The City of London has opened its gates to China  page 12
Is Bespoke Investment Management the future or the past?

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Features
12 CHINA IN YOUR LAND
As Chinese banks set up shop in the City, Beth Holmes examines the impact of relaxed capital controls

16 LOST PROPERTY
The regulator is concerned that the UK’s record keeping is not up to scratch. Chris Alkan reports

20 IN THE NAME OF RESEARCH
Investment managers may have to change their charging structure. Do the latest proposals go far enough? Rob Haynes investigates

Members’ features
22 CPD: CRIME WATCH
Online crime is becoming the hottest of hot topics among finance firms

24 ETHICS AND THE CITY
How ethical thinking among City leaders has changed since 2007

26 NEED TO READ
Catch up with this month’s essential reading

27 DIARY
CISI events and admissions

30 PEOPLE: SWEDISH SUCCESS
James Hedley, Chartered FCSI is a consul to Sweden

Regulars
5 CITY VIEW
The regulator targets only firms, and not senior employees

6 UPFRONT
News and views from members of the CISI

11 FIRST PERSON
Christopher Adams makes some predictions for the year ahead

18 PROFILE: SIR WIN BISHOFF
The S&IR speaks to the Lloyds Banking Group Chairman about his life and work

Contents
Time for Change?

Are you a qualified retail investment adviser with a transferable client base? Would you like to work for a small independent stockbroking firm? If your answers are yes, please write to or call:

Neil Badger
Dowgate Capital Stockbrokers Limited
Talisman House
Jubilee Walk
Three Bridges
Crawley, West Sussex
RH10 1LQ

Tel: 01293 517744
Email: neil.badger@dowgate.co.uk

Dowgate has been in business for over 22 years. We completed a management buy out in 2011 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.

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Bank fines are getting bigger – but there is still no recourse to management. Why should shareholders alone pay for corporate misdeeds?

In the line of fire

IN THE WAKE of the financial crisis, the Government and regulators came in for criticism from the public for not being tough enough, on the banks in particular. Following this wave of justifiable moral outrage at the perceived unpunished errors, omissions and excesses at these institutions, fines handed out by the Financial Services Authority (FSA), forerunner to the Financial Conduct Authority (FCA), totalled more than £400m in 2012/13. The top ten fines handed out by the Securities and Exchange Commission in the US add up to more than $40bn.

Job done, the UK regulator might say – you asked us to be tough and, look, we are being tough. There is one problem and it’s not an inconsiderable irony. It is that companies are being fined and not individual employees, past or present.

So it is the shareholders alone who suffer the financial penalties – to date no senior individual at any large bank has been charged, fined or imprisoned. One or two have been forced out of their jobs, but typically they keep the majority of their contractual entitlements as if they had been good employees.

The cost of doing business

As the vast majority of the shareholders – through their pension pots and insurance policies – are also the outraged public, it could be argued that they have shot themselves in the foot. It also begs the question why no senior individuals have been punished, not just legally but financially.

That co-operative attitude changes dramatically when people are being pursued as individuals. Indemnity insurance kicks in and the insurer’s lawyers will resist any financial penalty at all costs.

The investing institutions that look after billions on behalf of the public often seek to differentiate themselves on the strength of their corporate governance lobbying, but they have been relatively quiet on this point to date. A cynic might suggest that they are scared of the impact that incurring the regulator’s wrath might have on their own business. A more forgivable reason might be the desire to stick with the incumbent management for their perceived skills, despite their transgressions, rather than forcing them out and starting again with less well known quantities.

Pursuing senior managers has simply proven too costly and difficult

The Kay Review and established by some of the UK’s biggest shareholders with the intention of uniting, and thereby strengthening, their voice on corporate governance. The Investment Forum should be urged to take up this point with its investee companies, the regulator and the Government. It should seek not only to improve corporate governance to minimise the possibility of repeat scandals, but also to focus on the appropriateness of fining the companies and not the individuals involved.

Signed into law

There is another initiative that may focus the minds of senior management on what is happening in their area of control. The FCA is increasingly asking individuals in senior control functions to sign ‘attestations’ – requests from the FCA to that individual to confirm that they personally guarantee that their area of responsibility is conforming to all the appropriate rules. While not legally obliged to sign, declining to do so might put you in a rather awkward position. Attestations should be helpful in nudging senior managers into thinking beyond mere compliance – and, it is hoped, in time will wean the regulator off the easy money from shareholder-paid fines.
**Upfront** News and views from the CISI

**RISK AND COMPLIANCE HONOURS**

**Awards made at Annual Dinner**

Congratulations to Kerry Anyim and Natalie Howman ACSI - the first winners of awards launched by two CISI professional forums to celebrate the achievements of industry practitioners.

Kerry secured the annual Risk Professional Award while Natalie triumphed in the category for the compliance sector.

CISI members were invited to nominate candidates for the awards and the winners were then selected by the relevant forum committee.

Kerry, Head of Operational Risk at Schroders in London, was nominated by Sophie Dupre ACSI, from Barings. She was described as “a talented, hands-on, hard-working risk manager with a brilliant career ahead of her”.

Responding to her award, Kerry said: “I look to bring enthusiasm and a positive attitude to my job. It’s a role in which you need to be able to make difficult decisions under pressure, prioritising those risks of greatest importance.”

A Compliance Officer at Vartan & Son in Peterborough, Natalie was put forward for recognition by the firm’s CEO, Andrew Vartan, Chartered FCSI. He said: “She is extremely hard-working and fully deserves recognition from her peers for all that she does.”

Natalie said: “I work closely with my colleagues to communicate as clearly and simply as possible the need to comply with our regulatory requirements. It can be a tough challenge and it helps to have a good sense of humour.”

They received their prizes at the CISI’s London Annual Dinner. The presentations were made by CISI Chairman Alan Yarrow, Chartered FCSI(Hon).

**Events**

**Knockout fundraising success for South Coast**

Frank Bruno at the South Coast annual dinner with Katie Piper and South Coast President Peter Bell, Chartered FCSI

With former boxer Frank Bruno as guest speaker, the annual dinner of the CISI’s South Coast branch packed a £20,872 fundraising punch.

It is believed that this was the largest amount ever raised at a CISI branch annual dinner. The event was held in aid of the Katie Piper Foundation, a charity set up to make it easier for people to live with burns and scars.

Among 150 guests at the dinner, held at the RNLI College in Poole, was the charity’s founder Katie Piper, who rebuilt her life following an attack in 2008 in which sulphuric acid was thrown in her face. She spoke at the event about the work of the foundation.

Money was raised from a prize draw with an additional £800 generated by auctioning a boxing glove signed by Frank Bruno. Tickets for the dinner sold out in record time. Sponsoring the event were ETF Securities, Invesco Perpetual, J.P. Morgan Asset Management, Fidelity Investment Managers and Liontrust.

Entertainer Nicholas Parsons, Chairman of BBC Radio 4’s Just a Minute comedy show, was guest speaker at the annual dinner of the CISI’s Manchester & District branch. The event, hosted at the Lowry Hotel in Manchester, attracted 85 guests and nearly £1,100 was raised from the evening for MedEquip4Kids, a charity that works across the north of England to provide paediatric medical equipment and facilities for hospitals and community health teams.

The event was sponsored by M&G, Aviva Investors, Invesco Perpetual, Liontrust, ETF Securities and Schroders.

Michael Portillo, inset, speaking at the dinner

Portillo rouses the crowd

Michael Portillo, journalist, broadcaster and former Cabinet minister, was guest speaker at the CISI London Annual Dinner, the Institute’s premier social event of the year.

The event, at Plaisterers’ Hall in the City of London, was attended by 270 guests.

A collection was made for the Salmon Youth Group after a thought-provoking speech from its Director, Sam Adofo, and a total of £1,786 was raised which will go towards helping young people in Bermondsey and Southwark. The evening was sponsored by BNP Paribas.
£41,322 The amount raised for charity at 14 CISI members’ dinners around the UK in 2013

PROFESSIONALISM

CPD scheme revised for 2014

The New Year heralds changes to the Institute’s continuing professional development (CPD) scheme that will benefit members. CISI Managing Director Ruth Martin explains

“In the last survey of CISI members, more than 80% of respondents expressed the view that CPD should be mandated across the financial services sector. The conclusion that the CISI has drawn is that, across the industry, practitioners are undertaking CPD to ensure that they progress in their career and maintain their professionalism, for their clients, their firms and the industry as a whole.

“The CISI has always recognised that competence is a feature of the regulatory environment but the Retail Distribution Review (RDR) makes CPD content a regulated matter. The CISI has, therefore, taken steps to make it even more straightforward to measure, monitor and record relevant CPD irrespective of whether individuals are working within the RDR regime.

“The CISI’s current CPD scheme has been established for a number of years and has evolved to meet the industry’s changing needs. This will continue in 2014 as the CISI revises its current CISI CPD scheme to align it more closely with the requirements of the RDR, particularly giving maximum flexibility regarding the kind of learning undertaken, but expecting greater attention to what is actually being learned (the learning outcomes), using structured and unstructured learning. The changes, which include a transitional year, will be rolled out from this month.

“For members not affected by the RDR, the main change from the current CISI scheme is a move away from the categories of Active, Reflective and Self-Directed learning to Structured and Unstructured learning, the latter comprising up to 14 hours with considerable elasticity to include ‘soft skills’ as well as technical updating but with a greater focus on learning objectives and outcomes.

“The CISI is retaining the Development of Others category as a requirement for Chartered members. Professionalism is the effective combination of knowledge, skills and behaviour, and CPD activity can and should address all of these; where these three pillars of professionalism interact, effectively defines the competent professional practitioner.”

EDUCATION

Scholarship for savvy students

The CISI Educational Trust has announced that a new bursary, the Hoare Nairne Scholarship, is available for one UK resident hoping to study towards the CISI flagship premier qualification, the Masters in Wealth Management, each year.

To be considered for the 2014/15 scholarship, candidates must submit a 1,500-word essay by Monday 24 February 2014, addressing the topic: “Has the Retail Distribution Review helped the saver?” Shortlisted candidates will be invited to an interview with trustees of the CISI Educational Trust during the week starting 10 March 2014. It is hoped that the winner will be announced at the CISI Annual Awards Ceremony on 20 March 2014. The winner will save on the costs of all tuition and exam entry fees for the three-unit CISI Masters in Wealth Management, worth around £2,500. The units are Financial Markets, Portfolio Construction Theory and Applied Wealth Management, and are normally taken over 18 months. Candidates must hold an appropriate benchmark qualification in order to enrol for the programme; a full list of accepted qualifications can be found at cisi.org/mwm

• The CISI Masters in Wealth Management is a postgraduate-level specialist qualification and covers the breadth of knowledge needed to provide a high-quality service to clients. It comprises three, three-hour narrative exams.

Please submit entries to MastersScholarship@cisi.org

CPD EVENTS

Keeping systems compliant with fast-changing regulation

Industry gurus Nigel Woodward and Gary Wright will be presenting an important CPD event on 20 February 2014 on how best to avoid expensive errors in functionality and reduce the risks of failure in systems development, in the teeth of ever-growing regulation.

The event, to be held at America Square Conference Centre in the City of London, will focus on the operational risks of developing new systems and the need for increased quality of testing to aid development and procurement.

Gary runs B.I.S.S. Research, which accredits systems and services for the financial services sector. He announced in December 2013 that his firm had taken a majority stake in TLC Certification, a new company created to build a message-testing capability for the full-transaction lifecycle for vendors and financial institutions in global financial markets.

Nigel, Director of Industry Relations at TLC, said: “As the market restructures and electronic connectivity increases, it will become ever more critical to achieve this as a means of reducing risk in processes.”

For further information, see the CISI’s updated CPD guide at cisi.org/cpdbooklet

To book a place at this event or others in the CISI CPD programme, see cisi.org/events

Judith Ullock, Chartered MCSI, Training Manager at Redmayne-Bentley, gives her verdict on the CISI’s revised CPD scheme

“As a training manager responsible for the firm’s learning and development, the move to a scheme focused more on output is very welcoming indeed. The scheme will now focus more on what has actually been learned by an individual, an essential part of demonstrating an individual’s ongoing competence, rather than having a scheme that just measures how much CPD has been done.”
Investing in the Gulf

An expert insight into key developments within the Gulf region was given by two renowned speakers at a CIsI CPD event in Dubai.

Nigel Sillitoe, CEO of Insight Discovery, a Dubai-based strategic research company, spoke on the impact of the MSCI upgrade of the UAE and Qatar from frontier to emerging-market status. He presented the findings of a survey jointly carried out by his firm among market participants, which showed near unanimity that the upgrade will boost inflows of funds to the two markets.

This was followed by a presentation by Dr Ryan Lemand, Senior Economic Adviser and Head of Risk Management at the Securities & Commodities Authority (SCA), the UAE regulator. He looked at recent initiatives to help UAE stock markets become capital markets and steps taken by SCA to enhance disclosure and the availability of listed companies’ financial data in order to help attract more institutional investors.

The event, hosted by SCA, was attended by practitioners from the local financial services industry.

For further information about the impact of the status upgrade for the UAE and Qatar, read an article by Nigel Sillitoe that appeared in the S&IR, September 2013 edition, see cisi.org/msciupgrade

CISI signs agreement with Casablanca Finance City

An agreement to promote global financial qualifications in Morocco and the surrounding region has been signed by Casablanca Finance City (CFC) and the CISI.

The memorandum of understanding also heralds the launch of two new CISI test centres - in Casablanca and Rabat.

The CFC project is helping to establish Casablanca as a leading centre for financial services and as a gateway for business beyond its borders by providing an attractive environment for national and international institutions.

Mr Said Ibrahami, CEO of CFC, said: “Our collaboration will help us build the CFC position as a regional talent pool and a premier financial training and testing hub to increase the financial services expertise across the North, West and Central African markets.”

CISI Chief Executive Simon Culhane, Chartered FCSI, said: “We are very pleased to work with the Moroccan Financial Board to enhance and promote professionalism and professional standards in the financial services industry throughout Casablanca Finance City and the region of Great North and West Africa.”

This partnership will enable Morocco to offer the CISI’s suite of more than 50 qualifications.

For further information about the impact of the status upgrade for the UAE and Qatar, read an article by Nigel Sillitoe that appeared in the S&IR, September 2013 edition, see cisi.org/msciupgrade

Institute exams win national recognition

The Department for Education (DfE) has confirmed that students who start the CISI A-level and GCSE equivalent qualifications in September 2014 will have their results included in the 2016 national UK Performance Tables.

Although the CISI level 3 Diploma in Finance, Risk & Investment is already being delivered to A-level students, it now has full UCAS university points too.

Additionally, for the first time the CISI will offer a new qualification, the level 2 Certificate in Fundamentals of Business & Finance, for young people aged 14-16.

This brings the possibility of a career in financial services a step closer for students and still promotes people aged 14-16.

CISI Managing Director Ruth Martin said: “Schools and colleges throughout the UK can at last offer their students GCSE and A-level equivalent qualifications that offer a very high quality route into financial services.”

For further information, visit cisi.org/schoolsandcolleges or call Educational Development on +44 20 7645 0714
You can't fault the process of elimination. After gaining A-levels in English, Economics and History, Graham Shuttlewood thought about the immediate choices in front of him. “My dad was a civil servant, so I didn't want to go into that, I didn’t like the sound of insurance and so I went into my final option, which was banking.”

Graham, from Benfleet, Essex, made the move to the City under a simple guiding principle: to work in the City, and not behind a bank counter.

He was not disappointed. After several interviews, Coutts offered Graham a job, on condition he got a haircut. Granted, this was 1973 and the bank had only recently relaxed its rules on wearing a separate collar and shirt, but its intolerance towards long hair remained.

He started in junior roles at the bank and had spells in departments including stocks and shares, loans, credit and house mortgages. It was during this time that Graham first proved his fondness for gaining a deeper understanding of his preferred industry, winning third prize in the Gilbert Lectures on Banking Examination – no mean feat given the several hundred people who took part.

In 1987, Graham was given his first senior role, and became Manager of Internal Communications at Coutts. In his two years in the role, Graham oversaw production of the in-house magazine and created the bank’s first ever video for promotional purposes. Yet the jewel in the crown – almost literally – was a visit from HM the Queen, aired live on BBC1, in aid of a charitable art exhibition.

By 1990, Graham's bosses said it was time he “got back into the real world”. He was offered the role of Relationship Manager for Commercial Banking – in part because he would be based on Lombard Street in the City – a short commute via Fenchurch Street.

Describing a period in which he “rekindled enjoyment of the industry”, Graham was soon managing more than 70 commercial relationships across several sectors, including stockbroking. He went on to specialise in relationship management in the securities industry where, again, he was able to demonstrate his aptitude for understanding the guts of banking by sitting on the Coutts CREST Working Party. “I am of the mentality that if you seek to be a sector expert, you must devote some time to it,” he says.

A move to NatWest in 1999, culminating in the role of Director – Banking, Financial Institutions UK proved the ideal conduit for Graham to continue his interest in CREST and other ad hoc projects – not to mention Mifid – while overseeing the bank's provision of non-credit products to clients in stockbroking, wealth management and securities clearance.

In his current role at RBS – which took over NatWest in 2000 – he is still at the forefront of product development and transaction services. This includes LIPS – a payment system operated by Xchanging “which virtually no one has heard of” – LCH Protected Payment System services and, of course, his beloved CREST.

Looking back over his career, Graham is most proud of two things. First, having worked for 40 years for the same group (albeit via the Russian doll world where Coutts was ultimately subsumed into RBS). Second, “the fact that my father saw me become a member of a livery company”. Now a Freeman of the City of London and of the Worshipful Company of International Bankers, Graham is firmly part of the banking world's civic establishment.

You can't fault the process of elimination. After gaining A-levels in English, Economics and History, Graham Shuttlewood thought about the immediate choices in front of him. “My dad was a civil servant, so I didn't want to go into that, I didn’t like the sound of insurance and so I went into my final option, which was banking.”

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Ask the experts...

WHAT IS BALKANISATION?

Balkanisation refers to the disintegration of traditional cross-border banking, as institutions retreat to protect themselves from the risks posed by the globalised financial system. This may mean that international banks withdraw altogether from financially distressed regions (such as certain parts of the eurozone), or at least make their regional subsidiaries self-standing. The inspiration for the term stems from the break-up of countries in south-east Europe, starting in the early 19th century with the disintegration of the Ottoman Empire and continuing right through to the modern day.

Balkanisation has become an ever-increasing feature of banking since the collapse of Lehman Brothers in 2008, owing in part to the reluctance of banks to expose themselves in too many territories, and the actions of national regulators to toughen their stances on capital adequacy. Latest figures from researchers McKinsey & Co suggest that cross-border capital flows have retreated by 60% since their peak of $11.8tn in 2007. Much of this appears to be down to the decline in cross-border claims by eurozone banks, which have fallen $3.7tn since 2007.

However, there are some, including European Central Bank (ECB) President Mario Draghi and Bank of England Governor Mark Carney, who fear that the rush to Balkanisation also has its drawbacks – ones that you might typically associate with the loss of globalisation: less cross-border trade and competition in financial markets, and therefore higher interest rates for borrowers; less economic growth; and fewer jobs.

It is no coincidence that Draghi, arguably the most influential figure over the future of the euro, should be worried about Balkanisation. After all, the doubts over the single currency splitting into two, meant that many international banks sought to match assets with their liabilities within national boundaries. Although this concern has receded – for now – the Balkanisation of a bank’s balance sheet would protect it from losses made in one denomination of euro with debt issued from a secondary form of euro.

The jury is out whether the ECB’s moves towards banking union will overcome some of the Balkanisation among Europe’s banks. Having taken its first major steps towards union in October 2013, optimists will say that ECB supervision of banks under its aegis will restore confidence and therefore overcome the division of banking capital along national lines.

However, pessimists point out that regulation encourages more Balkanisation. Research by Morgan Stanley cites a host of examples where national regulators have forced banks to increase capital levels and keep funds in their geographic locales: the German financial regulator (BaFin) has exerted pressure on UniCredit to limit the amount of funding it provides non-German operations; and, in the UK, regulators have become increasingly focused on capital and liquidity ratios of foreign-owned subsidiaries.

In the first half of 2013, the US Federal Reserve conducted a consultation aimed at reshaping the regulation of foreign banks’ operations in America. The likely result will be further asset/liability matching, via ring-fencing foreign banks’ American operations into separately capitalised and regulated subsidiaries. It is hard to see how this will achieve anything but further Balkanisation.

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

Regulation

Latest issue of Change due out

A new year and with it the next stage of the revolution in financial regulation, as agreed by the G20.

The start of prudential reforms under CRD IV, over-the-counter derivative clearing under EMIR, a new approach to wholesale regulation by the Financial Conduct Authority, numerous thematic studies in asset management, bans on platform remuneration by product providers, the end of the transitional period under the Alternative Investment Funds Managers Directive – no firm’s business model will remain untouched.

Be sure you know how regulation will affect you and read the new edition of the CISI’s Change – the regulatory update, which will be out later this month.

Quick Quiz

Test your industry knowledge

Q1. When looking at the performance of a fund or portfolio, which ONE of the following refers to the extent of any outperformance against its benchmark?
   A) Covariance B) Standard variation C) Alpha D) Beta

Q2. Which of the following statements relating to Treasury bills (T-bills) is true?
   A) T-bills require settlement on the following business day B) Issuance of T-bills is handled by the Bank of England C) T-bills can be issued with maturities of up to five years D) Private individuals are not allowed to purchase T-bills

Q3. Which of the following is a feature commonly associated with exchange-traded funds (ETFs)?
   A) Their prices are computed at the end of each trading day B) Trades are exempt from stamp duty C) They can be used to track only a narrow range of stock indices D) The fees and charges applicable are relatively expensive

Q4. The FCA’s requirement for communicating with clients in a way that is clear, fair and not misleading is set out under which ONE of the following?
   A) Code of Practice for Approved Persons B) Principles for Businesses C) Regulatory Powers D) Statutory Objectives

Call for papers

CISI members are being invited to contribute to a new quarterly academic journal that will be published in the S&IR. The journal will feature blind peer reviewed papers related to wealth management, capital markets and banking. Members can submit to the CISI for consideration original papers of between 1,500 and 3,000 words in length, with an abstract of 80 to 150 words.

For further information, visit cisi.org/academic

Quick Quiz

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

Answers are on page 29.

To order CISI eLearning products, please call the Customer Support Centre on +44 20 7645 0777 or visit cisi.org
The New Year heralds a turnaround in fortunes for the UK’s economy. But some worries will prevail over the next 12 months.

**With a big health warning, here are my calls for 2014.**

A UK recovery is, finally, at hand. And it will gather momentum. By the end of the year, it could even start to feel like one. But, to keep everyone grounded, I will throw in some risks to watch. If there is to be another phase in the global financial crisis, it could be in emerging markets.

**How strong will the UK’s rebound be?**

The message from the most recent official data is positive. Those fears for a ‘triple dip’ recession at the start of last year have been banished, with the UK now enjoying what is shaping up to be the strongest recovery among developed nations. A good deal of it is consumer-led – no bad thing if this feeds through into business expansion. Exports look shaky, but companies’ investment intentions point to stronger growth ahead.

Capital Economics says that, notwithstanding the fiscal squeeze and weak bank lending, GDP could grow by a healthy 2.5% this year. That is realistic.

**What about the housing market?**

House prices have risen strongly nationwide over the last year, gaining 6.5% in the 12 months to November 2013 and closing in on their 2007 peak, according to Nationwide. In parts of London, property is feeling distinctly bubbly. The froth in the capital is being fed as much by cash-rich overseas buyers at the top end as by policy measures to stimulate lending and reduce borrowing costs lower down the ladder. As fixed-rate mortgage costs have tumbled, so approvals have raced higher. And if it wasn’t for the Bank of England’s recent decision to withdraw its stimulus to mortgage lending and personal loans, we would be on course for (unsustainable) double-digit percentage gains this year. The pace will slow, but not by much.

**Where will UK interest rates be at the end of the year?**

The Bank of England has been doing everything it can to dampen market expectations of an early rise in interest rates, even as unemployment has fallen more quickly than it expected. Inflation is likely to stay subdued, which means there will be little pressure to raise rates even as the economy rebounds. Expect rates to stay at 0.5% in 2014, but to rise in 2015.

So far, so good. But here are some caveats to keep you awake at night.

**How worried should we be about a withdrawal of Federal Reserve stimulus?**

This is the biggest single risk facing financial markets, which have enjoyed a huge rally on the back of continued cheap money from the US central bank. How the Federal Reserve ‘tapers’ its emergency bond-buying programme through 2014 will be the main driver of asset prices. And, if the price of US government debt tumbles, driving up yields on benchmark Treasuries and the dollar, then the effects would ripple across the globe. The worst-case scenario would be a repeat of the 1994 bond rout, when the Fed triggered turmoil after tightening monetary policy. We can expect a period of increased volatility in the bond markets.

**What effect could that volatility have?**

The Fed’s ‘quantitative easing’ has led to billions of dollars pouring into emerging markets amid a hunt for higher-yielding assets. Unwinding that stimulus is likely to lead to withdrawals from emerging market (EM) assets as investors protect themselves from an EM sell-off. And that could hurt those EM countries that are most dependent on capital flows. Expect this to be a big theme in 2014. There will be plenty of intervention in the currency markets as governments react to dollar strengthening.

**Will there be a hard landing in China?**

The eurozone is no longer the biggest downside risk in the global economy. Beijing is trying to rein in the property sector while moving from investment-led to consumer-led growth. That will be hard. I’m backing forecasts for Chinese GDP growth to slow to less than 7% this year. That’s not a disaster, but it will keep commodity prices under pressure, hurting exporters.

Christopher Adams is the Financial Times’ markets editor.
The UK is keen to improve its links with China – boosting trade and opening its doors to Chinese banks. Beth Holmes asks why.

AT THE TIME of writing, Prime Minister David Cameron was busy promising to create “a partnership for growth and reform” as he visited China on a trade mission with more than 100 UK business leaders. “An open Britain is the ideal partner for an opening China,” he said. “No country in the world is more open to Chinese investment than the UK.”

Indeed, according to Grant Thornton’s Tou Ying Tracker 2013 report, which monitors Chinese companies, the UK was the fourth most popular destination for Chinese outward investment in 2012 (second only to the US among developed Western economies), up from 21st place in 2010, at an estimated $2.8bn. At the same time, UK goods exports to China reached £10.5bn in 2012, a 13% increase on the previous year, making it the UK’s seventh largest export market.

Nick Farr, Partner and Head of the China Britain Services Group at Grant Thornton UK, added to the optimism, saying: “As the number of Chinese companies going global continues to rise, the UK appears to be well and truly open to Chinese investment, benefiting hugely from the inflow of funds. The results also come amid concerted efforts
Branches of foreign-controlled banks can operate with less capital and are regulated from their home country. Banks from the European Economic Area can work in the UK this way and the privilege is usually only extended to banks from countries, such as the US, where standards of regulation are perceived to be high. Subsidiaries, on the other hand, must operate to UK standards on capital and be subject to normal UK regulatory scrutiny. In the post-financial crisis world, this was seen to provide greater protection for depositors and taxpayers.

In 2012, Chinese banks were reported to have complained that rules imposing tight standards on capital and liquidity made it hard to operate in Britain, prompting them to move much of their business to Luxembourg. Chancellor George Osborne’s announcement that Chinese banks will be allowed to apply to open wholesale branches in the UK prompted criticism and accusations of preferential treatment. Andrew Tyrie, Chairman of the Treasury Select Committee, is one high-profile sceptic to demand further explanation. His point of contention is whether the Prudential Regulation Authority’s policy on branches and subsidiaries has changed, or whether it has been strong-armed with respect to China.

In an open letter sent to the media, Tyrie said: “Clarity is needed about whether conditions have been attached and whether such conditions constitute a change in policy. I would be grateful for an assurance that any change is not specific to a particular country and that you were not put under any undue pressure to agree to something about which you may have had concerns.”

by the UK Government to strengthen financial and business ties with China, for example by simplifying the visa application process.”

Nowhere is the love-in with China demonstrated more perfectly than through the UK’s willingness to encourage Chinese banks to set up wholesale branches in the UK, announced by Chancellor George Osborne during his own trip to China six weeks earlier.

So why is the UK seemingly going out of its way to accommodate the Chinese banks? Further still, what are the wider implications for China, the UK and the rest of the world?

“Chinese banks are among the biggest in the world in terms of assets and the possibility of a fully, or at least more convertible, renminbi in the future means that the pie of Chinese asset transactions is going to grow,” says economist Danny Gabay, Co-director of Fathom Consulting.

It makes sense, therefore, for London, the pre-eminent international financial hub with a speciality in foreign exchange dealing, to move now to consolidate that position.

“The same was true of the euro. Despite all the fears that London would become obsolete, it instead adapted and became a major dealing centre,” adds Gabay.
From Beijing to Bank

“Under Premier Hu Jintao, China has labelled its economic and foreign affairs efforts the ‘Peaceful Rise,’” says Gabay. This, he argues, indicates that the Chinese leadership is aware that its growth may be perceived as a threat to US and others’ interests. “But its rise offers great opportunities too. The global economy, and the Chinese economy in particular, is in desperate need of a new source of demand. A rapidly enriching Chinese consumer base offers the best prospect for that,” adds Gabay.

China fact file 2013

Inflation – 4.2%
GDP – $8.3tn
GDP growth rate – 7.8%
GDP per capita – $6,091
Foreign exchange reserves – $3.7tn
Trade surplus – $33.8bn in November 2013

maintains significant capital controls, the last 30 years of increased trade openness means it will find that its ability to control financial flows will decline over time.

Thus, China de facto moved towards limited exchange rate flexibility and constrained yet growing financial integration – a common trend in emerging markets.

If the upshot of this is, as Aizenman suggests, that China will have to allow free capital flows into the country, what impact might that have?

“Eventually, we would hope that we can get to a position in which China is running a significant current account deficit (ie, is a significant importer of foreign capital and know-how), and the US is running an equally significant surplus,” says Gabay. “In other words, water can start to flow downhill rather than uphill as it has been doing for the past decade and a half.”

Put another way, the imbalances behind the Great Recession can finally be unwound.

China’s trilemma

In economic theory, the macroeconomic trilemma states that a country can choose only two of the following three policies:

- a fixed exchange rate
- free capital movement
- independent monetary policy.

For example, if China fixed its exchange rate to the US dollar and chose to set its own interest rate (an independent monetary policy), it would have to prevent free capital flows. Otherwise, investors would be in a position of riskless arbitrage: a different interest rate to the US would mean continuous and unsustainable flows of capital (inwards for an interest rate set higher than the US, or outwards if the interest rate was set below). Similar logic applies to the other possible policy choices.

China is aware that its economic growth may be seen as a threat to the US

demand. A rapidly enriching Chinese consumer base offers the best prospect for that.”

However, getting there will not be easy. China needs to see consumption grow at a rate far in excess of its overall economic growth, and rely much less on investment and exports. “We are not talking small numbers here. We estimate that Chinese consumption per head needs to rise something like seven times over the next decade to make this happen,” adds Gabay.

So how have the limitations of the macroeconomic trilemma – the sacrifice policy-makers must make of either fixed exchange rates, free movement of capital or an independent monetary system – affected Chinese policy? (See box, China’s trilemma.)

“China has a fixed exchange rate, or at least a peg to the dollar within a very narrow band, and an independent monetary policy, but does not have free capital flows,” says Gabay. “In that sense, we could say that the trilemma has indeed constrained Chinese policy along the path of imposing capital controls in order to maintain the peg and its own monetary policy. If and when the peg is removed or at least greatly loosened, then we would expect capital controls to be eased.”

Joshua Aizenman, Dockson Chair in Economics and International Relations at the University of Southern California, has written extensively on the trilemma. He explains its origins in China. “The Chinese yuan appreciated by about a quarter from mid-2007, and China has moved towards managed flexibility of its exchange rate, after a long period of pegging it to the dollar.” While China
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Lost property

Keeping accurate records may not be the most high-profile job in financial services, but the regulator thinks it is one of the most important. Chris Alkan reports

FEW INSULTS STING London bankers as much as being unfavourably compared with rivals in New York. Yet the UK’s regime for returning money to clients of failed investment firms lags behind that of the US and elsewhere.

The Financial Conduct Authority (FCA) wants to change this and in July 2013 issued a consultation paper proposing wide-ranging changes to the client money and client assets rules in order to address problems it has identified with the current regime. These changes form the most radical development to client asset rules in 20 years. Hefty fines have been handed out to firms that fail to make sure client money is safe or appropriately accounted for – including a £9.5m charge for BlackRock in 2012 and a £7.2m penalty for Aberdeen Asset Management in 2013.

The bankruptcy of American investment bank Lehman Brothers in 2008 highlighted serious deficiencies in the current system. Most notably, British customers of the bank have had to endure an ongoing wait to recover their funds – far longer than peers on the other side of the Atlantic.

Yet, in trying to accelerate the distribution process, the FCA faces a trade-off. Martin Wheatley, Chief Executive of the FCA, has admitted that “increases in the speed of return of assets following the failure of a firm will normally come with some sacrifices in accuracy [about who owns what]”. The issue is whether the FCA’s plans strike the right balance.

Amanda Sherwood MCSI, an independent consultant and external specialist, believes the FCA is seeking to correct several problems that contribute to this situation – including poor record keeping, ineffective segregation of client money and client assets, and a lack of information for clients.

The current process can be cumbersome and slow. When an investment firm folds and a pooling event is triggered, all client money is pooled together. It is then distributed on a pro-rata basis – with each client getting an equal proportion of their entitlement back.
Sherwood. “This is money in hibernation and is of no use to anyone.”

Depending on the size of the failing institution, the FCA believes that slow distribution of client money can “propagate wider market instability”. Trading strategies can be disrupted, client requests cannot be carried out and firms throughout the chain can terminate trades “in an effort to shore up their own financial position”.

The sluggish system has also started to harm London’s reputation as a safe destination for capital. “In the aftermath of the Lehman and MF Global defaults, we saw clients questioning whether they were willing to continue to use banks and brokers in the UK,” says Hannah Meakin, a partner at Norton Rose Fulbright. “Even if their assets were as well protected as in other jurisdictions in theory, they could not afford the uncertainty that comes with a long wait for their return.”

The FCA has proposed that the key to this is that firms not only reconcile their records with those of the banks and other entities holding client money and client assets, but must also carry out effective internal reconciliations on a sufficiently frequent basis. Another aspect of client money protection that the FCA wants to improve is the segregation of client money. A key tool in ensuring that client money cannot be used to pay the debts of the firm itself, or of the bank holding the deposits, is written notification and acknowledgement of trust.

“It appears that investment firms, and the banks receiving the deposits, have been tailoring these letters to their particular needs and circumstances,” says Sherwood. According to the FCA, several have contained caveats altering the intended meaning or effect of the letter. “This can result in uncertainty around whether client money is being adequately protected, which rather defeats the purpose of sending the letter in the first place,” adds Sherwood. As a result, one FCA proposal is to provide a standardised template for such letters, eliminating the possibility of misunderstandings.

Above all, the FCA wants clients to understand how their money is being protected, so that there are fewer disputes and queries following the failure of a firm. The FCA believes that, at present, clients “may not be fully aware of how their client assets... are being used” or whether they are being adequately segregated. As such, they are not fully aware of the risks. These dangers can increase as institutions head towards failure. Such firms may make a “gamble for resurrection,” the FCA warns in its consultation document, by taking risks with client assets “either by cutting corners on segregation” or by “outright fraud”. The FCA proposes that firms must make it clear in their reports whether assets the firm holds for the client are protected under either the client money rules, the custody rules, or both.

The CISI’s Professional Refresher online learning system has a module focusing on Client Assets and Client Money. Professional Refresher consists of more than 50 modules that are free to CISI members, or £150 to non-members. Modules are also available individually. Visit cisi.org/refresher

**Speed versus accuracy**

The Financial Conduct Authority (FCA) recognises that if client money is distributed more quickly, there is a risk that some clients, whose claim is not apparent from the firm’s own records, could lose out. The rule changes contain three measures that aim to mitigate this risk. The first, as explained above, is that firms must ensure their records are accurate. The second is that, following a pooling event, a final reconciliation should be carried out to ensure that the records are reliable and up to date. The FCA proposes any surplus client money is placed in a second client money pool, which will then be distributed based on claims from clients who were not paid out in full from the main pool.

“The combination of records-based and claims-based distribution has several merits, and helps resolve the potential conflict between speed and accuracy,” says Amanda Sherwood MCSI, an independent consultant. “Under the previous system, everyone had to wait for their funds until all of the claims had been processed because anyone who missed out had no fall back. The proposed plan would ensure the majority of clients get their money back quickly but would allow any surplus money left to be paid out to those who have been short-changed.”

There is no perfect solution for making sure that client assets can be returned quickly and without error. But the new FCA rules, which are due to be introduced in the first half of 2014, seem to represent a sensible compromise between the conflicting needs for speed and accuracy.

**Many investment firms have been lax in keeping accurate records of client holdings**

There is a lengthy process by the insolvency practitioner, who is responsible for dividing up the defunct firm’s assets into qualifying clients’ entitlements.

What’s more, insolvency practitioners are personally liable for mistakes. This legal difference is one reason that distributions in other countries are often faster. In the US and Canada, for example, an insolvency lawyer is only on the hook for client losses in the event of gross negligence or willful misconduct, the FCA explains.

To make matters worse, many investment firms have been lax in keeping accurate records of client holdings. And until the recent spat of fines, Britain’s financial services watchdog had been reluctant to crack the whip and force them to be more diligent. That made it tough, in many cases, to assess rapidly who was owed what.

Such delays have had several baleful consequences. For a start, the longer the process drags on, the higher the fees of the insolvency practitioner, who is responsible for distributing to clients,” says Sherwood. As if this were not enough, having vast sums of client money locked away for years at a time – as was the case with Lehman Brothers – can also potentially damage financial markets as a whole. “This can take a large amount of liquidity out of the market and even trigger the failure of other firms,” says Sherwood. “This can result in uncertainty around whether client money is being adequately protected, which rather defeats the purpose of sending the letter in the first place,” adds Sherwood. As a result, one FCA proposal is to provide a standardised template for such letters, eliminating the possibility of misunderstandings.

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Winning streak

Sir Win Bischoff, Chairman of Lloyds Banking Group, shares his thoughts on luck, diversity and the pressures of working across multiple timezones. Rob Haynes reviews his career.

NOT MANY BANK chairmen would credit the futurist Hermann Kahn for their career breaks. Fewer still for their achievements. Yet listening to Sir Win Bischoff describe his professional life, you soon learn that if it wasn’t for Khan’s book The Emerging Japanese Superstate, things may well have turned out differently.

Bischoff came by Kahn’s extended essay in 1971 when, already an employee of Schroders for several years, he was given a copy by Managing Director James Wolfensohn. “Wolfensohn was trying to convince me to set up Schroders operations in Hong Kong, but I didn’t want to go,” says Bischoff. The bachelor lifestyle afforded to him by working between London and New York was, he felt, too good to give up. Yet Kahn’s book changed all that.

Kahn argued that the phenomenal success of Japan’s economy in the latter half of the 20th century would have an astounding effect on surrounding regions. Korea, Taiwan, Singapore and most notably Hong Kong would outperform even the growth of Japan.

“The book is about 300 pages long, and by page 60, I was convinced,” says Bischoff. He wanted to go to Hong Kong for only two years rather than the three years suggested by Wolfensohn. He ended up staying for 12.

In that time Bischoff achieved a minor Asian miracle for the bank – a fact he accepts with a good dose of modesty. He was able to keep his head despite three busts and four booms, and drove Schroders towards commercial success. It also meant that by his return to the UK in 1983, he had the track record and optimism of a man riding all the successes of capitalism.

The way in

Bischoff’s route into Schroders – indeed into banking itself – started somewhat as a joke. Following his father’s advice to work in financial services “where the people don’t seem so bright – you’ll do well”, Bischoff found himself seeking his first serious role in 1966 as a law graduate. “ Schroders was looking for older trainees who had been to Harvard Business School. I was a 24-year-old law graduate who had been to New York University,” he says.

Yet Bischoff passed several rounds of interviews and, in successfully establishing the bank in Hong Kong, confirmed his employer’s early confidence in him.

After his stint in Hong Kong, Bischoff returned to London in 1983 at the request of Schroders’ Chairman Lord Airey. Soon after, at the age of 43, he was made Group Chief Executive. “At that time, a whole generation of bankers above me had been exposed to the hardships of the 1970s. So Schroders decided they wanted someone who had avoided all that. They effectively skipped a generation of more experienced candidates, and went for a younger CEO.”

During his time at the top of Schroders – a spell that saw him become Chairman in 1995 – the share price increased by 29 times.

Yet all good things must come to an end and in 1999 the strategic decision to sell the investment bank side of Schroders to CitiGroup proved the catalyst for change. Citi was interested in the deal only with the proviso that Bischoff went with them. “If Lehman Brothers was called ‘Lehman Sisters’ it still would have collapsed”

the business. “It was not an easy decision: at Schroders I was the CEO of a FTSE 100 company and the move to Citi meant giving that up. But making the move was the right thing strategically,” he says.

Bischoff’s faith in strategy is unwavering, despite the fact that he has also been graced by fine minds at the top: six of the executives he hired at Schroders are currently chairmen at FTSE 50 firms. “The first secret of success is the business model, by a long way. The larger the company is, the law of averages says the more likely it is to have average management. So what distinguishes you? It’s the business model.”

Born in 1941 in Aachen, Germany, Bischoff moved with his parents to South Africa in 1955 and later graduated from the University of Witwatersrand in Johannesburg. Travel is a theme that has featured heavily in his career, with the bi-monthly commute between London and New York in his early years. To this day, at the age of 71, Bischoff estimates that he spends a third of his spare time travelling, including some 25 trips to the US per year. Fortunately his constitution and vigorous work ethic are up to the challenge and he has been able to integrate successfully the rigours of travelling into his life. The same applies to the tribulations of working in the industry’s top roles.

“I have never suffered from stress. It is important to know at a very early age that stresses can be overcome,” he adds. “I had only one really stressful moment in my career: in Hong Kong, a colleague left and I thought the business could not possibly survive without him. I was so worried one night that I only got to sleep at 3am. But when I woke up at 7.30am I had an answer. In business there always is an answer.”

These are the types of medicinal words you can easily imagine Bischoff prescribing to the younger executives under his watch. “In banking it is important there is a maturity gap between the chairman and CEO. A 40-year-old CEO will far more likely listen to a 60-year-old chairman than he would a 43-year-old.” Bischoff says you need the wisdom and often a good chairman is someone who has been a CEO. “If they have had a good chairman above them as CEO, they will know what to do when they are chairman.”

In his own case, Bischoff lists few major influences – most notable is Gordon Richardson, Schroders, chairman from 1962 to 1973, who went on to become Bank of England Governor. Another is Lady Luck. “I’m minded of what Napoleon said when asked what he looked for in his generals: ‘A lucky general is a successful general.’ Someone who is perennially lucky is someone that works very hard.” Bischoff sees himself as no exception to this rule.

That hard work paid off again in 2009 when Bischoff was asked by the government at the time to assume the chair at Lloyds Banking Group, which had got into some troubles during the financial crisis. “I’m proud of what I’ve achieved at Lloyds. We have outperformed every other bank in the country in terms of share price rise.”

Retiring from Lloyds in April 2014 (Lord Norman Blackwell has been announced as his successor), Bischoff is brutally honest about those wanting to follow in his footsteps: there are so few senior positions that it’s best not to try. “Just take things stage by stage and let your own results, luck and timing take you further,” he says. “You aim for a destination you can see, not something over the horizon.”

CV snapshot

2009 – Appointed Chairman of Lloyds Banking Group
2000 – Becomes Chairman of Citigroup Europe and is given a knighthood
1983 – Becomes Chairman of Schroders, and is appointed Group Chief Executive in 1984
1971 – Appointed Managing Director of Schroders Asia Limited in Hong Kong
1966 – Joins J. Henry Schroder & Co
1961 – Graduates from University of the Witwatersrand in Johannesburg with a Bachelor of Commerce degree
Sir Win Bischoff is an important advocate of the 30% Club, which lobbies for boards of major companies to have at least 30% female members. “The most serious talent available to us at Schroders were women, because most of the other investment banks would employ only men,” he says. “Half the talent base is female – to exclude yourself from that is ridiculous.”

Yet it is diversification that is important. “If Lehman Brothers was called Lehman Sisters it still would have collapsed,” he adds. “The important thing is diversity; you need to have different people’s views and in my experience women tend to be more imaginative in overcoming obstacles.”

Where the 30% Club aims to change the culture in the boardroom, Bischoff sees room for cultural improvement elsewhere in financial services: “Currently we’re seeing a move away from caveat emptor, especially in wholesale banking. The view that commercial clients should know what they are getting into is a perfectly broad philosophical view that many of us had. But there is a view that if you are powerful, you should look after customers that are less knowledgeable than yourself – the underlying tenet in retail banking. Now boards and CEOs on the wholesale side believe they have duties beyond just making money for the firm. Caveat emptor is all well and good but even then you have an obligation to be transparent, to explain.”
A CENTRAL TENET among investment managers is to act in the best interests of their clients. There are many people, however, including regulators from the Financial Conduct Authority (FCA), who think that the widespread practice of dealing commission with respect to equity markets is undermining this core principle.

Under current rules, set out by the Financial Services Authority (FSA) in 2006, investment managers are allowed to charge clients for a defined range of execution or third-party research services as part of the dealing commission.

Guy Sears, Director at the Investment Management Association (IMA), who has worked in close collaboration with the FCA on dealing commission, explains: “The FSA was right to be worried. Because the manager gets the benefit of research but the customer pays the cost of it, there is clearly a risk of misaligned incentive. There is a risk therefore that people will over-purchase, or put trades for research purposes rather than best-execution services.” Currently, an estimated £3bn is spent per year on dealing commission in the UK, and around half of that is thought to purchase research.

However, as FCA Chief Executive Martin Wheatley set out in a speech in October 2013, the regulator is still concerned, and cites two persistent problems: “Firstly, services are being ‘bundled’ together, with eligible and non-eligible services being mixed. Secondly, when this information is provided back to the client, there is a lack of clarity or adequate transparency around how their commissions have been spent.”

As an example of bundling, the FCA found that some firms allocate significant sums of their Bloomberg and Reuters subscriptions to dealing commission, only some of which
could reasonably be classed as legitimate research. Further still, a significant stretch of the definition of research includes payments to brokers for corporate access – where investment managers can meet and talk to the executives of the companies they may invest in. In 2012, an estimated £500m of dealing commission was spent on corporate access – about £100,000 per investment manager.

**Splashing the cash**
As set out in its recent paper, ‘Consultation on the use of dealing commission rules’, the FCA is concerned that investment managers are far more liberal in paying brokers for ‘research’ out of the dealing fees paid by clients than they would if it was their own money. In response, it is trying to ensure that investment managers seek to control the costs to clients when paying for research with dealing commission.

To Christopher Bond, Chartered MCISI, Senior Adviser to the CISI, the paper shows a clear move to regulation from encouraging market-led changes, looking at the buy-side in investment managers, and the sell-side formed by brokers. “The FCA is looking at what can be charged and moves the pendulum, questioning the assumption that a payment can be shifted on to the client, except under narrow rules,” says Bond.

In revisiting the definition of research (see box, New ideas on research), as set out in the Conduct of Business Sourcebook 11.6, the FCA is seeking to clarify what is legitimate for the purposes of charging under dealing commission and what is not – the litmus test is that research must be ‘substantive’ and yield meaningful conclusions rather than simply provide information from which investment managers can make their own decisions. Notably, the new proposals exclude payment for access.

Understandably, market participants are feeling nervous. “The paper worries many. On the sell-side there are fears that the buy-side will not buy research,” says Bond. On the buy-side, he adds, there are fears that the charge for research may come entirely out of the managers’ Annual Management Charge (AMC). “The direction of travel can be seen by media and political criticism of poor transparency of ‘hidden’ management expenses, and concerns that overall investment fees and expenses are too high – estimated at a third of pension ‘pots’ when savings are already too low. It is no longer unusual to question who should pay transaction commission. The Government has also proposed capping the AMC level in its automatic pension scheme.”

Whereas some sections of the industry fear the incursion of the FCA into the market, others claim that the regulator is not going far enough. Gina Miller, Co-founder of SCM Private, firmly believes that all payments for research should be made from the AMC.

“What you are effectively getting in charging research costs under dealing commission is double payment,” she says. “What are you paying fund managers for if not to conduct their own research, or pay for the research they outsource?”

**Economies of scale**
According to Sears, there are advantages to buying ‘off-the-shelf’ research from brokers, most of which are large banks. “What the banks have is economy of scale,” he says. “It just doesn’t make economic sense for an investment management house to cover the thousands of equities for sale on world markets. But the larger banks, which offer brokering services, have the resources.”

Therein lies the rub. According to Sears, the reason the FCA is looking at the sell-side is that a lot of research is not available to buy separately from the brokering service. In turn, this means that many investment managers buy research that is tethered to execution. “It stands to reason that if investment managers have to access the research through paying within the brokering services, they will go that route in order to look after their clients,” he says.

So do the FCA’s plans suggest that brokers will one day become execution-only? Sears thinks not. “Obviously good, legitimate research has some economic value to the investment managers,” he says. “Why would they stop providing research? Do they believe they would be paid less money? Demand might mean that managers tighten up their budgets, but if research brings value, someone will do it.”

The possibility, says Sears, is that as post crisis, a cohort of bankers responded to regulation by going away and setting up their own hedge funds, the industry may see a blossoming crop of boutique research houses selling just their own research. If this happens, then the debate about whether research should be paid out of dealing commission may move on.

**New ideas on research**
The main changes to the Conduct of Business Sourcebook 11.6 include:

1. **Clarifying the criteria for research goods and services that can be purchased by investment managers with dealing commission paid from customers’ funds**

2. **Defining ‘corporate access’ and adding specific guidance on the treatment of corporate access for the use of dealing commission**

3. **Providing guidance on making mixed-use assessments where investment managers purchase bundled brokerage services that contain both research and non-research elements, or would have been commissioned if investment managers had to pay for them using their own funds.**

**The True and Fair Campaign**
In response to what they see as extortionate pricing structures and collusion in the UK’s investment management market, Gina and Alan Miller, Co-founders of SCM Private, set up the True and Fair Campaign in 2011. The campaign is geared towards providing better information for retail customers, giving them a clearer picture of the fees they pay and a means to compare the prices of different investment firms.

A key component of the campaign is the True and Fair Investment Calculator, which aims to show clients the cost of investing, taking into account the charges that investment management firms typically impose. Launched in May 2013 with the help of several founders and partner organisations, it is thought to be the first calculator of its type in the world.

While a free version of the calculator creates a back-of-the-envelope breakdown of the effect of some simple charges, the advanced pay-for calculator factors in the full gamut of fund manager charges (from initial charges to performance fees), platform/stockbroker costs, product/wrapper charges and adviser charges.

Any profits earned go to support small charities in the UK that work towards financial education, as well as those that provide care and support for the elderly.

The calculator has proved so popular that the True and Fair Campaign has won the hearts of MEPs, who in October 2013 voted in favour of a similar tool for across the European Union.

It is thought that investment managers, brokers and other intermediaries would be asked to provide data for the tool, which sources suggest could sit on the website of the regulator in each European country. If the legislation is passed later in 2014, the European Securities and Markets Authority will work closely with the True and Fair Campaign to develop a standardised tool.

To find out more, visit trueandfaircalculator.com

**The FCA consultation will close on 25 February 2014. For more information, and to join the discussion, visit fca.org.uk**
Crime watch

The proliferation of the internet means there is an increasing number of super-highwaymen ready to ambush firms

When the globe’s great and good gather in Davos, Switzerland, later this month, one theme will be high on their agendas – the steep, relentless and terrifying rise in economic crime. The UK’s investment industry faced an onslaught in the final quarter of last year – from the country’s intelligence community. The clandestine folk were keen not just to warn senior figures at Aviva, F&C and Legal & General, among many others, that financial organisations themselves face worrying attacks, but to alert them to the governance issues when many of the companies in which they invest face frightening, sometimes unseen, risks.

GCHQ, the Government’s communications headquarters, which is leading the awareness campaign, ranks the threat from cyber attacks at the same level as terrorism.

Fund managers are a cleverly chosen target for the spooks. By positioning economic crime and cyber attacks as a governance issue, the intelligence community has forced the matter onto the agendas for discussions between companies and their big investors, which in turn sharpens boards’ perspectives. Some threats are simple. In November last year, the software giant Adobe – whose products are central in many web-based communications – warned that thieves had broken through its systems and stolen three million passwords and credit card details of persons unknown. That could be any of us – we should all still be checking our accounts.

This heist, though impressive, is the tip of a horrid iceberg. In the same way that stockbrokers have moved in the past generation from working in partnerships...
of varying sizes into corporate entities with developing brand identities, so too are criminals in this sphere. ‘Zero days’, which are software glitches unnoticed by their manufacturers, can be used as back doors into systems to exploit their weaknesses. Rather than exploiting their discoveries directly, the hackers who find them – who have typically cut their teeth on simple credit card fraud or exploiting the greed of online casino operators – will instead sell them to all comers. This is much lower risk than direct penetration – in most jurisdictions it is not illegal – and with buyers in criminal gangs, government agencies and financial institutions prepared to pay $10,000–$250,000 for each ‘zero day exploit’, the business is booming.

This relatively new market-driven approach to serious crime makes for serious trouble. BP’s Chief Executive Bob Dudley revealed last year that his business registers $0.000 attacks a day. General Keith Alexander, who is head of the not-entirely-saintly US National Security Agency (NSA) and also of the Department of Defense’s Cyber Command, told Congress recently that the Pentagon deals with ten million attacks each day. The NSA has lost any moral high ground following Edward Snowden’s embarrassing revelations of its snooping on senior global figures. But it remains a force for good in the finance and business arenas.

GCHQ ranks the threat from cyber attacks at the same level as terrorism

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Stand and deliver

Misha Glenny, the British writer whose most recent book Dark Market: Cyberthieves, Cybercops and You is seen as essential reading for anyone in this field, believes that the virtual world “is awash with subterfuge, malware and deception”. Worse, he frets that the big banks, intelligence agencies, military strategists and criminals who engage in the activity for good or ill – with little regard in some cases for the impact on smaller organisations or individuals – do so on what he calls the ‘Surface Web’, the part of the internet that we can all see, that can be indexed by search engines such as Google.

Glenny said in The New York Times recently: “The hackers, cybercops and criminals also make use of the still-weirder world of the Deep Web.” This, industry insiders believe, is several hundred, possibly thousands, of times larger than the Surface Web, and is used principally for drug and people trafficking, and pornography purposes. But a “small but significant percentage of it” is used, according to Glenny – and others – as a place for criminal and hacking networks to hide. In this Deep Web – of which most computer users are unaware – there are places to swap files and information that are very hard to access.

Systemic fraud, often committed by organised crime groups, is now the most damaging and hardest to combat. But old-fashioned internally perpetrated fraud is still rife. Poor internal controls, or their override, are the chief factors in almost half of such frauds. Fraudsters, irritatingly, usually have no history of fraudulent conduct – typically, more than 90% are first-time offenders, the result of ever-stricter controls on recruitment. However, greed has now become one of the most important drivers.

Mia Campbell, Manager at the Fraud Advisory Panel, an independent voice on fraud in the UK, stresses the role of ethics in preventing fraud. “Business leaders should take heed,” she says. “Good ethical standards are not only good for business and good for reputation, but are also good for effective fraud risk management.” And, rather ominously, she warns: “Do not assume that every employee has the same notion of what is right and wrong, honest and dishonest.”

CISI offers a series of CPD events on the subject, mainly in London, free to members and available afterwards on CISI TV. A special series starting in April 2014 will bring together some of the best industry experts in Q&A sessions for London-based members, with those who are unable to attend invited to submit questions beforehand and view the responses afterwards on CISI TV. For more information on this fast-evolving programme, please visit cisi.org. If you would like to contribute ideas to this programme, or share your stories, please mail george.littlejohn@cisi.org

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Dark Market: Cyberthieves, Cybercops and You by Misha Glenny

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George Littlejohn MCSI, Senior Adviser at the CISI
Ethics and the City
A glimpse in the rear-view mirror

The CISI’s Integrity at Work in Financial Services has taken the temperature of ethical thinking among City leaders over the past six years. We review how opinions have changed.

THE OCTOBER EDITION of the SIR contained a copy of the CISI’s new publication, Integrity at Work in Financial Services, volume 4 in UK editions.

Readers will have recognised that the title of the opening article, ‘Ethics in the City’, by Jane Fuller, Co-director of the Centre for the Study of Financial Innovation (CSFI), was also the heading of the opening articles written by David Lascelles in the preceding volumes. Possibly in recognition of then existing undercurrents some 18 months before the financial crisis became a global phenomenon, the first article, published in May 2007, was entitled ‘A Call to Ethics’.

Lascelles, Senior Fellow at the CSFI, began this article with the words: “Greed, short-termism, bonuses, the hard sell. Britain’s financial services industry may be booming, but it has been getting a bad press.”

He went on to suggest that public mistrust had its roots in fertile ground, citing such scandals as endowment mortgage misselling, raids on pension funds, overcharging, dodgy investment products and fat cat pay-offs, with private equity coming up fast. This might have been considered ironic, he said, because there had never been a time when the UK’s financial services industry was more conscious of the need to behave responsibly, and the importance of instilling ethical behaviour into its practitioners.

Prescient words indeed, but in the light of what has since become apparent, possibly locking the stable door after the horse had bolted. A number of issues raised by Lascelles in conversations with leading industry figures remain unresolved, such as short-termism, asset manager responsibilities for deployment of client capital and the rights and wrongs of private equity. But one of the more controversial topics within the industry was the media focus over soaring City bonuses. Lascelles commented that there was some astonishment about the strength of public sentiment on the issue and a feeling that it had been created by the press and would eventually go away. Some hope!

By 2009 and the publication of volume 2, the climate had changed markedly so that we were greeted with the opening words: “The City is in the doghouse... the loss of public confidence...
The public’s mistrust of financial services had its roots in fertile ground

Issues included short-termism (still), conflicts of interest, the role of shareholders and the need for stronger (any?) corporate governance. Lascelles identified that the real challenge facing the City was instilling values and that some of these relate to individual behaviour, some to the culture of certain institutions and many to the City’s need to have a strong reputation for its own good.

Two years later, by the summer of 2011, how much had changed? Lascelles wrote his view post the breaking of the payment protection insurance misselling wave; although the impact on the banks was being talked of in billions of pounds, it was still falling short of the true scale of the matter.

Lascelles went on to suggest that the City had a number of layers that guided and influenced ethical behaviour. At the top was a firm’s ethical stance, expressed in its principles and policies, implemented through its codes of conduct intended to instil hard-wired standards of behaviour in its staff, printed in handbooks and enforced by discipline.

At the bottom are individuals, who operate according to their own ethical codes, which may vary but because of selection and training processes, should have a fair amount in common. A middle layer combines aspects of both of these other two and this he identified as being the source of the problem; the weakness of the ‘ethical spirit’, the lack of a powerful agent to bind corporate policy and individual commitment to produce a strong ethical culture.

By this time significant external forces were being aimed at the City, such as the Merlin agreement on bankers’ pay, the Vickers commission on breaking up the banks and a focus by the FSA on ethics and culture – areas in which it had previously been absent. But in view of what has been revealed subsequently, none of these provided the necessary impetus for what might be regarded as a ‘digging up the drains’ review of what really was going on and what needed to be done.

Where are we in 2013? Jane Fuller’s essay in volume 4 was up to the moment when the book went to print last summer and contains useful analysis and commentary on the views of the senior industry figures whom she interviewed. But even since then, the industry faces accusations of widespread attempts to rig the foreign exchange markets and global regulators continue to impose fines on an industrial scale.

So what do you think?

Integrity at Work in Financial Services, volume 4 and the previous editions in the series can be viewed at cisi.org/ethicsproducts

**Survey of attitudes to ethical behaviour**

Over the years, there have been a number of surveys undertaken that have sought to establish the views of industry members on standards of integrity within their own industry. The CISI, in conjunction with a doctoral student, is asking members to participate in the survey linked to this article.

The CISI encourages as many members as possible to complete the survey, which will take only a few minutes. The results and conclusions from the survey will be made public later this year and the Institute is grateful in advance for your participation.

The survey can be accessed at surveymonkey.com/s/EthicsSurveyJLHB

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**A hire purpose: The Verdict**

Calliope, a business services firm, in a *pro bono* goodwill gesture, lends the services of Greta, a key member of staff to a client, Sorex, a small charity.

Greta resigns from Calliope and you discover that she has been offered a job by Sorex. How would you react? This was the Grey Matters dilemma that appeared in the October 2013 edition of the *S&IR*. Readers were invited to vote in a poll on the CISI website for the course of action that Calliope should take.

Of the responses received, more than 80% voted in favour of the two polar opposites as follows:

A: Simply accept that people move on (42%)

B: Feel justifiably outraged that Sorex has stolen a key member of staff and tell Terry, the Sorex CEO, that you will take it up with his Chairman (40%)

Other small percentage votes were:

C: Look for ways to block Greta’s move, if possible, including litigation (2%)

D: Offer Greta a substantial salary increase and restructure the department to make her head, in order to keep her (16%)

While one accepts that people do move on, the circumstances of this story are such that, if for no other reason than good business practice, Sorex should have indicated to Calliope what it intended to do. That need not have been by saying directly that it wanted to offer Greta a job, but by raising it in a way that indicated that it was a possibility and avoiding it being seen as a hostile act.

As it is, Calliope has every reason to feel a sense of outrage at the actions of Sorex. The fact that it is a charity is not material to Calliope’s response. It is based upon Sorex’s abuse of trust in response to Calliope lending the charity a member of staff in a gesture of friendship.

Accordingly, the CISI considers option B – conveying an expression of your outrage – to be entirely appropriate in these circumstances. Sorex has, quite unnecessarily, made a business ‘enemy’ of Calliope.

Consider the mantra ‘Honest, Open, Transparent, Fair’.
Need to read
The latest publications and study aids supporting CISI qualifications

NEW WORKBOOKS AND ELEARNING EDITIONS
Certificate in Corporate Finance
The Certificate in Corporate Finance is aimed at individuals working in corporate finance and related areas who need to demonstrate a sound understanding of both regulatory and technical aspects of the subject. Candidates will have to pass two exams: Corporate Finance Regulation, and Corporate Finance Technical Foundations.
New editions of the Corporate Finance Regulation and Corporate Finance Technical Foundations workbooks and corresponding elearning products (covering exams from 11 April 2014) are due out in January.
Price: £100 per subject for combined workbook and elearning product

NEW WORKBOOKS AND ELEARNING EDITIONS
Investment Advice Diploma titles
New workbook and elearning editions (covering exams up to 30 December 2014) of the following Investment Advice Diploma titles are out now:
Securities: This unit ensures that candidates can apply appropriate knowledge and understanding of securities, markets and related functions and administration.
Derivatives: This unit aims to provide those advising and/or dealing in derivatives with the knowledge and skills required for their jobs.
Price: £100 per subject for combined workbook and elearning product

WORKBOOK AND ELEARNING EDITION
Taxation in the UK for Individuals & Trusts
The object of Taxation in the UK for Individuals & Trusts is to ensure that candidates demonstrate the ability to apply the knowledge, theory and practical techniques required in order to assess a client’s current financial position and future requirements, make suitable investment recommendations, monitor performance and respond appropriately to changing needs and circumstances. The workbook and elearning product (for exams to 30 October 2014) cover:
- Income Tax
- National Insurance Contributions
- Capital Gains Tax
- Stamp Duty
- Value Added Tax
- tax-planning strategies.
Price: £100 for combined workbook and elearning product

NEW WORKBOOK AND ELEARNING EDITION
International Certificate in Wealth and Investment Management
The objective of the International Certificate in Wealth and Investment Management (ICWI/M, formerly known as International Certificate in Wealth Management) is to provide a test of competence for individuals engaged in private client asset management (discretionary portfolio management) and fund management. A new edition of the ICWI/M workbook and corresponding elearning product (covering exams from 21 January 2014) is out now, covering:
- industry regulation
- financial assets and markets
- fiduciary relationships
- investment analysis and planning
- lifetime financial provision.
Price: £100 for combined workbook and elearning product

GLOBAL OPERATIONS MANAGEMENT
Global Operations Management, part of the Diploma programme, will assist candidates with their understanding of operations and settlement procedures in order to service effectively the operations and settlement needs of a firm and its clients. The corresponding workbook (covering up to 27 June 2014) is out now, and covers:
- equities, bonds and fixed income
- cash and money markets
- financial derivatives
- the trading environment
- clearing and settlement
- risks and controls
- asset servicing and custody.
Price: £150

ONLINE TOOL
Professional Refresher
Professional Refresher will help you keep up-to-date with regulatory developments, maintain regulatory compliance and demonstrate continuing learning. This popular online learning tool, now enhanced and updated, allows self-administered refresher testing on a variety of topics, including the latest regulatory changes.
New modules are added to the suite on a regular basis and existing ones are reviewed by practitioners.
Price: Free for all CISI members, otherwise it costs £150 per user. There are also tailored module packages and a reporting management site available for individual firms. Visit cisil.org/refresher for further information.

EXTERNAL SPECIALISTS
The CISI relies on industry practitioners to offer their knowledge and expertise to help create and maintain its exams, workbooks and elearning products. There are several types of specialists: authors and reviewers for workbooks and elearning products, item (question) writers, item editors and exam panel members. All of them receive a number of benefits to thank for their involvement.
There are currently around 300 external specialists who have volunteered to assist the Institute’s qualifications team but more are required.
The CISI would particularly welcome applications from specialists to assist with developing exams for Advanced Global Securities Operations, Commodity Derivatives, Corporate Finance Regulation, Derivatives (levels 3 and 4), Exchange-Traded Derivatives, Over-the-Counter Derivatives, Operational Risk and Securities (levels 3 and 4).
To register your interest, please contact Ian Worman on +44 20 7648 0609 or download the application form available via cisil.org/externalspecialists
The City Debate

17 FEBRUARY
Mansion House, Walbrook, London, EC4
The City Debate has been running since 1996, courtesy of the Futures & Options Association, and it has become established as one of the City’s more entertaining and intellectually stimulating debating forums.

It provides the City’s international financial services community with the opportunity to address topical issues which have the potential to affect the current and future development of the industry.

This year’s event, held jointly by Centre for the Study of Financial Innovation and the CISI, comprises a black-tie dinner followed by university-style debate, featuring leading business and political figures.

The motion for debate in 2014 will be:
“This house believes that the ‘normalisation’ of interest rates will inevitably cause another financial and economic crisis.”

The debate will be moderated by Angela Knight FCSI(Hon), former Chief Executive of the British Bankers’ Association, and will feature as a keynote speaker former Cabinet minister John Redwood MP.

Tickets are priced £230 + VAT per person or £2,200 + VAT for a table of ten.

For further details and to book your place, see cisi.org/citydebate, telephone +44 20 7645 0653 or email victoria.caine@cisi.org

CPD training courses

<table>
<thead>
<tr>
<th>Course</th>
<th>Date</th>
<th>Venue</th>
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<tr>
<td>Integrity &amp; Trust in Financial Services</td>
<td>14 JANUARY</td>
<td>London, unless otherwise stated</td>
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<tr>
<td>Updated Thinking for Packaged Products</td>
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<td>Retail Derivatives Update (half day, morning)</td>
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<tr>
<td>Suitability &amp; Appropriateness: Avoid Misselling!</td>
<td>28 JANUARY</td>
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<td>Getting to Grips with Risk Management – for Non-Risk Professionals</td>
<td>4 FEBRUARY</td>
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<td>6 FEBRUARY</td>
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<td>Anti-Money Laundering &amp; Terrorist Financing Introductory Workshop</td>
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<tr>
<td>Understanding Regulation and Compliance</td>
<td>4/5 MARCH</td>
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London CPD events

9 JANUARY  Behavioural and Communication Skills for Wealth Managers†
SWIFT, The Corn Exchange, 55 Mark Lane, EC3

14 JANUARY  Peace and Quiet in Europe (Please)†
McGraw-Hill, 20 Canada Square, Canary Wharf, E14

21 JANUARY  Financial Services and Social Media Don’t Mix – and Other Myths
America Square Conference Centre, 1 America Square, 17 Crosswall, EC3

28 JANUARY  Confessions of a Charlatan Wealth Manager†
SWIFT, The Corn Exchange, 55 Mark Lane, EC3

3 FEBRUARY  FCSI Masterclass: Fraud – A Price Worth Paying†
London Capital Club, 15 Abchurch Lane, EC4

5 FEBRUARY  Turning Points: Financial Planning for Divorcing Clients†
Watermen’s Hall, 16-18 St Mary-at-Hill, EC3

6 FEBRUARY  Leading-Edge Thinking in Corporate Finance
America Square Conference Centre, 1 America Square, 17 Crosswall, EC3

18 FEBRUARY  Behavioural and Communication Skills for Wealth Managers†
SWIFT, The Corn Exchange, 55 Mark Lane, EC3

20 FEBRUARY  Meeting the Challenges of Systems Development and Procurement in a Fast-Changing Regulatory Environment†
America Square Conference Centre, 1 America Square, 17 Crosswall, EC3

1 MARCH  FCSI Masterclass: The Short-Term Outputs of Long Finance
London Capital Club, 15 Abchurch Lane, EC4

13 MARCH  Stock Lending†
America Square Conference Centre, 1 America Square, 17 Crosswall, EC3

26 MARCH  Blending Risk Factors in Portfolio Construction Using Passive and Systematic Funds†
Deutsche Bank, 1 Great Winchester Street, EC2

26 MARCH  The Long Finance Spring Conference: Long-Term Performance Measurement in Finance†
Bank of America Merrill Lynch Financial Centre, 2 King Edward Street, EC1

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

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

CPD roadshows

The CISI is holding a series of roadshows to enable members to discuss with the Executive team latest developments in meeting and documenting their CPD obligations.

20 JANUARY  London
America Square Conference Centre, 1 America Square, 17 Crosswall, EC3

29 JANUARY  Jersey
The Royal Yacht, Weighbridge, St Helier, JE2

30 JANUARY  Guernsey
The Old Government House, St Ann’s Place, St Peter Port, GY1

4 FEBRUARY  Belfast
Ulster Reform Club, 4 Royal Avenue, BT1

RDR type: RDR guidance
To book: cisi.org/events ☎ +44 20 7645 0777

RDR ANNUAL CPD

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

Member and Fellow discounts

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

The following discounts are applicable only to one course per year.

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

Customer support: customersupport@cisi.org

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12 FEBRUARY  Behavioural Economics – the FCA and You and Your Clients* £300
13 FEBRUARY  Ethical Finance - What’s In It For Me? (half day, afternoon)* £300
18 FEBRUARY  Anti-Money Laundering & Terrorist Financing Introductory Workshop £300
20 FEBRUARY  Essentials of Supervision* £300
25 FEBRUARY  Corporate Governance Best Practice £300
26 FEBRUARY  Building a Client-Focused Professional Service for the New World* £300
27 FEBRUARY  Getting to Grips with Operational Risk - For Non-Operational Risk Professionals £300
4/5 MARCH  Understanding Regulation and Compliance* £300

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Venue: London, unless otherwise stated
Forthcoming events

The CISI's six professional forums are a key membership benefit. Covering the areas of compliance, corporate finance, financial technology, operations, risk and wealth management, these discussion groups meet regularly in central London to debate current issues and hear presentations from industry speakers.

Events are generally held at midday with a light lunch provided and time to network. These sessions are free and open to Fellows, Members, Associates and Affiliate members of the Institute. Student members may attend one event of each forum annually.

Forthcoming events

Compliance
12 March: Investor Psychology and Behavioural Economics

Corporate Finance
4 March: Life After the Vickers Report – How Will Banks’ Lending Change?

Risk
23 January: Risk of Outsourcing

Wealth Management
28 January: Inheritance Tax Planning
Speaker: Peter Legg, Head of IHT Planning Matters
25 March: The Regulation Game – It’s a Knockout!

For more information about forthcoming forum meetings, visit cisi.org/pf
James Hedley, Chartered FCSI, receives a knighthood from Her Excellency Nicola Clase, Swedish Ambassador to the UK

James Hedley, Chartered FCSI has true Viking blood, which is fitting for his role as a UK consul for Sweden. Lora Benson reports

**Swede SUCCESS**

**His First Job** was as an extra in a 1975 film called *Robin Hood Junior*. But it’s in real life that a more compelling storyline has played out for James Hedley – he has recently been given a knighthood by Sweden’s King Carl XVI Gustaf.

James is an Investment Director for Rathbones in Liverpool but over the years has had extensive family, social and business links to Sweden. It was through this connection that he became aware of a vacancy for a professional person working in Merseyside to become a UK consul to Sweden.

“I was summoned for an interview at the Embassy,” says James. “His Excellency was kind enough to endorse me, and my candidacy was approved by the Foreign Offices of Sweden and the UK. The initial process is rather subtle, although thereafter a clear set of formal procedures must be satisfied, which includes liaison between the two nation states involved.”

Twelve years later and James is thoroughly enjoying the position, which doesn’t require him to speak Swedish but has resulted in several visits to the country.

“The role of a consul in ways is similar to being a consultant or counsellor,” he adds. “Typically, people will contact the Consulate with requests, in need of referrals or references. Others will need assistance with personal civic rights and identity registration and documentation, such as birth, travel, marriage, pension and death – from ‘cradle to grave’ you might say!”

**Common values**

Much of what James deals with on a day-to-day basis as a consul is confidential. He has had occasions that have involved aspects of drugs smuggling, child custody, political protest, international child paternity cases, liaison with Special Branch, managing an electoral polling station and assisting with civil rights.

Swedish–UK relations are extremely good, he says. “There is a genuinely close relationship between the UK and Sweden.”

Liverpool and Glasgow to Gibraltar. James’ consulate jurisdiction covers Liverpool and Merseyside, the adjacent North West of England and North Wales & Anglesey.

As far as roots and lineage go, James’ ancestry is pointing in one direction: “I took part in a national DNA survey a few years ago, which proved that via my direct male line descent, my ancestors left Scandinavia and ended up in Northumberland via Greenland – about 1,200 years ago!”

No matter how many times he travels there, James never fails to be impressed by Sweden’s landscape and culture.

“Beauty and freedom are two words that sum up Sweden – the place and its people,” James says. “There is an engaging Swedish culture of liberty, compassion, equality of rights and duty. Stockholm is a stunningly located city, built on islands and headlands by the sea. It is a city of wonderful light and clean air, rich in unharmed historic heritage juxtaposed with a certain cool modern Scandinavian style. Go for the modern food experience: food tourism is happening, so you will not be disappointed, but you will be amazed. The countryside is simply breathtaking for its big sky, scale and being spotless. The villages and farms are charming for their picturesque, brightly coloured red or yellow simplicity.”

As for his Swedish Knighthood, James adds: “I am a Knight 1st Class of the Royal Order of the Polar Star, in recognition of a long and distinguished service.”

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