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Integrity Matters

SECURITIES & INVESTMENT

REVIEW

APRIL 2013

THE MEMBERS' MAGAZINE OF THE CHARTERED INSTITUTE FOR SECURITIES & INVESTMENT

cisi.org/sireview

The EU QUESTION

Will a split from Europe spell disaster for the City? *page 16*

Reviving IPOs

How to help companies go public, *p12*

Looking on the negative

The consequences of a sub-zero Bank rate, *p20*

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visit cisi.org/sireviewinfo

ONLY HALF OF PROFESSIONALS WORKING IN THE BANKING SECTOR IN THE UK RECEIVED A BONUS IN 2012

Richard Ryan, Manager of Banking and Financial Services Recruitment in the North at Robert Walters, discusses some of the key findings from the firm's recent pay and compensation survey.

The market is clearly challenging for banking and financial services firms at the moment and compensation across the sector is currently under significant scrutiny.

Overall, pay rise and bonus levels were relatively low in 2012. Only 48% of professionals working in the banking and financial services sector in the UK received a pay rise, with the majority of these uplifts between one and six per cent of salary (only 22% received an increase of seven per cent of their salaries or more). Similar trends were evident in the bonuses that were awarded. Only 53% received a bonus, with only a very small proportion (22%) receiving a bonus of more than ten per cent of their salaries.

Professionals in the North were relatively well rewarded in comparison to the rest of the country. According to our survey, 51% of banking and financial services professionals working in the region received a pay rise in 2012, which was a greater proportion than the UK as a whole and both Midlands (47%) and London and the South East (46%). While these statistics are clearly indicative of a tough market, they also reflect how firms are increasingly focusing their resources outside of London.

This was in evidence last year, when we saw a growing interest among employers in relocating to the region. In the last 12 months, we've received an unprecedented number of enquiries from organisations implementing feasibility studies investigating moving at least some of their operations to the North of the country. While the cost benefits are obvious, there is also the realisation that there doesn't have to be any sacrifice in terms of quality. There is an increasing acceptance that both the level and depth of talent in the big cities outside of London is very strong. Although this trend has primarily been driven by the impact of the downturn, businesses are now consciously looking to tap into these resources because they realise that they can relocate without compromising the overall productivity or quality of work.

The impact of these relocations on the local jobs market has been significant – people obviously leave their existing roles to move into these newly-created vacancies and they ultimately have a 'domino effect' on recruitment in the region. They often lead to jobs being created in a range of back office-focused areas at the junior to mid-level, from finance, HR and administration to, in some cases, legal and marketing.

While the overall market remains tough, there are some encouraging signs – particularly in the North. As a result, we are reasonably optimistic about the banking and financial services jobs market in the region for 2013.

To request your copy of the Robert Walters Banking and Financial Services Compensation Survey or to request a copy of Robert Walters' 2013 Salary Survey contact: **richard.ryan@robertwalters.com**.

"Professionals in the North were relatively well rewarded in comparison to the rest of the country."

www.robertwalters.co.uk

CISI OPINION

The words 'banker' and 'bonus' elicit an unseemly response from the media and the UK public. In the EU, policy-makers feel the same

Politics OF ENVY

IT'S TOUGH IN the UK today. We are living in austere times and are likely to do so for a few years to come. However, we are in danger of allowing the politics of envy, and a desire for revenge, to reduce the attractiveness of the UK as a major financial centre.

Once, the word 'banker' was a source of pride, a symbol of professionalism. Today it is a toxic noun, a source of derision, bordering on insult. Many of the one million plus people who work in banking – the vast majority of whom toil at a high street, call centre or processing operation near you – are cowed from being continually portrayed as pariahs. It is no surprise that they seek anonymity; so few will readily disclose their occupation at parties or the school gate or to new acquaintances.

Yet we, the public and media, want and need to blame someone for the economic mess and some bankers do have a case to answer. However, responsibility extends much further than just the banks and it was only a select few at the top of some of them who dashed for quick cash.

They are long gone.

Right now, we need top quality people at the helm to help us recover the UK taxpayers' £65bn investment and to rebuild the UK financial industry that provides 12% of the UK's taxes.

Logically we all know this, but there remains a collective desire to see the banks share in our austere pain. This is an emotional, but misguided, response.

The current climate has contaminated another, previously healthy, word in our vocabulary – 'bonus'. Now we are seeing a Pavlovian reaction against anyone who is highlighted as being paid a bonus, as though this is something that is bad. There is nothing wrong in paying a bonus; the John Lewis partnership rightly received accolades when it announced it is paying its entire staff a bonus of 17%.

Given that the number one motivation for people is recognition, even small incentives work well – especially if you are clearing up a large mess left behind by others. It was therefore short-sighted of indignant observers to rail at RBS and Lloyds for paying a bonus, despite the fact that Lloyds paid its staff an average of £3,900 while RBS paid less than 8% of salary.

Perhaps, as David Wighton of *The Times* remarked, it's time we spoke more about 'variable pay' that flexes according to the year-end results, is gradually paid out over an extended period and remains at risk during that time. This is very much in line with the Institute's policy on bonuses of November 2008 and reflects what is now happening.

There is a collective desire to see the banks share in our austere pain

Bonuses are now taking much longer to pay out; they are vesting over the life of a transaction, we are seeing more use of clawbacks and there is much greater disclosure.

So why interfere now, when these reforms are in place and starting to work?

With what logic and under what authority has a group of MEPs from Austria (hardly a country renowned for its financial acumen) been able to persuade its fellow MEPs that they, not the UK Government or the banks' shareholders, have the right to determine, unilaterally, the composition of pay for the employees of banks that operate in the EU?

The real nonsense is that this European legislation plays to the gallery by combining those two tainted words – bankers and bonus. However, this Schadenfreude-esque piece of meddling doesn't restrict bankers' overall pay (one has to take lessons from the Swiss to see how to do that) but does have a number of negative consequences.

Banks can still pay people what they like, but will now have to pay a higher proportion of remuneration in salary. All this does is increase a bank's core cost base; therefore, perversely, driving up salaries and making London less attractive as a financial centre, while hurting the UK economy.

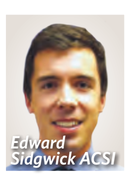
The Asian financial centres must be overjoyed to see the West continuing the dismantling of one of its world class industries.

Let us not forget that we did see the positive side of the bonus reforms last month, when Barclays and RBS recovered £600m of their LIBOR fines by clawing back the long-term incentive schemes for staff – past and present – who were in power at the time of the scandal. Now that is exactly how the system should work. Stop meddling. ■

Upfront News and views from the CISI

CISI EXAMS

Annual Awards have a global dimension



Top performers from takers of nearly 37,000 CISI exams worldwide have been recognised for their outstanding achievements.

More than 90 prizes in a record 59 categories were presented to high achievers at the Institute's 20th Annual Awards ceremony, which took place at Mansion House in the City of London.

Of winners, nine were from outside the UK, including two each from the United Arab Emirates (UAE) and Singapore. For the first time, there was an award recipient from Zimbabwe while China, India, Cyprus and Lebanon were also represented.

There was a strong UK regional flavour, led by Scotland with five winners. Awards also went to candidates from the Channel Islands, the North East, the North West, East Anglia, Yorkshire, the South West and theWest Midlands.

Awards recipients came from a range of firms with Barclays Capital having the highest number of winning employees, five, followed by Goldman Sachs and Morgan Stanley with four each.

CISI Managing Director Ruth Martin said: "In a tough year for the sector, our award winners stand out as examples of what persistent hard work and commitment to the highest professional standards can do. We are immensely proud of them."

Tafadzwa Charlton Nyabanga, the first ever CISI award winner from Zimbabwe, left, receives his prize from Professor John Board, Dean at Henley Business School

Award winners

Tafadzwa Charlton Nyabanga, winner of the Investment Analysis prize, was the first ever CISI award recipient from Zimbabwe.

Tafadzwa, who lives in Harare, took Investment Analysis as one of three papers to secure the CISI Diploma, which along with its Masters Programme is the Institute's most senior qualification.

He said: "The CISI Diploma exams were so practical that at times I felt transported right to the epicentre of the City itself. I have a passion to pursue a career in financial markets and I believe that completing the Diploma has raised my competency in the sector to an international level."

Tafadzwa is currently seeking a permanent role following an internship at a local stockbroking firm.

Among other awards recipients from outside the UK were **Rui Yu** from Shanghai in China, an analyst in the operations department at Morgan Stanley. She won the International Introduction to Investment prize.

There were international winners in two new awards categories. **Natalie Jeynes**, a Senior Associate at the Abu Dhabi Investment Authority in the UAE, came joint top in the Global Financial Compliance exam with **Yukihiro Otani**, a Compliance Manager at Pictet Asset Management in London. **Doris Berberi**, from IMEF in Beirut, Lebanon was the successful candidate for the Global Securities award.

Other new categories were for Private Client Advice and Combating Financial Crime. They were won, respectively, by **Roger Milbourn** ACSI, a Partner at London-based Financial Themes, which specialises in private client advice for high-net-worth clients, and **Theo Hill**, Team Leader in HSBC Global Banking and Markets' Financial Crime Risk Unit.

There was double success for two winners. **Charlotte Yonge** and **Edward Sidgwick** ACSI. Charlotte, an Investment Analyst at Troy Asset Management in London, secured prizes for both the Overall Diploma and Fund Management.

"The CISI diploma has provided me with an excellent grounding in the mechanics of financial markets and, in particular, has piqued my interest in the area of fund management," said Charlotte, who worked at Ruffer LLP at the time she took her exams.

Edward, a graduate trainee at stockbroker Barratt & Cooke in Norwich, currently working as a dealer, triumphed in the Overall Certificate and Investment & Risk categories.

He said: "The Certificate programme offers a very useful grounding over a range of topics and as such has proved a valuable stepping stone to the Masters in Wealth Management, for which I am studying towards the final exam."

For a full list of award winners, see page 28.

The success of highest scorers in CISI exams in Singapore is being celebrated in a roll of honour at a busy underground station.

A giant CISI announcement poster at Raffles Place station, which is beneath the country's financial district, features the names of the Institute's top local performers. It also highlights key facts and figures about CISI qualifications and membership.

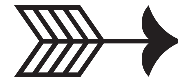
Among the winners named are two candidates who have gone on to secure prizes at the overall CISI awards.

Tang Wai Ling ACSI, from the Prime Services Futures Team at Barclays Capital, was joint winner of the Over-the-Counter Derivatives Administration category. **Tan Lay Khim** triumphed in the Operational Risk category.

Award winner Tang Wai Ling ACSI pictured in front of the CISI announcement poster

928

The number of users who follow the CISI on its new Twitter account. Follow @CISI on Twitter to keep up to date with Institute news and events



CAPITAL MARKETS

CISI leads the way with integrity test

The CISI has announced that from 2 April 2013, it will require candidates for its customer-facing entry-level qualifications for financial services activities in the wholesale/capital markets to pass its IntegrityMatters online test before sitting the exam.

The CISI is introducing this initiative, which represents a worldwide first for financial services, to ensure that new entrants to the capital markets sector, who will be working directly with firms and clients, realise the importance of integrity and ethics from the moment they enter the industry. This will also mean that integrity will be tested across the entire industry, not just in wealth management and retail financial advice.

To support this measure, the CISI will be undertaking an advertising campaign, to include London tube stations at Bank, Westminster and in the Canary Wharf area, mainline stations in Leeds and Birmingham and many regional newspapers.

The CISI's IntegrityMatters test, which has been taken by more than 7,000 people, has been a requirement for its Chartered members to complete since 2009 and is now mandatory for new MCSI members. It is being introduced to the capital markets by the CISI as it believes that the industry and the public need to see tangible evidence that banks and other financial organisations are changing their culture. The CISI has commented frequently on the disparity between regulatory requirements for the retail financial advice sector and those engaged in wholesale/capital markets activities.

For further information, visit *cisi.org/integritymatters*

EVENTS

Islamic finance

CISI members are being offered free entry to forums and roadshows focusing on the latest developments in Islamic finance. The programme covers locations in Asia, Africa, Europe and Australia.

For information and to book, visit *redmoneyevents.com/2013/index.asp*. When booking, CISI members should add the word CISI and membership number in brackets after their name on the registration form – for example John Smith (CISI 12345).

FEEDBACK

Your say

The S&IR is your CISI membership magazine and we want to hear your views. To get in touch, email richard.mitchell@cisi.org, leave a comment at cisi.org/sireview or follow @CISI on Twitter.

Dear *S&IR*,

It saddens me to report that my father, Lt. Colonel Henry Robert Hall OBE TD DL, known as Bill Hall, has died aged 95.

Bill was commissioned into the Territorial Army in 1938 and, during the Second World War, served in the Western Desert, Syria, Malta and Western Europe in the 7th Armoured, 43rd Infantry and 11th Armoured Divisions.

After the war, he joined Phillips and Drew in the City of London as a trainee stockbroker, becoming a member of the London Stock Exchange in 1947. He became a partner with Phillips and Drew in 1955, where his association remained until 1988.

Bill was one of the original members of the Securities Institute, transferred over from the Stock Exchange on its formation in 1992 (membership number 169). He remained a full member – MCSI – until his death.

After moving to Jersey in 1977, Bill continued to look after his long-standing clients and developed his charitable foundation, The Robert Hall Foundation, which supports many international youth-orientated charities. UK and worldwide scouting were always close to his heart and Bill would always offer his help, experience and support to this cause. Bill leaves a wife, Greta, three children and nine grandchildren.

Nigel Hall, Chartered FCSI, Managing Director, Odin Investment Management, Jersey

WEBCAST

Regulators speak at CISI events

Pictured, from left, are FCA CEO Martin Wheatley, who addressed CISI members during a live webcast; John-Griffith-Jones, Chairman of the FCA; and Andrew Bailey, CEO of the PRA

Martin Wheatley, CEO of the Financial Conduct Authority (FCA), spoke to CISI members across the UK in a major webcast on 12 March about the new regulator's plans. Speaking at the BT Tower in central London, he praised the Institute as "a great advocate for responsible, principled client management". Members can view the webcast on CISI TV, see cisi.org/cisitv.

- John Griffith-Jones, Chairman of the FCA, will be the introductory keynote speaker at the Institute's annual conference in London on 3 July.
- Andrew Bailey, CEO of the new Prudential Regulation Authority – the other 'twin peak' in the new regime – will address the Institute's corporate finance forum on 16 July, on the future of banking regulation.
- On 15 May, the CISI's first webcast from outside the UK will feature Alex Sell, Chief Operating Officer of the Australian Securitisation Forum, speaking from Sydney on new opportunities for UK investors in his country.

Full details of all the forthcoming events are available at *cisi.org/events*

BRANCH EVENTS

CISI dinners are charity winners

Jersey branch President Ben Shenton, Chartered FCSI, left, and comedian Hugh Dennis

Northern Ireland branch President Adrian O'Neill, Chartered FCSI, left, with award winner Kevin Jordan

East Midlands & Lincoln branch President Jonathan Wernick ACSI, left, with guest speaker Dr Kevin Jones

Thousands of pounds were raised for charity at annual dinners held by three CISI UK branches.

The Jersey branch dinner, held at L'Horizon Hotel and Spa in St Brelade, featured as guest speaker comedian Hugh Dennis, star of TV's *Outnumbered*. The 200 guests included Senator Ian Gorst, Chief Minister, States of Jersey.

A collection generated more than £3,000 for the Multiple Sclerosis Society of Jersey.

Sponsors were RBC Wealth Management (gold), BNP Paribas Security Services (silver) and BPP Professional Education (Jersey), Rathbone Investment Management International and Schroders (C.I.) Ltd (bronze).

The Northern Ireland branch event, held at the Ulster Reform Club, Belfast, saw 70 guests entertained by comedian Joe Cauley.

Branch President Adrian O'Neill, Chartered FCSI presented awards to winners of the Northern Ireland CISI Investment Management Award.

A collection for the Northern Ireland Cancer Fund for Children brought in £870, including Gift Aid. Event sponsors were Invesco Perpetual and J.P. Morgan Asset Management.

The East Midlands & Lincoln branch dinner at Devonshire Place in Leicester was attended by more than 60 guests. Speaker Dr Kevin Jones, a consultant physician, provided a humorous insight on medicine, while further entertainment was supplied by magician Sean Curtis.

More than £900, including Gift Aid, was raised from a charity collection for the Children's Heart Department at Leicester Glenfield Hospital.

Sponsors of the dinner were AXA Investment Management, Schroders, M&G, Liontrust, Legg Mason, Standard Life and ETF Securities.

SELECT BENEFITS

Property offer

If you are planning to move house, then home in on this deal from Residential Lawyers. Specialising in the individual private client market, Residential Lawyers can act for you in completing conveyancing, whether you are selling, buying, remortgaging or transferring equity in a property, freehold or leasehold.

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This offer is available to CISI members as part of the Select Benefits package of special deals.

For further information, see CISI Select Benefits via *cisi.org/memberlogin* or call *0845 130 4188*, quoting CISI.

* Terms and conditions apply. See website for further details. Correct at time of print. CISI Select Benefits is managed on behalf of the CISI by Parliament Hill Ltd.

ONLINE

BEST OF THE BLOGS

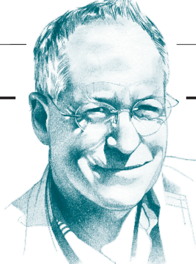
1 tinyurl.com/neg-hist
Writer and journalist David Boyle turns his attention to the history of negative interest rates, noting that the idea was dreamt up by Argentinian trader, Silvio Gesell, in the early 20th century. Gesell observed a major flaw in interest rates – they encourage the hoarding of money, rather than spending. "It is always going to be easier to make money out of money, rather than using it to do something productive", quotes Boyle. "Money grows if you invest it – but real commodities tend to rust or go mouldy." The answer, Gesell said, is to have money that rusts too, which is the effect of a negative rate of interest.

2 tinyurl.com/neg-twain
Reading G. R. Steele's blog for the Institute of Economic Affairs, one could be forgiven for thinking that when a central bank proposes a negative interest rate, it is a sign of desperation. Mark Twain, Steele writes, is attributed with the notion that, while history doesn't repeat itself, it sometimes rhymes. And so with credit, which exhibits a cycle that closely tracks that of the wider economy. "With every repeat of a low-interest rate credit boom and bust, governments are always more likely to grasp a Keynesian panacea than to allow necessary liquidations to occur," Steele says.

3 tinyurl.com/neg-bank
Negative interest rates affecting bank deposits may have a profound and lasting impact on savers' quality of life, says one blogger. Tejvan Pettinger, writing on economicshelp.org, reminds us that if the Bank of England had a negative interest rate on deposits, commercial banks would be less keen to encourage bank deposits, and therefore may reduce interest rates on saving accounts. "With inflation already above target, a fall in the saving rate will lead to an even bigger negative real interest rate. Savers will see a fall in their real wealth and living standards."

See page 20 for more on negative interest rates.

Do you have a blog recommendation?
Send it to the Editor: *rob.haynes@wardour.co.uk*



CLAY *'MUDLARK'* HARRIS

Nick Robins ACSI, Head of Climate Change Centre of Excellence, HSBC

Nick Robins ACSI is a relative latecomer to financial services, having spent the first half of his career in public policy. Nick was Head of Socially Responsible Investment Funds at Henderson Global Investors for seven years before moving to HSBC in 2007 to start and head up its Climate Change Centre of Excellence.

His A-levels in economics, history and English literature have carried him through his career and given him an inquisitive mindset. An extracurricular example of such is his history of the East India Company, *The Corporation that Changed the World*. Its second edition, published last year, sets out his insights into a pioneering multinational and contemporary shifts in economic power.

Nick read history at Cambridge and worked briefly as a consultant at Arthur Andersen before completing a Master's degree in international relations at the London School of Economics and Political Science. "I turned to the LSE as a switching station," he says.

He then worked for Business International, part of the Economist Intelligence Unit, before joining the European Commission's negotiating team for the Earth Summit. In 1993 he moved to a think-tank, the International Institute for Environment and Development, where he spent seven years. Nick then moved into the City, to Henderson Global Investors. The job initially involved checking companies to see if they met investors' standards on socially responsible investing (SRI); it evolved because "sustainability isn't just relevant to green issues".

Nick's arrival at Henderson came about the time of the Hatfield rail crash in October 2000. Henderson held Railtrack shares, and he was asked to evaluate the company's sustainability. Concluding that Railtrack lacked a system for comprehensive risk management, he recommended that the SRI funds sell the shares, which they did in June 2001. Railtrack went into administration a few months later.

Climate change speeds up major energy, water and food imbalances

Similarly, Nick picked up worrying signals about BP's safety record in Alaska, even before the Texas City explosion in 2005, which brought wider scrutiny of its safety practices.

In 2006–07, he even looked into the responsibility of lending practices among UK banks and concluded there was a systemic problem.

The logic of his stance was that the SRI funds should cut their investments across the sector. Yet when he was asked if that was his advice, he hesitated – he feels he was too timid, with hindsight. The SRI funds de-selected some stocks for irresponsible lending but did not go all the way with what would have been seen as a prescient investment decision.

Yet it was to the banking sector that Nick moved to tackle another systemic problem: climate change. In 2007, he joined HSBC to set up its Climate Change Centre of Excellence. This acts as a focal point for the bank's response to this complex problem, advising internally and producing investment research for clients.

Over the last five years, Nick has built up an award-winning team, topping the Thomson Reuters Extel research investment rankings in integrated climate change for three years in a row.

During this time, he has seen climate change ebb and flow as a top political issue. "We now face major supply and demand imbalances over energy, water and food. The new element is climate change, which turbocharges these risks. Our goal is to take all of this out of its political and scientific box, and put it at the heart of investment portfolios."

Nick Robins ACSI

Head of Climate Change Centre of Excellence, HSBC

Do you have a back-office story?
mudlarklives@hotmail.co.uk

Illustration: Luke Wilson

MBA

Institute qualifications gain backing

Professor John Board

A world-renowned business school is recognising two CISI qualifications as a fast-track route to its flexible-learning MBA programme. Henley Business School at the University of Reading will accept on to its MBA course candidates who have passed either the CISI level 6 Diploma or level 7 Masters in Wealth Management, provided they have at least three years of management experience.

With more graduates around, MBAs are becoming the best way to fast-track to a career in management. According to research carried out for the Sutton Trust by the London School of Economics and Surrey University, the 'postgraduate premium' is around £200,000 over a career. With the flexible learning programme at Henley, candidates can fit studying around work.

Professor John Board, Dean at Henley Business School, said: "We are delighted to launch this initiative, which offers CISI members the opportunity to further their professional development, by studying for an MBA at our triple-accredited business school. It also demonstrates the value of the relationship between the CISI and Henley Business School."

CISI Managing Director Ruth Martin said: "The CISI has always regarded the particular value of our highest level qualifications, which go so far beyond industry benchmarks. We are delighted that these now give direct entry to the prestigious Henley MBA without the need for candidates to have a first degree."

Henley Business School, which operates in 17 countries, ranks among the top schools in Europe. There will be a preview evening for the MBA programme on 25 April in London.

For further information, please register at *cisi.org/shophome* or email *educationdevelopment@cisi.org*

PROFESSIONAL REFRESHER

Help with Dodd-Frank

In the wake of the financial crisis, the US response has been far-reaching in an attempt to address perceived gaps and deficiencies in the regulation of the financial services industry.

The Dodd-Frank Act is a new module added to the CISI's Professional Refresher online learning system that examines a key piece of US legislation that can be seen as part of a global effort to address long-standing weaknesses in regulation.

Professional Refresher includes more than 40 modules that are free to CISI members or for £150 to non-members. Modules are also available individually.

For more information, turn to page 26 or visit *cisi.org/refresher*

Ask the experts...

Dr Thomas Huertas, Partner in the Financial Services Risk Management Practice at Ernst & Young

EUROPEAN BANKING UNION

In June 2012, the European Commission proposed to create a banking union, under the promise made by heads of state for "European money in exchange for European control".

Ideally, successful banking union would consist of five elements that work together:

- Supervision
- Regulation
- Deposit guarantees
- Resolution
- Liquidity provision from the central bank.

In September 2012, ideas for supervision were taken forward with plans for a Single Supervisory Mechanism (SSM), which suggests that supervision of banks should shift from the national level to the European level for all banks headquartered in countries that join the union. In essence, this means that the European Central Bank (ECB) will exercise supervision, with steps aimed at separating supervision from monetary policy.

Regulation would continue to be set at the EU level and be applicable to all member states, whether or not they are part of the union. The Commission will bring forward proposals to create a resolution authority this year, after heads of state agreed in June 2012 that the European Stability Mechanism (ESM) could be used to recapitalise banks directly.

A deposit guarantee scheme would attempt to underline that a euro in a bank deposit in one part of the banking union is just as good as a euro in another, meaning far fewer, if any, bank runs due to concerns about currency redenomination.

Although the ECB will provide normal liquidity facilities, extraordinary liquidity assistance (ELA) may still be provided by national central banks at their own risk (subject to no objection from the ECB, which may block large amounts of ELA on the grounds that it conflicts with monetary policy). As yet, it is unclear whether banking union will see a shift, whereby the ECB takes direct responsibility for ELA.

Political issues

The transfer of authority from member states to European institutions is at the very core of banking union. If banking union goes ahead, it will be mandatory for member states in the eurozone, who will have full rights to vote at the ECB on supervisory decisions. Other member states will be given the option to join, but may not be able to do so on the same terms as member states in the eurozone. If they decide to join, they will be bound by the decisions of the ECB, but will not necessarily be entitled to a vote on those decisions.

If a member state located outside of the eurozone decides not to join the banking union, it will retain its current rights, but face the prospect that the single market for financial services will be shaped by the ECB in the context of banking union, rather than the EU as a whole.

Such voting arrangements will create an inner core of eurozone member states, supported by a ring of member states that have opted into banking union and a fringe of member states that have refused to join, which is unlikely to satisfy anyone. Some way will need to be found to accommodate these member states, as banking union requires unanimous approval.

Do you have a question about anything from tax to virtual trading?
richard.mitchell@cisi.org

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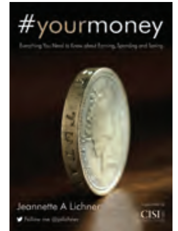


Following the announcement that, from September 2014, financial literacy will be part of the school curriculum, *#yourmoney*, the CISI's plain-speaking guide for 16-25 year olds on spending and saving money, seems timelier than ever.

On the back of this welcome news, the CISI is sending complimentary copies of #yourmoney, published in conjunction with author Jeannette Lichner MCSI, to all 16-18 year olds in the City of London, while a number of firms have purchased copies for local schools with which they have links.

The Institute's Educational Trust is sponsoring a further 2,000 copies. Its Chairman, Clare Gore-Langton, Chartered FCSI(Hon), said: "The CISI's Educational Trust is delighted to be associated with a book that will encourage young people to investigate and demystify the aspects of personal finance and to be in a position to financially sponsor copies for young people, thanks to the continued support of CISI members for all that the Trust represents. The lessons of recent years teach us all to take more responsibility for our lives and managing and understanding our finances is integral to this process. *#yourmoney* is an excellent starting point."

If you would like to get involved, either by sponsoring books at a discounted price or by nominating a recipient school, please email *educationdevelopment@cisi.org*

More information on *#yourmoney* can be found at *cisi.org/yourmoney*

QUICK QUIZ

Test your industry knowledge

Illustration: Cameron Law

The *S&IR*'s Quick Quiz features questions from CISI elearning products, which are interactive revision aids to help candidates prepare for their exams.

Answers are on page 29.

To order CISI elearning products, please call the Customer Support Centre on ***+44 20 7645 0777*** or visit ***cisi.org***

Q1. What type of commodity would a crush spread contract usually be based on?
A) Agricultural B) Electricity C) Oil and gas D) Precious metals

Q2. Bonds issued by organisations such as the World Bank, European Investment Bank and Asian Development Bank are known as:
A) Treasury bonds B) Municipal bonds C) Supranational bonds D) Agency bonds

Q3. What are debt securities issued with a coupon periodically referenced to a benchmark interest rate called?
A) Contracts for Differences B) Debentures C) Floating Rate Notes D) Treasury Bills

Q4. One of the key advantages of using an inter-dealer broker for a trade is that:
A) The buyer and seller remain anonymous B) The transaction costs are deferred
C) The liability to stamp duty is avoided D) The settlement amount is independently protected

Under-powered

Prospects for the UK economy continue to look bleak, with a 'triple-dip' recession on the cards. How, then, should the Bank of England's incoming Governor Mark Carney respond?

LAUDED ONLY TWO years ago for his bold deficit-cutting strategy and adherence to an unforgiving austerity programme, George Osborne now finds himself in the doghouse, his handling of the economy under fire.

The Chancellor's strategy is at serious risk of unravelling. Recent data suggest the economy could be headed for a 'triple-dip' recession: stubborn inflation and weaker than expected export markets are seen as the culprits for what is the slowest recovery of any over the past century.

That anaemic growth has hit household incomes and hurt tax revenues. Public borrowing is over-shooting the Government's forecasts and, as a result, Mr Osborne has had to extend his deficit reduction plan by another three years. The March Budget, which was defined by further downward revisions to official growth forecasts, was a brave stab at helping homeowners and businesses, but the Chancellor now has zero room for manoeuvre.

Another ten years

Put simply, the pain from the global financial crisis that nearly brought down the UK banking system could last a decade. Britain has this year lost its coveted triple-A sovereign bond rating from Moody's and the betting is that it won't be long before it is downgraded by other big rating agencies, too.

The one positive is that the pound is falling, to its lowest in more than two-and-a-half years against the dollar. A more competitive exchange rate could boost exports. But that slide in sterling has a flip side: it could raise inflation, squeezing households further.

Little wonder, then, that the pressure on Mr Osborne to switch to a 'plan B' is immense. Unfortunately, the political consequences of admitting failure would probably cost him his job. So the Budget left it firmly in the hands of the Bank of England (BoE) – and monetary rather than fiscal policy – to kick-start the economy.

The BoE's incoming Governor Mark Carney, therefore, is the man of the moment. His response will be crucial in determining whether and how soon the UK can recover. And the Treasury is prepared to change the tools at his disposal.

Stimulating growth

The most radical option floated ahead of Mr Carney's arrival – changing the BoE's remit to include a growth target based on nominal GDP and cash spending in the economy – proved a non-runner. Instead, the Budget tweaked the Bank's remit to pave the way for further quantitative easing (QE), the emergency bond purchases aimed at driving down borrowing costs for households and businesses.

The Bank will be able to commit itself – not unlike the US Federal Reserve – to keeping policy loose until a threshold such as the growth rate or a rise in employment is reached. However, its inflation target remains the same: 2%.

That's a shame. A more explicit remit to stimulate demand is what is needed. The question now is how much more QE can achieve in this looser framework.

Sir Mervyn King, the Bank's outgoing Governor, has for one already raised doubts over the effectiveness of further QE, even though he is now among those on the committee voting in favour. Barclays analysts, too, question the extent to which more QE would boost domestic spending.

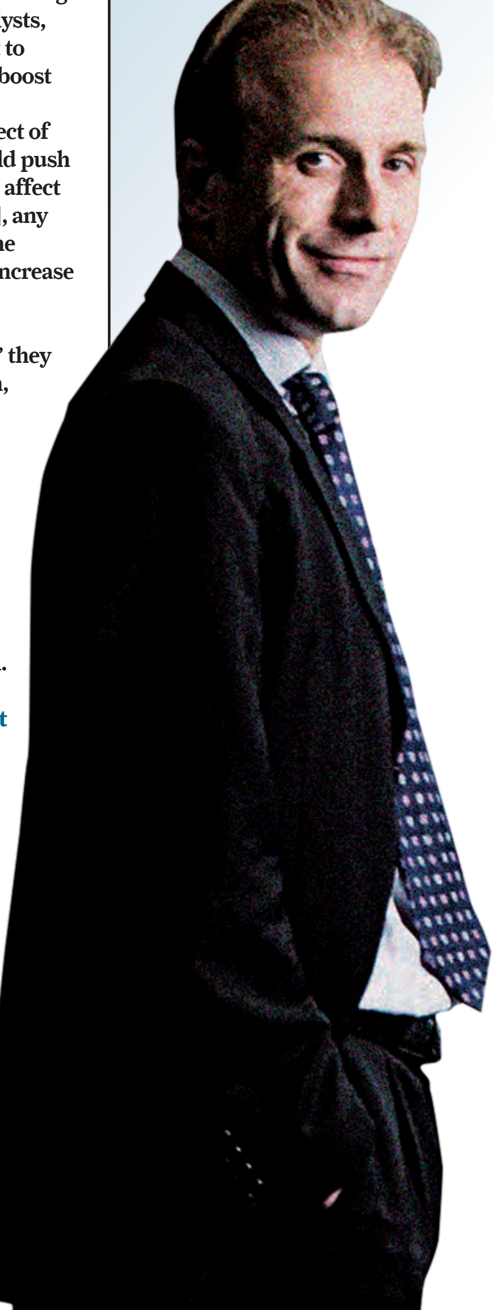
> *The problem is that Carney needs a bazooka, not a pea shooter*

"Although the prospect of more BoE buying should push down gilt yields [which affect wider borrowing costs], any material loosening in the inflation remit should increase inflation expectations and therefore work in the opposite direction," they say. The net effect, then, on gilt yields could be insubstantial. Add that to the uncertainty over how much QE can really do when confidence in the economy is at such a low ebb and this more modest reform begins to look inconsequential.

An insubstantial effect

The problem for Mr Carney is that he needs a bazooka, not a pea shooter. Unless and until the Treasury gives him that, the hoped-for recovery will remain elusive. A stronger US economy could yet come to Britain's rescue and lead the eurozone out of its own quagmire. But that is a pretty big ask. ■

Christopher Adams is the Financial Times' *markets editor*



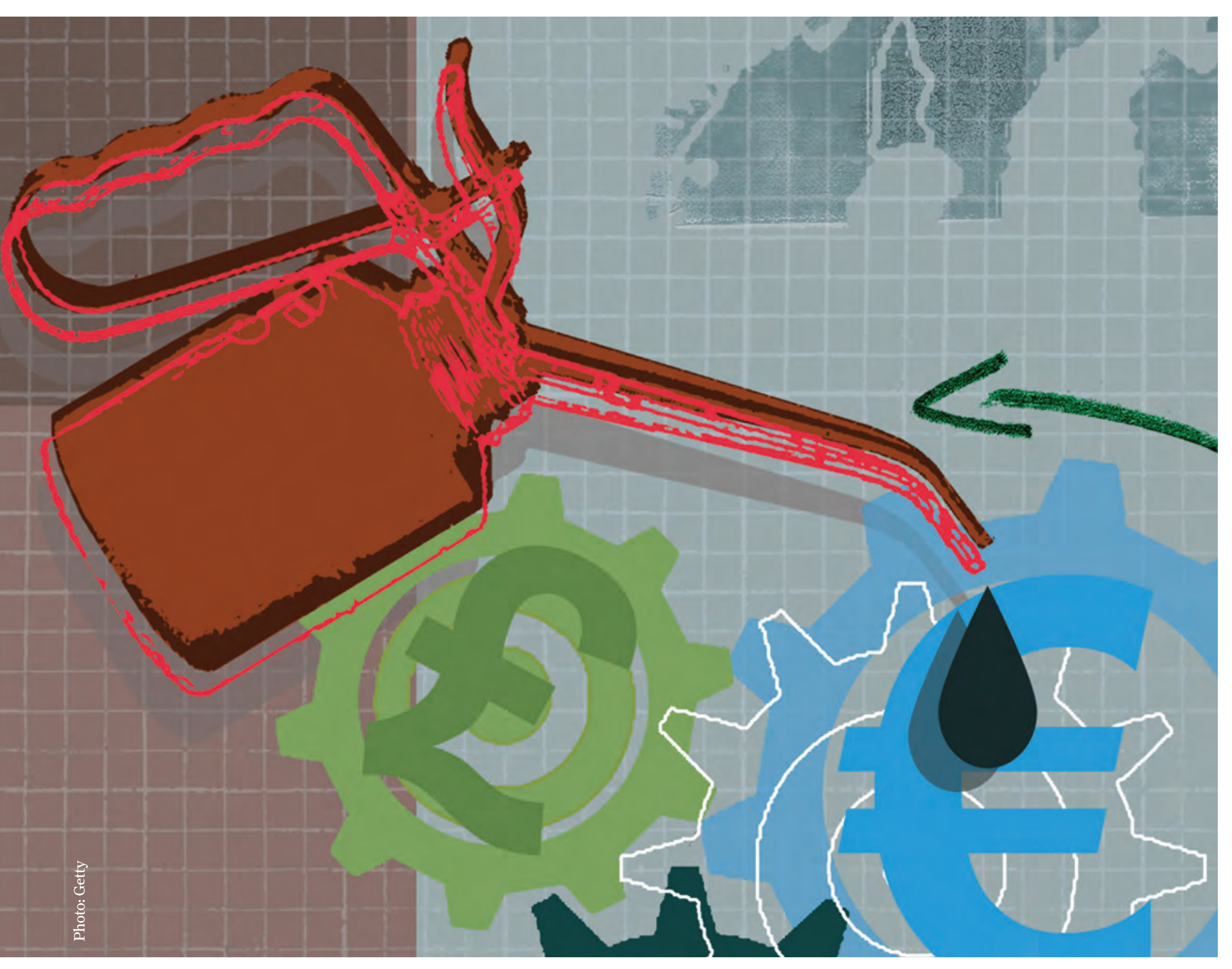


Photo: Getty

Going public

With sluggish demand for flotations and a number of de-listings from the markets, what can be done to revive the UK's appetite for Initial Public Offerings? **Andrew Davis** investigates

INVESTORS WHO BOUGHT shares in the flotation of insurer Direct Line last autumn could be forgiven for wondering what all the fuss is about – in the midst of dire warnings that the British market for IPOs was effectively broken, Direct Line floated in October at 175p and now trades almost 15% above that level.

Others have followed, notably housebuilder Crest Nicholson, which listed in February at 220p a share and now trades around 20% above its offer price. These two successes have prompted others to announce that they are planning to follow suit and have led to headlines asking whether the London market for IPOs is set to rebound. If it is, it has quite a lot of rebounding to do.

In spite of Direct Line's success, 2012 was anything but a vintage year for IPOs in London. According to Ernst & Young's (EY) quarterly *IPO Eye* publication, the UK markets saw the smallest number of IPOs last year since 2009. On the main market, there were only four, which raised just over £1bn between them, more than three quarters of which was accounted for by Direct Line. On the small-company-

Tales of IPO woe	IPO date	IPO price	Recent price	%+/-
Promethean World	Mar 2010	200p	17p	-91%
Ocado	July 2010	180p	128p	-26%
Betfair	Oct 2010	1300p	690p	-47%
Glencore	May 2011	530p	393p	-18%
Bumi	June 2011	1000p	307p	-69%

Saying goodbye to AIM

Year	Total delistings	Move to main market	Net de-listings
2006	227	3	224
2007	224	12	212
2008	258	9	249
2009	293	9	284
2010	198	10	188
2011	142	10	132
2012	120	2	118

Source: LSE

focused Alternative Investment Market (AIM), there were 32 IPOs, which raised an average of £12.1m each – "again the lowest totals we've seen since 2009", EY reports.

According to figures from Thomson Reuters, Britain is lagging a long way behind the recovery in IPOs that is taking place in other parts of the world. The figures suggest that global stock market flotations were collectively valued at $312bn in 2007, and that after falling back during the financial crisis, the annual total is once again nearing that level. But in the UK, just $3.6bn was raised last year compared with $18.4bn in 2007. In fact, there has been a steady trickle of companies moving in the opposite direction and leaving AIM, often citing the cost of maintaining a listing coupled with a lack of investor interest in their shares (see box, Saying goodbye to AIM).

Weak sentiment

The reasons for the British IPO market's travails are varied, but any analysis would have to include the volatility that investors have endured over the past couple of years, particularly due to the problems of the eurozone, which have left sentiment unusually fragile. It's also true that appetite for equity investing in general has been subdued.

However, Tim Ward, Chief Executive of the Quote Companies Alliance (QCA), which represents smaller listed companies, says part of the reason is a growing burden of regulation, which has made the IPO route less attractive, particularly for small and medium-sized enterprises (SMEs). This typically leads to annual costs today of about £500,000 to maintain a listing.

"We've got to create a healthier environment where there is appropriate regulation for companies," he says, "where there aren't the drags of inappropriate regulation which is designed for the largest companies but then applied to all the companies on the main market and indeed on AIM. I'm not pointing the finger at the London Stock Exchange [LSE] here. I'm pointing the finger at the European Commission, Whitehall and everybody else."

Reasonable scepticism

Investors, meanwhile, have had ample reason to become sceptical of the companies being offered to them as IPO opportunities after a string of high-profile disappointments (see main table, *Tales of IPO woe*).

Faced with an apparent loss of confidence among investors, several initiatives have begun over the past few months in an effort to revive the IPO market. In mid-February, the LSE announced the creation of the High Growth Segment (HGS), which Ward of the QCA applauds. This market will allow European businesses capitalised at £300m or more on listing, and with a three-year record of at least 20% annual revenue growth, to offer just 10% of their shares to outside investors when they float. The aim is to make London a much more attractive IPO destination for owners of high-growth businesses, but some observers believe the small size of the 'free float' permitted on the HGS will instead deter many potential investors, who will be concerned that these issues will be too illiquid.

The question of how large a free float should be demanded of listed companies has also been the subject of recent scrutiny by the FSA. In January last year, the regulator sought views on possible changes to the UK Listing Rules to offer greater protection to investors, including the question of whether the minimum size of a listed company's free float, currently 25%, should be changed. Last October, however, the regulator concluded: "The amount of shares in public hands potentially plays a role in giving shareholders sufficient power to counterbalance a dominant shareholder. However, the FSA does not believe that an increase in the free-float requirement is a proportionate way to address the governance issues that have been raised in this context."

Investors have had ample reason to be sceptical of the companies being offered to them as IPO opportunities

Instead, the FSA said it would set out the circumstances in which it might consider modifying the 25% free-float rule for premium (previously known as primary) listings, indicating that any change to less than 20% would be "unlikely". It also said it would remove the requirement for a minimum percentage of free float for standard (previously secondary) listings. At the same time, the FSA also plans to tighten the corporate governance rules for listed businesses by introducing the concept of a "controlling shareholder" and putting in place rules to regulate the relationship between controlling shareholders and listed companies.

Changes such as these are intended to enhance the UK's reputation as a destination for a well-regulated stock market that provides strong protection to minority shareholders, and to enable it to continue attracting overseas companies keen to benefit from London's reputation for high standards of transparency and governance.

Growing criticism

Institutional investors, meanwhile, have become unusually vocal in their criticisms of the IPO rules, perhaps in the belief that following recent successful offerings, many more issues are being readied for take-off under conditions with which they are not comfortable. In January, Legal & General Investment Management (LGIM), backed by several other leading asset managers, went public with a call for far-reaching reform of the UK Listing rules. These included a limit on the number of banks and brokers that can be engaged to work on a flotation (companies often appoint numerous banks to work on their IPO, which reduces the number left to produce independent analysis of the company as an

investment proposition).

Sacha Sadan, Director of Corporate Governance at LGIM, points to a string of disappointing IPOs over the past few years and says: "We want to see a number of things that will give investors on behalf of their clients a fairer price when new companies come to the market. This has not happened in a number of cases and partly explains the slowdown in the IPO market."

As well as wanting a limit on the size of banking syndicates on IPOs, LGIM also called for better access to the management of companies wishing to float, for fees on these deals to be linked to the stock's performance in the months after the flotation,

Fair prices have been lacking in a number of cases and partly explains the IPO slowdown

and for greater disclosure of the previous IPO record of banks and individual bankers working on IPOs.

David Petrie, Head of the Corporate Finance Faculty at the Institute of Chartered Accountants in England and Wales (ICAEW), has little time for complaints by institutional investors over IPOs that subsequently flopped. "The listing rules exist to provide extremely comprehensive information to investors in new issues, and all financial projections by a company seeking a listing have to be prepared on a consistent and reliable basis in accordance with good market practice," he says.

"These are highly paid professional investors and they take their rewards on the basis that they will make experienced, sound and balanced judgments about whether they wish to subscribe to these offers. If they make a bad decision, that's very much a matter for them."

Petrie adds that the ICAEW has just released updated technical guidance (Tech 01/13CFF) setting out the basis on which forward-looking financial information should be prepared to comply with the listing rules. Sadan's campaign may not bear fruit in the short term, but it shows clearly that, having taken part in a string of disappointing IPOs over the past few years, leading institutional investors are in no mood for a repeat performance. Alongside insurer Esure and estate agency chain Countrywide, which both listed in March, several more large companies are preparing to launch IPOs in the coming months – they can be sure that their share prices will attract avid attention as the debate about London's IPO market rumbles on. ■

AIM de-listings

You might not believe it, judging by the financial press, but the number of companies giving up their listings on the Alternative Investment Market (AIM) is falling – and has been for the past three years. Of course, that's only part of the picture, since the number joining is also well below its highpoint, but suggestions of an exodus from the junior market are somewhat behind the times.

"There's a whole series of reasons. It comes in waves and depends a lot on the economic cycle," says Jonny Blostone, a press officer at the London Stock Exchange.

Some firms move to the main market, some are taken over by other listed companies or are taken private, some go into administration and some have their listing cancelled for breaches of the AIM rules. In recent years, however, probably the largest proportion have been small companies that found themselves squeezed during the economic downturn and left the market to save the annual cost of remaining a listed business. "Some also find that, given the type of company they are or the stage that they're at, it might be more appropriate to go private for some time," Blostone adds.

One such example concerned Tottenham Hotspur, the Premier League football club, which left AIM early last year. The club argued that its listing on the market was making it harder to raise the £350m it needed to build a new stadium. On one hand, Tottenham said, there was little appetite for equity fundraisings of that size among institutional investors (its market capitalisation was just shy of £100m), while on the other, the rules for companies listed on AIM made it tricky to raise a sum this large from private investors outside the AIM market. It therefore said goodbye to life as a public company – at least for the moment.

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On the horns of the EU DILEMMA

Prime Minister David Cameron's pledge to run a referendum on the UK's membership of the EU has ignited passions and inspired this year's theme for the City Debate. **Barnaby Simons** witnessed the proceedings

DOES THE CITY face disaster if the UK continues to disengage from Europe? That was the key question that was addressed at this year's City Debate at London's Mansion House. Angela Knight CBE FCSI(Hon), former Chief Executive of the British Bankers' Association, acted as Moderator and commented: "I know we are sometimes thought of as EU-obsessed, but this is a very important subject."

This annual debate has been run by the Futures and Options Association since 1996 and this year, for the first time, was supported by the CISI and the Centre for the Study of Financial Innovation, a global think-tank.

Speaking for the motion was Elmar Brok, a senior German MEP, supported by the *London Evening Standard*'s Anthony Hilton.

They were opposed by Daniel Hodson, former CEO of LIFFE and Master of the Mercers Company, and former Flemings fund manager Tim Loughton MP.

Elmar Brok – For

BROK STARTED OUT in support of the motion by reminding the audience that the EU, with its internal market that delivers "incredible results" for all, was created by British politicians.

He said: "The internal market has brought a lot of success for Great Britain. You export more to France and Germany than the whole Commonwealth. You export four times as much to the EU as you do to the United States."

Brok suggested that David Cameron's proposed referendum on the UK's relationship with the EU is a good idea, by improving the debate about membership so that the public better appreciates the benefits, rather than succumbing to tabloid rhetoric. The interests for the UK should be clear for all to see: "For jobs, for business, for the real economy".

Regulations, he observed, happen in two places in the world – Brussels and Washington – and only a country that has an influence at either location can have a meaningful impact on them.

Britain risks becoming an isolated country, he then said, enjoying no influence in shaping regulation. "We Germans want to have Britain involved," he added. "We want to have British economic philosophy in the EU. A German chancellor once said, 'London, please do not leave us alone with the hysterical French'."

Daniel Hodson – Against

HODSON OPENED HIS speech by observing that for over 1,000 years the City has been at the heart of British history and European trade. He said: "Today it is deservedly, and despite recent blips, still the world's financial centre. Indeed it is the power of Britain's most important industry – financial services – that employs 1.3m people."

In years to come, he observed that future generations of British citizens will be looking to do business and for opportunities. "That will be overwhelmingly outside the EU. I believe they will be living in a Europe that has two parts: a low-growth, inflexible, over-regulated, centralised, German-dominated eurozone; and a looser, outward-looking, increasingly, British-orientated, free-trade area serving the growth markets of the rest of the world. Two Europes joined at the ankle by trading agreements."

Yet it is in regulation where "the real madness takes over, driven by the green-eyed monster", referring to recent proposals in Europe to place a cap on bankers' bonuses and the Working Time Directive.

He continued: "British financial services regulation used to be the envy of the world. It was a golden age of regulation, for which the curtain came down with the infamous seizure of the Bank of England's role as banking supervisor." The BoE, he continued, can once again deliver the best regulation in the world for the next generation. "This does not require financial or capital resources. What it does not need is the current inexorable decline into ever more centralised and prescriptive regulation."

What chance would London have, he asked, if eurozone members can vote as a single majority block in the EU Council of Ministers against the interest of the City?

Hodson concluded by sounding out a stern warning: "Slip backwards towards further integration and you will destroy the supremacy of the City."

London leads, Riyadh rockets, Asia/Pacific back to form

As Daniel Hodson said, London, along with New York, Hong Kong and Singapore, remains at the top of the latest Global Financial Centres Index (GFCI), published at the end of March.

"London's ratings seem to have been largely unaffected by the LIBOR scandal," says Mark Yeandle of Z/Yen which runs the survey, now in its 13th edition. Hong Kong and Singapore are now only two points apart. There is a 38-point spread between London, in first place, and Singapore, in fourth.

Europe's financial centres are still in turmoil as the eurozone crisis continues. But Zurich and Geneva confirm their position in the GFCI top ten. Riyadh, by far the largest Arab market, is the financial centre showing one of the biggest leaps ever in the GFCI, up by 72 points and 32 places.

All Asia/Pacific financial centres except Beijing see their ratings improve. "This confirms our thinking that the decline in ratings in GFCI 12 was a temporary pause rather than the end of their long-term improvements," Yeandle says. Kuala Lumpur, Singapore and Tokyo experienced the strongest rises in the region. Beijing however is the largest faller in GFCI 13, down by 15 places.

For full details of GFCI, please visit zyen.com

Anthony Hilton – For

DESPITE IRELAND'S SMALL population, the UK exports more to that country than it does to Russia, India, China and Brazil combined, argued Hilton. The implication for the City was that there is more demand for its services in Europe than further afield.

Hilton said: "Germany has shown that you can export to all of those people without leaving the EU. You don't have to turn your back on the EU to exploit these markets. You use it as the power base from which to go forward."

Hilton then asked a slew of rhetorical questions asking whether the UK should be isolated in its relationship with the rest of Europe. After all, "regulation is not going to go away if we leave the EU", and the UK must still comply with all the regulations in order to service that market.

"We shouldn't believe that we are the only Europeans who want European reform. Most sensible people in Europe are unhappy with the way it works... But they would like us to help them to make it a better place," he added. Working together with the aim of reforming the EU is more sensible, he suggested, than the UK turning its back on the situation.

Tim Loughton MP – Against

LOUGHTON QUESTIONED THE logic in engaging further and deeper with an institution built on architecture originally designed for a community of just six compatible economies.

Addressing points made by Hilton, Loughton said that the EU share of the world's GDP is expected to be just 60% of what it was in 1990. "The EU accounts for 7% of world population, 25% of global GDP but 50% of global social and welfare spending. Despite the UK championing the single market, only 3.2% of the EU's GDP is from intra-EU trade," he added.

On the specific topic of the City's place in Europe, Loughton bemoaned the 49 new regulatory proposals that the EU is considering and which, he said, are mainly aimed at constricting, rather than enabling, the UK's financial industry. The most notorious of these, he said, is the move to repatriate euro trading to the eurozone.

"If this is what the opposite of disengagement means, then this audience should understand that turkeys should not be voting for Christmas," he quipped.

Loughton was keen to highlight one telling statistic that is instructive for the City's future. He said: "In 2005, the BRIC countries' share of global banking assets was 7.9%. In 2050, it will be 32.9%. That's where the growth is." The City, he said, has been held back by Europe.

He continued: "We need a Europe where we are stretching outwards, to countries where the real growth is, and not always looking inwards at how to regulate and complicate our institutions more. London is seen as the international entry point to the EU single market. So the UK should be at the vanguard of a Europe showing the rest of the world how to use finance to grow further."

Loughton argued for the "right" sort of engagement with Europe: flexible, proportionate, affordable, mutually beneficial and one with which the British people can feel comfortable. "The Finnish prime minister said that the EU without Britain is like fish without chips." ■

Will the City face disaster if the UK disengages from Europe?

Vote prior to the debate
Yes: 54%
Undecided: 8%
No: 38%

Vote following the debate
Yes: 53%
Undecided: 2%
No: 45%

The 'No' team won around more of the audience than the 'Yes' team

CISI members fret over threat of EU exit

A CISI survey has highlighted concerns that the UK financial services industry will suffer if the country leaves the EU. Of 380 respondents, the majority believe the step would be bad news for the sector. Nearly 30% believe that the result would be 'moderately negative' with a further 28% predicting a 'disastrous' outcome.

A third of those taking part consider that financial services would benefit from the UK pulling out of Europe. Some 15% predict the move would provide a 'significant boost' while 18% believe the impact would be 'moderately positive'. The remaining 9% of respondents feel there would be no significant implications for the industry.

To take part in the latest CISI survey, visit cisi.org

The City and the EU: Facts and figures

164 financial services firms from the rest of the EU are based in the UK

European banks in the UK hold £1.4tn of assets – 17% of the UK's total

40% of all global euro-denominated trading is done in the UK

The UK's financial services industry has a £17.6bn trade surplus with the rest of the EU

Twice as many euros are traded in the UK as in the rest of the EU

Source: TheCityUk

As an MP whose constituency covers the City of London, Mark Field is a keen adversary in the debate about the future of the UK's financial services industry. **Rob Haynes** spoke to him about his interests and aspirations

City defender

"WE NEED TO make the case for financial services as a phenomenally successful industry for the UK," says Mark Field MP, with the kind of enthusiasm more usually reserved by the likes of the Occupy movement and other dissenters with the banks in their sights.

He adds: "A lot of people in the financial services industry work in the middle office, back office or relatively unsexy areas. Yet it seems all are tarred with the same brush."

The public's perception of the industry being replete with fat-cat financiers is one that Field feels is holding the country back and marring the debate about what is economically good for the UK. Both sides of the coalition Government have been wary of being too far behind public sympathy in this, he says. "The perception of politicians is not particularly high, either."

Track record

As a Conservative MP with the City and the Bank of England in his constituency of the Cities of London and Westminster, it comes as no surprise that Field is a defender of the UK's super-charged financial engine. Yet Field's acumen – which includes serving as Chairman of the All-Party Parliamentary Groups (APPG) on Venture Capital and Private Equity (which was more active prior to the financial crash of 2008) – suggests he is more than a partisan.

CV snapshot

2010 – Wins his seat for the third time in the General Election

2005 – Serves as Shadow Financial Secretary to the Treasury

2003 – Appointed Shadow Minister for London

2002 – Chairman of the All-Party Parliamentary Group on Venture Capital & Private Equity

2001 – Becomes Conservative MP for the Cities of London and Westminster

1994 – Establishes employment agency Kellyfield Consulting

1990 – Joins Freshfields and practises as a corporate lawyer

1989 – Earns Bachelor's degree in Law from Oxford University

Elsewhere, Field's defence is knowledgeably, eloquently and prolifically put forward in TV and in print – his latest book, *Between the Crashes*, consists of some 80 essays and articles he has penned about the financial crisis since the collapse of Lehman Brothers in 2008, and is a *tour de force* from a man who can hold forth on the big economic issues of the day.

Issues come no bigger than the UK's prospects for growth – or lack of them – underlined again recently by the downgrade of the UK's credit rating by Moody's.

"The downgrade is politically significant, if not economically so. Chancellor George Osborne assumed the AAA rating would be lost before the 2010 election, which he could have used to dust up the political opposition," he says. That the downgrade happened so far into the Coalition's tenure, argues Field, "undermines some of George Osborne's credibility".

Field is perhaps chief among the dissenters on the Conservative back-bench who feel that, for all the reassurance and bombast delivered by Prime Minister David Cameron in defending his Chancellor, Osborne's plans for austerity are damaging the Tories, and the country.

The subject of banks is another area where Field is critical of the Government. "We want to have a safe, robust system with banks adhering to the Basel III regulatory framework and so on, but on the other hand we want to lend as if it is 2006–07 again to stimulate demand." Efforts to get the banks lending once more, such as the funding for lending scheme, he says, have gone into ramping up the mortgage market rather than stimulating the real economy. "It's too easy to blame the banks."

Hard work

Ease, however, has nothing to do with Field's work ethic and achievements. In 1994, a 30-year-old Field established Kellyfield Consulting, a successful recruitment company with an annual turnover of some £2m, after qualifying as a solicitor and practising in corporate law at Freshfields.

Yet politics has been the arena where Field has flourished, and aside from his role on the APPG, he also is the youngest member – and Chairman – serving on the Intelligence and Security Committee, which oversees the work of MI5 and MI6 (he regularly teases compatriot Hazel Blears about being eight years her junior). "It was impressed upon me from an early age that politics was always too important to be left to someone else," he says.

Part of this approach to life, he says, has been inspired by the experiences of his family. In particular, Field draws inspiration from his German maternal grandfather, who faced being a refugee twice, at the ages of 45 and 54, in the aftermath of the Second World War and the ensuing break-up of Europe. His grandfather, he says, was forced twice to start again from nothing and relied on his skills as a doctor to make a living. "This taught me the importance of being professionally qualified."

For Field's part, that professional, legal grounding still seeps through in some of his attitudes to issues connected with the financial crisis. In defence of some of the complicated agreements underpinning the more exotic financial instruments that have come under scrutiny since 2008, he is keen to make the point that contractual obligations were set out in black and white.

> *The downgrade of the UK's debt "undermines some of George Osborne's credibility"*

Similarly, when asked if he has designs on becoming Chancellor one day, he is unequivocal about what he wants to achieve as a politician and what he doesn't. George Osborne, he believes, is a man who has his work cut out, and Field confesses that "I'd rather sit on the back-benches" to enjoy that added sense of freedom that politicians lose when they assume office.

Field is a man who pulls no punches, and, when he holds up his hands and boasts of the number of times he has broken his fingers, you could be forgiven for thinking he earned them boxing in the ring. In fact, they are the result of his passion for playing his beloved sports of cricket and football. "It wasn't an Ed Balls sliding tackle that broke them," he says, with more than the hint of a smile. ■

On Europe and the City

The movie poster of Meryl Streep posing as Margaret Thatcher hanging on the back of Field's office door is indicative of his scepticism over the City's position in Europe.

"It is a worrying time for the City," he says. "What we saw recently, with the EU insisting upon bonus caps for bankers, is an early salvo in a longer battle with Europe. The UK doesn't have many friends in Europe to negotiate with, which comes down to David Cameron's decision to pull out of the European People's Party and his 'veto' of the fiscal pact in December 2011."

Field has also been critical of the EU's Alternative Investment Fund Managers Directive, stating: "The provisions in the proposed Directive that restrict the rights of EU citizens investing in funds from outside the EU are protectionism of the worst, and most destructive, kind."

As a final verdict on the prospect for Europe he says: "Be careful what you wish for. A thriving eurozone could be a massive competitor to the City of London."

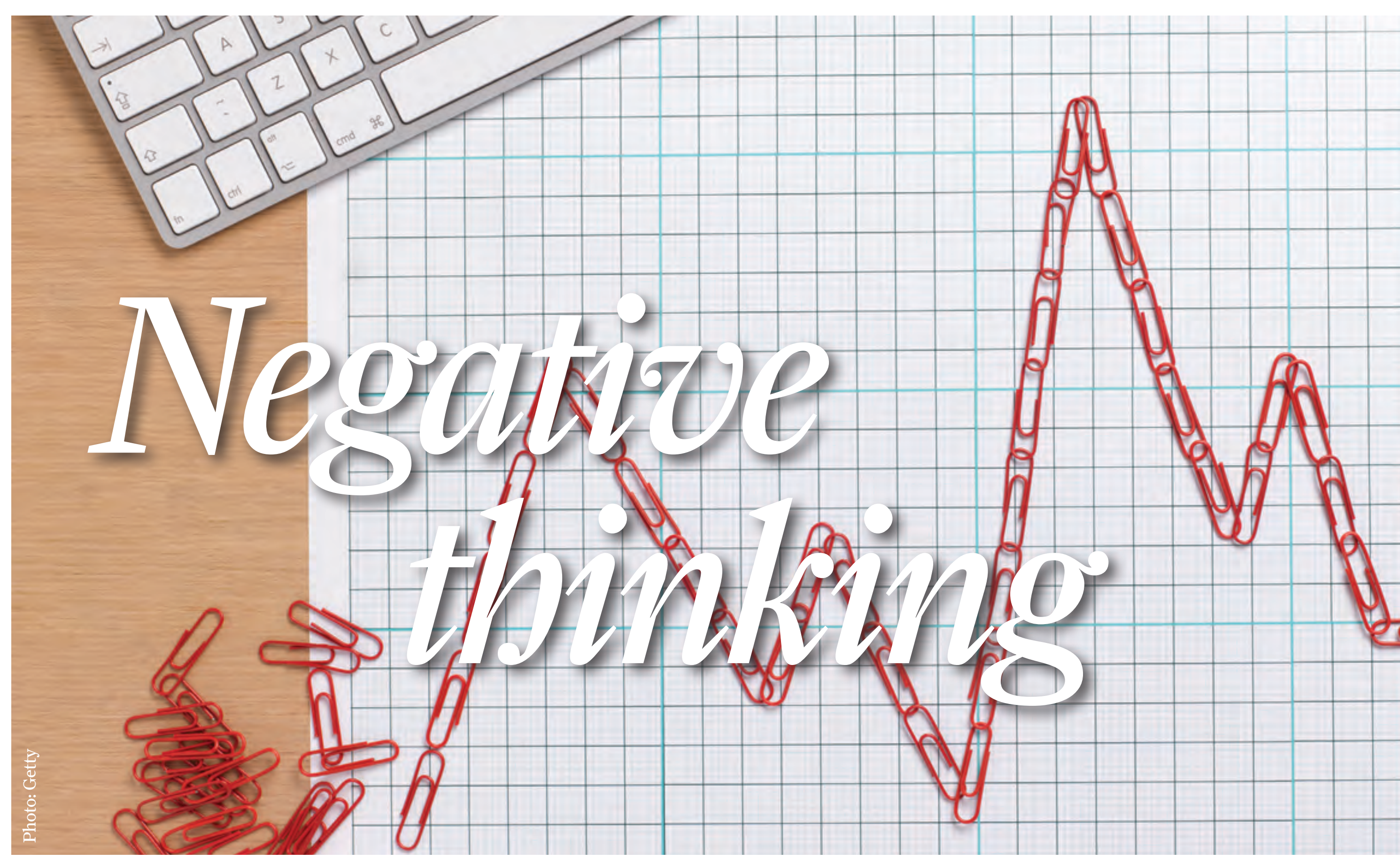


Photo: Getty

When the Bank of England begins discussing negative interest rates, it is time to ask whether the Chancellor's economic policies are working. **Dan Barnes** reports

NEGATIVE INTEREST RATES have a bad sound to them. Paying positive interest on deposits works just fine, and one could surmise that reversing it might not do so well. When Paul Tucker, Deputy Governor at the Bank of England (BoE), suggested that it ought to consider the viability of a negative bank rate, it was a signal that the current tools of UK economic policy might need to be reviewed.

Malcolm Barr, head of UK Economic Research at J.P. Morgan, says: "The discussion of negative interest rates reflects that the BoE is clearly under pressure to consider every method it can to deliver stimulus where some, including the BoE itself, are beginning to be a bit doubtful about the impact of quantitative easing [QE], or buying gilts. All options are still on the table and that means the discussion of negative interest occurring at this point in time is in part a barometer of the stresses the BoE is under."

The BoE has been trying to encourage the flow of money in the economy after the global financial crisis eroded the trust placed in banks' abilities to judge credit worthiness and stability. Banks stopped lending in an economy that had been built on cheap credit and the shock to the system was understandably enormous. The BoE cut interest rates in an effort to encourage lending, but that did not make the banks lend. So it bought government bonds from the banks using money it 'printed' (although, being electronic, no such printing was required) and this filled the reserves of the banks in the process of QE; one BoE insider said that the programme had increased reserves from approximately £20bn to closer to £300bn. In theory, this gives the banks more reason to lend.

However, they are not playing ball. "Bank-lending growth to households and non-financial corporations had remained weak," the BoE's Monetary Policy Committee (MPC) noted at its February meeting. The imposition of negative interest rates might change that.

"When you apply a negative interest rate to the reserves that banks hold, you are kicking them to say 'Take more risk'," explains Barr.

Precedents of negativity

Denmark dropped its bank interest rate to -0.2% in 2012, as it had pegged its currency, the krona, to the euro. When the European Central Bank lowered its rates, some short-term government bonds and money market products, such as certificates of deposit, which had a lower return than the bank rate, became negative. At the time it was considered that, being outside of the euro, Denmark offered a degree of security for some European investors in case of a currency collapse.

When Sweden moved to a negative rate in 2009 in an effort to encourage banks to lend, Governor of the BoE, Sir Mervyn King, noted that the policy would be considered by the UK. It is hard to directly determine the effect on Sweden's economy aside from other factors, but in 2010 it became the first European country to tighten monetary policy following the crisis and saw 5.9% GDP growth year-on-year, followed by 4% growth in 2011 (compared with anaemic growth in the UK).

Highly rated

The bank rate is the interest rate that the BoE pays on reserves held with it by commercial banks. The rate had reached a peak of 5.75% in 2007 during the last days of the credit boom, representing a phase of expensive, readily available credit (see table, Phases of lending) and then fell down to 0.5% in 2009, where it has remained.

The BoE stopped the bank rate falling below 0.5%, because of the potential effect a lower rate could have had on the building society sector. If the BoE cut the bank rate further, then products based on the bank rate, like tracker mortgages, would be affected and building societies' income would fall in line with the bank rate – negatively, in other words.

Most tracker mortgages are issued at a premium to the bank rate and contain a 'collar', or the minimum level they will track down to.

Before the start of the credit crisis in 2007, some lenders offered tracker mortgages that had no collar. If the BoE base rate is cut then it raises the possibility that those people who have a tracker mortgage may see their mortgage rate and payments drop in line. However, the jury is out.

"It's difficult to be sure what the effects would be, but we expect it would manifest itself in the availability of funds in retail deposits, which are relied upon by some institutions to fund mortgage lending," says Bernard Clarke, Communications Manager at the Council of Mortgage Lenders. "I think it would most likely

Negative interest rates are a means of kicking the banks into taking on more risk

just affect the rate for depositors rather than affecting actual lending rates."

Any such change in the interest rate would deliver unintended consequences for savers, borrowers and financial institutions, says a spokesman from the Building Societies Association. "While some borrowers may benefit at the margins, hard-pressed savers, who outnumber borrowers by around eight to one, would have even less of an incentive to save. In addition, there is a real risk that it could depress consumer mood and reduce their confidence to spend. Our view is that other monetary policy options like QE, as well as monitoring the effectiveness of the Funding for Lending Scheme, are preferable."

Elsewhere, the effects on the banks' incomes would depend on their specific situations.

"In terms of your lending book, whether negative interest rates would hurt or hinder institutions would depend on the structure of loans and deposits that they have," says Barr. "Funding yourself through wholesale deposits might allow you to benefit from lower funding costs than if you have a high dependence on retail deposits."

Desperate measures

On 26 February, speaking to MPs on the Treasury Committee, Tucker said, "I hope we will think about whether there are constraints to setting negative interest rates; this would be an extraordinary thing to do, it needs to be thought through very carefully."

He was saying that the MPC may want to loosen policy further, not that it does. However this is not a good sign for the wider economy, asserts Richard Wellings, Deputy Editorial Director at the Institute of Economic Affairs.

"It is clearly evidence of desperation in the Bank of England," he says. "They are looking for new ideas, new ways to stimulate growth; I think it would end up being counterproductive. If banks are incentivised artificially to lend more money, it will further the problem of lame duck businesses being propped up. An artificially low interest rate props up these zombie businesses which would have gone out of business in a recession."

An alternative approach would be to offer a marginal rate of return on reserves. The BoE would pay the bank rate up to a certain level of reserves, and if they go above that level, the rate of remuneration changes; it could be zero or a negative number.

Barr believes this is what the MPC had considered: "When Paul Tucker was talking about negative interest rates, most analysts thought he was talking about a tiered model, not the bank rate being taken below zero, which would be more subtle than pushing people's tracker mortgage reference rate below zero. That would be motivated by a desire to bring down towards zero the rate at which the marginal pound was trading in the system and to treat the marginal reserves as a bit of a hot potato, and so potentially want to do something else with it."

He notes that both Norway and Denmark have used a similar policy in the past, while the European Central Bank has considered the issue. "It is not a radical thing to do, but it is pretty rare," he says.

Setting wheels in motion

As the BoE does not have a reserve requirement or a concept of excess reserves, some definitional moves would need to be created before a tiered approach could be taken. However, in principle it could say that any reserves above a certain amount will have a different rate of remuneration, even negative.

The advantage of doing that would be to minimise the damage to the building societies; a lower marginal rate of remuneration on reserves is likely to affect market interest rates and therefore the incentive to borrow increases and the incentive to save declines.

Phases of lending

Currently the UK is in the cheap and scarce phase of lending; by forcing banks to lend at a reduced rate of interest the Bank of England is trying to move the country into the next phase of lending – cheap and available. However the goalposts are moving for bank balance sheets, with Basel III regulations demanding they retain more capital. As a consequence, banks are keeping the reserves in hand.

As the bank rate or marginal rate of return drop, they push down the money market rate for wholesale borrowing and lending. As money market rates come down, marginal rates become more attractive. In the capital markets, equity and corporate bond prices might go up to reflect the decline in money market rates. That would have wealth effects and enable the issuers to invest more. On the other hand, as a result of lower market rates, foreign investors might find the UK a less attractive place to invest in and the exchange rate might move up.

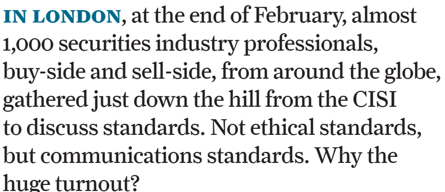
But the effectiveness of this strategy in delivering the desired outcome within banks is challenged by Barr, who observes that a desire for better returns may not be behind the lack of lending.

"Much of the discussion around commercial banks is the degree to which they are able to bear risk and tolerate loss," he says. "Many think it is not the profit side of their balance sheet that is constraining them from taking those decisions. Banks aren't holding reserves because they are being paid 0.5% on them; they are holding reserves because they want to keep their balance sheets fairly liquid out of concern for their capital positions."

Wellings believes that, even if it succeeded in motivating lending, that would still not solve the broader economic challenges. "We're looking at panic measures here. The Chancellor is focusing on monetary policy as his way out; we think deregulation is the obvious way out of the Chancellor's conundrum because that produces growth and helps the deficit but doesn't immediately reduce tax revenues as tax cuts would. However, he is struggling to manage that so he is looking at monetary policy." ■

Wake up

AND SMELL THE STANDARDS



Standards are sweeping the world, from simple equity messaging through cross-asset trading to new ways to regulate complex global markets. **George Littlejohn** MCSI reports

IN LONDON, at the end of February, almost 1,000 securities industry professionals, buy-side and sell-side, from around the globe, gathered just down the hill from the CISI to discuss standards. Not ethical standards, but communications standards. Why the huge turnout?

This was the annual EMEA Trading Conference for FIX Protocol, established in 1992 – the same year as the Institute – as a bilateral communications framework for equity trading between Fidelity Investments and Salomon Brothers. Since then, FIX – or the Financial Information eXchange Protocol, to give it its full colours – has been developed through the collaboration of banks, broker-dealers, exchanges, industry utilities and associations, institutional investors, and information technology providers from around the world. These market participants share a vision of a common, global language for the automated trading of financial instruments.

FIX is open and free, but it is not software. Rather, it is a specification around which software developers can create commercial or open-source software, as they see fit. Chris Pickles, Co-chair of FIX's global education and marketing committee and Head of Industry Initiatives in Global Banking & Financial Markets at BT, comments: "As the market's leading trade-communications protocol, FIX is integral to many order-management and trading systems. Yet its power is unobtrusive, as users of these systems can benefit from FIX without knowing the language itself."

FIX is now the de facto global messaging standard for pre-trade and trade communication in the equity markets, and is experiencing rapid expansion into the post-trade space, supporting straight-through-processing from indication-of-interest to allocations and confirmations. It is expanding across the foreign exchange, fixed income and derivatives markets.

Headlines in this field in recent years have been led by the over-the-counter (OTC) derivatives markets, but a key theme at this year's FIX shindig was cross-asset trading, driven by regulation and standardisation.

David Bannister, Editor of *Banking Technology* and one of the canniest observers of the scene, points to "industrialisation of processes", which lends itself to trading multiple asset classes – regulations willing. In the short term, he says, the impact of imminent changes to the OTC derivatives markets is still far from clear. In particular, panellists and delegates pointed to the lack of clarity in international regulation. Differences in the rules between the European Market Infrastructure Regulation (EMIR) and Dodd-Frank mean that firms have to build different platforms to cope with differing regulatory requirements.

Looking slightly further out, Bannister sees three potential ways the market could go. In OTC markets in the US, reporting requirements originally just covered credit derivatives, but have been broadened to include more and more instruments. A gradual increase in the scope of instruments falling under the new requirements is the first possibility, one delegate told him. A second possibility is standardisation of contracts

Key principles for open standards

- Open standards must be available to all comers at no or virtually nil cost, as opposed to the approach of some standards agencies charging to see the standard.
- Development of the standard is an open, structured, inclusive process involving interested stakeholders; conflicts of interest are eliminated and comparators available.
- Certification agencies compete for audit business – thus encouraging rational interpretation(s) of the standard and controlling cost and quality via reputational risk and competition. The system can thus prove exclusion (eg, certifiers actually mark down organisations that fail to meet the standard).
- Outputs such as certifications and grades awarded are published – ideally some benchmarking on the degree of pass or fail is given to participants.
- Ideally the certifier bears some indemnity and that indemnity can, with the price paid by the buyer, be made publicly available.
- There is an authorised, responsible accrediting body for certification agencies that helps to ensure proportionality and consistency; accreditors ensure the separation of standards development from the commercial elements of implementation and review; accreditors regulate the market of standards certifiers.
- Accreditors can sanction certifiers, for instance ensuring that certification is separate from improvement, (eg, there are no conflicts of interest where firms sell consultancy services to attain a standard alongside certification services).
- Accreditation bodies are independent from commercial conformity assessment activities and, unless the system is seriously flawed, accreditation is probably best left to a sole entity, (ie, non-competitive).

Source: Z/Yen

– for example, having a standard coupon and standard rollover dates. The third possibility is that all products become like futures, traded on a central limit order book. But this will need flexibility, which does not sit comfortably in the standards world.

Standards and market efficiency

Gary Wright MCSI, CEO of B.I.S.S. Research, has been a long-time flag-waver for standards. “They have always been important in market efficiency. For instance, international corporate actions attract huge risk and costs due to various domestic rules and laws and different interpretations on corporate actions.

“Messaging standards have been dominated by SWIFT in financial markets since its creation for interbank payments in the 1970s and later in the securities markets in the 1980s. The highly structured message, able to be read by computers, was seen as the solution. However, since the explosion of the use of the internet in business, a structured message through SWIFT has been seen by some to be limiting. ISO is the International Standards Organisation that has put SWIFT into the position as the governing standards body for financial services, but today commercial networks are all able to carry electronic standard messages as well as the internet.

“ISO15022 was specified during the 1990s as a panacea for standard messaging for the securities market. SWIFT was the organisation that was mainly pushing its adoption in our industry, but not many people realise that this standard can be carried over any network. The ISO15022 has been already usurped in the eyes of many technical people by ISO20022, a more open and flexible message able to carry unstructured messages and still be computer readable. However, ISO20022 is struggling for a business case – ISO15022 was heavily invested in by global banks.

“By providing extended values, FIX has the same ISO20022 capability that is found in SWIFT but is not directly competing. Rather, it offers an alternative way of automating and bringing efficiencies into front and back office processing across the industry,” says Wright.

Pickles adds that FPL, the membership body that supports the maintenance and development of the protocol, works closely with regulators around the world to encourage the use of

> ***“The current international regulatory system is a mess and in conflict with national regulatory systems”***

non-proprietary, free and open industry standards. This enables all sectors of the financial community to benefit from the resultant consistency and transparency that facilitates ease of surveillance. “The standards promoted are those that have achieved mass adoption by the trading community, such as the FIX Protocol, enabling firms to more easily meet new requirements by leveraging their existing investments across additional business areas and generating significant cost and resource savings. As regulatory needs evolve, we are keen to ensure that the FIX Protocol is effectively extended to meet emerging requirements,” he says.

Main players

Investment managers
Brokers
Trading platforms
Regulators
Other parties

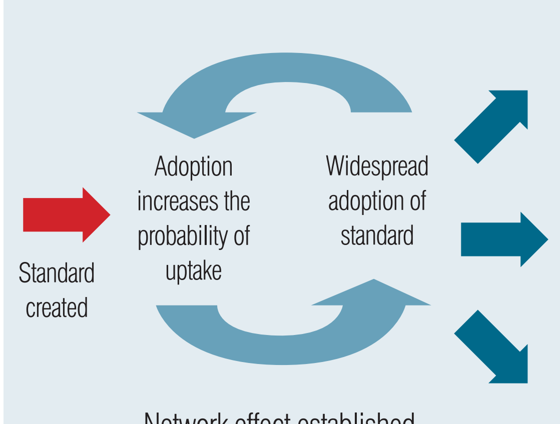
Main asset classes

Equities
Fixed income
Derivatives
Foreign exchange

Source: FIX Protocol/Oxera

Functions supported by FIX

Basic order flow
IOIs and advertisments
Quotes
Market data
Program trading
Algorithmic trading
Trade reporting
Security and position reporting
Collateral management
Multi-leg order flow
Allocations
Confirmations/affirmations
News
Regulatory compliance



Economies of scale
Provides a single framework around which products can be developed, leading to reduced costs for firms

Expanded trading possibilities
Increases the number of parties that can interact and hence increases trading possibilities

Indirect network effects
Increases resource flow to, and competition in, the markets for standard-related products

Source: FIX Protocol/Oxera

A whole new game in global regulation?

Professor Michael Mainelli, Chartered FCSI, Executive Chairman of Z/Yen, is another powerful advocate of standards, seeking to shift the debate up a gear or three. He is on the board of the United Kingdom Accreditation Service (UKAS), the top body in this field, and is keen to move standards further and deeper into the world of regulation. “Let’s face it,” he says, “the current international regulatory system is a mess and in conflict with national regulatory systems. Bringing standards to markets is just a return to the history of finance. Accounting – producing annual reports for shareholders – was a 19th standard market response to getting ripped off. Many of the current examples that we laud – such as International Financial Reporting Standards – conform to this model. It’s how the big bad world of planes, trains, automobiles, electricity, quality and so on all manage themselves rather well; and the software zeitgeist of ‘open standards’ fits financial services rather well too. If anything, the financial markets are hypocritical to suggest that the standard market approach does not apply to them. But we must stick to some key principles.” (See box, on opposite page.)

In conclusion, Mainelli believes that “many societal goals for markets can be achieved with innovative, quasi-regulation that bridges the market-government gap using markets themselves, ie, standards markets”.

He says: “Financial services needs to realise that standards markets offer a way out of Screaming Lord Sutch’s conundrum: ‘Why is there only one Monopolies Commission?’ Our key principle should be that, before we start regulating, we try to let standards markets make the rules.” ■

Chris Pickles will be chairing a CISI Essentials event at London’s BT Centre on 11 June. Details available at cisi.org/events

George Littlejohn MCSI is a senior adviser at the CISI

A hand IN THE TILL

A young bank cashier is working temporarily at a busy branch and has a problem reconciling his till. A senior colleague intervenes to resolve the situation but is the solution quite what is seems?

JOE FRAZIER WAS a young trainee working in a quiet country bank branch a few miles from his home and had recently been assigned to be a cashier. While he was just getting the hang of his duties, there was little pressure on the staff at the branch and Joe was able to cope easily with the workload.

After some weeks, Joe was summoned by the branch accountant and told that there was a shortage of cashiers at the Miltown branch due to staff illness. He was asked to report to Miltown branch the following day for a brief attachment and warned that it was a busy office that would really test his abilities.

Joe arrived just in time at the unfamiliar Miltown branch the next day, after his journey was delayed by a road accident. He was directed to the senior cashier Eric, who seemed less grateful to see him than he had expected and spent little time briefing him on what to expect.

During an increasingly busy day, a queue of customers built up and Joe worked as quickly as he could. At one point, he found in front of him a gentleman who announced loudly that he was a former manager of the branch and that "standards appear to have slipped since I retired". This left Joe somewhat flustered, particularly when Eric, the senior cashier, came up behind him and started talking to the man.

It transpired that the customer was Mr Macdonagh, who had retired from the bank about ten years ago and was now Secretary of the local golf club, which kept its account at Miltown. He came into the branch regularly and paid in large numbers of cheques and cash, and frequently was impatient with the cashier if he was not served with what he considered to be adequate speed and deference.

Joe was conscious of the other customers waiting behind Mr Macdonagh and began to check the deposit as quickly as he could, but he was unable to reconcile the amount of cash on his till with the figure on the credit slip, and became increasingly anxious.

Eric, noticing a potential incident, seized the deposit from Joe's position, saying to Mr Macdonagh: "I am sure that we can rely on our former manager to get things right."

He stamped the golf club's paying-in book with Joe's stamp and gave it back to Mr Macdonagh, who grudgingly thanked him and left.

As things quietened down, Eric told Joe to close his till and check the golf club deposit carefully to make sure that it was right. Eric said that the last thing the branch needed was Mr Macdonagh complaining about the service he had received as he still had friends in the bank. Joe counted the cash several times and established that there was a shortfall of £100 in the cash deposit, leaving him to wonder what he should do.

> ***What had happened to the missing £100? Why, indeed, did Eric send Joe home early?***

Finally, he plucked up the courage to report the shortfall to Eric, who looked distinctly unhappy at the admission. He said that as Joe had stamped Mr Macdonagh's deposit receipt, the branch would have to report the discrepancy on the end of the week return of 'overs and shorts in tills', which, as luck would have it, was being submitted that day. Eric told Joe that he would help him complete the form to explain how the loss had arisen but that Joe would have to ask the accountant to countersign the form. Joe accepted what Eric said but felt that he was being held responsible for something that was not his fault and was particularly aggrieved that the accountant brusquely told him that, if he wanted to progress in his career, he would have to be more careful in future.

Joe felt belittled by this treatment and when he returned to Miltown the next day, he was determined to be on his guard.

Fortunately the branch was a bit quieter and Eric was soon making noises about not needing Joe the next day. At that point, he saw Mr Macdonagh enter the branch and head straight for Joe's till, which, thankfully, had no other customers.

"Young man," he said, "I don't know what they teach you at school these days, but you seem unable to count any better than the people we employ at the golf club. They found £100 under the drawer of the till in the bar, which they said had been included in the club deposit and you certified as being correct."

Pushing two £50 notes towards Joe, he pointedly said: "So, who does this £100 belong to?"

At that point, Eric, who had been hovering once again, took the notes, saying to Mr Macdonagh: "I'm awfully sorry that you had a problem yesterday. This young man had found a discrepancy in his till at the end of the day and we had identified the likely source as your deposit and were going to phone you, so thank you so much for coming in."

Mr Macdonagh looked witheringly at him, turned around and stomped off, whereupon Eric, with the £50 notes in his hand, returned to his position as another customer stood before Joe.

Shortly before the end of the day, Eric approached Joe and thanked him for his hard work. He said that as the busiest part

Photo: Getty

of the week had now passed and that a number of staff would be returning the next day, Joe could return to his own branch on the following day. In the meantime, Joe should take the opportunity to leave an hour early.

Joe was relieved and grateful to have a head start on the commuter traffic, so he did not give another thought to the question of the £100 until he was on his way home, when he began to mull over what had happened and what, if anything, he should do.

He felt that Eric had made him look foolish both in the branch and with the bank's controlling office, to whom his name would be reported. And what had become of the £100, which should have gone into his till, but seemed to have stuck to Eric's hand? Why, indeed, did Eric send him home early?

As he sat in traffic Joe mused on his possible courses of action:

- Should he ring Eric the next day and check that he had done what he should, crediting his till with £100, or might Eric feel that Joe was suggesting that he might have pocketed the money?
- Should he forget the matter and assume that it was just one of those things? He was not going back to Miltown and was unlikely to see Eric again, so there really was no need to do anything.
- Should he contact the bank's confidential helpline and report what had happened? But anything he said would be pretty specific and so if any action resulted it could easily be traced back to him.
- Perhaps he should discuss the situation with his own branch accountant. But what if the accountant then rang his Miltown counterpart and said that Joe was concerned about the £100? That would still make him look bad and might easily be seen as accusing Eric of pocketing the money. ■

What would you advise Joe to do? Visit cisi.org/cashier and let us know your favoured option. This, together with the opinion of the CISI, will be published in the June edition of the S&IR.

Making the correct call THE VERDICT

A senior manager at Visible, a firm of financial advisers, is selling a new investment platform to a client, Grey Bank. Should he confess it is not the unique product it was led to believe?

This was the Grey Matters dilemma in the February 2013 edition of the *S&IR*. Readers were invited to vote in a poll on the CISI website for the course of action that the manager, Paul, should recommend to his director.

The CISI response

With a number of platforms in the market and providers seeking to offer something unique, this case has its roots in a real-life situation.

Using the CISI integrity test of 'Openness, Honesty, Transparency and Fairness', the option of immediately contacting Grey Bank and encouraging the firm to sign the agreement and launch its product as soon as possible, falls short against these requirements.

If you are confident in your product and that you are not misrepresenting (exaggerating) its benefits, you have no reason to try to pressure Grey Bank into signing using tactics more akin to those of a street trader. Reassuringly, only one respondent chose this course of action.

The situation then becomes less clear cut. Visible is selling to Grey Bank a product it has customised specifically for that firm, although it is based on a platform that Visible has itself purchased from someone else (the IT provider, Spectral). Visible has a strong case that what it is selling is sufficiently different and, being customised for Grey Bank, has unique features that mean Paul can be comfortable that he is not misrepresenting what he is selling. Paul may reasonably feel that there is no need to alert Grey Bank to what he has learned about Spectral's other activities. An additional consideration is Spectral's industry position and what influence Visible may have over Spectral's activities. A small number of respondents chose this course of action.

The third option offered, and the one chosen by 88% of respondents, most obviously meets the open, honest, transparent and fair criteria. It recommended Visible being exactly that in its dealings with Grey Bank. If Visible is truly confident in its product, it should have no qualms in letting Grey Bank know what it has heard about the use of a similar product by another firm. Indeed, rather than causing Grey Bank to rethink, it is likely to spur it on.

The latest publications and study aids supporting CISI qualifications

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Fundamentals of Financial Services is a new qualification from the CISI that is an important first step in developing the essential basic knowledge required for working in financial services.

Candidates will learn about the industry and commonly used financial products, such as shares, bonds and insurance. It will provide an understanding of financial terminology and help in calculating interest rates and dividend yields.

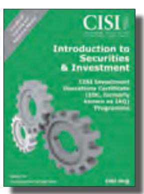
The Ofqual-regulated qualification, which is recognised as a level 2 award on the Qualifications & Credit Framework, is ideally suited to new or junior employees within the industry. It is also appropriate for school leavers who are considering a career in finance.

The *Fundamentals of Financial Services* workbook and corresponding elearning product (covering exams from 11 May 2013 to 31 July 2015) are out now.

Price: £80 for combined workbook and elearning product

NEW WORKBOOK AND ELEARNING EDITION

Introduction to Securities & Investment



A new edition of the CISI's *Introduction to Securities & Investment* workbook and corresponding elearning (covering exams from 21 July 2013) is due out in April. Providing an ideal introduction to the world of financial services, it covers topics including:

- the economic environment
- financial assets and markets
- equities
- bonds
- derivatives
- investment funds
- financial services regulation
- taxation, investment wrappers and trusts
- other retail financial products.

Price: £100 for combined workbook and elearning product

NEW WORKBOOK AND ELEARNING EDITION

Taxation in the UK for Individuals & Trusts

The object of this new level 4 qualification is to ensure that candidates demonstrate the ability to apply the knowledge, theory and practical techniques required in order to assess a client's current financial position and future requirements, make suitable investment recommendations, monitor performance and respond appropriately to changing needs and circumstances. The exam will test candidates' abilities to apply knowledge and understanding of taxation of investors and investments in the UK. The corresponding workbook and elearning product are out now (for exams from 12 March 2013 to 11 March 2014) and cover:

- income tax
- taxation of investment income
- National Insurance Contributions
- Capital Gains Tax
- corporation tax and tax compliance
- tax-planning strategies.

Price: £100 for combined workbook and elearning product

NEW WORKBOOKS AND ELEARNING EDITIONS

CISI Study Material and the New Regulatory Environment

On 1 April 2013, a new regulatory structure took effect in the UK. The single regulator (the FSA) ceased to exist and in its place three authorities came into force – the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA) and the Financial Policy Committee (FPC).

As a result, new workbook and elearning editions (covering exams from 1 April 2013) of the following regulatory titles are out now:

- *UK Financial Regulation* (formerly called *FSA Financial Regulation*) – part of the Investment Operations Certificate (IOC) and Certificate programmes
- *Principles of Financial Regulation* – part of the IOC and Certificate programmes
- *UK Regulation & Professional Integrity* (formerly called *FSA Regulation & Professional Integrity*) – part of the Investment Advice Diploma programme.

Price: £100 per subject for combined workbook and elearning product

Visit cisi.org/bookshop to purchase workbooks, publications and elearning products quickly and efficiently.

ONLINE TOOL

Professional Refresher

The CISI's Professional Refresher is a training solution to help you remain up-to-date with regulatory developments, maintain regulatory compliance and demonstrate continuing learning. This popular online learning tool, now enhanced and updated, allows self-administered testing on a variety of topics, including the latest regulatory changes.

Modules are reviewed by practitioners frequently and new topics are added to the suite on a regular basis. At the end of each module, there is a test that will help you to determine how much knowledge you have gained.

The product currently consists of more than 40 modules, including:

- anti-money laundering
- corporate actions
- financial crime.

Passing a Professional Refresher module is logged under the CISI CPD scheme.

Price: Free for all CISI members, otherwise it costs £150 per user. There are also tailored module packages available for individual firms. Visit cisi.org/refresher for further information

External specialists

The CISI relies on industry practitioners to offer their knowledge and expertise to help create and maintain its exams, workbooks and elearning products. There are several types of specialists: authors and reviewers for workbooks and elearning products, item (question) writers, item editors and exam panel members. All of them receive a number of benefits to thank them for their involvement.

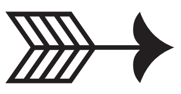
There are currently around 300 external specialists who have volunteered to assist the Institute's qualifications team but more are required.

The CISI would particularly welcome applications from specialists to assist with developing exams for Exchange-Traded Derivatives, Commodity Derivatives, Over-The-Counter Derivatives and Corporate Finance Technical Foundations.

To register your interest, please contact Iain Worman on *+44 20 7645 0609* or download the application form available via *cisi.org/externalspecialists*

Diary

Events to attend over the coming months



CPD training courses

Venue: London, unless otherwise stated

16 APRIL Financial Crime – How are You Handling the Hot Topics of 2013?† £500

18/19 APRIL Understanding Regulation and Compliance† £900

24 APRIL Advanced Leadership Skills for Investment Professionals † £500

30 APRIL Building a Client-Focused Professional Service for the New World † £500

1 MAY The Use of Structured Products in Wealth Management† £500

2 MAY Integrity & Trust in Financial Services† £300

8 MAY Suitability & Appropriateness (Liverpool)† £500

9 MAY Essentials of Supervision £500

14 MAY Introduction to Financial Markets† £500

15 MAY Getting to Grips with Operational Risk – for Non-Operational Risk Professionals† £500

16 MAY Mifid 2 and the New Regulatory Structure† £500

21 MAY Practical Guidance on Preventing Insider Dealing and Market Abuse† £500

5 JUNE Suitability and Appropriateness: Avoid Misselling!† £500

6 JUNE Sanction Breaches – Avoiding Expensive Enforcement!† £500

11 JUNE Client Assets and Client Money (CASS)† £500

Member and Fellow discounts

CPD training courses discount: Fellows 35%; Members 30%; Associates 20%.

The following discounts are applicable only to one course per year: Affiliates 30%; Students 20%.

To book: cisi.org customersupport@cisi.org +44 20 7645 0777

London CPD events

15 APRIL Surviving on the Edge of Chaos Between Order and Disorder
CISI, 8 Eastcheap, EC3

1 MAY Building Low Cost Multi-Asset Portfolios with ETPs†
Deutsche Bank, 1 Great Winchester Street, EC2

15 MAY Directors' and Officers' Liability Explained†
Willis, 51 Lime Street, EC3

21 MAY Deregulation, Crises and Scandals†
America Square Conference Centre, 1 America Square, 17 Crosswall, EC3

For further information about London CPD events, visit *cisi.org/events*

To book: cisi.org/eventscal +44 20 7645 0777

Branch events

18 APRIL RDR Update
East Anglia: National Skills Academy, St Andrews House, St Andrews Street, Norwich

18 APRIL RDR Update
East Anglia: NW Brown, Richmond House, 16-20 Regent St, Cambridge

18 APRIL Global Outlook†
Jersey: The Royal Yacht, Weighbridge, St Helier, Jersey

26 APRIL Behavioural Finance & Investment†
Liverpool & North Wales: Rathbone, Port of Liverpool Building, Pier Head, Liverpool

16 MAY Annual Dinner
Liverpool & North Wales: Crowne Plaza, Nicholas Place, Princes Dock, Pier Head, Liverpool

6 JUNE Charity Golf Day for Yorkshire Air Ambulance
Yorkshire: Leeds Golf Centre, Wike Ridge Lane, Leeds

6 JUNE Annual Dinner
Yorkshire: Doubletree by Hilton, 2 Wharf Approach, Granary Wharf, Leeds

6 JUNE Annual Dinner
Birmingham & West Midlands: Regency Hyatt, 2 Bridge St, Birmingham

14 JUNE Evening at the Races
Liverpool & North Wales: TBC

27 JUNE Annual Dinner
East Anglia: Norwich Cathedral, Norwich

To book: cisi.org/eventscal region@cisi.org +44 20 7645 0652

RDR ANNUAL CPD

† This event meets annual CPD requirements for members affected by the Retail Distribution Review. Please note all RDR CPD must be relevant to your role.

Professional forums

Operations updates

Richard Pavry

Neil Jenkins

Chris Prior-Willeard

Stay on top of key industry changes with the help of the CISI operations forum. A stimulating start to the forum's summer programme will take place in May when it will discuss the impact of the AIFMD (Alternative Investment Fund Managers Directive). Industry specialists giving their views will include Richard Pavry, Director, Jupiter Asset Management; Nick Jenkins, Assistant Director, Regulatory & Technical, National Westminster Bank and Bill Scrimgeour, Global Head of Regulatory and Industry Affairs at HSBC Securities Services.

Then, in July, the forum will update members on the latest developments on T2S (Target2Securities), the new system for settling euro equities transactions. A prestigious panel will include Richard Young, Market Reform Manager, SWIFT; Chris Prior-Willeard, Chief Executive, BNY Mellon CSD SA/NV and Justin Chapman, Senior Vice President, Global Head of Industry Management, Operations and Technology, Northern Trust.

Event details:

22 May: *The Impact of AIFMD*
Standard & Poor's, 20 Canada Square, Canary Wharf, London E14

17 July: *What is the Target? T2S, a Revolution in Securities Settlement or a Costly Mistake?*
Travers Smith, 10 Snow Hill, London, EC1

Both events will take place from 12.30pm – 2pm (a light lunch will be served from 1.30pm – 2pm). To book your place at either or both events, please email pfs@cisi.org.

For more information about forthcoming meetings of the CISI's six professional forums, visit *cisi.org/pf*

CISI 2013 Annual Award winners

Qualification	Sponsor	Winner	Firm
Certificate in Investments			
Derivatives	Futures & Options Association	Adam Coles	JPMorgan Chase Bank
Securities		Osman Akkaya	HSBC Bank
		Davinder Dhadday	Royal Bank of Scotland
		Benediktas Petkevicius	Royal Bank of Scotland International
Financial Derivatives		Walid Hatimy	Morgan Stanley & Co International
		Francesco Lampone	Goldman Sachs
		Chirag Patel	Goldman Sachs
		Tobias Constantine-Cort	Goldman Sachs
Investment Management	Brewin Dolphin	Adam Williams	Marshall Wace Asset Management
Commodity Derivatives		Edward Kelly	Credit Suisse
Investment & Risk		Edward Sidgwick ACSI	Barratt & Cooke
FSA Financial Regulation		Ulrich Kratz	Goldman Sachs
		Peter Wilson	Wells Fargo Securities International
		Sebastian Waters	J.P. Morgan
Principles of Financial Regulation		Anupam Sharma	BNP Paribas
Risk in Financial Services		Elizaveta Samoriz	
Certificate in Investments Winner		Edward Sidgwick ACSI	Barratt & Cooke
Certificate in Corporate Finance			
Corporate Finance Regulation		Michael Slattery	The Blackstone Group International Partners
Corporate Finance Technical Foundations		Charles Cruise	Citigroup (GBKG)
Certificate in Corporate Finance Winners		Dipali Buch	Alliotts
		Roland Joseph-Smith	Fenchurch Advisory Partners Limited
		Michael Pegler	The Blackstone Group International Partners
Investment Advice Diploma	Financial Services Training Partners		
Derivatives		Guy Huntrods	RBC Europe
FSA Regulation & Professional Integrity		James Burnett	Barclays Wealth
Investment, Risk & Taxation		Nicholas Dale	Morgan Stanley Private Wealth Management
		Alexander Dudgeon ACSI	Cazenove Capital Management
Securities		Trevor Hunt	Stanhope Capital
Private Client Advice		Roger Milbourn ACSI	Financial Themes
Investment Advice Diploma Winners		Adrian Koch ACSI	Standard Chartered Bank
		Philip Scott MCSI	Simple Investments
Investment Operations Certificate			
Asset Servicing		Rosemary Gouck	Barclays Capital
Collective Investment Schemes Administration		Ross Gordon	
CREST Settlement		Amanda Fisher	
		Sidhartha Dhar	Citibank
		Fay Simpkiss	Bank of England
Exchange-Traded Derivatives Administration		Christopher Barker	Credit Suisse
		David Frydman	Coutts Group Operations
		Amit Joshi	Tieto Software Technologies
		Aimee Cerejo	Seven Investment Management
		Zhao Chun ACSI	Citigroup
FSA Financial Regulation	BNP Paribas Securities Services	Thomas Calder	Capita Registrars
		Jack Davies	Barclays Capital
		Louise Donner	State Street Bank & Trust
Global Securities Operations	Baillie Gifford & Co	Lorraine Bannan	Royal Bank of Canada (Channel Islands)
		Richard Scott	Barclays Capital
ISA Administration	International Financial Data Services Ltd	Steven Lisle	Family Investments
IT in Investment Operations		James Masters	Euroclear
Operational Risk		Caroline Graham	Barclays Capital
		Tan Lay Khim	BNP Paribas
OTC Derivatives Administration		Simon Donnell	Citibank
		James Mellor	Deutsche Bank
		Tang Wai Ling ACSI	Barclays Capital
Principles of Financial Regulation		Malgorzata Herd	HSBC Securities Services (UK)
Administration of Settlement & Investments		Natalie Penny	Rathbone Brothers
Investment Operations Certificate Winner		Paul Muir	Messrs C Hoare & Co
International Certificate in Wealth Management	deVere	Alistair Campbell ACSI	Rawlinson & Hunter
Islamic Finance Qualification		Muhammad Saqib Ali ACSI	Al Hilal Bank
International Investment Management		Harilaos Hadjistyllis	Seven Star Brokers
International Introduction to Investment Award		Rui Yu	Morgan Stanley Asia
Combating Financial Crime	CCL City Training Limited	Theo Hill	HSBC Global Banking & Markets
Global Financial Compliance		Natalie Jeynes	Abu Dhabi Investment Authority
		Yukihiro Otani	Pictet Asset Management
Global Securities		Doris Berberi	IMEF
Introduction to Investment: The Foundation Qualification	Investment Management Association	Stacey Blandford	International Financial Data Services
		Helen Gibson	Halifax Sharedealing
		David Han	JHC
		Sonia Tarczalowicz	Morgan Stanley & Co International
		Carl Toomey	Northern Trust Company
		Yanyan Yan	HSBC Bank
Introduction to Investment: The Foundation Qualification – Further Education College Award Winners		Ryan Lavery	University of Ulster
		Victoria Trimble	University of Ulster
Certificate for Introduction to Securities & Investment (Schools)		Joseph Hartland	Chatham Grammar School
CISI Diploma			
Bonds & Fixed Interest Markets		Krzysztof Drenda	Santander Global Banking & Markets
Financial Derivatives	Equitable House Investments	James Grummitt	Nomura International
		Shiksha Samjowan	
Fund Management		Charlotte Yonge	Troy Asset Management
Global Operations Management		Shahrukh Shahzad	Deloitte
Interpretation of Financial Statements		Daniel Bunyan	PricewaterhouseCoopers
Investment Analysis		Tafadzwa Charlton Nyabanga	
Private Client Investment Advice & Management	APCIMS	Katharine Dymoke ACSI	Deutsche Bank
Regulation & Compliance: Compliance Institute Award		Dorota Holowiak	36 South Capital Advisors
		Nathalie Krekis ACSI	Cazenove Capital Management
CISI Diploma Winner		Charlotte Yonge	Troy Asset Management
Euroclear Prize in Memory of Andrew Winckler Diploma in Investment Compliance		Christina Milhomem	Galena Asset Management
Diploma in Investment Operations		James Couch, Chartered MCSI	RBS Global Banking & Markets
Advanced Certificate in Operational Risk	International Financial Data Services Ltd	Faisal Sheikh	UBS Investment Bank
Advanced Certificate in Global Securities Operations		Faye Leighton	Sanford C. Bernstein

CISI 2013 Annual Award winners (continued)

CISI Masters in Wealth Management	Charles Stanley (London Head Office)		
Financial Markets		Joseph Bond	Smith & Williamson Corporate Finance
Portfolio Construction Theory		Paul Hill MCSI	PMH Capital
Applied Wealth Management		Daniel Webb	Coutts & Co
CISI Masters in Wealth Management Winner		Paul Stevens MCSI	Sanlam Private Investments (UK)

Membership admissions and upgrades

MCSI

Altus
Andrew Trower
Avasarala Technologies
Ramesh Satyanarayana
Baker Tilly
Kyria Ali
Bank Hapoalim
Asaf Bort
Benjamin Spitzer
Barclays Bank
Robert Harradine
Bestinvest
Mark Lane
Brewin Dolphin
Jamie Boyd
Michael Grant
Brooks Macdonald
Thomas Saville
Brown Shipley
Andrew Ramsden
Butterfield
Sachin Gupta
Karthick Venkatakrishnan
C Hoare & Co
James Morgan
Chryson
David Clark
Conifer Fund Services
Donna-Maria De Roche
Credit Suisse
Gemma Bushby
ECU Group
Matthew Lindfield
Edwards Securities
Terrence Edwards
Financial and Medical
Laurence Newman
Holden
Edward Holden
Invesco Perpetual
Saku Nath Saha
Julius Baer
Sener Erman
Killik & Co
Niall Gaughan
Stuart Rosling
KPMG
Steven Hannah
Lemontree Wealth
Matthew Ennion
Lloyds TSB
Jamie Smith
London Borough of Camden
Benedict Ozowa
M&G
Lee Dineen
Minerva Trust & Corporate Services
Raymond Wood
Mishcon de Reya
Declan McCullagh
Mizuho
Jaishrika Joshi
NW Brown
Trina Yates
Odey Asset Management
James Kostoris
Pan Asia Banking Corporation
Jeremy Michael De Zilva
Partners Capital Investment
Colin Pan
Rathbone
Neil Minto
Joe Scott
Raymond James
Rajwinder Basra
Leighton Bascom
Susie Bewell
Rothschild
Helen Watson
Royal Bank of Canada
Andrew Pryor
Royal Bank of Scotland
Patrick Kerr
Ruffer
Andrew Mays
Russell Investments
Samuel Crowther
SBS Group
John Thomas
State Street
Thomas Bilbe
Adewale Odemosu
T J Markets
Alexander Guy
Tees Financial
Neil Jefferies
Turicum Private Bank
Christian Garcia
UBS
Harjinder Bhatti
Mark Brown
Philipp Iarmaltchouk
Paul Peacock
Vestra Wealth
Frances Halford
Julian Goodman
Paul Nixon
WH Ireland
William Foley
Andrew Lidsey
Satnam Singh
WK Capital
Timothy Lawrence
Others
Nazreen Banon Fauzel
Rakesh Gopal
Yizhe Huang
Gary Jasper
Jonathan Moyes
Abou Shehzad Ally
Purdasy
Dafne Sanac
Dean Sherrin
Subira Toppin
Pak Chi Yau

ACSI

AC Miraj Real Estate
Muhammad Anis Miraj
ACPI
James Galvin
Ahli United Bank
Valerie Finch
Gillian Lewis
James McCafferty
Alexander David Securities
Simon Talbot
Arbuthnot Banking Group
Richard Mitchell
Aria Capital Management
Matthew Brittain
Gaurav Modgill
Attivo
David Merigot
Azure Wealth
Jonathon Gowen
Babson Capital
Steven Payne
Baillie Gifford
Caroline Prigg
Banco Popular Español
Ricardo Fernández Díez
Bank Insinger de Beaufort
Isabelle Anthony-Lavallette
Barclays
Matthew Davis
Simon Di Marino
Jeremy Hill
Baring Asset Management
John Horn
Bestinvest
Charles Buxton
BNP Paribas
Kim Crossan
James Devine
Rachel Heath
Simon Ross
Brewin Dolphin
Scott Ritchie
Sebastian Taylor
Brown Advisory
Keryn Brock
Canaccord Genuity
Christopher Wozniak
Cenkos
Jacob Le Marchant
Charles Stanley
Charlotte Rapley
City Equities
Susanne Katherine Fogo
Clariden Leu
Christopher Walsh
Close
Amanda Bean
Alexandra Constable
Collins Stewart
Floortje De Wind Evers
Cornelian
John Jackson
Coutts
Diyan Atmadjov
Richard Bamber
Rebecca Frowde
Charles Jarvis
Kevin Koh Maier
John Mcgrath
Martin Seymour
Credit Suisse
Luca Arpaio
Richard Hodson
Deutsche Bank
Jennifer Cookson
Robert Gibbs
deVere Group
Ike Benson
Dubai Islamic Bank
Mohamed Rachad Sami
Al Saadi
EFG Private Bank
Simon Abirached
Georgios Alexandropoulos
Andrew Brooks
Robert Mitchell
Pedro Jose Pereira da Silva
Catherine Stroud
Elara Capital
Gazala Khan
Emirates NBD Global Training Centre
Naveen Singhal
Equitrade Markets
Sukhjinder Chahal
Fairbairn Private Bank
Enid Aubrey
Felce Management
William Felce
Fisher Investments
Thomas Brown
Albert Heward-Mills
Fowler Drew
Christopher Ling
Fraser Mackinley
Paul Clayfield
Fyshe Horton Finney
Thomas Du Plessis
Generali Portfolio
David Barber
Hawk Freight Services
Rakesh Nischal
HSBC
Olivia Ellis
Institut de Formation de la Bourse de Tunis
Nacir Triki
Investec
Thomas Fair
Nagarathna Manangi Hanumantharaju
Richard Plowdon
IUR Capital
Gareth Ryan
J.P. Morgan
Philippa Lamb
Julius Baer
Inbal Shiloach
Kudos
Scott Wylie
LGSS — Northamptonshire CC
Anthony Olaniyi
Lloyds of London
Catherine Lawford
Lloyds TSB
Rees Hales
Maxis Securities
Muhammed Demir
Money Science
John Chambers
National Development Bank
Emmanuel Gunaratnam
NCB Capital
Yaser Mohammed Shareef
Nedbank
David Trimble
Neemco
Anirudha Chiney
Next Mediaworks
Vidya Shembekar
Northern Trust
Ted Smith
Optiva Securities
Graeme Dickson
Palestine Capital Market Authority
Fadel Abdel Rahman
Pershing
Simon Welsby
Quilter
Stuart Jones
Geraldine Maloney
Nicholas Wood
Rathbone Brothers
Lynn Vaughan
Redmayne-Bentley
Luke Simmonds
Sand Aire
Karen Clark
Sanlam Group
Paul Hastings
Santander
Robert Wiggins
Scottish Widows
Stephen Mann
Securities & Exchange Commission
Watthe Gedara Saman Kumara
Smith & Williamson
Steven McGarvey
Speechly Bircham
Thomas Marriott
Standard Bank
Henry Greig
Adam Hunt
TheCityUK
Rohan Malhotra
Thesis
Kumbirai Chilongi
Ryan Paterson
Union Bancaire Privee
Antoine Megarbane
William Roberts
Venture Capital Partners
Thomas Fitzherbert-Brockholes
Vestra Wealth
James O'Hegarty
WH Ireland
Zavek Orrin
World First UK
Danny Pires
Yealand Administration
Benjamin Symonds
Others
Hasouna Abdelghany
Christopher Payne
Vadims Romanovs

Chartered FCSI

Barclays
Michael Farley
Shelley James
Brewin Dolphin
Duncan Gibson
Cenkos
Benjamin Byrom
Robert Tannahill
Charlemagne
Christopher Wilson
Chiltern Consultancy
Wayne Gooch
Fyshe Horton Finney
Carl Baxter
Griffin Financial Consulting
Andrew Griffin
JM Finn
Andrew Veitch
JPMorgan Chase
Aletta Erk
Jupiter
David Lewis
Killik
George Harrison
Kareem Khouri
Mercer
Thomas Brennan
Quilter
Peter Butcher
Standard Bank
Karl Holden
Simon Bradbury
Standard Chartered Bank
George Triplow

Chartered MCSI

Bestinvest
Nicholas Clark
Brewin Dolphin
Marcin Gierach
Russell Hooper
Brown Shipley
Alan Wishart
Churchill Wealth Management
Antony Walsh
Deutsche Bank
David Henderson
Irene Steel
DPZ Capital
Adrian Kemp
GHC Capital Markets
Henry Metcalf
Richard Dziewulski
HB Markets
Ronald Faulkner
HSBC
Tony Sofroniou
Investec
Audrey McKinstry
Killik
Nicholas Mitchell
Jeremy Steinson
OCM Wealth Management
Richard McDonough
RCA Consulting
Roger Cassells
Raymond james
Dominic Hawker
Redmayne-Bentley
Piers Cockey
S&T Asset Management
Jeremy Kennard
Standard Life
Craig Joiner
Timber Hill
Richard Styger
UBS
James Wiegman
Whitefoord
Julian Ellis
Others
Paul Vernon
Tracey Payne

This list includes membership admissions and upgrades from 16 December 2012 to 18 January 2013

Answers to the quiz from page 10: 1:A, 2:C, 3:C, 4:A

Paul Norman ACSI has proved a hit with a world champion boxer and an Olympic athlete thanks to his musical hobby. **Lora Benson** caught up with him

A different spin

Paul Norman ACSI

THE SHIFT IN technology over the past 30 years has had a big impact on Paul Norman, for both his day job as a sales trader in the City of London and his passion as a DJ.

Paul, who has worked at Charles Stanley Securities for 13 years, says: "I feel strongly that those advances don't make any difference to the fundamentals of either role.

"When I started broking I used to speak to a fund manager who didn't even have a PC. He used to check share prices the next day in the *The Daily Telegraph*! Now, we can trade on multiple platforms and information is instantly available, but it is still a client relationship-led business.

"In the past, I spent far too much time in record shops searching for great records. Now almost every song ever recorded is instantly available on line, but it doesn't make you a better or worse DJ. It doesn't make a party more fun, although it does mean you no longer have to lug a ton of records around with you!"

Paul grew up in Sussex, where he now lives with his wife and two teenage daughters. From a young age, he was a big fan of music and first tried his hand as a DJ at friends' parties during his teenage years.

Track record

After leaving school, his love of being a DJ saw Paul find a succession of day jobs to support his hobby, from greengrocer to estate agent, before his financial services career took off, when he joined the back-office of Kleinwort Benson just after the Big Bang in 1987.

He was a DJ for some time at his local nightclub until it closed and has since provided entertainment at weddings, parties and theme nights. Paul has even played for two famous sporting names.

He says: "I was booked to play at a teenager's party in South London and arrived at a beautiful house to be met by the biggest guy I've ever seen. Embarrassingly I only realised it was world champion boxer Nigel Benn when I saw his name in gold leaf engraved on the marble stairs. I was, of course, keen to play anything he wanted.

"I also DJ'd at Olympic javelin thrower Steve Backley's wedding, which was featured in *Hello* magazine, but my only mention was 'the guests were entertained by a disco'."

Among the most memorable experiences as a DJ for Paul are when music has helped him to cross cultural and language barriers while travelling overseas.

Paul shows off his DJ skills at the Amber Bar, located in London's CityPoint

Photo: Jake Sugden

He recalls an occasion when he guest starred at a small bar in the suburbs of Paris for a friend of a friend. "Luckily my complete inability to speak any French wasn't too much of a problem, thanks to a fairly comprehensive collection of The Cure."

Keeping the beat

While on honeymoon in the US, Paul's skills as a DJ came in handy when a band booked to play failed to turn up at the hotel. "The hotel had a fairly dusty and eclectic selection of records, which luckily included three classic Rolling Stones LPs. My wife, thoroughly embarrassed, quite rightly retired to our room to watch the film *Robin Hood: Prince of Thieves*."

> *Music has helped Paul to cross cultural and language barriers while travelling*

When he started out, Paul's music collection consisted of vinyl records. He says: "While there are some great laptop mixing packages, nowadays I prefer to use CDs."

On the DJ scene, there are a few inspirational figures whom Paul admires: "Mark Moore, the guy behind S'Express, was hugely ahead of his time. He and Jon Marsh, from The Beloved, were forerunners of DJs like Calvin Harris and David Guetta."

Although he is a huge fan of modern music, Paul is particularly won over by music from the 1980s: "It was one of the best periods of pop music – groups like Depeche Mode, The Human League and Soft Cell are still regularly sampled today.

"Because of the way they are mixed, modern dance music often misses out on an interesting opening sound to a song. But when you play Rihanna's *We Found Love*, or The Black Eyed Peas classic *I Gotta Feeling*, everyone knows the tune from the beginning and I'm sure we will be playing them for many years." ■

*Got an interesting hobby? Contact Lora Benson at **lora.benson@cisi.org**. If your story is published, you will receive £25 of shopping vouchers.*

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- Role and function of the clearing house as a CCP
- Different methods of margining across product types
- Hands-on training at the Eurex® and CCP clearing system
- Xetra®, Eurex and Eurex Clearing exchange regulations

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For dates and more information please mail to **academy@eurexchange.com** or contact us at **T +49-69-211-137 67** or visit **www.eurexchange.com > education**

The CISI is taking the lead in requiring new entrants in the capital markets industry to pass an integrity test because we want them to appreciate the importance of ethics and trust from the moment they enter the profession.

The Institute believes that the standard of integrity in capital markets needs to be at least as high as those in the wealth and retail sectors.

This initiative is tangible and demonstrable evidence that the wider finance industry is serious about changing its culture.

#integritymatters

cisi.org/integritymatters

I'm genuinely pleased to hear the CISI is taking the step of requiring candidates to sit, and pass, an online integrity test before they can sit their exams

Martin Wheatley, CEO,
Financial Conduct Authority