



**Investor Relations
Perspective:
Improving Dialogue
with Investors**



Linda Y. Kelleher
Executive Vice President
National Investor Relations Institute
lkelleher@niri.org

Trends shaping Investor Relations

1. Changing Capital Markets
2. Uncertainty in the Economy
3. Globalization
4. Delivering Data in the 21st Century
5. Future Regulatory Environment

Global Markets Evolution

Perspectives & Trends

1. Capital Markets
2. Exchanges
3. Investors – Change in sell-side coverage
4. Regulators

Changing Financial Markets

IR Take-a-ways:

- ✓ Understand how markets are changing your job.
- ✓ Stay abreast of changing market services.
- ✓ Understand how markets are using your stock.

Economy Focus Areas

1. Federal Bailout?
2. Commodity prices?
3. Impact of other countries economies?
4. Strength of dollar?
5. Capital for growth

Economy

IR Take-a-ways:

- ✓ Prepare for federal bailout impact and fallout on your company.
- ✓ Understand how loss/merger of investment firms may affect your analyst coverage.
- ✓ Ensure you understand your company's debt structures.

Globalization Focus Areas

1. IFRS
2. Mutual Recognition
3. Sovereign Funds

IFRS

- ✓ US GAAP – Goodbye (thru 2016)
- ✓ Goodbye IFRS - Hello one single set of high quality global accepted accounting standards
- ✓ Fears that rules of GAAP will be lost to principles of IFRS

Mutual Recognition

- ✓ Country – Recognition of regulatory oversight of other country
- ✓ Australia – 2009
- ✓ Equities become peers?

Sovereign Funds

- ✓ Future capital for US growth?
- ✓ Have Broker/Dealers been replaced as sources of capital?
- ✓ Passive or self-interested investor?

Globalization

IR Take-a-ways:

- ✓ Establish an IFRS transition team.
- ✓ Watch domestic **and global** peers.
- ✓ Learn all you can about sovereign funds interested in your sector.
- ✓ Consider the development of a sovereign fund investment strategy.

Delivering Data in the 21st Century

- ✓ CIFI^R (SEC Advisory Committee on Improvements in Financial Reporting)
 - Earnings Releases, Websites, XBRL, Key Performance Indicators
- ✓ Greater use of Interactive data
 - XBRL
 - IDEA
 - 21st Century Disclosure Initiative

CIFiR Recommendations

4.1 XBRL implementation

✓ Implementation:

- 2009: top 500 companies (\$5+ billion float)
- 2010: All accelerated filers
- 2011: all others

CIFiR Recommendations

4.1 XBRL implementation (IR Takeaways)

- ✓ Understand Peer Use
 - ✓ Understand Analysts and Investor Use
 - ✓ Understand how you can use XBRL to communicate with investors
-
- ✓ Prepare for IDEA – the next phase
-

CIFiR Recommendations

4.2 Corporate websites - SEC interpretative release

1. When information posted on website is *public*
 - ✓ **Recognized channel of distribution**
 - ✓ **Posted and accessible**
 - ✓ **A reasonable waiting period**
 2. Liability of 3rd party links
 3. Controls and procedures for web content (SOX)
 4. Formatting of web (readable vs. printable)
-

Website Practices

Some of Largest 100 Do's

- Provide Contact info to IR team
- Disclose corporate governance docs
- Provide ability to communicate with Board
- Identify external hyperlinks
- Design with dynamic tree structures
- Be careful of noise (i.e.: auto video)
- Provide current & historical info

Website Practices

Some of the Largest 100 Don'ts

- Don't use FAQ's as a catch all
- Avoid launching/generating new windows
- Avoid the appearance of inactivity or lack of maintenance (updated calendar, contacts)
- Consider activities that may dissuade investor use
- Requiring investor registration

Usable Data

SEC's 21st Century Disclosure Initiative

- ✓ Improving usefulness and timeliness of disclosure for investors
- ✓ Modernizing collection of disclosure

Expected direction: Focus on continuous disclosure via web using interactive data

Static Info to Usable Data

IR Take-a-ways:

- ✓ Establish an XBRL implementation strategy.
- ✓ Make your web site an investor destination about your company.
- ✓ Stay on top of push, pull and social networking type services for your site.

US Regulatory Environment

- ✓ Washington and Wall Street are in a Crisis Mode
- ✓ Elections!
- ✓ SEC legacy under Chairman Cox
- ✓ Regulatory initiatives

The New Regulatory Order? Paulson's three-stage plan to reform government regulation financial institutions:

1 Short-term Recommendations

Expand President's Working Group on Financial Markets

Include banking regulators that aren't current members and broaden focus to include the whole financial sector, not solely financial markets

Establish Mortgage Origination Commission

It would set minimum licensing standards and grade each state's

system. Treasury also recommends clarifying which federal body enforces mortgage lending laws.

Expand Federal Reserve Powers

The central bank could conduct on-site examinations of and impose conditions on non-bank institutions, which now have access to federal lending

2 Intermediate Recommendations

Eliminate the Thrift Charter

Shut down Office of Thrift Supervision, which has oversight of savings and loan institutions, and fold those responsibilities into the Office of the Comptroller of the Currency, which has oversight of national banks

Determine Federal Oversight of State-Chartered Banks

A study would determine whether the Fed or FDIC should have oversight

Fed Oversees Payments and Settlement

Central bank would get authority over systems that process payments and transfer securities

Regulating Insurance

A first step toward a federal regulator over the insurance industry: Ask Congress to create an Office of Insurance Oversight within Treasury to focus on international issues and serve as an adviser

Merge Futures and Securities Oversight

Combine the Commodity Futures Trading Commission and the Securities and Exchange Commission.

3 Long Term Goal: A New Regulatory Structure

Treasury envisions a new series of agencies and new responsibilities for old federal entities to regulate financial institutions

Financial institutions would be offered one of three federal charters

Federal Insured Depository Institution

For all lenders with federal deposit insurance

Federal Insurance Institution

For all insurers offering retail products where some federal guarantee is present

Federal Financial Services Provider

For all other types of financial-services firms

New federal functions

Market Stability Regulator

A new function for the Fed: It would watch for all threats to the stability of the nation's financial system, among mortgage lenders, banks, insurance companies, investment banks, hedge funds and other institutions. The Fed could require corrective action only if overall financial stability is threatened

New federal agencies

Prudential Financial Regulatory Agency

Would regulate financial institutions that have explicit government guarantees associated with their businesses, such as federal deposit insurance. The agency would assume the roles of current federal prudential regulators, including the OCC and OTS.

Conduct of Business Regulatory Agency

Charged with consumer protection across all types of financial firms. The agency would keep an eye on disclosures, business practices, and licensing of certain types of financial firms. The agency would absorb many of the functions of the SEC and CFTC, as well as some jobs now performed by the Fed, state insurance regulators and the Federal Trade Commission

Federal Insurance Guarantee Corp.

Replaces the Federal Deposit Insurance Corp., charging premiums to guarantee bank deposits and insurance payouts.

Corporate Finance Regulator

Takes over other SEC functions, such as oversight of corporate disclosures, governance, accounting and other issues

Sources: Treasury Dept.; Investopedia

Regulators and Regulation

IR Take-a-ways:

- ✓ Watch for the impact of regulatory change on your company/sector.
- ✓ Be aware of proxy access and say-on-pay initiatives.
- ✓ Educate management on stock ownership transparency issues and add your voice for change.



NIRI Standards of Practice

Adopted by NIRI Board – Sep 18, 2008

- ✓ Earnings Release Content

On the drawing board

- ✓ Financial Disclosure
- ✓ Websites
- ✓ Notice and Access
- ✓ XBRL

NIRI's Priority: Increasing Member Value

- ✓ Information
- ✓ Professional Development
- ✓ Advocacy
- ✓ Community/Networking

www.niri.org

