



LONG FINANCE EVIDENCE OF WORTH 2012

Long Finance
Evidence of Worth
2012

INTRODUCTION

With the Libor scandal hitting market confidence, a deepening monetary and debt crisis in the Euro-zone and slowing global growth, the Long Finance initiative's goal to **“improve society's understanding and use of finance over the long term”** is as topical as ever. Over the last year the initiative has worked to encourage the development and discussion of long-term solutions, at a time when short-term thinking seem all too tempting. Through its communities, events and publications, Long Finance continues to expand frontiers, change systems and deliver services to foster a long-term approach to finance. This document presents the “Evidence of Worth”¹ of the Long Finance initiative during 2012.

HIGHLIGHTS OF THE YEAR

The major proposal to emerge from Long Finance in 2012 is “Confidence Accounting”, published in July in association with the Association of Chartered Certified Accountants (ACCA), the Chartered Institute of Securities and Investments (CISI) and Z/Yen Group. Other achievements include the publication of “In Safe Hands? The Future of Financial Services”; the Long Finance Spring Conference, “Into the Folly of Value: Reforming Sustainable Finance”, hosted by Bank of America Merrill Lynch; the annual Farsight Award; the Long Finance Autumn Conference, “Measures Beyond Money”, hosted by University College London; and the first Meta-Commerce Workshop to identify the critical questions facing finance.

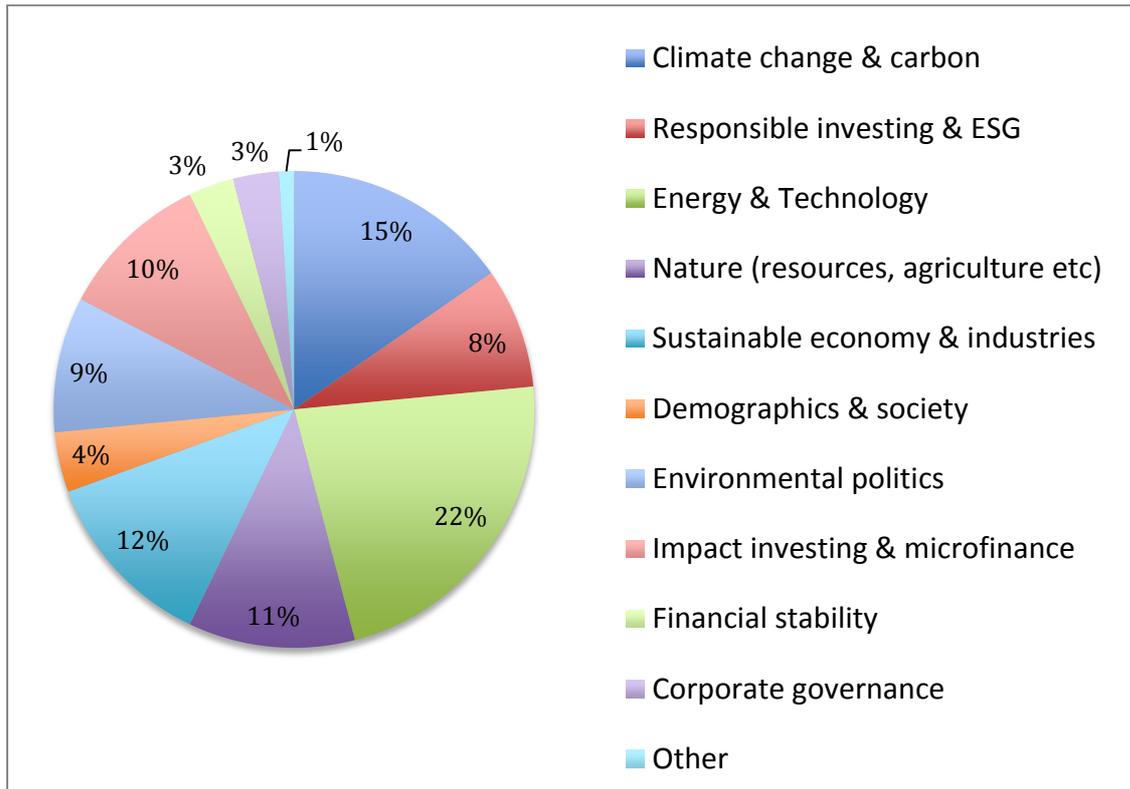
EXPANDING FRONTIERS AND CHANGING SYSTEMS

The London Accord

55 research contributors are now sharing nearly 350 freely accessible reports on finance and environmental, social & governance (ESG) issues.

In a year that has seen significance progress made in the area of Environmental, Social & Governance issues at Rio +20, with the adoption of the private-sector led Natural Capital Declaration and the extension of the Kyoto Protocol at Doha, the London Accord has seen further growth. 2012 ended with nearly 350 reports available online free of charge, representing a 40% increase compared to 2011. During 2012, there were 2,700 downloads of the London Accord reports. The figure below gives an idea of the topics that were the most researched by our contributors in 2012 with ‘Energy & Technology’, ‘Climate Change & Carbon’ and “Sustainable Economy & Industries” scoring particularly well.

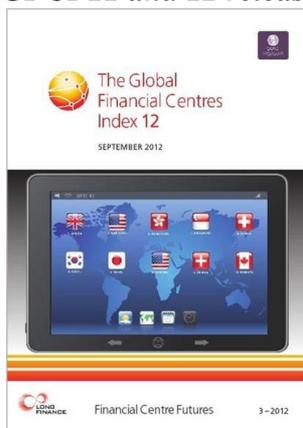
¹ “Evidence of Worth in Not-for-Profit Sector Organizations”, Journal of Strategic Change, Volume 11, Number 8, pages 399-410, John Wiley & Sons (December 2002).



The 2011/12 Farsight Award was won by **Responsible Research** with their report “The Future of Fish in Asia”. At the Mansion House ceremony, judges described the report as a “useful and highly relevant analysis of a niche theme with global implications” providing “practical actions and recommendations to investors”. The Carbon Tracker Initiative, HSBC, and Bank Sarasin were highly commended for the excellence of their research. 117 reports were considered for this Award.

Financial Centre Futures

GFCI 11 and 12 released and new questionnaire on emerging markets launched.



2012 marked the 5th anniversary of the Global Financial Centres Index, and the publication of GFCI 11 and GFCI 12.

The index, which ranks 75 global financial centres by competitiveness, reached a global audience with over 6,000 downloads of GFCI 11 and 12, and articles printed in several leading papers including the Financial Times and the Economist. The Financial Centre Futures programme sponsored by the Qatar Financial Centre Authority, is always looking to expand, develop and learn from the index. 2012 saw four new cities added to the GFCI - Abu Dhabi, Calgary, Panama and Cyprus (Nicosia) - in addition to 14 new and six improved ‘instrumental factors’. GFCI now includes a total of 86 instrumental factors ranging from City Competitiveness and Projected Economic Growth to Quality of Living and City Global Appeal.

Building on the index's exploration of the competitiveness of cities, Financial Centre Futures also publishes reports on topical issues for the financial services sector. August 2012 saw the online publication of "Success of the Fittest: Shifts in Asset Management". Research is underway on a new report, to be published in early 2013, into the impact of the euro crisis on emerging markets. As part of this research a new questionnaire was designed and sent to GFCI respondents.

Meta-Commerce & Eternal Coin

The first Meta-Commerce colloquy was hosted at the office of Z/Yen in September 2012, gathering a small group of thoughtful and experienced people to discuss how a road map of questions might begin to be structured in order to contribute towards a robust research agenda. The event was prefaced by the publication online of Ian Harris' short '[thought piece](#)' on the Meta-Commerce programme.

Following on from the colloquy, a workshop was held at the Z/Yen office in November 2012, attended by 30 people from a range of professional backgrounds, including central banking, geography, land planning, pension funds, carbon investing, sustainable development, technological innovation, alternative currencies and financial product development. All participants had been invited to contribute to [a survey](#) some weeks in advance of the workshop. Based on the feedback received from 32 respondents the workshop was structured around three themes:

- ◆ Externalities (e.g. environment, resource scarcity)
- ◆ Nature of money
- ◆ Societal concerns (e.g. educational, inter-generational)

A [workshop report](#) was published on the online community and work will carry on in 2013 to develop research proposals around three key themes: fairness, trust and value/price.

DELIVERING SERVICES AND SHARING KNOWLEDGE

Publications



In addition to the Financial Centre Futures reports released in 2012, Long Finance also published "Confidence Accounting". This bold proposal, which received media coverage in the Financial Times on its publication in July, argues for the use of distributions, not discrete values, to present major entries in the profit & loss, balance sheet and cashflow statements of audits and accounts. Proposed benefits include fairer representation of financial results, reduced footnotes, more measurable audit quality and a mitigation of mark-to-market perturbations.

A consultation period was announced in September until the end of 2012. During this period five events (both public and private) were organised, aimed specifically at the audit and accounting community and attended by over XX people. 25 people responded to a survey, the findings of which showed that half of respondents believed that a move towards Confidence Accounting was inevitable.

Events

The Long Finance & London Accord bi-annual conferences provide a forum for 200 professionals to discuss critical and emerging topics that are shaping, or will impact, finance over the long term. Our events bring together professionals from a cross-section of disciplines and sectors relevant to finance.

On 1 March 2012, kindly hosted by Bank of America Merrill Lynch our **Spring Conference, “Into the Folly of Value: Reforming Sustainable Finance”** explored the topic of monetary stability in uncertain times and some opportunities and challenges in sustainable finance. Speakers included Professor Charles Goodhart (LSE), Dr. Matthew Kiernan (Innovest), Ben Dyson (Positive Money), Joss Tantram (Terrafiniti), Marusa Freire (Central Bank of Brazil), and Valery Lucas-Leclin (Bank of America Merrill Lynch).

On 14 November 2012, kindly hosted by UCL our **Autumn Conference “Measures Beyond Money”** explored the concept of ‘emergy’ and how it can be used as a universal accounting unit. The discussion was then extended around sustainable growth beyond the economic measure of GDP. Speakers included Denis White (University of Oregon), Steven Fries (DECC), Balasz Magyar (Bank Sarasin), Chris Goodall (Carbon Commentary), Professor Stephen Smith (UCL), Professor Paul Ekins (UCL) and Andrew Simms (nef).



Long Finance hosted or supported 22 further events in 2012 on subjects including:

- ◆ Scenario planning and future of financial services;
- ◆ Regulating the regulators;
- ◆ Reforming sustainable finance;
- ◆ The role of capacity exchange and alternative currencies;
- ◆ 19th Century insights into 21st Century Finance;
- ◆ Environmental finance;
- ◆ Measures beyond money and the concept of ‘emergy’.

BUILDING COMMUNITIES

Bringing people together to share ideas and build knowledge is central to the objectives of the Long Finance initiative. The last year has seen both the online and offline networks grow significantly, with new members on the Long Finance online community increasing by 130 per cent compared to 2011. The community is truly international with 578 members from across the globe including the Australia, Cambodia, Canada, France, Germany, Holland, Hong Kong, India, Italy, Kenya, Lithuania, New Zealand, Norway, Qatar, Russia, Saudi Arabia, Serbia, Singapore, South Africa, Spain, Switzerland, Tokyo, Turkey and the United States. The online community allows like-minded individuals to cooperate in the field of Long Finance, through sharing ideas, starting discussions and networking.

Discussion topics in 2012 included:

- ◆ the flaws in our banking and monetary system;
- ◆ Capacity Trade;
- ◆ Rio +20;
- ◆ Retail banking models;
- ◆ Moral limits of markets;
- ◆ Confidence Accounting;
- ◆ Finance as an evolutionary system;
- ◆ Meta-Commerce systems.

Figure 1 - COMMUNITY MEMBERS' SECTOR OF ACTIVITY

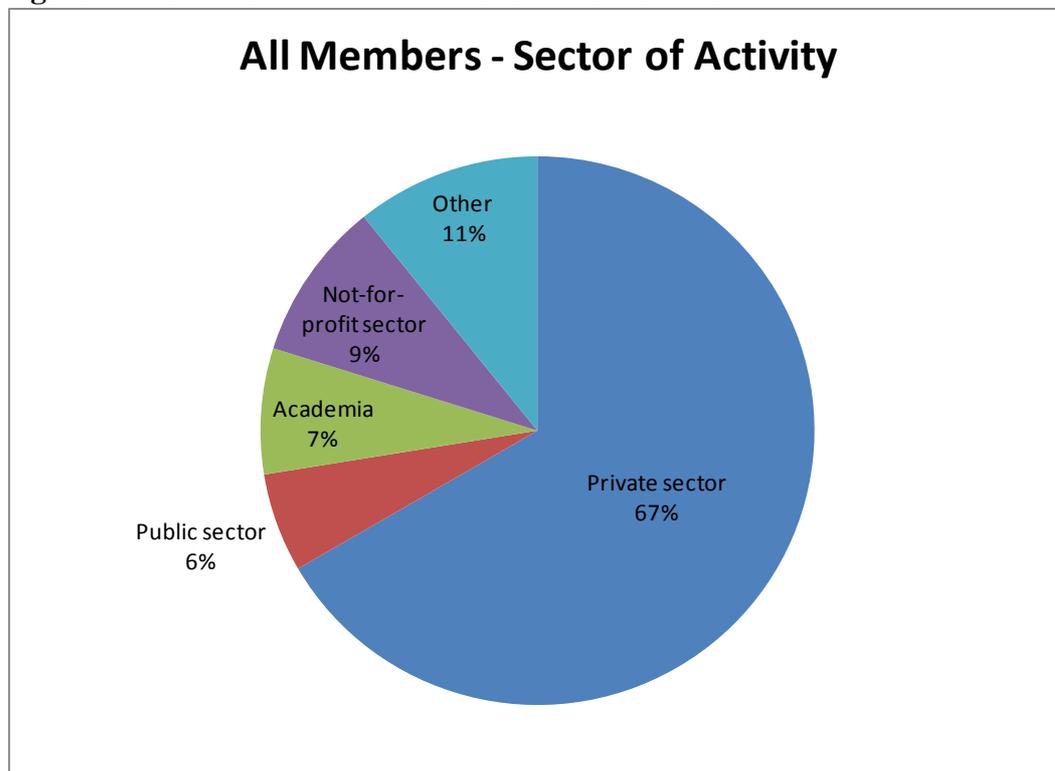
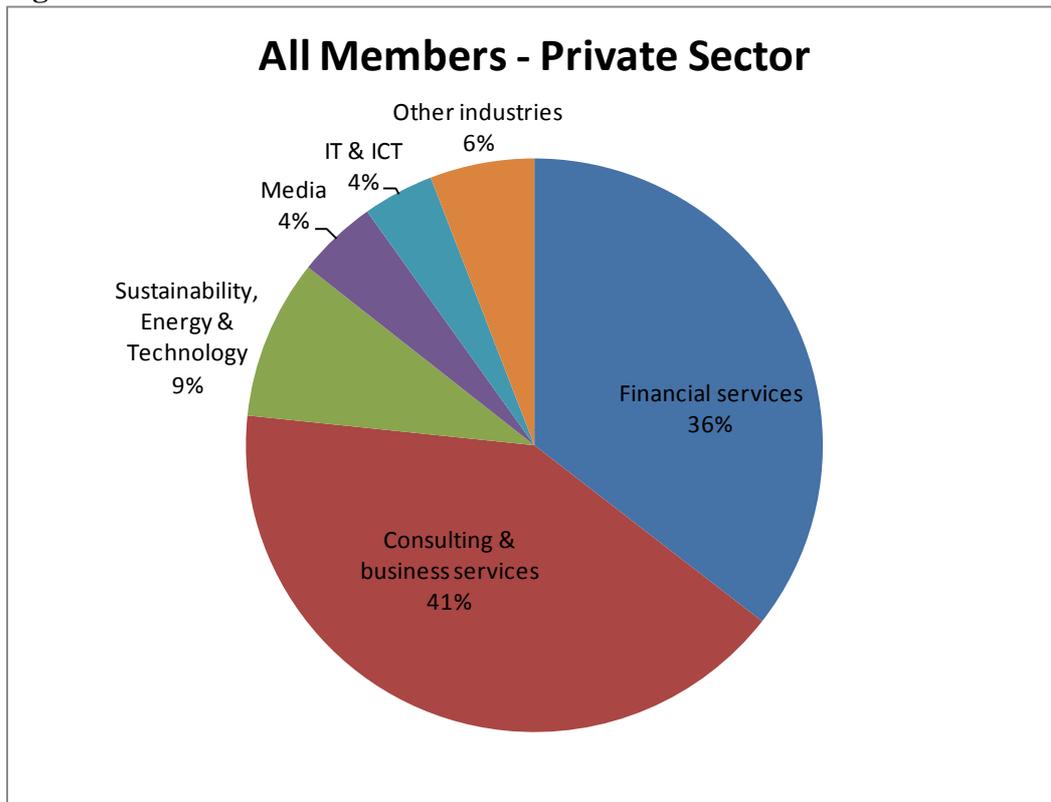


Figure 2 - PRIVATE SECTOR MEMBERS



PARTNERS

Long Finance & Gresham College

Gresham College's support of Long Finance is of particular value in allowing the initiative to reach a wide audience. Gresham provides venues for Long Finance events, predominantly colloquies and round tables. Gresham also films the Long Finance bi-annual conferences, making the videos available on their website to the wider community; and further assists by providing administrative support for our larger events.

Given the history of the College and its founder, the association of with Long Finance is particularly pertinent. Long Finance is delighted to be able to count on the support of the College and its Council Members. We are very open to discussion about how we might collaborate ever more effectively in the future to promote the values and objectives of both Long Finance and Gresham College.

Thanking our Supporters

Long Finance would not be able to continue to fulfill its mandate without the generous support of our sponsors and our contributors. We therefore would like to express our gratitude to the City of London Corporation, Qatar Financial Authority, Gresham College, the Chartered Institute for Securities and Investment and Z/Yen Group for their long-standing support. We are also grateful to Bank of America Merrill Lynch and UCL for hosting our 2012 bi-annual conferences.