



CFA Society
Brazil

NEWSLETTER
2Q 2017



DE CADA 5 CANDIDATOS, SÓ 1 CONQUISTA A CERTIFICAÇÃO CFA. QUEM VOCÊ PREFERE TER NO SEU TIME?

Somente os candidatos mais dedicados conseguem completar o Programa CFA[®]. São 1.000 horas de estudo, três provas - com seis horas de duração cada uma - e no mínimo quatro anos de experiência profissional. Por isso, se você procura um gestor com conhecimento profundo do cenário de investimentos, escolha um detentor da certificação CFA.

It's **A Difference That Matters™**.

brazil.cfainstitute.org



CFA Institute

A Difference That Matters™



PRESIDENT'S MESSAGE	PAGE 4
CFA INSTITUTE LEADERSHIP MESSAGE	PAGE 5
CFA SQUARE	PAGE 6-8
PROGRAMMING AND EVENTS RECAP	PAGE 9
ADVOCACY AND INSTITUTIONAL RELATIONS UPDATE	PAGE 11
MARKETING AND AWARENESS UPDATE	PAGE 11
UNIVERSITY RELATIONS & RESEARCH CHALLENGE UPDATE	PAGE 12
2018 CFA PROGRAM CURRICULUM CHANGES	PAGE 13
FEATURE ARTICLE:	PAGE 14
BLOCKCHAIN 101 WITH CAMPBELL R. HARVEY	
CFA SOCIETY BRAZIL	PAGE 16



Mauro Miranda, CFA

PRESIDENT'S MESSAGE

Dear Fellow Members,

The year of 2017 continues to be an amazing year for CFA Society Brazil and its members. We are well on track to reach 1,000 members in the coming months and we are looking forward to celebrating this important milestone with all of you. We continue to grow at an average annual rate of 15% since our association was founded in 2004, which compares quite favorably with the rates of 4% for the Americas and 6% for the world. In fact, Brazil ranks 6th in the world in terms of growth rate in CFA charterholders is only lower than that observed in a few Asian countries—China and India included.

In very exciting news, I am happy to announce that the city of Rio de Janeiro will now host one of the newest CFA Test Centers in the Americas! Having Rio as a second test center in Brazil was a personal goal of mine for my term as president of CFA Society Brazil and I am glad to say “mission accomplished” on this initiative. This was only made possible due to the immense support of different areas of CFA Institute, including Exam Administration and Society Relations, as well as the leadership team, including John Bowman, CFA, Managing Director, Americas, and Lynn O'Connor, Director, Americas. The entire Board of Directors of CFA Society Brazil is grateful to them for sharing with us the vision for the development of the CFA Program in Brazil.

To prepare candidates and provide the highest level of training for the CFA exams in Brazil, we continue to offer the official CFA Society Brazil preparatory course. We believe it is our duty to provide world-class education to candidates enrolled in the CFA Program, and for this reason we offer the best prep course, in which all instructors are CFA charterholders and all

classes are taught in Portuguese. Combined with the highest number of hours of in-classroom training, the lowest cost per student/hour, and our partnership with Wiley (the world-renowned publisher of finance books and of the official CFA curriculum), we have no doubts that our prep course continues to be a winning proposition for candidates. The focus on excellence is what differentiates us as CFA charterholders and it is very much present in the way our prep course is organized. More information about the prep course can be found on our website at www.cfasociety.org.br.

We have never been more active in promoting research and thought leadership than right now. We launched the CFA Society Brazil Award for Financial Innovation, whose winners will be announced on August 25th, and we just published the first paper on a new, permanent series that will be sponsored by CFA Society Brazil from now on. Titled “Consistência Institucional e Eficiência na Regulação do Sistema Financeiro Nacional” and authored by Alessandra von Borowski Dodl and Marcelo Luiz Curado, this first paper published by CFA Society Brazil is available on our website. We hope you will enjoy reading it and that the arguments made in the paper about institutional consistency for the regulation of Brazil's financial system will resonate with you and the work you perform as a market practitioner.

We hope to see many of you at the 7th CFA Society Brazil Annual Conference, which will take place on October 16th at Banco Itaú in São Paulo. This year's conference will feature Aswath Damodaran speaking to CFA Society Brazil members for the first time. A household name in finance and in company valuation, Professor Damodaran will share his expertise with the audience and will surely enrich our understanding and ability for stock selection in our market. This is an event everyone must attend and spaces are limited—so my advice is for you to register for it as soon as you can!

On a final note, I would like to express my gratitude to CFA Institute for its continued support to our activities and our projects in different areas in general and in governance and advocacy in particular. Together we can do much more to promote our standards of ethics, education, and professional excellence, not only in Brazil, but also throughout the region.

As always, let us know how your Board of Directors and the CFA Society Brazil staff can better serve your needs. We are here for you.

Success!

Mauro Miranda, CFA
President



Ed Hulina

CFA INSTITUTE LEADERSHIP MESSAGE

Institutions are the defining organizational framework of the investment management industry and the driving forces behind the practices, trends, and business models within the profession. CFA Institute and CFA Society Brazil share a mission to promote professional excellence, education and ethical standards that are at the heart of this industry. As both a member-driven organization and a professional body, we engage firms in partnership to drive positive change within the investment management profession, while aligning to the challenges they face as organizations.

Firms in our industry essentially face three core challenges. First, firms need to perform. They need to return a positive return to their investors; continue to raise and retain assets; and operate with financial and cost discipline. Second, firms must attract, retain and motivate talent. Companies with happy, motivated, diverse cultures perform better and create more value for the clients they serve. And third, firms want to control and minimize risk. The foundation of a great risk management framework is a strong ethical base, where great talent operates from an investor-first mentality and is equipped with a strong knowledge base and an ethical framework to guide decision-making.

CFA Institute and CFA Society Brazil are ideally positioned to help investment management firms, especially those located in Brazil, face these challenges. We engage firms by leveraging our organization's broad portfolio of offerings in ways which benefit the firms we work with and at the same time advance the CFA Institute mission, improve investor outcomes, and ultimately positively impact the investment management profession.

- In addition to the CFA charter itself, we have two other world-class credentialing programs—CIPM and Investment Foundations—that provide targeted knowledge and qualification, and raise the bar for professional standards in the investment profession.

We are gaining momentum in deploying Investment Foundations in Brazil and other emerging financial centers. Firms that support these programs by financial reimbursement and via the hiring process tend to attract and retain the best talent and foster a culture of continual employee growth and development.

- Through our strong local membership community, driven by CFA Society Brazil, we are also providing valuable networking connectivity and continuing education to these professionals, to learn from each other and create connections extending beyond historical employment and educational networks. These networks educate our members and keep them current on topics which benefit their firms and their clients. This creates opportunities for key employees inside the firms that drive our industry to perform better.
- We have globally recognized standards of excellence in GIPS (CFA Institute Global Investment Performance Standards) and AMC (CFA Institute Asset Manager Code of Conduct). Adopting these standards allows firms to demonstrate an adherence to a high, globally consistent set of principles that can set their firms apart with investors and other stakeholders, establish a positive ethical framework internally, and strengthen the risk management & performance culture of firms.
- Published content, research, and local events create opportunities for firms to highlight thought leadership and advocacy on important topics. Sharing these opportunities with firms and inviting non-members to speak, contribute or attend is a great way for firms to leverage our offerings and partner with us. This is often of great appeal to the C-Suite (CEO, CIOs and their peers) as it offers a forum to discuss critical issues within the industry and provides the mutual benefit of connecting leading practitioners to our large and growing membership network.

I had the good fortune of joining CFA Institute as Head of Institutional Relationship Management earlier this year after a long career working in various sales, trading and management roles at large global financial institutions. What I have found is an amazing network of bright, motivated, and ethical people looking to collaborate and share best practices. Nowhere is this more evident than in Brazil with an energetic CFA society. On behalf of my team, we very much look forward to working with you and your firms to drive our profession forward!

THE CFA

SQUARE



Marcos Lanfranchi De Callis
CFA, CGA

Interview with Marcos De Callis, CFA, CGA

By Eric Tsai, CFA

Marcos Lanfranchi De Callis, CFA, CGA is Chief Investment Officer at Votorantim Wealth Management, with AuM of US\$15 billion, since April 2014. Before that, he was Chief Investment Officer at Schroders-Brazil, responsible for multi-asset funds, equity and fixed income, from 2007-2014. Marcos was also Director Vice President at Itaú CCTVM from 2005 to 2006 responsible for investment strategy and research. Between 1995 and 2005 he worked at Banco CCF Brazil and subsequently at HSBC Brazil after the merger in 2001, assuming various positions as head of investment research, chief economist at Bank CCF Brazil, CFO of Multi-sponsored pension fund, and finally, Chief Investment Officer at HSBC Asset Management for five years. He began his career as a trainee at Citibank in 1987 where he worked until 1995 in several areas including asset management and distribution of capital markets, both in Brazil and abroad. Marcos currently serves as member of the Advisory Board at AMEC and also in the Fixed Income and Multiasset Committee of ANBIMA. He has acted as a member of the Advisory Committee of CFA Society in Brazil since 2016, and is a CFA charterholder since 1998.

How did you learn about the CFA designation?

Even before college, I always knew that I wanted to work in the Asset Management industry. Given that, I began studying Engineering because at that time it was the best way to access this market. Right after I graduated from college, I had the opportunity to join Citibank's trainee program where I worked as a research analyst for two years.

After the trainee program, the Citibank launched a new program in which it sponsored Brazilian employees at MBA Programs in the United States and I was selected to participate. With that, I went to UCLA and during a summer job, I went to an asset management company in New York that was associated with the bank. There, I worked with a CFA charterholder and that was the first time I had contact with the certification and learned about the CFA program.

After I finished my MBA program, I went back to Brazil with the certification in mind, but ended up not taking the test, given that, by the early 90s, the certification concept was still something unheard of in Brazil. A few years later, I had the opportunity of working at Citi's New York office and there I had contact with many other CFA charterholders. It was at that time that I finally decided I would take the test. I took the first two levels while in the United States, and the third level back in Brazil, becoming one of the first 10 charterholders in the country.

How did you decide to take the test?

When I came back to Brazil, an MBA was the best tool to stand out in the market. By that time, I had already concluded the program but I still had the desire to learn more, to keep myself updated, and this was exactly what I found in the CFA Program. Additionally, the designation was already considered prestigious in the United States, and considered a huge differential in one's career in the financial market.

“The CFA Program...helps develop the ethical and integrity foundation that is critical for the development of professionals...”

What are the most valuable aspects of the CFA designation? What are the main strengths of the program?

The CFA Program comprises mostly of technical skills that are crucial to a successful career in the investment management industry and most importantly, it helps develop the ethical and integrity foundation that is critical for the development of professionals in all industries around the globe. Additionally, CFA Institute requires all charterholders to look for continued education, which I believe, is beneficial to all of us and helps us keep ourselves updated.

Therefore, being able to include those three letters after your name shows clients as well as other fellow professionals that you not only dominate a comprehensive body of knowledge, but also follow the highest ethical standards in the industry, which should differentiate one from the crowd in the long run.

Given all the corruption schemes we are seeing in the news lately, do you believe that Ethics and Integrity, as taught in the CFA curriculum, can help us in solving these problems?

Corruption is a problem that is present in all countries, industries, and in both private and public sectors. Depending on the location, they appear in various levels but it is always derived from selfishness that is inherent in human beings. There is a natural tendency for individuals to look for ways to maximize their own benefits, without any consideration for others. In Brazil, this tendency might be higher and there is even an adage by the name of Gérson's Law that is related to the so-called *jeitinho brasileiro* but it mainly reflects this tendency of the Brazilians trying to take advantage of everyone and everything without any concern for ethics.

Ethics and Integrity, on the other hand, must be taught, because it is “unnatural” in the sense that everyone must give up a little bit for the greater good of the whole society. It is a generational effort that should start at home and school, but in the marketplace, it can get a push from the regulator and professional associations like the CFA Institute which has ethics and integrity as some of its most important values.

We often hear students and candidates wondering whether they should pursue the CFA Designation or the MBA program. Do you have any advice you would like to share with them?

The most important thing to notice is that they are not substitutes, but complementary to one another. In fact, when younger analysts come and ask me whether they should choose one or the other, I first ask them whether they want to pursue a career in finance. If this is what they want, opting for the CFA Program is an absolute no brainer, because it not only provides all the technical skills you need but also provides global recognition in all markets, which makes it a much better value for the money.

If after that, they still believe an MBA will be necessary to further advance their career or if they want to have an international experience, this is when I think they should consider it—Interestingly, this contrasts with what used to happen in the past when having an MBA was the quickest way to a successful career.

Speaking of CFA and your career, do you believe that the designation has helped you boost your career, and together with your MBA, what were the benefits that it brought you?

As I said before, when I began my career, having an international MBA was the quickest way to advance in a big corporation. Today, the most prominent undergraduate business schools provide young professionals with technical skills that are fairly similar to most MBA programs. So, if your goal is to become more competitive in the financial markets, you are probably better off if you complete the CFA program rather than an MBA. If you want to step up your game, then you should invest in a PhD program.

Due to your vast experience in the Brazilian financial markets, you have lived through various phases. What differences in terms of structure, negotiation, and regulation do you see, and what differences do you envision in the years to come?

I probably won't be able to properly address your question in its entirety without boring you to death

“Tech innovation such as block-chain and AI applications in financial services will most likely play a critical role going forward.”

with my answer, but I'll tell you this: what's probably more evident in the past 30 years is the massive concentration of the financial industry. Unfortunately, the great financial crisis of 2008 proved that regulators are not able to keep up with the pace of financial innovation, leverage utilization, and the growing complexity of globalization in financial markets. The secular movement towards financial deregulation and globalization ended in blood and tears, as we learned. The swing is moving in the opposite direction now, towards more regulation and protectionism in most parts of the world, apart from the United States, after president Trump was elected. Tech innovation such as block-chain and AI applications in financial services will most likely play a critical role going forward. The penetration of passive instruments (ETFs) is likely to continue to gain market share from active products in a world of structurally low interest rates. Check out Japan for a preview of what's to come.

In the last few years, you have been part of the CFA Society Brazil Advocacy Committee and have been working alongside regulators and financial associations. Could you share with us a bit of your experience in this task including the main achievements, and in your opinion, how we, at CFA Society Brazil, can further contribute to the industry?

I have had a lot of fun serving the Advocacy Committee of CFA Society Brazil. I think it was a brilliant initiative by Luis Fernando Affonso when he was the president of the Society. In the beginning, the committee efforts

were not well structured (laughs). Back then, we relied entirely on people like me that were volunteers, eager to contribute but without the time necessary to coordinate amongst each other. Luis then submitted a project funding application to CFA Institute so that they could assist with the development of an advocacy effort in Brazil. The project was approved, and the Society received a 3-year grant to help co-fund this advocacy effort. With the extra cash, we were able to hire an external consultant that started to coordinate the advocacy effort and this was a game changer. Since then, CFA Society Brazil has helped shape and improve several capital market legislations that went through public hearings, and later, were enacted by CVM. We were also able to provide scholarships to CVM employees for the CFA program, and contributed to the strategic planning of CVM when Mr. Leonardo Pereira took office, to name a few. However, our greatest achievement to date in my opinion, which directly impacts our fellow Brazilian CFA charterholders, was obtaining CVM's recognition that the CFA certification was valid for portfolio management qualification. Recently, after several years of tireless negotiation, ANBIMA, the SRO for the Brazilian capital markets, chaired by Mr. Robert van Dijk, indicated that it will recognize the CFA certification requesting solely a complementary exam covering the local content of the Brazilian legislation. I hope we can celebrate this achievement together at our annual conference at the end of the year!

PROGRAMMING & EVENTS RECAP

By Mauro Miranda, CFA

PAST EVENTS

April 12, 2017 | The Future of the ETFs Industry

At our first panel event of the year, Claudio Jacob, Managing Director Client and Business Development, and International Relations at B3, Daniel Lobo, Vice President at BlackRock and Leonardo Vasques, Senior Portfolio Manager of Index and SRI Funds Team at Itaú Asset Management discussed their industry perspectives on ETFs at Bloomberg's office in São Paulo.

April 25, 2017 | Como fazer bons investimentos: uma conversa com Guilherme Aché

Guilherme Aché, Founding Partner, CEO and Co-CIO at Squadra Investimentos opened our yearly events programming in Rio de Janeiro. In an intimate fire-side chat, Guilherme spoke to our members about his past and future initiatives at Giuseppe Grill Leblon.

May 9, 2017 | An Assessment of Dual-Class Shares in Brazil

In a CFA Institute, CFA Society Brazil and AMEC joint initiative, Pedro Matos presented the conclusions of his paper to our diverse audience, followed by a debate with Ana Novaes, CFA and Mauro Cunha, CFA and a cocktail reception. This event was held at CFA Society Brazil's office in São Paulo.

May 31, 2017 | Arquitetura aberta: o futuro da distribuição?

During CFA Institute's Putting Investors First month, CFA Society Brazil held an Advocacy Event on open architecture with 3 main industry players. Rubens Henriques, Head of Fund of Funds at Itaú, Diego Kashiwakura, Vice-President Senior Analyst at Moody's, and Gustavo Pires, Partner at XP Investimentos each gave a short presentation, followed by a panel session and cocktail reception at Bloomberg's office in São Paulo.

You can find complete information about our events at: www.cfasociety.org.br

Comments or Suggestions?

Please send suggestions for events that would be of interest to you to events@cfasociety.org.br

UPCOMING EVENTS

August 10, 2017 | How to Understand Economics and the Financial Markets in the Post-Bretton Woods World

6:30 PM | Bloomberg - Rua Leopoldo Couto de Magalhaes Jr, 700 - Itaim Bibi, SP

CFA Society Brazil will be hosting Richard Duncan, Author and Consultant on issues related to the global economic crisis, in São Paulo for an informational event followed by a cocktail reception. Presentation topics include the evolution of the global economy as Bretton Woods gave way to the Dollar Standard and the challenges and opportunities this new paradigm presents.

August 31, 2017 | Robo-advisors: a inteligência por trás da máquina

7:00PM | Giuseppe Grill Leblon - Av. Bartolomeu Mitre, 370 - Leblon, Rio de Janeiro - RJ

On August 24th, Rio de Janeiro members will have the chance to attend an event on robo-advisors. Felipe Sotto-Maior, CEO of Verios, will present to our audience giving his perspective on asset allocation by robo-advisors and what expectations he has for the market.

September 05, 2017 | Career Event SP Carreira, Futuro, Atitude

6:30 PM | Cantaloup Next Door - Rua Manuel Guedes, 444 - Itaim Bibi, SP

It is with pleasure to announce our third annual career event in São Paulo. This year, Options Group will present to the audience on professional development topics, followed by a career fair with HR and business development representatives from 4 different banks and assets.

September 14, 2017 | Career Event RJ Carreira, Futuro, Atitude

7:00 PM | Giuseppe Grill Leblon - Av. Bartolomeu Mitre, 370 - Leblon, Rio de Janeiro - RJ

At our Rio de Janeiro version of our Career Event, a representative from Mercer Human Resource Consulting will speak to our audience on market trends and career advice.

SAVE THE DATE

7TH ANNUAL CONFERENCE

OCTOBER 16, 2017 | 6:30 PM

ITAÚ BBA AUDITORIUM – AV. FARIA LIMA,
3500 – SÃO PAULO, SP BRAZIL

ASWATH DAMODARAN



CFA Society
Brazil

We have had a busy second quarter at CFA Society Brazil's Advocacy Committee.

First, we have just published our first policy position paper on the institutional consistency of the Brazilian financial markets, and we are proud to say that it is a big step to do even more in the direction the CFA mission points to. You can find this paper, in Portuguese, on our website. Also, we are already working with academics to publish a series of these papers sponsored by CFA Society Brazil.

Second, we are on the edge of ending the period for registration in the CFA Society Brazil Award for Financial Innovation. Next step will be to start the evaluation of the submitted monographs. The Award is an initiative that aims to promote high-level research about financial innovations and to contribute to the sustainable development of Brazilian financial and capital markets.

We are also participating in two public hearings proposed by the capital market regulator in Brazil,

CVM. In the CRA public hearing, CVM is detailing the regulation of this instrument—a securitization product for investments in agricultural businesses. CVM is also proposing some changes in the regulation for securities analysts. In both cases, we have created working groups with members and will send a proposal until July 14th for the CRA public hearing and July 28th for the Analysts public hearing.

All contributions sent to the regulators are posted in the Advocacy section of our website.

Right now, we have two groups of Charterholder's working on ideas that may cause a substantial impact. One of these groups are working on a pocket course that will be administered to regulators and the other is coming up with some practical solutions that may improve retirement products and its sales.

Do not hesitate to contact us if you want to take part in any of these efforts!

MARKETING AND AWARENESS UPDATE | By Eric Tsai, CFA

During the second quarter of this year, we, at CFA Society Brazil, have been able to advance in multiple fronts of our local Marketing and Awareness initiative, and much of this is thanks to CFA Institute. We believe this progress is the result of all the efforts and initiatives we've started in the past few months.

Among our efforts, we can mention numerous conversations with large financial institutions, including local and foreign banks and asset management companies in the country, our increasing presence in both digital and traditional media, and our growing presence in the events of the region.

When we take a closer look into this quarter's initiatives, a few stand out:

- Mauro Miranda, CFA, President of CFA Society Brazil, was invited to give an opening speech at UNICAMP's first financial market fair which counted with the presence of hundreds of students;

- CFA Institute booth in the Expert 2017 Conference, the largest financial markets event in Latin America that counted the presence of our fellow members from the CFA Institute;
- CFA Society Brazil participated, alongside CFA Institute at ANBIMA's Investment Funds Congress;
- Combined efforts with MBA Alliance and Leandro Terui, CFA to provide MBA candidates with relevant information about the CFA Certification.

Finally, we believe that the investments CFA Institute provided us for the Brand Campaign also played a crucial role in the development of our brand locally. It enabled us to be present in the most important magazines, newspapers and websites of the Brazilian finance industry and will still, given the investments in our new upcoming wave, help us keep growing CFA brand awareness in the region.



CFA Institute hosted, in Seattle, Washington, USA, the Americas level of the 11th edition of the CFA Institute Research Challenge. Nearly 350 people met at The Westin Seattle, more precisely 53 university teams from 10 countries—six of them from Latin America—and over 100 volunteers, mostly investment professionals from all over the world that acted as judges for the presentations. I was lucky enough to be a part of this amazing educational initiative. We volunteers were all motivated and proud in helping to educate the next generation of investment management professionals. It is very exciting to testify the exchange of experiences and best practices among the hundreds of students from Canada, US and Latin America.

Early morning, on April 7th, the 53 teams were randomly grouped in 10 different rooms, where they simultaneously presented to the judges as part of the semi-finals round. Each team had 10 minutes to present, followed by 10 minutes of questions & answers. In this level, the written report counted for 50% of the total score. I was fortunate enough to be a judge at this level and was able to watch five outstanding presentations from students out of Canada and the United States.

Later, in the afternoon session, the winners of each room competed in the Final round, which occurred separately in two large rooms: Americas A and Americas B. The Insper team competed against its rivals in the morning and advanced to the Americas A final. In the end, the winning teams from the America's level were Barna Business School (Dominican Republic) and Seton Hall University (USA).

The other two teams who advanced to the global final and traveled to Prague, Czech Republic, during the week of April 24th were Singapore Management University, the winner of the Asia-Pacific Regional competition, and BI Norwegian Business School, who won the EMEA Regional competition. CFA Institute broadcasted the Final live from Prague on the internet. I was very impressed by the investment case presented by the Singaporean students, who discussed a Sell recommendation on Cordlife Group Limited, a small cap stock, private cord blood bank listed on the Singapore stock exchange under ticker P8A. The students combined in-depth Financial Analysis with a full understanding of advanced biomolecular medicine, but unfortunately that was not enough to convince the judges accordingly.

The grand winner of the 11th CFA Institute Research Challenge was the team from Barna Business School, who presented a Buy recommendation on Copa Airlines, one of the most profitable airlines in the world. I believe that the judges had a tough time in selecting the winner since all four teams were incredible.

We extend our congratulations to the students from Barna Business School and look forward to the launch of the 12th edition of the CFA Institute Research Challenge, which should be held on April 20th, 2018 in the city of Seoul, South Korea. The Brazilian round of this edition will be starting soon. For more information on the local competition please visit the *Research Challenge* tab on our website.



2017 CFA Institute Research Challenge Global Champion, Barna Business School, Dominican Republic



The CFA Program is constantly evolving in order to keep the curriculum current and relevant for the next generation of investment professionals. This process is referred to as *Practice Analysis*, a process that connects different players of the investment management ecosystem, regulators and university faculty. The goal is to gather feedback and insights on the most critical themes and trends of the investment management industry and ultimately make these discussions impact the CFA Program curriculum.

The top three trends identified during the most recent practice analyses were: negative (low) interest rates environment, risk-factor based asset allocation, pension funding shortfall.

You, as a charterholder, can also support the practice analysis process through volunteering for the Education Advisory Committee Working Body. More information can be found on the CFA Institute website.

The readings that were added to the 2018 CFA Program curriculum are detailed below, and in the next column:

Level II

Currency Exchange Rates: Understanding Equilibrium Value

Michael R. Rosenberg and William A. Barker, CFA

Level III

Introduction to Asset Allocation

William W. Jennings, CFA, and Eugene L. Podkaminer, CFA

Principles of Asset Allocation

Jean L.P. Brunel, CFA, Thomas M. Idzorek, CFA, and John M. Mulvey, PhD

Asset Allocation with Real-World Constraints

Peter Mladina, Brian J. Murphy, CFA, and Mark Ruloff, FSA, EA, CERA

Introduction to Fixed-Income Portfolio Management

Bernd Hanke, PhD, CFA, and Brian J. Henderson, PhD, CFA

Liability-Driven and Index-Based Strategies

James F. Adams, PhD, CFA, and Donald J. Smith, PhD

Yield Curve Strategies

Robert W. Koppasch, CFA, and Steven V. Mann, PhD

Credit Strategies

Campe Goodman, CFA, and Oleg Melentyev, CFA

These readings are available to all members, and we at CFA Society Brazil encourage everyone to go through these readings, as it is a wonderful way to keep updated in our constantly evolving profession.



FEATURE ARTICLE:

BLOCKCHAIN 101 WITH CAMPBELL R. HARVEY

By Larry Cao, CFA

This article previously appeared on [CFA Institute's Enterprising Investor blog](#).

There has been much talk about blockchain disrupting the financial services industry. In May 2017, IBM's vice president of blockchain, Jerry Cuomo, declared 2016 "the year of blockchain experimentation," and 2017 "the year of adoption." (That IBM has an executive with "blockchain" in their job title is a data point by itself.)

So, what is blockchain? What will it do to our industry? At the 70th CFA Institute Annual Conference, Campbell R. Harvey led an extended presentation on the subject.

What is blockchain, and what does trust have to do with it?

"Blockchain is a technology," Harvey explained. "It is a distributed ledger, which means it can be quickly and easily accessed by many." He also said that blockchain "is immutable, which means you can only add to it, but not alter history. And it is cryptographically secured."

Based on accessibility, blockchain is divided into public and private blockchains. While public blockchains do not require trust to access—they are open to all—access to private blockchains is restricted and trust is required. The distinction becomes very important in blockchain's applications.

What can blockchain technology do? Take a look at bitcoin.

Harvey believes blockchain can solve many problems, but that it is particularly good at two broad types of applications: verification and efficient exchange of ownership.

Bitcoin is a public blockchain that has exactly those two features. The public nature of the ledger ensures transparency. Ownership can be verified on the network, as all past transactions are stored on the network for all to see.

Bitcoin is also a testament to blockchain technology's security, which is critical for storing and transferring value. Each "block" of transaction data on the bitcoin network needs to be accepted by the later blocks in

the chain. The process has ensured that "hacking" bitcoin, say, by altering historical transaction data, is not even remotely feasible.

Per Harvey, the probability of successfully altering transaction data on the bitcoin network is about 1/1000th the odds of winning two Powerball jackpots in a row!

What will be disrupted?

Harvey thinks blockchain will transform the financial services industry by cutting out the middleman. Financial institutions are frequently referred to as financial intermediaries, and those intermediation activities are the ones that Harvey expects to be disrupted first. But it does not stop there. The payment business provides a good case study.

In the traditional banking setup, money is transferred from one customer's account to another via the payment networks that banks belong to. Blockchain threatens to change all that by enabling what Harvey calls "machine-to-machine payment." When two machines are connected through blockchain technology, they can make instant payments to each other. More broadly, these machines can receive real-time financial statements for transactions performed with any other machine connected to the same blockchain.

And it does not stop there. Harvey cited property markets and digital currency issued by central banks as examples. The former make title insurance obsolete, and the latter has tremendous potential to reduce money laundering activities. Machine-to-machine payment may even help counteract spam emails and DDoS attacks.

There are significant regulatory hurdles and substantial time and effort are required to develop and implement practical applications. Harvey remains optimistic, however. As he closed his presentation, he declared that "blockchain is not going away."

Copyright 2017, CFA Institute. Reproduced from the Enterprising Investor blog with permission from CFA Institute. All rights reserved.

PREPARATORY COURSE FOR THE CFA[®] EXAM

The CFA Society Brazil advantage:

Brand new classroom and easily accessible facilities

All instructors are CFA Charterholders

Classes are taught in Portuguese, with English materials

Educational support from Wiley, the official CFA Curriculum publishing company

Access to Wiley's CFA 2017 Test Bank,
including thousands of questions and mock exams

Maximum of 35 students per class

Classes restart August 2017

WILEY



CFA Society
Brazil



Scan to learn more.

CFA Society Brazil
FL 4300 Complex
Av. Brigadeiro Faria Lima, 4300
FL Office Tower – 8th floor
Vila Olimpia – São Paulo, SP



BOARD OF DIRECTORS

Mauro Miranda, CFA

President

mauro.miranda@cfasociety.org.br

Felipe Nogueira, CFA

Vice President

felipe.nogueira@cfasociety.org.br

Sonia Villalobos, CFA

Treasurer

sonia.villalobos@cfasociety.org.br

Luís Fernando Affonso, CFA

Institutional Relations and Advocacy

luis.affonso@cfasociety.org.br

Bernardo Carneiro, CFA

University Relations and Research Challenge

bernardo.carneiro@cfasociety.org.br

Lucas Corrêa, CFA

Employer Relations and Job Opportunities

lucas.correa@cfasociety.org.br

Eric Tsai, CFA

Marketing and Awareness

eric.tsai@cfasociety.org.br

STAFF

Tally Kirschner

Specialist, Member Value

tally.kirschner@cfasociety.org.br

Bianca Paulino

Specialist, Credentialing

bianca.paulino@cfasociety.org.br

Nadia Leite

Administrative Assistant

nadia.leite@cfasociety.org.br

Thales Braga

Intern, Advocacy

thales.braga@cfasociety.org.br

PLATINUM SPONSORS

Bloomberg

FACTSET