



The MSI 20000 standard, dedicated to certification of the financial quality of companies, begins international deployment

Geneva - Paris 12 AVRIL 2018 – Today MSI Organization, an NGO based in Geneva, begins to work alongside the world leaders in certification services with the international launch of the *MSI 20000* (Market Standard Indicator – Index 20000) standard for company financial quality, whose development will be coordinated from Paris.

Over the next five years, the plan for deployment of the MSI 20000 standard seeks to cover the 45 most mature countries in terms of *quality management systems* standards. The certification bodies will ensure promotion and distribution of the standard in the various zones they cover.

In France, DEKRA (world n. 3 in certification) has already commenced audits for companies interested in the MSI 20000 certification, in order to issue the first certificates of conformity. As well as France, DEKRA will deploy the standard in other European countries, including Germany. SGS (world n. 2) is currently offering the certification in several African countries. Other agreements are currently under study.

In a context where financial reliability constitutes a crucial stake for economic development and the security of economic players, the creation of a standard for financial certification constitutes a major innovation to provide companies with a tool for validation, credibility and improvement of their financial quality.

Developed by leading global financial experts, tested and adapted over several years, the MSI 20000 certification process analyses all data relating to the situation and financial management of a specific business, according to very rigorous standards and principals, including various criteria of evaluation. The MSI 20000 standard includes elements studied according to two areas of analysis: financial solidity and performance.

The MSI 20000 process leads to a complete, in-depth diagnosis, providing specific information on the financial situation of companies.

The conformity of the firms studied to the listed of criteria results in certification to MSI 20000 standard. In line with international rules for *quality management systems* certification, the MSI 20000 certificates of conformity are valid for three years, subject to annual audit. These certificates can only be issued by a qualified or accredited certification body.

MSI 20000 has been designed, tested and developed over more than eight years. Many companies, in particular branches of multinationals and large global groups, are subject to annual certification, in order to improve continuously and obtain a certificate of financial conformity.

One of the key assets of financial certification lies in the total independence between the body which establishes the quality certification, in this case MSI Organization, and the certification bodies. This perfect independence is unique in the world of financial analysis.



Financial certification is an innovation which stands out from both: accounting audit and credit rating

Financial certification stands out from both: accounting audit and credit rating. The accounting audit is based on truthful accounting information, honest accounts and their ability to reflect a faithful image of a specific moment in time, according to methods which differ by region (IAS/IFRS, US GAAP, etc.), within which justified variations in choices and decision are authorised.

On the other side, the credit rating evaluates the capacity of a firm to meet its financial commitments.

The certification provides complementarity, certifying conformity of the company, group or entity to a unique international standard and evaluating its financial quality, according to a sectorial approach.

As well as in depth study and analysis, the diagnostic certification tools assist the decision making and elements of dynamic recommendations. Basically, in addition to the major initial audit, which may or may not result in certification to MSI 20000 standard, the process includes 2 further audits over the following 2 years. This mechanism ensures the senior management and shareholders, providing support and guidance for financial strategy, based on 3 principal routes of consolidation: diagnosis, improvement and valuation. Once issued, the certification constitutes a veritable communication tool for creditors, investors, shareholders, commercial partners, clients, suppliers, etc.

MSI 20000 standard and diagnosis

Certification to MSI 20000 standard follows a scientific and mathematical path, according to a strict framework, based on quantitative, objective and universal indicators.

According to the sector of activity of the firm studied, the MSI 20000 standard terms of reference examine a wide range of ratios, financial instruments and econometric models. All information is grouped by theme, according to the fundamentals of solidity and financial performance, ensuring solvency, profitability and continued existence for all firms in all sectors.

The diagnostics based on solidity and of performance, are expressed respectively according to the major areas of evaluation such as management of assets, liabilities, liquidity, risks, and human resources, as well as commercial, economic, financial and operational aspects of performance.

In order to ensure reliability and seriousness, the instruments of analysis and weighting of measurement criteria are adapted according to the sector of activity, using sophisticated FinTech tools allowing integration of algorithms for reading differences and trends for all the attributes subject to evaluation. The indicators are weighted by coefficients according to their importance in the scale of evaluation for the sector. Transcription of the scoring on the MSI scale allows observations on conformity.

In order to situate firms evaluated within their sector, MSI reviews 44 sectors of activity and therefore the same number of specific technical specifications for evaluation and valuation of financial quality. In order to refine their formulas and models of analysis, every year MSI observes and reviews the financial statements of more than 40,000 companies, divided according to the weight of world economies.



The MSI 20000 approach takes into consideration the various types of accounting standards in order to achieve a uniform global standard, despite complexities due to the different languages and accounting standards, according to country and sector.

A tool for guidance and communication

The MSI 20000 standard seeks to encourage good practice in financial management.

The diagnostics provide a complete and in-depth description of the strong and weak points of the financial activity. Through analytical models, the relevance of the methodology leading to MSI 20000 certification, allows efficiency and optimisation of various aspects of financial management. The MSI 20000 terms of reference seek to detect deficiencies and anticipate future issues.

The reports support the work over time and provide a reference guide.

Certification contributes directly to the process of valuation and improves company attractiveness, providing reassurance to the markets regarding the financial quality of a company.

MSI 20000 certification offers an indicator of quality, for the various economic players and financial operators: creditors, investors, shareholders, commercial partners, clients, suppliers, etc., looking for reliable and independent points of financial reference.

The MSI 20000 standard provides information on the financial governance a structure and respect for good practice in financial management, thereby offering a strong marketing tool.

The MSI scientific committee is the primary technical decision making body. Its membership comprises researchers, academics and professionals.

All the members of the MSI scientific committee are graduates of the world's top universities (Harvard, Oxford, Stanford, Columbia, UCLA, etc..) and have worked for major financial institutions or prestigious universities. Most of the members of the organisation, professionals or academics, hold doctorates from business schools with specialisations in corporate or market finance. Other members hold doctorates in statistics, mathematics or econometrics.

Dr. Rama CONT is the Chairman of MSI.

Ph.D. from Université de Paris Sud (Orsay) and a graduate of the Ecole Polytechnique (Paris), he holds the Chair of Mathematical Finance at Imperial College (London) and Director of research at CNRS. His research involves mathematical modelling of financial markets, in particular extreme financial risks. He is a regular advisor to financial institutions, central banks and regulators in Europe, the United States and Asia. Author of more than 60 scientific publications in international journals, in 2010, Rama Cont was awarded the Louis Bachelier prize from the French Academy of Science and, in 2017, the Royal Society's APEX prize for Excellence in Inter-disciplinary research.

Dr. Eymen ERRAIS is the Secretary General of MSI, in charge of the coordination of the heads of department, thin the Scientific committee.

Holder of a PhD in Mathematical Finance from of Stanford University, associate professor of Finance at Paris Dauphine Université, he has held positions of responsibility on Wall Street in particular at



Crédit Suisse, Barclays Capital and Merrill Lynch. Counsellor or state for financial governance, he is an accredited expert to the World Bank.

Background

The scandals and crises which regularly rock the world of business, different in scope and size (Enron, Lehman Brothers, William Saurin, etc.), have given rise to a lack of confidence in traditional systems of financial evaluation.

Imagined and designed after the financial crisis of 2008, given the need to provide the markets with a reliable and concrete indicator of the real economic and financial situation of companies, the MSI 20000 standard has been subject to guided observation and studies, before being developed progressively with major economics and financial groups.

The MSI 20000 standard arose from a need on the financial markets to identify the most financially healthy listed companies. Over time and given demand, the product has been rolled out for all companies, listed or not, and every sector of activity, in the hope of being able to diagnose, perfect and evaluate their financial situation.

Within this context, MSI 20000 certification offers a scientific, impartial, objective and uniform response, defining the pillars of a standard of financial quality for companies, according to their sector.

MSI organisation

Based in Geneva, MSI Organization is a non-for-profit NGO, under the Swiss Civil Code. The objective of the association is research and development of new tools to assist financial decision making, as well as design of instruments for measurement and evaluation, to be used with the MSI 20000 standard of financial quality.

Following the models of the major international certification bodies and based on its technical dossier, MSI is responsible for communication and international deployment of the MSI 20000 standard.

The MSI Organisation is staffed by internationally skilled and experts from the modern financial sphere. MSI has a prestigious scientific committee and its back office is supported by many members and collaborators.

In their own words:

Rama Cont, Chairman of MSI

“The MSI 20000 financial certification methodology is like a company health check which measures certain parameters such as: the level of cholesterol, glucose, red and white blood cell count and blood pressure, comparing these factors to standard levels of reference, according to the individual’s age and other features. Any deviations from these standard levels allow us to detect future problems.

Likewise, the MSI 20000 standard defines a group of indicators describing the development over several years of assets, liabilities, human resources or even financial profits, economy and business



development, which are later compared to standards, according to the specific sector of activity. The comparison with these levels of reference in the sector provide an x-ray of business performance and solidity allowing us to detect strong or weak points in its activities.”

Eymen Erraies, Secretary General of MSI

“Given the 22000 global standards, I find it difficult to understand how this hasn’t been thought of before, for an area of supreme importance such as finance. In my view, MSI 20000 is an excellent way to avoid new scandals, such as those we saw at the beginning of the millennium. Financial institutions and the economic environment seem to believe that they can self-regulate to prevent crises. However, the best practice really consists in establishing guard rails from above. The idea is to establish an external control for all mechanisms of regulation. We are creating a financial standard to be made available to managers, allowing them to guide activity and restore confidence, which makes good sense.”

Yvan Mainguy, Director General DEKRA Certification

“The MSI 20000 standard reminds me of the ISO 9001 standard when it was released at the end of the 1980s. Financial considerations cause a great deal of worry for senior management and my experience in regulation and certification allows me to believe in the great potential of the MSI 20000 standard. Its rapid adoption by the market, that our teams have already been able to note on the ground, indicates how it has been welcomed by business leaders.”

More information

DEKRA GROUP:

Established in 1925 in Berlin as Deutscher Kraftfahrzeug-Überwachungs-Vereine.V., today DEKRA is one of the largest certification bodies in the world. A subsidiary of DEKRA e.V., DEKRA SE manages the group’s operational activities. In 2016, DEKRA’s turnover was more than 3 billion EUR. The company currently employs more than 42,000 staff in more than 50 countries on five continents.