We understand that the road to RDR compliance is sometimes difficult to map out. Based on our experience, we’ve built an RDR navigator to help chart your path through the qualifications and gap-fill requirements. The deadline is looming. Let us help you to figure out which qualifications and gap-fill programmes are right for you.

Natalie Kilgarriff, Head of RDR Solutions

7city offers training and CPD accredited gap-fill (where relevant) for the following qualifications:
IAD – IMC - CFA® Levels I to III – PCIAM - RDR gap-fill - Ongoing CPD.

For assistance charting your path to RDR compliance contact us for your free RDR consultation 0845 072 7620 or rdr@7city.com

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DO YOU WANT TO WORK IN OUR SPACE?

Are you a qualified (CF30) 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 20 years. We have just completed a management buy out and are looking for new investment advisers to join us. We offer a traditional stockbroking service mainly to private clients. In addition, we provide corporate broking services to smaller companies on the AIM market and can provide private client access to new issues led by us or other brokers, if appropriate.

Dowgate Capital Stockbrokers Limited is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange and PLUS markets.
Protesters have set up camp at St Paul’s Cathedral and the Church of England is questioning the morality of the finance industry. Did Big Bang lead us here?

Taking responsibility

THE 25TH ANNIVERSARY of Big Bang has generated considerable discussion about whether its effects have been positive or negative, with a decline in ethical standards – or even their death – being one of the most-cited consequences. While we have a natural tendency to look back with rose-tinted spectacles at all aspects of life, to focus solely upon ethics may not be a very profitable exercise, since ethical behaviour does not exist in a vacuum. It is not something that is driven by machines, but by us as individuals. Even within markets, behaviour tends to reflect the standards of society.

Big Bang undoubtedly changed the human fabric and structure of the City. It is possible, however, that the apparent bursting of the dam of moral rectitude was actually a long-overdue development, at least in terms of the recognition that it was unhealthy for the City not to accept that its ‘club’ mentality was unsustainable as the world changed around it. Paradoxically, it was the ability of the City to accept changes around the globe that had enabled it to remain a significant financial centre, even as many other key British industries were in terminal decline because they were too slow to recognise the need for innovation and to act accordingly. So if the changes were overdue, and perhaps inevitable, what may be more profitable than simply harking back to the good old days is to assess what really was good and to consider how these points may be applied to our situation today. One of these good points, and one that was largely swept away, was undoubtedly the partnership structure of many City firms. This had ensured that behaviour within the partnership was subject to the critical scrutiny of one’s partners, who had a direct interest in the success of the enterprise. Added to this may be the personal nature of City relationships, which underpinned so many business dealings.

Selling out

An obvious question that might be asked is, if ethical standards were so high before Big Bang and not everyone retired as a result of it, what caused the large number of those City employees who remained, if not to lose their moral compass, to be blown significantly off course? A major factor that has been blamed is the reward structure that, to employ a term used elsewhere, personalises reward while socialising risk. Much energy has been expended in trying to alter this, at both national and international levels, by shifting the balance of reward between fixed salaries and bonuses (which have, in any case, often been a multiple of not-insignificant salaries). But it is the absolute scale of remuneration within the City that remains the major millstone around the reputational neck of the industry.

We face the next 25 years in a position of great uncertainty in the industry, with the St Paul’s protest shining a spotlight on the City. We must remain aware of our individual responsibilities: to act with integrity, both individually and corporately, and to encourage one another to achieve the same high standards in our personal and professional dealings with others as we expect in their dealings with us.

For more information about Big Bang, see ‘Ask the experts’ on page 10.
Combating Financial Crime

The Commissioner, who heads up the country’s leading force for tackling economic crime, voiced his support for the qualification as it was announced at an event at the Old Bailey, London. The event was hosted by Alderman Alan Yarrow, Chartered FCSI(Hon), CISI Chairman and Sheriff of the City of London. CISI Managing Director Ruth Martin said: “We believe that there is nothing quite like this qualification in the market at the moment.” The qualification was developed by the CISI with Washington, DC-registered company QCo Holdings Ltd, which provides consultancy services to governments and corporate bodies about financial crime, policy and control. There was also input from international specialists including HSBC, PricewaterhouseCoopers and the Dubai Financial Services Authority.

The syllabus is relevant to professionals including compliance officers and money-laundering reporting officers, those involved in regulation, law enforcement, trade and commerce, and individuals from bilateral development institutions. It is a level 3 qualification and can be taken as a standalone award or with the CISI’s FSA Financial Regulation or Principles of Financial Regulation units.

Global Financial Compliance

A second new CISI qualification provides a comprehensive introduction to the range of issues a global compliance officer may encounter.

Global Financial Compliance has been developed with input from expert practitioners from leading global financial firms including Standard Chartered Bank.

Francesca Brown, Chartered MCSI, Senior Compliance Manager at Standard Chartered, said: “International organisations require a joined-up compliance methodology and a practical approach to the challenges of cross-border regulation. This qualification helps to address those requirements.”

The level 3 qualification, which is globally portable, gives a sound grounding in: • the international regulatory environment • the compliance function • managing the risk of financial crime • ethics, integrity and fairness • governance, risk management and compliance.

CISI Managing Director Ruth Martin said: “We believe that the skills and knowledge that an individual acquires through this qualification can further the industry’s efforts to build trust and confidence in the sector globally.” The qualification can be taken as a standalone award and also with either the CISI’s FSA Financial Regulation unit, the Principles of Financial Regulation unit or a local regulatory paper (for international candidates). It was launched at the CISI annual Compliance Professionals Summit in London in October.

The CISI has produced a workbook and accompanying elearning module for both Combating Financial Crime and Global Financial Compliance to support candidates studying for the qualifications. These study aids can be purchased via the CISI online bookshop at cisi.org/bookshop. Both qualifications can be taken at any of the CISI’s computer based testing centres located worldwide.
**First Statement of Professional Standing issued**

The CISI, as an FSA Accredited Body, has issued its first Statement of Professional Standing (SPS).

The recipient of the SPS, which is the certificate that all retail investment advisers must hold by 31 December 2012 to prove their competence, is Robert Ward MCSI.

Robert, a Wealth Manager at Fyshe Horton Finney in Wymondham, near Norwich, said: “I’m delighted to have obtained the SPS. It acknowledges that I’ve achieved a high level of professional standing, which reassures clients. While the deadline to secure the SPS is not until the end of next year, I wanted to apply as soon as possible for my own peace of mind. My livelihood will depend on holding an SPS, so securing it was my number one priority.”

He added: “Applying for the SPS was straightforward. Indeed, throughout the Retail Distribution Review (RDR) process, the CISI has taken a complicated issue for retail investment advisers and made it simple. “I was initially sceptical about the RDR, but I now feel positive about its impact in raising standards of professionalism following the repeated blows the industry has taken to its reputation. I’m pleased to be moving forward with the assistance of the CISI, rather than standing still in what is an ever-changing sector.”

CISI Managing Director Ruth Martin said: “We’re delighted to issue the first SPS so soon after becoming an Accredited Body, and congratulate Robert on receiving it. The application process has been designed to be rigorous and yet straightforward for our members to use.”

To obtain an SPS, advisers must provide the CISI with evidence of meeting the RDR qualification, gap-fill and CPD requirements. They must also confirm adherence to the FSA’s Statements of Principle and Code of Practice for Approved Persons (APER) and compliance with the Institute’s code of conduct.

The CISI is accepting SPS applications from its members and employees of its corporate supporters, and recommends that these are made as soon as possible due to the expected high level of demand.

An application form can be downloaded at cisi.org/rdrsspapplication

For further information about the RDR requirements, see the CISI RDR Implementation Guide at cisi.org/rdrbooklet

**Big Bang event raises £20,000**

A reunion to mark the 25th anniversary of ‘Big Bang’ raised about £20,000 for charity.

Nearly 200 people who worked on the floor of the London Stock Exchange (LSE) at the time of the historic deregulation attended the event at Drapers’ Hall in the City of London. Attractions included a chance for attendees to have their photo taken with a stuffed bull and bear and a raffle in which prizes included the opportunity to formally open a day’s trading on the LSE.

Paul Fellerman, Chartered FCSI, joint organiser of the event, said: “It was a great chance for those of us with fond memories of pre-Big Bang days to catch up, and we were delighted by the large amount raised for three selected worthy causes.”

The proceeds will be split between the learning disability charity Mencap; Remedi, which supports medical research; and the London Stock Exchange Group Foundation, the channel for the LSE’s charity giving.

**New Board members**

The CISI has appointed two new Board members, Philippa Foster Back OBE and Paul Hedges, Chartered FCSI. Philippa is CEO of the Institute of Business Ethics (IBE), which encourages high standards of business behaviour based on ethical standards. She began her career at Citibank NA, and has worked for firms including Bowater and Thorn EMI. She sits on the Advisory Board of the Centre for Corporate Reputation at the Said Business School at Oxford University and is a Visiting Fellow of the University.

Paul Hedges is Regional Head of Asia Pacific Network Management and Market Intelligence for HSBC Singapore. He has also worked for JPMorgan Chase Worldwide Securities Services and Standard Chartered Bank. Paul is President of the CISI’s National Advisory Council in Singapore and sits on the Membership Committee in London.

CISI Chairman Alan Yarrow, Chartered FCSI(Hon), said that the Board would benefit from Philippa’s and Paul’s “wealth of relevant experience.” He also expressed the CISI’s appreciation of retiring Board members Alan Ramsay FCSI(Hon) and Nick Seaward, Chartered FCSI, and said: “In particular, I would like to thank Alan Ramsay, whose wise counsel has been invaluable in shaping the development of the Institute over the past 15 years.”

**ANNIVERSARY**

The Institute celebrates its 20th anniversary in February 2012, and the S&R would like to hear from original members to feature in its coverage of the milestone.

Let us know your early memories of the Institute following its formation in 1992 by contacting CISI Communications Editor Richard Mitchell at richard.mitchell@cisi.org

£750 The average annual cost of fraud to every adult in the UK, according to figures from the National Fraud Authority
Bahrain event launches training programme

The Governor of the Central Bank of Bahrain (CBB), HE Mr Rasheed Al Maraj, has launched a major initiative with the CISI that will benefit young Bahrainis from all parts of the community.

Speaking at the Institute’s first continuing professional development event in Manama, Bahrain’s capital, he endorsed a programme launched jointly by the Institute and the Bahrain Institute of Banking and Finance (BIBF), which he chairs. It will lead to hundreds of young Bahrainis becoming Affiliate members of the CISI. This is the first step to full membership, which they will attain by taking the appropriate Institute exams. The launch event featured the Institute’s acclaimed Integrity at Work interactive presentation.

The CBB has introduced, with the BIBF, a Financial Advice Programme based on the requirements set out in its rule book. This is the first locally customised programme in Bahrain to be endorsed by the CBB as the minimum mandatory qualification for entry-level financial advisers in the Kingdom.

The Governor told some 70 senior local and regional figures: “We welcome the collaboration with the CISI in introducing appropriate training programmes that promote the adoption of global best practices and professional qualifications that will enable industry professionals to provide sound financial advice.”

Mr Khalid Rashid Al Zayani, President of the CISI’s Advisory Council in Bahrain and Chairman of Al Baraka Islamic Bank, said: “Improving the professional skills of those who work in banks and other financial firms is a key factor in maintaining confidence in the system. Membership of a global professional body will give young Bahrainis a solid foundation for their careers.”

66

The percentage of financial services players who, according to a CISI survey, believe that the 50p top rate of income tax is damaging the UK. To take part in the latest CISI survey, visit cisi.org

PROFESSIONAL STANDARDS

Disciplinary action

As a result of information received by the CISI, member Nicholas Western-Kaye, Chartered FCSI, was called to appear before a disciplinary panel for apparent breaches of membership regulation 16.1(a), leading to breaches of CISI principles 2, 3 and 7. The allegations against Mr Western-Kaye were upheld and the panel determined that he should be severely reprimanded.
Christine Chambers has learned by asking questions. “I’ve always been really thirsty for information,” she says. From her first days at Japanese investment bank Nomura in 2001, if she didn’t understand something, she made certain to ask. She still does.

At school in Belfast and at Glasgow University, she studied politics and English and considered entering the civil service. By the end of her undergraduate years, however, Christine was jaded – largely because of her experience in student politics. She won a scholarship to study for an MSc in Business and Information Technology at Strathclyde Business School, where she was also able to take MBA courses.

Next, she decided to try London – a natural progression in size from Belfast and Glasgow. “My first job was shredding documents for Arthur Andersen,” she says. Christine then moved to a law firm, where she planned to train as a systems accountant. Late in 1999, she tested the firm’s IT systems for Y2K compliance on the side. Impressed at being collected by car and finding mince pies and champagne on her desk – as well as being paid a handsome sum for the day – she realised that IT might have its attractions. Deciding to leave the systems-accountancy path, she began to explore banking. Working for an agency, she tested equities systems at Goldman Sachs before applying for entry-level IT positions at four international investment banks.

All four offered her a job. Now, it was the questions being asked of her that made the difference. “I picked Nomura because they gave me the hardest interview – the final one lasted four hours,” she says. When she arrived, Christine didn’t know much about banking and was sometimes baffled by the terminology. “I was just curious to understand how it all worked,” she says. “I wanted to understand why traders were so angry when they phoned.” She learned by approaching them at less busy times to ask about phrases they had used. But she needed a more structured foundation. With Nomura’s support, she completed the CISI’s Investment Operations Certificate (then called the Investment Administration Qualification) in a year. Christine’s role grew as she was promoted to team leader, and again when Nomura took over the European and Asian operations of Lehman Brothers in 2008. “The talent that came over is considerable,” she says. “My biggest challenge is to make sure they’re working globally rather than regionally."

Now two team leaders report to her in her role within Business Infrastructure Services (BIS). “I liaise with the global teams to ensure that service levels are correct and to suggest improvements in our day-to-day working. My teams support more than 40 different applications, including payment and settlement, reporting and exposure, treasury and confirmation.”

Christine is still asking questions. Returning from maternity leave, she went to each department to ask what had changed during her absence. She has enjoyed the travel – to Singapore, Mumbai, New York and, best of all, Tokyo, for which she prepared with eight weeks of Japanese lessons. Nomura also helped her to rediscover sport. Starting by cycling to work, she moved on to triathlons and endurance-cycling events. She ran the London Marathon in 4hrs 20mins, and took part in a French marathon that involved drinking fine wines at 23 stops along the way. That one took a bit longer.

WEALTH MANAGEMENT

CISI launches new designation

New Regulatory Update

There are many reasons to read the latest edition of the CISI’s Regulatory Update, now available online in the members’ area of the Institute’s website.

It will help CISI members to stay up to date with a flood of new rules and policies from the FSA on everything from capital to suitability and phone recording. In addition, information is given on continuing ARROW and theme visits by the FSA to firms, during which new question areas will be covered.

Following the decision by world leaders three years ago to tighten regulation, members can catch up on emerging details about the rules that apply to their firms. These relate to areas including capital requirements, new markets, pre-trade and post-trade price transparency and greater investor rights.

CLAY ‘MUDLARK’ HARRIS

Back story on Christine Chambers ACSI of Nomura

Christine Chambers ACSI

Applications Support Manager, BIS Production Services EMEA, Nomura

Do you have a back-office story?

mudlarklives@hotmail.co.uk

Christine Chambers has learned by asking questions. “I’ve always been really thirsty for information,” she says. From her first days at Japanese investment bank Nomura in 2001, if she didn’t understand something, she made certain to ask. She still does.

At school in Belfast and at Glasgow University, she studied politics and English and considered entering the civil service. By the end of her undergraduate years, however, Christine was jaded – largely because of her experience in student politics. She won a scholarship to study for an MSc in Business and Information Technology at Strathclyde Business School, where she was also able to take MBA courses.

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BIG BANG

Last month was the 25th anniversary of the UK’s deregulation of financial markets

The 1980s saw the overturning of some long-established practices in the UK’s key industries. We tend to think first of the privatisation of utilities, but this was just part of a wider programme designed to restore the UK’s role as one of the great manufacturers and exporters of the world.

Key to all of this was the City of London, whose institutions had developed to service those manufacturers and exporters and to facilitate the UK’s trade. For many years, the City had been falling behind the US as a financial centre, and seemed destined to lose its relevance as one of the world’s great commercial hubs. Big Bang, on 27 October 1986, was the start of the fight back.

At its most prosaic level, Big Bang was simply a set of measures to sweep away those City practices that had little place in modern commerce. Most visibly, it meant the end of the ‘open outcry’ of the trading floor at the London Stock Exchange, and the beginning of the adoption of the electronic trading systems that now dominate global trading.

Today, any potential buyer of shares needs only log on to an online broking service to buy and sell seamlessly. Prior to Big Bang, the trade would have necessitated a phone call to your broker, who would then call a jobber on the stock exchange trading floor, who would then execute the trade. These jobs were strictly demarcated. Crucially, commissions on those trades were fixed and, therefore, utterly immune to competition. Big Bang ended the distinction between taking client orders and carrying out their trades, and enabled the newly empowered stockbrokers to compete on commission levels.

Competition meant a drive to create economies of scale, and some City stockbrokers found themselves hampered by the old partnership model as they tried to meet the opportunities of the new system. Big Bang had also removed the rule against outside ownership of jobbing and broking firms; now, banks and other institutions were keen to buy them.

The result in the years that followed was a massive consolidation of old City names and the flocking of foreign financial companies to London. Within 20 years, roughly half of City firms were foreign owned. London had again been crowned the centre of global finance, but in the eyes of traditionalists it had been ‘Wimbledonised’: it played host to the world’s champions, but a home-grown success story would be a rarity.

Yet the London markets grew. A new financial centre at Canary Wharf was built to complement the Square Mile. London became a magnet for the world’s over-the-counter dealing in foreign currency, bonds, commodities and derivatives, as well as attracting the stock-market listings of companies from eastern Europe and the emerging Asian economies.

Put simply, Big Bang helped the UK become the centre of global commerce once again.

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

TEST YOUR INDUSTRY KNOWLEDGE

Q1 A key role of investment banks is to provide:
A) Custody services for pension-fund managers  B) Corporate finance services to corporate clients  C) Overdraft facilities to individuals  D) Mortgages to private individuals

Q2 Which ONE of the following is a feature of credit creation?
A) It restricts spending power  B) It decreases inflation  C) It expands the money supply  D) It is an indicator of inflation

Q3 At the appropriate point in the complaints procedure, firms must advise complainants of their right to refer the matter to the:

Q4 Which ONE of these life company investment products provides no insurance element?
A) Portfolio bonds  B) Single-premium bonds  C) With-profits bonds  D) Capital-re redemption bonds

...Continued on page 29.
All that glitters

Fans of gold have had a rude awakening. After hitting a record high of $1,921 an ounce in early September, the precious metal has tumbled, losing about 10% of its value.

To justify high levels of speculative interest, gold needs to prove itself as an alternative to paper money.

Central banks, led by Russia and Mexico, have been buying gold. This has been another supporting factor for its recent success, with 210 tonnes of total net purchases so far this year. And physical demand (for jewellery) remains strong, sales to India have been robust. Mine production is expected to grow at a similar rate to last year.

Bargain hunters have been buying the dips. Some used September’s slide to get into the market more cheaply, snapping up coins and bars. Against that, however, a stronger dollar is likely to weigh on the price.

As such, analysts at UBS, for example, have revised down their expectation of the average price this year from $1,665 to $1,615, below the $1,700 at which it was trading at the time of going to press. But the Swiss bank believes that next year will see an average price of $2,075, citing low interest rates and sovereign debt woes.

Nevertheless, gold’s recent fall is a reminder that its fans cannot have it all ways. Should the US and Europe suffer a recession, and even a bout of deflation, gold would ultimately be of little comfort. It provides no income. Cash, even at pitiful rates of interest, looks more attractive.

To justify such high levels of speculative interest, gold will need to prove its credentials as an alternative to paper money – in other words, those fears of a debasement of the dollar as a result of the Fed’s policy action will have to be realised.

That looks like a big ask. First, if anything, for all the concern about America’s public debt, it is the dollar that investors are favouring as a haven asset. The currency has risen from a little less than $1.34 against the euro at the start of the year to about $1.38 as of early November.

Second, as long as economic recovery in the US and Europe remains so anaemic, then inflationary pressure is likely to stay weak. Once the impact of recent rises in crude and commodity prices has worked their way through the system, a fall in inflation – not a jump – looks more likely.

Sure, gold may make sense as a hedge in a balanced portfolio. But it should not be mistaken for protection from volatility. It is only worth what it can be bought and sold for. As such, it is best suited to the nimble. When the bubble does burst, the fall will be swift and sharp.

Christopher Adams is the Financial Times’ markets editor.
Recent market jitters have accelerated an ongoing shift by institutions from equities to bonds. Despite strong dividend yields, Hugo Cox finds that the tide is unlikely to turn.

**UCITS investors** appeared to shift money from equities to bonds in July 2011, according to the European Fund and Asset Management Association (EFAMA). That month, equity funds saw €1bn of outflows, compared with €3bn in June, while bond funds enjoyed a rise in net inflows to €6bn, having broken even in June. Bernard Delbecque, Director of Economics and Research at EFAMA, said at the time: “Negative surprises regarding the pace of global economic growth prompted caution among investors and flows into bond funds.”

Widespread risk aversion caused by enduring sovereign debt crises in Europe and, previously, fears about US Government indebtedness, are causing investors to redeem their equity holdings in favour of the safer bond market. By August, as European governments failed to find a resolution to the Greek crisis that satisfied markets, widespread risk aversion caused large-scale selling from across UCITS funds, which saw outflows of €26bn – the largest redemption levels since October 2008. Again, equities were hit hardest, losing a record €26bn against bond markets’ €13bn outflows. Much of this went to money markets, which had inflows of €33bn.

**Behaviour change**

This short-term shift is instructive beyond the lessons it provides about the market impact of European political dithering over a Greek bailout. It mirrors a long-term behavioural trend that has seen institutional investors in the UK reduce their allocations to equities in favour of bonds (although the trend is different abroad – see box overleaf). Between 2000 and 2010, the proportion of pension funds’ portfolios invested in bonds increased from 15% to 35% as the industry placed liabilities, rather than capital growth, at the heart of investment strategies (Figure 1). Recent regulatory changes promise to accelerate this trend by limiting further the appeal of equity markets to long-term institutional investors. A July report from the Bank for International Settlements noted that the new risk-based principles contained in the Solvency II directive discourage investment in riskier assets. Taking long-term or illiquid positions without any concern for short-term fluctuations becomes much harder because the new directive requires managers to hold capital against market risk – the fall in the value of their investments. While Solvency II is aimed at the insurance industry, pension funds will also be affected. In his profile in the June issue of the S&IR, Gabriel Bernardino, Chairman of the new European Insurance and Occupational Pensions Authority, noted that the new rules will provide the basis for guidelines for best practice in the pensions industry. Though not binding, these will operate on a ‘comply or explain’ basis. Yves Perrier, CEO of Amundi Asset Management, France’s largest asset-management firm, says: “Those regulatory developments will reduce investments from insurance companies and banks in asset classes with higher returns and risk (notably equities), due to the higher capital requirements associated with these asset classes.” Equity bulls have more reason to worry. As the baby boomers approach retirement, their investment needs will change from growth to income. Their holdings will move from equity to fixed-income assets, increasing selling pressures on equity markets. The large size of the baby-boomer cohort means that the investor mix will shift disproportionately towards these ‘spenders’ and away from today’s ‘savers’.

**The large number of baby boomers means that the investor mix will shift towards these ‘spenders’ and away from today’s ‘savers’**
2010 by Dr Sreekala Kochugovindan of Barclays Capital illustrates how the selling pressures caused by higher concentrations of retirees in the population has historically depressed equity markets. Figure 2 shows that a large proportion of savers in the US population – those aged 35 to 54 – is closely associated with strong returns from the leading US S&P 500 equity index, as measured by the price–earnings ratio (adjusted for the economic cycle). Could a counterbalance be provided by the current and future generations of savers – so-called generations X and Y – who have more to save for? Today’s new parents face a growing financial burden in supporting their children as university fees rise, getting a foot on the property ladder becomes increasingly challenging and jobs are scarce for young people. An August study from Schroders found that our saving habits are adjusting to these straitened prospects. Britons are currently saving £14.5bn a year to cover educational costs; 20% have a savings plan to finance their children’s school and university education.

The long-term capital growth argument for equities investing should appeal to these investors. The problem is that today’s young investors find it a hard one to swallow. Savings invested in the FTSE ten years ago would, in September, have returned approximately zero (excluding reinvested dividends) over that period; the same savings invested five years ago would have lost about 10% of their value. Even if today’s savers do choose equity markets, the fact that they are a smaller cohort than the baby boomers means that the inflationary effect of their greater buying may be drowned out by the higher volume of selling by baby boomers looking for income from their savings.

Income, not growth
As a source of capital growth, then, equities may look less appealing to today’s savers. But as a source of income for today’s retirees, the asset class looks attractive. In an environment where investors currently receive about a 2.5% yield on ten-year gilts, equity income funds, which typically return between 3.5% and 5%, look appealing. These funds invest in strong, ‘defensive’ UK companies – those in sectors such as telecoms, utilities, tobacco or pharmaceuticals, whose goods remain in demand even when the wider economy is ailing, as it is now. One of these, healthcare firm GlaxoSmithKline, currently pays a larger dividend (5.5%) on its equity than investors receive on its ten-year bond.

Retail investors – an increasing proportion of whom are baby boomers, as they cash in pensions and invest a portion of their nest eggs themselves – are voting with their feet. Of 32 sectors of the UK investment-management industry tracked by the Investment Management Association, ‘UK Equity Income’ was the second-best selling sector in August, recording £211m of new inflows. “After the crisis, retail investors re-entered the investment market via fixed income when investment-grade bonds offered excellent yields,” says Tim Mitchell, Head of Specialist Fund Sales at Invesco Perpetual. “Since then, interest rates have stayed low and corporate yields have fallen off. This year, equities have looked good through comparable income benefits but greater prospects of capital appreciation.” The equity-as-income argument would appear to be a strong one for pension funds: it provides a steady stream of income and offers better protection from
inflation – a preoccupying concern for trustees. Gilts, on the other hand, currently offer negative real yield. With an increased focus on the threat of inflation, the question of how to deal with it, via mainstream or alternative fixed-income assets, forms a dominant part of our discussions with clients and their advisers,” says Bernard Abrahamsen, Head of Institutional Distribution at M&G Investments. But fund managers report that there is no institutional

“This year, equities have looked good through comparable income benefits but greater prospects of capital appreciation”

element to the new demand for equities as income providers. The problem is that, from an actuarial perspective, high equity allocations are bad news for a pension portfolio because of the inherent volatility of the asset class. In a sense, the problem is societal,” says Tim Gardener, Global Head of Consultant Relations at AXA Investment Managers. “If a pension fund were to collapse, the fallout for the Government, the regulator, the actuarial profession and the asset-management industry would be too great.” Certainly, in the current equity-return environment, actuaries have a hard job persuading corporates to put more risk on their balance sheets (via the company pension funds). In addition, poor yields may not be so problematic for pension-fund managers given that their liabilities, typically tied to interest rates, are also decreasing. But, for Gardener, the core of the problem is in the mark-to-market valuation model forced on pension funds and now compounded by the punitive capital requirements of Solvency II. For, as long as there is a risk that a bad quarter in the equity markets is able to create, via the falling value of a company’s pension assets, a £500m hole in a firm's quarterly accounts, those running pension funds will be bound to focus on tail risk rather than long-term return prospects. The regulator should allow actuaries to use their judgment to distinguish between double or triple A-rated corporates with good cash flow, low debt and a high level of covenant security from those at the other end of the scale,” says Gardener. “These firms should smooth out the equity market volatility over time to provide a sound long-term investment.” Change in pension fund regulation happens at a glacial rate. Too bad that a reform in this direction seems unlikely to even begin any time soon.

Global validation

While in the UK there has been a move away from equities and into bonds, the reverse is true everywhere else.

Figure 3 shows the changing asset mix of pension funds in the world’s seven largest markets (the US, the UK, Japan, Canada, Australia, the Netherlands and Switzerland) over the 15 years to 2010. At this level, income is, in fact, the biggest loser, dropping 7% on a globalised basis over the period, according to a February report by Towers Watson. This slack has been taken up by alternative asset classes, which have grown from 5% 15 years ago to 19% at the end of 2010. Interestingly, though, every country’s pension-fund market reduced its allocations to equities in the five years to 2010.

The context for this is a very different asset mix among institutional funds of different countries. In France, for example, savings for retirement are concentrated in insurance products; insurance companies globally tend to invest heavily in fixed-income securities. Compare this with the US, where privately held pension funds, which hold more than one-third of the country’s institutional assets, generally invest more heavily in equities.

Source: Towers Watson and secondary sources

Figure 3: Pension asset allocation in the world’s seven largest markets
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Key features

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Wave of REGULATION

New legislation designed to catch US tax evaders in offshore jurisdictions will impose huge compliance costs on wealth managers. Hugo Cox examines the consequences for those in the UK and Europe.

WEALTH MANAGERS around the world are eyeing with trepidation the forthcoming compliance requirements of the US’s Foreign Account Tax Compliance Act (FATCA). The new legislation, which will come into force from January 2013, marks the culmination of longstanding efforts by the US Government to combat tax evasion. It requires foreign financial institutions (FFIs) to obtain and report information on accounts used by US taxpayers to the Internal Revenue Service (IRS). The industry must ensure that internal procedures are FATCA-compliant by the middle of 2014, but the tougher challenge will be going through pre-existing accounts above $50,000 to find those that could be held by US citizens. “Firms will have to review all electronic and paper data; for the larger institutions, that will involve looking through millions of records,” says Jeffrey Locke, FATCA Task Force Leader at Navigant Consulting in New York.

With the sector effectively being forced to become a tax-collection agent for the IRS, wealth managers will face huge compliance costs that, over a ten-year period, will far exceed the tax revenue to be captured by the US, according to the Swiss Banking Association (SBA).

Passing on costs
It is unthinkable that the US Treasury will contribute to these costs. Instead, wealth managers will probably have to pass them on directly to clients. With client information generally held by third-party administrators, FATCA checks look likely to provide them with new outsourcing business, according to Locke. In their current form, the new rules also appear to spell the end of unconditional client data protection. The SBA has warned of a legal wasps’ nest, noting that “a conflict of laws is pre-programmed because FFIs will have to comply both with the laws of their own jurisdiction and with FATCA”.

But this underestimates the US’s commitment to securing diplomatic agreement on FATCA’s implementation. Washington is currently negotiating hard behind the scenes to ensure that domestic governments make exceptions to the local law requirements that prevent this type of information from being
The Act will also entail some reorganisation of the interaction between wealth managers and service providers. While it may be the investment manager, with the support of the fund administrator, who identifies the US-resident investors, in cases where the account holder does not wish to be identified but would rather pay the withholding tax, it will typically be the custodian who will withhold the funds and redirect them to the IRS. FATCA will certainly make relations with US clients, as well as dealing in US securities for non-US clients, more difficult. John Flint, Chief Executive of HSBC Global Asset Management, says: “While it is still not clear how asset managers will be affected, it is clear that doing business with US citizens is becoming increasingly onerous.”

European regulation

Wealth managers in the UK and Europe should not fear a rush of business away to Asia and the Middle East, since firms there will be bound by FATCA too. But the operational demands on European firms are likely to be higher. FATCA does not require that additional material on investors be collected, only that the red-flag system designed to alert firms to the presence of US investors be run through existing records. Given that current know-your-customer requirements in Europe are typically more demanding than those in emerging markets, managers here will have more data to sift through. FATCA is a challenge for wealth managers who provide tax solutions for their clients. But still bigger challenges come from within Europe, where co-ordinated action is tightening the net around tax evaders. Both Germany and the UK have recently struck bilateral tax agreements with the Swiss Government that require nationals with funds in Swiss accounts to pay a withholding tax at various rates. From 2013, when the UK agreement comes into force, Swiss banks will withhold between 27% and 48% of income and gains on UK citizens’ accounts for HM Revenue & Customs. An additional upfront payment by the banks – strictly speaking, a gesture of ‘good faith’ by the Swiss banking sector – of CHF500m in 2013 will cover legacy accounts.

This is the price of the secrecy of Swiss bank accounts: in both cases, these taxes can be avoided through the disclosure of the account details to the German or UK tax authorities, where they will be taxed at the local rate. But the bilateral element will have irritated Brussels. It undermines the prospect of Europe-wide information exchange, something that the European Commission has been pushing, notably through a new exchange-of-information directive. It is this directive, suggests Peter Cussons, International Tax Partner at PricewaterhouseCoopers, that should worry wealth managers more than the bilateral treaties. The new EU-wide move will mean that investors disclosing information to HMRC, for example, should be prepared for that information to be made available to the tax authorities in all other 26 EU countries.

The proposed EU directive is supported by another that facilitates the policing of tax evasion. The Mutual Assistance Recovery Directive, which the UK proposes to implement via the Finance Bill 2011, published in March, enables EU member states to provide one another with documents and information to assist in the recovery of tax debts and duties. “This means Europe-wide policing for the customers of wealth managers,” says Cussons. “If you have a final tax demand, it will now be enforced anywhere in the EU. Tax evaders won’t be able to hide in Marbella any more.”

Again, established wealth managers need not fear an exodus of investor assets to offshore jurisdictions in emerging regions. “There are fewer places now that investors can move assets in this way,” explains John Brassey of Grant Thornton. Keen to enforce the spirit of the new law, the Swiss Government has made the major banks promise not to advise their clients to move money to offshore jurisdictions beyond Europe. Few emerging economies with soft tax regimes, such as Singapore, will want to be seen to be aiding tax evasion, given the threat this would pose to relations with Europe and the US. An alternative to remote offshore jurisdictions has presented itself in Liechtenstein. The Government of the small European principality has a disclosure deal with the UK, which requires any assets owned by UK residents to be declared. In return, the individual must pay tax on the money going back ten years, along with a 10% penalty. This compares well with the equivalent disclosure requirement for assets repatriated to the UK, which goes back 20 years and requires a 20% penalty. In January, the UK’s Permanent Secretary for Tax, Dave Hartnett, said that, with four years still to go before it expires, nearly 1,200 people had already come forward through the Liechtenstein disclosure facility. And he suggested that the final takings from the scheme would be closer to £3bn than the £1bn initially anticipated. 

FATCA

The Foreign Account Tax Compliance Act (FATCA), signed into law by President Obama in March 2010, is designed to crack down on offshore tax evasion by US citizens. Foreign financial institutions (FFIs) must identify US taxpayers holding accounts with an aggregate value of $50,000 or more at any of their branches across the world, or pay a 30% withholding tax on certain US-sourced income payments coming into the FFI.

“The US Government, in its examples of entities that would be covered by FATCA, includes savings and commercial banks, broker-dealers and custodial banks, and mutual funds, hedge funds and private-equity funds, among others,” write Ellen Zimiles, Richard Kando and Jeffrey Locke of Navigant Consulting in their report on the new legislation.

The penalties for non-compliance are severe. “Substantive understatement” of taxable assets incurs a 40% penalty, in addition to fixed penalties of $10,000 for failing to return the FATCA form, increasing to $50,000 for continued failure.

FATCA will not be implemented until the beginning of 2013, and the finer details concerning its scope are still to be decided on. Congress has given the lion’s share of responsibility for implementing the new regime to the US Treasury, which is still consulting with the industry. The banking associations, including representation from the British Bankers’ Association, the Canadian Bankers’ Association and the Australian Bankers’ Association, have lobbied in concert.

“We’ve heard there won’t be country exceptions, but there might be exceptions that focus on businesses in certain countries,” says Locke. For example, a country that has a taxable rate above 40% may be exempted if it has a pre-existing agreement with the IRS that says that it will be prepared to turn information over if asked for it.

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£75

The amount of unpaid tax recovered for every pound spent administering UK tax amnesty

Source: HMRC

£1

The amount of unpaid tax recovered for every pound spent on fraud investigations

Source: HMRC

CHF120bn

The amount of UK client assets located in Switzerland

Source: Grant Thornton
Chi-X Europe

Chi-X Europe was launched in 2007 by Instinet Holdings, a subsidiary of Nomura. It aimed to capitalise on the greater trading opportunities created by the Markets in Financial Instruments Directive (MiFid), the 2007 European regulation that broke the stranglehold of national exchanges on securities trading (although Chi-X actually launched before MiFid was implemented). It is now owned by a number of electronic market makers – Citadel and GETCO – and major investment banks.

By October 2011, it had about one-fifth of total European equity-trading volume – about 6bn – ahead of Euronext, Deutsche Börse and the London Stock Exchange, making it the largest pan-European stock exchange.

In February 2011, BATS Global Markets, the US exchange group, announced that it had agreed to buy Chi-X Europe for $300m, with BATS Europe CEO Mark Hemsley replacing Alasdair Haynes at the merged firm. The UK’s Office of Fair Trading referred the merger to the UK Competition Commission, voicing concerns over the “substantial lessening of competition” that the deal would entail, but in late October the Competition Commission gave provisional clearance for the merger to proceed.

Yes we can

Hugo Cox meets Alasdair Haynes, the maverick CEO of trading platform Chi-X Europe
CV snapshot

2009 – CEO of Chi-X Europe
1996–2009 – Roles at ITG, including CEO of ITG Europe and CEO of ITG International
1994–96 – Global Head of Equity Derivatives, HSBC James Capel
1992–94 – Head of European Listed Derivatives, UBS
1989–92 – Senior positions at Bankers Trust
1984 – Singapore, FX trader, Morgan Grenfell
1977 – Cashiers’ department, Morgan Grenfell
1976 – Leaves school with three A-levels to join a Barclays retail branch, London

“WHEN SOMEBODY SAYS you can’t do something, I go out of my way to prove that you can.”

For Alasdair Haynes, a staunch contrarian attitude goes back to his youth. In a rush to start work in the City, he left school aged barely 17 with three A-levels and got a job in a retail branch of Barclays in the West End of London.

Banking qualifications were in the midst of reform, and Haynes argued to his boss that he was sharp enough to take an old two-year course rather than the new format, which spanned four years. The old-timer told him he was too young and would benefit from the longer on-the-job training. Haynes’s response was to leave for Morgan Grenfell, which offered the fast-track route.

Fast forward to 1998. Nearly a decade before the Markets in Financial Instruments Directive (Mifid) would blow apart the national exchanges’ stranglehold on securities trading, Haynes was preparing to launch POSIT, Europe’s first dark pool.

“Everybody said: ‘It’s an American phenomenon; it can’t work in Europe where the issues are different.’ I knew it could: people need a mechanism to be able to trade large orders without market impact – wherever they are.”

Multilateral trading facilities (MTFs) are now part of the trading furniture and, since 2009, Haynes has run Europe’s biggest. Chi-X Europe is the largest pan-European stock exchange, commanding nearly a quarter of Europe’s daily equities volumes. The secret to the rise of the one-time career trader is, he claims, a broad view of the trading-platform business.

“If you don’t understand how the plumbing works in an industry, you won’t understand the industry. I think there’s a problem in the City where firms grow so big that it becomes difficult for the senior management to understand the risks,” he says.

His job at Morgan Grenfell was in the cashiers’ department; through badgering the firm’s senior management to sign off company cheques, he got a clear view of which parts of the firm did what. He rapidly gravitated to the sales business, where his competitive streak – “I’m a very bad loser. I don’t tend to play games I can’t win” – helped propel him through the ranks.

After a period trading foreign exchange in Singapore, he became a pioneer of the derivatives market in the 1980s – a fledgling business with its fair share of detractors – which consisted largely of FTSE options. Haynes now has his sights set on breaking Chi-X into the lucrative business of exchange-traded derivatives. At the beginning of October, Chi-X launched four new European stock indexes with US-based Russell Investments, following the introduction in June by Turquoise (the London Stock Exchange’s MTF) of its FTSE 100 Futures product.

But the naysayers are out again, telling Haynes that it’s not possible. A major obstacle is interoperability. This is the mechanism by which those responsible for clearing trades can interact with their peers at other exchanges, allowing users to save money by aggregating their exposures across several trading venues.

European regulators are concerned that the creation of these links could be the source of another systemic crisis. If a major trading organisation were to default and one central clearing counterparty could not cover its positions, then interoperability would risk bringing others down with it.

Merging markets
Even if Brussels believes that interoperability is safe, breaking into the derivatives market will be tough for Chi-X. The planned merger of Deutsche Börse and NYSE Euronext would result in a single company controlling 90% of European equity derivatives trading. EU competition authorities, still vetting the merger, want to know whether other clearinghouses could cooperate with vertically owned clearinghouses at Börse’s Eurex futures exchange and NYSE Liffe, the platform of NYSE Euronext.

Haynes is betting all his chips on the European Commission enforcing interoperability. “I don’t believe that the European regulators want to see vertical silos – they are a kind of protectionism, and the market wants to see competition,” he says. “Beyond Eurex and Liffe, there isn’t a viable alternative in derivatives – this is a market that is ripe for the taking.”

His gamble looks like a good one. In September, a draft law proposed by the European Commission, leaked to the Financial Times, suggested that the vertical silos created by exchanges that own their clearinghouses would be broken up to allow users access to these clearinghouses – regardless of which trading venue they use. “It will be tough to shift derivatives users on to Chi-X’s new index products, Haynes concedes. But he has done it before – Chi-X was instrumental in breaking up vertical silos at the national exchanges. Besides, since starting out as a 17-year-old cashier clerk, Haynes has built a career on proving his detractors wrong.”
The credit crunch raised serious questions about the ethics of the banking industry and the methods it used to achieve its bumper profits. The crisis badly damaged the sector’s reputation and led to a collapse in public trust. Tough reforms are being introduced to ensure that, in the future, the public will be protected from the risks taken by some parts of investment banking. At the same time, initiatives such as the Lord Mayor’s ‘Restoring trust in the City’ show that the industry is taking steps to mend its fractured relationship with the public. The closure of bank branches and centralisation of loan decisions over the past two decades has not helped the situation, causing many banks to become more removed from the communities in which they operate. Chris Cummings, Chief Executive of industry body TheCityUK, says: “The industry is portrayed as an activity that happens in the City of London. We have not communicated our value to British society around the country.”

There are plenty of facts the industry could use to demonstrate its value to society. Financial services employs more than one million people in the UK. Taking into account related professional services, the industry is responsible for more than 6% of total UK employment. Its tax contribution is significant – according to a report by PricewaterhouseCoopers, City of London, it poured £53.4bn into the Government’s coffers in 2009/10. About £5.6bn of the total sum came from corporation tax receipts, making it the biggest corporate taxpayer, with the bulk of the remainder coming from employment taxes. The UK economy has become increasingly reliant on the financial services sector. Its share of gross domestic product (GDP) rose from 6.5% in 1997 to 8.3% in 2007, while that of manufacturing almost halved over the same period, according to the 2011 Pre-Budget Report. The financial industry’s contribution to GDP has continued to rise, reaching 10% last year, data from the City of London Corporation shows. A large portion of this comes from exports. The UK financial and professional services sectors’ trade surplus is greater than the combined surplus of all other net exporting industries in the UK, according to TheCityUK. Beyond the economic benefits, there are also the services that the financial sector provides – such as loans, pensions, mortgages and bank accounts – that oil the financial cogs both of Britain’s households and its businesses.

Something to shout about
The industry also has a positive story to tell about its charitable endeavours. Indeed, the financial and professional services sectors gave £319m to UK-based community projects in 2009; according to Oxford Economics, the total social and economic impact of the sector’s efforts was more than £820m (see table). Using ‘social return on investment’ methodology, the research calculated that, for every £1 the industry contributed, its community partners delivered £1.58 worth of ‘impacts’. Stuart Fraser, Chairman of the City of London Corporation’s policy committee, says: “Many financial services companies are very active in the area of corporate responsibility – via direct contributions and corporate volunteering programmes, for example. More could be done to better publicise such activities.” It is not just through donations that businesses help those in the community. Many give up a great deal of staff time as well. For example, Lloyds Banking Group’s £75m investment in communities in 2010 covered not just cash contributions but also in-kind investments.
including time committed by employee volunteers. Further evidence of the support given by firms is provided by the Lord Mayor’s Dragon Awards. The scheme, which is in its 24th year, recognises the work that companies do within their local communities throughout London. This year’s entrants helped more than 90,000 people and contributed nearly 40,000 hours of volunteering, which have a monetary value of more than £500,000.

Among the 2011 winners was Bank of America Merrill Lynch, which won the Education Award for its work to improve the business awareness and financial literacy of 12- to 15-year-olds in schools in east London. Since the programme began in 2005, 4,500 students have taken part and there has been a marked improvement in GCSE results at the schools involved.

Another winner was law firm Freshfields Bruckhaus Deringer, which helps homeless people by providing work experience, job coaching and mentoring. Some 45% of participants have gone on to gain employment.

Runners-up in the awards included UBS, which has formed a partnership with the Bridge Academy in Hackney that has helped to significantly improve the school’s performance. More than 1,500 volunteers from UBS have contributed more than 17,000 hours of their time to support the project. Stephen Foster, Principal of the Bridge Academy, says: “Our successes to date are attributable to the many dedicated and committed colleagues from within UBS.”

Other shortlisted organisations included Deutsche Bank, the FSA, Lloyd’s and Investec. Sophie Hulm, Corporate Responsibility Manager at the City of London Corporation, says: “More than 80 businesses from across London have put forward community engagement initiatives for this year’s Dragon Awards, demonstrating that social responsibility is becoming a key aspect of their corporate culture.”

Moreover, entrants to the Dragon Awards are taking on more challenging projects, and their work has led to 5,000 job opportunities for some of the most marginalised people in society. “Many of the firms that provide community engagement programmes end up employing some of the people who take part,” Hulm notes, “proof that corporate responsibility brings commercial as well as community benefits.”

Beyond the economic benefits and charitable work, there is also the role the industry has played in helping ethical investment enter the financial mainstream, via socially responsible investing. At the end of 2009, socially responsible investing boasted £938.9bn of assets under management in the UK. Research published in October 2011 by YouGov found that more than half of UK adults thought that financial products that took social and environmental issues into account had an important part to play in the economy’s long-term growth.

Chris Cummings concludes that the industry has much to be proud of, but must not look self-serving: “The sector needs to help the public to understand that it wants to be a better neighbour.”

For information about the Dragon Awards and entry criteria, visit dragonawards.org.uk

### Investment in UK-based community projects by finance and professional services firms (2009 estimates)

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*Source: Oxford Economics*
The vexing problem of how to provide adequate pensions in the UK has been rising steadily up the news agenda. Laurens Vis explains why the UK can learn from the provision of pensions in the Netherlands.

Going DUTCH?

The state of the union
DB pension schemes in the UK are certainly in a parlous state. These schemes are also known as final-salary schemes, where contributions are paid over a number of years in return for a defined level of retirement income, usually paid by the employer. According to figures published in the Pension Protection Fund’s Purple Book 2010, the aggregate funding level – the value of total assets as a proportion of liabilities – of the 6,596 schemes surveyed was 68.1%. This ignores the more than 45,000 DC schemes operating in the UK, where pension payments are entirely dependent on the timing of retirement and performance of each individual’s investments over the term of the scheme. In light of increased life expectancy, falling fertility across much of Europe and volatile investment returns, the case for sustainable DB pension schemes appears weak. The response has, predictably, been a wholehearted disavowal of the DB approach to pensions provision. Given the deficits outlined above, it is understandable that sponsor firms are anxious to remove pension liabilities from their balance sheets. Moving to DC pension schemes achieves this, as it transfers the risk of poor investment performance, in its entirety, to the individual scheme member. Of course, this risk is heightened in times of recession, since the pensioner is hit by the double whammy of a smaller pension pot and shrinking annuity yields. There is also the thorny issue of governance: many DC schemes are...
In debating reforms to its pension system, the Dutch Government has maintained an emphasis on the triple pillars of collectivism, solidarity and mandatory participation. The most obvious difference between our two systems is the number of pension schemes in existence. In the Netherlands, there are currently 483 pension schemes – holding assets of some €790bn – and this number is expected to fall to 376 as those funds that are in deficit are merged with other, better-funded schemes. Compare this with the UK: as noted earlier, it has 6,596 DB or hybrid schemes, representing assets of €926.2bn. Without even factoring in the tens of thousands of DC schemes in the UK, the Netherlands provides universal provision through 93% fewer funds. Similarly, the National Association of Pension Funds (NAPF) calculates average scheme membership in the UK to be 2,600, compared with 10,500 in the Netherlands.

This is not to say that the Dutch are not engaged in a similar debate about the sustainability of their system; they face comparative demographic challenges, and investment returns have also been negatively affected. But the universality of the system has allowed debate to be more consultative, involving all stakeholders, and the likely outcome is set to be a much more balanced compromise than that in the UK to date. Moreover, the settlement is expected to protect the DB promise, albeit through conditional benefits linked to investment returns.

Safety in numbers
The positive benefits of a collective system are clear. Firstly, the risk of volatile markets is shared between stakeholders and spread among participants and across generations. Larger funds are also better able to diversify their investments without incurring disproportionate costs. Public engagement, which remains one of the greatest challenges in the UK, is enhanced, as a well-run collective system reduces complexity and increases confidence. Members also benefit from the enhanced governance of trust-based structures, which contribute to making pension funds influential and socially responsible investors.

But, most importantly, collective schemes are much more cost effective to run. Smaller funds require disproportionately more manpower, while rapid improvements in technology mean that large funds can be monitored just as effectively. Major funds with billions to invest are also able to command much lower fees and higher service levels from their advisers.

In a paper for the Royal Society for the Encouragement of Arts, Manufactures and Commerce, David Pitt-Watson calculated that smaller funds paying a seemingly modest 1.5% per annum in management fees would lose as much as 38% of their potential income over the lifetime of a pension. Even if this is an extreme example, the savings to be gained from collective arrangements – where charges can be as low as 0.5% - are significant. In fact, Pitt-Watson suggests in a later paper that if a “typical British and a typical Dutch person save exactly the same amount for their retirement, the Dutch person will end up with a 50% larger pension”.

The UK’s pensions provision could clearly benefit from replicating key elements of the Dutch system, which was rated top in the 2010 Mercer Global Pension Index for adequacy, sustainability and integrity. Safety in numbers, First among these is collectivism and the economies of scale and risk dispersal that this brings. There is a long way to travel to bring the number of pension schemes in the UK in line with that of the Netherlands, but there are several options that could offer immediate benefits. One is the master trust, where various employer schemes join under a single trust-based umbrella. This approach, which shares similarities with the Dutch industry-wide schemes, can lower costs, increase bargaining power and vastly improve governance over contract-based DC schemes.

Another option, the collective DC scheme, is a type of pooled investment vehicle that many believe can offer better outcomes than the existing disparate DC structures. This is another Dutch concept, combining the features of DB and DC provision, that potentially offers employers lower risk and uncertainty, and members better governance and lower costs. But whichever approach or combination the UK eventually adopts, it is to be hoped that the best practice developed in the Netherlands over numerous years is taken into account. The statistics, after all, speak for themselves.
**The City, Asset or Liability?** may seem to be a question to which the answer is a foregone conclusion when debated before an audience comprising members of the CISI. But at the Institute’s annual ethics debate, the speakers – Chuka Umunna MP, recently appointed Shadow Secretary of State for Business, Innovation and Skills; Angela Knight CBE FCSI(Hon), Chief Executive of the British Bankers’ Association; and Anthony Hilton, the well-known City commentator for the *London Evening Standard* – provided the audience with plenty to think about.

This year, using the Institute’s new electronic voting equipment, the audience at Plaisterers’ Hall in the City was asked to vote on the question both before and after the debate, with some interesting results. Alderman Alan Yarrow, Chartered FCSI(Hon), CISI Chairman and Sheriff of the City of London, opened the event by launching the third volume in the CISI’s highly successful Integrity at Work in Financial Services series. In doing so, he made the point that not only do the industry and its individual members need to subscribe to the highest standards of integrity, we must also be seen to live up to the standards.

**Audience participation**

Before the debate, the audience was asked to respond to the debate question with one of the following answers: ‘I strongly believe it is an asset’; ‘On balance, I believe it is an asset’; ‘On balance, I believe it is a liability’; or ‘I strongly believe it is a liability’. The table below shows the results. Chuka Umunna opened the debate by speaking for the proposition that the City is a liability. While admitting that there is value in the activities of the City, he made the point that it has lost sight of the impact that its activities can, and do, have on wider society. He highlighted an apparent lack of concern about this within the City.

Anthony Hilton opined that, as the speaker taking the middle ground, he was in the slightly difficult position of being unable agree or disagree with the question. He then asked, rhetorically, why one should object to having a hugely successful financial services industry. However, he said, most of the City is not “on trial” and, as Angela Knight commented later, it was the few who “got it wrong” and the many “who got it right”. Financial centres develop from economic success, and the City has the unique distinction of being the only financial centre that has survived the decline of its domestic economy, and it remains an engine of prosperity. But he followed this by quoting from a study of the US economy that demonstrated that the expansion of financial services as a percentage of gross domestic product (GDP) in the US was accompanied by a shrinking of overall GDP during the same time. In other words, drastic expansion of financial services had been at the expense of the ‘real economy’. However, judging the City is not simply a question of jobs and wealth, but also a recognition that finance appears to have become an end in itself and that, beyond the confines of the City, the non-financial sector has become obsessed with “financial engineering”. Angela Knight reminded the audience that she had a background in engineering and fully recognised the vital importance of the economy outside financial services. But she stressed that the City as a financial centre is the envy of many other countries, that we are very good at what we do and that the industry contributes £1 in every £7 of GDP. She argued that what we should be doing is fostering the non-financial sector, not trying to shrink financial services, and her explanation for this heavy concentration of financial services to total GDP was the fact that we had exported large parts of our economy to other countries.

The question-and-answer session that followed produced some interesting comments. Anthony Hilton told the audience that this was the fourth recession and seventh banking crisis that he had experienced, and that many of the problems were due to an absence of supervision – not an absence of regulation.

**Pre-debate outcome, based on a weighted score**

<table>
<thead>
<tr>
<th></th>
<th>Weighting</th>
<th>% of overall vote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly believe it is an asset</td>
<td>(+2)</td>
<td>53</td>
</tr>
<tr>
<td>On balance, it is an asset</td>
<td>(+1)</td>
<td>42</td>
</tr>
<tr>
<td>On balance, it is a liability</td>
<td>(-1)</td>
<td>3</td>
</tr>
<tr>
<td>Strongly believe it is a liability</td>
<td>(-2)</td>
<td>2</td>
</tr>
</tbody>
</table>
The summing-up produced a certain commonality of view, insofar as it was recognised that the City has not done everything right. But Angela Knight felt that we are selling the City short by “washing our dirty linen in public”, with the result that other financial centres and regulators around the world receive the impression that the Government is no longer so supportive of the financial services industry. This reduces the City’s influence with the international regulators and the standard-setting community, and encourages other centres to believe that there are enhanced opportunities for them. She said that we are taking this beyond what is sensible and unnecessarily weakening the industry.

Image problem
Anthony Hilton suggested that much of the country, including politicians, does not believe that the City is an asset. So the City needs to send a stronger signal saying that it accepts that it is not perfect, it understands the concerns and it is working on ways to demonstrate this.

Chuka Umunna concluded the debate by reminding the audience that the role of the market is to serve the people – not the other way around, which is the impression frequently given by the City. Accordingly, the City must do better and work to correct this.

The audience was then asked to vote again on the same question. This poll demonstrated a marked swing by those who had voted that they strongly believed the City to be an asset to the position that, on balance, they believe the City is an asset (see table below).

Using the ‘swingometer’, much beloved of television presenters at election time, the result represents a 9% swing away from a strong belief in the City as an asset to the more tempered view that, ‘on balance’, it is an asset, which is probably as it should be.

You can view the debate on CISI TV. Visit cisi.org/cisitv

Grey Matters: Tipping point

**THE VERDICT**

George, an experienced investment manager, takes part in a newspaper competition to construct a fantasy portfolio of shares and wins it by achieving the greatest increase in value of any entrant. George’s prize is a substantial donation from the newspaper to his favourite charity.

However, because the contest was not open to professional fund managers, George broke the rules – entering under his sister-in-law’s name – in order to take part.

After the portfolio got off to a slow start, George decided to give the stocks a helping hand by recommending them to clients. He also took the opportunity, through his regular media comments, to mention the stocks in the portfolio, albeit without making specific recommendations. Sure enough, this raising of the stocks’ profile had the desired effect.

This was the Grey Matters dilemma posted in the September issue of the S&IR. Readers were invited to vote in a poll on the CISI website for the course of action they would take, choosing from four options.

**The CISI response**

As is often the case in the responses to the Grey Matters dilemmas, notwithstanding the ethical dimension, the responses to this situation continued the somewhat worrying trend of asking the regulator to determine your course of action.

In this instance, half (51%) of all respondents voted to report George to the regulator and await its response before taking action, with a further 35% voting to sack George and then tell the regulator. Of the other options, 6% said they would take no action as this is not a regulatory matter, and 8% answered that they would ask George to resign.

Respondents did, however, recognise that the fact that George’s actions were motivated by his desire to benefit a charity was irrelevant and that the fact that no one had complained is no justification. Other people had certainly been disadvantaged by George’s actions, and the fact that he cannot recognise that – while suggesting, as some form of justification, that his actions were no different from the other competition entrants – suggests an ethical deficit in George’s character.
Need to read
The latest publications and study aids supporting CISI qualifications

Two new workbook editions

Certificate in Corporate Finance
The Certificate in Corporate Finance is aimed at individuals working in corporate finance and related areas, such as venture capital, who need to demonstrate a sound understanding of both the regulatory and technical aspects of the subject. To achieve the Certificate in Corporate Finance, candidates must pass two exams: Corporate Finance Regulation (Unit 1) and Corporate Finance Technical Foundations (Unit 2).

New editions of both workbooks are due out to cover exams from 21 February 2012 to 20 February 2013.

Price: £75 (for each workbook)

Operational Risk
The Operational Risk unit ensures that candidates understand operational risk as it relates to operations and administration staff.
The latest Operational Risk workbook (valid for exams from 21 January 2012) covers:
- the nature of operational risk
- the causes, consequences and impact of operational risk events
- operational risks arising in the trade cycle
- the support and control functions
- enterprise risk management
- operational risk in the regulatory environment.

Price: £75

New workbook edition

Risk in Financial Services
The objective of Risk in Financial Services is to ensure that candidates have a broad understanding of the general principles of risk in business, the key risks that arise within the financial services industry, the influence of corporate governance, regulation and codes of conduct and the approaches that are typically used to identify, reduce and manage specific aspects of risk.
A new edition of the Risk in Financial Services workbook (valid for exams from 22 March 2012) will be published in December, covering:
- principles of risk management
- international risk regulation
- operational, credit, market, investment and liquidity risk
- corporate governance and risk oversight
- enterprise risk management.

Price: £75

Online tool

Professional Refresher
The CISI’s Professional Refresher elearning tool enables you to remain up to date with regulatory issues and changes, maintain compliance and demonstrate continuing learning. The product now consists of more than 35 modules, including:
- anti-money laundering
- corporate actions
- investment principles and risk
- financial crime
- professional taxation
- training and competence
- the UK regulatory structure.

Price: Free for all CISI members; otherwise it costs £150 per user. Visit cisi.org/refresher for further information

CISI bookshop
The new CISI online bookshop enables you to purchase workbooks, publications and elearning products quickly and efficiently. The ‘add to basket’ facility allows you to see at a glance what you are buying, and there is information about what each product covers and the exams to which it applies. The ‘checkout’ facility is secure and easy to use.

Go to cisi.org/bookshop

External specialists
The CISI relies on industry practitioners to offer their knowledge and expertise to help create and maintain its exams, workbooks and elearning products. There are several types of specialists: authors and reviewers for workbooks and elearning products, item (question) writers, item editors and exam panel members. All of them receive a number of benefits to thank them for their involvement.
There are currently about 300 external specialists who have volunteered to assist the Institute’s qualifications team, but more are required.
The CISI would particularly welcome applications from specialists to help with developing its workbooks for the Financial Markets, Certificate in Private Client Investment Advice & Management and Private Client Advice exams.
To register your interest, please contact Iain Worman on +44 20 7645 0609 or download the application form from the CISI website at cisi.org/externalspecialists

Other reading

The Price of Fish
The world faces vicious problems: unstable financial markets, diminishing resources and a volatile ecosystem, for starters. Enter Michael Mainelli, Chartered FCSI, and his consultancy partner, Ian Harris, with The Price of Fish. Described by John Plender of the Financial Times as “among the most interesting lateral thinkers on key economics issues”, they have produced a thought-provoking analysis of crises ranging from financial markets integrity to, yes, the price of fish. At the book’s heart lies a reminder that commerce and “wicked finance” must remain connected to society. Mainelli and Harris suggest that it is not that the circumstances that we and our children face are too complex, but that our way of reading them is “too simple and often wrong”. Sir Willie Purves, former Group Chairman at HSBC, says of the book: “Crazy but worth your attention.” High praise indeed.

The Price of Fish, £20, is published by Nicholas Brealey Publishing. Until 31 December 2011, it is available to CISI members for £17, with free postage and packing (UK only). To order your copy, call +44 20 7239 0360 or email sales@nicholasbrealey.com

Review: George Littlejohn MCSI, CISI Senior Adviser

Call +44 20 7239 0360, or email sales@nicholasbrealey.com
annual dinners

John Sergeant, broadcaster and former contestant on television’s Strictly Come Dancing, stepped out as guest speaker at the annual dinner of the CISI’s Manchester & District branch. About 100 guests attended the event, sponsored by Baillie Gifford, at the Radisson Edwardian Hotel in Manchester.

The Institute’s Isle of Man branch also held its annual dinner, which was sponsored by Thomas Miller Investments and took place at Mount Murray Hotel and Country Club, Santon. Allan Bell, Chief Minister of the Isle of Man, was in attendance, and Financial Times columnist Mrs Moneypenny entertained the 190-strong audience with her insights into business and life.

At both dinners, updates on local committee activities were given by the branch Presidents, Simon Chatterton, Chartered FCSI, of Manchester & District, and Sue Preskey, Chartered FCSI, of the Isle of Man. The CISI’s Director of Global Business Development, Kevin Moore, Chartered MCSI, and Chief Executive Simon Culhane, Chartered FCSI, also addressed the Manchester and Isle of Man events respectively, and highlighted latest developments within the Institute.

Raffles were held at both events to raise money for charity. The Manchester branch collected more than £800 for the local St Anne’s Hospice and the Isle of Man dinner generated more than £1,700, which will be split between the neonatal unit at the local Noble’s Hospital and the Royal National Lifeboat Institution.

Diary

Events to attend over the coming months

Professional courses
Venue: London unless otherwise stated

<table>
<thead>
<tr>
<th>Date</th>
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<tr>
<td>1 DEC</td>
<td>Introduction to Financial Markets £500</td>
</tr>
<tr>
<td>6 DEC</td>
<td>Securities* (Birmingham) £500</td>
</tr>
<tr>
<td>13 DEC</td>
<td>Operational Risk: Taking It to the Next Level £500</td>
</tr>
<tr>
<td>16 JAN</td>
<td>Investment Principles &amp; Risk (PCIAM)* £500</td>
</tr>
<tr>
<td>16/17 JAN</td>
<td>Investment Principles &amp; Risk (IAC)* £500</td>
</tr>
<tr>
<td>18/19 JAN</td>
<td>Understanding Regulation and Compliance £500</td>
</tr>
<tr>
<td>26/27 JAN</td>
<td>Derivatives* £500</td>
</tr>
<tr>
<td>31 JAN</td>
<td>Financial Crime Hot Topics £500</td>
</tr>
<tr>
<td>31 JAN</td>
<td>Securities* (Manchester) £500</td>
</tr>
<tr>
<td>1 FEB</td>
<td>Understanding Pensions and Retirement Planning* £500</td>
</tr>
<tr>
<td>2 FEB</td>
<td>Mastering Communications with Clients and Colleagues £500</td>
</tr>
<tr>
<td>15 FEB</td>
<td>Investment Principles &amp; Risk (PCIAM)* £500</td>
</tr>
<tr>
<td>15/16 FEB</td>
<td>Investment Principles &amp; Risk (IAC)* £500</td>
</tr>
<tr>
<td>21 FEB</td>
<td>Securities* £500</td>
</tr>
<tr>
<td>22/23 FEB</td>
<td>Derivatives* (Scotland) £900</td>
</tr>
</tbody>
</table>

*This event fulfills the requirements for qualifications top-up to fill gaps between existing CISI exams and the new Retail Distribution Review exam standards.

London events

30 NOVEMBER European Markets Infrastructure Regulation – Refresher and Update
SWIFT, The Corn Exchange, SS Mark Lane, EC3

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

Regional events

30 NOVEMBER Networking with Confidence
Scotland
Royal Scots Club, 29–31 Abercromby Place, Edinburgh

1 DEC  | Climate Change
Guernsey
The Old Government House Hotel, St Amis Place, St Peter Port, Guernsey

16 DEC  | Christmas Drinks
Manchester & District
Living Room, Deansgate, Manchester

1 FEB  | Annual Dinner
Guernsey
Beau Sejour Leisure Centre, Amberton, St Peter Port, Guernsey

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

ANNUAL DINNERs

Events raise £2,500

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Member and Fellow discounts

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

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

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

CONFERENCE SPONSORSHIP
If you would like to raise your profile and be associated with the excellence and integrity promoted by the CISI, you might like to consider taking up one of the sponsorship or exhibition opportunities at an Institute conference.

For more information, please contact Hannah Steele on +44 20 7645 0648 or email hannah.steele@cisi.org
Corporate finance dinner

An insight into life as a submariner in war and peace was given by guest speaker Royal Navy Vice Admiral Sir Tim McClleent OBE at the third annual dinner of the CIST corporate finance professional interest forum (PIF).

Sir Tim looked back over a 40-year career in the navy, which included served as Executive Officer of the nuclear submarine HMS Conqueror as it saw active service in the Falklands conflict.

The evening dinner, held at London’s Naval & Military Club, was attended by 34 members of the forum and guests. An update on the activities of the forum was given by its Chairman, Frank Moxon CF, Chartered FCSI.

To join the 350 members signed up to the mailing list of the corporate finance PIF, or to book a place at one of its free events, please email corporatefinanceforum@cisi.org

New Chair for Islamic finance forum

Dr Natalie Schoon

ACSI has been appointed as Chair of the CIST’s Islamic finance professional interest forum (PIF). Natalie is Head of Product Research at Bank of London and the Middle East, a Sharia-compliant wholesale bank based in the City of London.

An accredited trainer for the CIST’s Islamic Finance Qualification (IFQ), which she teaches globally, Natalie also helps to develop and review workbooks for the Institute. These cover qualifications including the IFQ and UAE and Qatar Financial Rules and Regulations.

She began in Islamic finance while working in Bahrain, Kuwait and Dubai during the 1990s. Natalie said: “I’m looking forward to chairing upcoming events that will touch upon a variety of subject areas and are geared towards highlighting how Islamic finance can be an option for all in the finance industry.”

The Islamic finance forum is run with the Institute of Islamic Banking and Insurance (IIBI). Forum members meet quarterly in London to network, listen to presentations and discuss issues affecting them under the Chatham House Rule.

Its latest meeting, in October, considered how Islamic funds compare. The next meeting will be:

9 February 2012 – Risk Management

Events are free for all members of the CIST (students are eligible to attend one Islamic finance forum each year) and IIBI members. To be added to the forum’s mailing list, please email islamicfinanceforum@cisi.org

Six other PIFs cover the areas of compliance, corporate finance, IT, operations, risk and wealth management. Events to come this year include:

– Wealth Management Forum: Frontier Markets
1 December – Operations Forum: FATCA
6 December – Corporate Finance Forum: Sovereign Defaults

A full list of 2012 events can be found at cisi.org/pifs
Membership admissions and upgrades continued

Société Générale
Marcus-Christoph Durst
Samuel
Muhammad Ismail
Spier & Jeffrey
Sandeep Naidi
Thesis
Caroline Mills
Threadneedle
Amanda Wranen
Timber Hill
Richard Syger
The Punjab National Family Office
Simon Foster
UBS
Nicholas Snammore
Vicario
Alex Teow
VIM
Sanjay Banka
Virtuosa
Vanniarachchi Ratnayake
Walker Crips
Andrew Holmes
Andrew Jennings
Sarah Lockington
Ian Marsden
James Rishard
Winton
Martina Belanska
World Bank Group
Patrick Moeller
Others
Jason Alawo
S生态系统 Batchelor
Edward Grant
Ummanu Imam
Douglas Laneear
Noel McAuliffe
Kikemono Mebuki
Tomonori Mish
Marianne Scoedel
Pantex Shafrid
Austri Steel
Ken Ho Yuen

ACSI
Abbey Financial Solutions
Iain McKay
ABN AMRO Bank
Rosemary Macaskill
ADM Investor Services
Antony Faithfull
AFS
Nils Erik Filip Sposeand
Alexander David Securities
Christopher Walmsley
Alpari
Chris James
Alps
Ulrich Burke
Ashcourt Rowan
Christopher Day
Bank of London and the Middle East
Hemant Mistry
Becket
Natasha Morgan
BestInvest
Sam P. Brent
Robert Harley
Charlie Lovell
Asli Mogani
Joshua Williams
BlackRock
Simon McGregor
BNP Paribas
Ian Grant
Leeds Group
Becky Lee
Steven Robertson
Brewin Dolphin
Nicholas Alderton
Helena Bakunowicz
Nicholas Roe
Jason Foxall
Nicholas Guest

Fyshe Horton Finney
Emma Beanland
Michael Ramsden
Alan Smith
Galvan
Lee Cunningham
Matthew Dickinson
Nigel Kilby
Mark White
Andrew Nixon
Charles Orpin
James Pinkney
Jonathan Pinkney
Stuart Pritchard
Dean Michael J Stevens
Scott Whalfeld
John Woollist
Lee Wright
Generali
Steven Thompson
Global Investment Strategy
Harry Stothert
Green Planet
Scott Heslin
Greenwich Trust
Roseline Vantojo
Habib Bank
Anton Harvey
HBOS
Craig Asquith
Charlotte Pratt
Martin Robinson
Nicola Stainburn
Hengry Capital Markets
Rui Jin
HSBC
Paul Avant
Emma Ferris
Howard Newton
Toni Silver
IFM Trust
Graham Bell
Ignis
Stephens Cargrann
Independent Financial
Planning
Unmesh Dassapan
International Financial Services
Christopher Webber
Investec
Carl Mitchell
JM Finn
Dominic Cramer
Julius Bseer
Tracey Brewer
KA Watson Consultancy
Abigail Oliver
Killik
Richard Robson
Matthew Roche
Andrew Wheeler
Kleinwort Benson
Letz Al Chamaa
Katherine Owen
Nick Travis
Legal & General
Edward Barrow
Haley Chivers
Gareth Davies
Sandie Dunn
Peter Irish
Daniel Jay
Simeon Matthew
Martin Neil
Gareth Powell
Jay Roberts
Lloyds Banking Group
Matthew Greening
Lloyds
Joane Baker
Janice Baldwin
Kerry Tyler
Lloyds Consult
Matthew Bostoun
Macquarie Bank
Rowan Clarke
Marshall Wace
Nicholas Nielsen

MCB Bank
Muhammad Younas
Meridian
Mark Gill
Middle Borough Council
Rachel Walker
MilleniumAssociates
Stephen-Alexis Pohl
Morgan Stanley
Craig Brown
Benjamin Grant-Jones
Morningstar
Sivasubramanamran
NM Rothschild
Alexander Deane
Mark Mary
Robert Stewart
Old Park Lane Capital
Lucas Tenuta
Otkrite Securities
Alexander Plingham
Pan Asia Banking Corporation
Tuan Sourjah
Pritchard
Harry Stephenson
Thomas Williams
Quilter
Joseph Burns
Paul Sexton
RC Brown
Alan Beany
R&A Bank
Bakesh Radhakrishnan
Sujatha Rathbone
Gayle Clinton
Jane McClugan
Stuart McLeish
Raymond James
Anna Pollins
Reavey & Co Solicitors
Adam Flynn
Rivington Street
Thomas Stockton
Rothschild
Mary Allen
James Fennick
Clement Hutton-Mills
Rupan Patel
Mariella Rycewart
Rowan Dartington
Julian Hanford
Royal Bank of Canada
Marc Doe
Jamie Hayes
Doreen Le Roy
Rachael White
RBSI Tenon
Kellie Holden
Russian Commercial Bank
Igor Ilyenkov
Runtompe
Rishikesh Vyas
Sanlam
Neale Campbell
School of Construction and Project Management
Alex Murray
Scottish Widows
Anne Pearson

Seven
Victoria Haselgrove
SG Hambros Bank
Paul Haynes
Smith & Williamson
Alex Balfour
James Scott
Fleur Fleding
Alexandra Buchan
Hugh Mandel
Guy Nicholas
Standard Chartered Bank
Laura Hope
Standard Life
Angela McAlister
TJ Markets
Ehsan SohnnMohammed
TD Waterhouse
Nicholas Richardson

The Carbon footprint Fund
Ralph Fettwell
Thomas Miller Investment
Lee Branton
Treehouse Consultants
Wol Age
United Gulf Bank
Deepanjali Chandrasekar
Ullaberry
Mark Frederick Coverdale
Vertex
Jacqueline Knight
Williams de Broe
Erik Hares
Felicity Hooper
Graeme Parfitt
Louise Turnbull
Others
Marie Claire Accordino
Adelmeni Adegbile
Idshiaq Ahmed
Agha Ijebua Ali
Eoin Collins
Timothy Connell
Luke Cole
Paul Griffiths
Oscar Hjalmas
Fiorelucus
James Marwick
Sanya Pahari
Ravi Ramchandran
Gilbert Fork
Tristan Sopp
Khusboo Surana
Jayaswal Sarah
Michael Thompson
Robert White

Chartered FCSI
Brown Brothers Harriman
Investment Services
Matthew Stevens
Charles Stanley
Jeremy Robinson
Lloyd's
Steven Robertson
Lloyds TSB
Patricia McKaren
Quilter
Guy Breeden
Standard Life
Barry Kane
Turcan Connell
Dennis McGrath
Walker Crips
Valentina Kan
Others
David Holohan

Chartered MCSI
Brewin Dolphin
Gareth Dyer
Charles Stanley
Glen Aris
Fairbairn
Cameron Walker
HSBC
Adrian Baker
Montagur Ander
Robert Harley
Natalya Popova
Morgan Stanley
Kevin Gibb
RBC Europe
Sumit Sibal
Swisscanto
Tim Lau
Others
Nigel Holley
Ben Miller

To answer the quiz from page 10: 1:B, 2:C, 3:D, 4:D

Membership admissions and upgrades continued

This list includes membership admissions and upgrades from July and August 2011

29
When it comes to getting the party started at wedding receptions and other celebrations, Peter Hollis is in his element. Peter, who is Head of Outsourced Funds Client Administration Investment Operations for M&G Investment Management in London, plays keyboards and sings backing vocals with upbeat groups Blue Vision and Shot2Funk. “The most important thing for both bands is to get our audience dancing, which we always achieve sooner or later,” he says. “This expression of enjoyment gives us a real buzz on stage, enabling us to perform with even more energy.”

Blue Vision, formed in 1985, is a three-piece function band, playing weddings, Masonic ladies’ nights, parties and working men’s clubs. Its songs range from 1950s classics right up to current chart hits, with an emphasis on party music. Shot2Funk, which has six members, has been together since 1995 and specialises in 1970s and 1980s disco, soul and funk, performing mainly in pubs.

Musical youth

“The band has picked up a loyal following that comes to see us regularly,” says Peter, whose passion for music dates back to his childhood. “There was always music playing in the house when I was growing up,” he explains, “and when the opportunity arose for me to have piano and trumpet lessons at the age of eight, I jumped at the chance. At age 11, I joined a marching band, playing trumpet. Some of us found out that we played other instruments, so we formed a rock/pop band and played our first ‘gig’ in 1980 between the sets of one of the marching band concerts.” Peter says that combining his musical hobby with his working life has been a relatively smooth process: “The gigs are usually booked a year in advance and I can always use holiday time to book off an afternoon if I have a gig that’s far away. Everyone I work with is well aware that I play in bands. In fact, I have performed at the weddings of many colleagues.”

“Everyone I work with knows I play in bands – I have performed at many of their weddings.”

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A musician’s own musical preferences are always interesting in terms of influence, and Peter is no exception. “I hit my teens at the end of the 1970s, when synths started to take over pop music,” he says. “This influenced me enormously and also gave me an opportunity to express my creative urges by playing keyboards in a band. My biggest influences at the time were Gary Numan, David Bowie, Kraftwerk, Depeche Mode and Simple Minds. However, I also loved rock music, particularly Pink Floyd, Deep Purple, Led Zeppelin and King Crimson.” Contemporary artists he admires include Muse, Kings of Leon, the Kaiser Chiefs and The Killers. “A greatly underrated musical hero of mine is Bill Bailey,” he adds. “Although he is best known as a comic, he is an amazingly talented musician and I’ll never forget meeting him and chatting to him in a pub in Camden – what a guy!”

So what song does Peter recommend as a guaranteed floor-filler at a party? “We will often play ‘(I’ve Had) The Time of My Life’ from Dirty Dancing,” he says. “Invariably people dance to this, frequently attempting the high lift at the end. This usually ends in disaster, with the daring couple sprawled in a heap in the middle of the dance floor. Patrick Swayze made it look so easy!”

Peter would urge readers who might be thinking of joining a band as a hobby to give it a try. “You’ve nothing to lose, but be well prepared. Know your audience and choose your songs and set carefully,” he recommends. “Play songs that you like, but make sure your audience will know and like them too.”

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

The Epicentre for Innovation and Leadership in World Finance

Thought leaders gathered at a recent conference in London, held at Mansion House and hosted by the Channel Islands Stock Exchange, to discuss a range of topical issues facing global businesses today.

The keynote address made by Alderman, Sir John Stuttard, Deputy Chairman, Advisory Board, PwC UK and former Lord Mayor of London underscored the major role that the Lord Mayor has to play in the debates that will shape both the future of the financial services industry and the UK economy. He explained that the Lord Mayor is an ambassador for the whole of the UK’s financial, professional and business services industry – the City Brand – which has taken Lord Mayor, Alderman Michael Bear, all over the world in 2011, visiting over 40 cities in 22 countries over 92 days. This is not a ceremonial progress around the globe – although there are important ceremonial aspects to his work. In fact, it is an example of the Prime Minister’s focus on commercial diplomacy in action.

The City of London was described as the engine of the British economy, being responsible for over a million jobs in the UK, contributing £42 billion to the UK’s balance of trade and paying in over £53 billion to the Exchequer. With just under 250 foreign banks located in the City, more than 600 overseas companies listed on the London Stock Exchange and with no less than £1.400 billion of assets under management for overseas clients by UK fund managers, the City is also important as a truly global financial centre.

Important relationships
Sir John reserved his closing remarks by pointing out this latter maxim being particularly true of the City’s longstanding relationship with the Channel Islands. He stated, “The Channel Islands are hugely important to the City’s international competitiveness – they are very much part ‘of’ the City, even if they are not physically located in the Square Mile, and they are also significant financial centres in their own right; Jersey and Guernsey were ranked 23rd and 27th respectively in the latest Global Financial Centres Index whilst the Channel Islands Stock Exchange has developed as a truly international brand. Indeed, few centres can rival the Channel Islands’ expertise, particularly in fund management and re-insurance and in specialist funds, special purpose vehicles and wealth protection. These services are of great interest to investors in the City and a lot of business is introduced to the Channel Islands via City Law firms and other agencies.

This relationship is very much one of mutual benefits. The Islands have an important role in providing liquidity to the UK market, especially through the up-streaming of deposits collected by UK banks in the Crown Dependencies and also as another gateway into London – and from the City to the Islands.
The CISX International Business Summit was sponsored by BNP Paribas, Carey Olsen, Deloitte, Mourant Ozannes, Newton, Ogier, DCG, Deutsche Bank, and Guernsey Finance.

Sir John Stuttard made these critical observations about The City of London:

• “It is crucial also for the well-being of our fellow citizens across the world. Pensioners in France or Poland depend on the City’s skills and ability to manage their money for their incomes. And we have an essential role in tackling the challenges we face in climate change and sustainable development.”

• “The City has another role too in finding opportunities for British business. For when the economic recovery arrives, it will come through trade and exports, not public sector expenditure and debt.”

• “One of the most important results of the financial crisis has been a global shift in power to the East. In little more than a decade the cities of China, Malaysia, Brazil and the African continent have become major financial centres competing with the City. Their growth, dynamism and energy are quite extraordinary. And we must build up our partnership with them. The signs are promising. The UK banking sector is the largest lender to emerging economies – lending just under 20%.”

• “It is in all our interests that our competitors in other economies thrive. Not just because economic growth the world over will raise the living standards of tens of millions of people, lifting them out of poverty, but because global growth means more business and more business opportunities for the City. So although there is greater global competition, these new centres of finance complement the City. They do not supplant it.”
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