisdiction. Thus, the initiative helped to raise awareness and consciousness about these financial crimes. The workshops were a unique forum for sharing practical information peer to peer. Through the workshops, participants were informed about international standards (in insurance supervision and prevention of money laundering) and analyzed case studies that demonstrate best practice in insurance regulation and supervision in the fields of insurance fraud and money laundering. In turn, this awareness led the institutions involved to implement legislation, policies and procedures to prevent and detect these crimes.

Between 2006 and 2009 the PFS Program and the CEF held four regional workshops on this topic, bringing together representatives of central banks, FIUs, insurance companies, insurance regulators and judges. 57 professionals from SEE as well as 17 professionals from Israel, Lithuania, the Netherlands, Poland, Slovenia and the US have participated in the workshops.

Each workshop was multi-country, multi-disciplinary (covering financial, investigative and legal issues), and multi-institutional (as described above). During each workshop, speakers and participants engaged in discussions regarding the specific case studies as well as strategies for investigating insurance fraud and money laundering.

RESULTS

This initiative filled a void; whereas previously many institutions ignored the issue of insurance fraud, all of the institutions participating in this series of

SUCCESS STORY:

Improving Corporate Governance Disclosure and Practice

CHALLENGE

Prior to 1999 no stock exchange in Central and Eastern Europe had implemented a corporate governance code. Very few listed companies in CEE had a designated investor relations officer, and there were no local or regional investor relations societies. National standards in corporate governance, financial reporting and investor relations varied greatly. In large part they fell short of international standards or best practice. Stock exchanges and securities regulators across the region realized that European Union EU accession would present an enormous challenge to CEE listed companies: How would CEE listed companies be able to compete with Western European peers, who had greater resources, and more experience in attracting investors, as well as managing relationships with shareholders and stakeholders?

PFS INITIATIVE

In response to requests from several CEE stock exchanges and securities commissions, the PFS Program launched a multi-faceted regional initiative designed to stimulate listed companies to strengthen financial as well as extra-financial disclosure, and to improve corporate governance practices.

"When I first became acquainted with the PFS Program surveys, I noted that the surveys played a tremendous role in promoting companies in the South East European (SEE) region. They continue to do so. Many of our blue chip companies have obtained more international visibility and consequently have captured even more interest from investors worldwide as a result of the surveys. I am convinced that the PFS Program surveys will continue to benefit our companies, our markets and our investors."

Petra Alexandru
Executive Director, Bucharest - Romania

survey conducted since 2005 contains an additional element. The surveys conducted in summer 2005 included a comparison with peers in Greece and Turkey. The surveys conducted in February and April 2006 included a comparison with peers in Portugal and Spain. Since August 2006 each survey includes a comparison with peers in BRIC (Brazil, Russia, India and China) as well as Ukraine.

The surveys provided a benchmarking tool whereby listed companies could compare their disclosure practices against peers nationally, regionally and with other emerging markets. Furthermore, they contain valuable time-series data used by a wide range of constituencies. The PFS Program used the survey data to develop tailor-made training programs on corporate governance, financial reporting, extra-financial reporting (on environmental, social and governance [ESG] issues) and investor relations.

RESULTS

The multi-faceted PFS Program initiative helped institutionalize improved corporate governance disclosure and practices across CEE and SEE. Beginning in 2001 each of the CEE/SEE stock exchanges implemented a corporate governance code; the PFS Program assisted a number of them (Bucharest, Budapest, Ljubljana, Varazdin, Vilnius and Zagreb) in this endeavor. Inspired in part by the PFS Program surveys, the three Baltic stock exchanges launched the Baltic Market Awards to recognize excellence in investor relations. The PFS Program also cooperated with the Corporate Governance Institute established by the Bucharest Stock Exchange, the Polish Institute of Directors, the Polish Investor Relations Institute and other newly-created professional associations active in these fields. The PFS Program regional surveys and country surveys conducted by local research institutes (and co-financed with PFS Program grants) documented the ongoing positive trend towards disclosure of more detailed governance and extra-financial data. Between 2001 and

At the core of the initiative was in-house research, namely two ongoing semi-annual regional surveys: **Investor Relations Online: Survey of the Websites of the Largest Listed Companies in CEE** (launched in 2001) and **Survey of Reporting on Corporate Social Responsibility (CSR) by the Largest Listed Companies in CEE** (launched in 2003). In 2004, the PFS Program added listed companies in Bulgaria, Croatia and Romania to each of the surveys. Each

survey conducted since 2005 contains an additional element. The surveys conducted in summer 2005 included a comparison with peers in Greece and Turkey. The surveys conducted in February and April 2006 included a comparison with peers in Portugal and Spain. Since August 2006 each survey includes a comparison with peers in BRIC (Brazil, Russia, India and China) as well as Ukraine.

2009 the PFS Program held a total of 17 investor relations seminars, in cooperation with the stock exchanges in each of the new member states of the EU, as well as Bosnia and Herzegovina, and Macedonia. More than 850 people were trained through these events. In cooperation with the School of American Law (SAL) in Gdansk, Poland, and in Wroclaw, Poland, as well as with other CEE/SEE partners, the PFS Program conducted a number of corporate governance workshops for students and recent graduates. Graduates of the SAL and these workshops undertook unpaid internships with the PFS Program. These student/interns analyzed and collected data for the PFS Program regional surveys. Thus, the PFS Program contributed towards educating a new generation of business leaders about the importance of good governance.

SUCCESS STORY:

Detecting and Preventing Domestic and Cross-Border Money Laundering

CHALLENGE

Concerns about laundering of the proceeds of crime, including organized crime, were raised in Central and Eastern Europe in the late 1990s. As legitimate financial flows and cross-border trade increased throughout the region, organized crime also found opportunities to make and launder money. National law enforcement agencies faced a number of obstacles tracking both criminals and funds once they crossed the national border. After the events of September 11, 2001 the laundering of money to finance terrorism became an additional concern.

PFS INITIATIVE

In response to requests from bank associations in the Baltic Republics as well as a request from the head of the Slovene Financial Intelligence Unit (FIU), the PFS Program launched a regional initiative in the field of prevention of money laundering. Between 2001 and 2006 the PFS Program and partner organizations conducted eight regional workshops on prevention of money laundering that brought a total of 274 law enforcement professionals from the CEE region together with law enforcement experts from across new and old member states of the European Union (EU), South East Europe (SEE), Ukraine and the United States.



"The absolutely superb references from the staff members of our Office are a perfect proof to the great utility of the study tour to the United States on prevention of money laundering as well as the undoubtedly perspective value of the expertise that was acquired and the contacts established, in terms of both improving the Latvian legislation and the reinforcement of inter-agency contacts."

Viesturs Burkans, Office for Prevention of Laundering of Proceeds Derived from Criminal Activity, Riga, Latvia

Each workshop was multi-institutional and covered financial, investigative and legal issues. On the first day of each workshop, experts presented a real case study of a money laundering investigation/prosecution from his/her respective jurisdiction, and engaged participants in an interactive discussion about the case. On the second day, participants presented and debated case studies presented by participants from CEE, SEE and Ukraine. As part of the initiative, the PFS Program also organized a study tour to the US for staff of the Estonian, Latvian and Lithuanian FIUs as well as a series of training seminars/workshops for Baltic commercial bankers on compliance with the USA Patriot Act and other prevention of money laundering regulations. The PFS Program also commissioned a survey of websites of FIUs in 40 countries (30 OECD countries, eight non-OECD European countries and two non-OECD Asian countries). The survey was presented at several regional events and published on the PFS Program website.

RESULTS

Law enforcement professionals trained by the PFS Program were responsible for the first successful prosecutions of money laundering in several jurisdictions, including Estonia and Lithuania. These cases, initially presented as participant case studies and discussed with peers from several jurisdictions, were successfully prosecuted and eventually heard in the supreme court of the respective countries. In addition, the PFS Program workshops served as a stimulus for law enforcement agencies in several jurisdictions to sign memoranda of understanding (MOUs) with institutions in neighboring countries.

SUCCESS STORY:

Strengthening Internal Audit in Central Banks and Financial Sector Regulatory Authorities (FSRAs)

CHALLENGE

Internal audit has become increasingly important for financial sector institutions, both private and public, within the context of ongoing globalization of financial markets, development of increasingly sophisticated financial instruments and information technology (IT) advancements enabling the instantaneous transfer of funds worldwide. High profile corporate scandals and shortcomings at a number of FSRAs around the world have led to more stringent regulatory regimes in a wide range of areas including: compliance, conflict of interest, corporate governance, disclosure, energy efficiency, fraud, IT, internal control, procurement, risk management and transparency. Prior to 1999, each financial sector was regulated by a separate regulatory authority in each Central and Eastern European (CEE) country: banks were regulated by the Central Bank, capital markets were regulated by a securities commission and insurance companies were regulated by an insurance regulator. Pension reform had commenced in only a few countries in CEE and South East Europe (SEE), among them Bulgaria, Hungary and Poland. Since then, following a trend that began in Scandinavia, a consolidated FSRA for all financial sectors has been established in Bulgaria, Croatia, Estonia, Hungary, Latvia, Poland and the Slovak Republic. Internal auditors at these newly-created institutions requested training and technical assistance in order to fulfill their function in a multi-functional FSRA.

PFS INITIATIVE

The USAID-funded PFS Program, implemented by East-West Management Institute, Inc. (EWMI), building upon its vast network of professionals in the region and worldwide, responded to this need through a series of activities designed to strengthen the internal audit function within FSRAs and Central Banks throughout CEE, SEE and Newly Independent States (NIS) of the former Soviet Union.

This assistance began with a study visit by the Estonian FSA and other CEE FSRAs to the United States in February 2003 to meet internal auditors from a number of FSRAs, including the Board of Governors of the Federal Reserve System. Since then, a number of regional workshops have been held: at the EFSA in Tallinn, Estonia (2004); at the UK Financial Services Authority in London, UK (2005); and at the Center of Excellence in Finance (CEF) in Ljubljana, Slovenia (2006 and 2007). The initiative culminating in a Workshop hosted by the Internal Audit Department of the Federal Reserve Bank of Philadelphia that brought together internal audit professionals from Central Banks and FSRAs in Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Kosovo, Lithuania, Montenegro, Poland, Serbia and the United States to discuss practical approaches to internal audit (autumn 2008).



"The success of PFS Program is partly due to the distinctive approach chosen. The workshops were oriented towards problem solving, covering of case studies and practical application of certain mythologies."

Ernest Visemirski, IT Internal Auditor, National Bank of Lithuania

RESULTS

This initiative created a number of unique opportunities for internal audit professionals from Central Banks and FSRAs to exchange practical information and discuss case studies with colleagues/peers from CEE, SEE, the NIS and the United States. The PFS Program emphasized the value of peer-to-peer communication and interaction. All of the workshops were interdisciplinary, including sessions on accounting, audit, governance, IT and other issues as well as tailor-made case studies. As a result of this initiative, several institutions established internship and peer exchange programs, in order to continue the process of exchanging expertise and information. The initiative had long-term development impact in terms of establishing and maintaining professional as well as institutional contacts; providing participants with credits towards professional certification; and strengthening institutional capacity in each of the participating institutions.

SUCCESS STORY:

Expanding the Actuarial Profession in Central Asia

CHALLENGE

The Actuarial Society of Kazakhstan (ASK), founded in 2001 with the support of USAID, has reached a crossroads. The financial market was growing fast and demanding more actuarial professionals. Successful in educating an initial pool of actuarial professionals, ASK had reached its capacity in meeting market needs. The challenge was not only to train a much larger pool of new actuaries in international standards and best practices, but also to provide a deeper knowledge to existing professionals.



"The Almaty event was interesting and professionally enriching, and helped to create new partnerships and friendships with colleagues in the region and globally."

Akzharkyn Knykova, President, Actuarial Association of Kazakhstan

PFS INITIATIVE

The USAID-funded PFS Program, implemented by East-West Management Institute, Inc. (EWMI), building upon its vast network of professionals in the region and worldwide, linked ASK to counterparts in Poland, where actuarial professional development is fairly advanced. A group of Kazakh actuaries visited Poland in June 2007 to meet with the Polish Association of Actuaries and professors from the Warsaw University Actuarial Summer School. Upon their return to Almaty, ASK professionals developed a multi-tiered program to expand and improve their capacity to provide actuarial training.

The PFS Program provided a grant to ASK and retained the services of leading international experts to assist ASK in organizing the first Central Asian Actuarial School, which took place in February 2008. A second round of the Central Asian Actuarial School, took place in September 2009, and was partially supported by the government of Kazakhstan.

RESULTS

As a result of PFS support, ASK has become a leader in actuarial professional education in the region. Professionals from Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Georgia, Armenia and Azerbaijan attended the both the First and Second Actuarial School. In addition to providing professional development and training, the events created numerous opportunities for future collaboration between actuaries and insurance specialists in the region. Tuition fees covered a large portion of the costs, and introduced a sustainable training model.

Following this event, the Azerbaijan Ministry of Finance requested assistance from ASK and the PFS Program. ASK and international experts retained by EWMI helped to develop an actuarial certification program and delivered a series of professional certification training programs in cooperation with the Ministry of Finance and USAID Mission in Baku. Other countries, including Kyrgyzstan and Tajikistan, are also asked for assistance.

The PFS Program, through its regional and international partners, was able to help the Actuarial Society of Kazakhstan become a regional center of excellence, and capitalize on its excellent experience to further the growth of the financial industry.

SUCCESS STORY:

Strengthening Consumer Protection in Financial Markets in Armenia

CHALLENGE

Consumers of financial services are particularly vulnerable: it is difficult for a consumer to identify the product features prior to purchase, financial products tend to be technically complex, and the full consequences of financial products may not be known until later (as in the case of pension funds). Additionally, consumers often have little power to seek remedies from banks and other financial institutions, especially in countries with weak judicial systems.

In order to strengthen consumer protection in financial services, the Central Bank of Armenia proposed new regulations and a Law on the Ombudsman in the Financial System. This law would establish a Financial Ombudsman Office to protect the rights and interests of customers of the Armenian banking and financial system. The Central Bank's proposal was met with resistance from the financial industry. Banks initially felt that the proposed regulations were too stringent and were modeled after the UK system, where there has been a longer tradition of consumer legal protection. They argued that the proposed regulations did not fully reflect the market reality in Armenia.

PFS INITIATIVE

The Union of Banks of Armenia approached the USAID-funded PFS Program, implemented by East-West Management Institute, Inc. (EWMI), and requested help to learn more about financial market consumer protection systems developed by Central European countries.

With the help of PFS, a representative of the Union of Banks traveled to Poland and the Czech Republic, where he had several meetings with banking associations, consumer protection organizations and financial ombudsman institutions. The meetings helped to clarify outstanding issues raised in response to the draft regulations and Law on the Ombudsman.

RESULTS

The study trip helped create stronger linkages and opportunities for cooperation between banks in Armenia and banks in Central Europe. As a result of PFS support, the Union of Banks of Armenia was able to share the best practices and experience of other Central European countries that had introduced financial market Ombudsmen. In the long run, this helped create more support for the creation of a financial market Ombudsman, which began operations on January 24, 2009.

Another outcome of the PFS-supported initiative was the acceptance of the Union of Banks of Armenia as an associate member of International Association of Financial Ombudsman, the first country from Eurasia to join this international network promoting best practices in consumer protection in financial services globally.

SUCCESS STORY:

Modernizing Credit Union Law in Azerbaijan

CHALLENGE

Following the collapse of the Soviet Union, several Azerbaijani credit unions developed spontaneously, without proper government oversight. Due to poor management and, in some cases, illegal activities, depositors lost their savings. In response to this crisis, the government passed a Law on Credit Unions, banning credit unions from accepting deposits. In this manner, one of the principal purposes of credit unions – serving as a depository and savings institution – was undermined. Operating as a credit-only system will hinder Azeri credit unions from achieving sustainability and competitiveness in the market. New legislative reform is greatly needed. The current law does not fully recognize the important role that these small scale financial institutions may play in providing access to financial services for lower income clients.



“The support of leaders of credit cooperation of Poland, Ukraine, Belarus, Russia, as well as WOCCU for the initiative of the Azerbaijan Credit Union Association to improve the laws was a decisive factor for the authorities.”

- Elchin Baghirov, *Chairman of the Board of AKIA*

PFS INITIATIVE

The USAID-funded PFS Program, implemented by East-West Management Institute, Inc. (EWMI), helped the Azerbaijan Credit Unions Association (AKIA) create an opportunity to review the experience of other credit union systems in the region. With EWMI’s support, AKIA hosted an international round table discussion in Baku in January 2008. During the workshop members of the Parliament of Azerbaijan, representatives of the State Agency of Agricultural Crediting under the Ministry of Agriculture, Ministry of Justice, and the State Committee for Equities discussed international best practices and the current Azeri Credit Union Law with representatives of credit unions in Poland, Belarus, Russia and Ukraine, as well as representatives of the World Council of Credit Unions (WOCCU).

RESULTS

Workshop showed that limiting the Azeri credit unions’ ability to act as mutual financial organizations does not meet international best practices. The participants developed recommendations to improve and amend the current legislation. As a result, the deputy chairman of the National Bank of Azerbaijan announced that AKIA would lead a working group to amend the credit union law in Azerbaijan to bring it closer to international standards. The working group succeeded in developing a regulatory and legislative framework that will pave the way to allow the credit unions penetrate the markets deeper while the regulators will gain necessary risk management tools to ensure the transparency and soundness of the system.

SUCCESS STORY:

Improving Transparency of Capital Markets in Kazakhstan

CHALLENGE

Rapid growth in the investment industry and financial markets in recent years in Kazakhstan cannot continue without greater transparency in financial and investment reporting. Two challenges stood in the way of introducing international standards and applying the Global Investment Performance Standards (GIPS): lack of knowledge about the standards and lack of Russian language materials for the professionals.

GIPS is a set of guidelines and standards that instruct money managers how to present performance figures to the market, and on the associated disclosure of information on investment objectives. GIPS are designed to help the potential investor make an informed decision when they are investing in a fund. At first it was U.S.-centric, but evolved into Global Investment Performance Standards in 1999.

PFS INITIATIVE

As a starting point, the USAID-funded PFS Program, implemented by East-West Management Institute, Inc. (EWMI), helped to organize a workshop on performance measurement and attribution to introduce GIPS concepts and practices to the investment professionals and regulators in Kazakhstan.

"I really appreciated PFS and EWMI for the excellent professional workshop with such a brilliant speaker, one of the leaders in the field globally."

- Ludmyla Zhurakhovska, Kiev Investment Management Institute

The workshop was led by Carl Bacon, one of the leading experts on the subject. In addition, the Ukrainian Society of Financial Analysts (USFA) presented their experience in creating the CFA Institute country sponsor for GIPS in Ukraine, and recommended that the Kazakhstan Association of Financial Investment Analyst (AFIA) act as a sponsor for the GIPS program in Kazakhstan.

RESULTS

As a result of PFS support, and with the help of the Ukrainian experts from USFA, the Kazakhstan Association became a country sponsor for the GIPS program, and was accepted into the international network, and into the European Federation of Financial Analyst Societies. This step has put Kazakhstan on the international map of countries introducing transparent financial and investment reporting.

As the next step in the cooperation between Ukraine and Kazakhstan, the Ukrainian experts provided the Russian version of the GIPS standards, which made them widely accessible for the financial professions. In addition, USFA is preparing the translation of the GIPS Handbook into Russian, which they will use to train the Kazakh professionals in the practical implementation and application of GIPS standards.