SECURITIES & INVESTMENT

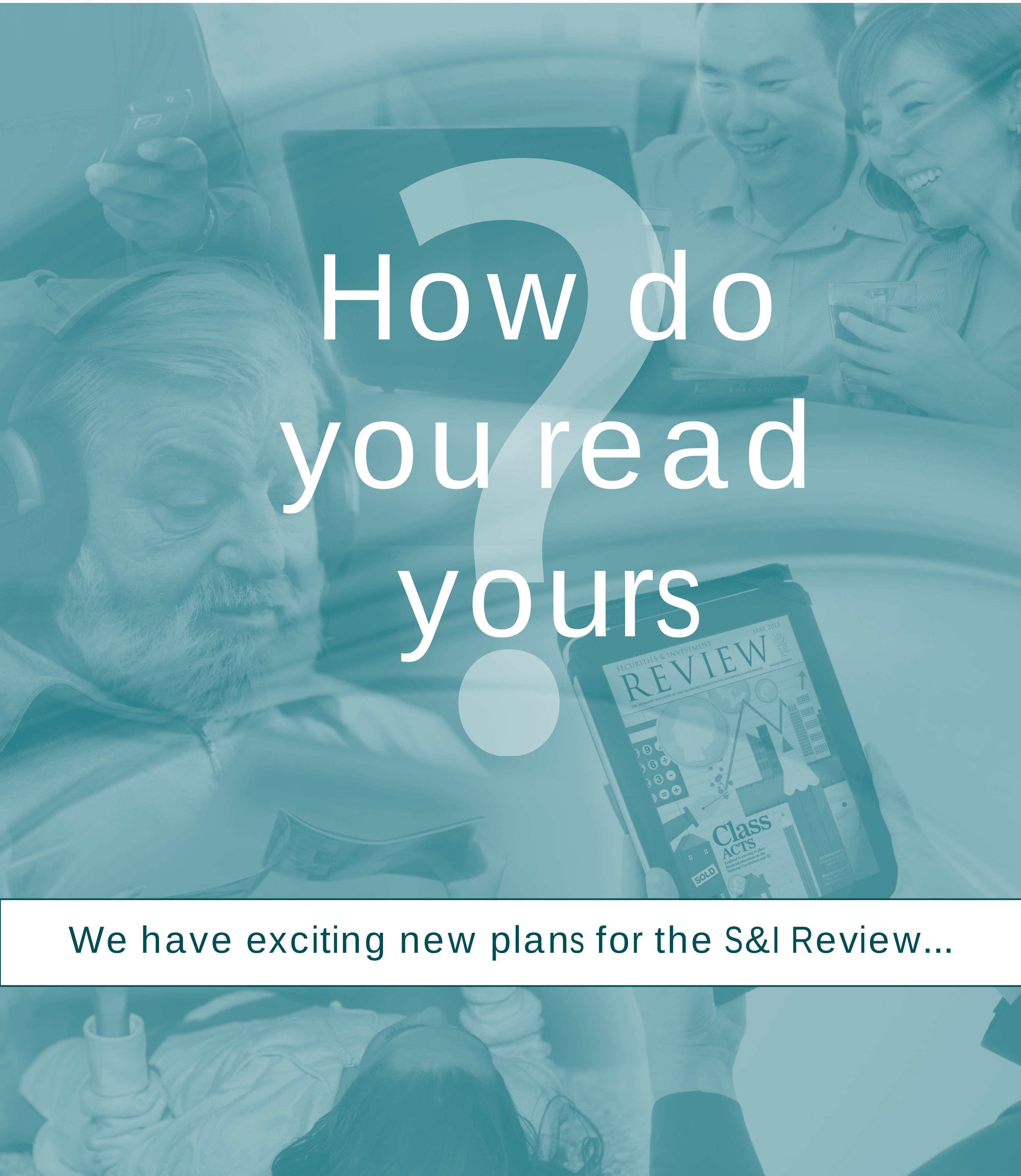
REVIEW

JUNE 2013

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

cisi.org/sireview

How do you read yours?



We have exciting new plans for the S&I Review...

We want to hear what you think

The CISI prides itself on its extensive range of professional membership benefits and continually reviews its offering to ensure all CPD opportunities remain relevant, up to date and innovative. As part of this, we are currently developing an enhanced Securities & Investment Review (S&IR).

Members around the world will benefit from not one but two new versions of the S&IR:

1. A tablet- and smartphone-friendly digital edition will be updated on a weekly basis throughout the year. As well as a range of articles, the edition will deliver videos, slideshows, podcasts and a lot more.

2. A bigger and more engaging printed version will be produced every three months and will serve as an authoritative journal of record. It will retain the tone and material you have come to expect, but will include a section that delivers cutting-edge research and deeper analysis.

Help us enhance your membership benefit

Tell us your views and what you like and dislike about the S&IR by completing our short online survey

cisi.org/sirsurvey

SECURITIES & INVESTMENT JUNE 2013

REVIEW

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Increased regulation is driving up costs throughout financial services, damaging profits and threatening jobs *page 12*

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REVIEW

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Straight talking investment management.

Thesis Asset Management plc is focused on delivering the right investment outcomes for our clients. With more than £5 billion under management and over 35 years' experience Thesis has a proven track record of success.

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Working knowledge of: Taxation – personal, corporate & Trust; IHT; Trusts – legal structure; are desirable.

To apply for this role and to request a full job description, please contact HR by email to: HR@thesis-plc.com Applications must be supported by a covering letter and CV.
Closing date for applications: 30 June 2013

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May 2013

CISI OPINION

The Archbishop of Canterbury is an outspoken critic of banking culture, and his views illuminate the debate on integrity and ethics in the City

THE Working ETHIC

JUSTIN WELBY, Archbishop of Canterbury, sits on the Parliamentary Commission on Banking Standards, chaired by Andrew Tyrie, MP. The Archbishop, who was appointed while still Bishop of Durham, has been outspoken about what he sees as "a culture of entitlement" in the City of London and in banking. He believes that the banking sector, and financial services in general, have to adhere to the objective of serving society, and not just "mere rent-seeking". They need to embed a "culture of virtue", based on real life.

To these ends, he advocates the formation of a professional body that will be instrumental in changing expectations and encouraging high professional standards and "a sense of virtue". Financial services, like many professions, calls for the establishment of a set of standards and disciplines. The Archbishop points to the medical profession as an example, which is essentially self-correcting among its members. Transparency needs to be boosted, and financial service practitioners should have to pass some sort of exam to qualify for professional practice, in the Archbishop's view.

These comments, from someone of his stature, profile and influence, are welcome in this all-important debate, especially in light of his own prior business experience, including as treasurer of a major UK independent oil company. His observations make a meaningful contribution to an ongoing dialogue involving numerous players, from regulators to professional bodies to customers.

The CISI, as one of the UK's foremost professional bodies for the finance industry, plays a prominent role in furthering professionalism and integrity in financial services, in the City of London and globally.

We do therefore intend to make our voice heard. Existing professional bodies, such as ourselves, have a role to play; we are, fortunately, untainted as a body, and it is a concern to us that yet another 'new' body is proposed as a panacea to put things right, when there are existing bodies with a very good offer in this field. We regard ourselves as a leading body in this respect.

The CISI has already implemented many of the suggestions now voiced by the Archbishop about promoting integrity as a key component of professionalism. The CISI Code of Conduct imposes an obligation on members to support the underlying values of the Institute (and ideally of the industry), much as the Hippocratic Oath does for the medical profession.

In terms of exams, the CISI now requires all new ACSI and Affiliate members to commit to taking, and passing, at grade A, IntegrityMatters, its online ethics test, within three months of joining the Institute. The introduction of the integrity test for these members follows the implementation of the same requirements in 2012/13 for FCSI and MCSI members.

Integrity requirements also extend to existing ACSI or Affiliate members. They must, by 31 March 2014, either take and pass IntegrityMatters, achieving a grade A, or take and pass the Integrity & Ethics module of Professional Refresher, the online learning tool.

The CISI plays a prominent role in furthering professionalism

Earlier this year, the CISI became the first professional body to require candidates taking customer-facing entry-level exams for wholesale/capital markets financial services activities to pass an integrity test. The changes mean that, by 1 April 2014, all core members of the CISI will have passed an integrity test, a unique distinction among professional bodies in the industry.

These initiatives have been introduced to ensure that members, and capital markets exam candidates, realise the importance of acting with integrity at all times, which comes before, and above, profitability. This will also provide the public with some tangible evidence that banks and other financial organisations really are changing their culture for the better.

The CISI is also introducing integrity testing into foundation-level exams – Fundamentals of Financial Services and Introduction to Investment – together taken by thousands of candidates each year. This is to ensure that new entrants to the financial services industry appreciate the importance of ethics and trust from the moment they enter the industry.

Those CISI members at the pinnacle of professionalism, the Institute's Chartered members, are required to log at least 35 hours of continuing professional development (CPD) annually, of which a component must be related to professional standards and ethics.

The engagement of luminaries such as the Archbishop of Canterbury in promoting integrity in finance is to be welcomed, but ultimately should be viewed as an important contribution to a wider dialogue, encompassing many participants and professional bodies. The CISI, by virtue of its tangible progress in furthering standards, is well positioned to play a leading role here and, with the support of its members, intends to continue to do so. ■

Upfront News and views from the CISI

EDUCATION

Sponsorship for teaching post

Pictured, from left, front, CISI Managing Director Ruth Martin, Jane Corbett, Liverpool's Cabinet member for Education and Children's Services and, back, Colette O'Brien, Director of Children's Services and Paul Dickinson, Head, Archbishop Beck College

The CISI and Archbishop Beck Catholic Sports College in Liverpool are undertaking a pioneering project that will give local sixth-form students the opportunity to obtain a financial services professional qualification.

The Institute is sponsoring a teaching post at the college for two years. This will enable Archbishop Beck to provide a teacher to deliver the CISI's post-16 qualification, the Diploma in Finance, Risk & Investment, and to spread the benefits of financial education to other schools linked to the Liverpool Learning Partnership.

The CISI Diploma has been specifically designed to be taught in schools and colleges and aims to develop students' financial awareness and boost their CVs with an industry-recognised award.

The qualification comprises two Certificates, which can be taken by students alone or combined, to achieve the full CISI level 3 Diploma in Finance, Risk & Investment.

Students will be offered a work placement as part of the course.

CISI Managing Director Ruth Martin said: "We are delighted to be working with the college, Liverpool City Council and the Liverpool Learning Partnership to deliver an excellent learning experience and help students to improve their knowledge of the financial services sector, giving them the edge in their job search."

CISI NOTICE

Disciplinary action against a member

As a result of reports appearing in the media that member Nigel Parsons had been convicted of the criminal charge of voyeurism, he was deemed to be in breach of CISI membership regulations 15.5(a) and (c) and had committed a disciplinary offence under regulations 16.1(a) and 16.2(a). Mr Parsons appeared before a CISI Disciplinary Panel, which found him to be in breach of the above-mentioned regulations. The panel determined that his personal Chartered status should be suspended for a period of one year, and that he should be severely reprimanded and required to take the Institute's IntegrityMatters test.

The Board of the Institute appealed the leniency of the sentence, as permitted under Bye Law 5.4.2. Consequently, Mr Parsons was invited to appear before an Appeal Panel.

The Appeal Panel reviewed the findings and sanctions imposed by the Disciplinary Panel. It concluded that the Disciplinary Panel had given undue weight to the fact that media reports had made no mention of Mr Parsons' membership of the CISI and insufficient weight to the serious nature of the criminal offence he had committed. The panel also drew attention to principle 8 of the Code of Conduct whereby members agree to "strive to uphold the highest personal and professional standards".

The Appeal Panel determined that Mr Parsons should be permanently expelled from the Institute.

FEEDBACK

Your say

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

Dear *S&IR*,

I was interested to read the article 'In the line of Fire' (*S&IR*, March) about the increasing personal liability of financial service professionals.

Most businesses these days are insured against professional negligence (widely defined) or civil liability.

The latter is a lot more help than just the former. This is because the former is often limited to pure negligence or error whereas the latter is extended in effect to any civil liability that you are exposed to, including, of course, breaches of regulatory codes. Individual insurance may or may not be included within this type of policy if a limited company, as against an LLP, which tends to be more inclusive.

Then there is a Directors and Officers (D&O) liability policy which again most firms insure for. What does that cover as against a civil liability policy?

Well, the answer is that it is personal in the sense that it is principally designed to insure company officers' (and that may or may not mean you) liability to all the stakeholders in the company (ie, facing inwards). By comparison, the civil liability policy is principally designed to tackle claims made against the company by clients or affected third parties (ie, facing outwards).

Most of the D&O policies out there have an 'investigation costs' extension, which is the closest you will get to personal insurance against an FCA [Financial Conduct Authority] or other investigation. However, many policies may tangle with a company's own memorandum and articles which may allow legal costs and indemnity to be given to officers or employees but may, of course, actually fail to deliver that on the day depending on the board's attitude.

The answer for many is a personal regulatory expense insurance policy to specifically cover you for legal costs etc in so far as it can do so (fines and penalties are never insurable per se).

Francis de Zulueta FCSI, CEO, The Alpine Group of Limited Companies

Dear *S&IR*,

Andy Davis wrote a great article ('Going Public', *S&IR*, April), pointing out some of the issues around the British market for initial public offerings (IPOs). I feel CISI members should also be considering that across the pond, Facebook and other IPOs enriched founders, employees and early investors, but left public investors rather unhappy. These IPOs have hurt the reputation of both Wall Street and the City.

In recent years, market volatility (driven by global macro factors) and regulation are conceivable reasons why IPO disappointments happened and may sort themselves out over time. However, I believe that it is conceivable too that the current models used to value private companies prior to an IPO may have some flaws, never exposed before in the 'old realities'. Are liquidity, voting rights, etc properly valued?

Both academic and industry work I came across do not sufficiently address this area, perhaps because there was no previous IPO crisis. So I am now on a quest to find out if there is something fundamentally missing in the current valuation best practices and what can be done.

To find out more about this, please attend the CISI corporate finance forum that I will be chairing on this issue early in 2014. For further information, contact me at *mtortone@p27.biz*

Mauro Tortone, Chartered MCSI, Director, P27 Ltd and committee member, CISI corporate finance forum

276% The increase in visits to the CISI IntegrityMatters web page following the launch of the Institute's new campaign in April to raise professional standards in the capital markets sector. See **cisi.org/integritymatters**

ANNUAL CONFERENCE

Industry change


Terry Smith

Investing in the future – and looking after other people's money – is in focus this year as never before. In the UK, the new regulatory structure, the Retail Distribution Review and fast-developing technologies are changing the face of the industry. Meanwhile, new clients from different continents and generations make new demands on – and offer new opportunities to – CISI members and their firms.

This year's CISI annual conference on 3 July will focus on this area, giving attendees expert insight into how senior bodies within the industry are reacting to, and dealing with, these changes. Through in-depth presentations, wide-ranging panel debates with top-flight speakers such as Tullett Prebon's Terry Smith and open discussions, attendees will have the opportunity to learn about, and discuss, the issues affecting them.

David Nicol, Chartered FCSI, CEO of Brewin Dolphin, says: "The CISI has been in the vanguard of much that has shaped our industry recently and this year's conference is an important opportunity to discuss how we can all advance following these changes."

Delegates will leave in a good position to help their firms and clients invest in growth.

For more information, turn to page 27 or visit *cisi.org/annualconference13*

S&IR DEVELOPMENT

Reviewing the *Review*

The CISI has exciting plans for the *Securities & Investment Review* – and we want to hear your views to help shape its development. Members around the world will benefit from not one but two new versions of the *S&IR*.

A tablet- and smartphone-friendly digital edition will be updated on a weekly basis throughout the year, enabling the magazine to become more responsive and nimble. As well as a range of articles, the edition will feature videos, slideshows, podcasts and a lot more.

A bigger and more engaging printed version, produced every three months, will serve as an authoritative journal of record. It will retain the tone and material that you have come to expect, but will also include a section that delivers cutting-edge research and deeper analysis.

As a result of these changes, the number of industry-specific features included in the *S&IR* will increase by more than a third, making it an even more valuable tool for members to maintain their competence.

The *S&IR* is your membership magazine and your feedback will be invaluable in taking our proposals forward. Therefore we're inviting members to take part in a brief web survey. Please let us know what you like and dislike about the *S&IR* and, even, whether the magazine should be given a new name.

To take part in the survey, visit *cisi.org/sirsurvey*

SELECT BENEFITS

Insurance offering

If you are planning your summer holiday, don't forget to take out travel insurance. Through CISI Select Benefits, members are able to save 20% on all Columbus Direct Travel Insurance policies.* Columbus Direct can provide premium travel insurance cover in more than 45 countries worldwide, and with single-trip policies from just £2.59 and annual cover from £28, you're sure to find a policy to suit your needs.

Apply online by logging on to CISI Select Benefits via *cisi.org/mycisi*

COLUMBUS direct

*Terms and conditions apply. See website for further details. Correct at time of print. Columbus Direct is a trading style of Columbus Travel Insurance Services Ltd. CISI Select Benefits is managed on behalf of the CISI by Parliament Hill Ltd of 3rd Floor, 127 Cheapside, London EC2V 6BT which is authorised and regulated by the Financial Conduct Authority for insurance mediation only. You can check this on the Financial Services Register under reference 308448 by visiting the FCA's website at fsa.gov.uk/register/home.do. Neither is part of the same group as a provider.

OBITUARY

Tributes paid to 'inspiring' member


Len Warwick CBE, Charterd FCSI

Widespread tribute has been paid to financial services industry veteran Len Warwick CBE, Chartered FCSI, who has died aged 68.

During a career in the sector which spanned more than 50 years, Len held a range of high-profile positions and was at the forefront of key developments within the profession.

He had been Chairman and Compliance Director at Warwick Butchart Associates, a firm of independent investment and financial advisers in Cheltenham, which he set up in 1981.

Between 1989 and 1996, he was a director of the Securities and Investments Board (SIB), a precursor to the FSA, helping to raise professional standards in the industry. In 1996, he was awarded a CBE by the Queen for services to financial regulation.

A founding director of the Association of Independent Financial Advisers, Len also served as President of the Life Insurance Association.

David Burren, Chartered FCSI, Managing Director of Warwick Butchart, said: "Len stood for integrity, professionalism and honesty. He was ahead of his time in many ways, having first pushed for the licensing of financial advisers 20 years ago, long before the advent of the Retail Distribution Review.

"Our firm has been swamped by tributes being paid to Len from across the industry. He inspired so many people."

As reported in the November/December 2012 edition of the *S&IR*, Len had recently achieved an ambition to publish a novel, *The Unspoken*, inspired by his interest in genealogy and Ireland. He also wrote many financial services publications.

Len leaves a wife, Ros, five children and several grandchildren.

LONDON

CPD on Australia

Australian securitisation and covered bonds will be the theme of a CISI CPD seminar to be held in London on 17 June.

Presentations and panel discussions from senior Australian industry executives will provide an opportunity to learn more about Australian securitisation products, including covered bonds, as well the economic and property market backdrop in which they operate. Specifically, the seminar will address the outlook for the Australian economy and property market, trends and developments in 2013, issues of various securities and reporting standards announced by the Reserve Bank of Australia, and touch on collateral pool performance.

Register now for this and other free-to-member events in the CISI's CPD programme at *cisi.org/events*

MASTERS PROGRAMME

Institute teams up with university

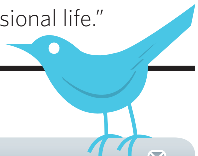
Pictured celebrating the agreement are, front, CISI Managing Director Ruth Martin and Professor George Kapetanios, Head of Queen Mary's School of Economics and Finance, and, back, from left, Alex Cannon, CISI Head of Educational Development, Dr Leon Vinokur and Dr Leone Leonida, both from Queen Mary

Queen Mary, University of London has signed an agreement with the CISI which recognises its School of Economics and Finance as a Centre of Excellence in the field of financial services. This is the CISI's first formal link between a university and its prestigious Masters degree programme.

The collaboration will allow Queen Mary students to graduate with the option to complete the CISI's Masters in Wealth Management in parallel with the university's Masters degrees. The agreement also means that Queen Mary will finance students' CISI membership applications.

CISI Managing Director Ruth Martin said: "We are delighted to be partnering with Queen Mary on this project which, in its first phase, will enable students to obtain the CISI's highest-level professional qualification as part of a challenging and high quality programme. This partnership between a Chartered professional body and a higher education institution is an excellent opportunity for students to bridge the gap between academia and the workplace and will provide them with an important competitive edge in the jobs market."

Professor George Kapetanios, Head of Queen Mary's School of Economics and Finance, said: "We are extremely pleased to start this valuable collaboration with CISI. Being part of this exciting partnership enhances Queen Mary's strategy of becoming a research leader in the area of economics and finance and also helps us provide excellent preparation to our students for their professional life."



ONLINE

BEST OF THE BLOGS

1 tinyurl.com/reuters-ftt
Reuters journalist Felix Salmon leaps to the defence of a proposed financial transactions tax (FTT) for ten more EU member states, including Austria, Germany and Belgium. France was first to launch the FTT in 2012, and Salmon is keen to see a successful FTT deployed elsewhere, arguing that the nay-sayers in the EU, including the UK most notably, will be won around. He goes further: "As more and more countries join the scheme, the tax will become increasingly efficient and effective. Maybe, eventually, it could even incorporate the US."

2 tinyurl.com/bamford-regulation
Writing in his MoneyMarketing blog, Martin Bamford voices concern over the mounting burden the financial services industry faces in complying with regulations. "Rather than a simple and effective system of regulation with clear rules, we have a convoluted hotchpotch where more time can be spent documenting, reporting and complying than actually delivering an excellent service to clients. It's a rather sad state of affairs," he says. In a parting shot at the now defunct FSA, Bamford lambasts the high cost of introducing its regulations, especially in a time of fiscal austerity. "Nothing as simple as proper qualification standards and transparent remuneration should have cost anywhere close to £2.6bn. We should all have been there years before the FSA originally suggested it."

3 tinyurl.com/lse-bonuses
The issue of bankers' bonuses is a divisive one, drawing out philosophical arguments about fairness, risk-taking and the workings of the free market. But what about the evidence? According to the London School of Economics, the data suggests there is no link between bonuses and risk-taking behaviour. The blog concludes: "In the worst case, it will drive business away from Europe and do nothing to protect us from the next banking crisis."

See page 12 for more on the costs facing the financial services industry.

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

WEALTH MANAGEMENT

New degree

Professor Andrew Clare

Cass Business School, part of City University London, is to offer CISI members a fast-track route to enhancing their qualifications with a degree in wealth management.

A Masters in Wealth Management scheme, which starts in September, will be delivered on a flexible part-time basis at Cass' premises in the City of London. It is for students holding the CISI Masters Programme in Wealth Management and is also available to those who have passed the CII Advanced Diploma in Financial Planning.

Candidates can opt to complete the course in a year or 15 months.

The launch complements Cass Business School's Retail Distribution Review (RDR) and Wealth Management research programmes, giving participants immediate access to cutting-edge research and expertise directly relevant to their industry and careers.

Despite the increasing appetite for wealth management training, there are few universities offering courses to professionals who want to continue learning beyond the level of the CISI and CII programmes.

Professor Andrew Clare, Associate Dean of Cass' MSc programme, said: "Higher education institutions have been slow to respond to the growing student and industry demand for specialist wealth management training. This course aims to take experienced professionals to the next level in their learning and careers."

CISI Managing Director Ruth Martin said that holders of the qualifying CISI wealth management qualification, the highest-level programme recognised by the UK regulator for RDR purposes, would earn 60 credits (a third of the total required) towards the programme.

She said: "This enables these members to achieve a prestigious Masters degree from Cass with one year's part-time study. We welcome the partnership between Cass and the CISI that this offers."

Further information on the MSc in Wealth Management is available on Cass' website at *cass.city.ac.uk*

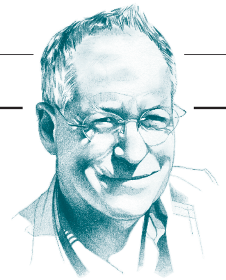
EVENTS

CISI AGM 2013

A reminder that this year's Annual General Meeting will be held at the CISI, 8 Eastcheap, London EC3M 1AE, at 10.30am on **Wednesday 25 September**. The closing date for nominations for Board membership is Friday 12 July.

A nomination form, which includes an explanation of the requirements for the election of candidates to the CISI Board of directors, is available at **cisi.org**.

Alternatively, a hard copy of the nomination form is available, on request, from Linda Raven, at *linda.raven@cisi.org*, or *+44 20 7645 0603*.



CLAY '*MUDLARK*' HARRIS

Richard Warrington, Head of Service Delivery and Operational Risk, Equiniti

Richard Warrington is testament to the principle that working in a small team can create big opportunities.

Richard is Head of Service Delivery and Operational Risk within Equiniti Investment Services, part of the Equiniti Group, a leading business process provider that includes the former Lloyds TSB Registrars.

Inevitably, however, Richard's working life started at a more modest level. Like many school leavers, he wasn't certain what he wanted to do.

"I knew I wanted a life and I had a relative who was a bank manager. He seemed to have established a good career as well as having achieved a nice lifestyle." It prompted Richard to begin his working life as a cashier at the Trustee Savings Bank branch in Ludlow, where he quickly gained exposure to all administrative tasks.

After six years, he joined TSB's securities department in London.

"I was interviewed by two people. One asked the questions and the other kept answering them. At the end, I was asked if there were any more questions and I said, 'No, I think he's answered them all for me'."

Richard's initial oversight of securities quickly broadened to include money markets, settlements and stock lending. He gained more experience within the foreign team before being appointed to run cash settlements.

In a short time, he had gone from the small scale of most transactions handled in a country branch to dealing routinely with hundreds of millions of pounds.

The Shropshire lad was learning about the exuberant ways of the City in 1986 but his experience and attitude to work were taking his career ahead in leaps and bounds. He recalls a boss telling him: "We have rules around here. If you want a day off, make sure you ring in by 10am."

> "We have rules around here. If you want a day off, ring in by 10am"

When TSB merged with Lloyds in 1995, Richard was managing the TSB Securities UK equities team. Lloyds bought National Westminster Bank's custody business and put it together with its existing unit trust administration and custody business. This sequence of takeovers brought the occasional problem. Legacy teams each had their own cultures and IT platforms, and relocation plans were made and then shelved and Richard recalls it as a challenging but interesting two years.

In 2000, he moved to Lloyds Bank Stockbrokers, first heading UK custody, but swiftly adding other roles. Lloyds Bank Stockbrokers became part of Lloyds TSB Registrars that then joined the Equiniti Group in 2007.

"Equiniti changed the culture quickly," Richard says. In his experience, back-office management had always focused on constraining costs, with other departments overseeing growth in revenues. "With Equiniti there is a more rounded view, with the two aspects approached in tandem."

Equiniti's reach has broadened. In 2010 the business came together with Xafinity – now renamed Equiniti Paymaster, the pensions and employee benefits specialists – and in 2011 it acquired the corporate and employee services division of NatWest Stockbrokers, now Equiniti Executive Share Dealing Services, peterevans, the financial services systems vendor, and Prism Cosec, a corporate governance and secretarial services provider.

Along the way, Richard has backed up his expertise with more qualifications, including an MBA from the Open University, but he maintains: "What I gained in branch was the foundation and set me up for life."

Richard Warrington

Head of Service Delivery and Operational Risk, Equiniti

Do you have a back-office story?

mudlarklives@hotmail.co.uk

Illustration: Luke Wilson

REGULATORY UPDATE

Known unknowns

Do you know which new regulations will affect your firm? How do you condense the avalanche of consultations, policy statements, speeches, newsletters and guidelines for senior management? The CISI's *Change – the regulatory update* can help. The May edition is divided into: general developments, such as remuneration caps; time zones for starting; individual financial sectors (such as private wealth management); and layers (contents, article and source document). It is available on the CISI website, with drop-down menus that enable you to choose the articles you are interested in or to download the whole issue.

The publication is written by Christopher Bond, Chartered MCSI, Senior Adviser to the CISI on regulation. He said: "It's much easier to find information in *Change – the regulatory update* than on the current FCA website."

View the edition at *cisi.org/change*

HONORARY FELLOW

CISI recognition for Senior Adviser

Alderman Alan Yarrow, Chartered FCSI(Hon), CISI Chairman, left, presents a certificate of Honorary Fellowship to Stephen Clark, Chartered FCSI(Hon)

Stephen Clark has been added to the elite group of CISI Honorary Fellows. A Senior Adviser to the CISI, Stephen, whose designation is now Chartered FCSI(Hon), has been a long-time valued supporter of the Institute. He has been a member since 1987 and served on the Institute Board between 2002 and 2004.

He was Chief Executive of Gerrards until its takeover by Barclays in 2003 and, while in that role, introduced a policy that required advisers to pass the CISI Diploma – a wise decision in light of the Retail Distribution Review. Stephen then joined Moscow Norodny (later VTB), where he promoted the Institute's work in integrity and ethics and the bank became one of the CISI's 101-strong corporate supporters.

Alderman Alan Yarrow, Chartered FCSI(Hon), CISI Chairman, said: "It is in his current role, as a CISI Senior Adviser, where Stephen has demonstrated a huge commitment to the Institute, opening doors in areas which were previously closed. In particular he has greatly accelerated our reach and influence with universities. The Board felt it was entirely fitting that we should award this valued supporter our highest accolade." The CISI Chairman presented Stephen with the distinction at an annual lunch for its Honorary Fellows at Fishmongers' Hall in the City of London.

Honorary Fellowship is given by the CISI Board to those who have contributed with distinction to financial services and to the Institute. The Institute has 51 Honorary Fellows out of a membership of more than 40,000 worldwide.

Ask the experts...

Mark Hollingworth,
Director
at Integral Finance

CROWD-FUNDING

The definition of crowd-funding seems to depend on who you ask – but broadly there are three flavours: crowd-lending, real crowd-funding and crowd-investing. Most platforms refer to themselves as 'crowd-funding' and involve a borrower using a platform to access a number of smaller investors rather than seeking the entire funds from just one investor.

One of these is crowd-lending in which lenders place their funds with a selection of borrowers through a crowd-lending platform. Examples include Zopa (personal lending) and Funding Circle (SME lending), although these are now being challenged by newer entrants such as RebuildingSociety.

The other major model is 'real crowd-funding' (sometimes called rewards-based), such as KickStarter. Under this model, consumers pre-purchase products and rewards are produced when the funds are successfully raised. This allows start-ups to launch without taking on debt or releasing any equity. A good UK example is BloomVC.com.

Finally, crowd-investing is similar to the angel investing model (where an individual provides funds for a start-up business) but with a 'host of angels' rather than a handful. The terms are set by the entrepreneur, who bids to attract enough investment to reach the stated target – answering questions as they're asked.

It seems as though crowd-funding has grown in response to the economic cycle. There is plenty of evidence that traditional lending from banks is currently not working. Banks appear to lend money when the economy least needs it, and won't lend when it badly does. Angel funding can be time-consuming and expensive – many will simply not know whether they're pitching to the right investors and probably be asked to part with several thousand pounds for the privilege. So crowd-funding has in part been driven by market demand.

According to Barry James, Founder and CEO of AngelRevolutions, there are in excess of 700 crowd-funding platforms worldwide. Historically, creative industries – especially the film industry – and, more recently, technology companies and gadget makers have provided the demand for funds. It's long been routine for many films to have a crowd-funded element – about a third of the films at the most recent Sundance Film Festival sought crowd-funding.

The crowd-funding platforms themselves make generic disclosures about the risks of angel investing, but this is unlikely to be sufficient. For example, from the company perspective, a large number of minority shareholders with unrealistic valuations of the company may be a barrier to pushing through deals at a later stage. Other concerns centre on adequate documentation to allow investors to see how much their shares may be diluted, and whether investors ever meet the management teams they are giving money to.

I maintain that there is a minimum level of information required to make an informed investment and this should be disclosed up front, not just to those who have the experience to ask. Currently there is very little to stop firms from providing a level of information on the platforms that would fall well short of what any angel network would expect.

Crowd-funding has a future but the issue is whether regulation will one day be required to ensure that investors are given the minimum information they require.

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

SURVEY

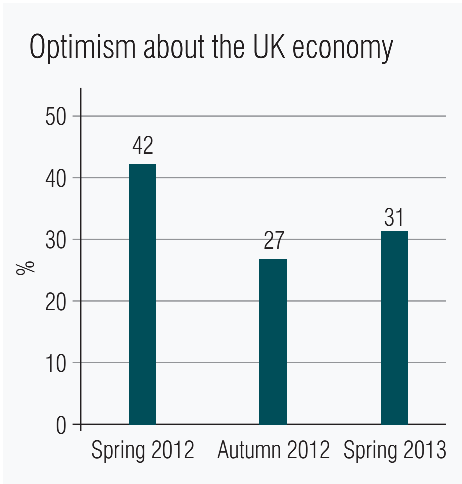
Doubts linger over economy

News that UK GDP grew in the first three months of the year has failed to convince financial services players that a sustained economic recovery is under way, a CISI survey shows.

Of 505 respondents to the survey, only 31% said they were more optimistic for the country's prospects than three months ago. There was increased pessimism among 23% while 46% felt unchanged about the economic outlook.

When the CISI last ran the survey in autumn 2012, 27% considered that the UK was on the road to recovery. A further 28% said they were less optimistic while 45% believed that the economy would neither get better nor worse. Confidence in the economy was higher in the spring 2012 survey, measured at 42%.

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



QUICK QUIZ

Test your industry knowledge

Illustration: Cameron Law

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

Answers are on page 29.

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

Q1. The risk of adverse movements in share prices affecting a portfolio is best described as which of the following?
A) Delta risk B) Volatility risk C) Negative correlation D) Equity price risk

Q2. Under FCA rules, all financial promotions to a retail client are obliged to contain:
A) Comparisons with different types of investments B) The firm's name
C) A future contact request statement D) Past performance information

Q3. The Principles for Businesses include which ONE of the following?
A) Relations with regulators B) Training and competence
C) Complaints D) Enforcement of codes

Q4. Which of the following is the correct higher rate income tax band for 2013/14?
A) £32,010–£125,000 B) £32,011–£150,000 C) £34,371– £125,000 D) £34,371– £150,000

#Dangerous

Twitter may be the perfect platform for sharing news, fast. Yet its ubiquity, combined with elementary security flaws, renders financial markets vulnerable to attack

"BREAKING NEWS: Two Explosions in White House and Barack Obama is injured." As headlines go, that's pretty dramatic. The 'flash', carried by the Associated Press (AP) on its Twitter feed on 23 April 2013 to millions of followers, sent the US stock market tumbling in seconds. The world held its breath. Until it became clear it was a hoax.

The incident, for which a group calling itself the Syrian Electronic Army claimed responsibility, sparked an FBI investigation and regulatory debate over whether there should be safeguards against the effects of social media on financial markets.

It may have just been a wrong headline, a hacked account, a blip for Wall Street's S&P 500 quickly erased. But it unnerved participants in a market where the spread of automated trading by super-fast computers means that stocks now react within milliseconds to everything from US construction data to the comments of Brazilian central bankers and the profitability of German car-makers.

What the erroneous AP headline shows is just how powerful a medium Twitter has become; its influence can even exceed that of television, newspapers and news agencies.

Indeed, Bloomberg, arguably the most successful financial newswire, has started carrying a stream of relevant Twitter posts delivered to investors on its terminals – a large number of employees at banks are not allowed direct access to social media at work. In April, the US Securities and Exchange Commission decided companies and executives could begin using Twitter and other social media such as Facebook to release market-sensitive news.

One senior City executive, just the kind of person you would expect to turn to traditional, trusted sources first for news, told me that if he wants to know what's moving the euro he goes to Twitter first, where users such as Zerohedge and Business Insider – and a multitude of other markets obsessives – report market news as it's happening. Then he looks to the *Financial Times* for confirmation. This didn't surprise me. I've been hooked since the onset of the eurozone debt crisis: follow the right people and Twitter is a fantastic tool for news editors.

But is it dangerous? Twitter's instant, global reach, the anonymity it allows users and the vulnerability of official accounts make it a hacker's dream. The bigger it becomes, the greater the potential for misinformation to cause havoc.

> *"The bigger it becomes, the greater the potential for Twitter to cause havoc"*

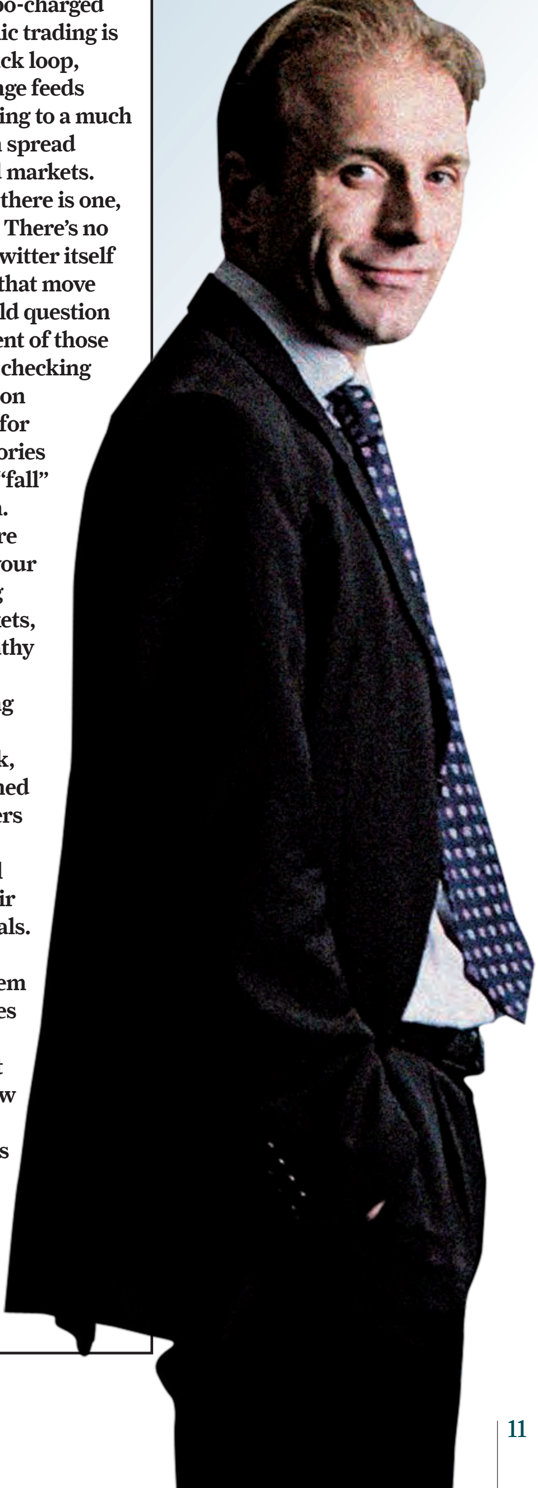
The answer to this, though, is not regulation. Beefed-up security, certainly. A two-step login would be an improvement. But anything more would be heavy-handed.

The more important point about that bogus AP tweet is what it revealed about the architecture of modern financial markets, not the impact of social media.

In the few minutes of turmoil that followed, market liquidity (a measure of those prepared to trade) dried up. For all the supposed benefits of 'high-frequency trading', where machines trade many times a second at high speed, volatility spiked. On a smaller scale, this echoed the 'flash crash' on Wall Street of May 2010, when the Dow Jones tumbled hundreds of points only to rebound, apparently inexplicably.

As a recent UK Government-backed report found, one of the dangers of the turbo-charged world of algorithmic trading is the positive feedback loop, where a small change feeds back on itself, leading to a much bigger one that can spread across inter-linked markets. The lesson here, if there is one, is about judgment. There's no point in blaming Twitter itself for duff headlines that move markets. You should question instead the judgment of those who react without checking facts first – or rely on computers to look for phrases in news stories such as "rise" and "fall" and think for them.

People react more slowly, yes. But if your business is making money in the markets, I have some sympathy for traders and strategists suffering from information overload. One bank, Citigroup, has turned off access for traders in its currencies division to internal chat groups on their Bloomberg terminals. The move is an attempt to steer them away from the wires and towards the bank's own market news. Learning how to filter the noise, Twitter included, is paramount. ■



Christopher Adams is the Financial Times' *markets editor*

The financial services industry faces an unprecedented amount of regulation, pushing up costs for firms and customers alike. **Christopher Alkan** investigates

A high price to pay

EUROPE'S FINANCIAL TRANSACTION TAX (FTT), which could become law early next year, is just the latest in a long series of new burdens weighing down the financial services industry. Over the past few years, financial institutions have been scrambling to comply with the finer rules of the Foreign Account Tax Compliance Act (FATCA), designed to prevent wealthy Americans from dodging taxes. And across the globe, banks are being forced to hold more capital and centrally clear derivatives. The list goes on. The British Bankers' Association counts 60 separate pieces of legislation – domestic and European – that have had an impact on its members alone over the past five years.

"We haven't seen such a raft of new restrictions since the 1930s," says Mark Calabria, a former top aide to the US Senate Committee on Banking, Housing and Urban Affairs and a fellow at the Cato Institute. A flurry of strong earnings releases from the likes of Citigroup and UBS suggests that banks have not been too badly hurt. This may be deceptive. As more of the rules start to bite, there is a risk that returns to bank shareholders will slide. Meanwhile, bank customers may already be feeling the pinch, some experts believe.

The most immediate anxiety is being caused by the FTT – nicknamed the Tobin tax – which is being proposed for ten European countries, including Germany and Italy, in addition to France, which introduced its FTT in August 2012. At first glance this proposal seems harmless enough. The European Commission plan would levy just 0.1% on equity and debt deals and 0.01% on derivatives, raising an estimated €35bn per year. Opponents point out, however, that this tax will take a slice at every stage of a transaction. A report by London Economics, commissioned by the City of London Corporation, suggests that the effective tax rate could be ten times greater than the declared 0.1% because of this cascade effect, and the higher cost of raising funds may reduce liquidity, even in the most popular securities, depress investment and push down national economic output. The cascade may also be sufficient to obliterate the margin on many transactions.

There will also be collateral damage to the financial system. The most likely victim is the repo market, which helps European banks to borrow more than $300bn from American money market funds, according to Citigroup estimates. Under this system, banks sell highly liquid securities, such as US Treasury notes, with an agreement to repurchase them at a slightly higher price in the future. Such borrowing takes place at extremely low rates, about 0.15% a year. Add in the Tobin tax and this rate could soar to 22% a year (based on 220 trading days per year, each incurring a 0.1% tax), effectively killing off this market. The Swiss-based International Capital Market Association, a lobbying group, estimates that the tax would cause Europe's repo market to contract by two-thirds and make maturities of less than a year uneconomic for consumers to use.

Another class of threat comes from regulatory moves to effectively fragment large banking groups. Instead of insisting that mega-banks be split up, regulators from various corners of the globe have attempted to isolate higher-risk trading activities from high-street banks. In the US this has taken the form of the Volcker rule, which prevents banks from engaging in proprietary trading with its greater risk. In much of Europe, the favoured approach has been to insist that retail operations are ring-fenced and so would survive the demise of the group's investment bank. In the UK this was forcefully proposed by the Vickers report in September 2011. The practical details of this reform have yet to be fully hammered out. Still, the result is likely to be a large amount of extra costs, as set out in the May edition of the *S&IR*.

> ***"We haven't seen such a raft of new restrictions since the 1930s"***

The Liikanen report, delivered to the European Commission last year, suggests that the continent will go down a similar route, attempting to insulate high-street banks from trading activities, although political opposition may dilute this. Calculating the cost of these reforms is impossible until the laws are finalised.

The European Union has also hampered its banks, according to some experts, by limiting banking bonuses to 100% of base pay. "This will make it far harder for banks to cut costs during the next downturn," says Alex Pollock, a fellow at the American Enterprise Institute think-tank and former head of a regional bank in Chicago. "Banks will just lift base salaries." They may also respond by reducing jobs.

Only in America

Some extra burdens on these institutions are coming from outside. The most notable is the FATCA, passed by the US Congress in 2010 to snare Americans attempting to avoid taxes by hiding funds in overseas bank accounts.

"The basic idea was to enlist all foreign financial institutions as unpaid tax collectors for Uncle Sam," says Adrian Harkin, a partner at accounting firm KPMG, who helps clients comply with the new rules. Attempting to uncover such tax cheats has involved major investments in new systems for some financial institutions. KPMG initially estimated that the rules would cost around $30bn to implement. Even after the US Government eased some requirements, Harkin still believes implementation could force foreign institutions to spend about $15bn. That is still far more than the $8bn that the US expects to raise in extra tax revenue from the measure over the coming decade.

There are also regulatory burdens that financial firms around the globe must bear. In 2009, financial chiefs in the G20 nations agreed that derivatives trading, which played a key role in the 2008 financial crisis and the collapse of US insurer AIG, should be conducted through clearing houses. Most experts agree that this will reduce counterparty risk and so make the financial system safer. The downside is that regulators will insist on higher capital standards for bespoke transactions that take place outside of clearing houses, requiring buy-side institutions to put up huge quantities of prime securities or cash as collateral.

"We don't know yet how harsh the new system will be," says Douglas Elliott, a former

J.P. Morgan banker and now a fellow at the Brookings Institution, an economic think-tank based in the US. "Still, it is looking likely that this new system will shrink lucrative opportunities for the banks and also raise the cost of derivative products for customers."

Finally, banks around the world are being required to hold fatter capital buffers and more liquid assets to protect against losses and sudden market disturbances. Again, the full extent of these demands is still being hammered out by regulators. But such restrictions on leverage curb the returns to bank shareholders, and, more controversially, customer lending.

According to data from Standard & Poor's, the return on equity among financial businesses in the S&P 500 stock index was just 7.9% in 2012. For comparison, this was lower than the 10% return on regulated utilities. It was also far lower than the 16% that financial companies achieved in 2006. Forcing banks and other financial institutions to increase capital and cut back leverage explains how the sector can be enjoying record profits while offering lower returns for shareholders.

"If regulators keep pushing, returns on equity will keep going down," says Dick Bove, a bank analyst at Rafferty Capital Markets in New York. "US banks are already safer than at any time since 1938, in terms of holding more pure common equity as a percentage of assets." Banks of global systemic importance face even greater capital requirements to address the 'too big to fail' problem of relying on the taxpayer.

Bove believes that these pressures are pushing up fees for bank customers and so will undermine economic growth. "If European governments are committed to maintaining a long and deep recession, they should keep bullying the banks," says Bove. "All around the globe, we would be far better off by easing up on the banks." ■

Illustration: Robin Boyden for Pickled Ink

Mix and match

Exchange-traded funds offer more immediate access to markets and are increasingly popular, raising questions over the future of active investment. **Dan Barnes** reports

IN JANUARY 2009, exchange-traded fund (ETF) provider iShares estimated the global assets under management (AUM) held in ETFs to be approximately $710bn. At the end of March 2013, Deutsche Bank Research suggested that figure had risen to $1.82tn.

"We expect that segment of the passive market to grow a multiple number of times over the next seven to ten years," says Jonathan Horton, head of the global exchange traded product team at index provider FTSE, and President of FTSE North America. "I hear estimates of growth for five to seven times up to 2022. It is not without the bounds of possibility."

Tony Nash, Head of Execution Services at Espirito Santo Investment Bank, says his firm has experienced a four-fold increase in ETF flows over the last year. "On some days, it can account for 40% of everything we do – a year ago it averaged just below 10%. We have seen an increase in the breadth of clients trading ETFs;

Understanding the risks

One distinction driving the debate about the risks of exchange-traded funds (ETFs), and their effects on brokers, is that between physical and synthetic. Physical ETFs comprise the underlying securities that the fund tracks. For example, an ETF based on the FTSE 100 would involve the issuer holding each of the securities. With a synthetic one, the issuer achieves the index exposure through a total return swap, where a counterparty promises to pay the index's return based on capital gains and dividends.

Although counterparty risk exists with a synthetic ETF – the counterparty going bust would cut off the income stream and possible loss of capital – future changes to derivatives trading regulation (most notably MiFID 2) are likely to toughen up the amount and quality of collateral and may help cover a shortfall in that event.

There are also risks in accessing markets that are subject to changeable rules and legislation. For example, an ETF dealing in China A-shares gives the investor exposure to China via companies in Shenzhen and Shanghai, which are typically accessible only via the Qualified Foreign Institutional Investors (QFII) system. This provides a limited quota for QFII firms of investible stocks. Since the supply of stock to outside investors is limited, ETFs that track Chinese indices can trade at a premium or a discount to the index, depending on the supply and demand of underlying stock available outside of China vis-à-vis the domestic market.

"Emerging market ETFs can have certain idiosyncratic features that we have to explain to investors. China ETFs for example can trade at a premium or discount because of the quota system," says David Patterson, Head of UK Wholesale Distribution at Deutsche Asset & Wealth Management. "Meanwhile, investors in emerging markets generally also have to be aware that emerging markets can be subject to tax and political risks that developed ETFs aren't. If you take China again, people talk of the risk of a retrospective tax on capital gains impacting foreign investors. This remains a theoretical risk, but it illustrates the types of risks investors in these markets have to be aware of."

For physical ETFs, investors should be aware of the way that securities lending is handled, as this too can create counterparty risk; when Lehman Brothers collapsed, many firms suffered as assets loaned to or through brokers were frozen.

"We take a very conservative approach to securities lending," says Tim Huver, ETF Product Manager at Vanguard. "Our ETFs aren't currently lending but if we were to enter them into our securities lending programme we put a very small percentage on loan, we obtain the best rates and only accept cash collateral. That is invested in short-term, liquid overnight investments."

Regulators are aware of the risks and last July the European Securities and Markets Authority issued guidelines that included disclosures relating to the size of the tracking error with respect to the benchmark index for the period under review, and an explanation for any divergence, with a requirement that securities lending fees should be returned, net of costs, to investors.

Aside from the risks posed by physical and synthetic ETFS, Huver sounds a general note of caution. "For either physical or synthetic structures as an investor, understanding the right questions to ask is important, as no two ETFs are built the same," he warns. Taking the example of one based on the FTSE 100, buyers should be aware that they are exposed to the fortunes – or failures – of the individual companies covered by the index. The increasing complexity of ETFs means they need individual risk analysis by the seller and buyer.

ETFs are not only lower cost, they can also provide access to markets that might otherwise be inaccessible to investors

far more institutions are buying and selling ETFs than we have seen historically. It's a highly effective way to get exposure to these underlying markets, especially when you are dealing with between 85–95 different ETFs a day." He adds that the reported volumes in Europe do not reflect the full figure, which is harder to pinpoint; there are reports of the over-the-counter market making up as much as 70-90% of total volume.

The stellar rate of growth should not mask the relatively modest size of the overall market, observes David Patterson, Head of UK Wholesale Distribution at Deutsche Asset & Wealth Management.

"The European ETF market is attracting a lot of attention because of its pace of growth – in January, Deutsche Bank analysts put the AUM of ETFs in Europe at about 2.9% of total AUM for mutual fund assets for the continent – but in the US, the penetration is about three times as much. There, ETF assets represent around 9.7% of overall mutual fund AUM," he says.

The end of active investment?

The pace of growth that Patterson and Nash refer to has been driven at least in part by the cost-cutting exercises that have been dominating the investment management industry in recent years. In 2012, buy-side firms including AllianceBernstein, Aviva and Scottish Widows all made job cuts as they sought alternative models to actively managed equity funds.

"Over the past five years it has been a difficult environment for active managers to outperform the market, in part due to the higher costs for active management," says Tim Huver, ETF Product Manager at Vanguard. "For firms seeking outperformance, one of the largest deterrents to investment in active funds has been the higher fees associated with them."

The Retail Distribution Review seems likely to encourage further growth since independent retail advisers will need to consider the suitability of ETFs for clients as retail investment products. However there is a lively debate about whether ETFs are 'complex' instruments which can therefore be sold only to retail clients with an appropriateness duty. The inventiveness of retail ETF designers to attract consumers has created funds which are much more than passive index trackers – such as non-UCITS, leveraged, reverse and partially active ETFs, and it worries regulators, such as ESMA, that retail customers do not understand the risks. Currently only leveraged funds are likely to become complex: in future this category may extend to others.

ETFs are not only lower cost, they can also provide access to markets that might otherwise be inaccessible to investors. For example, on the London Stock Exchange, investors can get access to the performance of the Taiwanese or Korean stock markets via ETFs. These are difficult markets to access through conventional trading as they require the end investor to be identified, which is an administrative and strategic challenge. By making ETFs available, a stock exchange can offer cash equity traders access to exposures across a range of assets classes, from commodities to bonds to equities.

"Asset managers are clearly using ETFs as core long-term holdings for taking exposure to particular sectors, such as emerging markets," says Patterson. "Some of the largest ETFs in the world are tracking broad emerging markets indices."

On the rise

The evidence suggests that ETFs will continue to grow in popularity. Horton says that during the past ten years the ETF market has grown over ten times – that's more than 25% a year.

"There isn't any indication that the rate will slow at this stage," he asserts. "The US has been a big driver of growth, yet just under 60% of US households hold mutual funds, while under 3% own ETFs, so there is great potential for ETFs to continue to grow in that space."

There has also been 'hidden' passive investment, which is being dressed up as 'active'. Some managers are posting 'passive' returns while charging active fees, says Philip Lawlor, Managing Director of Research and Analytics at FTSE.

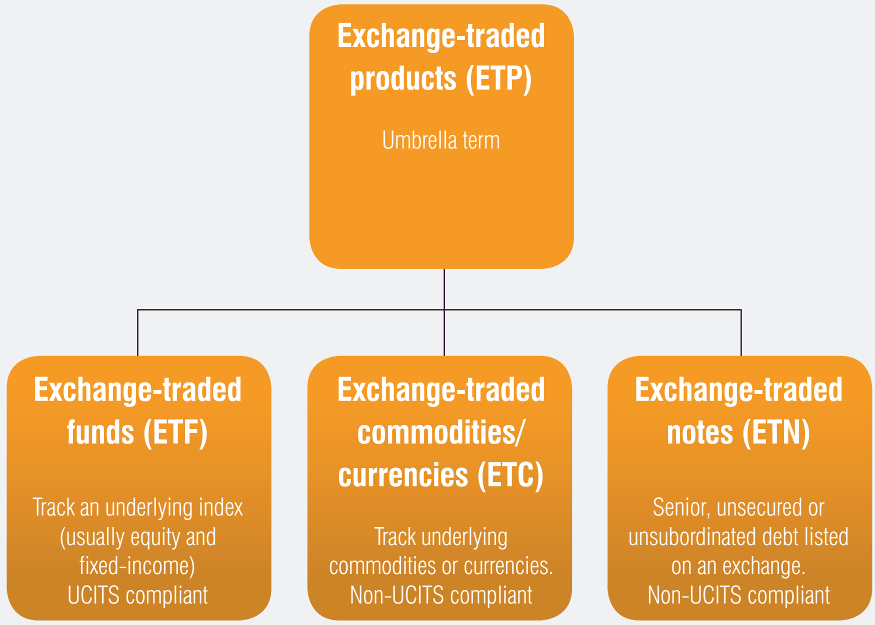
"A lot of people allegedly in the active space are really tracking the benchmark with a good 80% of their portfolio," he says. "The days of being able charge active management fees where the majority of a fund is effectively tracking an index look numbered. This is because ETFs and index funds provide great visibility and transparency on expenses."

However, a complete passive revolution appears far away, with even the most successful passive managers keen on using an element of active investment.

"Although we are known for our index-based strategies, we also believe in low-cost active management; 40% of our assets are in actively managed funds," says Vanguard's Huver. "The low-cost active management translates from our ownership structure. We are a mutually owned investment company so there are no costs associated with our active management model."

In a market seeing better returns, total active management may return with a vengeance, but with cost proving such an issue, passive investment is winning out. ■

The types of exchange-traded product

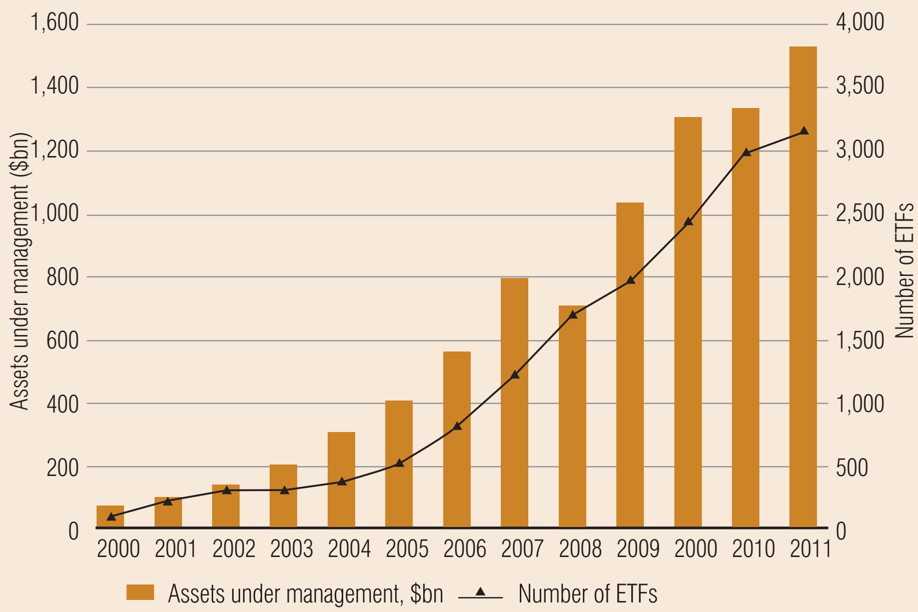


Source: Morningstar

Why the rise in ETFs?

Research published in EDHEC-Risk's *European ETF Survey 2012* suggests that index construction and innovation is driving the rise in popularity of exchange-traded funds (ETFs). Index construction involves creating an ETF for a specific class of assets. For example, an ETF issuer may choose to construct an index based on Turkish equities, incorporating, for instance, the largest capitalised Turkish companies. The resulting breadth of ETFs on offer is thought to be driving the total assets under management.

Despite the launch of more than 3,000 ETFs in the years since 1993, 49% of investors consulted by EDHEC-Risk still want to see more innovation of ETFs that cover emerging markets.



Charles in charge

As the head of capital and regulatory policy at America's Office of the Comptroller of the Currency, Charles Taylor holds one of the world's most important banking oversight roles. **Tamsin Brown** spoke to him about his achievements

IT MAY NOT be at the top of everyone's reading list but the Group of Thirty's *Derivatives: Practices and Principles* report was ground-breaking work when it was published in 1993. It came at a time when suspicions about the safety of the derivatives market were mounting, both within and outside the financial industry.

The report from the Group of Thirty, an international body of academics and financiers, gave a comprehensive explanation of what derivatives were and their uses.

For Charles Taylor, Executive Director of the Group of Thirty at the time, it turned out to be one of the highlights of his 40-year career.

Taylor says: "It was a path-breaking piece of work and it had a big impact on supervisory conditions. It formulated, if not best practices, certainly very good practices." Two decades on and derivatives is a dirty word in some circles, thanks to the emergence and meteoric growth of credit derivatives and the role these played in the financial crisis, and in some of the major losses incurred by banks since.

Taylor remains close to the derivatives debate in his current position at the Office of the Comptroller of the Currency (OCC), the Washington DC-based regulator for US national banks. He is a strong advocate of derivatives, providing that the risks are managed. "Derivatives are like the sharp knives of finance. If you are careless and you don't know what you are doing, you cut your fingers off," he explains.

Taylor is convinced that the regulatory world has come a long way in the past few years in understanding the risks that

CV snapshot

2011 – Becomes Deputy Comptroller for Capital and Regulatory Policy at the OCC

2008 – Director of the Financial Reform Project at the Pew Charitable Trusts

2002 – Director of Operational Risk at the Risk Management Association

2000 – Managing Director of Strategy Development at the Depository Trust & Clearing Corporation

1996 – Head of Global Risk Management Practice at Andersen Consulting

1990 – Executive Director of the Group of Thirty these controversial securities can pose. "Before the crisis I guess we didn't have a good grip on credit derivatives. What we have done since then in the way of reforming the framework for derivatives transactions both in the US and internationally has reduced greatly the risks associated with credit derivatives and other over-the-counter derivatives," he explains.

But with much regulation still to be implemented, he admits that "the proof of the pudding will be in the eating".

At home abroad

Oxford and Cambridge educated, Taylor's accent and turn of phrase remains unmistakably British despite the fact that he has held US citizenship for nearly 30 years. "It's a particular thrill for an immigrant to be able to represent his [adopted] country," he says of his current role. "I'm proud to be doing what I'm now doing."

He grew up in north London and moved to the US in 1973 to take a job at the World Bank. When he jokes about "becoming eccentric" in his old age and finding lethal ways of dealing with the hungry deer in his back garden which eat his plants, you get the impression that his sense of humour, like his accent, still hails from the eastern edge of the pond.


Photo: Paul Tanner

Taylor's career has taken him on a varied path with roles at the Pew Charitable Trusts, the Risk Management Association, the Depository Trust & Clearing Corporation and Andersen Consulting.

"I have had this strange career of being on the edge of private industry and issues of industry practice and public policy most of the time," he explains.

Yet Taylor is very much involved in the next chapter of US financial regulation in his role as Deputy Comptroller for Capital and Regulatory Policy at the OCC, which he joined in 2011. He is responsible for overseeing the formulation of the regulator's policy on bank capital issues, including revisions to the Basel rules, and he advises its executive management on other regulatory reforms, including the 848-page Dodd-Frank Wall Street Reform and Consumer Protection Act 2010.

This weighty Act has done a great deal to improve the quantity and quality of capital at banks and introduced a counter-cyclical buffer for systemically important banks and financial institutions, says Taylor.

"These are all big improvements over where we were during the crisis," he says.

But there is still a lot of work to be done. Fewer than half the rules within the hefty Dodd-Frank statute had been implemented by regulators by early summer 2013.

Taylor admits: "The devil is in the detail. To take two examples, we are still working on the capital rule and trying to figure exactly how we should take the comments we received last year into account and we are still struggling with how to implement the Volcker rule – both are very important pieces of legislation."

The US may have taken a different path from Britain's so-called 'Twin Peaks' regulatory system of financial services. Yet Taylor, an acquaintance of Dr Michael Taylor who first proposed this method of regulation in 1995 – and who was the subject of the profile in the *S&IR*, April 2013 – believes that the complex US system does in fact incorporate one of the central ideas behind the Twin Peaks concept.

"The point about Twin Peaks was the value of having, among other things, a systemic purview over the financial system," he says. "Dodd-Frank created the Financial Stability Oversight Council, which reports to the US Treasury – the OCC participates in that council and that is a form in which we can look at a variety of systemic issues. It is important for us to figure out issues that are system wide or particularly important for systemic institutions."

> ***"It's a particular thrill for an immigrant to represent his [adopted] country"***

Nearly five years on from the financial crisis, much has been done to overhaul the regulatory framework to prevent another blow-up. The time will eventually come for regulators to concentrate on their supervisory role. Fortunately, Taylor, whose wife is also a financial regulator, relishes the thought of tackling this next stage. "I'm excited to be in the thick of that," he says. ■

Financial evolution

Darwin's theory of evolution may seem an unlikely tool for helping financial regulators. However, Taylor believes that looking through Darwin's glasses can bring the financial landscape into focus and may even provide practical help for policy-makers.

He points out that the financial system evolves in a similar way to living species. The environment, be it technological, social or economic, is always changing, resources such as people, funds and market access are limited and when governments don't step in there is selection, since financial institutions fail.

At a talk given last year at Gresham College in London, Taylor argued: "Evolution serves as a pretty good description of what happens to financial institutions over time."

Taylor's theory doesn't stop there. Business processes, products, services and trading strategies are all other populations within the financial system that arguably evolve over time.

The effect of evolution in the financial world can be a positive thing, ushering in diversity, which makes the system stronger in the face of crises, and adaptation means that institutions can meet the changing needs of customers. Taylor believes that the odd failure is a good thing, too: "Evolving populations need turnover to stay fit and healthy."

However, the financial system needs the guiding hand of regulators to keep the system fair and stable; according to Taylor, policy-makers would do well to look at the financial system from Darwin's perspective.

Controversially, Taylor warns that "unthinking promulgation" of best practice can be bad for the financial system because it risks reducing diversity and could trigger herd behaviour.

The focus for regulators around the world is clearly to strengthen the financial system following the credit crunch. Taylor believes they should also be open to viewing the regulatory system from alternative theoretical perspectives.

Giving shares to the public at large: genius solution or a simple sweetener from a government facing election in two years? **Beth Holmes** looks at the options

A spoonful OF SUGAR?

WHEN THE LAST government reluctantly acquired its stakes in RBS and Lloyds in 2008 and 2009, and rescued the banks from probable collapse, it never intended the situation to be long term. Indeed, UK Financial Investments (UKFI), which is responsible for managing the Government's shareholdings in RBS and Lloyds, said in its annual report last year: "The Government remains committed to the return of Lloyds and RBS to full private-sector ownership at the earliest appropriate opportunity."

That opportunity appears to be just around the corner. To say that the video statement on the RBS website at the start of May left nothing to the imagination would not be entirely accurate, as the devil is always in the detail, but, nonetheless, it was the first concrete evidence that reprivatisation is going to happen sooner rather than later and since then has been reiterated by Prime Minister David Cameron during his most recent trip to the US.

"Certainly we think the recovery process will be substantially complete in about a year or so," said RBS Chairman Sir Philip Hampton. "It could be earlier – that's a matter for the Government." The statement came after the bank's best quarterly profits since 2011 – £828m – following its eye-watering pre-tax loss of £5.17bn in 2012.

The drama surrounding RBS and the uncertainty over what will happen in future seem to have taken their toll. At the end of April, Jim O'Neil resigned from his post as CEO at UKFI, commenting on the "challenging period for the banking sector", that he had overseen during his three-year tenure.

Lloyds shares, meanwhile, recently passed the 61.2p mark, the point at which the Government could sell shares and make a profit on its acquisition. This only fuelled speculation in some quarters that a sell-off will soon be afoot.

Some City observers still remain sceptical about an early sell-off as RBS shares are trading at just over £3, compared with the £5 paid by the last Labour Government. A sale at this price would convert into a loss to the taxpayer of £20bn, although the Treasury claims that Labour paid too much for RBS in the panic to prevent its complete collapse in 2008. Memories of then Chancellor Gordon Brown selling more than half of Britain's gold reserves between 1999 and 2002 at an average price of $275 an ounce – rock bottom as it turned out, as it subsequently rose to over $1,800 an ounce over the following decade – must surely be in the back of many people's minds.

> ***How would such a scheme work and is there a hidden agenda?***

Yet instead of a conventional share sale, one radical plan could see everyone in the UK with a National Insurance number – that's between 40 and 45 million people – being given shares worth hundreds of pounds. But how would such a scheme work and is there a hidden agenda?

The share giveaway is a plan that was first mooted over two years ago but has been gaining increasing momentum. It has been explored by Sajid Javid MP, the Economic Secretary to the Treasury, and Chancellor George Osborne revealed recently that the Government would study carefully the report which came out at the end of May by James Barty, Head of Financial Policy at think-tank the Policy Exchange. The report proposes a 'Tell Sid'-style sell-off – reminiscent of British Gas in the 1980s – of the Government's stake in both banks.

The keenness of the Government to shed, certainly initially, its 81% holding in RBS before the 2015 election does beg the question of whether it might choose a particular way of reprivatising the bank in order to gain an advantage at the polls.

But accusations of a pre-election gimmick are swatted away by Barty: "It's actually the best way to sell the shares. If you were giving away the shares then perhaps it could be seen as a pre-election gimmick. It's about returning the banks to the private sector in the most effective way possible."

It is true that a simple giveaway of shares would have critics queuing up to say that today's voters would get a windfall at the expense of tomorrow's taxpayers, who would have to pay off the debt incurred.

Under the proposed plan, though, which was conceived in a pub by financiers from small London financial boutique Portman Capital, the Government would give away free shares with a catch: people would register for shares at a predetermined floor price meaning that, upon selling the shares, owners would have to pay this to the Treasury, so it would recoup the base price – its investment – and any gains above the floor price would go to the share owner and the public would profit.

A sale to the public would not necessarily be straightforward. Critics say that the plan is logistically complex and that an institutional sale would instead offer the best deal for the taxpayer. Barty disagrees: "It's not really too complex – in this day and age it's not that much more difficult than selling Olympic tickets."

In Spain, where the nationalised lender Bankia was privatised with a sale to the public, problems during the rescue sent the share price plummeting. Today, shareholders' investments are worth only a fraction of what they paid, but again Barty differentiates this and the potential UK solution as "the argument for distribution versus full-scale privatisation."

The bigger picture

There is also the question of the macroeconomic effects of everyone getting a windfall worth £400 or more. Any impact is unlikely to be long-term, although the high streets may benefit in the short term. In the case of cash handouts in countries such as Japan and Malaysia, which have formed the centrepiece of stimulus packages to help revive the economy, the results have been disappointing, with negligible increases in domestic consumption. But of course there is a big difference between a share giveaway and a cash handout and people will choose to sell – or not – at different times depending on, among other things, the share price. As Barty puts it: "They won't get £x in their laps, only an option on £x, so I don't expect big effects unless the share price soars."

More questions than answers

Then there is the question of who would buy the distributed shares. More specifically, is there a danger that Britain could fall into the trap experienced by Russia (and a few other countries in Eastern Europe) in the 1990s? From 1992–1994, a programme of privatisation in Russia saw shares of previously nationalised companies being awarded to some 98% of the population. Many of these people were ill informed – manipulated in many instances – about the real worth of their shares and sold at rock-bottom prices. Typically, the senior managers of the companies in question ended up buying vast quantities of shares at greatly depreciated prices.

Tony Greenham, Head of Business and Finance at the New Economics Foundation, is dismissive of the prospect of a repeat in the UK. "The Russian businesses were sold way, way below their true value, which would be unlikely to happen here."

He does, however, sound a note of caution. "Most people would sell their shares immediately because they are not used to holding shares and are desperate for the cash. Given the state of the economy and the banking sector I would suggest that those with the time and money to hold/buy the shares would benefit from the increase in price. Millions of ordinary people would lose out."

There remain fierce critics of the share distribution solution. Greenham adds: "A share giveaway before the general election, apart from being driven nakedly by politics rather than good economics, would not provide any lasting economic stimulus to aid the UK economy's recovery and nor would it help fix the chronic problems of an over-centralised banking industry."

Instead, suggests Greenham, the UK should concentrate on building up regional banks. "The UK has almost no local banks compared with other countries. Whereas 67% of Germany's banking system comprises local and regional banks, and 34% of the US banking industry, in Britain the figure is less than 3%."

Greenham believes in research that suggests that local banks are the primary lenders to small and medium-sized enterprises because they are closer to their markets. "They promote financial inclusion and regional economic development," he says. "They were more prudent before the crisis, more stable during it, and have continued to lend after the 2008 crash, even as large commercial banks dramatically cut their lending. After decades of consolidation, and the amalgamation and privatisation of the Trustee Savings Banks, how can we possibly replace our lost banks?"

The missing link

One possibility is to reform RBS to create this vital missing piece of infrastructure. "The international and investment-banking operations can be sold to recover some of the costs of the bailout," adds Greenham. "But over the long run the social and economic benefits of keeping RBS as a network of local banks owned by local citizens, in trust or as a mutual, would far outweigh the short-term financial gain from turning back the clock by simply privatising it as a giant national bank."

He is not on his own. Commentator Anthony Hilton wrote in the *London Evening Standard* that "in its rush to market, the Government risks missing the opportunity to make changes which would fundamentally improve the British economy. Britain needs strong regional banks which are tied to and understand the needs of the businesses in their regions. This would be a once-in-a-lifetime opportunity to create them and it would bring something good and lasting out of the financial crisis."

In Germany, for example, the country's privately owned small and medium-sized companies are thriving because they are in a close regional relationship with the 3,000-plus independent banks.

Greenham, meanwhile, doesn't mince his words on the matter. "For the Government not to even consider this option would be negligent in my view." ■

Photo: Getty

Photo: Getty

Islamic finance today

Dr Hatim El Tahir, Chartered FCSI, examines risk management and thought leadership in the often misunderstood world of Islamic finance

THE GLOBAL FINANCIAL CRISIS hit almost all markets in the world economy, and almost all sectors. The world's otherwise buoyant Islamic finance markets suffered, directly or indirectly, their share of trouble from the economic turbulence. They now face a catalogue of regulatory and practice-related reforms which place renewed emphasis on prudential oversight and good governance.

The profile of risks affecting institutions offering Islamic financial services (IIFS) today is vastly different from those they faced a decade ago. Globalisation and changes in technology, product offerings, processes and new types of business transactions create new challenges and present directors and executives with new management challenges.

Risk drivers in Islamic finance combine conventional risks with unique Sharia'a compliance risks, which shape the operations of IIFS business. These Sharia'a risks constitute a fundamental prerequisite factor for developing any risk-management strategy for an IIFS, whether in sourcing funds or using them. Two key elements have come to the fore: the embodied element of the fiduciary relationship between the Sharia'a Supervisory Board (SSB), the institution's normal commercial board, management and other stakeholders; and, the importance of transparency and disclosure in these unique operational and management relations.

The fiduciary relationship between the shareholders, investors and other stakeholders is paramount in understanding the regulatory needs of risk management and its practice. The common theme in this unique relationship is good governance and an adequate financial and management reporting mechanism. Key to this is the role of the SSB in vetting business suitability to comply with Sharia'a principles, and its obligation to safeguard the interests of investors, management and clients. This important role, if it is to be supported properly, must bring together support from interdependent business units and functions such as legal, human resources, tax and Zakat (broadly put, charitable giving), information

> ***The fiduciary relationship between all stakeholders is key to risk management***

technology and finance. These units, even more than in 'conventional' institutions, must co-operate closely in the tasks of identifying, measuring, managing and monitoring risks, in four main ways:

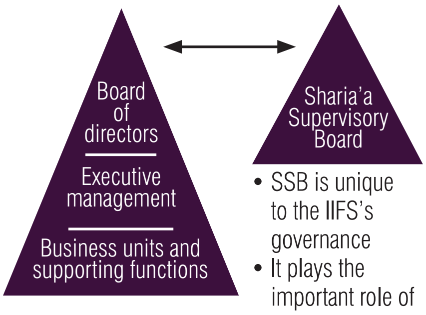
- strategy: developing institution-wide policies, procedures and controls that help build risk governance
- planning: providing required resources and information management
- transparency: ensuring homogeneous flows of information and standardised practices
- education and training: identifying training and skills development needs in the institution.

These four areas of co-ordination affect decisions made in all areas of operation, management (including risk management) and business strategy (see chart, top right). Strategic risk management begins with engaging management and business support units. Prudential oversight, good governance and financial reporting and disclosure are, as in conventional finance, key factors in ensuring effective risk management in Islamic finance. Co-ordination between the Sharia'a board and internal and external auditors, however, brings an important added dimension in the Islamic world.

Consequently, executives in Islamic finance must develop risk-management strategies that address the full spectrum of risks (see chart, bottom right). These include industry-specific ones such as Sharia'a compliance, competition, community development, and normal strategic, reporting and operational issues. ■

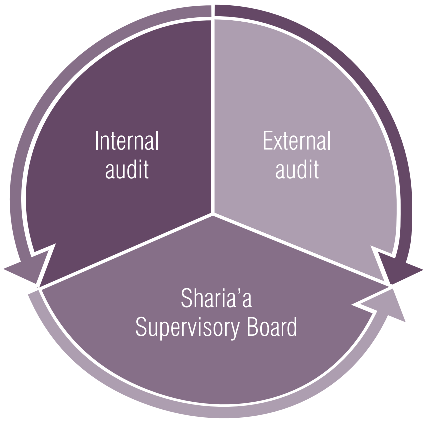
Dr Hatim El Tahir, Chartered FCSI, is Director of Deloitte's Islamic Finance Knowledge Center, based in Bahrain

The fiduciary relationship in Islamic finance



- SSB is unique to the IIFS's governance
- It plays the important role of ensuring Sharia'a compliance in the entire operational system of the IIFS

Transparency, disclosure and reporting framework



Internal audit
- Standardise policies and procedures of reporting practices
- Identify and align standard business transparency practices
- Update of regulatory practices and accounting standards

External audit
- Consistency in practices concerning transparency and information disclosure
- Additional responsibility as 'Sharia'a Compliance Inspectors'

Sharia'a Supervisory Board (SSB)
- Co-ordinate with external auditors to ensure compliance in all areas covering operations and accounting practices

Harmonisation and joined-up thinking in Islamic finance

Harmonisation has become a key issue in the world of Islamic finance. Some senior practitioners argue that institutions have been so busy structuring products and services that they have overlooked the importance of communicating the essence of Islamic finance, a hitherto neglected asset class, and its underlying similarities across many markets and products. Differences in practices around the world, regulatory discrepancies and market divergences put significant challenges in the path of harmonisation.

Six broad themes are currently being tackled by bankers, their advisers and academics in the field, through benchmarking research, and the assessment and improvement of practices. These are:

- corporate governance frameworks
- financial reporting procedures
- investment and capital market strategies
- liquidity-management instruments
- risk management, and mitigation tools
- Sharia'a governance and compliance.

Deloitte's Middle Eastern Islamic Finance Knowledge Center (IFKC), based in Bahrain, has launched a collaborative research initiative with Malaysia's INCEIF, the 'Global University for Islamic Finance', and the UK's Henley Business School – a CISI Centre of Excellence. The deal, struck this spring, reflects growing co-operation and convergence between the world's key Islamic finance centres in the Middle East, South-East Asia and London. This initiative aims to pave the way for research as well as thought leadership in the sector.

"There is a vital need for industry-driven research that addresses the emerging practice, policy issues and growth opportunities in the realm of Islamic finance," says Joseph El Fadl, Regional Leader of Global Financial Services Industry at Deloitte Middle East and head of the firm in Lebanon.

A report by the Organisation of Islamic Cooperation (OIC) suggests that the global market for Islamic financial services, as measured by the total volume of Sharia'a-compliant assets, reached $1.1tn at the end of 2011. OIC countries, with a collective share of 98% in these assets, continue to be the main actors in the industry's impressive growth story.

"A successful outcome of this research partnership will go a long way toward demonstrating the value of industry-driven research, practice benchmarking of key markets such as the Middle East, North Africa and South-East Asia, and the need for ongoing investment in a research-based culture in the industry," says Dr Hatim El Tahir, Director of the Islamic Finance Knowledge Center at Deloitte.

INCEIF and Henley Business School are already strategic academic collaboration partners and are now expanding their partnership to the industry in association with Deloitte's IFKC.

According to Daud Vicary Abdullah, President and CEO of INCEIF, the global Islamic finance industry needs to have specific inputs that will enable it to move to the next level. This, he thinks, can occur only through a concerted effort from both the industry and academia – such a collaboration would form the first step in bringing to market a research strategy that addresses practice and policy-making issues in the industry and its subsectors.

"This collaboration brings together deep expertise in Islamic and conventional finance from both academic and professional services perspectives. It offers a real capability to advance knowledge and inform policy in all jurisdictions around the world", says Professor John Board, Dean of Henley Business School at the University of Reading.

This tripartite collaborative research initiative aims to develop a research strategy that addresses practice and policy-making issues in Islamic finance and its subsections. Three key objectives are identified to deliver an international research framework:

- to create and lead international research excellence and develop multidisciplinary research programmes across the Islamic financial practice
- to foster, through research partnerships, a culture of strategising support for industry-driven and industry-funded research
- to communicate and disseminate research outcomes through effective thought-leadership programmes.

In its CPD programme, both live in various centres around the world and on CISI TV, the Institute will be following developments in this initiative on a regular basis and bringing its key outputs to our members worldwide

George Littlejohn MCSI,
Senior Adviser at the CISI

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Mixed MESSAGES

A firm of investment managers has found that one of its staff and a possible new recruit have contravened company policy over social media. How should their case be treated?

PANDORA IS A manager in a major firm of investment managers, where she is involved with the firm's graduate recruitment programme. As a result, she interviews and evaluates many students and hopeful recruits every year.

One of the areas about which her employer is particularly concerned is the increasing use of social media, such as Twitter and Facebook, made by students and candidates both before recruitment and once they have joined the firm. Although the firm recently introduced policies concerning the use of such media, they appear to be practised more in the breach than in the observance.

Greg applied to join the firm while he was at university, where he had a wide circle of friends with whom he enjoyed an active social life. Much of this was organised using social networking sites, which also carried frequent exchanges among the students and their friends. Many of these postings were light-hearted, some contained things that the writers might wish they hadn't said, and some were possibly actionable.

Greg's older cousin, Bill, had been working at the firm for several years in a different unit from the one to which Greg had applied. He had become a valued employee, and had kept in regular touch with Greg and other colleagues both by email from his account at the firm and more recently via Facebook, which Bill had only recently started to use.

On more than one occasion, Bill had communicated via Facebook with Greg and a small circle of friends and colleagues, expressing frustration with the senior management of the firm, and these messages were not at all kindly. Bill failed to appreciate that among the recipients of these communications was his colleague Sam, who was friendly with Bill's supervisor, Howard. Sam felt strongly that Bill's messages were inappropriate and did not reflect well on the firm, especially among potential recruits. Greg had also responded to Bill's messages with some dismay, wondering whether the firm was right for him. Accordingly, Sam felt obliged to report the nature of these messages to Bill's supervisor, and to the human resources department of the firm.

In the meantime, Greg had spent a number of days going through a rigorous selection process and was pleased that, at the end, he was offered a job, in a different unit to Bill's, subject to satisfactory references and confirmation of his academic achievements.

The firm's recently instituted social media policy states that "excessive use of company email for non-business purposes could result in limitations on use of email by the individual concerned." It further states that "negative comments made publicly by an employee about the firm, whether in written, oral or electronic form, could result in disciplinary action being taken against the employee."

Despite the firm's recent social media policy, it is observed more in the breach than the observance

In line with the policy, the human resources department was also informed of the content of Bill's negative messages. It thereupon contacted not only Bill's manager, Howard, with this information, but also Pandora, who was about to confirm the job offer with Greg, whose references and academic achievements were exemplary.

The firm also looked more closely into Bill's company emails, and discovered numerous examples of internal and external communications which were more of a social than a business nature, and included some messages that were critical of the firm.

The next day, Howard asked Bill into his office to discuss what human resources had presented to him. Bill was taken aback, but his defence was that, while he admitted occasional use of company email for purposes that were not strictly corporate, this was by no means excessive, and his comments critical of the firm were not indicative of his actual sentiments, but were delivered jokingly and, in retrospect, foolishly. As far as the Facebook communications were concerned, Bill maintained that this was a private dialogue between him and a few close friends, and did not contravene company policy in terms of any public derogatory remarks.

Bill sought to minimise any potential damage that might have been done to the firm as a result of these remarks, saying that Greg seemed keen to join the firm. Bill expressed


Photo: Getty

deep regret at what may have been perceived as malice or sarcasm in his Facebook communications, which, like his emails, were delivered in a tongue-in-cheek spirit. Howard listened to all of this and reinforced the firm's policy with Bill, and ended the meeting for now, inconclusively.

Immediately following this conversation, Bill telephoned Greg outside the office to seek further information on what the firm may have seen on Facebook, and warned him that this could have a negative impact on them both. He also wondered whether it was within the firm's rights to delve into his personal communications.

Both Howard and Pandora were uncertain about what next steps to take with regard to both Bill and Greg. On the one hand, Bill had appeared to act improperly in his use of the firm's email to make critical remarks about the firm, as well as sending quite a few messages of a non-business nature.

On the other hand, these appeared to be relatively isolated instances on the part of an otherwise valued employee. More problematic, however, was the consideration of the external Facebook communication with Greg and a few others, which could be viewed as a private conversation, albeit electronically recorded.

Pandora also had to consider how this might affect Greg, who was poised to join the firm, and was not in apparent contravention of company policy. The firm had to do the right thing with regard to both Bill and Greg, as well as the company as a whole, as this would be the first test of the new social media policy. ■

What should Howard and Pandora do?

1. Bill should be let off with a warning, and Greg should be hired, with reinforcement to both of them of the firm's policies.
2. Disciplinary action should be taken against Bill (which could include termination), and Greg's recruitment should be terminated.
3. Greg should be hired as planned, but Bill should be terminated for his conduct.
4. They feel unable to deal with it and decide to refer the matter to compliance and legal.

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

A hand in the till
THE VERDICT

Joe, a young bank cashier who has recently qualified, has been seconded away from his home branch to work in a busier one in a town nearby. While carrying out his duties under these more hectic conditions, Joe incurred a £100 difference when reconciling his till. The shortfall was resolved the following day in a manner that left Joe feeling uncomfortable, as it was not immediately obvious that the cash would be properly accounted for. Eric, the senior cashier who oversees Joe's work, may not have credited Joe's till with the £100 that he took from the customer whose deposit was the cause of the problem.

This was the Grey Matters dilemma that appeared in the April 2013 edition of the *S&IR*. Readers were invited to vote in a poll on the CISI website for the course of action that Joe should take.

The CISI response

Of the four courses of action offered, half of the respondents suggested that Joe should consult the bank's confidential helpline. Such reporting lines are becoming increasingly widespread and for young members of staff are an obvious method of discussing a concern with someone who is not directly involved.

However, many people have a natural reluctance to use helplines because they fear that, despite the professed anonymity which they offer, any subsequent investigation of the issue reported will make it obvious who has raised the matter.

The second most popular choice was for Joe to discuss the situation with his branch accountant and 30% of the respondents chose to vote for this option. This is a practical way forward which is probably closest to the 'real-life' response.

Some 17% of respondents felt that Joe should ring Eric directly and this is not a course of action which can be dismissed as inappropriate.

Perhaps surprisingly, only one reader suggested that Joe should just forget the matter and move on, which might be the chosen course of young people in a similar position. In other words, 'keep your head down'.

Our preferred course of action is for Joe to discuss the matter fully with his own branch accountant.

Need to read

The latest publications and study aids supporting CISI qualifications

NEW WORKBOOK AND ELEARNING EDITION

Introduction to Securities & Investment

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

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

Price: £100 for combined workbook and elearning product

NEW WORKBOOKS AND ELEARNING EDITIONS

CISI Study Material and the New Regulatory Environment

This year a new regulatory structure took effect in the UK, made up of the Financial Conduct Authority, the Prudential Regulation Authority and the Financial Policy Committee. As a result, new workbook and elearning editions (covering exams from 1 April 2013) are out now:

- *UK Financial Regulation* (formerly *FSA Financial Regulation*)
- *Principles of Financial Regulation*
- *UK Regulation and Professional Integrity* (formerly called *FSA Regulation and Professional Integrity*).

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

NEW WORKBOOK AND ELEARNING EDITION

Fundamentals of Financial Services

Fundamentals of Financial Services is a new qualification that is an important first step in developing the essential basic knowledge required for working in financial services. Candidates will learn about the industry and commonly used financial products, such as shares and bonds, and gain an understanding of financial terminology. The Ofqual-regulated qualification, which is recognised as a level 2 award on the Qualifications & Credit Framework, is ideally suited to new or junior employees in the industry and school leavers.

A key feature of the qualification is that it is available to all employees, and successful candidates can progress to higher-level CISI qualifications.

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

Price: £80 for combined workbook and elearning product

NEW WORKBOOK AND ELEARNING EDITION

Risk in Financial Services

Risk in Financial Services is part of the Investment Operations Certificate and Certificate programmes. This qualification gives candidates a broad picture of the general principles of business risk, 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 (covering exams from 11 August 2013) of the CISI's *Risk in Financial Services* workbook and corresponding elearning product is out now. Topics include:

- principles of risk management
- international risk regulation
- corporate governance and risk oversight
- enterprise risk management.

Price: £100 for combined workbook and elearning product

NEW WORKBOOK AND ELEARNING EDITION

International Introduction to Securities & Investment

The CISI's *International Introduction to Securities & Investment* provides an introduction to the world of finance and the global financial services industry for candidates working outside the UK. A new edition of the workbook and corresponding elearning product (covering exams from 10 September 2013) is due out in June. Topics include:

- the economic environment
- financial assets and markets
- equities
- bonds
- financial services regulation.

Price: £100 for combined workbook and elearning product

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

ONLINE TOOL

Professional Refresher

The CISI's Professional Refresher is a training solution to help you remain up-to-date with regulatory developments, maintain regulatory compliance and demonstrate continuing learning. This popular online learning tool, now enhanced and updated, allows self-administered refresher testing on a variety of topics, including the latest regulatory changes. Modules are reviewed by practitioners frequently and new topics are added to the suite on a regular basis. At the end of each module, there is a test which will help you to determine how much knowledge you have gained.

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

- financial crime
- taxation
- the UK regulatory structure.

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

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

External specialists

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

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

The CISI would particularly welcome applications from specialists to assist with developing exams for any of its derivatives subjects, Advanced Global Securities Operations, Operational Risk, Administration of Settlement & Investments, Risk in Financial Services and Corporate Finance Technical Foundations.

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

Diary

Events to attend over the coming months

Conferences

3 JULY CISI Annual Conference 2013†
Other People's Money – Investing in Growth, London

John Griffith-Jones

Sir David Omand GCB

Building on the success of the last annual conference, when the CISI welcomed a record 250 delegates, this year's event will give members – and, through them, their clients – unique insights into the investment landscape.

Other People's Money – Investing in Growth will be the theme of the event. Attendees will have the opportunity to hear from top-level speakers about technological innovation, the economic outlook and what drives the wealth management industry forward.

The experience of the speakers ranges from building the new regulator through founding a successful investment management firm to co-ordinating UK intelligence.

Equally important, the event will enable delegates to discuss issues with other attendees.

Confirmed speakers include:
Alderman Alan Yarrow, Chartered FCSI(Hon), Chairman, CISI; Daniel Godfrey, CEO, Investment Management Association; John Griffith-Jones, Chairman, Financial Conduct Authority; Andrew Hilton, Director, Centre for the Study of Financial Innovation; Nick Hungerford, CEO, nutmeg; Sir David Omand GCB, King's College and former Permanent Secretary, Cabinet Office and Home Office; Silvia Pavoni, Economics Editor, *The Banker*; Terry Smith, CEO, Tullett Prebon; Robert Barnes, Chartered FCSI, Managing Director, Anopolis; Iona Bain, senior reporter, *Financial Adviser*

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PROFILE

CISI members can attend the Annual Conference for just £200 (non-members £400). To book, visit *cisi.org/events*, or call +44 20 7645 0777

CPD training courses

Venue: London, unless otherwise stated

17 JUNE Ethical Finance – What's In It For Me?† £500

18 JUNE Updated Thinking for Packaged Products† £500

24 JUNE RDR Gap-Fill: Investment Principles & Risk (PCIAM, half day) £500

25/26 JUNE RDR Gap-Fill: Derivatives (PCIAM) £800

2 JULY The Use of Structured Products in Wealth Management† (Manchester) £500

4 JULY RDR Gap-Fill: Pensions & Retirement Planning (PCIAM) £500

9 JULY Advanced Leadership Skills for Investment Professionals† £500

10/11 JULY Understanding Regulation and Compliance† £800

16 JULY Mifid II and the New Regulatory Structure† £500

6 AUGUST Client Assets and Client Money (CASS)† £500

20 AUGUST Building a Client-Focused Professional Service for the New World† £500

Member and Fellow discounts

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

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

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

London CPD events

24 JUNE LIBOR – A Response to the Scandal†
America Square Conference Centre, 1 America Square, 17 Crosswall, EC3

9 JULY Investment Horizons†
Willis, 51 Lime Street, EC3

9 SEPTEMBER FCSI Masterclass – Bank Strategy and the Regulatory Challenge: An Holistic Balance Sheet Approach
London Capital Club, 15 Abchurch Lane, EC4

For further information about London CPD events, visit *cisi.org/events*
To book: *cisi.org/eventscal* *+44 20 7645 0777*

Branch events

14 JUNE Evening at the Races
Liverpool & North Wales: Aintree Racecourse, Ormskirk Road, Aintree, Liverpool

18 JUNE An Introduction to Institutional Structured Products†
Manchester & District: Brewin Dolphin, 1 The Avenue, Spinningfields Square, Manchester

18 JUNE Global Macro Outlook and Strategy†
Guernsey: The Old Government House Hotel, St Ann's Place, St Peter Port, Guernsey

20 JUNE Anti-Money Laundering†
Liverpool & North Wales: Deutsche Bank, Royal Liver Building, Pier Head, Liverpool

27 JUNE Bank of England Update†
South Coast: J.P. Morgan, 1st floor, Wiltshire Building, Chaseside, Bournemouth

27 JUNE Annual Dinner
East Anglia: Norwich Cathedral, Norwich.
Guest speaker: Anthony Hilton, financial commentator, *London Evening Standard*

3 JULY Fixed Income†
Yorkshire: Aviva, Wellington Row, York

3 JULY Fixed Income†
Yorkshire: Redmayne-Bentley, 9 Bond Court, Leeds

3 JULY Summer Drinks Reception
Guernsey: Guernsey Yacht Club, Central Emplacement, St Peter Port

30 AUGUST Football Tournament
Liverpool & North Wales: Power League, 2 Whittle Street, Liverpool

10 SEPTEMBER Multi-region Football Tournament
Liverpool & North Wales/Yorkshire/Manchester & District: Powerleague Manchester Central, 20 Union Street, Ardwick, Manchester

12 SEPTEMBER Annual Dinner & Awards Ceremony
Scotland: The George Hotel, 19–21 George Street, Edinburgh
Guest speaker: Sir Ranulph Fiennes, explorer

19 SEPTEMBER Quiz Night
Manchester & District: The Ape & Apple, 28 John Dalton Street, Manchester

18 OCTOBER Annual Dinner
Isle of Man: TBC

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

RDR ANNUAL CPD

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

Professional forums

Members' events


Neil Brown, Chartered FCSI


Trevor Williams

Two key events are being held by the risk forum in July.

The first, on 4 July, will consider what went wrong recently at internationally known banks and will look at ways in which firms can protect their reputation. Neil Brown, Chartered FCSI, Senior Partner, Earth Capital Partners, will be giving his expert views.

Dennis Cox, Chartered FCSI, risk forum committee Chairman, said: "Recent events have highlighted the importance of reputational risk. For many firms, this is owned by the CEO and few controls exist to protect them."

Then, on 9 July, the risk forum will again run its prestigious annual Investment Horizons CPD event, which looks at what is going to happen in the financial services market and why. An eminent panel of economists and experts from different fields will include Trevor Williams, Chief Economist, Lloyds Bank, and Kevin Gardiner, Managing Director, Global Investment Strategy, Barclays Wealth.

The events are the latest in a busy programme for the forum. Recently, Colin Atkinson MCSI, from the supervision division at the Financial Conduct Authority, and Sani Alnajjar, Senior Manager, Risk and Regulation at Deloitte, presented on Internal Capital Adequacy Assessment Processes. Separately, the problems of risk reporting and governance were discussed at length by industry specialist John Sutherland and David Young, Chairman of both Partnership Assurance and British Gas Insurance risk committees.

Event details:
4 July: *Why do Banks Get it Wrong? Reputational Risk in Practice*
Travers Smith, 10 Snow Hill, London EC1. 12.30pm–1.30pm, followed by a light lunch

cisi tv

9 July: *Investment Horizons CPD Event*
Willis Ltd, 51 Lime Street, London EC3. 12pm–1.30pm

To reserve your place at either or both events, please book via cisi.org or contact customer support on +44 20 7645 0777.

To join the 900 members already signed up to the mailing list of the risk forum, please email pfs@cisi.org

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

APPOINTMENT

New President for Jersey branch


Paul Clifford, Chartered FCSI

Paul Clifford, Chartered FCSI, has been appointed President of the CISI's Jersey branch. Paul joined RBC Wealth Management at director level in 2012, working as an investment consultant. His primary role is to provide support to the RBC offshore trust business in regard to its investment decision-making and to provide the link between trustees and in-house and external investment service providers. Paul is also actively involved in delivering in-house training and CPD sessions for RBC staff.

With more than 13 years of experience in investments, Paul began his career as an assistant to the portfolio managers at SG Hambros, leaving as a fully qualified investment manager. In 2005, Paul moved to Equity Trust to manage the Investor Services department, before moving to FirstRand Group in 2008 to help set up a private wealth management business. Speaking about his appointment, Paul said: "I am particularly keen to engage the committee further as regards student developments on the island and promote the continuing professional development and networking opportunities offered by the branch."

CPD

Foreign exchange event in Singapore


Stuart McPhee

Foreign exchange trading was the theme of a CISI CPD event held in Singapore.

The event, attended by 32 CISI members and guests, was hosted by foreign exchange broker OANDA.

Speaker Stuart McPhee, Currency Technical Analyst at OANDA, outlined the fundamentals of the market and the importance of having a sound trading plan.

Attendee Esther Chia, a lecturer from Temasek Polytechnic, which offers its students CISI qualifications, said: "The CISI's support in continuing capability development has helped its members to keep abreast of industry trends and practices."

CHARITY DRIVE

Funding cancer care

Retired stockbroker Alan Biggar FCSI raised £45,000 by tackling a charity drive that took in the rugby stadiums of the countries that compete in the Six Nations tournament.


Alan Biggar FCSI poses next to his classic Morgan sports car

Alan, former Divisional Director of Brewin Dolphin in Edinburgh, completed the two-week adventure in his vintage Morgan sports car, with the aid of a team of co-drivers.

It was the third epic charity drive that Alan has undertaken since 2008 in aid of Teenage Cancer Trust, of which he is a patron. The trust improves care for young patients in the UK and Alan has now raised more than £300,000 for the charity in the east of Scotland.

Alan finished the journey at Murrayfield Stadium in Edinburgh in a convoy of 25 cars. He was greeted by well-wishers, including Ian McLauchlan, former President of Scottish Rugby, and the strains of a male voice choir.

Donations for Alan's drive can be made at *6nationsdrive.com*

MEMORIAL SERVICE

A service in memory of people connected to the City who have died in the recent past will be held by the Stock Exchange Veterans Association on 20 June.

The event, which was well attended when it was staged for the first time last year, will take place at 11.30am at St Margaret's Church, Lothbury, in the City of London, followed by drinks.

If you are interested in attending, please contact Nick Bealer at *nickb@cornhillcapital.com*

The Association's annual dinner at The Brewery, Chiswell Street, was attended by more than 430 people and raised around £20,000 for charity.

Membership admissions and upgrades

MCSI
Al Zarooni
Wadah Al Taha
Aria Capital Management
Mark Denby
Ashcourt Rowan
David Kay
Stewart Lancaster
Asset Risk Consultants
Daniel Hurdley
Sanna-Liisa Valtanen
Barclays Bank of Kenya
Beatrice Vulule
Berenberg Bank
Richard Brass
Bestinvest
Matthew Tyrie
BNP Paribas
Perry De La Haye
Alicia Lovejoy
Brewin Dolphin
James Brooks
Thuvaraga Kamalarajah
Matthew Lyth
William Yates
Brooks Macdonald
Colin Barrett
Andrew Johnstone
Mark O'Connor
Austen Speakman
C. Hoare & Co
Annamaria Koerling
Cavendish
Julian Lewis
Central Finance Board of the Methodist Church
William Lane
Charles Stanley
James Dowding
Juste Petrauskaite
Close
Stephen Blakemore
Clyde & Co
David Cafferty
Coutts
Wayne Dolby
Kirstie Egerton
Craig Neilson
Michael Renner
Mark Winterburn
Credit Suisse
Klaudia Froese
Mohamed Kadu-Baluchi
Daniel Roberts
Leon Wood
Deutsche Bank
James Charlton
DPZ Synergy
Guy Browning
Earthrow Finance
Conwell Fungai Musana
Emirates NBD
Rajeev Dhillon
Euroclear
Maxine Caulfield
FBN Bank
Ijeoma Johnson-Abugu
Fitch 7City Learning
Louise Shepherd
Gatehouse Bank
Brandon Davies
Habibsons Bank
Agha Ijteba Ali
HSBC
Matthew Nash
Kirsty Powell
Independent Portfolio Managers
Salman Rajput
Investec
Patrick Doig
Karen Lutley
Michael Watt
Istidamah
Vinod Vasudeva Shenoy
J.P. Morgan
Patrick Gamby
Qing Zhao
James Hambro
James Horniman
Jersey Finance
Sean Costello
Katmai Capital Advisors
Michael Cook
Keymar Haslam
Thomas Holbrook
M&G
Julian Chinnick
Mastercard International
Lisa Kelaart-Courtney
Midas
Simon Reeks
Momenta Holdings
Oluwasuyi Odumuyiwa
Morgan Stanley
John McGrory
National Bank of Abu Dhabi
Geetha Prodhom
NatWest
David Killingley
Purple Sun Consulting
Christopher Pendlebury
Qatar Investment Authority
Zulkifli Che Abdullah
Rathbone Brothers
Christoph Atkins
Matthew Simmons
RBS
Caroline Rose
Redmayne-Bentley
Sabine Le Brizoual
Rothschild
James Peterson
Rowan Dartington
Timothy Cockerill
Royal Bank of Scotland
Daniel Tingley
Richard Trent
Santander
Sreekar Periketi
Speirs & Jeffrey
Stephanie Robertson
SREI Capital Markets
Ashok Pareek
Standard Bank
David Baldwin
Standard Chartered Bank
Ian Bratley
Standard Life
Anthony Hollingbery
Stephenson Harwood
Sara George
Thesis
Darren May
Thorntons Law
Ciaran Garvey
Thurleigh
Jeremy Charles
Trinidad & Tobago International Financial Centre
Varun Maharaj
UBS
Catherine Burr
Clara Gandelman
Mark Goddard
Walker Crips
Kareem Sattar
WH Ireland
David Daly
Mark Parello
World First UK
Craig Johnson
Michael Roache
Wrist
Gabriel Hong
Others
Nicole Beck
Julien Jarmoszko
Murray Montgomery
Alistair Reid
Tania Reynolds
Piaomeng Zou

ACSI
Adam & Co
James Coppell
Agincourt Financial
Arron Smyth
Alexander David Securities
Dhivyan Kandiah
Baillie Gifford
Gayle Anderson
Cheryl McMaster
BankDhofar
Prakash Saraogi
Bartleet TransCapital
Fathima Dean
Chamila Nagendran
BNP Paribas
Raymond Corke
Callum Lobban
Michael Rodgers
Kevin Tait
Joanne Wallace
Brewin Dolphin
Kyle Hamilton
Rory Kilbride
Jonathan Mack
George William Okidi
Andrew Taberham
Capita SIP Services
Christine Ann Evans
Cenkos
Scott Spencer
Charles Stanley
John Aviss
Chase Financial Services
Frank Bowker
Cheviot
John Charles Todd
Citibank
Sotirios Markopoulos
Commercial Bank of Ceylon
Mahesh Rajasooriya
Coutts
Alison Cubbon
Paul Di Mucci
Omar Omari
Brian Owen
James Penn
Adrian Summers
Ian Williams
Credit Suisse
Jena Ravi
Delcon Construction
Phillip Stevens
deVere
Saira Ayub
EFG Harris Allday
Christopher Hill
Ensurion
Yahya Almukharraq
Family Investments
Karen Hastings
Steven Lisle
FF&P
Scott Coleman
FNZ
Themba Sibanda
Free Lance Management
Ramesh Ramachandran
Galvan Research & Trading
Gareth Perry
Global Supplies
Vivek Sethia
Grant Thornton
James Ross Barklem
Habib Bank
Miguel Sanchez Rios
HiFX Financial Services
John Kinnell
Holt Consultancy
Natalie Greenaway
Ashwini Rai
HSBC
Ryan Langdon
Katie Langridge
Paul Parker
Investec
Tom Leck
Phil Mountford
John West
JCI Capital
Jacopo Ceccatelli
Emanuele Rigamonti
JPMorgan Chase
Samuel Smith
Kinetic Partners
Mark Mellor
KPMG
Adam Brown
Legal & General
Maria Colley
Lombard Odier Darier Hentsch
Alexander Vlassov
M&G
Melanie Lee Tolentino
MFSP
Matthew Pace
National Development Bank
Chamila Eresha Chandrapala
Dilukshi Shareen Jayasuriya
Velautham Vinoj Kanagaratnam
Sithambaram Sriganendran
National Institute of Securities Markets
Sunder Korivi
Nations Trust Bank
Leenath Ranathunga
NatWest
Stephen Harper
Guy Middleton
nutmeg
Adam Hyland
Oxford Capital Partners
James Faulkner
Prime Wealth
Liam Boyle
Pursuit
Yancheng Qiu
Quilter
Gareth Pearl
Wayne Smith
Rothschild
David Jessel
Royal Bank of Canada
James Whybrow
Royal Bank of Scotland
Stuart Poole
Sampath Bank
Asanga Kanishka
Bandara Iddawela
Sarasin & Partners
Nicholas Evans
Shoosmiths
Graham Calver
Smith & Williamson
Christopher Leghorn
Standard Chartered
Michelle Bowen
Standard Life
Robert Darling
Stanhope Capital
Trevor Hunt
Stocktrade
Paul Cairns
Sungard
Kishor Dash
TD Direct Investing
Sam Blackburn
John Dobson
David Gilbert
Alain Philp
Thesis
Lawrence Cook
Ryan Paterson
UBS
Unnikrishnan Chowallur
Duncan Law
Venture Capital Partners
Danielle Rausnitz
Walker Crips
James Allen
Alexander Smith
WH Ireland
Steven Beaney
Xcap Securities
Roger Mitchell
Zenith Bank
Rana Al-Haboubi
Others
Dilini Baldsing
Rushika Bemunuge
Stephen Clayton
Kieran Cornwall
Mark Dey
Fahim Fahim Fauzy
Dustin Goodman
Thamara Suraj Hettiarachchi
David Menconero
Fathima Mohammed Imtiaz
Dimanthi Shehana
Hanwella Samaraweera
Danielle Suchley
Mark Swann

Chartered FCSI(Hon)
CISI
Stephen Clark

Chartered FCSI
Ashcourt
Duncan Scott
Barclays
Robert Juxon
Laurence Parke
Brewin Dolphin
Jonathan Crompton
Cave & Sons
Stephen Willerton
Charles Stanley
Harvey Rawlings
Collins Stewart
Paul Philp
Deutsche Bank
Thomas Smyth
Friends Provident
John Condon
Hedley & Co.
Nicholas Baldwin
HSBC
Adrian Baker
Christian Ball
Andre Girault
Investec
Jane Stuart
Isle of Man Bank
Peter Davies
Killik
Simon Marsh
Kristian Overend
MoneyGram
Thomas Melliar-Smith
Nova
Jack Gervaise-Brazier
Offshore Consulting
John Richardson
Quilter
Paul Neary
UBS
Helen Ollivro
Wealth Financial Planning
Christopher Huelin

Chartered MCSI
Aviva
George Stuart Murray
Brewin Dolphin
Helena Bakunowicz
Mark Wallis
Charles Stanley
Kevin Boland
James Clark
Cheviot
Edward Maidment
Coutts
Michael Heyworth
David Booler & Co
Gavin O'Neill
Deutsche Bank
Ian Smith
Financial Planning Corporation
Robert Ralphs
HSBC
Andrew Finlay
Robert Lamdin
Vasiliki Skoura
Ingenious Asset Management
Michael Hanlon
Investec
Nicolette Brown
JM Finn
Layla Fear
Edward Hodgetts
Jersey Financial Services Commission
Tony Shiplee
Kinetic Partners
Stephen Stokes
Lloyds
Nicholas Ferrier
M&G
Eva Allessendro
MPL
Mark Kitson
Simon Weighell
Nedbank
Colin Campbell
Quilter
Gillian Bailey
Rathbone
James Cooke
Nehal Desai
Rowan Dartington
Desmond Baucher
SG Hambros Bank
Stefano Del Federico
Tir Na Nog Holdings
Christopher Stears
UBS
Nicholas Seth Spilkin
Vestra Wealth
Suzanne Humphrey
WH Ireland
Nicholas Richardson
Other
Stuart Batchelor

This list includes membership admissions and upgrades from 1 March to 23 April 2013

Belated congratulations to Gary Anstey, Managing Director, Gresty Pte Ltd, in Singapore for attaining Chartered FCSI status. Gary's achievement should have been listed in a previous edition of the *S&IR* and we apologise for this error

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

Former boxing world champion Mike Tyson and pop band The Wanted are among subjects caught on camera by Gareth Johnson MCSI, a freelance photographer. **Lora Benson** reports

Happy SNAPPER

From top: former boxer Frank Bruno takes a picture of Gareth; a fan poses with Max George from The Wanted; and Mike Tyson plays conkers

Gareth Johnson MCSI

WE'VE PROBABLY ALL been there: the holiday of a lifetime looms somewhere far afield and your first thought is to the abundance of photographic opportunities that await you, best captured by a new state-of-the-art camera.

Gareth Johnson, who has worked for Brewin Dolphin for the past 11 years, can trace his passion for photography back to such a moment in 2008, the year after he got married.

"I went on holiday with my wife to Mexico and wanted great photos – so I bought a fairly expensive camera," he says. "When I got back, it kind of just sat there. My wife glared at me, and the dent in the bank account, while I sheepishly tried not to look at her or the camera! The only option was to use it and find a way to take lots of photos and make the purchase worthwhile."

Gareth branched into freelance photography, fitting his life through a lens around a busy day job. He is currently responsible for the operations of the smaller portfolio service, platform relationships and fund manager operational relationships at Brewin Dolphin's Newcastle upon Tyne office.

His photographic assignments range from weddings and sports fixtures to charity and corporate events.

For Gareth, the greatest pleasure he gains from photography is when a satisfied customer shows their appreciation of his photography: "It is such a great feeling when you get a comment from a complete stranger on one of your photographs or a customer gives you great feedback."

He has photographed a host of celebrities but probably his biggest coup was capturing an image of ex-heavyweight boxing star Mike Tyson playing conkers – a photo that was snapped up by the national press.

"It was very interesting to work with Mike Tyson, who was attending a local event," recalls Gareth. "He has styled himself as the 'baddest' man on the planet but I found him to be relaxed, friendly and kind and willing to go along with a great photo opportunity."

Teen heart-throb band The Wanted were Gareth's photographic subjects at a photoshoot for radio station Capital North East in aid of its Help A Capital Child charity.

He says: "I really enjoyed working with the group and the photoshoot helped raise around £1,200."

Gareth's photographic portfolio also includes former England cricketer Andrew Flintoff, ex-football star Paul Gascoigne and two other former heavyweight boxing champions, Frank Bruno and Smokin' Joe Frazier. He even pictured former Newcastle United defender Robbie Elliott getting his legs waxed before a charity event.

Gareth even pictured a former footballer getting his legs waxed before a charity event

Additionally, Gareth has worked with the North-East Football Writers' Association and was the only photographer covering its Footballer of the Year event. Gareth says he gains "huge personal satisfaction" by employing his skills for the benefit of a number of charities.

These include the foundation set up in memory of former Newcastle United and England manager Sir Bobby Robson, the Children's Heart Unit at the local Freeman Hospital and the Stroke Association.

He says: "Photography can be hugely expensive for charities and to be able to help them out is a really wonderful feeling."

Gareth recently undertook his longest photography session – the Sir Bobby Robson Annual Golf Day at Rockliffe Hall, Darlington, which attracted a star-studded field of players. It involved around 14 hours' work for Gareth and that was before his editing duties.

He says: "Brewin Dolphin recently launched the BD Foundation and each employee is able to dedicate seven hours to charity work, so I used my annual allowance for this event."

Gareth's personal favourite photography session was when he attended the Sir Bobby Robson celebration night in Gateshead: "The event was held on what would have been Sir Bobby's 80th birthday. The foundation set up in his name has been going for five years and has raised over £5m. Stars such as singer Russell Watson, comedian Paul Whitehouse and Tottenham manager André Villas-Boas attended to lend support and I was fortunate to get a mention in the programme for the work I have done for the charity. Not only did it give me a lump in the throat to be named alongside the likes of Alan Shearer, Barcelona FC and José Mourinho, but it made my mam very proud!" ■

For more information about Gareth's work, visit michaelmarrinerphotography.co.uk or facebook.com/michaelmarrinerphotography

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


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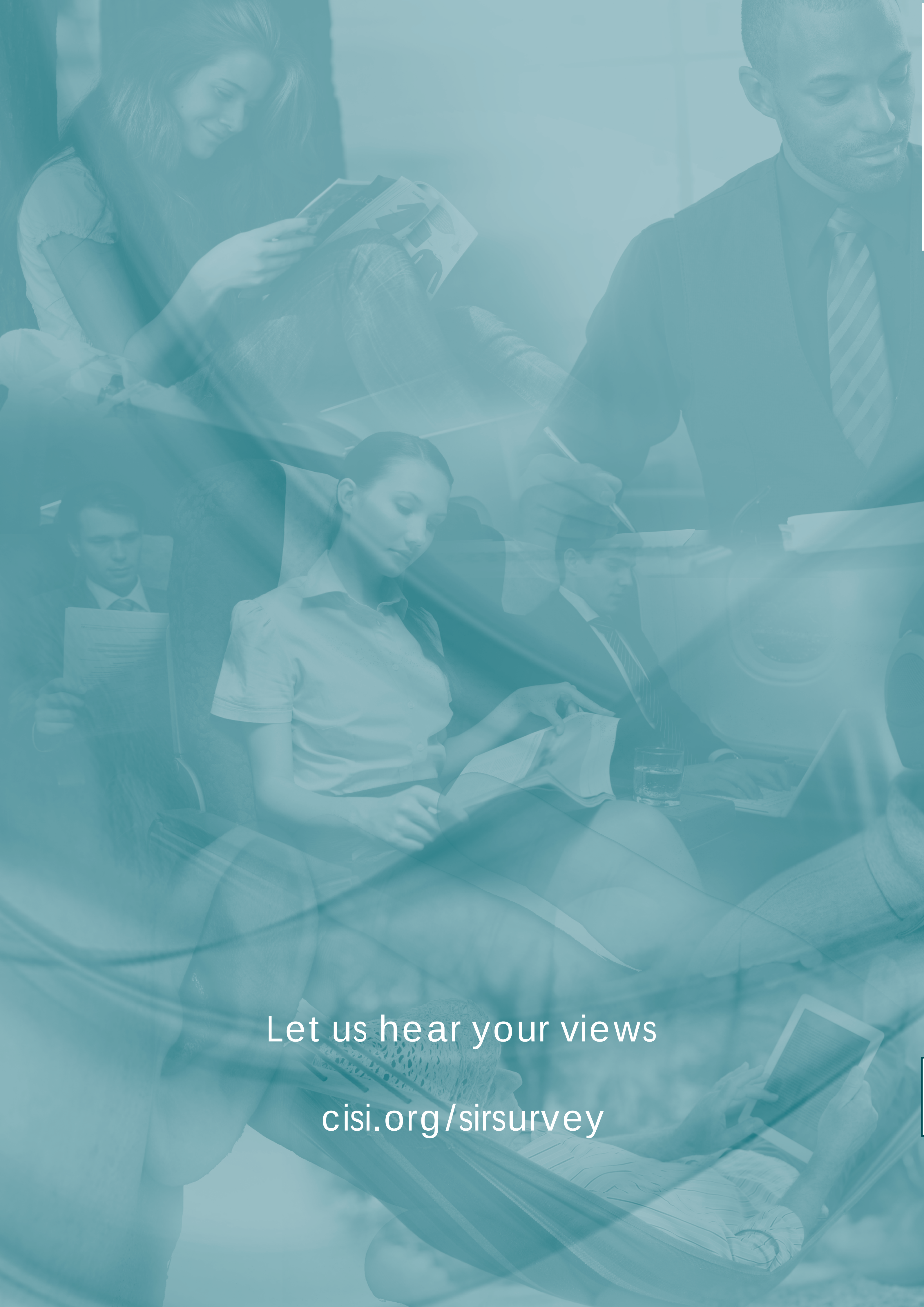
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