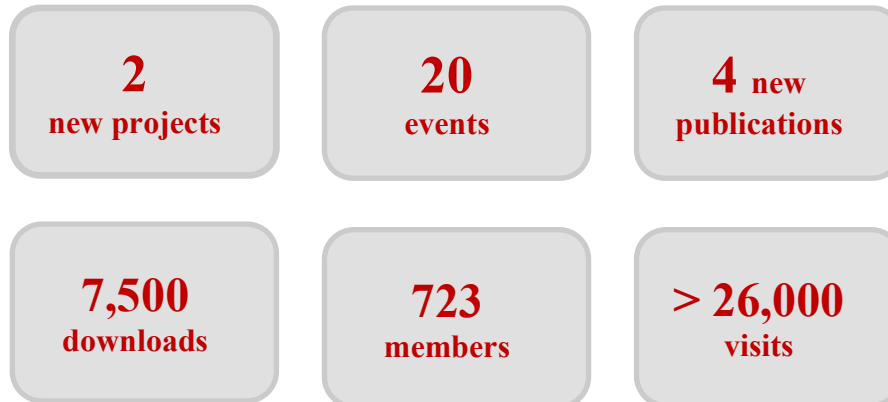


The Long Finance initiative continues to encourage the development of long-term solutions. Through its programmes, research agenda and publications, events and communities, Long Finance tries to expand frontiers, change systems and deliver services to foster a long-term approach to finance. This document presents ‘Evidence of Worth’<sup>1</sup> by reviewing Long Finance achievements during 2013.

### LONG FINANCE IN 2013



#### In 2013, Long Finance...

... launched two new projects:

- ◆ **Financing Tomorrow’s Cities** – a project created with the City of London Corporation, which aims to discuss and identify financing mechanisms, risk management products and engineering solutions for tomorrow’s cities through shared research, events and discussions.
- ◆ **How to Make Voluntary Standards Markets Work for Financial Services Regulation** – a research project created with BSI and the Chartered Institute for Securities & Investment (CISI) which explored what role voluntary standards markets could play in financial services regulation through semi-structured interviews, a series of workshops and a survey.

... released four new publications, totalling 26 (pure) Long Finance publications available to download:

- ◆ **“Backing Market Forces: How to Make Voluntary Standards Markets Work for Financial Services Regulation”** by Michael Mainelli and Chiara von Gunten, Z/Yen Group, BSI, CISI and Long Finance (November 2013), 72 pages.
- ◆ **“Global Financial Centres Index (GFCI) 13”** and **“Global Financial Centres Index (GFCI) 14”** by Mark Yeandle and Nick Danev, Z/Yen Group and Qatar Financial Authority, (March and September 2013), 50 pages each.
- ◆ **“Keep Your Lid On: A Financial Analyst’s View of the Cost and Valuation of DB Pension Provision”** by Con Keating, Ole Settegren and Andrew Slater, Long Finance, Finance Shorts series (March 2013), 31 pages.

...organised 20 events in London, UK and participated in 15 other events globally.

**EXPANDING FRONTIERS AND CHANGING SYSTEMS**

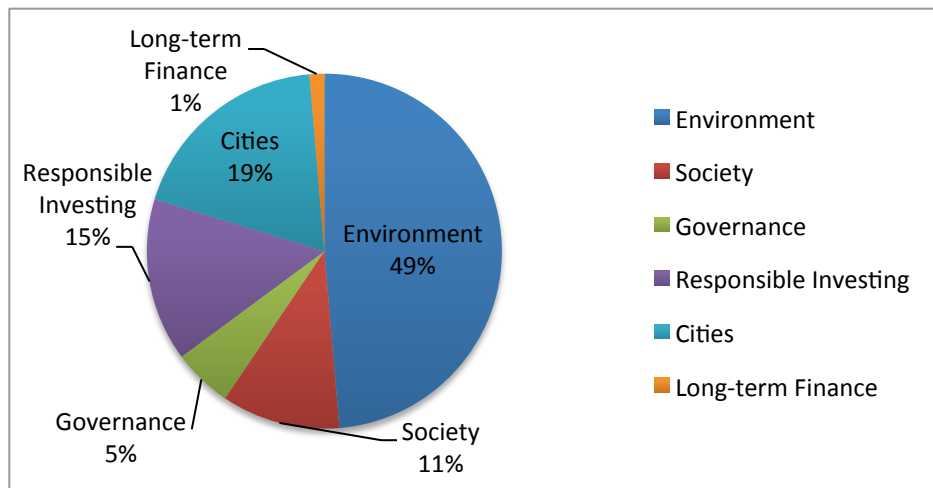
**The London Accord**

*60 contributors are now sharing over 420 freely accessible reports on finance, cities, environmental, social & governance (ESG) issues.*

A total of 421 reports were available on the London Accord at the end of 2013, representing a 20% increase from the 350 reports available at the end of 2012. The Farsight Award rewards the best individual piece of analysis done by an investment research institution that integrates traditional financial analysis with longer-term ESG issues. Created in 2006, it became an award category of the Sustainable City Awards organised by the City of London Corporation, in 2009. **Out of 95 reports considered, Kepler Cheuvreux won the 2012/13 Farsight Award for their report titled “Luxury Goods – Sustainability Sector Profile”.** The judges found it provided “a good example of a well-integrated report where one sector falls under the microscope of a sell side research team. The report will be of interest to long-term investors as well as to those who want to learn more about the sustainability drivers in the luxury sector.” Bank of America Merrill Lynch and Deutsche Bank were highly commended for the excellence of their research.

The chart below gives an indication of the research areas that were most explored in relation to finance by our contributors.

**Chart 1 – London Accord Most Popular Research Areas in 2013**



The table below shows the most popular reports downloaded from the London Accord in 2013.

**Table 1 – Most popular London Accord reports in terms of downloads in 2013**

Contributor	Report	Year
Deutsche Bank	The Socially Responsible Quant	2013
Deutsche Bank	LT Asset Return Study: A Journey into the Unknown	2012

Kepler Cheuvreux	Luxury Goods – Sustainability Sector Profile	2012
Bank of America Merrill Lynch	No Time to Waste – Global Waste Primer	2013
Bank of America Merrill Lynch	Less Is More – Global Energy Efficiency	2012
Credit Suisse	A Primer on Impact Investing	2013
Berwin Leighton Paisner LLP	Resilient Cities: the Key to the Future	2012
Bank of America Merrill Lynch	The Global Water Sector	2011
SolAbility	Sustainable Competitiveness Index	2013
HSBC	No Water, No Power: Is There Enough Water To Fuel China's Power Expansion?	2012

**Five new contributors**, including Berwin Leighton Paisner LLP, FTSE and Lloyd’s, joined the London Accord in 2013, totalling 60 contributors who kindly share financial research on cities, environmental, social & governance issues on the London Accord.

‘Cities’ was added as a fourth thematic strand to reflect the growing interest in sustainable urban development and finance. This strand is part of a year long “**Financing Tomorrow’s Cities**” project which seeks to encourage discussion on innovative financing mechanisms for tomorrow’s cities. First introduced at the “7<sup>th</sup> European Conference for Sustainable Cities and Towns” held in Switzerland in April, the project was formally launched in London in November with Lord Mayor Fiona Woolf of the City of London and senior representatives from the banking, legal, insurance, policy and construction sectors. At the end of 2013, 28 cities-related reports were freely available online.

**Financial Centres Futures**

*The 13<sup>th</sup> and 14<sup>th</sup> edition of the GFCI were released and now include an updated competitiveness typology and cover more financial centres.*

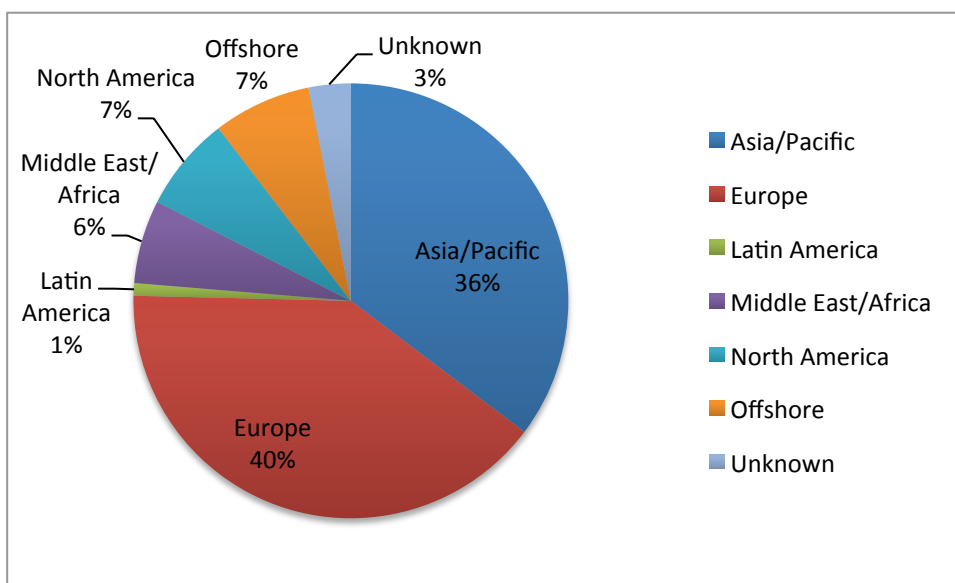


The Global Financial Centres Index, which provides profiles, ratings and rankings for 80 financial centres, continues to reach a global audience online, through events including in the UK, US, Canada, Russia and South Korea and through global media press outlets including the Financial Times, City AM and the Swiss Banking Yearbook.

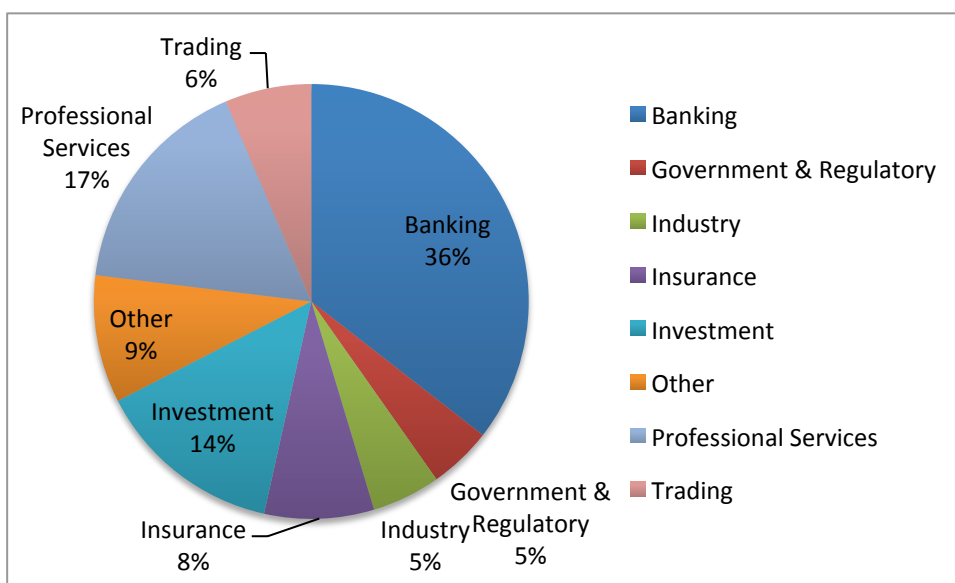
The widespread media attention to GFCI in 2013 confirmed that it is one of the most widely respected and used indicators of financial centres’ competitiveness.

Sponsored by the Qatar Financial Centre Authority, the Financial Centre Futures programme is always looking to expand, develop and learn from the index. 2013 saw three new cities added to the GFCI – Tel Aviv, Panama and Cyprus. This year, the taxonomy of areas of competitiveness was entirely reviewed in order to better account for the many aspects that shape a financial centre’s competitiveness. In 2013, the GFCI used 102 instrumental factors (third party measures and indices), a nearly 20% increase from 2012, alongside over 18,000 financial centre assessments from 1,275 respondents. The charts below give an indication of the respondents’ location and sector of activity.

**Chart 2 – GFCI Respondents 2013 - Location**



**Chart 3 – GFCI Respondents 2013 – Sector split**



The full GFCI is published every six months (in March and September) since 2007, with interim versions produced in June and December. The progress of each financial centre can be tracked online using the GFCI Over Time tool.

## DELIVERING SERVICES AND SHARING KNOWLEDGE

### **Research & Publications**

*26 publications on finance and the long term are freely available to download and more is to come building on the Long Finance research agenda.*

Long Finance takes a collaborative approach to research by working with financial services professionals, universities and governments to advance innovative thinking on a wide range of subjects taking a long-term view and to influence policy-making that accelerates change. In 2013, efforts were devoted to further structure key Long Finance research areas to offer an overview of major themes in which we have an interest, as shown in the table below.

**Table 2 – Long Finance research agenda**

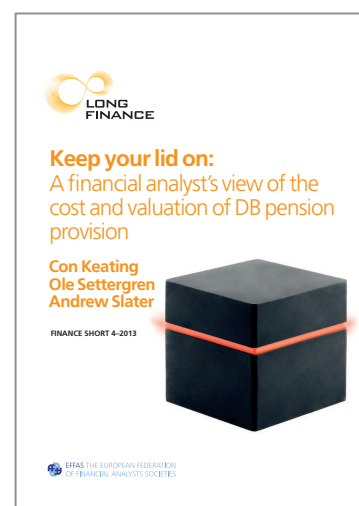
Theme	Research areas
Measurement	<ul style="list-style-type: none"> <li>◆ Confidence Accounting**</li> <li>◆ Long-Term Performance Measurement</li> <li>◆ Uses and Abuses of Discount Rates*</li> </ul>
Financial System	<ul style="list-style-type: none"> <li>◆ Insured Utility Banking*</li> <li>◆ Futures of Finance</li> <li>◆ Clustering*</li> <li>◆ Asset Management*</li> <li>◆ Global Financial Centres**</li> <li>◆ Emerging Markets*</li> <li>◆ Sell-Side Research</li> </ul>
Monetary Systems	<ul style="list-style-type: none"> <li>◆ Common Tenders*</li> <li>◆ Eternal Coin*</li> <li>◆ Alt Coins</li> </ul>
Regulation	<ul style="list-style-type: none"> <li>◆ Mortgages*</li> <li>◆ Voluntary Standards Markets*</li> <li>◆ Compliance Architectures</li> </ul>
Governance	<ul style="list-style-type: none"> <li>◆ Ethics</li> <li>◆ Ethical Banking*</li> </ul>
Structure	<ul style="list-style-type: none"> <li>◆ Pensions Indemnity Assurance and Internal Growth Rate Measures for Pensions**</li> <li>◆ Cyber Reinsurance*</li> </ul>
Behaviour	<ul style="list-style-type: none"> <li>◆ Concept of ‘Fairness’</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>◆ London Accord 2007** (24 integrated reports) &amp; London Accord*</li> <li>◆ Policy Performance Bonds (Index-Linked Carbon Bonds and Index-Linked Forestry Bonds)</li> </ul>

(\*) indicates research at an active stage / (\*\*) indicates research at an advanced stage



In November 2013, Long Finance published “**Backing Market Forces: How to Make Voluntary Standards Markets Work for Financial Services Regulations**” jointly with BSI and CISI following a research project which explore how voluntary standards could play a greater role in rebuilding a safer and more trusted financial services sector. Released in November 2013, the report argues that adopting voluntary standards, alongside regulation, could provide a ‘third way’ between self-regulation and over regulation from government.

Long Finance also published in the *Finance Shorts* series “**Keep Your Lid On: A Financial Analyst’s View of the Cost and Valuation of DB Pension Provision**” authored by Con Keating, Ole Settegren and Andrew Slater. The paper introduces a method, the Internal Growth Rate (IGR), which is accurate, stable and entirely consistent with fair value accounting, though it does not rely on market prices or yields. The authors show that discounting using IGR meets reporting objectives. The many alternatives in current use (e.g. risk free rate, Gilts, expected asset return) are shown on the contrary to lead to over or under estimates, bias and volatility.



In March 2013, the **responses to the consultation on Confidence Accounting** carried out by ACCA and Long Finance following the publication in 2012 of “Confidence Accounting: A Bold Proposal” were released online. Confidence Accounting is a proposal to use distributions, rather than discrete values, where appropriate in auditing and accounting, resulting in presentations of distributions for major entries in the profit & loss, balance sheet and cashflow statements. Of people who either emailed comments or answered questions during events held as part of the consultation, most showed support for the proposal and were keen to explore it further. Some expressed doubts that it would solve current problems. The rest, considered as neutral, seemed to indicate that implementing change in the field of accounting and auditing could prove difficult. Work is expected to continue in 2014 to demonstrate how confidence accounting could work in practice.

26 Long Finance publications were available to download for free online at the end of 2013. The table on the next page gives an indication of the most popular in 2013 in terms of downloads.

**Table 3 – Top 10 most popular downloads in 2013 (Long Finance publications)**

Publication Title	Year
GFCI 13	2013
GFCI 14	2013
Keep Your Lid On: A Financial Analyst’s View of the Cost and Valuation of DB Pension Provision	2013
GFCI 12	2012
Backing Market Forces: How to Make Voluntary Standards Markets Work for Financial Services Regulation	2013
In Safe Hands? The Future of Financial Services	2011
GFCI 9	2011
GFCI 11	2012
Confidence Accounting: Consultation Responses	2013
In Search of the Eternal Coin: A Long Finance View of History	2010

Long Finance blog the Pamphleteers also attracted significant attention in 2013. The table below shows a selection of popular articles released in 2013.

**Table 4 – Popular Pamphleteers’ blog articles from 2013**

Author	Article	Date
Chris Yapp	How Many Currencies?	December 2013
Adrian Berendt	The Law of Unintended Consequences: “Why OTC Derivative Reform and Basel III will not bring the Financial Patient back to Health”	November 2013
Con Keating	Trust and Commitment	October 2013
Chris Yapp	When is a Bubble not a Bubble?	September 2013
Tim McDonald	Why We Will/Won’t Always Think Short Term?	June 2013
Con Keating	EC Consultation on Long-term Investment	May 2013
Rob Julian	Public Fears, Private Prejudice: Alternative of Complementary Principles of Differentiation	April 2013
Mike Young	On the Morality of Lending and Debt	April 2013
Shann Turnbull	Can Democratic Money with Environmental Values Reduce Market Failures?	February 2013
Chris Yapp	George Soros and the Dog that didn’t Bark	February 2013

**Events**

*In 2013, Long Finance organised 20 events in the UK and participated in over 15 more events internationally.*

Long Finance events bring together professionals from a wide range of disciplines and sectors relevant to finance.



The Long Finance Spring Conference provides a forum for professionals to discuss topics that will be significantly influential over the long term. The 2013 Spring Conference titled “How to Innovate, What to Regulate: Achieving Real Change on the Road to Long Finance” was kindly hosted by Bank of America Merrill Lynch on 13 March. The conference explored what progress if any had been made since 2008 in addressing the problems revealed by the financial crises with Professor Thorsten Beck (Tilburg University), Barbara Ridpath, John Authers (Financial Times), Chris Hewett (The Financial Innovation Lab), Richard Templer (Climate-KIC UK), Jan-Peter Onstwedder (Citi), and Professor Michael Mainelli (Z/Yen Group).

Long Finance organised a further 19 events throughout 2013, of which a selection is presented below.

**Table 5 – Selected Long Finance Events held in 2013**

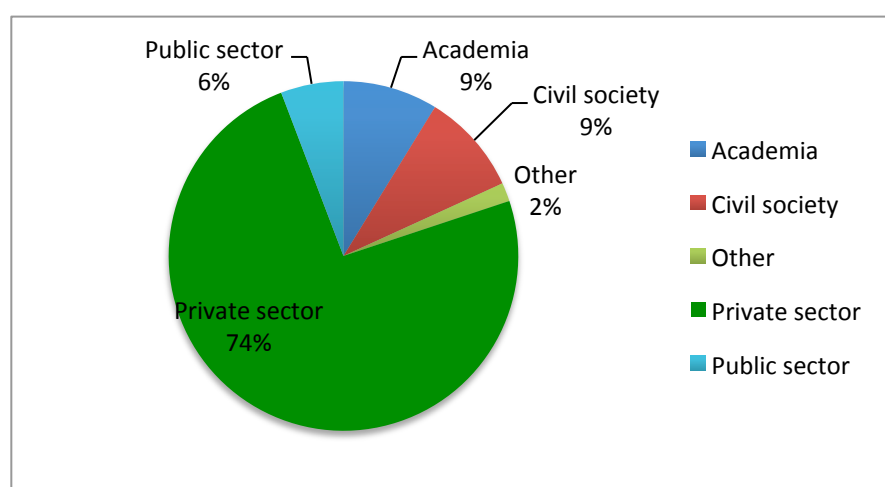
Event title	Attendance
Financing Tomorrow’s Cities – Launch Event	120
EU Energy Policy 2030: Friend or Foe to Energy Investment?	28
Backing Market Forces – How to Make Voluntary Standards Markets Work for Financial Services Regulation – Report Launch	40
Devil’s In The Details – Angel Investors And Innovation For The Long Term	20
Why Go To The USA Or Germany For Money? Why Can’t We Have Private Placements In The UK?	36
UK National Debt: Lessons From History For A Forgetful Government Today	31
Between The Crashes: Reflections and Insights on UK Politics and Global Economics in the Aftermath of the Financial Crisis	34
Long Finance Spring Conference 2013	200
Keep Your Lid On – Pensions Valuation	35
The Corporation That Changed the World – The East India Company	36



## BUILDING COMMUNITIES

2013 saw 26,000 visits from nearly 15,000 unique visitors to the Long Finance website, whilst there were 178 new members on the Long Finance online community. The community allows like-minded individuals to cooperate, share ideas, participate in discussions and network. The online community is truly international with over 720 members from 46 countries.

**Chart 4– Community Members’ Sector of Activity**



As shown in the chart, most of the Long Finance community members (74%) work in the private sector, with the remaining working in academia, civil society or the public sector. Members active in the private sector tend to work primarily in financial services, as well as professional and business services but also in media, energy & technology, IT & ICT and sustainability.

As well as quite a few job postings, popular discussion topics in 2013 included:

- ◆ Smart cities
- ◆ Public-private partnerships
- ◆ Climate bonds
- ◆ Vaccine bonds
- ◆ Bitcoin
- ◆ Community financing models
- ◆ Standards & regulation

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## THANKING OUR PARTNERS

Long Finance would not be able to continue to fulfil its mandate without the generous support of our sponsors and contributors. We would like to express our gratitude to Qatar Financial Centre Authority, the City of London Corporation, Gresham College, BSI, the Chartered Institute for Securities & Investment, and Z/Yen Group for their long-standing support.

We are also very grateful to Bank of America Merrill Lynch for hosting our Long Finance Conference 2013.

We would like to thank also all the London Accord contributors for sharing research and thus continuing to support the London Accord as an open resource where people can access the latest investment research on cities and ESG issues.

We take this opportunity to thank the members of the Long Finance Advisory Board for their wise guidance. Finally, we would like to thank those in our community who contribute their thoughts and time to the Long Finance and London Accord events, blogs, and discussions on the online community.

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<sup>i</sup> Ian Harris, Michael Mainelli and Mary O’Callaghan, “Evidence of Worth in Not-for-Profit Sector Organisations”, *Journal of Strategic Change*, Volume 11, Number 8, John Wiley & Sons (December 2002), pages 399-410 - [http://www.zyen.com/index.php?option=com\\_content&view=article&id=135&Itemid=359](http://www.zyen.com/index.php?option=com_content&view=article&id=135&Itemid=359)