

k ,QWHUQDWLRQDO %DQN IRU 5HFRQVWUXFWLRQ
DQG 'HYHORSPHQW 7KH :RUOG %DQN
+ 6WUHHW 1: _ :DVKLQJWRQ '&
_ ZZZ ZRUOGEDQN RUJ

7KLV ZRUN LV D SURGXFW RI WKH VWDII RI 7KH :RUOG %DQN ZLWK
LQWHUSUHWDWLRQV DQG FRQFOXVLRQV H[SUHVVHG LQ WKLV ZRU
:RUOG %DQN LWV %RDUG RI ([HFXWLYH 'LUHFWRUV RU WKH JRYH

7KH :RUOG %DQN GRHV QRW JXDUDQWHH WKH DFFXUDF\ RI WKH GD
FRORUV GHQRPLQDWLRQV DQG RWKHU LQIRUPDWLRQ VKRZQ RQ D
MXGJPHQW RQ WKH SDUW RI 7KH :RUOG %DQN FRQFHUQLQJ WKH O
HQGRUVPHQW RU DFFHSWDQFH RI VXFK ERXQGDUHV

5LJKWV DQG 3HUPLVVLRQV
7KH PDWHULDO LQ WKLV ZRUN LV VXEMHFW WR FRS\ULJKW %HFDX
GLVVHPLQDWLRQ RI LWV NQRZOHGJH WKLV ZRUN PD\ EH UHSURGX
QRQFRPPHUFLDO SXUSRVHV DV ORQJ DV IXOO DWWULEXWLRQ WR V

\$Q\ TXHULHV RQ ULJKWV DQG OLFHQVHV LQFOXGLQJ VXEVLGLDU\
3XEOLFDWLRQV 7KH :RUOG %DQN *URXS + 6WUHHW 1: :DVKLC
SXEULJKWV#ZR(60\$3DZRXQGJDSSUHFLDWH D FRS\ RI RU OLC
SXEOLFDWLRQ WKDW XVHV WKLV SXEOLFDWLRQ IRU LWV VRXUFH I
%DQN + 6WUHHW 1: :DVKLQJWRQ '& 86\$ HVPDS#ZRUOGE

\$WWULEXWH\ ~~XOHLRQH~~ FLWH WKH ZRUN DV IROORZV
(60\$3 (QHUJ\ 6HFWRU 0DQDJPHQW \$VVLVWDQFH 3URJUDP 8
%HKDYLRUDO 'LDJQRVWLF (60\$3 3DSHU :DVKLQJWRQ ' & :RUOG

:ULWWHQ E\ 6HNRXO .UDVWHY 'DQ 3LODW DQG -DNRE 5XVLQHN

)URQW FRYH [HLH WPDJH 7KESK](#) KHU SHUPLVVLRQ UHTXLUHG IRU UHXVH

%DFN FRYHU DQG DOO RWKHU LPDJHV k -DNRE 5XVLQHN -DNRE DQ
SHUPLVVLRQ UHTXLUHG IRU UHXVH

\$OO LPDJHV UHPDLQ WKH VROH SURSHU\ RI WKHLU VRXUFH DQG
ZULWWHQ SHUPLVVLRQ IURP WKH VRXUFH XQOHVV RWKHUZLVH LQ

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ÖP ¨8 °V-N I°•NV8°@	ÓÖ
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&2	FDUERQ GLR[LGH
&20 %	&DSDELOLW\ 2SSRUWXQLW\ 0RWLYDWLRQ %HK
'&)	'LVWULEXWLRQ &KDOOHQJH)XQG
,&6	LPSURYHG FRRNVWRYH
/3*	OLTXHILHG SHWUROHXP JDV
6\$&&2	VDYLQJVV DQG FUHGLW FRRSHUDWLYH RUJDQLJDW

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7KLV UHSRUW ZDV SUHSDUHG E\ 6HNRXO .UDVWHY 'DQ 3LO
 VXPPHU RI 7KH DXWKRUV H[SUHVV WKHLU GHSHVW JUD
 WKLV ZRUN SRVVLEOH^LQ SDUWLFXODU WKH WDVN WHDP
 VSHFLDOLVW :RUOG %DQN (60\$3 DQG 2OLYLD %\DQ\LPD V
 %DQN IRU WKH RSSRUWXQLW\ WR SURYLGH D QHZ EHKDYLF
 WKHLU RQJRLQJ HIIRUWV LQ 8JDQGD 7KH DXWKRUV DOVR Z
 SDUWLFSLDQWV LQ 8JDQGD ZKR YROXQWHHUHG WKHLU WLP
 LQWHUYLHZV DQG VXUYH\V :H DUH HTXDOO\ JUDWHIXO WR
 ORFDO VWDNKHROGHUV ZKR WLUHOHVVO\ VXSSRUWHG RXU
 WKDQN 'U 7RPDV] *DMGHURZLF] DVVLVWDQW SURIHVVURU DV
 DGDSWLQJ KLV VWDWHG SUHIHUHQFH WDVN IRU WKH SXUSR
 WR WKH WHDP PHPEHUV RI 7KH 'HFLVLRQ /DE ZKR KHOSHG L
 LQFOXGLQJ \$QGUHZ 0DUWLQ DQG 0DULHOOH 0RQWHQHJUR
 WKRVH ZKR DGYLVHG XV RQ YDULRXV DVSHFWV RI WKLV SUR
 IRU \$GYDQFHG +LQGVLLKW .ULVWHQ %HUPDQ &RPPRQ &
 5DQGLDQDULYHOR :RUOG %DQN *URXS DQG /HRQLH :LOOHC

7KH ILQDQFLDO DQG WHFKQLFDO VXSSRUW RI WKH (QHUJ\ 6
 3URJUDP (60\$3 LV JUDWHIXOO\ DFNQRZOHGJHG (60\$3^D J
 WHFKQLFDO DVVLVWDQFH SURJUDP DGPLQLVWHUHG E\ WKH
 PLGGOH LQFRPH FRXQWULHV WR LQFUHDVH WKHLU NQRZ KR
 DFKLHYH HQYLURQPHQWDOO\ VXVWDLQDEOH HQHUJ\ VROXW
 HFRQRPLF JURZWK (60\$3 LV IXQGHHG E\ \$XVWUDOLD \$XVWU
 (XURSHDQ &RPLVLRQ)LQODQG)UDQFH *HUPDQ\ ,FHOD
 /X[HPERXUJ WKH 1HWKHUODQGV 1RUZD\ WKH 5RFNHIHOC
 6ZLW]HUODQG WKH 8QLWHG .LQJGRP DQG WKH :RUOG %DQN

7KH 'HFLVLRQ /DE LV D &DQGLDQ WKLQN WDN IRFXVHG
 HFRQRPLFV WR VROYH SUREOHPV LQ WKH SXEOLF DQG S
 LQIRUPDWLRQ SOHDVH HFLVLRQVU\ FRQ
 LQIR#WKHGHFLVLRQDE FRP

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%DUULHUV WR WKH LPSURRYHG FRRNVWRYH PRUH
HQUJ\ HIILFLHQW PRGHOV WKDW VDYH XVHUV FRQVLGHU
DORQJ ZLWK SRWHQWLDO VROXWLRQV DUH SUHVHQWHG WK
VXFK EDUULHUV DQG VROXWLRQV VXPPDULJHG IRU HDV\ UH

%DUUBURYHG FRRNVWRYHV DUH SHUFHLYHG DV OX[X
LWHRZQHG MXVW E\ KLJK LQFRPH KRXVHKROGV LQ FLV
HUURQHRXV IUDPLQJ LV LQ SDUW KH
FUHGLW JUDQWLQJ HQWLWLHV WR SX G V
LQGHG SULFHG IRU KLJK LQFRPH KRX'

m2QO\ ULFK SHRSO
WKHVH FRRNVWRY
WKLQN SHRSOH OL
GHVHUYH WKHV

6ROXWYRQWRRLPSURYHG FRRNVWRYH
OHVV WKH\ DUH LQGHG D YLDEOH Z)RFXV *URXS HU L
IDPLOLV WR UHDOLJH VLJQLILFDQW \ 3DUWLFLSDQW IXH
:LWK WKH SURSHU VWUDWHJ\ EDVHOLQH VWRYHV WKD
DQG LQHIILFLHQW WUDGLWLRQDO PRGHOV FDQ EH
cOX[XU\ d RSWLRQ VLQFH WKH\ FRVW PRUH LQ WKH OR
PRUH HIILFLHQW WHFKQRORJLHV

%DUULHUV DQG FUHGLW FRRSHUDWLYH RUJDQLJDW
6\$&&2V DUH ELVEVWVWVXPHUV DQG FRRNVWRYH
GLVWULEXWRUV \HW WKH\ UHSUHVHQW D FULWLFDO
VFDODEOH EULGJH EHWZHHQ WKH WZR :LWKRXW DFF
PDQ\ FRQVXPHUV FDQQRW DIIRUG WKH XS IURQW FRVW
FRRNVWRYHV D FRVW WKDW FRXOG HDVLO\ EH UHFRYH
VDYLQJV LQ IXHO H[SHQGLWXUH

6ROXWYRQWRRLPSURYHG FRRNVWRYH
WUXVWHGLWVWVXPHUV DQG LQWHJUDWH WKHP LQWR HIIF
SURPRWH LPSURYHG FRRNVWRYHV ,Q WKH PHGLXP W
WKH FUHGLELOLW\ RI RWKHU 6\$&&2V FRXOG EH LPS
FHQWUDOLJHG DFFRXQWDELOLW\ HQWLWLHV SURPRWL

%DUURUIHZ VORSV LPSURYHG FRRNVWRYHV
 WKRVH WKDW GR PD\ QRW IHDWXUH WKHP &RQVXF
 DZDUHQHV RI WKHVH SURGXFWV DQG WKHLU EHQHILW
 H[SRVXUH WR GLIIHUHQW PRGHOV 7KLV KDV LPSOLF
 ILQDQFLDO KHDOWK RI GLVWULEXWRUV DQG FDXVHV
 ORVW LPSRUWDQW SRWHQWLDO GHPDQG LV QRW EHLQ

6ROXWLVH FHQWUDOLJHG DFFHVV SRLQWV ZKHUH Y
 WHVW VHYHUDO GLIIHUHQW PRGHOV DQG OHDUQ DERX
 SRVVLEOH SDWKZDV WR RZQHUVKLS LQFOXGLQJ YLD
 PHFKDQLVPV DQG GHOLYHU\ RSWLRQV 0DUNHWLQJ F
 VWDQGDUGLJHG SXEOLF GHPRQVWUDWLRQV FDQ KHOS
 WR WKHVH RQH VWRS VKRSV ZKLFK FDQ EH SDUW RI
 IUDQFKLVH PRGHO

%DUURHG RI PRXWK DURXQG LPSURYHG FRRNVWRYHV L
 ZHDQHVSLWH JHQHUDO VDWLVIDFWLRQ ZLWK WKH SU
 PDQ\ SHRSOHV ORZ OHYHO RI WUXVW LQ LQVWLWXW
 LQIRUPDWLRQ VWUHQJWKHQLQJ ZRUG RI PRXWK LV
 SUHUHTXLVLWH IRU LQFUHDVLQJ WKH XSWDNH RI LPSU
 (IIRUWV WR SURPRWH WKLV ZRXOG DOVR QHHG WR FR
 IHDUV WKDW WKH QHZ WHFKQRORJLHV PD\ QRW EH DV
 RQHV RU PD\ EH GLILFXOW WR XVH

6ROXWLVH QXS UHIHUUDO SURJUDPV DQG FRPPXQLW\ V
 FDPSDLJQV WKDW IRFXV RQ WKH EHQHILWV RI LPSURY
 DQG DGGUHVV QHJDWLYH ZRUG RI PRXWK E\ SURPRWL
 UHSODFHPHQW VHUYLFHV ,PSRUWDQWO\ DOO FOD
 IDFW EDVHG WR EXLOG WUXVW

%DUU)HIZUSHR SOH DUH DZDUH RI WKH VHULRXV GUDZED
RI EDVHOLCHERWWRLQHW HUPV RI KHDOWK DQG PRQH\ 7K
OHDYHV PDQ\ WR SHUFHLYH LPSURYHG HV D
OX[XU\ LWHPV

6ROXWGLRQWLI\ NH\ ZD\ V WR SUHVHQQW OLJKWLQJ WKH LW
LPSURYHG VWRYHV RYHU EDNH DPLSOH IRU KHDOWK \$IWH
PDQXIDFWXUHUV PD\ XVH HYLGHQFH H>IHFW n SUR
DGYHUWLVH WKHLU SURGXFWV DQG IF)RFXV *URXS H EH
SDFNDJLQJ ,PSRUWDQWO\ DEWUDF 3DUWLFLSDQWV
PHVVDJHV WKDW IRFXV RQ WKH KHDOWK LPSDFWV RI
DUH XQOLNHO\ WR SURYH HIIHFWLYH EDVHG RQ RXU U
D IRFXV RQ FRQFUHWH EHQHILWV H J ZKDW FRXOG R
PRQH\ VDYHG RYHU RQH \HDU" ILUVW KDQG H[SHUL
VWRU\ WHOOLQJ KROGV JUHDWHU SURPLVH WR SHUV
FRQVXPHUV

%DUU)SXEOLF GHPRQVWUDWLRQV DUH UDUH XQVWDQGD
DQG W\SLFDOO\ FRQZSKF WHUJG E\ WPLHQ DOO\ KDYH
OLWWOH H[SHULHQFH FUHGLELOLW\ LQ WKH NLWFKHQ
JLYHQ WKDW SXEOLF GHPRQVWUDWLRQV DUH FLWHG E
IURQW OLQH GLVWULEXWRUV DV DEVROXWHO\ QHFHV
LQ LPSURYHG FRRNVWRYHV

6ROXWLYRHO RS DQG WHVW D PRGHO IRU VWDQGDUGL
SXEOLF GHPRQVWUDWLRQWO\ JLYHQ WKH KLJK
WXUQRYHU RI GHPRQVWUDWRUV WKH PRGHO PXVW EH
ZLWK OLWWOH WUDLQLQJ EDVHG RQ IRU H[DPSON D

%DUUBRPUQ WKH NH\ XVHUV RI VWRYHV ZRXOG PRVW
RIWHQ EH WKH RQHV WR FRQYLQFH D W\SLFDOO\ PD
KRXVHKROG WR SXUFKDVH RQEHVHG DV\PPHWU\
LQKHUHQW LQ KRXVHKROG ILQDQFLDO GHFLVLRQV LQ
IDFW EH D VLJQLILFDQW KDPSHU RQ SRVVLEOH GHPDQ
FRRNVWRVYHV

6ROXWLYHQRS VDOHV DQG PDUNHWLQJ WDFWLFV WK
IURQW OLQH GLVWULEXWRUV DGGUHVV WKH IDFW WKD
PDLQ FXVWRPHUV ZKLOH PHQ DUH RIWHQ WKH NH\ J
7KHVH PD\ LQFOXGH VLPSON PHPRUDEOH PHVVDJHV V
XVHG E\ ZRPHQ WR SHUVXDGH NH\ GHFLVLRQ PDNHU
KRXVHKROG

%DUUBRPUQ RSWLRQV IRU WKH SXUFKDVH RI D ORZ
PLG SULFHG LPSURYHG FRRNVWRV BMBLDUHUVDUH
LQVWHDG IRFXV RQ KLJKHU HQG OX[XU\ PRGHOV \$OV
VWDQGDUG VDYLQJV PHFKDQLVP DUH RIIHUG WR FXVW

6ROXWLYHQRS SDUWQHUVKLSV EHWZHHQ LPSURYHG FR
GLVWULEXWRUV DQG IRU H[DPSOH WHOHFRPPX
FRPSDQLHV WR RIIHU DXWRPDWLF OD\DZD\

)RU H[DPSOH HYHU\ WLPD FXVWRPHU SXUFKDVHV
DPRXQW RI PRELOH WHOHVKRQ\ RQH WHQWK RI LW FR
D cVWRVYH IXQGd DWWDFKHG WR WKDW FXVWRPHUaV Q
FDQQRW EH FDVKHG RXW RU DSSOLHG WR DQ\WKLQJ
LPSURYHG FRRNVWRVYH 6LQFH PRVW FRQVXPHUV XVH
RQH WHOHFRPPXQLFDWLRQV SURYLGHU FUHDWLQJ VX
EHQHILW WKH FRPSDQ\ RIIHULQJ LW E\ LQ HIIHFV
FXVWRPHUaV OR\DOW\

%DUU7KHUIDFW WKDW LPSURYHG FRRNVWRYHV DUH JHQ
 OHVV GXUDEOH WKDQ WUDGLWLRQDO PRGHOV RIWHQ
 VWRQH RU EULDNFULWVFDQ3DWDZDLDNO
 EX\HUV FLWH WKLV DV WKH PDLQ UH YRLG
 FRRNVWRYHV \$OVR DQG MXVW DV ' ZD
 JHQHUDOO\ PLVWUXVWHG 7KLV PLVWL VHV
 EDUULHU L H SHRSOH VWRS XVLQJ V 3UHVHV >LQHU
 EHKDYLRUDO RQH L H SHRSOH PLVW WRS ULQJ m, FDQ
 SURPLVHG E\ PDQXIDFWXUHUV DQG GL\ WHOO WKLV 2LW
 VRRQ DV , SXW P SRW RQ WKLV ,W
 IHHO GXUDEOH DW

6ROXWRQXQLFDWH FRQVXPHU FRQFHU)RFXV *URXS XIDF
 DQG HQFRXUDJH WKHP WR GHYHORS 3DUWLFLSDQW V W
 EUDQGV 2XU UHVHDFK VXJJHVWV WKDW FRQVLGH
 VHUYLFH DQG VSDUH SDUWV H J E\ RIIHULQJ D VSD
 WKH WLPH RI VDOH FRXOG EH D ORZ FRVW ZD\ IRU D F
 EXLOG FXVWRPHU WUXVW DQG VWDQG RXW IURP WKH F

%DUU7KHUEULJKW FRORUV RI PDQ\ LPSURYHG FRRNVWRV
 KDYH SROLWLFDDQFRQDWDVFRQVEOH FRQVXPHUV
 DIUDLG RI WKHIW DQG DOVR RI VLPSO\ DWWUDFWLQJ Q
 DWWHQWLRQ \$WWUDFWLQJ DWWHQWLRQ FDQ EH GDQJ
 ORZ LQFRPH QHLJKERUKRRGV ZKHUH WKRVH ZKR DSSH
 EHWWHU RII DUH RIWHQ DVNHG IRU KHOS DQG VKXQQH
 SURYLGH LW

6ROX6XUFRQVW WR PDQXIDFWXUHUV WKDW EDVHG RQ S
 UHVHDFK FRQVXPHUV PD\ EH ZLOOLQJ WR SD\ XS WR
 PRUH IRU D EODFN VWRYH WKDQ DQRWKHU FRORU &R
 SURJUDP WKDW DOORZV FRQVXPHUV WR VHOHFW D VW
 WLPH RI SXUFKDVH DQG WKHQ XVH GDWD IURP WKDW S
 FRORUV WKDW DUH EDVHG RQ GHPDQG UDWKHU WKDQ

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'DWD IURP WKH 2UJDQLVDWLRQ IRU (FRQRPLF &R RSHUDWL
 WKDW DPDLHQW SDUWLFXODWH PDWWHU SROOXWLRQ UHVXC
 LQ \$IULFD SHU \HDU PDNLQJ DLU SROOXWLRQ D GHGOLH
 XQVDIH ZDWHU RU XQVDIH VDQLWDWLRQ DV RI 'HVS
 OHVV WKDQ FOHDQ FRRNVWRYHV WKDW FRXOG FXW K
 SHUFHQW DQG LQGRRU SROOXWLRQ E\ XS WR SHUFHQW X
 VSHQGLQJ RQ VROLG IXHOV IRU SULPDU\ FRRNLQJ QHHGV
 PLOOLRQ WR PLOOLRQ EHWZHHQ ,Q UHFRJQ
 WUHQGV WKH :RUOG %DQN KDV ODXQFKHG LQLWLDWLYHV
 SHQHWUDWLRQ RI LPSURYHG FRRNVWRYHV ,&6V LQ 6XE 6D

2QH RI WKH FRXQWULHV WDUJHWHG E\ WKHVH LQLWLDWLYH
 EHHQ SDUWLFXODUO\ VORZ UHODWLYH WR QHLJKERULQJ FR
 YDULHW\ RI LVVXH DORQJ WKH YDOXH FKDLQ 3DVW ZRUN
 VXSSO\ FKDLQV DQG SRRUO\ FDSLWDOLJHG GLVWULEXWRUV
 VWRYH WHFKQRORJLHV ZKLFK LQ WXUQ UHGXFHV GHPDQG
 PDUNHW VSRLODJH \$ VKLIW LQ WKLV HTXLOLEULXP UHTXL
 VXSSO\ DQG GHPDQG VLGHV WKDW LV D)UG
 GLVWULEXWLRQ FKDQQHOV DQG HIIHFWL WLQ
 PDQXIDFWXUHU GLVWULEXWRU FRQVRUWLD ORFD
 FKDLQ HIIRUWV

3DVW UHVHDFK FDUULHG RXW E\ WKH %DQ DW 8 6K ZKH
 WKDW HIIHFWLYH LQWHUYHQWLRQV DW WKH WKH\ KDYH D HUR
 HYHQ EX\LQJ ORF
 FRQVLGHUDWLRQ RI KXPDQ EHKDYLRU L H)RFXV *URXS IXUL
 HWF :KLOH WKH %DQN KDV LGHQWLILHG E 3DUWLFLSDQ MLRU
 DV ORZ FRQVXPHU H[SRVXUH WR WHFKQRORJLHV DQG ORZ
 XGGHUVWDQGLQJ QHHGV WR EH WDNHQ D VWHS IXUWKHU D
 ORQJ WHUP LQWHUYHQWLRQV WKDW FDQ EH LPSOHPHQWHG

2YHUFRPLQJ EHKDYLRUDO EDUULHUV UHTXLUHV D GLIIHUHQ
 FODVVLFDQ HFRQRPLF PRGHQV FDQ RIIHU)RU H[DPSON GH
 IRU XVLQJ LPSURYHG FRRNVWRYHV^LQFOXGLQJ D SD\EDFN
 PRQWKV DQG FRQVLGHUDEOH VDYLQJV RI WKH KRXXVKROG
 VSHQW RQ SROOXWLRQ LQ 8JDQGD UHPDLQV EHZRZ SHU

1R RQH FDQ ULVN
 SURGXFW WKH GR
 DW 8 6K ZKH
 WKH\ KDYH D HUR
 HYHQ EX\LQJ ORF
)RFXV *URXS IXUL
 3DUWLFLSDQ MLRU

,Q RWKHU ZRUGV DOWKRXJK VLJQLILFDQW ZRUN KDV EHHQ
XVLQJ D FOHDQ FRRNVWRYH PRUH ZRUN QHGGV WR EH GRQ
WR FRQVXPHUV WKURXJK PDUNHWLQJ DQG EH\RQG WKDW
GHFLVLRQV DUH PDGH LQ WKH UHDO ZRUOG DV SRVVLEOH
WKLW ZKLOH PDUNHWLQJ HIIRUWV KDYH IRFXVHG RQ DEWU
WKH HQYLURQPHQW WKH IDFWRUV WKDW DFWXDOO\ LQVSL
EHKDYLRUV DUH UHODWHG WR FRVW VDYLRQJV DQG HDVH RI
E\ SDVW ZRUN LQ SXEOLF KHDOWK FDPDLJQV WKDW IRFX
UHFRJQLJHG DV KDYLQJ YHU\ OLPLWHG HIIHF

/HYHUDJLQJ EHKDYLRUDO VFLHQFH WR XQGI
XVHV HVWDEOLVKHG IUDPHZRUNV RI EHKDYL
FRQVXPHU EHKDYLRUV DQG GULYHUV RI XQG
RI IRFXV LV DSSO\LQJ EHKDYLRUDO LQVLJKV
ORZ FRVW VWUDWHJLHV IRU PDQXIDFWXUHU
FKDLQV

RQV)
)DFWRUV EH\ROG V
VWDQGDUG YDUL
RI SULFHV LQVX
UHJXODWLRQV DQ
VDYLQJ EHKDYLRU
LQFOXGLQJ DWRF
WKLQNLQJ WKDW U
WR WKH IUDPLQJ D
SHUFHSLRQ RI F

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- " SHUFHQW RI 8JDQGDQV OLYH LQ UXUD
- " 2QH WKLUG RI 8JDQGDQ KRXXVKROGV DUH KHDGGH E\ ZF
- " 8QSURFHVVHG ELRPDVV PDNHV XS RYHU SHUFHQW RI
XS SHUFHQW DQG OLTXHILHG SHWUROHXP JDV /3* D
SHUFHQW
- " 0RVW ELRPDVV IXHOV XVHG LQ 8JDQGD DUH SURGXFHG L
- " /HVW WKDQ SHUFHQW RI WKH SRSXODWLRQ HPSOR\ V F
- " 2QO\ SHUFHQW RI WKH SRSXODWLRQ KDV DFFHVV WR
- " 7KH PDMRULW\ RI UXUDO KRXXVKROGV XVH ILUHZRRG IR
KRXXVKROGV XVH ERWK ILUHZRRG DQG FKDUFRDO
- " 5XUDO KRXXVKROGV PRVWO\ FRRN RQ WKUHH VWRQH ILU
VHH ILJXUHV DQG 7KUHH VWRQH ILUHSODFHV KDYH
UDWHV EHWZHHQ SHUFHQW DQG SHUFHQW
- " 0DQ\ KRXXVKROGV LQ UXUDO DUHDV FDQ FROOHFW ILUH
EHFRPLQJ LQFUHDVLRQJO\ XQDYDLODEOH
- " 8JDQGDªV IRUHVWHG ODQG LV VKULQNLQJ E\ SHUFHQW
SHUFHQW RI WKH WRWDO ODQG DUHD LV VWLOO FRYHUH
- " 1HDUO\ SHUFHQW RI WKH SRSXODWLRQ OLYHV LQ DUH
- " 7KH SULFH RI IXHO LV KLJKHU LQ XUEDQ FHQWHUV DQG
IOXFWXDWLRQV

- " 7KH W\SH RI IXHO XVHG FDQ YDU\ GHSHQGLQJ RQ WKH W
FRRNHG
- " /3* XVDJH LV ORZ DQG UHVWULFWHG PDLQO\ WR XUEDQ
GDQJHURXV IXHO ULVN RI H[SORVLRQ DQG LV UDUH R)
- " *RYHUQPHQW VXEVLGLHV DUH DYDLODEOH IRU NHURVHQ
",Q WKH JRYHUQPHQW UHPRYHG VXEVLGLHV RQ HOHF
KRXVHKROGV FDQ QRZ DIIRUG WR FRRN ZLWK HOHFWULF
- " 5HF\FOHG ELRPDVV EULTXHWWHV KDYH EHHQ LQWURGXF
XSWDNH LV ORZ
- " 3URGXFWRQ RI FKDUFRDO LQ WKH FRXQWU\ LV QRW UH

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2XU JRDO LQ WKLV UHVHDUFK ZDV WR XQFRYHU WKH NH\ E
,&6 XSWDNH %HFDXVH WKH SDWK WR SXUFKDVLRQ DQ LPSU
FRPSOH[DQG KDV DOUHDG\ EHHQ VWXGLHG IURP D YDULH
DSSURDFK ZDV WLHUHG :H ILUVW IRUPXODWHG EURDG K\SR
WKH %DQN DQG RWKHUV H[SDQGHG RQ WKHVH K\SRWKHVH
VWDNHKROGHUV LQ WKH 8JDQGDQ ,&6 VSDFH DQG WKHQ YD
VWUXFWXUH ILHOGZRUN 7KH FRPSRQHQWV RI RXU UHVH
EHORZ

'HVN 5HVHDUFK

\$V D ILUVW VWHS ZH XVHG GHVN UHVHDUFK WR DFTXLUH FR
FRRNVWRYHV LQ 8JDQGD VSHFLILFDOO\ DQG 6XE 6DKDUDQ \$
SDVW UHSRUWV RQ WKH VXEMHFW LQFOXGLQJ WKRVH VSHF
WKH 'LVWULEXWLRQ &KDOOHQJH)XQG '&) \$ FRPSUHKHQVL
GHVN UHVHDUFK FDQ EH IRXQG LQ WKH 5HIHUUHQFHV VHFWR
DOORZHG XV WR JHQHUDWH LQLWLDO K\SRWKHVHV UHJDUGI
OLPLWLQJ ,&6 XSWDNH LQ 8JDQGD

6WDNHKROGHU ,QWHUYLHZV

,Q RUGHU WR H[SDQG RXU OLVW RI K\SRWKHVHV DQG SUHV
ZHUH DFTXLUHG GXULQJ RXU GHVN UHVHDUFK ZH RUJDQL
LQWHUYLHZV ZLWK VWDNHKROGHUV LQYROYHG LQ WKH :RUO
WR FRYHU D ZLGH UDQJH RI SRLQWV RI YLHZ ZH IRFXVHG R
FKDLQ^PDQXIDFWXUHUV (QYLURILW %XUQ (FR]RRP 8JDV
(QHUJ\ 8JDQGD)HQL[%XLOG 8JDQGD),1&\$ %ULJKWOLIH
RWKHUV WKDW KDYH DQ HIIHFW RQ ,&6 XSWDNH LQ 8JDQGD
DGPLQLVWHULQJ ,&6 UHODWHG LQWHUYHQWLRQV &,5&2'8 3

+RXVHKROG)RFXV *URXSV

:H RUJDQLJHG VL[IRFXV JURXSV WKUHH ZRPHQ RQO\ WKU
UHJLRQ VHH ILJXUH IRU DQ H[DPSON LQ FROODERUDW
&,5&2'8 D 8JDQGD EDVHG RUJDQLJDWLRQ WKDW LV LQYROYH
DQG KDV RYHU D GHFDGH RI H[SHULHQFH LQ VXUYH\LQJ ,&
7KHVH JURXSV IROORZHG D VWUXFWXUHG IRUPDW IRFXVLQ
GHVN UHVHDFK DQG VWDNHKROGHU LQWHUYLHZ SRUWLRQV
LQYHVWLJDWHG VRFLDO QRUPV DUBZQGHV\WVQ FRUH WKHF
LPSURYHG FRRNRYHYV ILLDQFH\WVRYHV\WVRYHV
VRXUFHV RI LQIRUPDWLRQ DQG SURFHW\WVRYHV\WVRYHV
Y WKHGHUVW\WVRYHV\WVRYHV\WVRYHV\WVRYHV\WVRYHV
WKHGHUV\WVRYHV\WVRYHV\WVRYHV\WVRYHV\WVRYHV

0DQXIDFWXUHU 6XUYH\

\$OWKRJK WKLW EHKDYLRUDO GLDJQRVWLF LV IRFXVHG RQ
ODUJH SDUW RI GHPDQG VLGH EDUULHUV PD\ UHTXLUH FROO
EH XQORFNHG ,Q RUGHU WR LGHQWLI\ SRWHQWLDO LPSOHP
EURDGHU FRQFHUQV ZH VXUYH\HG PDQXIDFWXUHUV RQ WK
LVVXH WKH\ WKRJKW ZHUH PRVW SUHVVLQJ

6KRSNHHSHU 6XUYH\

*LYHQ WKDW ,&6 DZDUHQHV DQG DFFHV DUH NH\ FRQFHUQ
FRQVLGHU WKRKH VKRSNHHSHUV ZKR PLJKW DFW DV WKH
GHPDQG PHFKDQLVPV :H VXUYH\HG RYHU WZHQR\ VKRSNHHSH
ILJXUH DQG DVNHG DERXW WKHLU FXVWRPHUV DV ZHOOR
LPSURYHG FRRNRYHYV

,&6 2ZQHU 6XUYH\

\$OWKRJK ,&6 SHQHWUDWLRQ LQ 8JDQGD LV OHVV WKDQ S
SHRSOH RZQ VXFV WRYHV ,Q FROODERUDWLRQ ZLWK &,5&2
KRXVHKROGV ZKR KDG RZQHG DQ (QYLURILW WRYH IRU D
KRXVHKROGV ZHUH JLYHQ D VXUYH\ IRFXVHG RQ WKH VDF
FRQVLGHUH E\ WKH KRXVHKROG IRFXV JURXSV

5DQGRPLJHG +RXVHKROG 6XUYH\

:H VXUYH\HG KRXVHKROGV SHUFHQW RI LQWHUYLHZHH
,&6 XVHUV DYHUDJH DJH \HDUV ROG DQG XVHG D FRP
TXDQWLWDWLYH DSSURDFKHV WR HOLFLW DWLWXGHV DG
XQGHUVWDQGLQJ WUXVW JHGHU FRQVXPHU ILQDQFH S
VWRYHV

6WDWHG 3UHIHUHQFHV +\SRWKHWLFD0 &KRLFH \$SSURDFK

\$V D ZD\ WR VXSSOHPHQW RXU UHVHDFK ZLWK D PRUH
HFRQRPLF DSSURDFK ZH FROODERUDWHG ZLWK 'U 7RPDV
SURIHVVRU DW WKH 8QLYHUVLW\ :DZHU WSHDGLSDW
VWXG\ ZLOOLQJQHVV WR SD\ IRU FRRNVWRYHV ,Q SDUWLF
VWXG\LQJ KRZ PFK FHUWDLQ ,&6 IHDWXUHV DQG EHQHILWV
DVNHG VXEMHFWV WR FKRRVH EHWZHHQ D VHULHV RI K
RSWLRQV LQ DQ HIIRUW WR ILQG RXW KRZ PFK WKH\ ZHU
GXUDELOLW\ RI RQH \HDU D SDUWLFXODU FRORU RU LQFU
IHDWXUHV

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6DPSOH 6L]H

\$OWKRXXJK ZH OHYHUDJHG UHVRXUFHV DV HIILFLHQWO\ DV S
ZLGH UDQJH RI VWDNHKROGHUV DQG FRQVXPHUV RXU VD
UHVRXUFHV DYDLODEOH)XWXUH ZRUN VKRXOG IRFXV RQ H[
GLYHUVLI\LQJ WKH GHPRJUDSKLF JURXSV WDUJHWHG DQG
DQG UXUDO DUHDV ZKHUH D ODUJH SRUWLRQ RI SRWHQWLD

)RFXV RQ 'HPDQG

7KH SUHVHQW UHSRUW LV IRFXVHG RQ D EHKDYLRUDO GLDJ
7KLV PHDQV WKDW E\ QHFHVVLW\ LPSRUWDQW VXSSO\ VLG
WKH VFRSH RI RXU ZRUN 7KLV IRFXV GRHV QRW LPSO\ V
LPSRUWDQW ZH EHOLHYH WKDW DGGUHVVLQJ NH\ VXSSO\ V
OLVWHG LQ RWKHU UHSRUW LV FULWLFDO WR DFKLHYLQJ
JURZWK

/LPLWHG 6ROXWLRQ 9DOLGDWLRQ

,PSRUWDQWO\ WKLV EHKDYLRUDO GLDJQRVWLF ZDV GHVLJQ
EHKDYLRUDO EDUULHUV WKDW PD\ EH OLPLWLQJ FRQVXPHU
LQ 8JDQGD *LYHQ WKLV IRFXV ZH WRRN DQ H[SORUDWRU\ I
RQ LGHQWLI\LQJ EDUULHUV WKDQ VROXWLRQV 7KXV DQ\ G
SURSRVH DUH QHFHVVDULO\ K\SRWKHVHV WKDW UHPDLQV
WHVWLQJ GXULQJ WKH LPSOHPHQWDWLRQ SKDVH \$V VXFK
LQKHUHQWO\ LWHUDWLYH WKH JRDO LV QRW WR GHVLJQ W
EXW UDWKHU WR DOLJQ LQWHUYHQWLRQV ZLWK UHDO ZRUO
ZLWK HDFK LWHUDWLRQ

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7KLV UHSRUW LV RUJDQLDZG UHURXQG VROVQPWKHIPQVQDFH
WUXVW DFFHVV SXURGXFWWIDOBLOGHU HDFK WKHPHG
VHFWRQR RI WKH UHSRUW VEHUUDGGEHUKZYQBUILQG D OLVV
FKDQJH WHFKOLWXPFDQ VHUYH DV VWDUWLQJ SRLQWV IRU D
EDUULHUV)LQDOO\ ZHQWEOYSHQWVROVHDEVHOLHYH RKDYH
WKH SRWHQWLDO WR DGGUHV V PXOWLSOH EDUULHUV DW RO

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*LYHQ WKH ZLGH VFRSH RI GHPDQG VLGH LVVXHV \LHOGHG
VWDNHKROGHU LQWHUYLHZV DQ\ IUDPHZRUN ZLWK WRR
LQVXIILFLHQW DW FDSWXULQJ WKH IXOO EUHDGWK RI LQVL
ZKHQ FKRRVLQJ D EHKDYLRU FKDQJH OHQV H J &20 % &5,
6DQL)2\$0 (\$67 HWF IRU DQDO\VLQJ UHVXOWV DQG JHQHUR
RQH WKDW IXOILQOV WKH IROORZLQJ FULWHULD

" 3URYLGHV VSDFH IRU PXWXDOO\ H[FOXVLYH GULYHUV RI

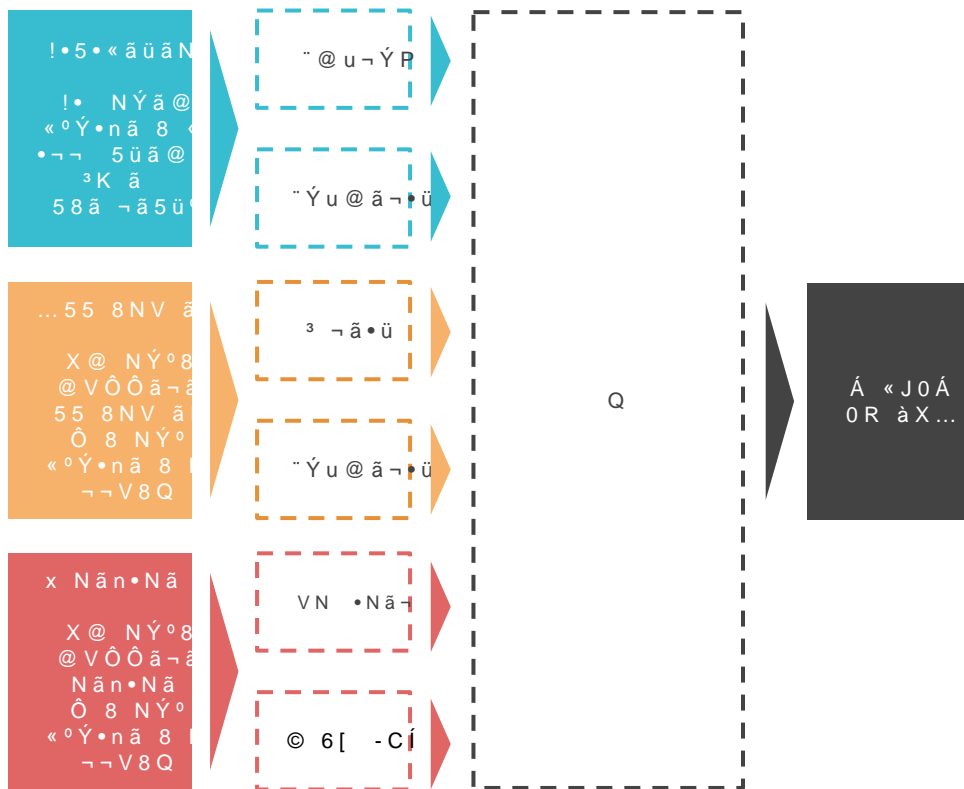
" \$SSOLFDEOH DFURVV D ZLGH YDULHW\ RI FRQWH[WV

" \$OORZV D PD[LXP DPRXQW RI EUHDGWK ZLWKRXW OLPL

" 6XIILFLHQWO\ DJQRVWLF WR IXUWKHU OHYHOV RI DQDO\

\$IWHU D WKRURXJK VXUYH\ RI FRPSHWLQJ IUDPHZRUNV ZH
WKHVH FULWHULD 7KH &20 % &DSDELOLW\ 2SSRUWXQLW
IUDPHZRUN GHYHORSHG E\ 6XVDQ OLFKLH /RX \$WNLQV D
8QLYHUVLW\ &ROOHJH /RQGRQ KDV EHHQ ZLGHO\ XVH WR
RSSRUWXQLWLHV LQ D YDULHW\ RI FRQWH[WV &20 % GUDZ
UHYLHZ DQG PHWD DQDO\VLV RI EHKDYLRU FKDQJH IUDPH
KHDOWK HQYLURQPHQW DQG SROLF\ GHVLJQ WR FUHDWH D

&20 % VHSDUDWHV EHKDYLRUDO GULYHUV LQWR WKUHH EU
HDFK LQWR WZR SULPDU\ FRPSRQHQWV)LJXUH LOOXVWUD
WKH ODUJH DUHD ZLWK WKH TXHVWLRQ PDUN UHSUHVHQW
DXGLW^L H WR XVH HDFK FDWHJRU\ DQG FRPSRQHQW DV D
UHOHYDQW EHKDYLRUDO EDUULHUV WKDW OLPLW ,&6 XSWD
RXWOLQH KRZ ZH XVHG &20 % WR LGHQWLI\ FRUH WKHPHV
8JDQGD

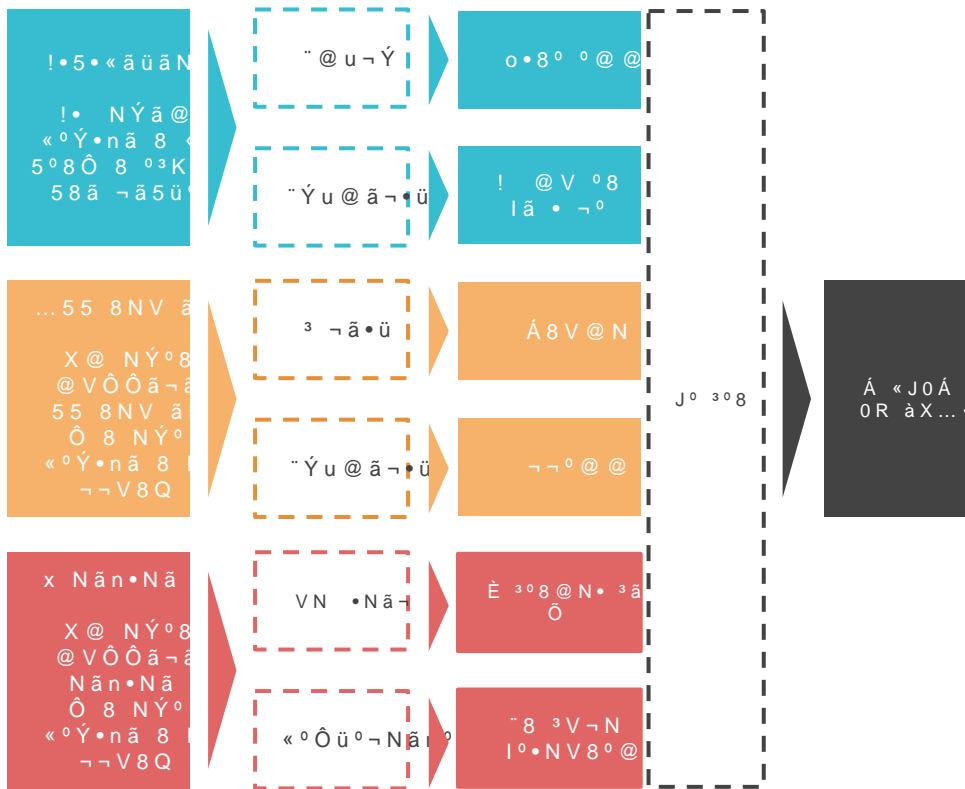


)LJXU\$ GLDJUDP UHSUHVHQWLQJ WKH EDVLF HOHPHQWV RI WKH &20 % IU
EHKDYLRU FDSDELOLW\ RSSRUWXQLW\ PRWLYDWLRQ LV VSOLW LQWR V
SUHGLFWV ZKHWKHU WKH WDUJHW EHKDYLRU ZLOO RFFXU RU QRW

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,Q RUGHU WR PDNH VXUH WKDW RXU IUDPHZRUN IRU WKLV D
ZLWK ERWK WKH &20 % IUDPHZRUN RI EHKDYLRU FKDQJH DO
LGHQWLILHG LQ RXU GHVN UHVHDFK DQG
&20 % FRPSRQHGW WR D FRUH WKHPHV 7KH
WR EH FURVV FXWWLQJ *LYHQ WKDW WKH P
DQG WKDW ZRPHQ KDYH UHODWLYHO\ OLWW
UHTXLUHV D GHSHU OHYHO RI DQDO\VLV D
ILJXUH

%HKDYLRU &KDJH
7HFKQLTXHV HG L
5HDGHUV IDPLOLD
WKH &20 %
IUDPHZRUN RI EHK
FKDQJH ZLOO QRW
ZH XVH WKH WHUP
WR GHQRWH D GHV
FRQFHSW QRW MX
IUDPHZRUN IRU
FDWHJRUL]DWLRQ



)LJXUHKH FRUH WKHPHV LGHQWLILHG LQ RXU GHVN UHVHDFK DQG VWDNH
WKH &20 % SUHGLFWRUV RI EHKDYLRU FKDQJH 1RWH WKDW JHQGHU LV P

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)HZ SHRSOH NQRZ ZKDW LPSURYHG FRRNVWRYHV DUH LQ 8
HVWDEOLVKHG LGHD RI ZKDW W\SHV RI FRRNVWRYHV DUH
W\SLFDOO\ FRVWV DQG QR LQFHQWLYH WR VSUHDG WKH
FRQVXPHUV WR KDYH D KRPRJHQRXV DQG IDFWXDO XQGHU
VKDUH WKLV XQGHUVWDQGLQJ ZLWK RWKHUV

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3UHYLRXV UHSRUWV VHH \$&&(6 UDLVH FRQFHUQV U
,&6 GLVWULEXWLRQ DQG DZDUHQHV DFURVV 8JDQGD DQG 6
UXUDO DUHDV 'DWD RQ WKH HIIHFWLYHQHV RI H[LVWLQJ
HVSHFLDOO\ ZKHQ LW FRPHV WR VHOOHUa XQGHUVWDQGL
VDOHV WDFWLFV 7R ILOO WKLV JDS ZH DVNHG VKRSNHHSH
DQG FRPSDUHG WKHLU UHVXOWV WR UHVXOWV IURP RXU UD
:KDW ZH IRXQG LV WKDW LQ QHDOO\ HYHU\ FDWHJRUV V
RYHUZKH~~FCSP/LQJL V FUHJDU~~GLQJ FRQVXPHUa DZDUHQHV RI
FRRNVWRYHV DQG WKHLU EHQHILWV)XUWKHU~~UFRUHH UTXSDOEH~~
ELDV GULYHV VKRSNHHSHUV WR EH OHVV DJ~~UHVLYH FHLQV~~
WKDQ WKH\ ZRXOG RWKHUZLVH ~~VRXUFH~~

2Q WKH ZKROH VKRSNHHSHUV RYHUHVWLPDWH FRQVXPHU
FRRNVWRYHV E\ DERXW SHUFHQW \$QG WKH GLVFRQQHFW
VXFK DV IXHO HIILFLHQF\ FOHDQOLQHVV DQG KHDOWK
SHUFHSWLRQV RI FRRNLQJ VSHHG E\ SHUFHQW VDIHW\
SHUFHQW DQG IXHO HIILFLHQF\ E\ SHUFH(LQG
WKDW SHUFHQW RI VKRSNHHSHUV GR QRV 2 DQ
LPSURYH VDOHV RI LPSURYHG FRRNVWRYHV VKH\
EHQHILWV WR WKHLU FXVWRPHUV VLQFH W 2SWLPLVP %LDY W
NQRZQ

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6KRSNHHSHUV QHHG WR EH HTXLSSHG ZLWK
RUGHU WR VHOO DV PDQ\ VWRYHV DV SRVVL... ZH V
SURPRWLQJ JUHDWHU XQGHUVWDQGLQJ RI FRQVXPHU DW
FRRNVWRYHV LQ 8JDQGD DFURVV GLVWULEXWLRQ FKDQQHOV
RI VDOHV 0RUH GHWDLOHG UHFRPPHQGDWLRQV DUH RIIHUH

\$ FRJQLWLYH ELDV
FDXVHV SHUVRQV
EHOLHYH WKDW W
OHVV ULVN RI
H[SHULHQFLQJ D
QHJDWLYH HYHQW
RWKHUV GHUV

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Nān•N 8@

,PSRUWDQWO\ IRU DQ\ IURQW OLQH VDOHV \ VR E
GHWDLOHG XQGHUVWDQGLQJ RI WKH YDULR> WKD
VHOO LPSURYHG FRRNVWRYHV RYHU RWKHI EH UHVS
LGHQWLI\LQJ WKH FRPSHWLQJ SURGXFWV WI DZDUHQHVV
VDOHV YROXPHV RI WKHVH SURGXFWV WKH DQG GLVWULEXW
PRVW HIIHFWLYH LQ DFKLHYLQJ WKRVH VDO EH n H SF
PRUH LPSURYHG FRRNVWRYHV 7KH ILQGLQJ D VV
XQGHUVWDQG KRZ VKRSNHHSHUV PLJKW EH ,QWHUYLHZV!
VHH ILJXUHV DQG IRU SKRWRV RI D FKDUFRDO VDOHVS

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n°8•üü 58 ³V-N @•Nā@Ô•-Nā

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3DVW UHSRUWV VHH 619 KDYH HPSKDV
UHFRPPHQGDWLRQV LQ ,&6 XSWDNH &RQV:
SURGXFW UHODWHG PHVVDJLQJ WKDW LV QI DERXW WKHP
GHPRQVWUDWLRQ RU WKDW GRHV QRW RU RI PRXWK RU
VXUYH\ V FRQILUP WKHVH UHVXOWV SHUF DGYDQWDJH
IULHQG RU QHLJKERU ZRXOG EH WKHLU PR *9(3 G U
LPSURYHG FRRNVWRYH FRPSDUHG WR MXVW SHUFHQW IRU
IRU D JRYHUQPHQW RIILFLDO DQG SHUFHQW IRU D VDY
RUJDQL]DWLRQ 6\$&&2 ,W LV WKHUHIRUH FUXFLDO WR FUH
QXGJHV ,&6 RZQHUV WR H[SRVH WKHLU EHQHUV WR WKH
6WHHOH DQG -HXODQG

4XDOLWDWLYH GDWD JDWKHUHG IURP IRFX /XJJ
LQFHQWLYH WR RSHQO\ VKDUH WKH FRRNVW 'HVLUDEOH
SDUWLFLSDQW RZQHG WZR LPSURYHG FRRNV %LDV HTEW
KDG EHHQ H[SRVHG WR WKHP RU KHDUG DER V RQ
RQO\ D FRPPXQLW\ OHDGHU RZQV VXFK VWR FRQ
WKH\ DUH OX[XU\ JRRGV cXQDFKLHYDEOHd I PDQQHU WKD
YLHZHG IDYRUDEO RWKHUV

7KH UHDVRQLQJ EHKLQG WKLV EDVLFHQWLN' GR
ELDV\SLFDOO\ SHRSOH WHQG WR RYHUHSRUW FKDUFDWHU
GHVLUDEOH ,Q SRRU FRPPXQLWLHV SHRSOH SHUFHLYHG D
RWKHU IDPLOLHV LQ WKH HYHQW RI DQ XQH[SHFWHG KDUG
3RRU IDPLOLHV XQGHUVWDQGDQGLQJ GR QRW ZDQW WKLV SHUF

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:KLOH IXUWKHU UHVHDFK LV QHHGHG WR FRQILUP WKH WU
WKDW DQ\ EHKDYLRUDO LQWHUYHQWLRQV WKDW DLP WR LP
IURP D FRPSRQHQW WKDW SURPRWHV ZRUG RI PRXWK UHFR
WKHVH ILQGLQJV RXU FRQYHUVDWLRQV ZLWK ORFDO GLVV
UHIHUUDO SURJUDPV DV SURYLGGLQJ WKH VLQJOH KLJKHV
PDUNHWLQJ DFWLYLWLHV \$ EHKDYLRUDO\ JXLGHG YHUVLR
WKDW WDSV LQWR VR DURXQG KHOSLQJ RWKHUV H J cKHC
QHLJKERUV VDYHd RU cOHwAv VDYH XS WRJHWKHUd DQG
ILQDQFLDO LQFHQWLYHV VKRXOG EH GHVLJQHG DQG WHVW
KLJK LPSDFW ZD\ RI XQORFNLQJ IXUWKHU ,&6 XSWDNH

2QH DSSURDFK WKDW KDV SUHYLRXVO\ EHHQ VXFFHVVIXO
DURXQG D FRPPRQ JRDO LV WKH 5DSLQ 5HVXOWV PHWKRGR
VHFWRUV DQG FRXQWULHV E\ WKH :RUOG %DQN *URXS 6XFK
EULQJ D UHIHUUDO FDPSDLJQ WR VFDOH

\$FFRUGLQJ WR D UHSRUW IURP WKH *RYHUQPHQW RI .HQ\D

7KH 5DSLQ 5HVXOWV \$\$\$SURDFK 55\$ LV D UHVXOWV IRF
MXPSVWDUWLQJ PDMRU FKDQJH H\IRUWV DQG HQKDQFI
WDFNOHV ODUJH VFDOH PHGLXP DQG ORQJ WHUP FKD
VPOO VFDOH UHVXOWV SURGXFLQJ DQG PRPHQWXP EX
WKH 5DSLQ 5HVXOWV \$\$\$SURDFK LV WR FUHDWH D FRQW
LPSOHPHQWDWLRQ FSDFLW\ E\ KHOSLQJ VWDNHKROO
LQLWLDWLYHV WKDW ZLOO HQVXUH GHOLYHU\ RI WKH GH

5DSLQ 5HVXOWV WDSV LQWR WKH KXPdq GHVLUH WR VX
PRWLYDWLRQ DQG LQQRYDWLRQ LQ ZRUNLQJ WRZDUGV

- " 6WDUWV E\ IRFXVLQJ RQ D IHZ UHVXOWV
- " &KDOOHQJHV WHDPV WR DFKLHYH GD\ UHVXOWV
- " &UHDWHV D WHPSRUDU\ JRYHUQDQFH DQG VXSSRUW
- " 5HLQIRUFHV EDVLF PDQDJHPHQW VNLOOV
- " ODQDJHV WKH VFDOH XS EH\RQG WKH \LUVW GD\

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3ULFH VHQVLWLYLW\ FRPELQHG ZLWK ORZ DFFHVV WR IL
LQVWLWXWLRQDO WUXVW FRQWULEXWHV WR ORZ ,&6 XSW
PHFKDQLVPV DUH UHTXLUHG WR HQDEOH FRQVXPHUV WR PDM

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3UHYLRXV UHSRUWV VHH 5HEHO *URXS &RQVRUWLXP %
IRXQG WKDW FRQVXPHUa ZLOOLQJQHVV WR SD\ IRU LPSURY
DW OHDVW SHUFHQW WR SHUFHQW KLJKHU WKDQ ZLWKR
:RUOG %DQN FRQVXPHUV ZHUH ZLOOLQJ WR SD\ 8 6K
ULVLQJ WR 8 6K LI WKH SD\PHQW ZDV LQ LQVWDOOPH
UHVXOWV RXU VKRSNHSHU VXUYH\ IRXQG WKDW SHUFHQ
RI FUHGLW WR SXUFKDVH DQ LPSURYHG FRRNVWRYH +RZHY
VKRSNHSHUV GR QRW RIIHU DQ\ ILQDQFLQJ PHFKDQLVPV
ILQDQFLQJ RQO\ WR IULHQGV 7KLV OHDYHV RII WKH ODUJH
SRWHQWLDQO\ LQWHUHVWHG LQ SXUFKDVLPQJ DQ LPSURYHG
GR VR

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NÝ°ã8 @5°¬ãÔã¬ @ãNV•Nã

*LYHQ WKH KLJK GHJUHH RI FRPSOH[LW\ WKDW ZRXOG EH
VKRSNHSHUV ZLWK WKH WRROV UHTXLUHG JHGL
WKDW DLPV WR VFDOH DW D UDSLQ SDFH ZF WR
ILQDQFLQJ SURYLGHU :H SURSRVH WKH LPS 866'
866' 606 RU WROO IUHH QXPEHUV WKDW ZR 8QVWUXFWXUH SRV
LQWR D VKRS WR HLWKHU DSSO\ IRU FUHG VXSSOHPHQW DUI V
LQIRUPDWLRQ UHJDUGLQJ RUJDQL]DWLRQV GDWV HUYLFH WKD
LQIRUPDWLRQ FDQ EH GHOLYHUHG YLD D cV EH XVHG RQ G EH
QHHGV 7KLV W\SH RI V\WHP ZRXOG EH DE QRQ VPDUWSKROH
RUJDQL]DWLRQV WKDW DUH QRW RQO\ HDVL LQWHUHVWHG ZLWK L
UHOHYDQW WR WKHLU SDUWLFXODU HPSOR\PHQW DQG ILQD
QRW SRVVLELOLW\ RI XVLQJ ODQG DV FROODWHUDO RU QRW



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³ã@N8ã«VN 8@K «VN •8° ã@N8V@N°³ «u « NÝ

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5HVHDFK WR GDWH VHH 5HKIXHVV HW DO KDV UHFRR
PLFURILQDQFH DV D ZD\ WR HQDEOH ,&6 DGRSWLRQ RQ D
FRQVLGHUDWLRQ LQ HYDOXDWLQJ WKLV RSWLRQ LV WKH
LQVWLWXWLRQV VXFK DV 6\$&&2V DUH WUXVWHG 3UHYLRY
:RUOG %DQN D 'HVKSDQGH 3LFNHQV DQG 0HVVDQ K
ZLWKLQ 6\$&&2V WKH VHFUXULW\ RI VDYLQJV LV FRQLQJHQV
LQ WKH DEVHQFH RI LQIRUPDWLRQ RQ WKH FRQV
SK\VLFD SUHPLVHV ZLWK LQVWLWXWLRQDO \ ,Q
SUHPLVHV DQG WKLV FDQ ZRUN DJDLQVW WI F LP

2XU KRXXVKROG VXUYH\V IRXQG WKDW WUX
PHPEHUV WKHPVHOYHV :KHQ DVNHG WR UDC
DQ LPSURYHG FRRNVWRYH IURP RQO\ SHI
6\$&&2V LQ WKHLU WRS WKUHH ZKLOH SHU
SHUFHQW RI 8JDQGDQV GR QRW KDYH DF
YLDELWLW\ DQG WUXVWZRUKLQHVV RI 6\$&
SXUFKDVHV ,ZXPEZH ,I 6\$&&2V DUH W
SURPRWLQJ ,&6 XSWDNH PHDVXUHV QHHG V
6\$&&2V IRU ,&6 UHODWHG SURJUDPV DQG II
6\$&&2V

6LPLODUO\ VXSSO\ VLGH FRQFHUQV UHJDUG
NH\ VWDNHKROGHU LQWHUYLHZV 2Q QXPHEU
ZKR DOORZHG PRELOH VDOHVSHRSOH WR O
UHPRWH UHJLRQV DIWHU D SXEOLF GHPRQV\
SXUFKDVH WKHP LQ LQVWDOOPHQWV RU DW
FDVHV WKLV ZDV EHFDXVH WKH 6\$&&2V K
FRRNVWRYHV

,W LV LPSRUWDQW WR QRWH WKDW EDVHG RQ YHU\ OLPLW
FRQVXPHEUa PLVWUXVW RI 6\$&&2V IRFXVHV RQ ODUJH DQ
W\SLFDOO\ LQ XUEDQ DUHDV ZKHUHDV WKDW RI GLVWULE
VPDOO DQG QRW ZHOO HVWDEOLVKHG W\SLFDOO\ LQ UXUDC
FRQILUPHG XVLQJ D ODUJHU DQG PRUH JHRJUDSKLFDQO\ GL
XS SRWHQWLDQO\ LQWHUHVWLQJ TXHVWLRQV DERXW WKH UI
SOD\ LQ ,&6 GLVWULEXWLRQ

'HFHSWLYH 7DFWL
\$ VWXG\ LQ 0HVLF
LQYLWHG ORZ LQF
SDUWLFLSDQV WLV
FKRRVH WKH KHU
RQH \HDU ORDQSU
&2
> @)LQV
:KHQ XVLQJ WKH F
GHVFULSWLRQV RI
SURGXFWV RQ BI
WKH SHRSOH ORXV
LGHQWL\ WKH FK
FUHGLW SURGXFW
:KHQ XVLQJ WKH P
VWUDLJKWIRUZDU
VXPPDU\ VKHHW
FRXOG LGHQWLQV
FKHDSHVW FVHLQ
*LQa 0DUWLQV RU V
&XHOODU DQGDWV
WHG

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³°5ü u X!³ 58 Ö8• @

*LYHQ SHRSOHaV UHODWLYHO\ ORZ OHYHOV RI WUXVW LQ
SURJUDP WKDW UHOLHV RQ WKHP IRU HGXF 2VXP
EXLOW DORQJVLGH 6\$&&2V RU SDUWLFXODU QFKI
WUXVWZRUK\

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6DOHV UHSUHVHQA
6\$&&2V DUH DOZDV
WU\LQJ WR VHOO X
EXW KRZ FDQ ZH E
WKDW WKH\ DUH J
SURGXFWV" G LQ

\$OWKRXXJK EH\RQG WKH VFRSH RI WKH ZRUN)RFXV *URXS WUX
LPSRUWDQW PHDVXUH WKDW ZRXOG KHOS 3DUWLFVSDQW HG V
FHQWUDOLJHG FUHGLW UDWLQJ V\ VWHP H J
ERWK WKH VXSSO\ DQG GHPDQG VLGH ZLWK REMHFWLYH DQ
WKH 6\$&&2V RI LQWHUHVW 7KH JRDO RI WKLV V\ VWHP ZR
GLVWULEXWRUV DQG FRQVXPHUV DERXW WKH TXDOLW\ RI W
HQJDJLQJ ZLWK DQG WKXV EXLOG LQVWLWXWLRQDO WUXVW
LPSURYH WKHLU VHUylfHV DQG PLQLPLJH FRUUXSWLRQ

ü•-ø Ô ã -° Nãn° N 58 nã³° -8°³ãN Ô 8 8°ü•Nãn°üü ü on- @N X!³
³°ü@ -8°•N°@ ã - °n³ã@58 5 8Nã •ü ³° • ³ Ô 8 ÝãÖÝ°8n- @N
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4XDOLWDWLYH LQWHUYLHZV ZLWK GLVWULEXWRUV UHYHDO
UHODWLYHO\ ORZ FRVW ,&6 PRGHOV XQGHU 8 6K VLG
FXVWRPHU DUH KLJK FUHGLW FKHFNV LQIUDVWUXFWXUH
VWDNHKROGHU LQWHUYLHZV FRQILUP WKLV PDQ\ RI WKH RU
WR IRU WKH SXUSRVH RI ILQDQFLQJ DQ LPSURYHG FRRNV
SURGXFWV XQGHU 8 6K XQOHVV WKH\ DUH FRXSOHG ZL

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• Ö ü•8Ö° -8°³ãNn ÔÖ°8ã Ö 8Ö• ã••Nã @

\$OWKRXXJK LW ZRXOG EH SRVVLEOH WR DUWLILFLDOO\ LQFH
H J E\ SURYLGLQJ D UHVXOWV EDVHG JUDQW WKLV PD\
PHWKRQ RI LQFUHDVLQJ ORQJ WHUP DFFHVV IRU FRQVXPHU
LVVXH RI KLJK LQWHUHVW UDWHV DQG WKH IDFW WKDW W
FRQVXPHUV DVVRFLDWHG ZLWK SDVVLQJ FUHGLW FKHFNV DQ
VROXWLRQ WR WKLV LVVXH LV LQFHQWLYLJLQJ FUHGLW HQ
\$OWKRXXJK WKH H[DFW PHFKDQLVPV QHHG WR EH GHVLJQHG
JHQHUDO DSSURDFK UHSUHVHQA D JRRG DOLJQPHQW
GHPDQG VLGH FRQVWUDLQWV

&HUWDLQ FUHGLW RIIHULQJ HQWLWLHV KDYH DOUHDG\ EHJ)
SURGXFWV ILJXUH 7KLV WUHQG FDQ EH OHYHUDJHG WR
DFFRXQWV 0RUH ZRUN DV ZHOO DV FRQYHUVDWLRQV ZLW
LQVWLWXWLRQV LV QHHGHG WR GHWHUPLQH WKH EHVW VWL

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4XDOLWDWLYH GDWD FROOHFWHG IURP LQW
HYHQ WKRXJK FUHGLW LV QRW JLYHQ RXW W
WR SURVSHFWLYH EX\HUV RI LPSURYHG FRR
RIWHQ DERYH SHUFHQW SHU \HDU \$OWK
DUH OHVV DIIHFWHG E\ WKLV DV WKH\
KLJKHU FRVW ,&6 PRGOV EHFRRPH HYHQ PRU
UDWHV DUH DFFRXQWHG IRU

(YHU\|RQH KDV YRC
WDUJHWV VR WKHV
UDWKHU VHOO KLJ
JRRGV HVSHFWRO
LV WDNHV DOPRVV
H\IRUW WR VHOV
DQ H[SHQVLYH
FRRNVWRYH U FR
'LVWULEXWRDOO
,QWHUYLHZV YH IF

\$ TXDOLWDWLYH UHSRUW IURP WKH :RUOG %DQN VSRQV
PLFURILQDQFH LQVWLWXWLRQV LQ 6XE 6DKDUDQ \$IULFD UH
H[FHV RI SHUFHQW SHU \HDU VHH 0EHQJXH 7KHUH
RQ WKH HIIHFW RI LQWHUHVW UDWHV RQ VSHQGLQJ^LQ SDU
IRU \$PHULFDQ 0RQJUDQG &KDXUXVKL\D FLWHV HYLGHQF
SHUFHQW LQFUHDVH LQ LQWHUHVW UDWHV FDQ KDYH WDQJ
H[DPSON -RUGDDQ 0XWLQGD :H EHOLHYH WKDW V
FRQWULEXWH WR FRQVXPHUa ORZ WUXVW LQ 6\$&&2V DQG
SXUFKDVHV

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- @V °8@ N •VN •Nã-üüü Ý•n° X!³ ã @N•üü ° N 5•u ° N@ N•ø°
VN Ô NÝ°ã8 NÝüü @•ü•8u

7KLV LV D UHODWLYHO\ VLPSON EHKDYLRU FKDQJH WHFKQL
HPSOR\HHV 3DVW H[SHULHQFH VKRZV WKDW LI H[HFHWHG
ZD\ RI SURYLGLQJ FUHGLW

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*LYHQ WKH FXUUHQW KLJK LQWHUHVW UDWHV DVVRFLDWH
8JDQGD D PRUH VXVWDLQDEOH DSSURDFK WR IDFLOLWDW
LQFHQWLYLJH OD\DZD\ PHFKDQLVPV DQG FUHDWH DOWHUQD
PHFKDQLVPV FDQ EH FUHDWHG HLWKHU DW DQ LQGLYLGX
LQLWLDWLYHV DW D ORFDO OHYHO WKURXJK FRPPXQLW\ J
VDYLQJV LQVWLWXWLRQV \$OWKRXJK LPSURYLQJ ORDQ J
ILQDQFLQJ IDFLOLWLHV LQ 8JDQGD VKRXOG QRW EH GLVPLV
EH JLYHQ WR WKH SRWHQWLDO SULYDWH VHFWRU RSSRUW
GHYHORSQJ PHFKDQLVPV WKDW LQFHQWLYLJH VDYLQJV

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4XDOLWDWLYH GDWD IURP RXU IRFXV JURXSV UHYHDO WKD
2YHU RQH TXDUWHU RI UHVSRRGHQWV LQGLFDWHG WKDW L
FRQVLVWHQW UHVSRRVH ZDV WKDW LW WDNHV EHWZHHQ W
6DYLQJV DUH RIWHQ XVHG WR SXUFKDVH QHFHVVL
HQWHUWDLQPHQW 0DLQWDLQLQJ FRPPLWPHQW RYHU D OR
PDMRULW\ RI WKH SHRSOH ZH LQWHUYLHZHG 6LQFH WKHU
OD\DZD\ SD\PHQW PHWKRGV VDYLQJV FDQ VHHP DLPOHVV D
ZKHQ WKH\ ZLOO KDYH WKH FKDQFH WR SXUFKDVH DQ LPSUR

,Q DGGLWLRQ PRELOH VDOHVSHRSOH UDUHO\ FRPH EDFN
WKUHIRUH DUH XQDEOH WR JLYH SHRSOH D FKDQFH WR VD
DQG GHPDQG FRQGLWLRQV DUH PHW ZLWKRXW D JRDO GLU
GHFLVLRQ PDNHUV ZLOO IRFXV RQ JRRG H[SHULHQFHV FRQ
SXVK RII EDG H[SHULHQFHV PDLQJ GLILFXOW GHFLVLRQV
IXWXUH OHDGLQJ WR SURFUDVWLQDWLRQ DQG SRVVLEO
FRQWULEXWLQJ WR ORZ DFFHVV WR FDSLWDO WR SXUFKDVH

\$QRWKHU DVSHFW RI VDYLQJV LV VHDVRRQDOLW\ 0RVW RI W
IDUPHUV DQG PHQWLRQH G WKDW VDYLQJ ZDV VXEVWDQWL
SHULRG 0RUH JHQHUDO UHVRXUFK SORSFHQW G5 HSRWKH
0LQG 6RFLHW\ :RDOG %DQDLRUE QRWHV WKDW WKH VWUHV
SHULRG LV D PDVVLYH GUDLQ RQ FRJQLWLYH UHVRXUFHV)D
SHUIRUPHG RQ DYHUDJH RQH VWDQGDUG GHYLDWLRQ SW
WHVWV DIWHU WKH KDUYHVW VHDVRRQ WKDQ EHIRUH 7U\LQ
HQFRXUDJH VDYLQJV DQG ,&6 DGRSWLRQ DW WKH ZURQJ WL
VXEVWDQWLDO ZDVWH RI UHVRXUFHV

5HJUHVLRQ DQDO\VLV RI IDFWRUV OHDGLQJ WR ,&6 DGR
HPSOR\HHV ZHUH VLJQLILFDQWO\ OHVV OLNHO\ WR RZQ DQ L
HPSOR\HHV H J IDUPHUV VDOHVSHRSOH HWF VRPHWLP
DPRXQWV DQG DUH DEOH WR EX\ ELJ WLFNHW LWHPV OLNH
HPSOR\HHV FDQQRW DIIRUG 6DODULHG FRQVXPHUV QHHG
PRQH\ IRU DQ ,&6 SXUFKDVH

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*LYHQ WKH PHQWDO IULFWLRQ DVVRFLDWH IWWI
DXWRPDWHG VDYLQJV PHFKDQLVPV H J UR: m\$ ORW RI WKH SH
8QLWHG 6WDWHV VKRXOG EH H[SORUHG DV WHOO PH j&DQ\K
\$FRUQV OHYHUDJH WKH IDFW WKDW ZKLOH VKRZ PH KRZ WR N
SDUWLFXODUO\ VHQVLWLYH WR WKH H[DFW WKLV VWRYH K DQ
VPDOO SRUWLRQ RI D SD\PHQW WR VDYLQJ UHDOO\ QRW VXUH
H[LVWLQJ IULFWLRQ FUHDWHG GXULQJ D S WHOO WKHP DW V
SDLQ IUHH \$ UHDO ZRUOG H[DPSOH RI KRZ ORELOH 6HOORHU F
DLUWLPH XSVHOOLQJ LPSURYHG FRRNVWRYHV E\ GLYHUWLQ ,QWUHLZ R G ZR
WRZDUG WKDW JRDO)RU H[DPSOH ZKHQ D FXVWRPHU SXU
WKHQ 8 6K FDQ EH DGGHG WR KLV RU KHU DFFRXQW DQG

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2QH SRVVLEOH OD\DZD\ PHFKDQLVP WKDW FRXOG IDFLOLWDY
DVFUWFKFDUGV WHOO DQ LPSURYHG FRRNVWRYH LQ LQVWDOOF
LPSURYHG FRRNVWRYH FRVWLQJ 8 6K FRXOG EH VS
VFUDWFKFDUGV HDFK FRVWLQJ 8 6K 8SRQ SXUFKDVH
FRQVXPHU KDV D FKDQFH WR ZLQ D SUL]H L H WKH LQFHQ
DFTXLULQJ DOO IRXU WKH FRQVXPHU FDQ H[FKDQJH WKHP I

\$OWKRXXJK WKLV LGHD KDV EHHQ ZHOO UHFHLYHG LQ IRFXV
VKRSNHSHU VXUYH\V LWV LPSOHPHQWDWLRQ GHVLJQ ZRX
WDNLQJ LQWR DFFRXQW HWKLFDO FRQVLGHUDWLRQV L H
FRUUXSWLRQ L H SRVVLELOLW\ RI PHFKDQLVPV DURXQG
FRPSURPLVHG DQG ODFN RI LQVWLWXWLRQDO WUXVW L H
ZLOO HYHU JHW D VWRYH ,Q DGGLWLRQ VLQFH RXU KR
FRQVXPHUV KDYH D VWURQJ SUHIHUHQFH IRU SD\LQJ DQ\ O
WKH VKRSNHSHU WKH VFUDWFKFDUG V\VWHP PLJKW DO
WUDQVDFWLRQV

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7KH FXUUHQW WRXFKSRLQWV DVVRFLDWHG ZLWK WKH DZDU
LPSURYHG FRRNVWRYHV DUH QRW ZLGHO\ WUXVWHG :H ZD
FRRNVWRYHV SXUFKDVH FRRNVWRYHV DQG JHW ILQDQFLQJ
GLVWULEXWRUV DQG RUJDQL]DWLRQV WKDW WKH\ WUXVW

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o 8³n Ôn VNÝ

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\$FFRUGLQJ WR WKH \$IUREDURPHWHU DQG PDQ\ RWKHU VR
H[WUHPHO\ ORZ DFURVV 6XE 6DKDUDQ \$IULFD 7KLV LV SDUV
XSZDUGV RI SHUFHQW RI SHRSOH SHUFHLYH SXEOLF
\$UPDW \$WWRK *LPDK %RDGL DQG &KLNZDQKD +RZ WH
WUXVW DIIHFWV ,&6 XSWDNH LV D TXHVWLRQ WKDW KDV QRW

:H DVNHG KRXXVKROG VXUYH\ UHVSRRQGHQWV DERXW WKHLU
WKDW DUH FXUUHQWO\ LQYROYHG LQ ,&6 SUHFRWLRQV
UDQNHG PRELOH VDOHVSHRSOH LQ WKHLU WRS WKHLU
VKRSNHSHUV LQ WKH WRS WKUHH DQG RQO SHUFHQW
VXFK ILJXUH 7KH ORZHVW UDQNHG RUJDQL]DWLRQV
6\$&&2V^HYHQ WKRXJK SHUFHQW RI VXUYH\ UHVSRRQGHQ
PHPEHUV

+RZHYHU SHUFHQW RI UHVSRRQGHQWV VDLG WKH\ ZRXOG
UHFRPPHQGDWLRQ DQG SHUFHQW VDLG WKH\ ZRXOG WUX
GDWD VXJJHVW WKDW UHVSRRQGHQWV FDUH DERXW WKH FRX
FRRNVWRYHVa EHQHILWV 6XUYH\ SDUWLFLSDQWV ZHUH ZL
IRU OHVV IRUHVW GHVWUXFWLRQ LQ 8J
WR SUHYHQW VLFNQHV

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\$ EHKDYLRUDOO\ JXLGH[SURJUDPFRKLWV
KHOSLQJ RWKHUV FDQ EH XVHG WR VSI
ZRUG RI PRXWK

6DOHVPHQ RYHU
RI WKH VWRYYHIRU
WKH\KOO VD\ LW O
KHDW \RX FRXOG
\RXU EHG UHFR
'LVWULEXWRU
,QWHUYLHZV

7KH VRFLDO QRUP RI KHOSLQJ QHLJKERUV FDQ EH XVHG V
 FRRNVWRYHV WKDW KLJKOLJKWV WKH FRPPXQDO EHQHILW D
 EHQHILW L H cKHOS LPSURYH \RXU FRPPXQLW\ E\ UHFR
 FRRNVWRYH DQG >LQVHUW EHQHILW@d 7KLW DSSURDFK LV
 RI SHRSOHV ZEWKOQQHFRPPHQG LPSURYHG F V W
 SHUFHSWLRQV DURXQG VXFV WRYHV ZLOO \ /KLIW

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:RPHQ LQ RXU IRF
 JURXSV UHSRUW K
 ODFN RI WUXVW LO
 VDOHVPHQ V\WLFH
 UDUHO\ KDYH SHU
 H[SHULHQFH FRRN
 KRPH R LP

3URPRWLQJ WUXVW DQG FRQILGHQFH LQ WI
 DGRSWLRQ LV D IRXQGDWLRQDO PHFKDQLVP
 E\ WKHVH LQVWLWXWLRQV 2QH DSSURDFK F
 ZRXOG DOORZ FXVWRPHUV WR YHUL\ ,&6 V
 FRPSDUH WKH SULFHV RI GLIIHUHQW ,&6 PRGHV JHW LQI
 DVVRFLDWHG ZLWK DGRSWLQJ LPSURYHG FRRNVWRYHV DQ
 6LQFH WKH YDVW PDMRULW\ RI 8JDQGDQV KDYH PRELOH SK
 WROO IUHH 606 866' RU URER FDOOLQJ QXPEHU WKDW FXV
 REWDLQ LQIRUPDWLRQ DERXW LPSURYHG FRRNVWRYHV DQG

7KH V\WHP ZRXOG HQDEOH FXVWRPHUV WR YHUL\ WKDW ,
 ZRXOG OHJLWLPL]H WKHLU VDOHV HIIRUWV VHH ILJXUHV
 HIIRUWV DQG PHFKDQLVPV WKDW WRD\ EH FR
 ODFN RLQ WKHLU UHFRPPHQGDWLRQV

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5LVN \$YHUVLRQ
 7KH EHKDYLRU RI
 KXPQV HVSHFD
 FRQVXPHUV DQG
 LQYHVWRUV IZPH
 H[SRVHG WR KOF
 LQ DWWHPSWLOJ V
 WKDW XQFHUWDLQ
 RRNL

4XDOLWDWLYH GDWD IURP IRFXV JURXSV DQ
 PHPEHUV DUH WUXVWHG VRXUFHV RI DGYI
 PHDQLQJIXO YHFWRU IRU ,&6 UHFRPPHQGDW
 EHQHILWV VXFV DV IXHO VDYLQJV FRXOG
 FRQYHUVDWLRQV DERXW WKH EHQHILWV RI L

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7KH HIIHFWLYHQHVV RI SXEOLF GHPRQVWUDWLRQV LV DQ L
UHSRUWV RQ , & XSWDNH ERWK LQ 8JDQGD DQG WKH ZLGI
\$ & (6 :RUOG %DQN D 3ULFH 7K NV D
RI GHPRQVWUDWLRQV DV D NH \ EDUULHU WR LRQ

2XU RZQ LQVWUXPHQWV DIILUP WKLV ILQGL
GHPRQVWUDWLRQV DV EHLQJ LPSRUWDQW W
DQG SHUFHQW DJUHHG ZLWK WKH VWDV
GHPRQVWUDWLRQ EHIRUH EX \ LQJ DQ LPSURY
ZRXOG WUXVW D SXEOLF , & GHPRQVWUDWLF

+RZHYHU RXU VXUYH \ IRXQG WKDW RQO \
GHPRQVWUDWLRQ *LYHQ WKDW SUHYLRXV V
LQFUHDVH , & XSWDNH E \ D IDFWRU RI WR VHH * \$ & &
WKHLU DEVHQFH LV D PDMRU KLQGUDQFH WR , & DGRSWLRQ

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'DWD IURP RXU VXUYH \ V LQGLFDWH WKDW GI /LRQ
DQG SRWHQWLDO FXVWRPHUV 0HDQZKLOH /LRQ
WKDW SXEOLF GHPRQVWUDWLRQV DUH VHC
GHPRQVWUDWLRQV FDQ EH HQKDQFHG E \ WD
ORFDWLRQ HWF DQG E \ OHYHUDJLQJ D VH
GHDOLQJ ZLWK WKH PRVW VLJQLILFDQW EDI
JURXS EDVLV)RU H [DPSOH LQ D FRPPXQLV
YHU \ ORZ , & DZDUHQHVV D WUXVWHG ORF
GHPRQVWUDWLRQ E \ KDQGLQJ RXW PDWHULDOV KU E \ SUR
PHPEHUV RI WKH DXGLHQFH

ZLOOLQJQHVV W
FKDOOHQJHV \ CHU
VROYHG @ WKH RWJ
SURYHQ DSSURDFK
LQFOXGLQJ FRXOG
HGXFWRQV DQG I
GHPRQVWUDWLRQV
\$ & (6 RI UH
YH V

0DOH IRFXV JURXS
SDUWLFLSDQV DUH
H [SUHVHG VNHSA
WKDW WKH FRXOG
DQ \ LPSURYHG DU
FRNVWRYH ZLWK
VHHLQJ LW LQ DFV
FRPSDUHG WR DE
VWRYH HDG

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¬ V N8unoã³° 5V«üã¬³° ¬• 5•ãÕ

*LYHQ WKDW 6\$&&2V DUH ZLGHVSUHDG LQ 8JDQGD WKHUH
RYHUDOO ZLWK RYHU RI WKHP XQGHU D VLQJOH S
FRXQWU\ ZLGH SXEOLF GHPRQVWUDWLRQ FDPSDLJQ WKURXJ
FRVW HIILFLHQW ZD\ WR UHDFK D ZLGHU DXGLHQFH

)XUWKHU VXFH D FDPSDLJQ ZRXOG LQFUHDVH WKH JHQHUD
FRRNVWRYHV HVSHFLDOO\ DV LW SHUPHDWHV VRFLDO QH
GLVFXVVLQJ LW ZLWK D IULHQG DQG FRPLQJ DFURVV LW L
WKH PHQWDO PRGHO RI DQ LPSURYHG FRRNVWRYH DQG DOV
ZKLFK LV NQRZQ WR LQFUHDVH WUXVW

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5V«üã¬³° @N8•Nã

2QH LGHD ZRUWK H[SORULQJ IXUWKHU LV WKH XVH RI SXEO
RSHUDV WKDW DUH ZDWFKHG E\ ERWK XUEDQ DQG UXUDO
GLIIXVLQJ ,&6 LQIRUPDWLRQ *LYHQ WKH LPSRUWDQFH RI
LPSURYHG FRRNVWRYH ILUVW KDQG RQH SRVVLELOLW\ ZRX
EUHDNV WR VKRZ D EDVHOLQH VWRYH DQG DQ LPSURYHG VV
(DFK DGYHUWLVHPHQW EUHDN FRXOG EH D VKRUW DQG WK
KRZ PXFK FKDUFRDO HDFK VWRYH KDV FRQVXPHG DQG ZKDW

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,PSURYHG FRRNVWRYHV DUH QRW ZLGHO\ GLVWULEXWHG DF RQ GHPDQG ZKLFK LQ WXUQ UHVXOWV LQ PDUNHW VSRLOD L H LPSURYHG VWRYHV VLP SO\ FDQaW EH SXUFKDVHG D OHYHOV RI DZDUHQHVV SDUWLFXODUO\ RI WKH H[LVWHQFH FRQVXPHUV IHHO OHVV FRQILGHQW LQ SXUFKDVH GHFLVLRQ

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(YLGHQFH IURP RXU GLVWULEXWRU VXUYH\ FRRNVWRYHV DV D NH\ EDUULHU WR XSWDNF KDYH DOVR IRXQG WKLW WR EH WKH FDVH UHJLRQ

<H Z / UH JDQG)LQGLQJV LQGLFDV WKHUH LV D JRRG QHWZRUN RI UHWD RXWOHWV LQ DPS IHZ GLVWULEXWRU YHQGRUV LQ GUFH EH\RQG .DPS DQW ZKLFK PDNHV ,&6 DFFHVVLELOLWY DQW 619 LI L

'DWD IURP WKH UDQGRPLJHG KRXVHKROG VX UHSRUWHG KDYLQJ DFFHVV WR VRPH W\SH FDUU\ LPSURYHG FRRNVWRYHV RU KDYH YH H[DP SOH D VKRSNHSHU ZLWK XSZDUGV RI WKDQ ILYH LPSURYHG VWRYHV)RFXV JURX PRUH OLNHO\ WR SXUFKDVH DQ LPSURYHG DPRQJ ORFDO UHWDLOHUV

,W LV ZRUWK QRWLQJ WKDW WKH GDWD SUHVHQWHG DUH %DVHG RQ SDVW UHSRUWV ZH DQWLFLSDWH WKDW DFFHVV DUHDV ZKHUH XSZDUGV RI SHUFHQW RI WKH 8JDQGDQ S PRUH OLPLWHG

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\$OWKRXXJK WKHUH DUH SRVVLEOH WHPSRUDU\ VROXWLRQV QHJDWLYH H[WHUQDOLWLHV RI ORZ ,&6 DFFHVV ZH EHOLI VROXWLRQ LV VWUXFWXUDO LQ QDWXUH WKDW LV WR LQF LPSURYHG FRRNVWRYHV

7KDW VDLG ZH EHOLHYH WKDW WKHUH DUH SRVVLEOH ORZ
FDQ DOVR GRXEOH DV VROXWLRQV WR RWKHU EDUULHUV SU
WKH LGHD RI D SLORW ,&6 VWRUH LQ D SRSXORXV SDUW RI
SXEOLF GHPRQVWUDWLRQV DQG VHUYH DV D WUDLQLQJ F
PRELOH VDOHVSHRSOH FRXOG EH H[SORUHG IXUWKHU DV
LQWHUYHQWLRQV

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,Q RXU UDQGRPLJHG KRXXVKRQG VXUYH\
LPSURYHG FRRNVWRYHV ZHUH DYDLODEOH L
KDG DFFHVV WR SHUFHQW VDLG 8JDEVWRY
ILHOGZRUN WRR LQGLFDWHV WKDW FRRNVV)RFXV *URXS QRW
PLQXWHV LQ D YHU\ EXV\ PDUNHW DUHD | 3DUWLFLSDQW WR
LPSURYHG FRRNVWRYHV ,W DSSHDUV WKDW WKHUH LV DG
GLVWULEXWLRQ VHH 5HKIXHVV HW DO

m, UHDOO\ ZLVK Z
VHHQ DOO WKHVH
VWRYHV EHIRU
HYHQ NQRZ VRSV
H[LVW n t UH
RFXV *URXS QRW
3DUWLFLSDQW WR

)XUWKHUPRUH EDVHG RQ HYLGHQFH IURP IRFXV JURXS D
VHHPV XQOLNHO\ WKDW WKLW LV GULYHQ E'
VXUYH\HG VKRSNHSHUV UHSRUWHG KDYLQJ
WKDW WKH\ GR QRW FDUU\

LGH
HG E

7KH FRQVHTXHQFHV RI D ODFN RI YDULHW\
GHPDQG VLGH FRQVHTXHQFHV DUH SHUKDSV
RYHUDOO ,&6 XSWDNH)LUVW D ODFN RI PI
OHVV LQIRUPHG DERXW ULVNV DQG WKHUH
GHFLVLRQ^VRPHWKREJXLDOCHFRQK
PRGHO LV WKH RQO\ RQH VHHQ LQ D JLYHQ
DVVRFLDWHG QRW ZLWK WKH EUDQG EXW ZLWK WKH HQWL
WR DWXWKHJJDWLRQ HIIHFW

6XUURJDWLRQ (I
VLC
\$ SV\FKRORJLDO
SKHQRPHQRQ LQ Z
WKH PHDVXUHRPS
FRQVWUXFW RLFQ
HYROYH WR UHSOL
FRQVWUXFW LWV&

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N ³° -8•Nã•° X!³ - 5•8ã@ @

%H\RQG DQ\ VXSSO\ OHYHO VROXWLRQV L H LQFUHDVLQJ
PRGHOV ZH EHOLHYH WKDW D SRWHQWLDO IURQW OLQH\
YDULHW\ FRXOG EH LQFUHDVLQJ DFFHVV WR LQIRUPDWLRQ
WKLW ZRXOG EH WR FUHDWH D QDWLRQZLGH WROO IUHH O
WHOHSKRQH 606 DQG 866' 7KLV OLQH FRXOG SURYLGH F
LQIRUPDWLRQ DERXW WKH SURV DQG FRQV RI YDULRXV ,&6
PXVW UHPDLQ XQOLQNHG WR JRYHUQPHQW HQWLWLHV EHF
HIIHFWV RI ORZ LQVWLWXWLRQDO WUXVW

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4XDOLWDWLYH HYLGHQFH IURP GLVWULEXWR HZV
WKDW VWURQJ GLVWULEXWLRQ QHWZRUNV DUH
GLVWULEXWLRQ HOVHVKHUH VHH 3ULFH 7KL
WR PRELOH VDOHV)RU H[DPSOH DOWKRX,)RFXV JURXS GDWV
LQWHUHVWHG LQ SXUFKDVLRQ DQ LPSURYHG VKRZHG WKDW FRP
PRELOH VHOOHU ZH LQWHUYLHZHG LQ .DPSD FRQFHUQHG DERXV
WR FRPSOHWH WKH SXUFKDVH \$OWKRXJK PF VFDPPHG E\ PRELO
WKHUH LV QR IRUPDO FUHGLW V\WHP 7KX' VHOOHUV VHOOHV
DEOH WR DFTXLUH D VWRYH EHFDXVH WKH\ VLPSO\ GR QRW SRU

,QWHUHVWLQJO\ ERWK GLVWULEXWRUV DQG PRELOH VHOOH
LQ D ZHHN d *LYHQ WKH QDWXUH RI PRELOH VHOOHUV WK
RUJDQL]LRQ D VHFRQG WULS WR LQWHUHVWHG KRXXVKROGV
VXFK DV .DPSDOD EXW SDUWLFXODUO\ VR LQ IDUDZD\ UXUD
DEOH WR FRPH EDFN RQO\ HYHU\ VL[PRQWKV RU PRUH 2XU
PRQH\ FRXOG SUHVHQW D YLDEOH VROXWLRQ WR WKLW SU
TXDQWLWDWLYH VWXG\ SHUFHQW RI UHVSRQGHQWV SUH
SD\PHQWV LQ SHUVRQ HYHQ ZKHQ SUHVHQWHG ZLWK D PREI

%H\RQG WKHVH VWUXFWXUDO EDUULHUV WKHUH LV D VLJQ
ZKHQ KRXXVKROGV DUH LQWHUHVWHG LQ DQ LPSURYHG FRR
DIIRUG LW GXH WR OLPLWHG OLTXLGLW\

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:H VXJJHVV GHVLJQLQJ SURJUDPV WKDW IDFLOLWDWH PREL
SDUWLFXODUO\ ORZ FRVW PRGHOV VXFV DV 8JDVWRYH 6PDI
WDFNOH WKH ILQDQFLQJ RI WKHVH PRGHOV LV WR FUHDWH

)RU H[DPSOH ORFDO HQWLWLHV PD\ DFW DV GH IDFWR FU
H[DPSOH ZKHQ FRQIURQWHG ZLWK D FXVWRPHU LQWHUHVW
FRRNVWRYH ZKR ODFNV OLTXLGLW\ UDWKHU WKDQ GLVPLV
VHOOHU FRXOG LQVWHDG OHDYH D VWRYH ZLWK D 6\$&&2 R
ZRXOG SD\ WKH VHOOHU DW WKH WLPH RI WKH GHSRVLW DG
6K IRU D 8 6K FRRNVWRYH IURP WKH LQWHUHVWH
ZRXOG WKHQ EH DEOH WR UHWXUQ ZLWK WKH UHPDLQLQJ S
UHFHLYH WKH VWRYH &RQFUHWH LWHUDWLRQV RI VXFV SUI
DQG WHVWHG WR UHIOHFW RQ WKH JURXQG UHDOLWLHV EX
YDULDWLRQ FRXOG LQFUHDVH ,&6 XSWDNH LQ UHPRWH UXUD

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3UHYLRXV UHSRUWV LGHQWLI\ KLJK GLVWULEXWLRQ FRVWV
VWUXFWXUDO EDUULHU IRU PDQXIDFWXUHUV ZKR DUH W
SRSXODWLRQV DW WKH EDVH RI WKH LQFRPH S\UDPLG &R
ODUJHO\ FRQILUP WKLV LGHD ZLWK XUEDQ IRFXVHG HIIRUW
RQ LQYHVWPHQW LQ WKH VKRUW WHUP 7KLV IRFXV LV SDU
WKDW SHUFHQW RI 8JDQGDav SRSXODWLRQ OLYHV LQ UXU
3RSXODWLRQ ,QGH[DYDLODEOH RQOLQH 7KLV IDFW F
OHYHO RI RSHUDWLRQDO EXGJHWV WKDW GLVWULEXWRUV K
DYHUVLRQ PHDQ WKDW D KLJK UHWXUQ RQ LQYHVWPHQW V
ORFDOLJHG FRQVXPHU QHHGV LV UHTXLUHG LI UXUDO GLVWU

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2QH SRVVLEOH VROXWLRQ WR WKH UXUDO GLVWULEXWLRQ :
FRRNVWRYH PDQXIDFWXULQJ LQ UHPRWH UHJLRQV 4XDOLW
ZLWK PDQXIDFWXUHUV FRQILUP WKDW WKLV OLJQ
)RU H[DPSOH VRPH PDQXIDFWXUHUV H RYH
PLFURHQWUHSUHGHXUV WR DVVHPEOH DQG \ 'WRY

,Q DGGLWLRQ WR EHLQJ D JRRG VWUXFWXU RI LPSURYHG
SRWHQWLDOO\ SRZHUIXO EHKDYLRUDO SURG FRRNVWRYH
PDQXIDFWXULQJ VWRYHV ORFDOO\ NHD (IIHFW 8JDQGD >ZHUH@
FRJQLWLYH ELDV WKDW OHDGV SHRSOH WR FRQFHQWUDWHG D
LPSRUWDQW 7KXV LW LV SRVVLEOH WKDW WKH FRXQWU
GLVWULEXWRUV ZKR KDYH WDNHQ SDUW LQ FLWLHV LW
DGRSW WKH SURDFWLYH VDOHV WDFWLFV QHFHVVDU\ WR (QHUJ\ ,PSDFW
WHVWLQJ LV QHHGHG WR IXOO\ IRUPXODWH EHKD
WUDQVODWHG LQWR SUDFWLFH

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\$ PRELOH VHOOHU YLVLWLQJ D VSHFLILF DUI :RPHQ LQ UXUDO D
ORFDO HQWLW\ ZKR FRXOG WKHQ FRPPXQLF DUH RIWHQ XQDEO
RUJDQLJH GHPRQVWUDWLRQV HWF ,Q SDUV PDUNHWSODPH DE
VWDNHKROGHUV H J PHPEHUV RI D FRPPXQLW\ JURXS D 6 WKH\ PLJKW EHHI
WR IRUJH D UHODWLRQVKLS ZLWK WKHP H J WKURXJK ILG WR DQ LPSURYHG
VWRYHV SXEOLF UHFRJQLWLRQ HWF FRRNVWRYH RELO

,NHD (IIHFW

\$ FRJQLWLYH ELDV
ZKLFK FRQVXPHUV
D GLVSURSRUWLRQ
KLJK YDOXH RQ SU
WKH\ WRRN SDUW
FUHDWLQJ RU
FXVWRPLJLQJ

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7KH EHQHILWV RI LPSURYHG FRRNVWRYHV DUH FXUUHQWO
SRWHQWLDQ\ DIIHFWLQJ WKHLU ZLOOLQJ
XQGHUVWDQG ZK\ DQ LPSURYHG PRGHO LV E
WKH GLPHQVLRQV RI KHDOWK IXHO VDYLQJV

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3UHYLRXV VXUYH\ VHH (URQH HW DO
XQGHUVWDQGLQJ RI ,&6 EHQHILWV DQ DVSHFW WKDW LV
SHUFHSWLRQ RI ULNVV UHODWHG WR EDVHOLQH FRRNVWRY
KRXVHKROGV DJUHHG WKDW WKH WKLFN EO
GDQJHURXV IRU KHDOWK RQO\ SHUFHQW I
\$ VLPLODU SURSRUWLRQ SHUFHQW DJUH
NLOO 7KXVH ILJXUHV UHYHDO WKDW QHDU
JUDYLW\ RI WKH KHDOWK SUREOHPV FDXVH
JDWKHUHG IURP IRFXV JURXS V LQGLFDWH W
IRU KHDOWKd H[LVWV WKHUH DUH VWURQJ
UDWKHU WKDQ cGDQJHURXVd^D SRVVLEOH I
H[SRVH FKLOGUHQ WR VPRNH IRU SURORQJHG SHULRGV RI W
SHUFHQW RI UHVSRRGHQWV DJUHHG ZLWK WKH EODONHW VV
DUH KHDOWKLHU WKDQ EDVHOLQH FRRNVWR
FRRNVWRYHV PLJKW EH KHDOWKLHU IRFXV
VDIHW\ FRQFHUQV H J cDYRLGLQJ EXUQV C

7KXV DOVWDRXUWLNFDNLOOV WKH HIIHFWV D
FDXVH DQG SHRSOH PD\ KHVLWDWH WR OLQ

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@•üã° N

7R FRXQWHUDFW WKLW HIIHFW ZH VXJJHVV
ULNVVPRUDQGLUHFV 7KLV FDQ EH DFKLH
RQ FXUUHQW EHOLHIV WKDW VPRNH LV GDQ
FRRNVWRYHV)XUWKHUPRUH WKXVH FDPSP
LPSURYHG FRRNVWRYH ZLOO HOLPLQDWH KH

7KH\ KDWH WKH V
QRW IRU KHDOWK
UHDVRQVhWKH\ KD
EHFDXVH LW KXUW
H\HV

6WDNHKROGHU
,QWHUYLHZV XVHC

SUR
)W W
YHUD

:RPHQ LQ IREXV
JURXS V ZHUH JHO
XQDZDUH RI WKH X
FRQVHTXHQFH WKI
VPRNH WKH\ VZ
PRUH DV DQ DQQR

SRVLRQ R
SHULRGV RI W
DVNH
SRQ
WKE

,Q D UHYLHZ RI
VWXGLHV FRPSHU
JDLQ IUDPHG WR
ORVV IUDPHG PHV
JDLQ IUDPHG PHV
FRQVLVWHQWQo LF
DGRSWLRQ RI SUH
EHKDYLURV > @
FRPSDUHG WR
ORVV IUDPHG PHV
ZLWK WKH VDPK F
REMHFWLYH LQIRU
5 H[

*DOODJKHU DQGW
8SGHJUDII V DV

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4XDQWLWDWLYH HYLGHQFH LQGLFDWHV WK
DVVRFLDWHG ZLWK WREDFFR VPRNH DFFRU
SHUFHQW RI DGXOW 8JDQGDQV EHOLHYH WK
&RPSDULQJ VPRNH IURP FRRNVWRYHV WR VP
FRQVXPHUa XQGHUVWDQGLQJ RI WKH KHDO
VXFK LQWHUYHQWLRQ QHHGV WR EH VXSSRU
DQG DQ\ ILQDO LPSOHPHQWDWLRQ QHHGV WI
EHIRUH EHLQJ GHSOR\HG

8JDQGDQ ZRPHD
SDUWLFXODU\ DY
KDYLQJ WKHLU SD
VPRNH^VRPH
WKDW FRXOG SRW
EH OHYHUDJHG WR
QHJDWLYH DW
WRZDUG EDVHOLQ
VPRNH DV ZHO

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Ý°•üNÝ

4XDOLWDWLYH HYLGHQFH IURP KRXVHKROG
LPSURYHG FRRNVWRYHV YHUVXV WKH EDVH
DSSUHFLLDWHG E\ FRQVXPHUV &RQVXPHUV \
PRUH IRU D VWRYH WKDW OLPLWV DVK
'HVLJQLQJ LQWHUYHQWLRQV WKDW OHYHUD
WKDQ KHDOWK DV D NH\ EHQHILW DQG SHU
EHWZHHQ D FOHDQHU KRXVHKROG DQG DL
WHFKQLXU\DLVH DZDUHQHV RI WKH KHDOWK

3HRSOH WKL
PXFK KHDW D VWR
LV HTXLYDOHQW W
LV LV IRU WKH NL
IRFXV RQ VDI
LJQRULQJ KHDQW
'LVWULEXWRU ER
,QWHUYLHZV RI L

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°Õ•Nãno 5Vüü ³° • 3

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/DE WHVWV RI VHYHUDO ,&6 PRGHOV VHH (
IXHO HIILFLHQW +RZHYHU RXU UHVHDFK
HIILFLHQF\ DUH SRRUO\ XQGHUVWRRG E\ ZRX
2I UHVSRRGHQWV WR RXU KRXVHKROG VXI
FRRNVWRYHV DUH PRUH HIILFLHQW WKDQ
XQGHUVWDQGLQJ WKH EHQHILWV RI WKLV LV FULWLFDO WR
FRQVLVWHQWO\ FLWHG DV WKH QXPEHU RQH UHDVRQ WR SX
RXU VWDWHG SUHIHUHQFH H[SHULPHQW FRQILUPV WKHVH U
VDYLQJV DQG GXUDELOLW\ DV WKH IHDWXUHV WKDW WKH\ ZF

)UDPLQJ (IIHFV
O
\$ FRJQLWLYH ELDV
ZKLFK SHRSOH UH
SDUWLFXODU\ XPR
GLIIHUHQW ZD\V
GHSHQGLQJ RQ KR
SUHVHQWHG UFHC

)XWXUH VWXGLHV PLJKW GLVWLQJXLVK ZKHWKHU L FRQV>
FRRNVWRYHV FODLPV WR EH IXHO HIILFLHQW EXW GRQaW
LL DUH QRW DZDUH RI WKLV IXHO HIILFLHQF\ RU LWV E
XQGHUVWDQGLQJ DQG EHOLHI FRXOG KDYH D SRVLWLYH HIH

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V ³°8@N• ³ã Õ Õ NY° «° °ÕãN@ Õ ÕV°ü °ÕÕã-ã° -u • ³ @•nã Õ@

/LYH GHPRQVWUDWLRQV RI LPSURYHG FRR
DPELJXS\W\FKRORJLFDORUGPLVXQGHUVWDQGL
LPSURYHG FRRNVWRYH LV KRZ LW LV XVHG
VLJQLILFDQW FRQIXVLRQ DPRQJ FRQVXPHUV
EHOLHYH WKDW GHPRQVWUDWLRQV ZRXOG S
EDUULHUV ,Q IDFW SHUFHQW RI RXU UDC
WKDW D SXEOLF GHPRQVWUDWLRQ ZRXOG E
FRRNVWRYH

DQ I
ZKD
&RPSDUHG W
EDVHOLQH IXH
FRQVXPSWLRQ
VLPLODU KR
IXHO VDYLRQV
IURP WKH XVH
(QYLURILW V
HTXLYDOHQW WR

6LQFH OLYH GHPRQVWUDWLRQV PD\ EH OH
LQIRUPDWLRQ FDUGV KLJKOLJKWLQJ WKH PDLQ WDNHDZD\
LPDJH IRFXVHG DQG VKRZFDVH IXHO VDYLRQV DQG GXUDELO
WKDW LQGLFDWHV KRZ^DQG LPSRUWDQWO\
7KLV OLQNV EDFN WR VHOI HIILFDF\ WKHRU\
SRZHUIXO ZD\ WR EXLOG FRQILGHQFH LQ SHI

(URQH HW DQ
RQV
SXU
LQLO
KDW

'HPRQVWUDWRUV FRXOG FROOHFW SKRQH Q
XVH WKHVH SKRQH QXPEHUV WR EXLOG D SR

7KH ELJJHVW EDU
FRRNVWRYH
WR JHW XVHUV WR
VWRYHV

7KLV LQIRUPDWLRQ FDUG FRXSOHG ZLWK W
LPSURYHG FRRNVWRYH LQ SHUVRQ HYHQ I
SV\FKRORJLFDORGLVWDQFH DQG DQ\ DPELJXLW\ WKH\ PD\
HYHQ LI WKH\ GR QRW DWWHQG WKH IXOO OHQJWK RI WKH C

6WDNHKROGH
,QWHUYLHZV W S

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- -8°Nã•° ³ã Õ Õ°8° -° «°No°° ã 58 n°³ • ³ «•@°üã °

7R UHQGHU WKH EHQHILWV RI LPSURYHG
FRPPXQLFDWERYXQGHUVWDQGLQJPHQWROPHGHIX
PRUH VDOLHQW 9LVXDO UHSUHVHQWDWLRQ\
KHOS FRQFUHWLJH WKH GLIIHUHQFH EHWZHI
YHUVXV D EDVHOLQH VWRYH VHH ILJXUHV
H[DPSON SLFWXUHV RU GUDZLQJV PD\ SRI
VSHQW VDYHG SHU ZHHN LQ D KRXVHKROG
EDVHOLQH VWRYH DORQJVLGH LWHPV WKDW
VDYLRQV VHH *DUODQG HW DO

ãN@
&RQFUHWH LPDJHV
FRPSDULVRQV WR
IDPLOLDU HISHULH
KHOS PDNH FRQFH
VXFK DV UHO
IUHTXHQFLHV DQG
FRQGLWLRQD
SUREDELOLWUHVLF
DEV RUE QXF
6XDUHJ DQG 3DQW
D IDPLO\ ZRXO

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V ³°8@N ³K ¬ @N8•ã ã Õ ³° • ³

7KHUH LV D ODFN RI XQGHUVWDQGLQJ DURXQG WKH HFRQ
FRRNVWRYHV 6LQFH WKHVH EHQHILWV DUH YHU\ GLIIHUHQW
RZQ IXHO DQG WKRVH WKDW SXUFKDVH FKDUFRDO WKH W
VHSDUDWHO\

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,Q KR XVHKROGV WKDW SD\ IRU IXHO WKH (DQC
GHULYHG IURP RZQLQJ DQ LPSURYHG FRRNV /LJQ
E\ FRQVXPHUV 7KLV VXLWXOH NHLO\WKH FROOHFWHQ JH
WR XQGHUYDOXH DQ\ IXWXUH JDLQ ,W LV L m, KDYH KH DUWKD
XQGHUVWDQG WKLV HIIHFW ZHOODV LW WH FRRNVWRYHV EDQ
SRSXODWLRQV VXFK DV WKRVH LQ ORZHU L PRQH\ EXW P\ QHL
WKHVH KR XVHKROGV ZH KLIEDLW QD ZKHUH EHQH Q S VWRYH EURNH DMW
FRPSDUWPHQWDOLJH IXQGV DQG RQO\ PDN PRQWKHVR KRZ FD
LQFUHDVHV GHFUHDVHV WR WKHVH FRPSDU)RFXV *URXS LQFH
DFFXVWRPHG WR VSHQGLQJ D FHUWDLQ DPI 3DUWLFLSDQW QH\
LQLWLDOKLJKFRVWRI DQ LPSURYHG PRGHO PD\ JR EHQH RQ
IXQGV IRU FRRNLQJ PDWHULDOV

5HSRUWV VKRZ WKDW WKH PDMRULW\ RI KR XVHKROGV DFU
ILUHZRRG IRU IXHO DQG VR WKHVH KR XVHKROGV DUH WKH F
WR WDUJHW ,Q XUEDQ DUHDV RI 8JDQGD OLNH WKH RQ
SHUFHQW RI KR XVHKROGV FROOHFW IXHO 3ULFH 7KH
KDYH D KDUGHU WLPH XQGHUVWDQGLQJ WKH PRQHWDU\ EH
WHFKQRORJ\ JLYHQ WKDW WKH\ QHYHU VSHQG DQ\ PRQH\ R
XUEDQ KR XVHKROGV ZH VXUYH\HG SHUFHQW GLVDJUHH
ZHUH cPRUH PRQH\ VDYLQJd WKDQ WKH EDVHOLQH DOWHUQD
UHJUHVVLQRQ PRGHO FRQVWUXFWHG IURP WKH KR XVHKROG
UHVSRQGHQW DJUHHG WKDW DQ LPSURYHG FRRNVWRYH VDY
SRVLWLYH SUHGLFWRU RI ,&6 RZQHUVKLS VHH \$SSHQGL[, ,

7KLV VKRZV WKDW HPSKDVLLQJ WKH EHQHILWV RI IXHO VDY
FRQYLQFH WKHVH SDUWLFXODU KR XVHKROGV RI WKH PRQ
FRRNVWRYHV \$OVR WKH\ SODFH D VXUSULVLQJO\ ORZ YDC
FROOHFWLRQ \$&&(6

7KH FRVW EHQHILWV RI GXUDELOLW\ DOVR QHHG WR EH FR
WKDW ,&6 RZQHUV KDG EHHQ XVLQJ WKHLU VWRYHV IRU RQ
ZKHUHDV ORZHU FRVW FHUWDLQ VWRYHV ODVW RQO\ D PDV
GXUDELOLW\ LV D NH\ PRQH\ VDYLQJ IDFWRU WKDW KDV QR
PDUNHWLQJ HIIRUWV

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:KHQ WKH HFRQRPLF EHQHILWV RI RZQLQJ DQ LPSURYHG F
VDYLQJ RQ UHSODFHPHQW FRVWV DV LV WKH FDVH ZLWK KF
VDYLQJV FDQ EH HPSKDV LJHG HYHQ PRUH HDVLO\ 7KDW VD
SULFH RI DQ LPSURYHG FRRNVWRYH LV VLPSON\ WRR KLJK V
HFRQRPLF EHQHILWV ,Q VXFK FDVH FRQVXF... LV
LW UHIUDPHV WKH SULFH DV DQ RQJRLQJ F... FDQ
RQJRLQJ VDYLQJV)RU H[DPSOH LQ FDVHV VXP
SULFH RI WKH VWRYH FDQ EH JLYHQ SHU P
7KXV WKH WRWDO FRVW RI DQ LPSURYHG
FRPSDUHG DJDLQVW WKH FRVWV RI FKDUFRD

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ü ÕnN°8 °N•8u @•nã Õ@

\$GYHUWLVHPPHQWV DQG RWKHU FRPPXQLFDW
FUHDWH D IUDDPH WKDW KLJKOLJKWV PRQHWDU\ VDYLQJV E\
LPSURYHG RYHU FHUDDPLF FRRNVWRYHV ZKLFK QHHG WR EH
)RU H[DPSOH D YLVXDO GLDJUDP FRXOG VKRZ WKH QXPEH
KRXVHKROG ZRXOG XVH SHU \HDU DQG WKH FRVW LQFXUUHG
EX\LQJ RQH JRRG LPSURYHG FRRNVWRYH ZKLFK FRXOG ODV

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7R FRXQW... WKH... WKH GHVLUH WR VDYH DG
FRQLQXHG XVH RI EDVHOLQH FRRNVWRYHV ZH SURSRVH D
VKRUW WHUP FRVW PDNHV WKH ORQJ WHUP EHQHILWV RI D
PRUH VDOLHQW DQG KHOSVHSRORUHDPSOH D
FDPSDLJQ FDQ EH FUHDWHG WKDW HPSKDV LJHV DOO RI WK
SXUFKDVH RYHU WKH FRXUVH RI D \HDU ZLWK WKH DYHUD
VZLWFKLQJ WR DQ LPSURYHG FRRNVWRYH \$ ZD\ WR WDNH V
WKHVH FRQFUHWH WKLQJV WR DQ HPRWLRQDO RXWFRPH^H J
FKLOG KDSS\ DQG WKDW WKH IDPLO\ FDQQRW QRUPDOO\ DII

X 58 n°³ ¬ ø@N n°@ •8° 5°8¬°ã n°³ •@ üVtV8u Õ °@K -8°•Nã Õ
ã ¬ °n³ã@58 5 8Nã •ü ³° • ³

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\$V ZDV QRWHG HDUOLHU LQ WKLV UHSRUW TXDOLWDWLYH
IRFXV JURXSV LQGLFDWHV WKDW FRQVXPHUV SHUFHLYH LF
LWHPV ILW IRU RQO\ cULFK SHRSOH d)RU H[IQ DY
FRRNVWRYH"d PDQ\ UHVSRRGHQWV LQ RXU SV V
XUEDQ DUHDV GR 7KLV EHOLHI LV IXUWKHU HG E
IRFXV JURXSV ZH LQWHUDFWHG ZLWK LW ; ,Q 8JDQGD LVPVX
LPSURYHG FRRNVWRYH DQG YHU\ IHZ RWKHI FRVW VDYLQJV D
ZH REVHUYHG KRZ SHUFHSWLRQV EHJDQ VK)RFXV *URXS VRP
UHDOLJLQJ WKDW LPSURYHG FRRNVWRYHV DI 3DUWLFLSDQV PRQ

2QO\ SHUFHQW RI VXUYH\ UHVSRRGHQWV DJUHHG ZLWK V
FRRNVWRYHV VDYH PRUH PRQH\ WKDQ WKH EDVHOLQH DOWH
LPSURYHG FRRNVWRYHV DUH OX[XU\ LWHPV FRPELQHG ZL
WKHLU HFRQRPLF EHQHILWV SUHVHQW VHULRXV EDUULHUV

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¬ ø@N n°@ Õ8 üVtV8u ãN° @ N NY° @N ¬ @Nn°ÕÕ°¬Nã n° 5Nã

:H SURSRVH DQ DSSURDFK WKDW WDFN **OHQW, 86** DGRSWLRQ E
PRGRID DQ LPSURYHG FRRNVWRYH DV D OX[XU\ LWHP WR WKD
*LYHQ WKDW D VLJQLILFDQW SRUWLRQ RI WKH YDOXH DGGH
SRWHQWLDO IRU IXHO DQG PRQH\ VDYLQJV ZH EHOLHYH E
SUHVHQWHG DV WKH OX[XU\ LWHPV VLQFH WKH\ HQG XS F
ORQJ WHUP WKDQ GR LPSURYHG DOWHUQDWLYHV

)XUWKHU UHVHD **UFRWVXUWKDW** WKDW VVHIXOQHVV DQG SUDI
DUH DVVRFLDWHG ZLWK WKH FRQYHUVLRQ IURP OX[XU\ GHV
7R WKLV HIIHFW DQ\ VXFK PHVVDJLQJ FRXOG EHQHILW
YLVXDO FXHV WKDW HYRNH VXFK HPRWLRQV DQG DVVRFLDWI

7R UH GHILQH LPSURYHG FRRNVWRYHV DV QRQ OX[XU\ LWH
DVVRFLDWLRQ EHWZHHQ EDVHOLQH FRRNVWRYHV DQG ZHD
SRSXODU ZHDOWK\ SHUVRQ XVLQJ D EDVHOLQH VWRYH FDQ
8JDQGDQ IDPLO\ XVLQJ DQ LPSURYHG VWRYH ZLWK YHU\ OLW

0HVVDJLQJ RQ WKH EDVHOLQH VWRYH XVHU FRXOG GLVSODV
FDQ \RX"d ZKHUHDV WKH ,&6 KRXVHKROG LPDJHU\ ZRXOG S
GHFLGHG WR VZLWFK WR DQ LPSURYHG FRRNVWRYH WR FXW
RXU FKLOGUHQaV HGXFDWLRQ d

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,PSURYHG FRRNVWRYHV QRW RQO\ DUH PRUH IXHO HIILFLHO
VHH (URQH HW DO 7KLV IHDWXUH LV HVSHFLDOO\ LPS
ZKHUH WKHPDWLRQDOLW\ NH QHDOU\ DOO GD\ WR SUHSDUH <H
RI KRXVHKROG VXUYH\ UHVSRRGHQWV DJUHHG ZLWK WKH V
DOORZ IDVWHU FRRNLQJ WLPHV ILJXUH 6WDWHG SUHIH
SDUWLFLSDQWV ZHUH ZLOOLQJ WR SD\ XS WR 8.6K .H\ ,&6 IRU
GD\ 7KLV LPSOLHV WKDW FRQVXPHUa ZLOOLSO\ QHMLV WR US
DZDUHQHVV RI ,&6 HIILFLHQF\ ZKR FLWHG WKHP (Y
EHQHILWV E\ V
QRW DJUHHG RQ E\ D
UHVSRRGHQWV

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8°•üã•°³ «u Ô•@N°8 - øã Õ Nã °@K •³ ü°n°8•Õ° Õ•ã @ N 58 N°
5 @ãNã° -Ý• Õ°@ ã üãÔ°@Nuü°

6LQFH PRVW EDVHOLQH FRRNVWRYH XVHUV KDYH QRW EHH
WKH\ DUH VXFHWHV EHHXV PRVW SHRS _U Q
VKDUH VLPLODU H[SHULHQFHV DQG RSLQLR FRRN
FRQIURQWHG ZLWK LQIRUPDWLRQ VXFK DV VDY
SHRSOH PD\ IDOO EDFN RQ WKHLU SULRU LQ 0HQ LQ UXUDO
QRW DSSUHFLDWH
VDYLQJV DVBELD
IXHO HIILFLHQF
DUH PRVWO\ QMG
ZKR KDYH WR IDW
IXHO GRL
IDO
HPSKDV]HG LQ DQ\ LQWHUYHQWLRQ WKDW HQFRXUDJHV SHI
DQ LPSURYHG FRRNVWRYH H J OLIHVW\OH /XFK
IDPLO\ ZDWFKLQJ 79 HWF)XUWKHU WR (!ILUF
EH SUHSDUHG WR QRW RQO\ HGXFDWH SR' XVW
LPSURYHG PRGHV EXW WKH\ VKRXOG DOVF &RQILUPDWLRQ %L
WKHVH PRGHV %\ HQJDJLQJ FXVWRPHUV LC WKH
LQ ZKLFK LQGLYLGXDOV DUH DVNHG WR UHI KHLU
ZKLFK WKH\ VXSSRUW WKHP 7KH JRDO RI W\ YHQ
OLJKW RI HYLGHQFH RI WKH DFWXDO HIILFLH PLSYWH
EHOLHIV RU K\SRW

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ÖP "8 ³V-N I°•NV8°@

'HVSLWH RYHUDOO VDWLVIDFWLRQ ZLWK ,&6 IHDWXUHV FH
EDUULHUV WR XSWDNH ,GHDOO\ ZH ZRXOG OLNH PDQXIDFW
HIIHFWV WKDW WKHLU FKRLFHV PD\ KDYH RQ GHPDQG VR WH

X 58 n°³ ¬ ø@N n°@ •8° ä •³°7V•N° Ô 8 ¬°8N•ä ¬ øä Õ N•@ø@U NÝ°
Ý•@@ü° Ô•-N 8 •ÔÔ°-N@ 5V«üã¬ 5ã ä

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7KH WUHQG RI cVWRYH VWDFNLQJd^ZKHQ KRXVHKROGV XVH
WKHLU LPSURYHG RQH^KDV EHHQ ZHOO GRF 6KDC
2XU VXUYH\ RI (QYLURILW XVHUV FRQIL JHVX
KDG HQWLUHO\ VWRSSHG XVLQJ WKHLU EDVI YHV
VWRYHV

:KHQ DVNHG ZK\ WKH\ KHOG RQ WR WKHLU E
W\SHV RI GLVKHV H J PDWRNH RU DQ LQ
VWRYH 3UHYLRXV VWXGLHV VHH 3ULFH
VWRYHV DUH QRW DGHTXDWHO\ VXLWHG W
SDUWLFLSDQWV H[SODLQHG WKDW LW ZDV
LPSURYHG PRGHO

:RPHQ IDFH SUHV
WR FRRN IRU ODUJ
QXPEHUV RI SHRS
ZKLFK UHTXLUVH
EH\RQG WKH VLIH
PRVW LPSURYHG SU
FRRNVWRYHV DQG
PDNH FHUWDOH
ZKLFK DUH QRW SA
ZLWK LPSURYHG V

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NÝ8 VÖÝ ä Ô 8 •Nä ¬• 5•ãÕ @

,&6 OLPLWDWLRQV PXVW EH DGGUHVVHG E\ PDQXIDFWXUHV
ZH SURSRVH VHYHUDO VWUDWHJLVH WR PLQLPLJH WKH HIIH

3UHHPSWVWLQJ FRQFHUQV E\ FUHDWLQJ SURPRWLRQDO
VWDWH ZKDW DQ LPSURYHG FRRNVWRYH FDQ DQG FDQa
NH\ EHQHILWV UHPDLQ YDOLG GHVSLWH OLPLWDWLRQV
&RXQWHQDQWLYH YLHZV RI LPSURYHG FRRNVWRYHV E\
EDVHOLQH VWRYHV KDYH OLPLWDWLRQV DV ZHOO DQG
\HDU^cLI \RXU RYHUDOO JRDO LV WR EH KHDOWKLHU DG
LPSURYHG FRRNVWRYH LV D QR EUDLQHU d
5HIUDP&6 OLPLWDWLRQV DV LQKHUHQW WR D cPRGHUQd
IDVWHU LQYROYHV VPDOOHU DPRXQWV DQG DOORZV
DIIRUG WKH NLQG RI IRRG WKDW EHWWHU OHQGV LWV
LPSURYHG FRRNVWRYH

ÁÝ° ³V8•«ãüãNu Ô ã 58 n°³ - ø@N n°@ ã@ ÔN° 7V°@Nã °³K oãNÝ
ã 5üã-•Nã @ Ô 8 V5N•ø°

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3UHYLRXV VWXGLHV 3ULFH KDYH FLWH
PDMRU EDUULHU WR ZLGHVSUHDG DGRSWL
SURGXFHG VLPLODU UHVXOWV 2I KRXXVHKRO
XVLQJ D EDVHOLQH VWRYH VHYHUDO UHVSF
LPSURYHG VWRYH KDG EURNHQ

LDEO
.XVH
3 DQ
:RPHQ RIWHQ
XVHUV RI LPSURYH
FRRNVWRYHV KDY
WR QR HGXFDWLRO
WKHLU SURS
XSNHHS RU H
GHYHORSV D

6LQFH RYHU KDOI RI KRXXVHKROG VXUYH\ UF
LPSURYHG FRRNVWRYHV IURP D IULHQG RU C
ZKROH FLUFOH RI IULHQGV DQG QHLJKERUV
WHFKQRORJ\

DW C
m7KLV 6PDUW+RPH
8JDVWRYH WISH
UHDOO\ OLPV
LW ZLOO EUH
WKLV (QYLUR
WHOO WKDW
KRXUV D GD
KROHV RQ WK
RFXV *URXS
3DUWLFLSDQW

7KH VWDWHG SUHIHUHQFH H[SHULPHQWV LQ
LV WKH HOHPHQW WKDW SDUWLFLSDQWV DI
HDUOLHU LQVWLWXWLRQDO WUXVW LV ORZ
DIWHU KHDULQJ DERXW RU KDYLQJ D EDG H
WR WKH QRI WUXWKDYSLOWKRU KHDULQJ DE
ZLWK DQ LPSURYHG FRRNVWRYH PD\ EH HQR
DUH EDG)XUWKHU SHRSOH ZKR DVVXPH W
ZKLFK RWKHU EDG H[SHULHQFHV RQO\ VHUYH

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- @V °8

7R FRXQWHUDEFW WKHVH QHJDWLYH DVVXPS
SURSRVH UHIUDPLQJ WKH VWRYH DV D SUR
SURSHU FDUH DQG PDLQWHQDQFH)RFXV JU
LV WKH PDLQ UHDVRQ WKH\ HYHQWXDOO\
FRRNVWRYH RXW LQ WKH UDLQ RYHUQLJKW
VWRYH FDQ UHVXOW LQ WKH OLQHU FUDFN
FOHDU PHVVDJLQJ VKRXOG EH GHYHORSHG
DGYDQFHG SURGXFWV WKDW UHTXLUH PRU
FRXQWHUSDUWV &RQVXPHUV DOUHDG\ NQRZ
RU WHOHYLVLRQV 7KXV DQ DQDORJR XV IUDPH FDQ EH
FRRNVWRYHV DV ZHOO

G SU
LV
)EH V
*UDLQ RI 7UXWK
+SRWKHVLV H[D
J WK
7KH WHQGHO\ IRU
VLQJOH LVROD
H[SHULHQFH WR
JHQHUDOL]HG WR
HQWLUH JURXS
FDWHJRU\ RIXWQ



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\$ 5HEHO *URXS &RQVRUWLXP UHSRUW UHYHDOV WKDW
LV LWV ZHLJKW)RU H[DPSOH RYHU SHUFHQW RI UHVSRO
DUH GLIILFXOW WR FDUU\^XQOLNH PRUH H[SHQVLYH EUDQG
FDUERQ ILEHU WR UHGXFH ZHLJKW 7KDW VDLG JLYHQ WKD
PRVW DFFHVVLEOH GXH WR SULFH DQG DYDLODELOLW\ ZH
EH DGGUHVHVG E\ PDQXIDFWXUHUV HVSHFLDOO\ JLYHQ WK
2XU ILQGLQJV LQGLFDWH WKDW GLVWULEXWRUV WHQG WR
EUDQFKHV DQG QRQH RI WKH VKRSV ZH VXUYH\HG KDG LQY
DGGLWLRQ SHUFHQW RI WKH VKRSNHSHUV ZH VXUYH\H
FDQQRW OHDYH WKHLU VWRUH XQDWWHQGHG WR KHOS D ZR

7KLV EDUULHU LV SDUWLFXODUO\ SHUQLFLRXV EHFDXVH LV
\$OWKRXXJK D ZRPDQ PD\ KDYH WKH GHFLVLRQ PDNLQJ SRZHU
PRWLYDWLRQ WR SXUFKDVH DQ LPSURYHG FRRNVWRYH WK
DIIRUG PD\ EH WRR KHDY\ IRU KHU WR EHDU HVSHFLDOO\ J
ZLOO QHHG WR SXUFKDVH LW IURP LV XQOLNHO\ WR EH QHD

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2QH VLP SOH LQWHUYHQWLRQ WKDW FDQ FRXQWHUDFW WKL
PDQXIDFWXUHUV VXFK DV 8JDVWRYH DUH DOUHDG\ LQ WKH
ORZ FRVW FDUGERDUG SDFNDJLQJ WKDW LQFOXGHV KDQGOH
LPSURYHG FRRNVWRYHV KDYH QRW EHHQ VROG LQ ER[HV IL
ZLWK KDQGOHV FDQ EH UHODWLYHO\ ORZ FRVW ZKLOH KDYL
7KLV LV NH\ JLYHQ WKDW WKH FKHDSHU LP...GHV
RQH V WKDW ZRPHQ DUH PRVW OLNHO\ WR E...SXU
WKHLU SDUWQHUV DUH WKH RQH V PRVW...WR
FRPPXQLFDWHG PRUH ZLGHO\ WR RWKHU P...
FRRNVWRYHV

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2QH SRVVLEOH RSWLRQ HVSHFLDOO\ LQ KL...
LPSOHPHQW DQ ,&6 GHOLYHU\ VHUYLFH 7KL...
ZRXOG UHPRYH WKH ILQDQFLDO EXUGHQ IL...
SURFHVV \$Q DGGLWLRQDO EHQHILW RI D GH...
QRWLFH FRRNVWRYHV EHLQJ GHOLYHUHG ZKLFK KHOSV LQ
XVDJH

6WXGLHV VKRZ WK
GHOLYHU\ VHUYLF
GHPRQVUDWLRQV
VRPHWLPHV IDLO
FDSWXUH QHZ XVH
PXVW EH GHV...
FDUHIXOO\ WR GR
FRX...
'XIOR .UHPHU...
5RELQVRQ .EXW

)LJXUH\$Q (FR=RRP LPSURYHG
 FRRNVWRYH GLVWULEXWHG E\ 6RODU1RZ IRU
 DERXW 8 6K 7KLV W\SH RI VWRYH LV
 TXLWH DWWUDFWLYH DQG ZHOO EXLOW EXW LV
 SULFHG WRR KLJK WR EH SXUFKDVHG LQ D
 OXPS VXP SD\PHQW 7KXV PRVW VDOHV
 DUH PDGH E\ HQWLWLHV ZKR VSHFLDOL]H LQ
 FUHGLW H J PLFURILQDQFH 6\$&&2V HWF
 RU WKRVH ZKR FDQ XSVHOO LW ZKHQ VHOOLQJ
 PRUH H[SHQVLYH SURGXFWV H J VRODU
 SDQHOV

)LJXUH\$Q XQEUDQG HG LPSURYHG
 FRRNVWRYH FDUULHG E\ D PRELOH V
 GRZQWRZQ .DPSDOD \$IWHU VHDFKLO
 KRXUV LQ D NP SHULPHWHU DURXQ
 8JDVWRYH IDFWRU\ RXU WHDP FRXO
 ILQG DQ\ LPSURYHG FRRNVWRYH EHLQ
 LQ VKRSV +RZHYHU ZH HQFRXQWHU
 PRELOH VHOOHU ZKR ZDV VHOOLQJ
 GRRU WR GRRU DQG FODLPHG WR V
 PDQ\ DV SHU GD\ FRPSDUHG WR D
 DYHUDJH RI DERXW SHU ZHHN IRU D
 VWRUH WKDW FDUULHV WKHP



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4XDOLWDWLYH HYLGHQFH IURP RXU IRFXV JURXSV VXJJHVW
EHLQJ FRPPHUFLDOLJHG LQ SROLWLFDOO\ FKDUJHG FRORUV
VHQWLPHQW IURP FHUWDLQ SRUWLRQV RI WKH SRSXODWLRQ
WKLW ILQGLQJ VRPH SDUWLFLSDQWV DUH ZLOOLQJ WR SD\ X
VWRYH LV QRW SDLQWHG LQ D SDUWLFXODU FRORU H J
LQGLFDWHG WKDW WKH\ DUH ZLOOLQJ WR SD\ D SUHPLXP
SXUFKDVHG LQ EODFN D UHODWLYHO\ QHXWUDO FRORU IURP

:H EHOLHYH WKDW WKH UHDVRQ EHKLQG ZK\ VWRYH FRORU
EH\RQG SDUW\ DIILOLDWLRQ +RXVHKROGV WKDW SXUFKDVH
DQ XQSRSXODU FRORU DUH QRW RQO\ OHVV KDSS\ ZLWK WK
SUHIHUHQFHV EXW WKH\ ULVN DOLHQDWLQJ WKHLU QHLJKE
,Q D ORZ LQFRPH JURXS WKLW HIIHFW FDQ WUDQVODWH LG
IDPLOLHV UHO\ RQ WKHLU FORVH QHWZRUNV WR SURYLGH DV

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,W LV LPSHUDWLYH WR HQVXUH WKDW DOO PDQXIDFWXUHU
PDNLQJ WKHLU VWRYHV D FHUWDLQ FRORU H J WKURXJK
PDQXIDFWXUHU EULHILQJV HWF *LYHQ WKDW VWDWHG SU
EODFN LV WKH PRVW SRSXODU FRORXU LW LV ZRUWK WHV
LQFUHDVH FRQVXPHUva ZLOOLQJQHVV WR SD\ IRU WKH YHU
VWRYHV LQ WKLW FRORU

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6L[W\ ILYH SHUFHQW RI VKRSV VXUYH\HG RIIHUHG QR DGGL
UHSODFHPHQW SDUWV WR ,&6 FXVWRPHUV 2I WKH SRUWL
VLPSO\ VHGG WKH VWRYH EDFN WR WKH PDQXIDFWXUHU^L
SHUFHQW RI VKRSV VHOOLQJ LPSURYHG VWRYHV DUH DEOH
RIIHU UHSODFHPHQW SDUWV

*LYHQ WKDW RQO\ SHUFHQW RI RXU (QYLURILW VXUYH\ UH
WUXVW VKRSNHSHUV LW LV XQOLNHO\ WKDW D ODUJH QXF
LPSURYHG VWRYPV VHQW EDFN IRU UHSDLUV)XUWKHUPR
UHYHDOHG WKDW WKHUH LV YHU\ ORZ WUXVW LQ DQ\ NLQG
FRQVXPHU H[SHULHQFH ZLWK ZDUUDQWLHV RYH
TXDOLWDWLYH HYLGHQFH VXJJHVLQJ WKDW XU I

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,QWHUYLHZV ZLWK GLVWULEXWRUV DQG IRF LQFRUSRUDWLYH
VHOOHUV RIIHU UHSODFHPHQW SDUWV DV S VWRYPV
UHVRQDWHG YHU\ ZHOORZLWK FRQVXPHUV L VHUYLFHV
NH\ FRQFHUQ ZKHQ VSHQGLQJ D ODUJH DPR; IRUPDO ZDUUDQW
%DVHG RQ WKLW HYLGHQFH ZH VXJJHVW S DJUHHPHQWV
VWDQGDUGV WKDW SXVK PDQXIDFWXUHUV W DUWLVDQV
WKDW LV OLNHO\ WR EUHDN ZLWKLQ D FHUW VWRYPV IRU
ZRXOG QRW DGG PFK WR WKH FRVW RI FRP; FRQVXPHUV
8JDVWRYPV W\SH VWRYPV LV WKH WRS ULQJ Z *\$&
EH WKH RQO\ ZD\ WR DGGUHV GXUDELOLW\ FROFHUQV JL
H[SRVXUH WR LPSURYHG VWRYPV] PDKDHEIDV IH W
SXVKHV SHRSOH WR WDNH PRUH ULVNV ZKHG JFHL

\$OWKRXXJK WKH FRVW LV UHODWLYHO\ ORZ m:DUUDQWLHV
UHFHLYLQJ D VSDUH SDUW LV YHU\ KLJK DUH D MRNH
ORZHU LQFRPH FRQVXPHU JURXS \$ VHFR GRQKW ZRUN
FRPSRQHQWV WR WKH VDOHV RIIHULQJ LV V NQRZV WKDW
)RFXV JURXS SDUWLFLSDQWV QRWHG WKDW)RFXV *URXS
MXVW EHFDXVH RI WKH XVHUaV DELOLW\ WI 3DUWLFLSDQW
JHQHUDO QRWLRQ WKDW WKH\ DUH cPDGH W.

3HOWJPDQ (IIFW

7KH UHGFWLRQ R
SUGLFWHG ULVN
UHJXODWLRQV WK
WR LQFUHDVH VDI

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*HQQGHU G\QDPLFV FUHDWH SUREOHPV DFURVV DOO VWDJHV
SUHYHQW LQFUHDVHV LQ FRRNVWRYH XSWDNH

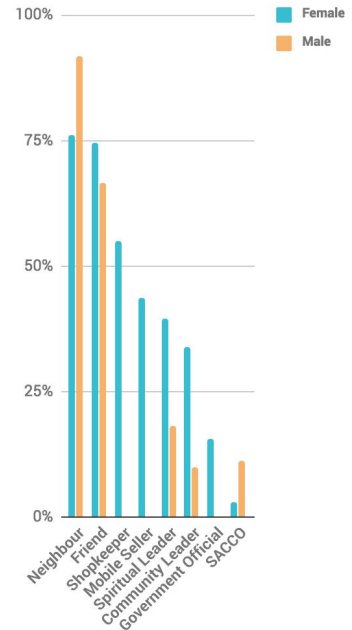
! N⁰tN

2XU KRXVHKROG VXUYH\ GHWHFWHG VLJQ
DWWLWXGHV WRZDUG LPSURYHG VWRVHV
FRPSRVHG RI IHPDOHV \$ZDUHQHVV ZDV RY
JHQQHUV SHUFHQW RI ZRPHQ DQG SF
FRRNVWRYH LV ,Q WHUPV RI DZDUHQHVV I
SHUFHQW RI WKHLU QHLJKERUV RZQ DQ LP
WKLW ILJXUH DW SHUFHQW

\$V H[SHFWHG JLYHQ SDVW UHVHDFK RQ \
KRXVHKROGV ZLWK PDOHV EHLQJ WKH NH\
PRUH WKDQ WKUHH WLPHV DV PDQ\ ZRPHQ
EH D SUREOHP WR VDYH PRQH\ IRU DQ LPS
PHQ VDLG LW ZRXOG EH JHQHUDOO\ HDV\ I
RQO\ SHUFHQW RI ZRPHQ VDLG WKH VDPH

6XUSULVLQJO\ D KLJKHU SURSRUWLRQ RI PHQ WKH RYR
DQ LPSURYHG FRRNVWRYH SHUFHQW YV
VXUSULVHG WR VHH WKDW PHQ ZHUH PRUH DZDUH RI WKH
VWRVHV^ SHUFHQW RI WKHP DJUHHG WKDW WKH VPRNH GX
KHDOWK FRPSDUHG ZLWK SHUFHQW RI ZRPHQ :LWK WK
FRQWLQXH RQ WR JHQQHU EDUULHUV WKDW ZH FRQVLGHU U
LQ 8JDQGD

)LQDOO\ PHQ DQG ZRPHQ LGHQWLILHG YHU\
DQ ,&6 UHFRPPHQGDWLRQ ILJXUH EXW
ZDV UDWKHU VPDOO DW DQG VKRXOG
H[SHVVHG QR WUXVW LQ VKRSNHSHU
RIILFLDOV^VRPHWKLQJ WR FRQVLGHU LI DQ\
ZKR GR WUXVW WKHP EXW PXVW FRQVXOW W
RWKHU KDQG ZRUG RI PRXWK UHFRPPHQGD
WUXVWHG E\ PHQ HYHQ PRUH WKDQ E\ ZRPH
RWKHU HQWLWLHV



)LJXUH 7KH
SURSRUWLRQ
UHVSRQGHWV E\
ZKR SODFHG HDFK H
WUXVWHG VRYUJY
UHFRPPHQGDWLRQ

:RPHQ GULYH EHF
DQG DUH XOWLRQV
RQHV LQ FRQWUR
ZKWKHU RU QRW
SURGXFWV DUH
DGRSWHG P IU

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2XU KR XVHKROG VXUYH\ V VKRZ WKDW D UHOI
WR FRQYLQFH WKHLU SDUWQHUV EHIRUH S)
SHUFHQW +RZHYHU LQ UHDOLW\ RXU VXUY
SHUFHQW RI SHRSOH ZKR RZQ DQ LPSURYHG
SDUWQHU SULRU WR LWV SXUFKDVH 7KLV X(
OLNHO\ WR IDFH ZKHQ SXUFKDV LQJ DQ LPSUI
VXSSUHV VLRQ^LQ WKLV FDVH ODUJHO\ GULYH
ZRPHQ ZKHUHDV WKH PDLQ ILQDQFLDO GHFLVLRQ

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5V«üã- ³° @N8•Nã @

*LYHQ WKDW WKH GLIILFXOW\ RI FRQYLQFLQJ
VWRYH LV DOUHDG\ KLJK WKH FRPSOH[LW\ RI
DQG GHSOR\PHQW RI D V\WHP WKDW HQFRXV
DPRQJ KR XVHKROG PHPEHUV VHH ILJXUH

,Q D K\SRWKHWLFDQ VLWXDWLRQ LQYROYLG
GHPRQVUDWLRQ DQG WKHQ DSSURDFKHV K
RQH KHU IDLOXUH WR SURYLGH D FRPSHO
LQIRUPDWLRQ WKDW ZRXOG MXVWL\ WKH S
YHWRLQJ WKH SXUFKDVH 7KLV UHVXOW LQ
HYHQ VKLIW KHU SHUFHSWLRQV DERXW LPSI
KXVEDQG LV ULJKW DQG WKDW WKH UHDVRO
YDOLG WKDQ WKH EHQHILWV WKDW VKH SHUI

3UHYLRXV VHFWRQV KDYH GLVFXVVHG KD
GHPRQVUDWLRQV IRU SHRSOH WR VKDUH ZLWK WKHLU IUL
UHPLQGHU RI DQ\ LQIRUPDWLRQ WKH\ PLJKW
)XUWKHUPRUH WKH FDUGV FRXOG LQGLFDW
JLYH WKHP WKH RSWLRQ RI WDNLQJ WKHLU
JRRG PHFKDQLVP WR FRQYLQFH VNHSWLFDQ
PRQHWDU\ FRPPLWPHQW DQG ZRXOG DOORZ
IRU WKHPVHOYHV



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200\ PHQ DOV
WKLV HVGHWRQJ
GR QRW QHHG WR
SDUWQHU

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m, DOUHDG\ DVNH
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DQ LPSURYHG FRR
EXW KH VDIVV
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)RFXV *URXS
3DUWLFLSDQW LQ
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IRU ZRPHQ

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\$QRWKHU LQWHUYHQWLRQ YHFWRU ZRXOG EH D WROO IUHH
cRUGHUd D SXEOLF GHPRQVWUDWLRQ RI DQ LPSURYHG VWRY
,Q WKLV PDQQHU RQH RU PRUH ZRPHQ PD\ EH DEOH WR RU
ZKHUH WKH\ FDQ VKRZFDVH WR WKHLU KXVEDQGV WKH EH
ZLWKRXW KDYLQJ WR UHO\ RQ WKHLU RZQ SRZHUV RI SHUVX
DQG LPSURYH WKH VFDODELOLW\ RI WKLV VROXWLRQ RQH
FRPPXQLW\ PHPEHUV ZKR DOUHDG\ RZQ DQ LPSURYHG VWR
SXEOLF GHPRQVWUDWLRQ \$Q LQFHQWLYH VWUXFWXUH WKD
GHPRQVWUDWLRQ FRXOG DOVR EH FRQVLGHUHG^H J WKH
UHVXOWLQJ ,&6 VDOHV SURILWV

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&XUUHQWO\ EDVHG RQ WKH HYLGHQFH JDWKHUHG IURP GLV
VDOHV RI LPSURYHG VWRYHV DUH IURP D PRELOH VDOHVP
G\QDPLF GDPHQV GHPDQG VLQFH WKH PDQ ZKR VHOOV WK
PXFK WLPH LQ WKH NLWFKHQ KLPVHOI DQG ZRPHQ RIWHQ ID
6RFLDO IUDQFKLVVQJ KDV KDG VLJQLILFDQW VXFFHVV LQ LP
G\QDPLFV LQ D YDULHW\ RI VLPLODU FRQWH[VW *LYHQ WKH
SURJUDP WKDW DOORZV ZRPHQ OHG JURXSU WR DVVHPEO
FRRNVWRYHV LQ WKHLU ORFDO DUHDV FRXOG EH HIIHFWLYH
DV D JHQGHU HTXDOL]LQJ PHFKDQLVP

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7KH GLILFXOWLHV ZRPHQ IDFH ZKHQ WU\LQJ WR FRQYLQFH
RI SXUFKDLVQJ DQ LPSURYHG FRRNVWRYH KDYH EHHQ ZL
E :KDW LV QRW FOHDUWKRPV WZRVLQX VPSOR\VLV LV
WR FRQYLQFH WKHLU SDUWQHUV WR SURYLGH WKHP ZLWK
LPSURYHG VWRYH

5HVSRRQGHQWV ZHUH DVNHG KRZ WKH\ ZRXO
LPSURYHG FRRNVWRYH SHUFHQW ZRXOG I
SHUFHQW ZRXOG DVN D SDUWQHU WR DWV
VSHFLILFD00\ DERXW SXEOLF GHPRQVWUDW
2WKHUV FLWHG KDYLQJ PRUH LQIRUPDWLR
WKHPVHOYHV VR WKDW WKH\ FRXOG EHWHL

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6RFLDO LQWHUQW...
ZRXOG RWKHUZZLVH HQKDQFH DJHQF\ DQG
SUREOHP RI FRQYLQFLQJ SDUWQHUV WR EX\
IDFH LQ FRQYLQFLQJ D SDUWQHU WR SXUFKI
LW FDQ SUHYHQW WKHP IURP HYHQ FRQVLG
UHMHFWRQ

0RUH JHQHUDOO\ WKHUH LV D QHGH WR LPS
RI ,&6 EHQHILWV DPRQJ ERWK SDUWLHV 7
HQKDQFH WKH GHYHORSPHQW RI WKHVH PHF

(DV\,QIRUPDWLRQ FDUGV DQG FHQWUDOLJH
QXPEHU WKDW ZLOO DOORZ FXVWRPHUV
DQG KDVVOH IUHH

\$WWUDFWRPHWKH KXVEDQGaV SHUVSHFWLYH
DWWUDFWLYH SHUKDSV EXQGOHG XS ZL
PRELOH DLUWLPH HOHFWULFLW\ HWF
DVVRFLDWHG ZLWK WKH DELOLW\ WR EX\
EH PRUH DWWUDFWLYH

6RFLDOH SXUFKDVH RI DQ LPSURYHG VWRYI
QRUPV DURXQG ,&6 XVDJH H J c; MXVW
\HDUd RU LQYLWLQJ WKH EHQHILFLDU\
GHPRQVWUDWRQ FRXOG EH UHIUDPHG DV

7LPHOSFFRUGLQJ WR WKHOLE...
WLPLQJ LPSRUWD...
UHGXFQJ HUURUV LQ GHFLVLRQ PDNLQJ
GLVFXVVLQJ DURXQG LPSURYHG FRRN
EHQHILFLDULHV FRJQLWLYH UHVRXUFH\
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HDFK LQGLYLB
LV DIIHFWHG
DFWRQV RI RWKH
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UHVRXUFHV WKDW
EUDLQ KDV WR SU
LQIRUPDWLRQ DQG
GHFLVLRQV

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7KH LVVXH RI JHQGHU G\QDPLFV ZLWKLQ WKH IDPLO\ XQLW
D YDULHW\ RI SUHYLRXV UHSRUWV VHH *\$&8
ZRPHQ LQ 8JDQGD KDYH GLPLQLVKHG SXUFK U FR
IDFH PRUH DJJUDYDWHG ORQJ WHUP KHDOW IUR
WKHLU GD\ FRRNLQJ RU JDWKHULQJ IXHO^D
SRYHUW\ d

WLPH EXUG...
PDMRU FRQWULEX...
ZRPHQaV cWL...
SRYHUW\ d
HQ II...
7KH WLPH LP...
VROLG IXHO FRRN...
UHLQIRUFHV H...
LQHTXLWDEOH...
SRZHU UHODWL...
ZLWKLQ WKH IDPL...
DQG EURDGH...
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,W LV WKHUHIRUH UHDVRQDEOH WR DVVXPH
WKHLU SDUWQHUV WR SURYLGH WKHP ZLWK
VWRYH ZKDW LV QRW FOHDU IURP SUHYLRX\
IDFH :H DVNHG SDUWLFLSDQWV LQ WKH UD
DJUHHG ZLWK WKH VWDWHPHQW c, WKLQN ,
P\ SDUWQHU WR SXUFKDVH DQ LPSURYHG FC
WKDQ PHQ WR DJUHH

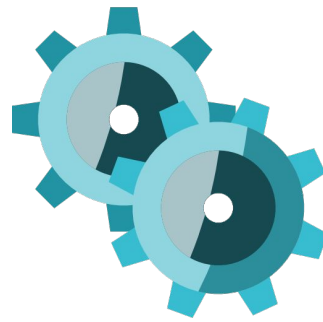
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FRRNVWRYH PRGHOV^D KLJKHU SURSRUWLRO RI WKHP FHOLH
KDYH DQ LPSURYHG VWRYH SHUFHQW YH JFHQ
PRUH DZDUH RI WKH KHDOWK LPSDFWV RI ED RYH
ZRPHQ DJUHHG WKDW WKH VPRNH ZKLOH FRF)QJH
HYLGHQFH IURP IRFXV JURXSV VXJJHVWV ' PDV
KRXVHKROG IXQGV WKDW JR EH\RQG GDLO\ X

*HQGHU VHQV...
VWUDWHJLHV PDV...
FRQVLGHU PLVWU...
EHWZHHQ VSRXVH...
HVSHFLDOO\ UHJD...
WKH VSHQGLQJ RI...
GLVFUHWLRODU\ L...
DQG VDYLQJV

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4XDOLWDWLYH GDWD LQGLFDWH WKDW LV RIWHQ GLIILFXOW
QHFHVVDU\ DV PHQ GR QRW DOZD\W WUXVW WKDW WKH PR
LPSURYHG VWRYH 7R FRXQWHUDFW WKH KLJK XS IURQW FRV
ORZ WUXVW LQ ZRPHQaV SXUFKDVVLQJ KDELWV D W\SH RI O
VHW XS XVLQJ YRFXKHUV VXFK WKDW D FHUWDLQ QXPEHU F
L H YRFXKHUV VWRYH WR EX\ DQ LPSURYHG VWRYH
WR LQVWLOO WUXVW LQ KRZ WKH IXQGV DUH XVHG DQG UHD
VSHQW RQ SXUFKDVVLQJ WKH FRRNVWRYH

\$Q DGGHG ERQXV RI WKH YRFXKHU V\WHP DV RSSRVHG WR
LV WKDW LW SURYLGHV D WDQJLEOH VHOI UHLQIRUFLQJ LQO



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7KLV UHSRUW FRQVLGHUV D QXPEHU RI LPSRUWDQW EHKDY
XSWDNH LQ 8JDQGD 1H[W WR HDFK EDUULHU ZH KDYH DOU
WKRXXJKWV RQ EHKDYLRU FKDQJH WHFKQLTXHV WKDW KDYH
XSWDNH 7KH SUHVHQW VHFWRU SULRULWLJHV DQG RUJDQ
SODQ FDWHJRULJHG XQGHU WZR SRWHQWLDO cLQWHUYHQWL

%\ LQWHUYHQWLRQ YHFWRU ZH DUH UHIHUULQJ WR D FRKH
LPSOHPHQWDWLRQ WHDP WR LQWHJUDWH SURWRW\SH DQG
WHFKQLTXHV DW D UHODWLYHO\CORZDFWVWVPSBOWDQWO\
WKH EDUULHU ZH KDYH SUHVHQWHG KHUH^QRU GR WKH\ QH
FRQVLGHU PRVW LPSRUWDQW :KDW WKH\ DLP WR GR KRZH
SRVLEOH UHWXUQ RQ LQYHVWPHQW JLYHQ WKH ILQDO JRD
EDUULHU ZH ZLOO GLVFXVV LQ WKLV VHFWRU DUH

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7KH FUHDWLRQ RI D GH
DQG LQIRUPDWLRQ DFFH
XVHG DV D YHFWRU IF
FRPSDULQJ GLIIHUHQV
RIIHULQJ FUHGLW PHFK
VDOHV VXSSRUW PHFKI
VHOOHUV DQG VKRSNHH
GHPRQVWUDWLRQV FR
SURJUDPV HWF



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7KH FUHDWLRQ RI DQ LQIRUPDWLRQDO S
606 OLQH WKDW FDQEH XVHG DV D YH
WR SURYLGH LQIRUPDWLRQ DERXW ,&6
PRGHOV YHULI\ WKH OHJLWLPDF\ RI VD
SHRSOH GRLQJ UXUDO UXQV VFKHGXC
GHOLYHULHV WR FXVWRPHUV VFKHGXC
UHVXSSO\ WR VWRUHW SURYLGH FUHG
PHFKDQLVP LQIRUPDWLRQ WR FRQVXPHU
HWF

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2XU ILHOGZRUN LQGLFDWHV WKDW ZLGHVSUHDG ,&6 DFFHVV
 DORQJ DOO WKH FDWHJRULHV LQ WKLV UHSRUW DQG YH
 FHQWUDO XUEDQ SDUWV RI 8JDQGD /DFN RI DFFHVV LV DQ
 FRQVXPHUV ZKR DUH ORRNQJ WR SXUFKDV RYHO
 PRUH LPSRUWDQW LW GULYHV GRZQ RYHUD HU F
 FRXQWHUDFWV DQ\ QRWLRQ WKDW RZQLQJ D 3 VW
 WKH ORQJ WHUP LI DFFHVV LV QRW SURSHI m, QHHG WR NRG
 GHPDQG WKDW OLPLWV WKH UHWXUQ RQ LQY ZKR ERXJKW DQ LF
 7KH REYLRXV VROXWLRQ WR LQFUHDVLQJ D SDUWLFXODU VWR
 SRLQWV^ZKHWKHU VKRSV FDUULQJ PXOWLS(JRLQJ WR WUXWL
 RQ GHPDQG PRELOH VHOOHUV +RZHYHU EI)RFXV *URXS)GV
 FXUUHQWO\ QR EXVLQHVV PRGHO WKDW PDM 3DUWLFLSDQ WDNH
 ZRUWKZKLOH IRU SULYDWH VHFWRU SOD\HUV 7KXV LW VHH
 ZRUN VKRXOG EH WR FUHDWH D SURILWDEOH VXVWDLQDE
 SRLQWV WKDW FDQ VHUYH DV DQ H[DPSON WR SOD\HUV ORF
 FRXQWU\ DOH

\$V D ILUVW VWHS WRZDUG WKLV ZH SURSR' QJ D
 DFFHVV SRLQWV LQ GRZQWRZQ .DPSDOD WKE m7KH ELJJHVW ED
 +RQH LQ RQ D SURILWDEOH VXVWDLQDE FRRNVWRYH XSWD
 RI ,&6 DFFHVV SRLQWV WR JHW XVHUV DWR
 3URYLGH DQ ,&6 LQIRUPDWLRQ SRLQW W VWRVRYHV n
 H[SHULHQFH ZLWK YDULRXV ,&6 PRGHOV ,QWHUYLHZ
 /HYHUDJH WKHLU DFFHVV WR FRQVXPHUV WR SURRW\ S
 FKDQJH WHFKQLTXHV SUHVHQWHG LQ WKLV UHSRUW

7KLV VHFWRU EULHIO\ GHVFULEHV WKH IHDWXUHV WKDW ZH
 ,PSRUWDQWO\ RXU UHSRUW GRHV QRW VXJJHVW D FRQFUHV
 6XFK DQ HIIRUW ZRXOG UHTXLUH D VHSDUDWH SURMHFW SK
 VXFK DV

- " 7KH SDUWLFLSDWRU\ UROH RI YDULRXV VWDNHKROGHUV
- ILQDQFLQJ RUJDQL]DWLRQV DV ZHOO DV VWRFN RZQHUV
- " 7KH H[DFW PHFKDQLVP DQG HQWLW\ WKDW ZRXOG PDQD.
- " 7KH UHODWLRQVKLSV QHHGHG WR EULQJ WKH DFFHVV S
 PRGHO LV IRXQG

\$V D ILUVW VWHS WRZDUG WKLV EOXHSULQW ZH VXJJHVV
UHSRUW VHYHUDO IHDWXUHV WKDW ZH EHOLHYH WKH DFFHV

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\$ FRPPRQ FRQFHUQ LQ ERWK IRFXV JURXSV DQG KRXVHK
FRQVXPHUV KDG QRW DFWXDOO\ VHHQ PRUH WKDQ RQH W\S
WKHUHIRUH GLG QRW IHHO WKDW WKH\ FRXOG PDNH FRQILG
PXOWLSOH GHPR PRGHOV DYDLODEOH DW WKH DFFHVV SRLQ
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\$ NH\ SUHUHTXLVLWH IRU WUXVW LV WR HLWKHU KDYH ILUVV
FRRNVWRYH RU VSHDN ZLWK D IULHQG QHLJKERU ZKR KDV
DFFHVV SRLQWV FDQ KDYH GHVLJQDWHG WLPHV ZKHQ FRQ
PRGHOV KDQGV RQ SHUKDSV DORQJVLGH D EDVHOLQH VWRY

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\$ NH\ LVVXH HVSHFLDOO\ LQ WKH FRQWH[W RI FRPSOH[JH
FRQFUHHW DQG HYLGHQFH EDVHG LQIRUPDWLRQ WR VXSSR
VWRYH ,QIRUPDWLRQ ERRNOHWV FDQ EH DQ HIIHFWLYH
EHQHILWV^SDUWLFXODUO\ WKRWH WKDW D KXVEDQG DQG ZLI

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,QWHUHVWLQJO\ DQ DFFHVV SRLQW ZRXOG EH D XVHIXO W
YDULRXV VDOHV WDFWLFV LQ DQ \$ % ZD\ WKDW SURYLGH
SRWHQWLDOO\ DFURVV 8JDQGD ,PSRUWDQWO\ JLYHQ WK
FRQVXPHUV LQ GLIIHUHQW JHRJUDSKLHV WKHVH PXVW EH
SHUVRQDOLJHG DV RSSRVHG WR VWDWLF VWUDWHJLHV

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\$ FHQWUDOLJHG DFFHVV SRLQW FDQ WHVW D UHIHUUDO V\V
WDQJLEOH LQFHQWLYH WR UHFRPPHQG LPSURYHG VWRYH
QHWZRUN^VLQFH D UHFRPPHQGDWLRQ IURP D IULHQG LV N
HIIHFWLYH WKDQ IURP RWKHU VRXUFHV

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\$ FRPPRQ QDPH IRU cLPSURYHG FRRNVWRYHd FDQ EH WHVW
SRLQWV

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2QH K\SRWKHVLV WKDW ZH KDYH SUHVHQWHG LQ WKLV UHSP
GRHV QRW DOORZ ZRPHQ WR HDVLO\ FDUU\ VWRYHV 3K\VLFI
SLORWHG DW WKH DFFHVV SRLQW^LGHD00\ LQ D ZD\ WKDW
WKH FDVH WKDW PDQXIDFWXUHUV FDQ LQFUHDVH SURILW
PRUH ZLGHO\

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*LYHQ WKH ZHLJKW RI WKH VWRYHV LW LV SRVVLEOH WR V
FRQVXPHUV WR SD\ D VPDOO DGGLWLRQDO IHH WR KDYH D V

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*LYHQ WKDW FRQVXPHU ILQDQFH LV D NH\ EDUULHU WR ,&6
OHYHUDJHG WR SURYLGH SHUVRQDOLJHG DGYLFH UHJDUGLQ
ERWK VDYLQJV DQG FUHGLW WKDW FDQ DOORZ D VSHFLIL
LPSURYHG VWRYH

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\$ SK\VLFD0 DFFHVV SRLQW SUHVHQWV WKH RSSRUWXQLW\ V
RQ LQVLJKWV LQ WKLV UHSPRUW^H J WKH LGHD RI UHIUDPL
RSWLRQ VLQFH WKH\ FRVW PRUH LQ WKH ORQJ WHUP

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6LQFH FRQVXPHUV GR QRW IHHO FRQILGHQW LQ WKH ZDUUD
ZLWK DQ ,&6 SXUFKDVH WKH DFFHVV SRLQW FRXOG RIIHU V
SXUFKDVH

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7KH H[LVWHQFH RI DQ DFFHVV SRLQW DW D YHU\ FHQWUD
WHVWLQJ RI SXEOLF GHPRQVWUDWLRQV RI YDULRXV IRUPDW
LV LPSRUWDQW WR GHYHORS D PRGHO GHPRQVWUDWLRQ
FKHFNOLVW EH DGPLQLVWHUHG E\ XQWUDLQHG PRELOH VH
GLVWULEXWHG ZLWKRXW WKH QHHG IRU H[WHQVLYH WUDLQL

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7KH NH\ SULRULW\ IRU DQ\ DFFHV V SRLQW EH\RQG SURYLG WKH HIIHFWLYHQHV RI YDULRXV ,&6 VHOOLQJ VWUDWHJLHV VXVWDLQDEOH DQG VFDODEOH PRGHO WKDW FDQ EH XVHG DURXQG WKH FRXQWU\ 2QFH WKLV JRDO KDV EHHQ DFKLHYH RQH SRWHQWLDOO\ SURPLVLQJ ZD\ WR H[SDQG WKH VXFFHY)XUWKHU ZRUN LV QHHGHG WR IOHVK RXW WKH LPSOHPHQW SDUWQHUV LQFHQWLYHV RZQHUVKLS RI VWRFN HWF

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,Q RUGHU WR PDNH LQWHUYHQWLRQV HIIHFWLYH DQG VFDO GHPDQG 7KXV LW LV FUXFLDO WR XQGHUVWDQG FRQVXPUL OHYHO 7R WKLV HQG ZH SURSRVH WKDW DFFHV V SRLQWV FKRLFH H[SHULPHQW VWXGLHV WKDW ZRXOG SRWHQWLDOO\ WKH HIIHFWLYHQHV RI

- " &RRNVWRYH DVVRUWPHQW
- " /RFDQO\ DWWUDFWLYH RIIHUV DQG SURPRWLRQV
- " /RFDQO\ DGMXVWHG ILQDQFLQJ RSWLRQV
- " /RFDOLJHG FRPPXQLFDWLRQ VWUDWHJLHV
- " ODUNHWLQJ FROODWHUDO
- " 6RFLDO QHWZRUN DGMXVWPHQWV
- " \$FFHV V SRLQW ORFDOLJDWLRQ

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%DVHG RQ RXU ZRUN VR IDU ZH EHOLHYH WKDW D FHQWU SRWHQWLDOO\ SRZHUIXO ZD\ WR ZRUN WRZDUG D VFDODEOH VWRUHV 7KDW VDLG ZH DUH DOVR FRJQLJDQW WKDW RYHU OLYHV LQ UXUDO DUHDV

7R WDS LQWR WKLV SRSXODWLRQ DQG LQFUHDVH DZDUHQHV ZH DOVR EHOLHYH LW LV FUXFLDO WR WHVW D V\WHP WKDV WR DFFHV ,&6 UHODWHG LQIRUPDWLRQ DQG VHUYLFHV :LW ZH WKLQN FRXOG EH D KLJK UHWXUQ DQG UHODWLYHO\ ORZ D FHQWUDOLJHG WROO IUHH SKRQH 606 866' OLQH *LYHQ SHQHWUDWLRQ RI PRELOH SKRQH V LQ 8JDQGD VXFK D VHU ODUJH QXPEHU RI SHRSOH

,Q DGGLWLRQ FRQYHUVDWLRQV ZLWK GLVWULEXWRUV KDYH ZLWK 866' 606 VHUYLFHV DUH YHU\ KLJK^DOWKRXJK IXUWKH ORFDO SDUWQHUV WR GHWHUPLQH UHWXUQV DQG WR FRQI HQYLVLRQ D FHQWUDOLJHG SKRQH 606 866' VHUYLFH DV WHV

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*LYHQ WKDW FRQVXPHU ILQDQFH ZDV LGHQWLILHG DV D F SDUWLFXODU DPRQJ SRSXODWLRQV UHVLGLQJ LQ ORZHU LQ SURYLGLQJ FRQVXPHUV D FHQWUDOLJHG V\WHP WKDW DVN WKUHH DQG LGHQWLILHV IRU WKHP ZKDW WKH PRVW RSWLF SRWHQWLDOO\ HIIHFWLYH 7KLV NLQG RI V\WHP ZRXOG KDYLW ZRXOG SURYLGH GDWD DERXW WKH ,&6 UHODWHG ILQDURXQG WKH FRXQWU\ LL LW ZRXOG EH D SRWHQWLDO RS SURYLGHUV^SHUKDSV HYHQ WKH VDPH WHOHFRPPXQLFDWLR FHQWUDOLJHG SKRQH 606 866' OLQH^WR RIIHU FRQVXPHU ILQ

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2QH SRWHQWLDOO\ LQWHUHVWLQJ IHDWXUH WKDW FDQ EH WHVWH ORFDO UHSUHVHQDWLYHV DYDLODEOH WR DQVZHU TXHULHV WKD (DFK VXFK DJHQW ZRXOG EH SURYLGHG ZLWK EULHI WUDLQLQJ LQIR SRLQW IRU FRQVXPHUV LQ WKH DUHD 2QH SRWHQWLDO H[WKDYL D GHFHQWUDOLJHG YHUVLRQ RI WKLV V\WHP ZKHUH WKH FDR I WKH FRPPXQLW\ WKDW FDQ DQVZHU FDOOHU TXHULHV 7KLV ZVRFLDO IUDQFKLVI DVSHFW RI WKH SK\VLFD DFFHVV SRLQW DQ QHWZRUNV WKDW FDQ ODWHU EH H[WHQGHR WR VRFLDOO\ IUDQFKDYLQJ D VRFLDO IUDQFKLVI FRPSRQHWR WKH SKRQH OLQH SULPDULO\ VWDIHG E\ ZRPHQ ZKR KDYL H[SHULHQFH FRRNLQJ^HYPHDOV DV WKRVH FDOOLQJ

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8VLQJ D 866' PHQX DFFHVVLEOH WKURXJK 606 FRQVXPHUV FDQ HD ,&6 UHODWHG TXHULHV WKDW DUH OLNHO\ WR LPSDFW WKHLU SXUFDQ EH XVHG WR SURYLGH VSHFLILF LQIRUPDWLRQ RQ KRZ WR PDVWRYH KRZ WR SUHSDUH FHUWDLQ PHDOV RQ RQH HWF

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\$OWKRXJK V\ VWHP LQIRUPDWLRQ QHHGV WR EH GHFLGHG F
GRQH DW D ORFDO OHYHO XVLQJ GLDOHFWV WKDW DUH
&RQYHUVDWLRQV ZLWK GLVWULEXWRUV KDYH UHYHDOHG WK
DOUHDG\ KDYH ZD\ V RI ORFDWLQJ D VSHFLILF PRELOH SKRC
WHFKQRORJ\ LQ RUGHU WR SURYLGH D ORFDO YHUVLRQ RI V
SHUVRQ LQ WKH DSSURSULDWH ODQJXDJH

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2QH VLJQLILFDQW WUXVW LVVXH WKDW ZH HQFRXQWHUHG ZD
YHU\ HIIHFWLYH LQ VHOOLQJ LPSURYHG VWRYHV WKH\ DUH
WKDW WKH SRWHQWLDO SXUFKDVHU HVSHFLDOO\ LQ UXUDO
QHYHU VHH WKH PRELOH VHOOHU DJDLQ LW LV GLIILFXOW I
PRQWK RU PRUH RI GLVSRVDEOH LQFRPH IRU D SURGX
SRWHQWLDOO\ IDNH 7R FRXQWHUDEFW WKLW ZH SURSRVH C
YHULI\ PRELOH VHOOHUV WKXV HQVXULQJ WKDW WKH\ DUH
FHQWUDO HQWLW\ \$OWKRXJK LQVWLWXWLRQDO WUXVW L
TXDOLWDWLYH GDWD IURP IRFXV JURXSV LQGLFDWHV WKDW
FRQVXPHUVa IHDU RI EHLQJ VFDPPHG

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2QH VLJQLILFDQW EDUULHU WKDW ZH REVHUYHG UHOHYDQV
WKH UHDOLW\ WKDW PRELOH VHOOHUV YLVLW FHUWDLQ UHJ
VHDVRRQDOLW\ RI VDYLQJV DQG VSHQGLQJ WKLW PDNHV WK
LPSRUWDQW DQG SRWHQWLDOO\ D OLPLWLQJ IDFWRU IRU VD
WKLW ZRXOG EH WR IRUP ,&6 JURXSV WKDW FDQ RUGHU D O
WLPH 7KH FHQWUDOLJHG SKRQH OLQH FRXOG EH OHYHUDJH
)XUWKHUPRUH VXFK D V\ VWHP FRXOG HYHQ DOORZ GLVWU
IXUWKHU LQFHQWLYLJLQJ WKH SXUFKDVH)LQDOO\ VXFK D
UHIHUUDO SURJUDPV^ZKHUHE\ WKH SHUVRQ RUJDQLJLQJ WK
WKHLU VWRYH DW D VWHHS GLVFRXQW RU IRU IUHH

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,Q RUGHU WR VXFFHVVIXOO\ VFDOH WKH DFFHVV SRLQW YHF
KDYH KLJKO\ GHWDLOHG DQG ORFDOLJHG LQIRUPDWLRQ DE
PHVVDJLQJ SODWIRUP ZRXOG SURYLGH D FULWLFDO UHVHD
DPRXQW RI DLUWLPH FDQ EH JLYHQ WR SDUWLFLSDQWV IRU
WKH\ FRXOG DQVZHU VLP SOH TXHVWLRQV DERXW WKHLU
FRRNVWRYHV LQ RUGHU WR EHWWHU ORFDOLJH VDOHV HIIRU

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6KRSNHSHUV RYHUHVWLPDWH FRQVXP UVa ,& DZDUHQHV
 :RUG RI PRXWK LV ORZ
 &RQVXPHUV XQGHUHVWLPDWH ,&6 SULF
 7KHUH LV QR FRPPRQ WHUP IRU ,&6V
 +HDOWK ULNVV IURP VPRNH DUH SRRUC XQGHVWRRG
 ,&6 IXHO VDYLQJV DUH SRRUO\ XQGHVRRG
 ,&6V DUH SHUFHLYHG DV OX[XU\ JRRGV
 ,&6Va WLPH VDYLQJV DUH SRRUO\ XQGHVWRR
 /RZ WUXVW LQ LQVWLWXWLRQDO ,&6 UH RPPHGDWLRQV
 1R VWDQGDUGLJHG ,&6 GHPRQVWUDWLR
 &RQVXPHUV XQGHUHVWLPDWH QHHG WFRQYLDFH SDUWQHUV
 /LPLWHG PHFKDQLVPV WR FRQYLQFH SDUWQHUV RI ,&6
 :RPHQ IDFH PRUH GLIILFXOW\ FRQYLQFH QJ WKHU SDUWQHUV
 6KRSNHSHUV GR QRW ZLGHO\ RIIHU FULGLW
 6\$&&2V DUH ZLGHO\ PLVWUXVWHG
 &RVW RI FUHGLW LV WRR KLJK
 &RQVXPHU VDYLQJV DUH GLIILFXOW
 /DFN RI LQFHQWLYH WR SURYLGH FUGLW IRU KHDSHU ,&6 PRGHOV
 ,&6V LQDGHTXDWH IRU FHUWDLQ FRRNLJ QHHV
 ,&6V KDYH GXUDELOLW\ LVVXH
 &KHDS ,&6V DUH WRR KHDY\ IRU ZRPHQVR FDI
 ,&6 FRORUV QRW SROLWLFDOO\ VHQVLYH
 :DUUDQWLHV DUH ODFNLQJ DQG PLVWUXVWHG
 /RZ FRQVXPHU DFFHVV WR VKRSV FDUUQJ ,&6
 3RRU VXSSO\ VLGH YDULHW\
 0RELOH VHOOHUV IDFH ORJLVWLFDO FKOOHQIV

7DEOHKLV WDEOH VKRZV DOO RI WKH EDUULHUV ZH KDYH LGHQWLILHG L
 LQWHUYHQWLRQ YHFWRUV ZH KDYH SURSRVHG LQ WKLV VHFWRU :H HY
 WR DGGUHV HDFK EDUULHU^WKH RQH VZLWK WKH PRVW SRWHQWLDO DU
 ZLWK WKH OHDVW ZLWK HPSW\ FLUFOHV ,PSRUWDQWO\ cSRWHQWLDOd
 GLUHDFWUHV D EDUULHU^LQ VRRPH FDUHV D YHFWRU XQORFNV LPSRU
 DSSOLHG DW VFDOH

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7KLV UHSRUW KDV SUHVHQWHG WKH ILQGLQJV RI D EHKDYLRUD
EHKDYLRUDO EDUULHUV WR ,&6 XSWDNH VXJJHVWV EHKDYLRUD
WKHP DQG SURYLGHV D YHU\ SUHOLPLQDU\ RYHUYLHZ RI LW
WKH SRWHQWLDO WR DGGUHVV PXOWLSOH EDUULHUV

:KLOH ZH EHOLHYH WKDW WKH EHKDYLRUDO EDUULHUV DQG
DUH D VWHS WRZDUG XQORFNLQJ WKH GHPDQG VLGH RI WKH
FRJQLJDQW RI WKH IDFW WKDW PFK ZRUN UHPDLQV WR EH
WR JXDUDQWHH SURSHUO\ FDSLWDOLJHG SULYDWH VHFWRU
FKDLQ QHFHVVDU\ WR DYRLG PDUNHW VSRLODJH :LWK WKH
HIIRUWV GHVFULEHG LQ WKLV UHSRUW PXVW EH FORVHO\ DQ
ZD\ WKDW LQYROYHV NH\ VWDNHNKROGHUV RQ WKH JURXQG D
RI FKDQJH



\$&&(6 \$IULFD &OHDQ &RRNLQJ(OHDQ J DQG O PXSULRYCHG &RRNLQJ ,Q 6XE 6DKD
\$IULFD \$ /DQDWFCLSHWRURUW :RUOG %DQN *URXS \$IULFD 5HQHZDEOH (Q
3URJUDP \$)5(\$ DQG (QHUJ\ 6HFWRU 0DQDJHPPHQW \$VVLVWDQFH 3URJUDP

\$&&(6 \$IULFD &OHDQ &RRNLQJ+(6H\$J(2R0XWL/20\$/ &/(\$1 \$1'
,03529(' &22.,1* 6:(D7Z5QJWRQ '& :RUOG %DQN *URXS \$IULFD 5HQHZDEOH
\$FFHV 3URJUDP \$)5(\$ DQG (QHUJ\ 6HFWRU 0DQDJHPPHQW \$VVLVWDQFH 3

%HOWUDPR 7KHUHV D *DUULFN %ODOREN 'DY7KH (IHFVWRIDQG \$QGUHZ 0
0DUNHWLQJ 0HVVDJHV DQG 3D\PHQW 2YHU 7LPH RQ :LOOLQJQHVV WR 3D\
-RXUQDO RI (FRQRPLF %HKDYLRU 2UJDQLJDWLRQ

\$UPDK \$WWRK 'DQLHO (*LDPK %RDGL c&RUSXSWLHRQ DUEG UD &KLNZDQK
,QVWLWXWLRQDO 7UXVW LQ \$IULFD ,PSOLFDWLRQV IRU 'HPRFUDWLF 'HYH
3DSHU 0LFKLJDQ 6WDWH 8QLYHUVLW\ 068 WKH ,QVWLWXWH IRU 'HPRF
WKH &HQWH IRU 'HPRFUDWLF 'HYHORSPHQW '&' *KDQD

:HOOHU & (DQG 5 3DKPKXOWV'KH D7KH (>IHFV RI +LJKHU ,QWHUHV 5DW
DQG WKH3XERQLRPHSRUW :DVKLQJWRQ '& 7KH &HQWH IRU \$PHULFDQ 3U

&KHPLQ 0DWWKLHX -RRVW GH /DWHJDDG YR 6DQ QHDO OD&KRNHU,QFUHDVH
/HYHOV RI WKH 6WUHV +RUPRQH &RUWLVRQ \$PRQJ 3RRU)DUPHUV LQ .HQ

&UXJ 0LOcQcZURP 'HVLUH 7R 1HFHVVLW\$W WKLW X&BM 23H(PHWSLVRQV 2I
/RVV \$QG 6XEM,0F DULYHWIRUJ VQDPLVP 6XVWDLQDEKLW\ 7KLQJV &KDQJ
6DPHGLWHG E\ / 5RELQVRQ -U 'HYHORSPHQW \$VDLQ 0DUNHWLQJ 6FLHQFH
0DUNHWLQJ 6FLHQFH 6ZLW]HUODQG 6SULQJHU

'HVKSDQGH 5 0 3LFNHQ8J DQG + &RQWUQ /HYHO 6DYLQJV \$VVHVVPHQW
6DYLQJV ,QLVWLYWYWRQ '& :RUOG %DQN

'XIOR (VWKHU 0LFKDHO .UHPHU 0XGJROJYDLPH 5REWRVRQ
7KHRU\ DQG ([SHULPHQWDPHYLFDQF(FRQRPLFQHYH

(URQH HW5DSRUW RQ YHUL>LFDWLRQ DQG UHVXOWV PRQLWRULQJ RI WKH 8
([SDQVLRQ3DQRQDFV0* 3ULYDWH 6HFWRU)RXQGDLRQ

*\$&& *OREDO \$OOLDQFH IRU 7KH 6DQWRNWKYHO
6HFWRU&KQLFDO 5HSRUW :DVKLQJWRQ '& :RUOG %DQN DQG *\$&&

^^^ D&RPSDUDWLYH \$QDO\VLV RI)XHOV IRU &RRNLQJ /LIH &\FOH (QYLUF
6RFLDO &RQVLGHUDWLRQV \$SSHQGL[\$ 'HWDLOHG (QYLURQPHQWDO (Q
:DVKLQJWRQ '& *\$&&

^^^ 0DUNHW 5HVHDFK LQ WKH &OHDQ&RMRQJ '6H\$&& 7RROV DQG 7

^^^ &RPSDUDWLYH \$QDO\VLV RI)XHOV IRU &RRNLQJ /LIH &\FOH (QYLUF
6RFLDO &RQVLDKILQJWLRQ '& *\$&&

*DOODJKHU . DQG - \$+HSDGWHUHVVDJH)UDPLQJ (IIHFWV RQ \$WWLWXGHV
%HKDYLRU D 0HW \$DQDQWRUF%5HKLYLZRWD 0HGLFLQH

*DUODQG & . -DJRH (:DVLUZD 5 1JX\HQ & 5RWK \$ 3DWHO 1 6K
3HQQLVH DQG 0 c,PSDFW RI +RXVHKROG (QHUJ\ 3URJUDPV RQ)XHO &F
%HQLQ 8JDQG(QHDQGIQJG6DVWDLQDEOH 'HYHORSPHQW

*OREDO \$GXOW 7REDFFR 6XUYH\ *\$76 8JDQGD &RXQWU\ 5HSRUW

*LQH :DYLHU &ULVWLQD 0DUWLQHJ &XHOODUc)LDQG5DODHO .HHQDQ
'LV LQIRUPDWLRQ (YLGHQFH IURP DQ \$XGLW 6WXG\ LQ 0H[LFR (QJOLVW
:36 :RUOG %DQN *URXS :DVKLQJWRQ '&

*9(3 ,QWHUQDWRUUDWLQJ \$FFHVWR (QHUJ\ *OREDO \$OOLDQFH IRU
0DUNHW \$VVHVPHQW3 6HWWRQDWRUUDWLQJ 0DUFK

.ZXPEZH 6 2YHUYLHZ RI WKH)LQSRUW \$UFWLRQHG8DQGD WK 0HHWL
WKH)LQDQFLDO &RRSHUDWRQ :RUNLQJ *URXS %DQN RI 8JDQGD 0DUFK

-RKQVRQ 2 + :DQMLUX & 0XKRJD) /DPEH 0 -½ULVRR : \$PDWD\DNX
c)URP 7KHUR\ WR 3UDFWLFH RI &KDQJH /HVVRQV IURP 619aV ,PSURYHG 8
&DPERGLD .HQ\D 1HSDO DQG 5ZDQGD d 6WRFNKROP (QYLURQPHQW ,QV

-RUGDDQ -c,PSDFW RI ,QWHUHVW 5DWH &KDQJHV RQ 6RXWK \$IULFDQ *
&RPELQH 0DFURHFRQRPLF DQG 6RFLDO \$FRXQWLRQ \$DULFD[0RGHOOLO
%XVLQHV 5HYLHZ

-XQ ' % DQG &7KH 5ROH RI 6WLFNHU 6KRFN RQ 4XDQLW\ DQG 9DULHW
%XVLQHV :RUNLQJ 3DSHU 6HRXO .RUHD

/HYLQH ' DQG & &RWWHUPDQ c:KDW ,PSGHV (IILFLHQW \$GRSWLR
5DQGRPLJHG 6DOHV 2IIHUV IRU)XHO (IILFLHQW &RRNVRYHV LQ 8JDQGD
:36 &HQWUH IRU (IIHFWLYH *OREDO \$FWLRQ 8QLYHUVLW\ RI &DOLIRUG

/ZLJD) - 0XJLVKD 3 1 :DOHNKZD'LV DERSWLQR%+RXVHKROG
%LRJDV 7HFQRORJLHQLJ &HQWWRUUDWLQJ 'HYHORSPHQW

0EHQJXH ' 07KH :RUU\LQJ 7UHQG RI ,QWURJ \$DQDQWRUUDWLQJ d6
\$IULFDQ &RQVOWDWLYH *URXS WR \$VVLVW WKH 3RRU &*\$3 DQG WKH

0XWLQGD 'c7KH (IIHFW RI /HQGLQJ ,QWHUHVW 5DWH RQ (FRQRPLF *URZW
5HVHDFK 3URMHFW 8QLYHUVLW\ RI 1DLUREL

2ERQJaR 6\OYSHW 68/76 \$3352\$&+ ,1,7,\$7,9(,QVWLWXWLRQDOLJDWLQ
5HVXOWV %DVHG 0DQDJHPHQW LQ .HQ\D 3XEOLF 6HUYLFH

6XDUHJ 3DEOR DQG \$QWKRQ\ 3DWW c&RJQLWLRQ &DXWLRQ DQG U
)RUHFDVW \$SOLFDLWRQ DQG 3ROLF\

3ULFH 5 &OHDQn &RRNLQJ (QHUJ\ LQ 8JDQGD g 7HFQRORJLHV ,PSDFW
WR 0DUNHW \$FFHQSDWRUUDWLQJHSRUW %ULJKWRQ 8. ,QVWLWXWH RI 'HYHOR

5HEHO *URXS &RQV L00WQXQ HVV WR 3D\ DQG &RQVXPHU \$FFHSWDQFH \$VVH
&RRNLQJ ,QD8WJLQGIW RQ ' & :RUOG %DQN *URXS

5HKIXHVV (\$ (3X]IROR ' 6WDQLVW (QHDEW OHUV RDSHG %DQ ULHUV %WRFH
/DUJH VFDOH 8SWDNH RI ,PSURYHG 6RQLGLJXPC 6QW 70V+HSD\W WHPDWLF 5
3HUVSHFWLY]HV

6KDQNDU \$ 0 -RKQVRQ (.D\ 5 3DQX 7 %HOWUDPR ('HUE\ 6 +DU
___ c0D[LPL]LQJ WKH %HQHILWV RI ,PSURYHG &RRNVWRYHV 0RYLQJ IURP
&RQVLVW*ORV 80V+HHDOWK 6FLHQFH DQG 3UDFWLFH

619 1HWKHUODQGV 'HYHORS PHQW 2BRWLV 6RQXW RQV IRU 6FDOLQJ 8S
&RRNVWRYH \$FFHV LQ 8JDQGD \$ /DVW8QDQHG &RBP9QLW\ 0DUNHW ,QWHOC
8JDQGDQ 0LQLVWU*ORV 80V+HHDOWK 7REDFFR 8JLQGHQ &FLXQWWU5HSRUW
RI +HDOWK :+2 DQG WKH '&

8VPDQL) - 6WHHOH c0DQ (FR-QRPLDQ QFHQWLYHV (QKDQFH \$GRSWLRQ D
+RXVHKROG (QHUJ\ 7HFKQRORJ\ (YLGHQFH YILURP QDHSQVORW 5HWXG\UEQ &DF
/HWWHUV]

:RUOG %DQN D c3URMHFW 3DSHU 8JDQGD &OHDQ &RRNLQJ 6XSSO\ &F
DQG ([WUDFWLYHV *OREDQ 3UDFWLFH *(('5 \$IULFD 5HJLRQ

:RUOG %DQENRUOG 'HYHORS PHQW 5HSRUW :DVK0LQW/RQRF&HW\ DQG %HK
:RUOG %DQN



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