SECURITIES & INVESTMENT
OCTOBER 2012

REVIEW

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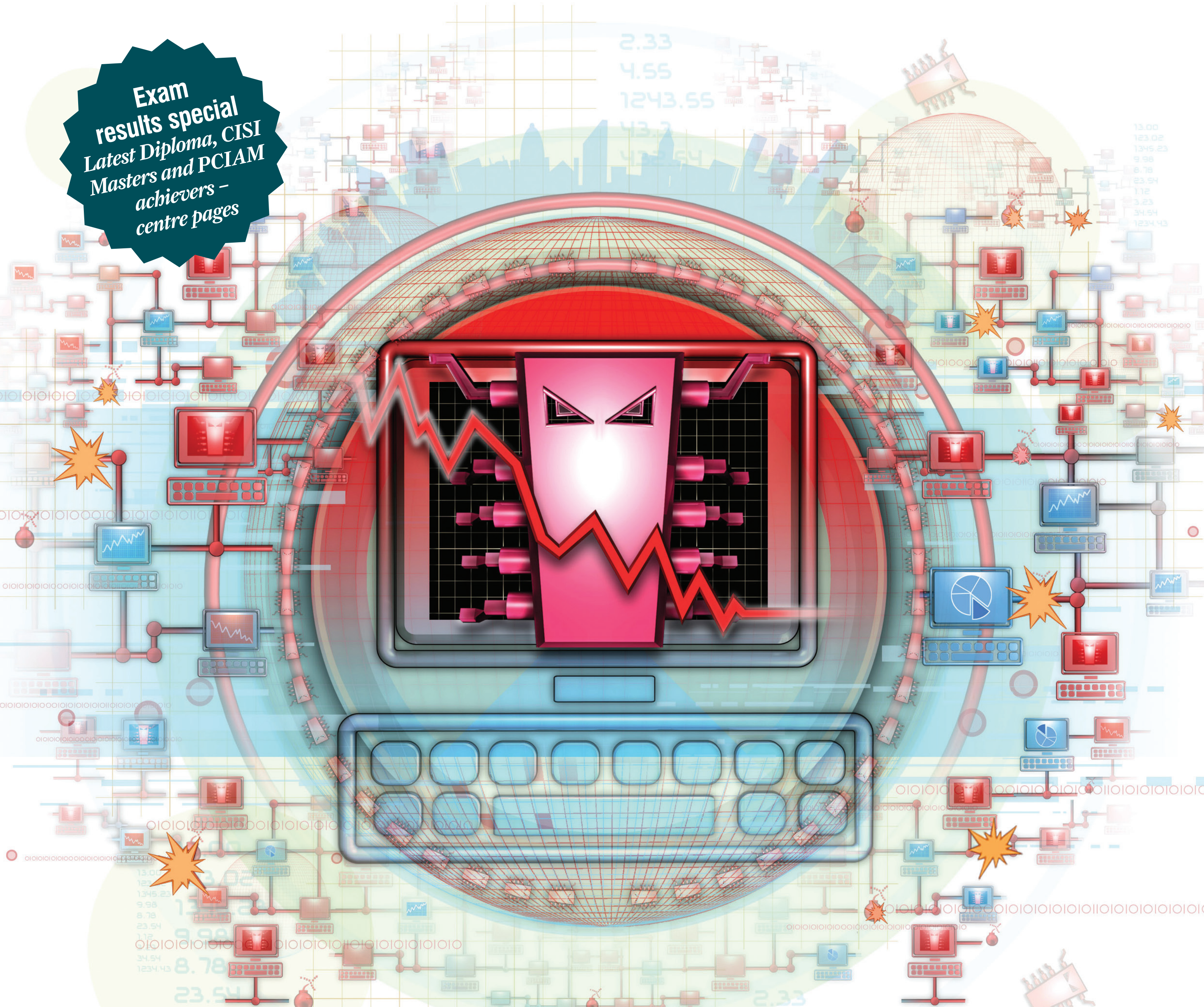

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Program "CCS – Certified Clearing Specialist"

Back office staff operates in a continually changing environment. Interoperability and over-the-counter derivatives clearing are only two of many key concepts that will define the European clearing marketplace of the future.

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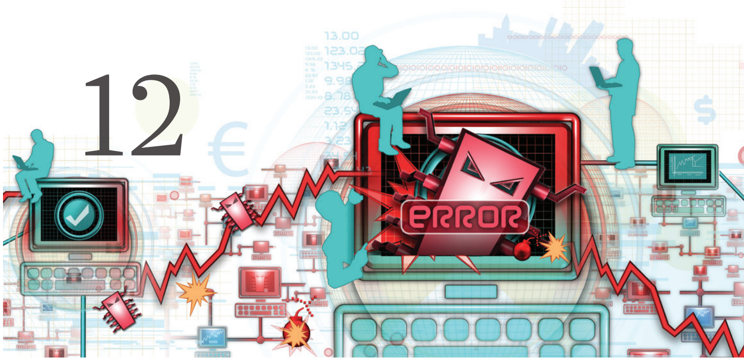

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Is city life cramping your style?

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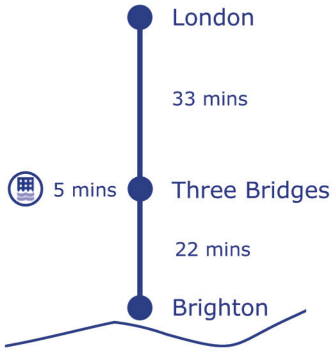


Dowgate has been in business for over 20 years. We have just completed a management buy out and are looking for new investment advisers to join us. We offer a traditional stockbroking service mainly to private clients. In addition, we provide corporate broking services to smaller companies on the AiM market and can provide private client access to new issues led by us or other brokers, if appropriate.

CISI OPINION

With trust in financial services continuing to falter and pensions provision on a downward trajectory, the industry must rebuild its relationship with the public

Broken engagement

IT IS A good thing that the public profile of Martin Wheatley, Chief Executive designate of the Financial Conduct Authority, is increasing. This has resulted from his chairmanship of the committee examining LIBOR. More recently, he gave a speech taking to task banks and other financial institutions for "encouraging" their staff to sell or give advice to customers based solely on the rewards on offer to them, rather than with the intention of enriching their firms' customers.

The CISI has commented before on the unrestrained sales culture of various parts of the financial services industry that was in large measure the driving force behind the Retail Distribution Review, and there has been no shortage of column inches on the iniquities of the bonus culture. The focus of that was largely on six- and seven-figure rewards, however, so this pinpointing of incentive schemes of all types and at all levels, and particularly their impact on the staff for whom they are designed, cannot be anything other than positive news.

Nevertheless, it should not be forgotten that no part of the financial services industry exists in a vacuum, and that the negative impressions generated by poor practice in one area will percolate into others. International condemnation of the wholesale markets arising from the LIBOR scandal, and ongoing criticism of the retail sector (principally arising from payment-protection insurance misselling, which was only the most egregious and widespread example of poor practice), leads to an impression that the industry serves only a limited purpose and enjoys little support.

While it is understandable that the regulator should highlight examples of poor practice and wrongdoing, one should not ignore areas where financial services and banking perform well and contribute hugely to the wealth and prosperity of the nation. So it was a welcome change to hear FSA Chairman Lord Turner, in a speech in the summer, say that, although he does not believe it is the role of the regulator to promote its competitiveness, as a UK citizen he is clear that the City is, and should be in the future, a leading global financial centre making a positive contribution to our economy – even if the Business Secretary notably omitted financial services as his key area of focus.

> ***Beneficial engagement with financial services is missing for too many UK citizens***

It was also good to be reminded by Lord Green, Minister of State for Trade and Investment, speaking at the CISI 20th anniversary dinner, about the vital importance to the country of the financial services industry. He said that this was not just because of its 9% share of GDP and 12% of tax revenue, or its employment of 6% of the UK's total workforce (with two-thirds of that 6% outside London), or even the fact that the trade surplus it generates (more than £40bn) is greater than the combined surpluses of all other industries.

The fact is, a wealth-creating industry on this scale should be a prized national asset. But beneficial engagement with financial services is missing for too many UK citizens. This was demonstrated in the eighth Scottish Widows UK Pensions Report, published earlier this year. Possibly because of a reaction to the sales tactics of the retail banks, the survey revealed that only 46% of respondents are making enough provision for their retirement – a reduction of 5% from the previous year – and 22% of respondents are saving nothing, compared with 20% last year. It is of equal concern that only 39% of consumers are aware of the imminent introduction of automatic pensions enrolment.

While there may be a variety of arguments as to why this should be, including insufficient income from which to save, the understandable lack of trust in retail bank advisers and the industry in general has certainly played a part.

Upfront News and views from the CISI

Got a story to tell or a view to share?
Email Richard Mitchell at richard.mitchell@cisi.org

ONLINE

Digital magazine aids education charity

Educational Trust Chairman Clare Gore Langton, Chartered FCSI(Hon) receives a cheque for the charity from CISI Chief Executive Simon Culhane, Chartered FCSI. Also pictured are Angela Porter, left, and Carlye Campbell, right, who manage the CISI's work-experience programme

The launch of a digital magazine format for the online *S&IR* has been a success with CISI members – and provided a boost for the Institute's education charity.

Between the introduction of the online magazine in April and 31 August, 1,118 members opted to receive the *S&IR* exclusively on their computer, smartphone or tablet.

The CISI is giving £1 to its Educational Trust for each member who made the switch during that period. The £1,118 donation will support the work of the Trust, which has been expanded to cover the education spectrum. Supported by increased funding from the CISI, the Trust's remit includes providing scholarships and prizes to schools, colleges and universities; training teachers to deliver its qualifications with confidence; and offering work-experience opportunities for young people (see below).

Trust Chairman Clare Gore Langton, Chartered FCSI(Hon), said: "On behalf of the CISI Educational Trust, I would like to thank the CISI for this donation. In particular, I'd like to thank CISI members for opting to read the online version of the *S&IR*."

The digital *S&IR* enables members to read the current edition and previous issues of the magazine as if they had the printed version in front of them. Members can easily navigate around the magazine, zoom in on articles and go to websites of interest by clicking on live links.

Reading the *S&IR* counts as CPD for members. Anyone accessing the online edition has CPD hours added automatically to their CISI CPD log. Visit *cisi.org/sireviewinfo* for further information. If you would prefer to read the *S&IR* online, you can opt out of receiving the hard copy at *cisi.org/mycisi*

APPOINTMENTS

Work experience takes off

The CISI has appointed a manager to co-ordinate work-experience opportunities for school students.

Angela Porter (pictured above, left) will help to develop a work-experience programme for students at UK schools who are studying for the Institute's introductory qualification, the Certificate for Introduction to Securities & Investment. Placements will be organised with firms that support the CISI to give students a greater understanding of financial services and the range of roles available.

Angela's role has been funded by the CISI Educational Trust charity. She said: "I'm delighted to have the chance to build on the great work already undertaken within the CISI. I look forward to working with colleagues at member firms to develop further inspiring opportunities for students, and firms, to experience the wide range of benefits associated with work experience."

Carlye Campbell, CISI Client Relationship Manager in Scotland, will support the programme. She will co-ordinate work-experience opportunities in Scotland and north-east England. Recently, the CISI gave four students a feel for life in financial services with a week-long work-experience placement at its City of London head office. The students were shown how the organisation functions and undertook a range of projects. Elena Tucker, one of the students, said: "It woke me up to the real world and how things work in a dynamic business environment."

From left, Matthew Bailey, Elena Tucker, Megan Burrells and Michael Steward benefited from a work-experience placement at the CISI

If you would like to help in the development of students, or for more information, please contact Angela Porter at *angela.porter@cisi.org*

RETAIL DISTRIBUTION REVIEW

Application deadline approaches

Time is running out for all retail investment advisers who have not yet applied for a Statement of Professional Standing (SPS). To guarantee receipt of an SPS by 31 December 2012, the CISI recommends that adviser applications are made to the Institute by 31 October.

Alastair Pope ACSI, CISI Assistant Director, Membership and CPD, said: "It is in the interests of advisers to submit their application during October, taking care to ensure that it is correctly filled out and all criteria are met.

"Due to the high level of applications that the CISI is likely to receive before 31 October, we cannot guarantee that applications made after this date will be processed by 31 December, although we will do our utmost to process them in time."

Advisers have a 60-day 'safety-net' period from 31 December 2012 to 1 March 2013 to ensure receipt of their SPS. Anyone who needs to use this window must apply for their SPS by 31 December.

The CISI, as an FSA Accredited Body, has issued about 3,000 SPSs to date.

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

15,041 The number of registered users of the CISI CPD scheme. Free to all members, the scheme provides an online log to record development activities in line with industry best practice. For further information, visit *cisi.org/cpdscheme*

LETTERS

Postbag

Letters to the *S&IR* can be sent by post to Richard Mitchell, Communications Editor, Chartered Institute for Securities & Investment, 8 Eastcheap, London EC3M 1AE, or to *richard.mitchell@cisi.org*

Dear *S&IR*,
Piper Terrett's article (*S&IR*, September) about the ethics of professionals advising clients on tax-avoidance schemes was timely in view of Barclays' announcement that it is thinking of closing its tax advisory unit – now considered 'unethical' and potentially damaging to the bank's reputation.

So far, UK tax law has been specifically targeted, it is not purposive: in tackling the exploitation of loopholes in the law, governments have legislated against individual avoidance schemes as they come to light. Typically, the response to this legislation has been the creation of new schemes to circumvent the law, which in turn has seen further legislative action – ping-pong played between the revenue and taxpayers, aided and abetted by professionals.

The attitudes of the Government and HM Revenue & Customs (HMRC) to such schemes are changing. As Chancellor, Gordon Brown introduced legislation obliging professionals who were about to market an avoidance scheme to notify HMRC. After some sleight of hand about what constituted 'marketing', the revenue now gets a clear view of new structures upfront, and can decide whether to attack them.

Retrospective legislation is still rare, but no longer unheard of. This more proactive approach has been continued by the current Coalition, which, in its first Budget, announced that it would consult on the possibility of legislation to counter tax avoidance in general by introducing a 'General Anti-Avoidance Rule' (GAAR). This would dissuade the most egregious efforts to avoid tax; encourage taxpayers and legal counsel to redirect their energies to more productive activities; and allow the authorities to simplify the law without fear of it being systematically undermined. Some version of GAAR is now likely in 2013.

Gregor Logan MCSI, London

Dear *S&IR*,
I read 'Mixed Messages', Jennifer Bollen's article on corporate governance (*S&IR*, September), with interest. While the article correctly stated that "individuals holding [significant influence roles within firms] can be held personally responsible for their failings", I was surprised to see no reference to recent FSA enforcement action.

In particular, the FSA's action against John Pottage is a salutary warning to holders of significant influence functions (SIFs). The FSA sought to impose a fine of £100,000 on Mr Pottage, who was CEO of UBS Wealth Management (UK), arguing that he had failed to take reasonable steps to ensure that the firm complied with regulatory requirements. On appeal, Mr Pottage successfully challenged the FSA's assertion, and the appeal tribunal found in his favour. As a result of this finding, the FSA is taking no further action against Mr Pottage, but before taking comfort from this outcome, other SIFs should perhaps take note that he has experienced many months of legal uncertainty, with the prospect of a large financial penalty hanging over him.

Furthermore, while the FSA lost this particular case, there is no suggestion that the regulator will now 'go easy' on SIFs – holders of such positions should appreciate the full extent of the responsibility they are taking on!

Nigel Sydenham, Chartered FCSI, BPP Professional Education, London

EVENTS

Government minister addresses annual dinner

Lord Green of Hurstpierpoint, Minister of State for Trade and Investment, was guest of honour and speaker as the Institute celebrated its 20th anniversary and 200-year heritage at a packed annual dinner.

Addressing an audience of 370 CISI members and guests, Lord Green, former Group Chairman of HSBC, praised the work of the Institute and spoke passionately about the importance of the UK financial services industry to the country's economic wellbeing.

He highlighted the importance of rebalancing the economy, but stressed that this should not be at the expense of financial services. Instead, it should be achieved by improving other areas of economic activity in which the UK is a significant force.

Lord Green also called for a boost in infrastructure investment, mentioning the need to mobilise and channel savings to fund such work. He said that pension funds and other investment vehicles looking for a stable, inflation-linked source of longer-term yield could play a key role.

The event, at the Guildhall in the City of London, was presided over by CISI Chairman, Alderman and Sheriff Alan Yarrow, Chartered FCSI(Hon). London Stock Exchange Group was, aptly, exclusive sponsor of the dinner. The Institute can trace its origins back to the formation of the Stock Exchange in 1801.


Lord Green of Hurstpierpoint speaks at the Guildhall in the City of London

Donations were invited from guests and more than £4,100 was collected for Help for Heroes, which supports injured and sick British servicemen and women and their families. The amount will be boosted by Gift Aid.

QUALIFICATIONS

CISI signs UAE agreement

CISI Chief Executive Simon Culhane, Chartered FCSI and Abdulla Al-Turifi FCSI(Hon), CEO of SCA, front centre, pictured at the signing ceremony

The CISI and the Securities & Commodities Authority (SCA) have extended their agreement to provide qualifications to the United Arab Emirates (UAE) market.

The agreement was signed by Abdulla Al-Turifi FCSI(Hon), CEO of SCA, the UAE regulator, and CISI Chief Executive Simon Culhane, Chartered FCSI.

In addition, the CISI has made its Global Securities unit available in Arabic. The CISI's qualifications are becoming increasingly popular throughout the Middle East as regulators seek to raise the skills of financial services industry practitioners by developing mandatory, qualifications-led licensing regimes and regulatory exams.

Global Securities is a technical unit offered by the CISI globally. Its translation increases the CISI's Arabic exam suite, which already includes the International Introduction to Investment, the Islamic Finance Qualification and local regulatory exams in the UAE, Oman and, shortly, Qatar.

For the first time, it is now possible to qualify for CISI Associate-level membership by taking exams only in Arabic. Associate membership entitles candidates to a programme of continuing professional development and the opportunity to use the designatory letters ACSI.

Abdulla Al-Turifi said: "This qualifications programme is one of the cornerstones in the SCA's campaign to ensure that the UAE's regulatory regime meets the highest global standards of rigour and transparency."

APPOINTMENTS

New branch President at Bristol & Bath

Isabel Kwok, Chartered MCSI

Isabel Kwok, Chartered MCSI, has been appointed President of the CISI's Bristol & Bath branch.

Isabel has worked for Brewin Dolphin since 2010 and is currently Assistant Director at its Bristol office. She is responsible for managing investment portfolios for private clients, trusts, SIPPs and charities.

Having previously worked at Rathbones and Triodos Bank, Isabel has more than ten years' experience in the financial services industry. She has a particular interest in ethical investment and philanthropy and is an active member of the Bristol Funding Network, which provides funding to local grassroots charities.

ELECTION

New CISI Board member

Martin Watkins, Chartered FCSI

Martin Watkins, Chartered FCSI, has been elected to the CISI Board of Directors.

A Director at Ernst & Young, Martin has worked closely with exchanges, central counterparties and central securities depositories across Europe.

He held senior management and operations positions at Euroclear UK & Ireland before transferring to work in Brussels for Euroclear SA/NV. Prior to this, he was a member of executive management and Division Head for Clearing at AtosEuronext in Paris, running all continental European technology for LCH. Clearnet SA.

"I am delighted to have been elected to the Board," he said. "Our industry is facing unprecedented change as it responds to new market and regulatory environments and the need to restore confidence. The role of the CISI in helping the industry to navigate forward is both exciting and challenging."

Martin plays an active role in the CISI as a member of its Membership Committee, founding Chairman of the European Regulation interest group and Deputy Chairman of the Financial Technology professional forum. He is a Fellow of the Institute of Directors and of BCS, the Chartered Institute for IT. He is also a Liveryman at the Worshipful Company of Information Technologists and a Freeman of the Worshipful Company of International Bankers.

SELECT BENEFITS

Sharpen up your businesswear

T.M.Lewin

If you are looking to spruce up your work wardrobe, CISI Select Benefits has an offer to suit.

CISI members can get a special discount at T.M. Lewin, which has more than a century's experience of making stylish and comfortable work attire. T.M. Lewin stocks an unrivalled selection of shirts and ties, as well as luxury suits and accessories for both men and women.

For more information and to download your personal discount voucher, visit CISI Select Benefits at *cisi.org/mycisi*

Terms and conditions apply. See website for further details. Offers subject to change. Discount is applicable only to business wear. Excludes giftcard purchases. CISI Select Benefits is managed on behalf of the CISI by Parliament Hill Ltd, 3rd Floor, 127 Cheapside, London EC2V 6BT. Neither is part of the same group as a provider.

ONLINE

BEST OF THE BLOGS

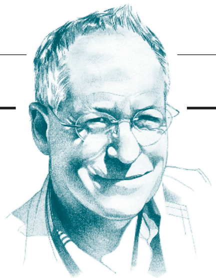
1 http://tinyurl.com/tech-risk-FT
Andrew Lo in the *Financial Times* describes 'technological risk' as the "new threat to our digital economy". He acknowledges that software can fail in any industry, but suggests that faults in the financial sector seem to be "growing in frequency and severity". Lo points to the trading glitches that blighted the high-profile Facebook IPO as an example of a software error affecting "a basic [...] financial transaction". Acknowledging that systems have raced too far ahead of human cognition, he nonetheless concludes that technology must advance further and faster, whereby it "becomes foolproof and invisible to the human operator".

2 http://tinyurl.com/tech-risk-foxbusiness
"Are technical glitches experienced by firms like Knight Capital actually good for the health of the capital markets?" asks Sital Patel at *Fox Business*. Financial firms are increasingly replacing humans with software in the pursuit of greater efficiency, and with technological failures potentially ruinous – Knight Capital's is thought to have cost the firm $440m – every incident "forces firms to focus on operational risk management". The piece quotes a bank analyst at Drexel Hamilton who agrees: "All these tech problems have certainly caused every bank to think more intensely about operational risk."

3 http://tinyurl.com/tech-risk-forbes
Writing for *Forbes*, Christopher Steiner asserts that technological failures will continue to blight the financial sector, so long as firms depend on software to do their trading. He sees as inevitable a small company being brought down by such a 'glitch' because it lacks the experience and funds of a firm as established as Knight Capital. And he argues that this would "take down not only the traders, but likely the brokerage house [...] and perhaps even other clients of that brokerage". Citing previous disasters such as the algorithm failure that lost Infinium Capital Management more than $1m in just three seconds, Steiner asks what would happen when "a firm with fewer controls in place lets such an algorithm go?"

See page 12 for more on operational risk.

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



CLAY *'MUDLARK'* HARRIS

Kelly Bloxham, Treasury Manager, Cazenove Capital Management

Kelly Bloxham, as happened in the film *Sliding Doors*, had his future decided by a random twist involving public transport. If it were not for the domino effect from a strike, he probably would not now be Treasury Manager at Cazenove Capital Management.

He intended to go to university to read English, but his best friend, who had left school at 16 and was working at Sun Alliance Insurance, said: "Why don't you take a year out, make some money and save some cash?"

Kelly's interview there coincided with a transport strike, but he was able to get a ride from south-east London on a coach that Sun Alliance had organised for its employees. He arrived at 7.30am with hours to kill. "The City was like a ghost town," he says. "I sat in front of the Royal Exchange, staring at the statue of the Duke of Wellington."

The strike, however, prevented the people from the insurance operation who were due to interview him from getting to the office. Recognising the effort he had made, the company's investment department instead interviewed him for a back-office opening they happened to have. "I left school one week and started work the next," Kelly explains.

Kelly began in UK settlements, a department that had no computers, keeping records in ledgers by hand. Before his first year was over, he became assistant to the Treasury Settlements Manager. "It seemed more exciting," he explains, "and they actually used computers." As cover for maternity leave and a departure, at the age of 19 he became, for a time, the youngest Grade 2 supervisor within Sun Alliance Investment Management.

He was made deputy permanently, and the idea of university faded away. "Every time I thought I might leave, they kept throwing money at me," Kelly says, "and I enjoyed learning." He helped to implement new systems and launch an internal cash fund.

> "It was a once-in-a-lifetime opportunity"

After Sun Alliance's merger with Royal Insurance, Kelly joined the treasury department and was soon more involved in corporate treasury and derivatives. "It became a very demanding role. The treasury manager was happy with someone who could do both sides."

When Royal & Sun Alliance sold its investment side to concentrate on insurance, Kelly helped to split the treasury function. The business was sold to ISIS Asset Management, now F&C. "We ran in parallel for the best part of a year," he says. But, unwilling to relocate to Edinburgh, he was made redundant.

After almost 14 years, it was his first break. "It was a once-in-a-lifetime opportunity. I got a year's payoff, which enabled us to buy a house in France. I was able to spend time with our 18-month-old twins. I was very casual about looking for a job, but then, as a bonus, my wife fell pregnant again and said 'You'd better get back to work'."

Kelly joined Cazenove Fund Management (as it then was), where systems were being revamped ahead of the expected split from Cazenove & Co.

He became Fixed Income Administration Manager and spent three years on that desk, even stepping in to deal for 18 months. He then became a change manager. His first main task was development and training within the private-client cash-management operation and grew to include management responsibilities for all securities-administration teams, as well as project activities. He is now Treasury Manager.

Cazenove Capital Management, a private limited company owned by Cazenove ex-partners and its staff, no longer has any links with J.P. Morgan Cazenove, but Kelly says: "We're very aware of the heritage of Cazenove."

Kelly Bloxham

Treasury Manager, Cazenove Capital Management

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

Illustration: Luke Wilson

MEDIA

CISI's TV talents

Alistair Hodgson, Chartered MCSI

Kevin Doran FCSI

Viewers of BBC One's *Breakfast* are being given food for thought on investment matters by members of the CISI's Manchester & District branch committee.

Their views are in demand following the relocation of the flagship national programme to Salford Quays in Greater Manchester.

In one recent broadcast, Alistair Hodgson, Chartered MCSI, Investment Manager at Pilling & Co, discussed the company results of Lloyds and Centrica. On another occasion, Kevin Doran FCSI, Senior Fund Manager at Brown Shipley, explained, on location in a chocolate factory, how supply and demand interact to move prices in the cocoa market.

TRAINING

Help needed for global training materials

Can you help to support the growing number of CISI exam candidates outside the UK?

The CISI is looking for individuals with backgrounds in training in financial services to develop training materials for use by international accredited training providers. The Institute currently needs to produce slide packs based on the syllabuses for the Global Financial Compliance and Global Securities exams.

Last year, 8,500 CISI exam sittings took place in 63 countries around the world. July 2012 saw a new monthly record for the number of exams taken internationally, with the figure topping 1,000 for the first time in the CISI's 20-year history.

Anyone interested in this opportunity, for which a fee is available, should contact Yvonne Dineen, the CISI's Assistant Director, Qualifications, at *yvonne.dineen@cisi.org*

PARTNERSHIP

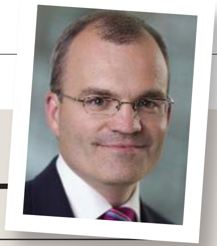
CISI links with US regulatory body

A new agreement has been reached by the CISI and the US's Financial Industry Regulatory Authority (FINRA).

The memorandum of understanding will provide UK-based retail investment advisers who are members of FINRA with a route to meet new exam standards so they can continue to advise on securities and derivatives in the UK market. They will also be entitled to CISI membership.

Ask the experts...

Ross Walker
UK Economist, RBS Markets



NEGATIVE INTEREST RATES

Perhaps the most fundamental principle of financial economics is that money has a 'time value': in order to persuade me to forgo consumption now, I require compensation (interest). But are we now entering a 'through the looking glass' world where negative interest rates are increasingly prevalent?

There are still very few examples of negative nominal interest rates (not adjusted for inflation). The Swedish Riksbank set a negative deposit rate of -0.25% between July 2009 and September 2010 – in effect, a penalty on banks for depositing overnight money at the central bank. The Danish central bank cut its Certificate of Deposit rate in July 2012 to -0.2% (where it remains). The Bank of England, the US Federal Reserve and the European Central Bank have so far shied away from negative nominal policy rates, but the debate persists.

Low central-bank rates and quantitative easing (QE) are a response to the recession: an attempt to boost investment and consumption by making it less attractive to save and by encouraging investors to shift out of government bonds and into riskier assets (the Danish move was also motivated by the policy objective of pegging the krone to the euro).

Minimising risk

In financial markets, negative nominal interest rates currently exist in two-year German, Swiss, Danish, Finnish and Austrian government bonds. These negative rates result primarily from 'safe haven' investment flows – this is a world where investors are more concerned about return *of* capital than return *on* capital. In effect, investors would rather suffer a small loss on short-maturity German government debt than buy the equivalent Spanish paper yielding 3% as they are more confident they will get (most of) their euros back from the German government than from the Spanish government. A Spanish euro exit and a 'new peseta' would entail a substantial devaluation and, in all likelihood, a conversion of euro-denominated debt into pesetas.

Much more prevalent are negative 'real' interest rates (nominal rates adjusted for inflation). The same factors are at work here as with the 'safe haven' flows noted above, but are compounded by bursts of higher inflation – hardly the 1970s-style double-digit variety, but a meaningful overshoot of inflation targets. In the UK, for example, Consumer Prices Index inflation averaged 4.5% in 2011, peaking at 5.2% in September – significant overshoots of its 2% target. In 2011, two-year gilts averaged 0.85% and ten-year gilts 3.0% – hence, negative rates in real terms. Unanticipated overshoots in inflation are a big part of this story. The snag is that, if inflation continues to overshoot, investors will require higher nominal rates to compensate for this risk.

What does it all mean for the person on the street? It depends whether they are a borrower or a saver. In general, savers have suffered, while borrowers enjoy low debt-financing costs (though few individuals will be able to borrow at negative real – let alone nominal – interest rates). This low interest rate world – de facto zero policy rates and QE policies designed to pin down longer-maturity rates – will persist for as long as the economic fundamentals remain weak. This is likely to be several years.

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

ISSUES

Which? findings support CISI initiative

A survey by consumer watchdog Which? has found widespread public support for the introduction of portable bank account numbers – a measure long called for by the CISI.

The Which? survey revealed that six out of ten respondents (59%) would be more likely to switch bank if their account number stayed the same, removing the need to change existing direct debits and standing orders. Of those surveyed, 55% have never moved bank.

Urging the Government to consider making account numbers portable, Which? Executive Director Richard Lloyd said: "With consumer trust in banking at an all-time low, we want to see big change in banking, with banks for customers, not bankers."

The survey came 12 months after the CISI first called, in the *S&IR*'s City View leader column, for individuals to be able to retain their account number when switching banks to make moving "almost as easy as changing mobile-phone provider". The Institute said that this step would "encourage and promote greater competition in the retail banking sector".

SURVEY

Confidence in economy is down

There has been a downturn in confidence in the UK economy, a CISI survey shows.

Of 320 respondents, 27% said they were more optimistic for the country's prospects than three months ago. There was increased pessimism among 28%, while 45% felt unchanged about the economic outlook.

When the CISI last ran the survey in April 2012, 42% considered that the UK was on the road to recovery. A further 23% were less optimistic, while 35% believed that the economy would get neither better nor worse.

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

QUICK QUIZ

Test your industry knowledge

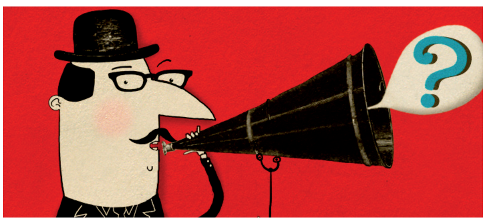


Illustration: Cameron Law

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 Client Services on ***+44 20 7645 0680*** or visit ***cisi.org***

Q1. The CISI's published Principles specifically state that members should attain and actively manage a level of professional competence appropriate to their responsibilities and also:
A) Seek advice from their internal audit department ***B)*** Promote the development of others ***C)*** Consult with the firm's non-executive directors ***D)*** Approach the firm's audit committee

Q2. The manager for which type of investment fund usually operates a passive management strategy?
A) Derivative funds ***B)*** Recovery funds ***C)*** Tracker funds ***D)*** Ethical funds

Q3. The Basel Committee defines operational risk as the risk of loss resulting from:
A) Application system failures or failures connected with technological processes ***B)*** Inadequate or failed internal processes, people and systems or from external events ***C)*** Fraud or related activities ***D)*** Failure to reconcile data

Q4. Which ONE of the following would normally be used to settle a share future?
A) Cash ***B)*** Commodities ***C)*** Swaps ***D)*** Currency

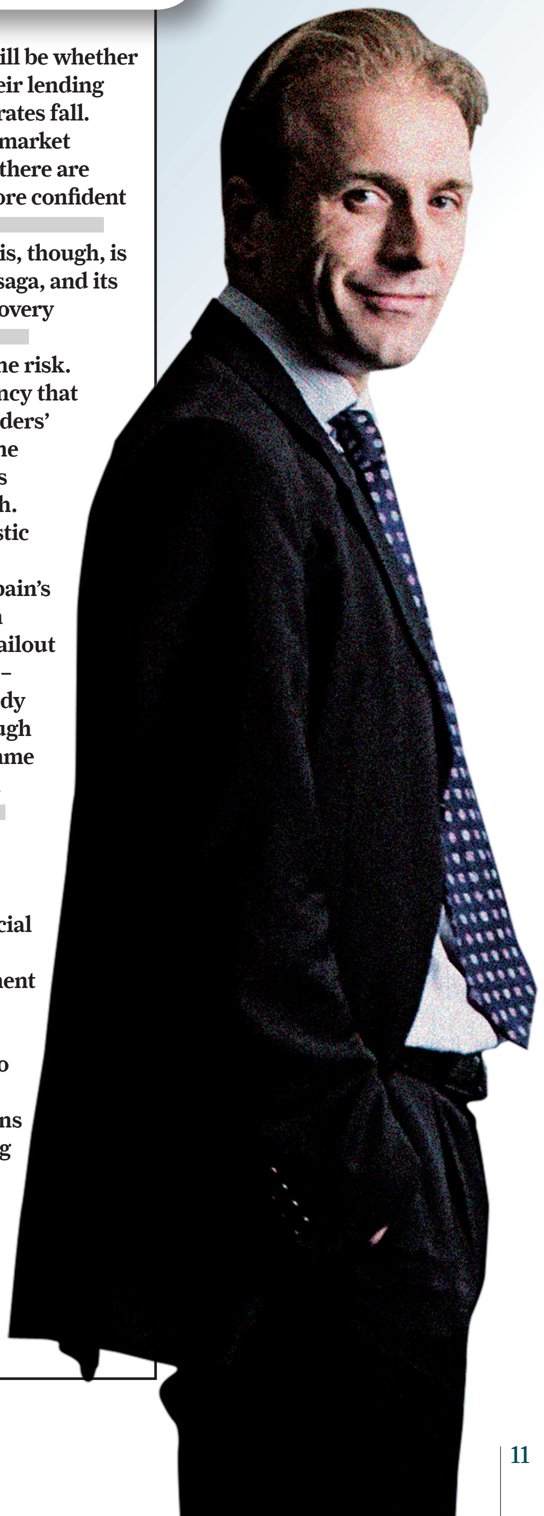
Supermen return

Central bankers in Europe and the US have stepped in to halt their countries' economic decline. Now, they must ensure that short-term relief translates into long-term recovery

FINALLY SOME DECISIVE action – not just in the eurozone but in the US too. Central bankers are the heroes of the hour. Ben Bernanke and Mario Draghi have, belatedly, leapt to the rescue. There are sound reasons to feel positive about what could prove to be a turning point both in the debt crisis in Europe and America's battle to prevent a fragile recovery fading into another recession. First, not only have Europe's political leaders displayed – at last – the conviction and unity of purpose needed for a long-term resolution of the problems that threaten to blow apart the eurozone, but the European Central Bank (ECB) has performed a neat U-turn and set aside the orthodoxy that was stifling its own response. Mr Draghi, ECB President, may have failed to overcome the reservations of Germany's Bundesbank, but he has steered through a plan to buy up Spanish and Italian sovereign debt should those countries seek a bailout from their European partners. Even without spending hundreds of billions of euros on intervention in the bond markets, the ECB, by pledging to act as a backstop, has driven borrowing costs for Madrid and Rome sharply lower. Their ten-year rates are not yet at sustainable levels, but Spain and Italy can now at least refinance their debt burdens without every bond sale being a crucial test of whether they can survive without an imminent bailout. Moreover, the final hurdle to a permanent eurozone rescue fund, the so-called European Stability Mechanism, has been cleared. Last month's endorsement by Germany's constitutional court has given the green light to its introduction. So far, so good. Across the Atlantic, the Federal Reserve's decision to launch another round of emergency quantitative easing – dubbed 'QE3' – has a more pre-emptive feel. Recent survey data has pointed to a growing risk that the US could soon slide back into recession, while the jobs market remains moribund. There is every chance of political stalemate in Washington lasting until well after November's presidential election, and disagreement over fiscal policy may well hamper the Government's response. Mr Bernanke had little choice but to commit to buying tens of billions of dollars a month in mortgage-backed securities to try to revive the economy. Ignore the inflationary risks for now: core US wholesale prices, which strip out volatile food and energy costs, are barely rising, even after two doses of QE, the first of which was launched three years ago. Those who believe that the Fed will trigger a surge in retail prices should instead acknowledge the greater risk of Japan-style stagnation. The main message to take away from the Fed's move is not that it has acted – it was expected to do so – but that it has been so aggressive. It has said that it expects US interest rates to stay at historically low levels until at least the middle of 2015. And its latest round of QE is open-ended: in other words, there is no time limit on its purchases. The recent market rally, if sustained, could help boost consumer confidence.

> “Central bankers are the heroes of the hour”

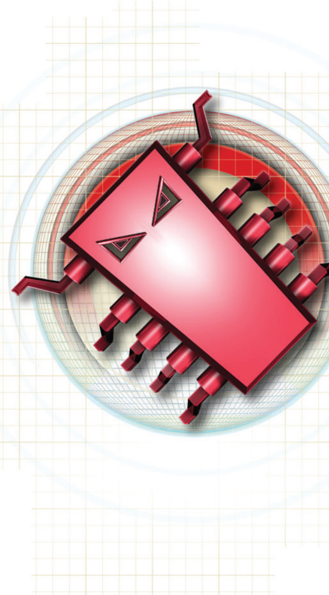
But the real test will be whether banks increase their lending and US mortgage rates fall. With the housing market having stabilised, there are grounds to feel more confident this will happen. The eurozone crisis, though, is a longer-running saga, and its drag on global recovery is potent. Complacency is one risk. The sense of urgency that dominated EU leaders' meetings before the summer break has started to diminish. There is no domestic political gain for Mariano Rajoy, Spain's Prime Minister, in asking for a full bailout – with conditions – when he has already embarked on a tough austerity programme to reduce its fiscal deficit. The pressure on Spain to accept a rescue will grow, especially if financial markets detect serious disagreement between political leaders over the issue. Super Mario and Big Ben have given the politicians precious breathing space. They must not waste it. ■



***Christopher Adams** is the* Financial Times' *markets editor*

Machines have gradually become responsible for processing billions of dollars of business, but no one is sure how to stop them, says **Dan Barnes**

Man versus MACHINE



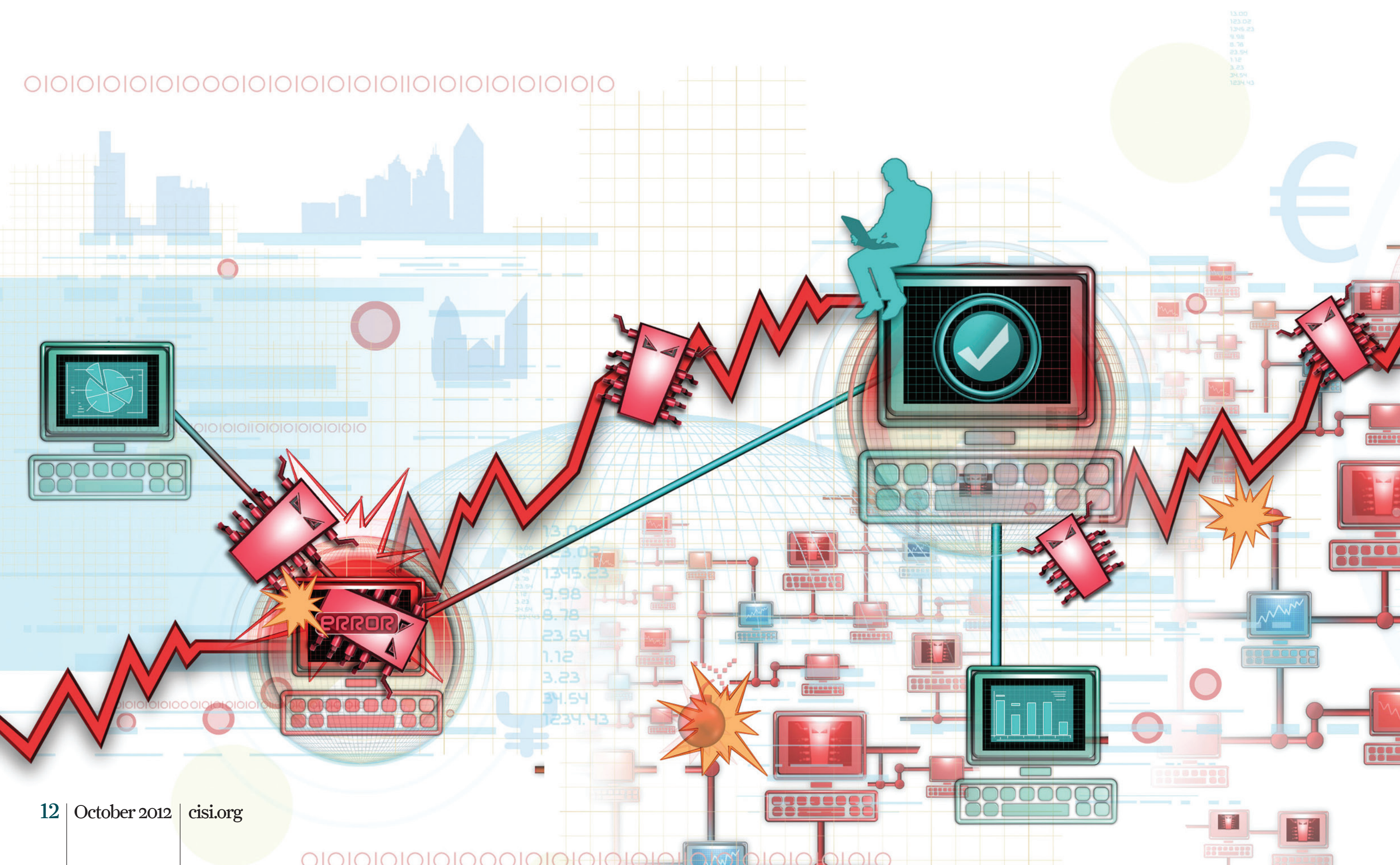
ON 1 AUGUST, US market maker Knight Capital lost $440m in 45 minutes of equities trading. The explanation offered by the firm was that the cause was "related to Knight's installation of trading software and resulted in Knight sending numerous erroneous orders in New York Stock Exchange-listed securities into the market". It declined to comment when approached by the *S&IR*.

"The whole market suffered in a couple of ways," says Joe Saluzzi, co-founder of New York broker Themis Trading. "First, if you were trading through an algorithm whose benchmark was based on price or volume of trades, it would have been skewed, so people got hurt financially. Second, confidence suffers – the concern about an algorithm ripping through the market and increasing systemic risk has to be built into the market."

A couple of months earlier, a single technology glitch hobbled much of the UK's retail-banking operations. The Royal Bank of Scotland (RBS) and its NatWest subsidiary lost the ability to make payments for two weeks; for customers of its Ulster Bank subsidiary, the failure lasted for a month. A malfunction in overnight batch processing, caused by upgrading a system, created a backlog of payments for the bank. RBS expects to pay out £125m in compensation to customers who were unable to access funds as a result of the problems.

Lord Turner, Chairman of the FSA, wrote to Andrew Tyrie MP, Chairman of the Treasury Select Committee, that "various payment facilities [...] also failed to execute, which caused the impact to spread to other banks".

What is remarkable in both of these cases is not the fact that technology went



wrong – that is almost inevitable. The remarkable point is the length of time it took to fix it, and the cost that this incurred.

One in a million

Knight and RBS are not alone in having technology-based problems. On 18 May 2012, many brokers (Knight among them) were the victims of a series of IT glitches during the IPO of Facebook shares on the NASDAQ stock exchange, which prevented traders from knowing their positions. Many bought more shares than they wanted, which then plummeted in value. Swiss investment bank UBS reported a SFr349m (£229m) loss resulting from "the gross mishandling of Facebook's market debut by NASDAQ". Negotiations with the exchange for compensation are ongoing.

In Japan, the Tokyo Stock Exchange has suffered two major outages this year, with a hardware problem taking out derivatives trading for 90 minutes on 7 August; meanwhile, on 2 February, the equity market was knocked out for three-and-a-half hours due to a data-distribution system failing. After the latest error, the CEO took a 30% pay cut for two months, while his operations and IT heads each took the same cut for one month. Between January 2011 and February 2012, payments-systems outages occurred at major Australian retail banks including NAB, Westpac, ANZ and CBA.

These are a handful of high-profile cases that stand out among the multitude of smaller technology failings that litter the world of finance – not to mention those that go unreported. Computerised tools have become an everyday part of business, multiplying and prolonging productivity. But their lack of judgment can mean that their inhuman energy levels can be hugely destructive. A system that enables all payments from a bank can stop them; a platform that automatically buys millions of stocks at the bid can, equally,

> *"Various payment facilities failed to execute, which caused the impact to spread to other banks"*

buy them at the offer (market-monitoring firm Nanex suggested that this was at the root of the Knight fiasco).

"There is a global interdependency – a web of automated systems," says Ed Elgerzawy, Partner at SunGard Financial Systems. "It's almost, 'lights out but everything is still running', which is a recipe for disaster."

Two years ago, research firm Tabb Group estimated that high-frequency electronic trading counted for 38% of European volume and 54% of US volume, and Saluzzi is under no illusions that automated trading is here to stay. But, he says: "We have to ask, 'Is it worth it?' Are the small price improvements and low cost of retail trades worth the systemic risk?"

Biting the bullet

Two groups of people will decide whether these risks are worth the return: regulators and the financial institutions themselves.

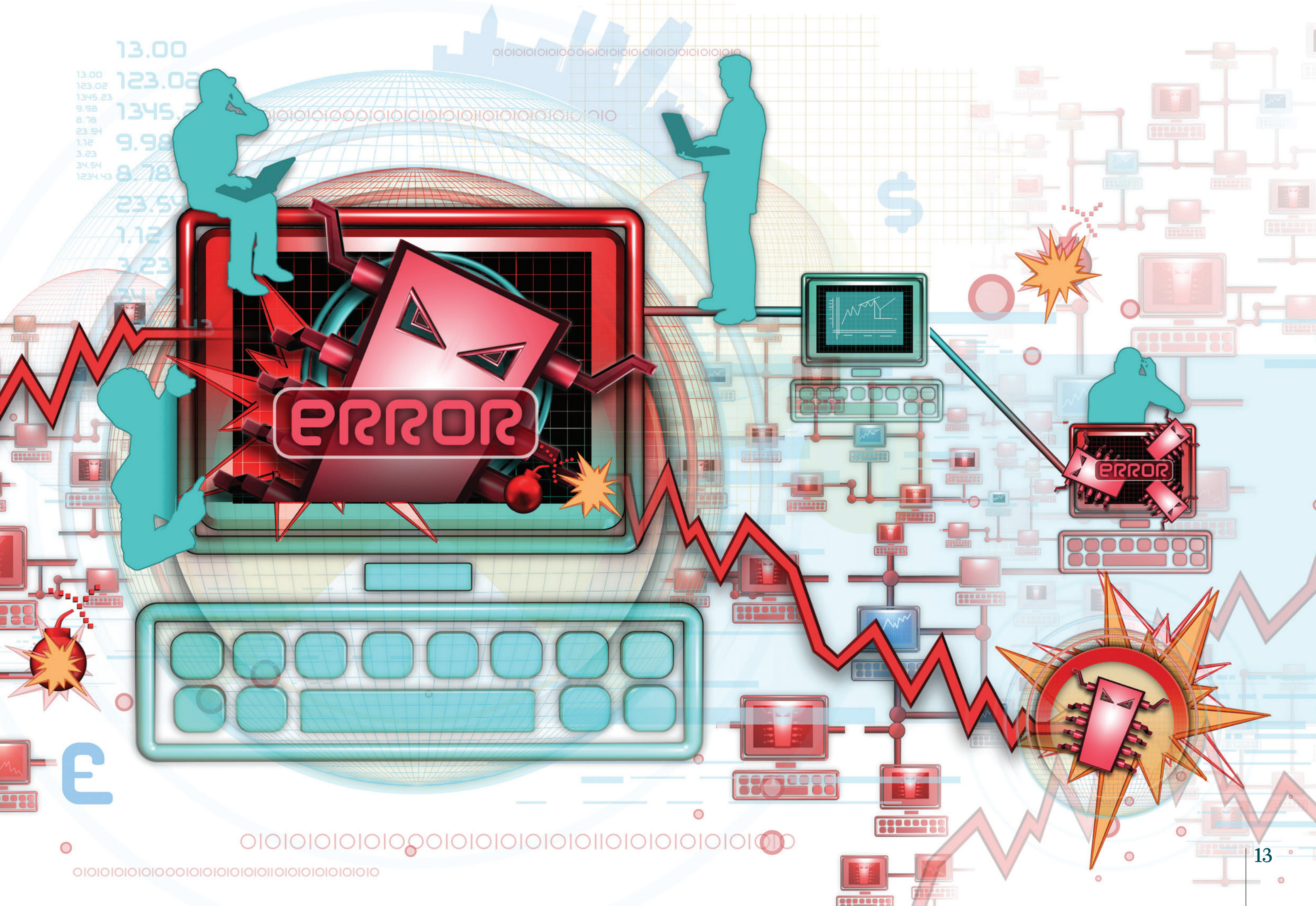
Following Knight's problems, the US market regulator, the Securities and Exchange Commission (SEC), announced that it would hold a round-table discussion on 14 September focused on the design and control of all types of automated market systems. "When these systems do not work as intended," it said in a statement, "the failures can directly harm not only the operator of the system but in some cases a range of other innocent parties."

A spokesperson for the FSA says that it has written to all institutions of a similar size to RBS and requested that they identify the person responsible in case of a similar failure.

In February 2012, the Reserve Bank of Australia launched an informal inquiry into the spate of IT failures in the country's retail banks. The results are expected at the end of this year, with banks required to report significant incidents in their retail-payments operations to the Reserve Bank, according to specified criteria, until then.

This year, in part as a response to the 'flash crash' (the plummeting and rebound of stock values on 6 May 2010 – see box on page 14), regulators, including the European Securities and Markets

Illustration: Flatliner for Debut Art



Authority (ESMA), Hong Kong's regulator the Securities and Futures Commission (SFC) and the Australian Securities and Investment Commission (ASIC), have published guidelines for electronic trading and systems. All three recommend that firms improve technology governance, establish liability for errors and develop some sort of real-time oversight and intervention to prevent erroneous trading. All of these points are established best practice, says Mark Palmer, CEO at Streambase, a software provider that develops complex event-processing technology, which is used to build systems reactive to changing conditions or provide visual presentations of complex data that people can survey in real time. "There has been a palpable shift in attention to software quality issues," he says. "Things on our map right now include better alerting mechanisms and ways of looking at and displaying real-time data." In the case of hardware or software component failure, it has always been thoroughness of testing that provides quality assurance. Identifying liability adds pressure on counterparties to check how their partners are interacting with the market. Jason Scharfman, Managing Partner of Corgentum Consulting, a hedge fund operational-risk consultancy, says that real-time controls are a necessity if problems are to be contained when they do occur. "There should be a series of steps before you get to a level of magnitude in trading," he says. "Nobody wants an after-the-fact message saying that you just bought $100m of stock." Where firms are failing is in piling up system upon system – each new one intended to cope with an immediate problem, but lacking any well-ordered structure and often employing large amounts of third-party expertise. The London Stock Exchange (LSE) migrated to a new trading platform in 2011 after its former platform TradElect, supplied by Accenture and based on the Microsoft.NET platform, experienced a chain of disruptions including one outage lasting more than seven hours in 2008 and another lasting three hours in late 2009. One insider has admitted that the group had outsourced "too much expertise". The new platform was provided by Sri Lanka's MillenniumIT, a firm that LSE subsequently bought, pulling all of the expertise in-house. "The reality is that better monitoring means not just knowing there is a problem, but knowing where it is," says Palmer. "In any one firm there could be dozens of systems that could be the source of a problem." This takes us back to those two figures for the Knight and RBS outages: 45 minutes and one month. People close to the situation say that Knight, aware of its problem, rebooted its system several times during that 45-minute period, but the algorithm kept trading when it restarted. It was the complexity of the system that apparently prevented the cause of the problem being easily identified. Saluzzi concludes that the problems are not technology-based but structural. He is, therefore, less than hopeful about the SEC round table getting to the crux of the issue. "They say that we need new checks and balances, new jobs like risk officer – they're really saying 'Go about your business, folks, there's nothing to see here,'" he says. "What they need to address is the market structure – the interconnected systems; what they did over the past 15 years that created this." ■

"Are price improvements and the low cost of retail trades worth the systemic risk?"

The big one: 2010's 'flash crash', 6 May 2010

- The SEC identified the trigger as an algorithmic 'sell' order from US asset manager Waddell and Reed, which lacked time parameters. Huge volumes of futures contracts were sold in minutes.
- Automated trading systems in the market, which trade according to market price and volume, went haywire.
- The Dow Jones Industrial Average Index fell by 1,000 basis points in a 20-minute window before recovering.

Changes that US regulators introduced following the flash crash:

- Circuit-breakers that halt trading on a stock if its price moves too far within a time window.
- Banned 'naked access' – unregulated non-exchange members trading on exchanges using borrowed broker licences.
- Firms designated as 'large traders' are required to report trades.

A new dawn?

With falling revenues, the continuing eurozone crisis and regulation making it difficult for some banks to restructure, is it still possible to generate the returns shareholders previously enjoyed, or is investment banking now a mature industry? **Piper Terrett** investigates how banks need to reposition themselves for the future

FOUR YEARS ON from the collapse of Lehman Brothers and the government bailout of the Royal Bank of Scotland (RBS) and Lloyds TSB, lenders face pressure to curtail riskier activities and separate retail and investment banking arms. Many banks are shrinking their operations in response to political pressure and dwindling profits.

Deutsche Bank, Germany's biggest lender, is cutting 1,500 jobs at its investment-banking arm after its second-quarter profits for 2012 fell by 63%. At a recent presentation in Frankfurt, Anshu Jain, Deutsche's co-Chief Executive, unveiled sweeping changes to bonuses and a scaling back of its more controversial products – including those in which Jain made his name. Deutsche will also shed €130bn of risk-weighted assets that are "no longer earning their keep".

"To run the investment bank in the same way we have done in the past is simply not an option," Jain said.

RBS, which reported losses of £1.5bn in the first half of 2012, is shedding 3,500 jobs and facing calls from its largest shareholder, the UK Government, to scale back its investment-banking activities. Swiss bank UBS is reducing its fixed-income operations.

Multiple scandals have further damaged the industry's reputation. Barclays' Chief Executive, Bob Diamond, and Chairman Marcus Agius resigned after the bank was fined £290m for its part in the LIBOR scandal. In July, Mexican regulators fined HSBC $27.5m for non-compliance with anti-money laundering controls after the US Senate Committee claimed that the bank provided an outlet for "drug kingpins and rogue nations". More recently, Standard Chartered agreed to pay $350m to the New York State Department of Financial Services to settle charges that it hid $250bn in transactions with Iran. The bank's shares previously traded at a premium due to its reputation for business ethics.

"You think you've got the worst out of the way and then something else comes out of the woodwork," says Paul Mumford MCSI, a fund manager at Cavendish Asset Management. "The whole sector must be regarded as high risk [for investors]."

European banks have not emerged unscathed. Switzerland's biggest private bank, Julius Baer, recently revealed that client data had been compromised for the third time in ten years. German states are thought to have bought the information in an attempt to catch tax evaders. Speaking to Reuters' Breakingviews.com earlier this year, one banker compared banks' investment-banking arms to "nuclear plants", which have to employ expensive staff to deal with "toxic waste".

Diminishing returns

The days of bumper returns may be over. In a recent research note, analysts at Standard & Poor's (S&P) argue that the higher capital requirements demanded under the Basel 2.5 and Basel III regimes represent the "main challenges" to the ability of investment banks to generate sustainable returns above their cost of capital. While the sector is already cutting costs and readjusting balance sheets, S&P says that the regulations add to the pressures banks are already facing, which include tighter conditions in wholesale funding markets, a structural move away from higher-return products following the financial crisis and reduced client activity due to market uncertainty.

Moreover, a report by PricewaterhouseCoopers (PwC) claims that the notion that banks will be able to generate return on equity (ROE) in the mid-teens from now on is "unrealistic and

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The CISI congratulates all those named below on their successful completion of Diploma, CISI Masters (Wealth Management) and Certificate in Private Client Investment Advice & Management (PCIAM) exams in the summer 2012 session. The Diploma and the CISI Masters are postgraduate professional qualifications, internationally recognised and designed to meet the needs of the financial services industry. Completion of these qualifications and PCIAM lead to full Membership (MCSI) and, eventually, individual Chartered status either as a Chartered Member or a Chartered Fellow. All qualifications are recognised as meeting the higher level requirements of the FSA's Retail Distribution Review.

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PCIAM (Apr 2012)

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Damien Crommie MCSI
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PCIAM (May 2012)

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Meriem Cherkaoui
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PCIAM (July 2012)

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Benjamin Allen Distinction
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Harjinder Bhatti
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Sophie Brunner Distinction
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Martin Cuthbert Merit
Arthur Da Gama Merit
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Herve Darthuy
John Davey Distinction
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Patrick Day Distinction
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Portfolio Construction Theory

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Regulation & Compliance

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unjustified". Researchers argue that a bank would have to raise its operating profit after tax by 20%–50% to increase its ROE from 10% to 12%–15%. The report estimates that, even as the cost of equity falls to 8%–10% as balance sheets are strengthened and assets become less risky, ROE will remain depressed in the short term owing to the drag of further asset deflation and weak economic growth. However, PwC forecasts that ROE will eventually recover to a "healthy equilibrium" of 9%–11%.

Many banks have already revised their targets downwards. While head of Barclays, Bob Diamond said in 2011 that he expected the firm to deliver a 13%–15% ROE by 2013. In February 2012, however, Diamond admitted that the bank might miss the target, and new Chief Executive Antony Jenkins now says that his aim is to deliver a ROE merely "above the cost of equity" – about 11.5%.

Gary Greenwood, an analyst at Shore Capital, wrote in a recent research note that he believes investment banking will be a low-return industry in the longer term, given planned regulatory change. And Ian Gordon, a banking analyst at Investec Securities, says: "Areas of equities business are becoming less positive because the revenue pool has reduced and derivatives, for example, have become less attractive." He notes that there is now greater focus by banks on less capital-consumptive areas, although this will change as regulatory goalposts move.

Meanwhile, UK and European banks may see increased competition worldwide, says Jan Luthman, a fund manager at Liontrust Asset Management. He points to a recent *Financial Times* report suggesting that China is stepping up lending activities in the US market. According to data from Dealogic released in August this year, Chinese banks' share of US syndicated lending has risen to 6.1% of the total market so far in 2012, from 5.1% last year.

Furthermore, a survey by recruitment firm Astbury Marsden found that three-fifths of UK bankers expect Asia-Pacific to become the biggest financial services centre in ten years' time; one-fifth of those surveyed believe it will be London. "These and other factors suggest that global competition for UK banks is intensifying, and that equity markets may be over-valuing both the retail and the investment arms of UK-listed banks," says Luthman. Meanwhile, PwC fears that in a knee-jerk response to political pressure, banks risk shutting down sound businesses and disrupting client relationships.

Could the major banks diversify? Swiss bank UBS plans to refocus on wealth management. Interim Chief Executive Sergio P. Ermotti believes the bank's previous strategy of concentrating on two core businesses – the investment arm and the wealth management unit – is no longer viable and that it must target the lower-risk business of selling investment products to high-net-worth clients.

Both UBS and Credit Suisse may have to reduce the size of their investment banks to a greater extent than foreign rivals because of the stricter capital requirements set by Swiss regulators. According to Bloomberg, from 2019 Swiss companies will have to hold total capital worth about 19% of risk-weighted assets, compared with the 10.5% capital ratio demanded by Basel III for global banks.

"You think you've got the worst out of the way and then something else comes out of the woodwork"

Paul Mumford thinks that, in the UK, the FSA's Retail Distribution Review, which could see smaller firms leaving the market due to higher capital requirements, could open up wealth-management opportunities for the big banks. "Wealth management is identified from a regulatory perspective as offering better margins, so if you have critical mass in that area, it's attractive," agrees Ian Gordon.

Scaling back?

However, a wholesale retreat from investment banking looks unlikely. While the returns may be reduced, Gordon believes that the sector still offers better growth prospects than retail and commercial banking.

Luthman notes that it is "interesting" to see Barclays' Antony Jenkins slashing his predecessor's ROE target. "Jenkins claims that he remains 'committed to being a universal bank' – in other words, that the new, modest ROE target of about 11.5% would be for a bank that includes high-risk investment activities."

Retail banking is a mature industry and future regulation could prohibit banks from maintaining the high fees they currently charge customers, such as for approved overdrafts. Some, including the Bank of England's Executive Director Andrew Bailey, are pushing for an end to free current accounts, claiming that the resultant revenue would reduce the likelihood of misselling scandals. Luthman, however, believes that this argument exposes the banks' "flawed business model".

Although Mumford thinks that the UK's IPO market is unlikely to recover soon, he points out that mergers and acquisitions (M&A) could provide business for investment banks. "I think that, because of the attractive prices [in the UK], there will probably be more takeover activity," he says. "Interest rates are so low that it can pay off for companies to borrow. Banks have been unwilling to lend, but [eventually they will be] more willing to do so."

Gordon, however, expects M&A to be subdued. While there may be spare cash on company balance sheets, he says, given the poor economic outlook deals are unlikely to happen. But he believes that investment banking still has more to offer; there will eventually be fewer market participants and many players are now in better shape. "The investment banking model is, out of necessity, adapting quickly," he says. "I do expect a scaling back in material activity but I don't disagree with [PwC's conclusion]. I would make the same comment for banking as a whole – the whole sector is under pressure – and I do think investment banking remains valid."

To survive and grow, the investment banking sector must continue to reduce costs and innovate, given that the economic outlook in Europe is likely to remain gloomy for many years. It also needs to win back the trust of investors and politicians by cleaning up its act.

The banks are already making some headway on these fronts. However, the industry continues to face many regulatory hurdles and investors may have little choice but to become accustomed to lower returns, in the short term at least, as the sector restructures and the global economy recovers. ■

Leading BEHIND THE SCENES

Hugo Cox meets Mike Bodson, President and CEO of the Depository Trust & Clearing Corporation, the man putting data at the heart of the new regulatory landscape in the US

THE FINANCIAL CRISIS precipitated a charge by regulators around the world to collect information about market positions held by major financial firms. Central to the reforms in Europe and the US was the creation of data centres in which this information was collected. If regulators can access the data, the logic goes, they can spot systemic risk in time to deal with the next Lehman well in advance. Data centres are springing up everywhere. Few are as important as the global trade repositories for credit derivatives run by the Depository Trust & Clearing Corporation (DTCC – see box), which is based in New York City. It is the second prong of a co-ordinated risk-management exercise around over-the-counter (OTC) derivatives, which began with central clearing – interposing a giant central underwriting counterparty between all derivatives trades to protect the system in the event that a major bank collapsed again. DTCC's authoritative central record, it was hoped, would go some way to mitigating the risk posed by vast swathes of opaque OTC contracts. Once described by Warren Buffett as "weapons of mass destruction", these instruments' unknown size and uncertain ownership threaten to bring the global economic system to its knees once again.

DTCC

The Depository Trust & Clearing Corporation (DTCC) provides clearing, settlement and information services for almost every instrument in use in global capital markets. These include equities, corporate and municipal bonds, unit investment trusts, government and mortgage-backed securities, money-market instruments and over-the-counter (OTC) derivatives. It also manages transactions between mutual funds, insurance companies and the respective investors of these segments. In the case of OTC derivatives, it has a key role in steering the industry towards central clearing, providing the central data repositories through which regulators can view the exposures of major financial firms and better monitor and control systemic risk. It is owned by its users and administers its work through a range of subsidiaries.

Bird's-eye view

Then, early in the spring of this year, the project appeared to fail its first test. A trader at JPMorgan Chase, nicknamed the 'London Whale', built up an outsized position in synthetic credit derivatives that prompted hedge funds to bet against it. The result was losses for the bank that, by June, were estimated at close to \$5bn. By the time Mike Bodson became President and CEO of DTCC in July, this event had helped place its role firmly in the spotlight. The point of data repositories, surely, was to give regulators a bird's-eye view of major firms' credit risks. The problem, it transpired, was not that the data was not there; it was that it was not used. Regulators, rather than DTCC, were at fault. Sheila Bair, ex-Chair of the US Federal Deposit Insurance Corporation, criticised regulators at the time: "It didn't take a rocket scientist to figure out that credit-default swap indices [to which JPMorgan Chase was exposed] are very thinly traded and heavily dominated by big players," she said. "The data was visible and in the repository," Bodson says of the key JPMorgan Chase positions. He notes that regulators are only starting along the road of understanding how to turn DTCC's massive data repositories into effective instruments in the battle against systemic risk. "These

are new tools and it will be some time before regulators understand how to use them," he says, repeating what sounds like a mantra among data professionals describing the path along which regulators must travel: "It's data, to information, to understanding." Bodson's advice will be crucial in teaching supervisors how better to use the data he collects for them. Here, he reports tentative progress: "In discussions with regulators, we showed them how they can use the data to understand anomalies. But it is not a simple task to get total insight into what is going on." The break that placed Bodson at the heart of post-crisis efforts at greater market transparency very nearly didn't materialise. In 2006, after more than 20 years at Morgan Stanley – a time that included spells working in Tokyo and Hong Kong, as well as his native US – Bodson retired, embarking on what became the most difficult period of his career. "It was very hard because my self-identification was so intertwined with my professional career," he explains. He had developed a deep affinity for the bank, identified heavily with its culture, and beyond its formalised organisational structure he struggled for a sense of direction. "Breaking away from this was a hard process," he says. "After six months, I was very bored and I missed the industry tremendously." The period required him to reconstruct his view of the industry beyond his old firm as he considered a way back in. "You learn that there are many opportunities out there," he says. "The skills that you bring to one role can be transferred." At Morgan Stanley he had served on the DTCC board and had maintained a close relationship with Don Donahue (CEO and President of DTCC before Bodson). Eventually, he re-entered the industry he loves in 2007 to oversee DTCC's business management and strategy. If he came back tougher and wiser, it is just as well. As the US industry works furiously to reach the next deadline – the end of the year – for the migration of key derivatives onto central clearing, the role of DTCC in monitoring exposures has become critical. On both sides of the Atlantic, the shift to derivatives central clearing is fraught with challenges of definition – regulators are still undecided over precisely what a swap is and who counts as a swap dealer – and implementation. Just a week before our interview in mid-September, a key registration deadline was shifted back from October to January 2013. "This is a large-scale global project with definitions that are changing as we speak," Bodson notes. Outsiders observe the bewildering array of US and global regulators on whose co-operation effective implementation relies. "There are multiple jurisdictions, presided over by multiple regulators," he says. With tight implementation timeframes, "the personalities come into play". The shift of data monitoring and asset servicing from the periphery to the core of regulatory and political agendas is certainly gratifying for Bodson, who welcomes the "higher level of comprehension from the political arena through to individual firms".

"These are new tools and it will be some time before regulators understand how to use them"

Learning from the past

He derives a strong sense of personal pride from the importance of his work: "When we come into work, I say the financial markets can't open unless we do; there are not many other people in the industry who can say that." But Bodson counts the cost in sleepless nights. "With greater importance comes greater responsibility. It puts us under higher regulatory scrutiny; we have a more active board than before," he says. It is curious to reflect that perhaps the most formative years of Bodson's career began at the point that he thought it was over. He has found lessons, he says, in the historical biographies that clutter his bedside. "History teaches you how to deal with stress; how to lead; the realities of politics; the follies of man. You learn what made a Churchill – a fantastic leader who had his own personal turmoil – and that great leaders are able to learn from their weaknesses." There will be no shortage of challenges for Bodson to face over the next couple of years as the industry moves towards greater transparency. He will certainly have to make full use of these historical lessons. ■

CV snapshot

2012 – President and CEO, DTCC

2007 – Executive Managing Director, business management and strategy, DTCC

2002 – Global Head, institutional, retail and asset management operations department, Morgan Stanley

1986 – Vice President, fixed-income controllers, Morgan Stanley

1980 – Auditor, PricewaterhouseCoopers

1980 – BA, Business Administration and English, Boston College, US

All that glitters

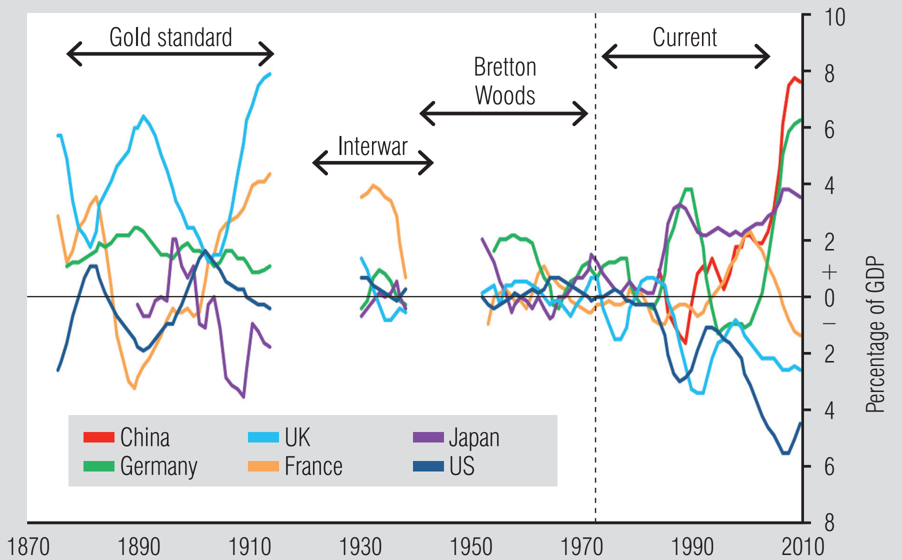
A return to the gold standard would leave the US stuck in the Dark Ages, says **Dan Barnes**

THE PROPOSAL BY the US Republican Party to create a commission that would look into "possible ways to set a fixed value for the dollar", based on the Reagan administration's investigation into re-establishing a gold standard, is being met with a combination of surprise and disbelief. "I suspect that this policy has been supported as a reaction to the perceived excesses of quantitative easing," says Paul Mizen, Professor of Monetary Economics at the University of Nottingham. Under the gold standard, countries connected their supply of currency to the amount of gold they had available. All paper cash was backed by gold and could, in theory, be exchanged at the central bank; in fact, notes printed by the Bank of England still bear the 'promise to pay the bearer' that once represented gold, but now they can only be exchanged for other bank notes. It was a cornerstone of the Bretton Woods Agreement of 1944, where the International Monetary Fund was established to allow convertibility of currencies into the US dollar, which was pegged to gold at $35 an ounce. (The US's expenditure on the Vietnam War pushed it to end the Bretton Woods system in 1971.) The standard developed internationally in the late 1700s and through the 1800s. However, currency was frequently decoupled from gold during this period – particularly in the event of war, such as in the US during the Civil War and in the UK during the Napoleonic Wars. Having any basic standard gives efficiency in trading by allowing prices to be compared and controls the supply of cash; however, tying a currency to a limited amount of gold can lead to problems. "During the Roman Empire, there were periods when it was difficult to get enough silver or gold to go around, causing a liquidity crisis," says Edmund Cannon, Reader in Economics at the University of Bristol. "The idea of using paper or electronic money is that one can create as much money as one needs."

Abandoning gold

The collapse of the gold standard followed a series of wars and subsequent social and economic unrest, which demonstrated the problems that its inflexibility caused. In their December 2011 paper *Reform of the International Monetary and Financial System*, Oliver Bush, Katie Farrant and Michelle Wright of the Bank of England note that the gold standard performed "reasonably well against its financial stability and allocative-efficiency objectives [delivering the resources required by governments], while the internal-balance objective was of secondary importance". However, when internal economic issues, such as unemployment, became the focus of government policy, the gold standard was less successful. This was obvious immediately after World War I and subsequently during the Great Depression. Germany and Britain had dropped the gold standard in 1914. The loss of gold reserves, in the form of war reparations, prevented the German Government from rejoining. Germany quickly discovered the economic challenges that paper money could create: it subsequently suffered from hyperinflation, partly because it spent paper money on overseas currency. This demonstrates one benefit of a gold standard: limiting the amount of paper money in circulation restricts inflation. "You have to prevent the amount of paper money getting out of control," warns Cannon. "The advantage of gold is that it is very difficult to expand the gold supply quickly, so one can't have inflation." However, precisely this feature means that a gold standard can threaten growth under certain circumstances. "The biggest problem with tying the dollar to gold," says Mizen, "is that expansion of credit must match the growth in stocks of physical gold. While this creates a restraint on money growth and inflation, it is potentially very damaging to the real economy if it constrains their ability to finance growth." "Many undertakings that we associate with the modern economy involve having lots of upfront costs," notes Cannon. "If one builds an Olympic stadium, the revenues from ticket sales can arrive years in the future. So one needs to be able to borrow against the future; one needs to be able to create claims against the future." Britain, meanwhile, attempted to re-establish a standard to reassure its creditors but, on 21 September 1931, Philip Snowden, then Chancellor of the Exchequer, finally announced that Britain would leave the gold standard after suffering

Current-account balances*



Sources:* IMF World Economic Outlook *(September 2011), Taylor (2002) and Bank of England calculations

*Five-year moving average

Gold reserves

If the US were to adopt the gold standard, it might lead to internal difficulties, but it should not affect the use of the dollar as a reserve currency, believes Geoffrey Wood, Professor Emeritus of Economics, Faculty of Finance, Cass Business School.

"The advantage of being attached to gold is that it is inflexible," he says. "Sterling was a reserve currency for many years when it was attached to gold, as was the dollar. What puzzles me is why anyone holds a reserve currency in a world of floating exchange rates."

Juan Castañeda, Lecturer in Economics at the University of Buckingham, adds: "US monetary authorities, as far as I know the bigger holders of official reserves in gold – around 25% total – would have to change their portfolio and invest even more in gold in order to maintain the hypothetical new (fixed) parity with gold. As the adoption of the gold standard makes no sense unless it is agreed and approved between the leading economies, the rest of the members of the new hypothetical gold standard would also have to buy more gold."

Castañeda notes that Chinese authorities have already told the US Government that they may diversify their massive portfolio into a basket of currencies (including the currencies of emerging economies), rather than in a single currency – the US dollar. "The effect would be massive for US consumers, investors and the state, "who will have to pay higher interest rates to finance their excess of spending," he says.

large withdrawals of bullion. In a speech to Parliament, he said: "We are securing, at the cost of painful sacrifices, a balanced Budget and our internal position is secure. It is vital for us to maintain that position [...] The world must learn that the existing economic system cannot be maintained if everybody tries simultaneously to liquidate their investments."

> *"The advantage of being attached to gold is that it is inflexible"*

Being free of the gold standard offers governments, institutions and individuals far greater economic freedom, by allowing lending to expand regardless of the supply of physical gold.

Credit where it's due

It was the need for economic flexibility that led to the abolition of the gold standard, which perhaps makes the proposal by the Republican Party to consider reintroducing it all the more strange. The US Census Bureau notes that the deficit in balance of goods and services grew to $42bn in July 2012, up from $41.9bn one month before, while the federal deficit is expected to reach $1.327tn by the end of the year, up from $1.3tn in 2011. This expansion by the Federal Reserve of the amount of money seems to be causing concern among Republicans, according to both Cannon and Mizen.

Removing economic flexibility appears to be one rather blunt method of hampering further expansion. The advantage of paper money is that, in a liquidity crisis, the amount of money in circulation can be increased to match the amount being taken out of the system, whether it is being used for banks' capital reserves or hidden under the mattress by wary individuals. This is the process of quantitative easing (QE) that the US Fed began again in September. Matching the amount being pumped in to the amount being squirrelled away is meant to prevent QE from causing inflation. But the timing is always challenging. "If people become more confident, unless central banks contract the money supply adequately, it will lead to inflation," says Cannon.

QE may be risky. But a return to the gold standard would be riskier. Concerns over QE may have unsettled members of the Republican Party, but the inefficiency of trading based on a limited resource, even with the minor efficiency of using paper notes backed by gold instead of trading with the actual metal, would, Cannon predicts, probably lead Americans and their trading partners to adopt currencies other than dollars. "If one gets a collapse in the money supply, alternative currencies are used or created," he says. "Realistically, if you tried to make everyone in America trade backed by gold, they would either use other currencies or create new ones. There is nothing to stop me trading with euros even though I am in the UK. Other reserve currencies that are considered to be very high quality, such as the Swiss franc, mean that there is always the possibility that if one currency collapses people might start using another." ■

The torrent of EU rule-making continues unabated. Key Investor Information Documents are one part of this. They have been introduced under the UCITS umbrella to make it easier for investors to compare the merits of mutual funds, but they bring with them their own headaches. **Jeremy Thatcher** explains what they are and the challenges they pose for the sector

Keeping IT SIMPLE?

THE DEBATE IN the asset management industry about whether UCITS IV has been a benefit or a burden continues, 15 months after its implementation. Among the main changes brought in by the measures were the introduction of new Key Investor Information Documents (KIIDs) to replace the simplified prospectus.

Key Investor Information

The aim of the simplified prospectus (SP) had been to provide investors with a short document to give pertinent details about a UCITS taken from its prospectus. This objective was not achieved. Some EU member states imposed their own content requirements for the SP, limiting investors' ability to make comparisons between funds. In addition, the nature of the disclosures required in the document meant that, for UCITS with multiple sub-funds and multiple share classes, what was meant to be a short document became a lengthy one. Also, even though the SP was often quite lengthy, detail about the real costs of investing in a fund and the risks of investing were sometimes not clearly identified. They were often drafted using overly complex and confusing language, looked less than customer friendly and more like a technical document, and varied in length, content and layout from provider to provider. Consequently it was felt that many investors failed to read and digest fully (or even read at all) the content of the so-called simplified document. The regulator's response was to replace this with an even simpler version, the KIID. Its purpose is to seek to avoid the problems of the SP by mandating a uniform format to communicate all relevant and pertinent information about a UCITS to investors. It is meant to be more engaging and easier to understand and absorb by the retail investor, and to enhance transparency and comparability through the use of a short and standardised factsheet. The content and length of the KIID is tightly prescribed. In the UK, the FSA ran workshops for providers advocating the use of simple and straightforward language, with a view to providing accessible and uncomplicated documents.

The European Commission engaged with the Committee of European Securities Regulators (CESR) to determine the essential content of the KIID. CESR issued guidance papers in July 2010, consulted on other issues and issued four additional guidance papers in December 2010. These standards covered:

- language used (such as the use of plain English and the length of sentences)
- size (typically double-sided A4) and guidance over type and size of font
- translations (to official EU host state)
- timing (provision before subscription).

CISI student brief

UCITS stands for 'Undertakings for Collective Investments in Transferable Securities'. The original UCITS Directive was approved in 1985 and adopted by the UK in 1989.

A series of UCITS directives have established a set of regulatory standards for open-ended funds across the EU with the aim of facilitating cross-border trade.

Put simply, if a collective fund is set up in accordance with the UCITS rules, it should be able to be sold across the EU, subject only to local tax and marketing laws. So, a UCITS scheme can gain a single authorisation from its home state regulator, and need not apply for further authorisation in other member states before being sold to the public there.

UCITS IV, the most recent UCITS Directive, was approved by the European Parliament in 2009 and largely implemented last year. It repealed previous UCITS directives and introduced a number of key changes, in addition to Key Investor Information Documents. These included:

- simplified cross-border mergers
- simplified notification process and reduced time to market
- the introduction of a framework for master-feeder structures and the introduction of a management company passport.

The KIID must contain:
- objectives and investment policy
- risk and reward profile – the Synthetic Risk & Reward Indicator (SRRI) – using a prescribed methodology and pictorial representation
  - where KIIDs are published for Non UCITS Retail Schemes (NURS), the FSA disallows the inclusion of the SRRI for property funds
- description of costs and charges
  - the Total Expense Ratio (TER) is replaced by an Ongoing Charges Figure (OCF)
- past-performance bar chart
- practical information, including where and how to obtain additional information.

The OCF is broadly similar to the TER. It includes administration and investment management charges, plus other costs of running the fund, such as regulator and auditor fees. However, unlike the TER, the OCF incorporates all custodian fees including transaction costs, but it does not include any performance fee. The performance fee will be published separately on the KIID.

The KIID must be provided in a durable medium, such as hard copy, CD-ROM, or via a website. It must be kept up to date, with changes prior to or following any material change including to the SRRI, in advance of proposed changes, and at least annually.

KIIDs may prove useful for investors, but the general industry view is that the cost of producing them has been substantial, and cross-border distribution benefits are not yet clear.

Implementation

KIIDs must be standalone documents made available for each share class or unit class, including institutional and internal classes. Two or more share/unit classes of the same UCITS can be combined into a single KIID with an explanation, for example, acc and inc units.

Providers had to produce the KIID for all their existing UCITS by 1 July 2012, and for any new UCITS launched after 1 July 2011. Providers wanting to issue KIIDs for NURS may apply to the FSA for a waiver to remove the obligation to provide the simplified prospectus or key features document. Providers offering both UCITS and NURS may be expected to apply for such a waiver.

The obligation is on the distributor to provide the KIID to the investor in good time before subscription (including day-two top-ups and switches) and on the provider to make the KIID available to the distributor on request. There is no exemption of provision – however professional or institutional the investor.

There are some differences in interpretation of provision between regulators. For example, in Britain, the FSA requires provision where a regular subscription (such as by direct debit) is increased, whereas the Irish regulator does not. The FSA also agreed to a request from the Association of Private Client Investment Managers to waive the rule that the KIID must always be provided to customers before the transaction. The FSA has accepted that this is difficult to do when distance communication, such as emails, text messaging, internet-based messaging, post or telephone, is used. It has therefore decided that the KIID can be produced immediately after the transaction. The waiver runs until 30 June 2014 unless withdrawn earlier – for instance, because the Packaged Retail Investment Products (PRIPs) proposals provide otherwise.

> ***The FSA ran workshops for providers advocating the use of simple and straightforward language***

KIIDs have to be provided only for investments in collectives, either directly or via an ISA. The requirement is less clear for SIPPs, which may purchase collectives on the instruction of the investor. KIIDs are not mandatory for investments through a life-fund wrapper, such as a bond or pension. However, as the European Commission's intention is to enforce tighter rules regarding investor information for the whole spectrum of investment products, the KIID might also be used as a template for all future investor communications and disclosure relating to PRIPs.

Challenges

Producing the documents creates a host of problems. Apart from sheer volume of work, there are important conceptual issues to be considered, ranging from how best to implement the synthetic-risk indicators that are a key plank of the information provided, to the day of the week on which performance indicators should be based (which can make a material difference to the outcome for the SRRI).

What about disclosures on, say, financial instruments? What does 'material impact on UCITS' performance' mean with respect to the disclosure of financial instruments in the KIID? The Association of the Luxembourg Fund Industry (alfi.lu) has worked hard through its strong KIID implementation working group to answer common questions such as this. But even this powerful team encounters limits to collective knowledge. On financial instruments, it says: "Practitioners must judge for themselves what this means. Some practitioners have indicated that they intend to apply similar principles as they apply to their compliance monitoring processes, using a numerical threshold to decide whether to disclose the use of a particular type of instrument. In most cases this is likely to be easy in practice, with simple asset class and sector or geographical disclosures." ■

Looking for further information?
The CISI's workbooks provide detailed coverage of European regulation, augmented by Change, *the Institute's quarterly regulatory update. Additionally, the CISI's new European Regulation interest group and various CPD events provide insight into this area. Visit cisi.org for details.*

The CISI will shortly be hosting a symposium on current issues in producing and distributing KIIDs, as part of its CPD programme, in London. For those unable to attend, the Institute welcomes questions from members working at asset managers, management companies, securities service firms, audit and law firms and document and information management firms across Europe. For further information on the symposium, or if you have any questions, please email *nadia.hassan@cisi.org*

Jeremy Thatcher is Fund Strategy Director at Legal & General's Investment Management Research Unit

Crossing the line

Does responsibility for ethical wrongdoing lie with the individual or the organisation, and when should an employee raise concerns?

SCANDALS IN THE banking industry have been with us for years, but a defining feature of most of them was that they were representative of bank policy at that time. In other words, although misselling of precipice bonds or payment protection insurance (PPI) was carried out by individuals and the transaction was between an individual seller and an individual buyer, the introduction and promotion of such instruments represented current policy as a result of a corporate decision to promote the product.

Other, more recent, scandals – such as LIBOR manipulation for corporate, as opposed to individual, benefit and wholesale money laundering in all its forms, whether for individuals or governments – may be seen more obviously as a corporate decision. But even then, the actions giving rise to a corporate offence are carried out by individuals. So the remit of the current Parliamentary Commission on Banking Standards is necessarily wide and includes an investigation into the professional standards and culture of the UK banking sector. It also seeks to identify lessons to be learned about banks' approach to corporate governance, transparency and conflicts of interest. The breadth of the remit, and the number of questions asked in pursuit of it, is expected to produce a large number of responses (including from the CISI), many of which are likely to excoriate both individual and corporate behaviour. Since the CISI is a professional body that is owned by and exists for its members, a question that

we might usefully consider is how frequently we, as individual members, examine the policies of our employers in carrying out our day-to-day work.

Codebreakers

At what point would we feel sufficiently uncomfortable and think it necessary to tell someone if we were asked to take an action that we felt was unethical, or even was at odds with the CISI Code of Conduct? While this may seem an unrealistic expectation, it is a reasonable assumption that a number of those individuals carrying out transactions selling PPI, or participating in the clearing process of foreign-currency transactions originating in global monetary hotspots, were members of a professional body and thus subscribed to its code of conduct. It is equally likely that their employers had a published code of conduct that may have been at odds with the transactions that the employees were diligently undertaking. This raises the question of where the threshold lies: what would cause you to say to your manager that what you were being asked to do was unethical, or even illegal? As a junior employee, you are most likely to suggest that nothing that appears to be your employer's policy will cause you to take any action. But an additional question might then be asked at the other end of the scale: how diligent are decision-makers in considering whether the decisions that they make, particularly regarding the policies of their firm and the products it offers, meet these same standards – their firm's code of conduct or that of their personal professional body? The fact that virtually no major bank has escaped unscathed from the attentions of regulators and legislators in the past few years would suggest that the answer is, at best, "not enough" and, more likely, "never".

What would cause you to say to your manager that what you were being asked to do was unethical, or even illegal?

Shareholder acceptance

What is perhaps surprising is that it has taken so long for us to get to our present position, bearing in mind that the fines paid, and financial settlements reached, by banks without admission of wrongdoing run into billions of US dollars. Given that these payments are made by public companies, it is a concern that shareholders appear to shrug them off as easily as do the banks' managers. The establishment of the parliamentary commission is likely to change that attitude, even if the commission itself makes no draconian recommendations for immediate change (although such a position is, perhaps, unlikely).

The commission, in addition to reviewing how UK banks have arrived at the current unsustainable position, is looking for suggestions for the future. The CISI has proposed two practical steps.

The first is the introduction of an ethics committee, somewhat analogous with the audit committee, but with a preponderance of external members and representation at board level. The remit of the committee would be to give input into the bank's remuneration strategy (as the Remuneration Code requires for risk), and it would produce an annual report to the board (to which it should report) that would include a review of the effectiveness of the bank's ethical policies and their impact on behaviour. The committee should have the power to call for any information it wants about the business, which might include the right to demand a specialist review of certain areas if necessary.

The Institute's second proposal is for a traffic-light system for new product ethics certification. It would require that, as part of the sign-off for any new loan or product, the selling bank should add certification indicating the degree to which the loan or product meets four fundamental ethical principles. To be:

- honest
- open
- transparent
- fair.

This can be simply shown on the marketing material in the form of a red, yellow or green indicator, where green indicates full compliance with the principles.

Overarching the CISI's specific recommendations is a requirement that, if the banking industry wishes to be regarded as professional, it needs to be willing to adopt the acknowledged tenets of professionalism, namely:

- specific entry standards
- a complaints and discipline regime
- demonstrable continuing professional development
- a requirement for ethical behaviour.

The CISI has been advocating this for some time without success. However, it remains optimistic that recommendations will be forthcoming from the commission that will move the industry in this direction. As the Institute has said frequently, if these standards can apply to the retail advice sector, there seems no valid reason for failing to introduce them more widely. ■

Need to read

The latest publications and study aids supporting CISI qualifications

NEW WORKBOOK EDITION

International Introduction to Securities & Investment (Arabic)

This unit – the first to be translated into Arabic by the CISI – provides an introduction to the world of financial services for people working outside the UK. It looks at the economic environment and the participants in the global financial services industry. A new edition (which will apply to exams from 21 August 2012 to 10 January 2014) of the *International Introduction to Securities & Investment (Arabic)* workbook is out now. Topics include:

- financial assets and markets
- equities, bonds and derivatives
- investment funds
- regulation and ethics.

Price: £75

TWO NEW WORKBOOKS AND ELEARNING EDITIONS

Investment Advice Diploma

Derivatives: The aim of this Retail Distribution Review (RDR)-compliant unit is to provide those advising on and/or dealing in derivatives with the knowledge and skills required for their roles.

Securities: This RDR-compliant unit will ensure that candidates can apply the appropriate knowledge and understanding of securities, markets and related functions and administration.

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

NEW WORKBOOK AND ELEARNING EDITION

Operational Risk

The Operational Risk unit provides an ideal introduction to the world of operational risk. It ensures that candidates have an understanding of operational risk as it relates to the needs of operations and administration staff. A new edition of the *Operational Risk* workbook and corresponding elearning product (valid for exams from 21 January 2013) is due out in October and will cover:

- risk basics
- other major risks
- the nature of operational risk
- the causes, consequences and impact of operational-risk events
- operational risks arising in the trade cycle
- the support and control functions
- enterprise risk management (ERM)
- operational risk in the regulatory environment.

Price: £100 for the combined workbook and elearning product

NEW WORKBOOK AND ELEARNING EDITION

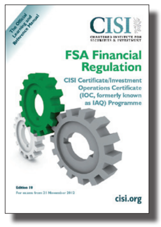
Securities

Securities is part of the CISI's Certificate programme. It aims to ensure that individuals develop a good understanding of the technical aspects of securities so that their employers may seek approved-person status for them to advise and deal in that area. A new edition of the *Securities* workbook and corresponding elearning product (applying to exams from 21 December 2012) is out now and will cover:

- asset classes
- new issues
- primary and secondary markets
- settlement
- special regulatory requirements
- accounting analysis
- risk and reward.

Price: £100 for the combined workbook and elearning product

NEW WORKBOOK AND ELEARNING EDITION



FSA Financial Regulation

The aim of this unit (part of both the Investment Operations Certificate, formerly known as the Investment Administration Qualification, and the Certificate programmes) is to ensure that candidates have an understanding of the regulations and legislation that underpin the financial markets and the conduct of investment business. A new edition of the *FSA Financial Regulation* workbook and corresponding elearning product (covering exams from 21 November 2012 until further notice) is out now. Topics covered include:

- the regulatory environment
- the Financial Services and Markets Act 2000
- the FSA's Conduct of Business Sourcebook/ client assets.

Price: £100 for the combined workbook and elearning product

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

ONLINE TOOL

Professional Refresher

The CISI's Professional Refresher elearning tool now enables you to remain up to date with regulatory issues and changes, maintain compliance and demonstrate continuing learning. The product now consists of more than 40 modules, including:

- anti-money laundering
- corporate actions
- the Foreign Account Tax Compliance Act (FATCA)
- financial crime
- investment principles and risk
- professional taxation
- training and competence
- the UK regulatory structure.

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 receive a number of benefits to thank them for their involvement.

There are currently about 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 at *cisi.org/externalspecialists*

Diary

Events to attend over the coming months

Conferences

23 OCTOBER CISI Training & Competence 2012: T&C Beyond Regulation
America Square Conference Centre,
1 America Square, 17 Crosswall, London EC3

7CITY LEARNING

Discuss the latest issues and strategies with key industry experts, including: Sir David Howard FCSI(Hon), Chairman, Charles Stanley (pictured left); Rachel Donaldson, Senior Policy Associate, Professional Standards Team, Conduct Policy, FSA; Ruth Martin, Managing Director, CISI; Alison Stobbs, Director – HR, Cazenove Capital Management; Sandra Jacobs, Senior Manager Approved Persons, Royal Bank of Scotland; Julia Kirkland, Chartered MCSI, Partner, FSTP
Sponsored by 7City Learning

CISI members can attend this conference for just £200 (non-members £400). For further details, visit *cisi.org*, call +44 20 7645 0680 or email *clientservices@cisi.org*

CONFERENCE SPONSORSHIP
To consider taking up one of the sponsorship or exhibition opportunities at a conference, please contact Fran Murrells on +44 20 7645 0725 or email *fran.murrells@cisi.org*

Branch events

16 OCTOBER Data Protection – an Update
Guernsey: The Old Government House Hotel, St Ann's Place, St Peter Port, Guernsey

19 OCTOBER Annual Dinner
Isle of Man: Mount Murray Hotel, Santon

24 OCTOBER Bank Debt & Regulatory Changes
Jersey: The Royal Yacht, Weighbridge, St Helier, Jersey

9 NOVEMBER Annual Dinner

South Coast: RNLI College, West Quay Road, Poole
Guest speaker: Sir Ranulph Fiennes, explorer

14 NOVEMBER The Middle Office: the Impact of New Regulations and Infrastructures
Bristol & Bath: Barclays Wealth, 40–42 Queen Square, Bristol

15 NOVEMBER Annual Dinner
Manchester & District: The Lowry Hotel, 50 Dearmans Place, Chapel Wharf, Salford, Manchester
Guest speaker: Barry Cryer, comedy writer and performer

15 NOVEMBER Annual Dinner
West Country: Somerset County Cricket Club, The County Ground, Taunton

14 DECEMBER Christmas Drinks Reception
Manchester & District: The Living Room, 80 Deansgate, Manchester

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

Professional courses

Venue: London unless otherwise stated

17 OCTOBER Suitability and Appropriateness: Avoid Misselling £500

18 OCTOBER Investment Principles & Risk (PCIAM)* (Manchester) £300

18 OCTOBER Investment Principles & Risk (IAC)* (Manchester) £500

18/19 OCTOBER Investment Principles & Risk (LSE)* (Manchester) £900

31 OCTOBER Introduction to Financial Markets £500

5 NOVEMBER International Anti-Money Laundering: The True Grit £700

6 NOVEMBER Dealing with the Sanctions Regimes £500

7/8 NOVEMBER Understanding Regulation & Compliance £900

13 NOVEMBER Securities* £500

14 NOVEMBER Essentials of Supervision £500

21 NOVEMBER Pensions and Retirement Planning* £500

28 NOVEMBER Investment Principles & Risk (PCIAM)* £300

28 NOVEMBER Investment Principles & Risk (IAC)* £500

28/29 NOVEMBER Investment Principles & Risk (LSE)* £900

10/11 DECEMBER Derivatives £900**

*This event fulfils the requirements for qualifications gap-fill between existing CISI exams and the new Retail Distribution Review exam standards

**This event fulfils the above criteria and requirements for qualifications gap-fill for CII exams – Advanced Financial Planning Certificate and Fellow/Associate (life and pensions route only)

Member and Fellow discounts

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

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

To book:
cisi.org *clientservices@cisi.org* +44 20 7645 0680

London CPD events

18 OCTOBER Turning Today's Challenges into Opportunities –
Morningstar UK, 1 Olivers Yard, 55–71 City Road, EC1

30 OCTOBER Confidence Accounting – A Revolution in the Making
Standard & Poor's, 20 Canada Square, Canary Wharf, E14

1 NOVEMBER European Telecoms – Standard & Poor's Capital IQ's Outlook for 2013 and Beyond
Standard & Poor's, 20 Canada Square, Canary Wharf, E14

1 NOVEMBER Factor-based Investing with ETFs – Rethinking Asset Allocation and Risk Management
Deutsche Bank, 1 Great Winchester Street, EC2

7 NOVEMBER Exchange-traded Options Come of Age
America Square Conference Centre, 1 America Square, 17 Crosswall, EC3

8 NOVEMBER Risk Horizons 2013
Willis Ltd, 51 Lime Street, EC3

13 NOVEMBER Alternative Investment Fund Managers Directive
Speechly Bircham, 6 New Street Square, EC4

15 NOVEMBER 2012 US Election and Global Market Trends
America Square Conference Centre, 1 America Square, 17 Crosswall, EC3

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

To book:
cisi.org/eventscal *clientservices@cisi.org* +44 20 7645 0680

Professional forums

Is there money in ethical finance?

Dr Natalie Schoon ACSI

In the past ten years, the Co-operative Bank has withheld more than £1.2bn of funding to business activities that its customers have said are unethical. With customers becoming more attuned to ethical issues, could this be a growing trend? Does trading ethically generate a sustainable return?

This topical subject will be debated by the CISI's Islamic finance forum this month, in conjunction with the Institute's wealth management forum and the Institute of Islamic Banking and Insurance (IIBI). Speaking at the event will be Dr Natalie Schoon ACSI, Islamic finance consultant. Natalie said: "I am looking forward to the debate. Ethical finance is a growing area of finance and has a significant overlap with the principles of Islamic finance."

Christopher Jones-Warner, Chartered FCSI, will chair the debate, which will offer an opportunity for the audience to participate.

This event is free to full CISI members. Student members can attend one Islamic finance forum per year. The details of the event are:

30 October
12.30pm–2pm *(a light lunch will be served 12.30pm–1pm)*
Venue: Travers Smith, 10 Snow Hill, London EC1A 2AL

To book your place at this event, or to join the 250 members already signed up to the mailing list of the Islamic finance forum, please email *islamicfinanceforum@cisi.org*

The Islamic finance forum is one of seven forums run by the CISI. The others cover compliance, corporate finance, financial technology, operations, risk and wealth management. Each meets in London at least once per quarter to debate current issues and hear presentations from industry speakers. Events are generally held at midday, with a light lunch provided and opportunities to network. *For information about forthcoming meetings, visit cisi.org/pf*

CHARITY

Rafting challenge making waves

The CISI Events team ran a rafting challenge on the Olympic white-water course at Lee Valley, Hertfordshire in aid of Merlin, a humanitarian charity. The nine-strong team raised more than £2,000.

Next summer, to tie in with Merlin's 20th anniversary, they are planning to climb Toubkal, the highest peak in the Arab world. See *cisi.org/merlin*

AFFILIATIONS

New Corporate Supporter

Chase Belgrave, an independent financial advisory firm, has become the first ever CISI Affiliate Corporate Supporter in Switzerland.

Headquartered in Zurich, Chase Belgrave will, under the agreement, endorse the CISI Code of Conduct, link employee career progress to Institute qualifications where appropriate, and support staff to take CISI exams and engage in CPD.

Membership admissions and upgrades

MCSI
Abu Dhabi Investment Company
Muhammad Saleemi
Adam & Co
Doug Heron
ADM
Guy Masson
AFH Financial Services
Arash Nasri
Alchemy
Richard Edwards
Arbuthnot Latham
Gregory Perdon
Bank of New York
Alexandra Dick
Barclays
Lara Babic
Julian Cooper
Karl Craig
Ross Cullen
Samuel Fay
Deborah Fenn
Vickie Griffin
Benjamin Gulliford
Jeffrey Hodgetts
Mark Holloway
Babor Hussain
Neil John Lewis
Douglas Lockhart
David Needham
Laurence Patmore
Robert Record
Alex Ringham
Paul Shaw
Richard Smith
David Vernon
Matthew Wotton
Bestinvest
Jonathan Moon
Bloomsbury
Jason Butler
Brewin Dolphin
Brian Paul James
Brooks Macdonald
Pamela Beith
Michael Divers
Nicholas Holmes
Richard Jones
Budge & Co
Andrew Sheffield
CFA Institute
Usman Hayat
Capital Market Authority of the Kingdom of Saudi Arabia
Abdulsattar Alruwaili
Clariden Leu
Shazil Lone
Clean Energy Capital
Peter Hindle-Marsh
Coutts
Michael Archer
Paul Kilminster
Giuseppe Lucignano
CPL
Luke Anusionwu
Credit Suisse
Wing Yan Ng
Dania for Shares
Manjula Mathew
Depository Trust & Clearing Corporation
Michael Turner
Deutsche Bank
Suzanne Spink
Dixcart
Julie Thomas
Ernst & Young
Christos Kotsis
Fairbairn Private Bank
Alison Kirk
Fyshe Horton Finney
Parul Mehta
HB Markets
Andrew Coveney
Hedley & Co
Timothy Candler
Holman Fenwick Willan
Filip Koscielecki
HSBC
Vladimir Astakhov
Richard Betts
Harry Catchpole
Rupert Cecil
Stuart Chapell
Anatoly Crachilov
Elena Lileeva
Jonathan Neophytou
Nathalie Otte
Mark Patterson
Christopher Read
Nicholas Reid
Thomas Santa-Olalla
Patrick Silva Santos
Christo Scott
Fiona Sheerin
Derek Stafford
Malini Varma
Paul Wenden
Robin Wright
IM Asset Management
Amarjit Bansal
Killik
David Baldry
Kinetic Partners
Malin Nilsson
KPMG Fakhro
Bader Fakhro
Lloyds Bank
Alasdair Goddard
Maria Kalli
Maria Kalli
Meltemi
Sikander Khan
Merrill Lynch
Maxime Burger
Lee Cooper
Sherifa Edlund
Jonathan Goodale
Rajiv Gupta
Daniel Hall
Amy Howlett
Laurent Jacquemin
Johannes Jooste
Lance Peltz
Rowen Pestana
Christopher Pinsent
William Richardson
Mark Tuinman
MTC Learning
Junaid Mahesar
Newton Investment Management
Julie-Ann Ashcroft
Jonathan Bell
Edward Binks
Catriona Blackwell
Carol Clark
Giles Drinkall
Ian Enslin
John Ewen
Paul Flood
John Hair
Robert Hay
Clare Huijnen
June Jessop
Adam Joy
Graeme Kemsley
Oliver Larminie
Mark Mahood
Simon Nichols
Simon Pryke
Bhavin Shah
Robert Stewart
Caroline Tye
Northern Trust
Nitish Rao Nowjee
OCBC Bank
Vineet Ganesh
Premier Asset Management
Frederick Fulcher
PricewaterhouseCoopers
Aaron Caplan
Principal Investment Management
Christopher Brocklehurst
Raymond James
Anthony Christodoulou
Wayne Hayhurst
Redmayne-Bentley
Michael Coppeard
Rothschild
Dominic Epton
Jonathan Gordon
Royal Bank of Scotland
Olusegun Bankole
Saltus Partners
David Cooke

Membership admissions and upgrades

Schneider Trading Associates
Ronald Riddle
Schroders
Julian Winser
Seven Investment Management
Steven Allan
Stephen Fenton
Stockdale Asset Management
Keith Stockdale
Tamsel
Jamie Coleman
TY Danjuma Family Office
Zhiling Pang
Williams de Broë
Patrick Barton
Nicolette Brown
Andrew Hobson
Simon Lapthorne
Jamie Ward
Rebecca Williams
Others
Francis Abejide
Hilary Aldridge
Fahad Ali
Asya Askerkhanova
Hammam Bahareth
Allen Chilten
Simon Debney
Andra Iliescu
Sameer Khan
Temitayo Saheed Olayinka
Oluseun Olukanmi
Josceline Percy
Alexandros Severis
Xiaodong Shu
Xiaoxi Zhang

ACSI
ABC International Bank
Grace Ogedengbe
ABN AMRO
Sarah Minier
ADM Investor Services
Hanne Bell
Charles A Branch
Craig Clewer
Darran Crombie
Ginny Ensignia
Marie Ensignia
George Fossett
Alasdair Fraser
David Fraser
Anne Free
Dean Gainsley
Mark Greenaway
Thomas Grimwood
Robert Head
Christopher Hewitt
Roland Hogg
Howard Jenkins
Evren Kashif
Paul Kenton
Peter King
Anthony Leek
Nicholas Littlebury
Charles Meyrick
Dzmitry Niadzvetski
Simon Page
Benjamin Probert
David Rawlings
Colin Ringrose
Antonino Scuderi
Mark Shaer
Benjamin Smith
Charlie Soraghan
Leslie Spence-Scarborough
Karen Taylor
Edward Tofpik
Melanie Trim
Matthew Ward
Mark Warner
Paul Wheeler
Philip Wilson
John Wilton
Louise Yarnold
Hui Zhao
Mark Ziepe
Argyll Investment Services
Oliver Horton
Arjent
Shahed Salahuddin
Ashcourt Rowan
Sarah Bourgein
Baker Tilly
Stephen Findlay
Bank of London and the Middle East
Harith Mohamad Rom
Barclays
Robert Agnew
Thomas Berresford
Patrick Dennien
Alexander Duncan
James Lord
Greta Paa-Kerner
Nigel Parker
Mark Smith
Nikolaos Spyridis
Marcus Whawell
Bestinvest
Sara Allan
Henry Robinson
Matthew Tyrie
BNP Paribas
Rachell Cooper
Sarah Monk
Robert Rooth
Brewin Dolphin
Abigail Bolt
Greig McNeill
Peter Milne
Pascual Rykaart
Rosemary Shannon
CACEIS Canada
Reead Rahamut
Canterbury Christ Church University
Suzanne O'Brien
CCL
Barry O'Brien
Charles Stanley
James Barker
Raewyn Ellingham
Church House Investments
Jonathan Howland
Citibank
Ali Vedat Dicleli
City Asset Management
Hilary Coghill
Clariden Leu
Jonathan Acott
Natalie Hill
Aikaterini Kossaridou
Collins Sarri Statham
Nicholas Eastham
James Holloway
Thomas Pattenden
Coutts
Jonathan Perham
EFG Private Bank
Andreas Matopoulos
Brigitte Reech
Jessie Scott
Eva Sheppard
Edwin Tuck-Sherman
Parimal Vandra
Everys Solicitors
Nikolas Christopher Barnes
Stephen Mahony
Fleet Street Publications
Simon Caufield
Fletcher Welsh
Nicholas Welsh
Fyshe Horton Finney
Clive Eric Hodgson
Guernsey Financial Services Commission
Amanda De Carteret
Harmonic Fund Services
Ilona Pylypenko
HB Markets
Jack Bennett
Heney Spain Investments
Thomas Spain
HSBC
Edward Gledhill
Graeme Justham
John Kent
Matthew Stockwell
Timothy Watkin
Norah Zitouni
ICICI Bank
Akash Bhandari
Ruchi Trehan
Investec
Kelly White
JM Finn
Alexis Monoogian
JN Financial
David Lawrance
Jupiter
Christopher Richards
KA Vaidyalingan
Kollengode Anantha Vaidyalingan
Lloyds TSB
Lucy Barton
Antony Ellison
Barnabas Reynolds
M&G
Jennifer Kent
Menostar
Tatiana Soumilova
Merrill Lynch
Constance Hale
Mizrahi Tefahot Bank
Erez Frisch
Morgan Stanley
Padear Deviney
Munjal Kiriu Industries
Binod Mandal
Musbury Consultants
Thomas Gregory
Newton
Georgios Allamanis
Sarah Cullen
Ben Ward
NW Brown
Charles Lyon
Odey Wealth Management
Adrian Norman
Omega Consulting Solutions
Angela Winchester
Optiva Securities
James Hart
P Badetia & Associates
Purushottam Badetia
Peninsula Asset Management
Adesoji Adedokun
Peterhouse
Heena Karani
Fungai Ndoro
Eran Zucker
Piraeus Bank
Marios Loizides
Praemium
Rebecca Pitts
PricewaterhouseCoopers
Tendayi Jena
Principal Investment Management
Barry Cowen
James Alexander Davi Mercier
Quilter
Amanda Hannafin
Jonathan Holmes
Henry Leach
Oliver Robson
Jade Ross
Eleanor Smith
Tom Stone
Rathbone
James Pettit
Elizabeth Savage
Redmayne-Bentley
Rebecca Albans
Nicholas Bettison
Adam Gibson
Mary Higgins
Philip Strong
Royal Bank of Canada
Steven Mills
Royal Bank of Scotland
Neil Roper
Royal Mail
Yvonne Eruteya
Sand Aire
Charles Peacock
Michael Zacharia
Sanderson
Peter Holt
Seneca Partners
Thomas Battersby
Sergratis
Sergius Flavian Dass
Seven Investment Management
David Carroll
Seymour Pierce
John Saunders
SG Hambros Bank
Aleem Jetha
William Jones
Shareserve
Balbir Banga
Smith & Williamson
Dermot Mahony
James Vincent
Société Générale
Dalibor Techlovsky
Spearpoint
Michelle Pearce
Spire Europe
Jonathan Tullett
Spraying System India
Guruprasad Varadarajan
Standard Bank
Jingjing Shi
Standard Chartered Bank
Paramvir Bhatti
State Street Bank & Trust
Stewart Mccann
Tamac
Christopher Thome
Taylor Young Investment Management
Harveer Mata
University of Ulster
John O'Connor
Victoria Capital
Phillip Russell
Walker Crips
Christopher Bethell
Edward Franklin
WH Ireland
Philip Mayo
Williams de Broë
Emma Coe
Others
Ibukun Adebayo
Antypas Asfour
John Daniel
John Goodall
Benjamin John Haymer
Stewart Kidson
Elena Stoeva
Juliet-Fritha Wale

Chartered FCSI
Armstrong
Keith Robertson
Artemis
Mark Scott
Barclays
Robert Blackman
Brewin Dolphin
Peter Cooke
Carl Hulland
Richard Morley
Charles Stanley
Benjamin Mackie
Philip Norman-Butler
Adam Page
Matthew Pond
Gareth Pritchard
Collins Stewart
Patrick McConnell
Compliance Consultants
Tracy Verdon
Fairbairn Private Bank
Gordon Crowe
Goldman Sachs
Jacqueline Wong
Hargreave Hale
Siddarth Chand Lall
Paul Langford
Sharon Priest
Intrinsic Value Investors
Graeme Hastings
Investec
Andrew Grimes
Sarfraz Hafeji
Charles Hawkins
Kelso Place
Charles Bodie
Merrill Lynch
Robert Price
Novatis
Frank Dolan
Psigma
Rupert Stone
Quilter
Mark Stone
Standard Chartered Bank
Jennifer Mayhew
Voicecash Bank
Alex Bustos-Baez
Others
Samuel Ely
Fraser Holmes

Chartered MCSI
1st Port
Nicholas Palmer
Access Bank
Hugh Castle
Barclays
Michael Forrest
Bestinvest
Jeannette Cottrell
Brewin Dolphin
Kate Drewell
Roderick Fraser
Samuel Sneyd
Charles Stanley
Matthew Dickinson
Giles McKean
Collins Stewart
Kamal Haria
Credit Suisse
Celina Maria Trevisan
Deutsche Bank
Kimberley Nelson
HSBC
Nicholas Cliffe
Inti International College Subang
Lee Mei Tan
Investment Funds Direct
Lee Hissey
KPMG
Jia Rui Foo
KRBL
Anne Lindsay
Quilter
Edward Lummis
Russian Commercial Bank
Elio Conserva
WH Ireland
Andrew Hough-Smith
Andrew Jones
Others
Alex Jarman
Kaminda Karunanayake

This list includes membership admissions and upgrades from 13 July to 30 August 2012

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

Gordon, left, pictured on a call-out in snowy Wellingborough, Northamptonshire, last winter. He is shown with fellow volunteer Mark Solesbury

Call of duty

The owners of four-wheel-drive vehicles get a lot of bad press, but Gordon Brown ACSI is doing his best to repair that image. **Lora Benson** reports

Gordon Brown ACSI

WITH WINTER ON the horizon, Gordon Brown ACSI is gearing up for his busiest time of the year as a volunteer for a 4x4 vehicle response network.

The nationwide charitable network comprises highly skilled 4x4 drivers who provide a transport lifeline for communities during extreme conditions such as snow, flooding or gales.

Gordon has been involved with the service since 2009 and is a member of both its Northamptonshire and Cambridgeshire groups. He says: "I get a great deal of satisfaction from knowing that I can assist people who are stranded or in need of urgent help."

Alongside his role as Senior Compliance Manager for north London-based Kyte Group, which provides clearing and settlement services to traders, Gordon is on regular standby to respond to incidents in his sturdy Land Rover Defender.

To qualify for the role, he has not only passed an advanced-driving test, achieving a gold award, but has undergone training in rescue procedures, first aid and navigation skills.

He says: "We have regular training and team-building events, and at the last weekend session we were given the task of rebuilding a bridge over a stream using basic tools and logs. The bridge was completed successfully and it was duly tested by driving my vehicle across it.

"Larger exercises are undertaken with the local council and other emergency services so that we, and they, can learn our respective skills and operating procedures. This ensures that, in the event of a real-life emergency, we can work together effectively."

Typical jobs for volunteers include ferrying nurses on house calls to remote areas, bringing key medical staff to hospital and delivering medication to hospices when roads are impassable to all but the hardiest 4x4 vehicles.

Last winter, Gordon even got a call to provide transport for essential home healthcare visits in a neighbouring county, Lincolnshire. Following heavy snowfall, more support was needed for the area than was available locally.

"Being out on the road in bad weather obviously has its risks and, while we are experienced in driving in conditions such as snow and flooding, you can never be sure what other road users might do. You have to be prepared and expect the unexpected.

> *"I ended up on the local news programme, which was exciting and nerve-wracking"*

"A lot of our jobs are fairly routine, so the ability to keep yourself amused while waiting between tasks helps," he says, "as does having a good sense of humour. When you're up to your ears in snow, mud or water, you really can't take yourself too seriously. That said, we need to be very professional about what we do, as people rely on us."

To cope with a range of eventualities, volunteers carry everything from two-way radios, first-aid kits, tow-ropes and shovels to blankets, torches, maps and compasses in case of problems with their vehicle sat-nav.

Gordon says his most unusual call-out was last February. He had to help with meals-on-wheels deliveries to older people in Northamptonshire when the county ground to a halt due to snow and ice. "The BBC was interested in the story and a cameraman travelled in the vehicle with me and the ladies who normally make the deliveries. I ended up on the local news programme, *Look East*, which was exciting and nerve-wracking – not to mention a little embarrassing."

Outside his 4x4 response duties, Gordon, who moved into financial services in 2004 after being made redundant by bus company Stagecoach, is passionate about off-road motorcycling. He also enjoys canal restoration and has worked with voluntary groups to maintain and improve waterways across the country.

His sharing of a name with a certain ex-Prime Minister and Chancellor causes the odd raised eyebrow from clients and colleagues. It has also been a point of nationwide interest: Gordon has appeared on Channel 4's *Big Breakfast* and BBC2's *Working Lunch* around Budget day to give his comments.

He says: "It's normally my colleagues who have to put up with remarks about my name, as often they'll be speaking to a client and I'll hear them say 'Gordon Brown's the person you need to speak to... Yes, we know... No, not that one...'"

NORTHANTS 4X4 RESPONSE

Further information:
4x4response.info
northants4x4.com
bhc4x4response.org

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