SECURITIES & INVESTMENT JANUARY 2012

REVIEW

THE MEMBERS' MAGAZINE OF THE CHARTERED INSTITUTE FOR SECURITIES & INVESTMENT cisi.org/s&ir

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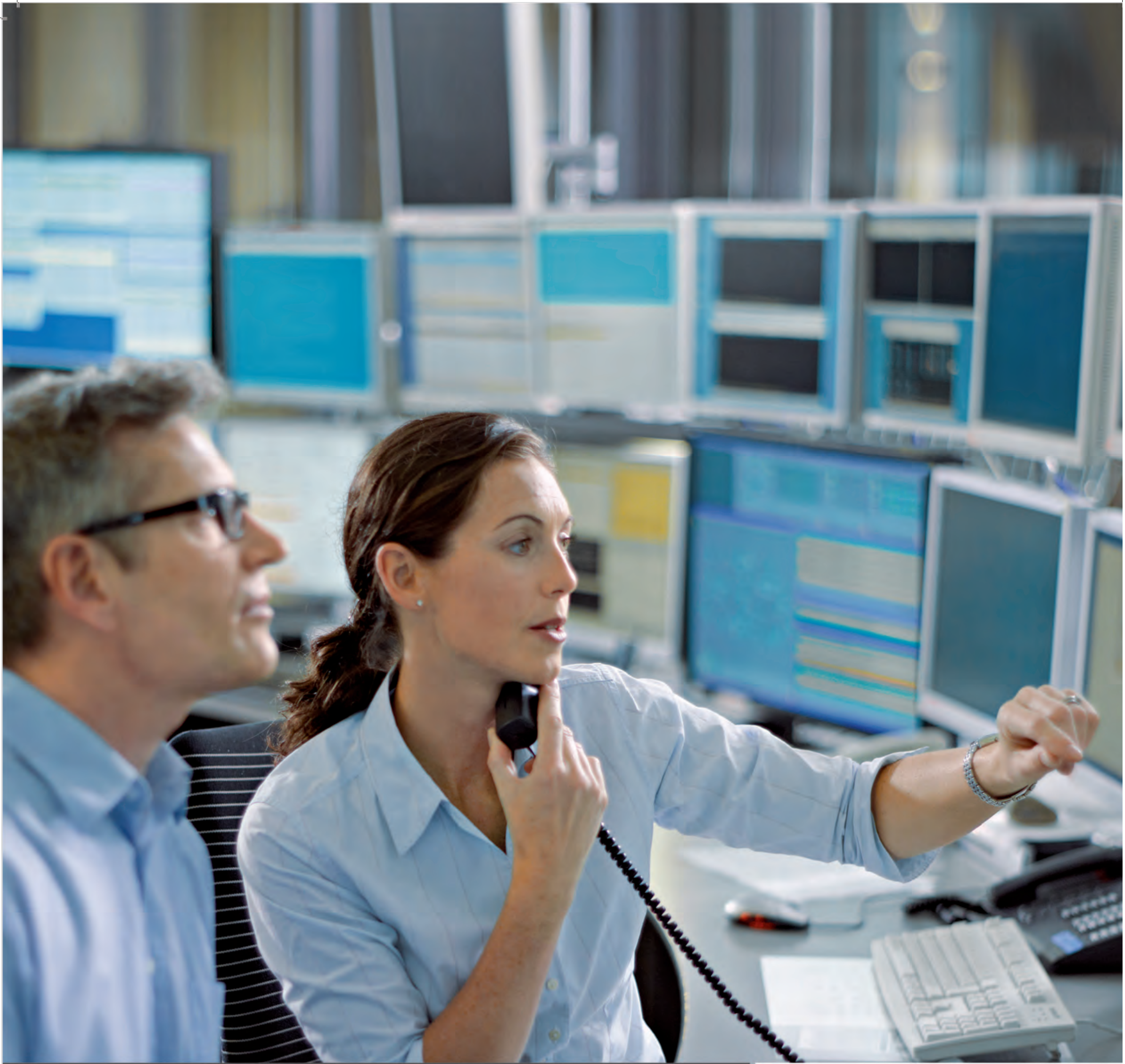

Securities & Investment JANUARY 2012

REVIEW

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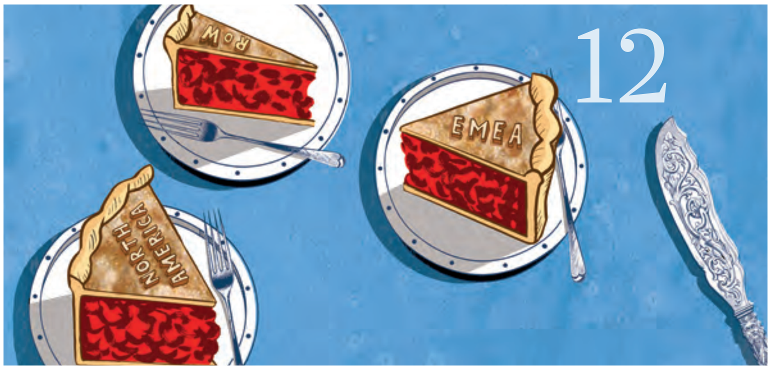

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or why not download the latest version directly to your smartphone, using the new CISI publications app available at **cisi.org/app**

CISI OPINION

Companies looking to outsource have typically focused on the East. However, might cultural differences lead to a rise in 'right sourcing' as practised by RBS?

Moving out

THE OUTSOURCING AND offshoring industry (or BPO as it is more generically and collectively known) remains buoyant as jobs and functions continue to move from higher-cost centres to lower-priced areas. Usually, this means from the West to the East; India is one of the largest beneficiaries, employing about 1.5 million people and expecting to grow by 20% every year. Part of the reason for the continuous growth is the need of western firms – but also some domestic companies – to cut costs. However, when unemployment in the home country is high, job transfers overseas are unpopular (although this is seen to be less politically objectionable if the jobs are moving to other parts of the same organisation).

This is not new. What is different is that in the search for savings, virtually any post that was previously considered to be core can be, and is being, transferred. This means that highly skilled jobs are moving east.

The result is physical consolidation as banks concentrate their operations into giant, lower-cost, global factories, strategically placed around the world. Each of these centres typically employs more than 2,500 people and faces the challenge of teaching and rapidly embedding the necessary skills into the large (and mobile) workforce, the majority of whom will have been hired without any prior financial knowledge or experience. The Chartered Institute for Securities & Investment has noticed significantly increased demand for international certification as firms seek a global benchmark for initial competence. Organisations are becoming equally concerned about ongoing training and continuous learning. This is precisely what CISI membership offers and delivers, especially as the Institute expands its e-offerings such as CISI TV (available for streaming from this month), its publications app and 40 Professional Refresher modules.

Cultural shift

In India, where many operations hubs are located, there is also an unexpected social change arising from these large-scale operations.

Arranged marriages are part of India's culture, and the preference for families to ensure that their offspring marry within the same caste and social circle traditionally restricted the potential pool of suitors. At best, an individual could choose from a shortlist of prospective partners; at worst, there was no choice. However, the processing centres, with large numbers of young men and women, have proved to be fertile ground for relationships to flourish, particularly as there are no chaperones at work. Individuals who regularly work ten to 12 hours a day have the opportunity to interact and mix with colleagues, often resulting in individuals choosing their own life partners, bypassing the traditional route of an arranged marriage. This change is now attracting newspaper comment

In the search for savings, virtually any post that was previously considered to be core is being transferred

and has started a public debate, which includes discussions about the merits of taking a position with a foreign BPO. This has sharpened recently as India demonstrates its naturally protectionist streak in publicly wrestling with the dilemma of whether to allow foreign supermarkets Tesco and Wal-Mart to set up operations in the country. But India should not wrestle too hard, or it may find itself a victim of 'right sourcing'. This new term from the US sits alongside offshoring and outsourcing. It means having the right people, in the right time zone, with the right culture – but moving to a lower-cost environment. In practice, it means keeping American jobs in America, but moving them from the Eastern seaboard to the centre, such as to Salt Lake City, which is what RBS is doing. So who knows? Britons might soon find themselves speaking to an American operator rather than an Indian one. What does that say about how the world's superpowers are changing? ■

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

QUALIFICATIONS

University link-up

CISI Managing Director Ruth Martin and Canterbury Christ Church University Vice Chancellor Professor Robin Baker sign a memorandum of understanding

A unique partnership between the Chartered Institute for Securities & Investment (CISI) and Canterbury Christ Church University in Kent is set to give students an advantage in the job market.

As well as their degrees, students will be able to gain an internationally recognised professional qualification, thanks to the CISI's Investment Advice Diploma (IAD) being made part of Christ Church's Accounting and Finance programme. The agreement will also give students access to a range of financial services experts and enable them to start building networks.

This is the first time the CISI has joined up with a university to embed such a significant qualification at undergraduate level. The IAD is a qualification that can be taken to fulfil regulatory requirements for employment in certain jobs in the sector.

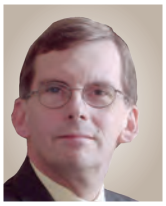
Dr Heather McLaughlin, Principal Lecturer at the university's Business School and Junior Warden of the Worshipful Company of World Traders, said: "We're delighted to have joined up with the CISI to offer this unique opportunity to our students.

"At the Business School we recognise the need for active practitioner engagement with our programmes, and this partnership will strengthen our links with the City of London, focus on the employability of our students and add an important international dimension."

CISI Managing Director Ruth Martin said: "We believe that the combination of vocational with academic at Canterbury Christ Church will be a compelling and attractive choice for students and, ultimately, employers."

CPD

London highlights



Sir David Omand GCB

Sir Adam Ridley

Kathleen Tyson Quah

The CISI kicks off 2012 with a series of CPD events in London about some of the main risks and opportunities facing its members, their clients and firms in the current turbulent climate.

In association with Standard & Poor's, twin events will be held in the West End and Canary Wharf, on 18 and 19 January respectively, on the theme 'Europe 2012: Challenges and Opportunities'.

Sir David Omand GCB, former Whitehall mandarin and intelligence guru, now a director of Babcock, Britain's top engineering services group and Professor of War Studies at King's College London, will lead the first FCSI Masterclass, on 17 January. Entitled 'Securing the State', the session will consider what risks financial institutions should be confronting, and how.

On 26 January, Sir Adam Ridley, Chairman of Equitas, and Kathleen Tyson Quah, formerly a senior regulator in both London and Dubai, will highlight a new project to bring securitised mortgages to Britain, based on a 200-year-old Danish model.

As the CISI's membership in London spreads from its City roots, the CPD programme is increasingly taking in venues in Docklands and the West End, in addition to covering the Square Mile.

For programme details, see page 27 or visit *cisi.org/capitalcpd*

LETTERS

Postbag

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

Dear *S&IR*,
The 'Going Dutch?' article (November/December *S&IR*) is a timely comment on the exorbitant cost of managing pension funds in the UK compared with, in this case, the Netherlands, and there appears to be a conspiracy of silence about this.

Although *The Daily Telegraph* has attempted to raise this issue on a number of occasions, it fails to gain any traction, which may be indicative of our general lack of interest in our pensions.

With the switch from defined benefit to defined contribution, together with other significant changes to the pensions environment, more of us than ever need to be aware of investment products and strategies, and yet there is no serious attempt being made to encourage the necessary education at a national level. Against that backdrop, the Dutch model the article describes looks increasingly attractive.

I was shown some figures recently by a senior actuary illustrating that the steps that had been taken since the 1970s, when the cost of a defined benefit scheme added 11% to the salary bill, had increased this to its present level of an additional 40%. Accepting that the figures are accurate, the demise of the defined benefit scheme is hardly surprising.

Andrew Hall, London

Dear *S&IR*,
I recently read an article published by accountants Moore Stephens concerning the VAT implications of the Retail Distribution Review (RDR). Under the new rules, effective from 1 January 2013, the services of IFAs and other retail investment advisers could become subject to 20% VAT in a range of situations. As retail clients are not able to reclaim any VAT incurred, this could create a significant additional cost.

Such is the concern, that HM Revenue & Customs is consulting with industry bodies and accountancy firms and new VAT guidance is expected to be published early in 2012. Moore Stephens is involved in the consultation process, and anyone wishing to have their views represented can contact Robert Facer at the firm at *Robert.Facer@moorestephens.com*

Patricia Robertson, Chartered FCSI, Director, Westport Global, London

22–64

The age range of 298 candidates sitting the CISI's RDR-compliant Certificate in Private Client Investment Advice & Management exam. Results from the September 2011 sitting show a 74% pass rate.

EVENTS

Annual dinner makes an impression

The annual dinner attracted 230 guests to Plaisterers' Hall in the City; inset: actor and impressionist Alistair McGowan

Prince Charles, the *X Factor*'s Simon Cowell and England football manager Fabio Capello put in surprise 'appearances' at the CISI annual dinner.

They were not there in person but were among a string of well-known names impersonated by guest speaker Alistair McGowan, the TV impressionist and actor.

He regaled an audience of 230 people from leading financial firms at Plaisterers' Hall in the City of London. Welcome speeches at the Institute's premier social event of the year were given by Alderman Alan Yarrow, Chartered FCSI(Hon), CISI Chairman and Sheriff of the City of London, and Chief Executive Simon Culhane, Chartered FCSI.

For the first time, donations were invited from guests. About £2,000 will be split between Help the Homeless, which helps homeless people throughout the UK to resume a normal life, and Help for Heroes, which supports British servicemen and women injured in Afghanistan and Iraq. The event was sponsored by 7City.

60-second interview

The Exeter office of Charles Stanley is sponsoring students at a local state-maintained school to take a CISI introductory qualification.

Paul Lewis, Chartered FCSI, Branch Director and CISI President in the West Country, explains.

Q *What does the sponsorship involve?*

The direct funding of course fees for 22 post-16 students at The King's School in Ottery St Mary to enable them to study the CISI's Certificate for Introduction to Securities & Investment (Cert.ISI) qualification.

Q *Why are you offering this support?*

I've assisted the school for six years with its Business Forum, which fosters links with local businesses, and there is a demand, from students and their parents, for greater educational awareness of financial services. The financial sector has become increasingly important to our economy and daily lives, and this qualification will help to build a good understanding of the industry.

Q *What value does the Cert.ISI qualification offer to students looking to enter financial services?*

Financial services is a complex and diverse industry, and this qualification will help any student with ambitions to work in financial services to make an informed choice about their career options. Achievement of the Cert.ISI will help students to stand out to potential employers as strong candidates when applying for jobs.

Q *What benefits will your firm gain?*

We pride ourselves on our development of staff, and this sponsorship will support that objective. Members of our team will help students through the qualification by, for example, giving talks at the school, hosting visits to our office and building on the work-experience programme we already offer for pupils.

It's important for us to support the local community; through this link we aim to bring an awareness to students that education does not stop at the school gate and that continuing professional development will be part of their ongoing careers – just as it is part of ours.

For further information about how your firm can support the Cert.ISI, contact the CISI Educational Development team at *educationdevelopment@cisi.org*

INTERACTIVE TOOL

Schools benefit from CISI learning aids

The CISI has launched an interactive learning tool for schools and colleges.

The easy-to-use, blended-learning solution is primarily aimed at 16–18-year-olds studying for the Institute's Certificate for Introduction to Securities & Investment (Cert.ISI). The qualification provides a basic introduction to financial services, with a focus on investments. The elearning component includes 60 lessons, enhanced with graphics and links to useful websites. Students can test their knowledge throughout the product with sample questions and interactive worked examples.

An accompanying workbook has been redesigned and tailored for school and college students, with direct references to the elearning component so that candidates can be assured that they are following the entire subject syllabus for this award. The material also includes a new chapter that puts financial services into perspective.

Both products were reviewed by students and teachers to ensure that they meet their specific learning requirements.

CISI Managing Director Ruth Martin said: "Students will be engaged by the new elearning product and workbook and, hopefully, will have some fun while learning, which is crucial for the teenage market."

For more information about these products, visit the CISI bookshop at *cisi.org/bookshop*

CYPRUS

Recognition for exams


Charles Charalambous, Chartered MCSI

The Cypriot Ministry of Finance has officially recognised CISI exams as equivalent to those of the Examining Board of Cyprus.

Charles Charalambous, Chartered MCSI, President of the CISI's National Advisory Council (NAC) in Cyprus, said: "We're delighted to be able to offer people working at all levels in the securities and investments sector in Cyprus the opportunity to benefit from the wide range of general and specialist vocational qualifications offered by the CISI.

"This will significantly enhance Cyprus's reputation as a first-class financial services centre, with all the benefits that accrue to the wider economy too."

To support those working in the industry who wish to attain its qualifications, the CISI has accredited its first training provider on the island – the Cyprus International Institute of Management (CIIM). Computer based testing for the CISI's multiple-choice exams will be available at the CIIM.

MIDDLE EAST

Key appointment in UAE


Dr Obaid S Al Zaabi

The CISI's National Advisory Council (NAC) in the United Arab Emirates (UAE) has welcomed Dr Obaid S Al Zaabi as a new member.

He is Research Adviser, Director of Research and Development at the local regulator, the Emirates Securities & Commodities Authority. A highly experienced figure within the banking and finance sector in the UAE, he has also worked for institutions including the UAE Central Bank and Dubai Islamic Bank.

CISI Chief Executive Simon Culhane, Chartered FCSI, said that Dr Obaid's expertise would be "invaluable" in helping the CISI to enhance the UAE's position as a financial services centre by developing ways to increase the competency of those working in the sector.

The NAC's members include some of the most senior and respected figures in the UAE financial services industry. The council is headed by Richard Stockdale, Chartered FCSI, CISI Board member and Chief Executive, QCo Holdings.

Jan Bladen, Chief Operating Officer of the Dubai Financial Services Authority, delivered the first overseas CPD event to be broadcast on CISI TV. His wide-ranging talk at the Abu Dhabi Securities Exchange covered issues including linking shareholder value and risk management and how to balance the board's risk appetite and cost of controls. The session can be viewed at *cisi.org/cisitv*

87 The number of firms worldwide that are CISI corporate supporters. They share with the CISI a commitment to high standards of excellence and professionalism, and receive a range of benefits. For information, email *corporatesupporter@cisi.org*

ONLINE

BEST OF THE BLOGS

1 tinyurl.com/moneyweek-china
With the eurozone in disarray, should investors look east and consider a punt on Chinese funds, stocks and shares? Perhaps not, writes Merryn Somerset Webb for *MoneyWeek*. Subscribers to the Fidelity China Special Situations Fund have seen shares drop from 100p to about 78p, while the MSCI China Index recently fell about 13%, raising concerns about the Chinese economy, according to Webb. She also argues that state control over listed entities and negativity surrounding the property market further reduce China's appeal to investors.

2 tinyurl.com/wsj-australia
Chi-X will more than match the Australian Stock Exchange as the country's top trading platform if the new bourse's early performance is anything to go by, according to *Wall Street Journal* blogger Geoffrey Rogow. After a relatively quiet launch in October 2011 with 22 brokers and just eight securities, Chi-X expanded to 1.2% of total stock trading in mid-November 2011, including more than AU$43.6m (£28m) of trades. In two weeks, Chi-X Australia achieved the same number of trade volumes as the Japanese unit managed in six months. It's an impressive start, but Rogow believes that the bourse's executives are right to bide their time and wait until mid-2012 before congratulating themselves on a job well done.

3 tinyurl.com/beyondbrics
Getting to grips with markets and financial regulations could make a big difference to investors eyeing Asian stock exchanges and assets, David Keohane writes in the *Financial Times*'s 'beyondbrics' blog. Two-thirds of Asia-based asset managers quizzed for a Citibank and Mirae Asset Group report on wealth management said that their knowledge of local markets, growth rates and products gave them a distinct advantage over western entrants. Total assets under management in Asia (minus Japan and Australia) amounts to roughly $2,200bn, which appears modest when considering that Australia's pension fund industry alone is worth $1,300bn. But with Asia fast becoming the world's largest asset-management region, driven by attractive investment opportunities and a rapidly growing middle class, that figure is set to rocket – which will surely prove enticing to western-based investors.

See page 12 for more on changes in Asia-Pacific.

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

CURRY LUNCH

Lord Mayor's charity feast

Spice up the new year by making a date in your diary for a curry lunch with a £225,000 fundraising target.

The Lord Mayor's Diamond Jubilee Big Curry Lunch will be held at his official City of London residence, the Guildhall, on Thursday 26 April in aid of ABF, The Soldiers' Charity. Proceeds will help current and former servicemen and women and their families affected by the conflicts in Afghanistan and Iraq.

The lunch, which is being held for the fifth time, is being called a 'Diamond Jubilee' celebration in honour of the Queen's 60 years on the throne. The function, will take place from noon to 3pm. Tickets are priced £95 each.

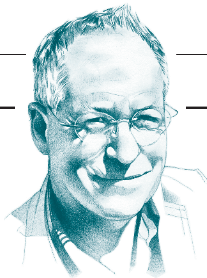
For further information and to book, visit *bigcurry.org*

SURVEY

Protest splits opinion

A CISI survey has revealed a mixed reaction by financial services players to the recent anti-capitalism protest outside London's St Paul's Cathedral. Of respondents, 27% were either strongly or somewhat sympathetic to the protestors' aims, while 31% were hostile to the campaign. A further 42% said that they were unsure of the objectives of the demonstration.

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



CLAY *'MUDLARK'* HARRIS

Back story on Paul Snead of ING

Paul Snead learned a lesson for life in the Essex timber yard where he had a summer job before studying business administration. Noticing that things were not organised efficiently, Paul – although only 16 – did not hold back from suggesting improvements. At summer's end, the bosses asked if he really had to leave. They had seen that he was never idle; in downtime, he always looked around for something to do.

Paul, Head of ING's UK Service Delivery Centre, has held that top operational role since 1996, the year after the Dutch financial services group rescued Barings bank in the wake of the Nick Leeson affair.

In that time, he has overseen a huge change in the focus and structure of operations. His path, however, has been guided by an outlook he has had since school. "I realised that I liked things to be in order and liked things to work efficiently," he says.

When he left college, Paul wanted to work "somewhere in the City", a feeling confirmed by an inspiring – and successful – interview with an "archetypal City gent", complete with pinstriped suit and bowler hat.

Paul joined stockbroker Dunkley Marshall in the back office, handling corporate actions and dividends and later adding sold transfers. "I was the *junior* junior," he says, "and I learned a lot in two or three years."

When an opportunity arose at another broker, Paul's nerves about approaching his mentor proved unfounded, and the man encouraged him never to miss the right opportunity.

So he moved to Beardsley Bishop, which then merged with Henderson Crosthwaite, where Paul became part of the overseas settlements team, a specialist group focused on Far East investments. That Far East desk later moved to Baring Securities. There was a lot to learn. "Down a crackling telephone line, a voice would say 'I've just done a trade in Jakarta'. I'd look at my colleague and say: 'Jakarta? Let's get out a map and see where Jakarta is.'"

> "I was the *junior* junior, and I learned a lot in two or three years"

In 1988, he was invited to work in the front office as a trader. "There was a vibrancy about it," he recalls. But his old boss in operations asked if he'd like to return for a project. Barings' operations for the Thai stock market were being centralised in Singapore. Paul spent two months there. "It was a defining moment for me. I knew that this was what I wanted to do."

In 1989, Paul went for two years to Jakarta – by then, he knew where it was – to set up the Indonesian operation from scratch. The next Asian stop was Seoul, where the first two foreign brokers, Baring Securities and Jardine Fleming, opened in 1992.

He was seconded to run the New York office for six months, which also covered Latin America. Even as a stand-in, he was like that teenager back in the timber yard, looking for things to improve. "I can't just sit on my hands," he says.

Paul soon became Head of Operations in Hong Kong and then Regional Head of Operations for all of Asia, adding a functional global role – responsibility for equity-market operations.

Since returning to London, he has been at the forefront of restructuring the back office from its traditional reactive approach. Its role has changed – from cost to contributor.

"You have to treat it as a business within a business," Paul says. "Historically, we were the back office. We did what we did when we were required to do it. Today, we're operations professionals."

Paul Snead

Head of Service Delivery Centre – UK, ING

Do you have a back-office story?

mudlarklives@hotmail.co.uk

Illustration: Luke Wilson

APPOINTMENTS

New Northern Ireland President

Adrian O'Neill, Chartered FCSI

Adrian O'Neill, Chartered FCSI, has been appointed President of the CISI branch for Northern Ireland.

As Senior Client Manager in Northern Bank's Investment Management team in Belfast, Adrian looks after a range of portfolios for private clients, charities, trusts and pension funds. He has more than 15 years' experience in the financial services industry and worked at Lazard Asset Management and Allianz RCM in London before joining Northern Bank in October 2008.

Speaking about his appointment, Adrian said: "I will continue to extend the reach of the CISI and promote the importance of qualifications and ethics in order to maintain the exceptionally high standards in the field of investment and wealth management within Northern Ireland."

See page 30 for a profile of TA soldier Wayne Nickels MCSI, who is Vice President of the CISI's Northern Ireland branch.

SRI LANKA

Foundation partners CISI

The CISI has announced a partnership with one of the leading adult education centres in Sri Lanka.

The collaboration is expected to lead to the Colombo-based Sri Lanka Foundation adopting certificate courses for two new CISI international qualifications, Combating Financial Crime and Global Financial Compliance.

Combating Financial Crime has been developed to tackle the financial crime agenda. Global Financial Compliance provides candidates with a broad understanding of compliance issues within the financial services industry.

Sri Lanka Foundation Chairman Dr Ranjith Bandara said: "The world has become more complex, and it is the duty of educational institutes to understand the evolution and offer education that will directly assist the development process."

CISI Chief Executive Simon Culhane, Chartered FCSI, and Sri Lanka Foundation Chairman Dr Ranjith Bandara with the memorandum of understanding between the two organisations

CISI Chief Executive Simon Culhane, Chartered FCSI, said: "We are pleased to be working with the Sri Lanka Foundation in helping Sri Lankan candidates to achieve core competence and foster strong careers in sectors such as capital markets, investment banking and wealth management."

Ask the experts...

Danny Cox
Head of Advice, Hargreaves Lansdown

JUNIOR ISAS: THE NEW 'COLLEGE FUND'

Like their adult counterparts, Junior ISAs are a tax-efficient savings scheme, with no capital gains tax, no income tax on savings and no further tax on dividend income. Launched on 1 November 2011, they will, over time, replace the Child Trust Fund (CTF).

Introduced for those born between 1 September 2002 and 2 January 2011, CTFs aimed to provide children with a nest-egg at age 18. Unfortunately, CTF rules – such as low minimum contributions – did not endear them to providers and they were somewhat ignored, meaning that product choice is limited. There has been greater provider involvement in the Junior ISA, and the number of stocks and shares Junior ISA products is already higher than stocks and shares CTF products. Better choice should lead to greater gains.

Children with CTFs are not eligible for Junior ISAs, and cannot transfer; existing CTF accounts will continue until maturity at age 18. Although the annual CTF limit of £1,200 has increased to £3,600 a year, its lack of flexibility and the greater competitiveness of the Junior ISA market will create a two-tier system where children with CTFs have a significantly inferior choice of products. This unfair outcome could be avoided if the Government changed the rules and permitted transfers from CTFs to Junior ISAs, and there is already an online petition (*epetitions.direct.gov.uk/petitions/7468*) calling for the two schemes to be merged.

Junior ISAs are not added to by the government vouchers that CTFs benefited from, but the annual contribution allowance starts at £3,600. This will rise with the Consumer Prices Index from April 2013.

There are two types of Junior ISA: Cash, and Stocks and Shares. Contributions can be split between these in any proportion. Once opened by the parent (or adult with responsibility), anyone can make contributions, so Junior ISAs are expected to be popular with grandparents saving for their grandchildren. At the age of 18, the Junior ISA converts automatically into an adult ISA in the child's name. It can then either continue, or be wholly or partially cashed in.

With university tuition fees increasing from September 2012, the Junior ISA has the potential to be a US-style 'college fund'. For terms of less than five years, a Cash Junior ISA is probably the best option. For those investing over the long term, a Stocks and Shares Junior ISA is likely to produce a higher return.

The Treasury expects about 1.2 million of the six million children eligible this tax year to open a Junior ISA, with a further 800,000 eligible annually. In excess of £15bn was subscribed to more than 15 million new adult ISAs in 2010/11; the Junior ISA provides a further opportunity for investment groups to boost funds under management when new investment is under pressure.

Please note that tax rules are subject to change. Past performance is not necessarily a guide to the future and the value of stock-market investments will fall as well as rise. There are no guarantees that stock markets will outperform cash in the future.

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

HARGREAVES LANSDOWN

SELECT BENEFITS

A healthy saving

If your New Year's resolution is to get into shape, the CISI Select Benefits programme can help you work out for less. Scheme partner Incorpore provides access to a network of more than 2,000 gyms in the UK run by leading chains including Fitness First, Nuffield Health and LA Fitness. All offer the lowest corporate rates and you are guaranteed to save a minimum of £50 and as much as £250 annually.

Other exclusive deals available to CISI members in the UK through Select Benefits include the opportunity to treat your loved one to a special Valentine's Day treat next month from Flowers Direct and obtain a 15% discount.

You can save on a range of flowers and gifts that can be delivered to your door, even on the same day as purchase.

For more information on these benefits and the other offers available to CISI members, visit CISI Select Benefits at *cisi.org/memberlogin*

*Terms and conditions apply. See website for further details.

CISI Select Benefits is managed on behalf of the CISI by Parliament Hill Ltd of 127 Cheapside, London, EC2V 6BT. Neither is part of the same group as a provider.

ASIA

Singapore event

CISI members can attend Informa's 6th Clearing, Settlement & Custody Asia Forum at a 20% discount.

The event, at the Grand Copthorne Waterfront Hotel in Singapore on 21–22 February, will look at the challenges ahead for the sector and will give updates on the latest regulation and approaches to managing risks.

Attendance at educational portions of the conference will count as CPD hours for CISI members.

To obtain the discount, CISI members should quote the code P46185CISI when registering.

Non-members of the CISI can receive a 15% discount by quoting the code P46185CISIML.

For further information, visit *clearingcustodyasia.com* or contact the organiser at *register@ibcasia.com.sg*

QUICK QUIZ

Test your industry knowledge

Illustration: Cameron Law

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

☛ Answers are on page 29.

To order CISI elearning products, please call Client Services on ***+44 20 7645 0680*** or visit ***cisi.org***

Q1. The Markets in Financial Instruments Directive provides investor-protection rules across which ONE of the following geographical areas?
A) All European countries *B)* The eurozone countries *C)* The European Union *D)* The European Economic Area

Q2. Which stage of the money-laundering process involves the physical introduction of criminally derived cash into the financial system?
A) Placement *B)* Layering *C)* Concealment *D)* Integration

Q3. Bonds issued by organisations such as the World Bank, the European Investment Bank and the Asian Development Bank are known as:
A) Treasury bonds *B)* Municipal bonds *C)* Supranational bonds *D)* Agency bonds

Q4. What interest rate is required to be quoted by lenders to enable comparisons to be made?
A) Annual Percentage Rate *B)* Effective Annual Rate *C)* Flat Rate *D)* Term Rate

Rocky road

The past year has been a harsh one for the economy, the consumer and the eurozone. Will things start to look up in 2012?

WITH THE usual caveats – crystal-ball gazing comes with a big health warning – here are the calls on three big questions.

First, will Britain fall back into recession? Yes. The only question is how deep a slump it suffers. My guess is that the 'double-dip' feared by economists is on the cards, though the retrenchment will not be as deep as it was in the aftermath of the 2008/09 financial crisis. Indeed, the economy may already be contracting. Recent official figures for third-quarter output showed that the meagre growth of 0.5% was driven largely by stockbuilding and government spending. As Capital Economics notes, neither of these can be the basis for a sustained recovery. Other forward-looking data has been pointing to a relapse.

One reason to be cheerful is that consumer spending has held up remarkably well, despite the intensifying eurozone crisis, which will weigh on confidence as well as net trade. For many people, though – especially those in areas where the public sector job cuts are being felt the most – it hardly feels like the country has emerged from the financial crisis.

The Bank of England's renewed efforts to pump-prime recovery by pouring money into the financial system in order to drive down the interest rates paid by homeowners and business should help. But monetary policy alone will not be enough.

What does this mean for house prices and interest rates? Expect another year of property stagnation. Rising unemployment, especially among the young, will make for a flat housing market, at best. Halifax data showed that prices had fallen by 1% in the year to November 2011 – for what it's worth, not far off what I expected a year ago.

UK interest rates stayed on hold throughout the year, as predicted, at 0.5% (let's not mention my FTSE forecast). It remains too early to contemplate monetary tightening. Instead, the Bank is far more likely to step up its emergency asset-purchase programme – quantitative easing – beyond the stated £275bn. It will be buying bonds throughout much of 2012. That, coupled with heightened risk aversion to Europe, will send yields on gilts to fresh historic lows.

Third, and most important, will the eurozone break up? No, but it will be a close call. Europe's leaders, including German Chancellor Angela Merkel, will – despite impatience in the markets at repeated dithering – do their utmost to keep the single-currency union together.

That does not, of course, mean that the euro will survive beyond 2012. Political will and agreement on a fiscal pact count for only so much. Setting Greece to one side, the prospect of an unaffordable Italian bailout is the biggest threat to European monetary union. A default by Rome would be the end.

The capacity to resolve the sovereign debt crisis exists – albeit not with the resources committed to Europe's bailout funds and extra funding for the region's banks. It is the European Central Bank (ECB) that has the means and the power to head off a run on Italian and Spanish bonds. So far, though, its intervention in bond markets has been half-hearted.

This is deliberate: the bank does not want to remove the pressure on Italy

> *Rising unemployment will make for a flat housing market, at best*

– and Spain – to implement unpopular reforms. Merkel, too, will not countenance such 'moral hazard' as long as it falls to German taxpayers to foot the biggest share of any future international bailout.

Expect, then, months of uncertainty and volatility in markets as politicians attempt first to push through much tougher budgetary controls via a new inter-governmental treaty.

Fiscal reform has got to be part of an eventual solution to the crisis, and Italy can survive for a while with borrowing costs at 7%. But the bond 'vigilantes' and frightened real-money investors offloading the country's sovereign debt and selling shares in its banks will force the pace.

As we saw last August, central bankers and politicians are prepared to ditch orthodoxy and principles when faced with the threat of a meltdown. Should it come to that, we will see the ECB bond-buying on a mammoth scale in Europe. 2012 will be a rollercoaster ride. ■

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

Illustration: Johanna Ward

Extra helpings

Asian regulators are coming round to the need for alternative trading venues and technology-rich infrastructures. The result may well be a boom in equities volumes that would give the global industry a much-needed shot in the arm, says **Hugo Cox**

IN OCTOBER 2011, the trading platform Chi-X Australia began accepting orders for Australian securities. In so doing, it became the first rival stock exchange to ASX, Australia's national (and hitherto monopolistic) provider, a significant move towards a more open trading environment.

Earlier in the year, the Australian Government blocked a proposed US$9bn offer for ASX from the Singapore national exchange. That Australia, which is among the most progressive regulatory environments in Asia-Pacific, should have blocked the trend of global exchange consolidation, and taken so long to end the national trading monopoly, belies a caution that has historically characterised regulators in Asia-Pacific.

Regulation, critics complain, has historically led to greater obstacles than technology in the establishment of more advanced trading environments and the deepening market liquidity that is essential to attracting investors, domestic and foreign, to the region's capital markets.

But the attitudes of regulators in the region are changing. "The regulatory reform process is now firmly under way," says Lee Porter, Head of the dark-pool operator Liquidnet Asia. "Asian regulators wanted to give national regulators time to adjust: they saw what happened in Europe and the US [where incumbent exchanges rapidly lost huge swathes of business to multilateral trading facilities (MTFs)] and didn't want such a sudden change. Instead, they have forced exchanges to reduce pricing and to innovate. This is now being matched by the opening up of competition."

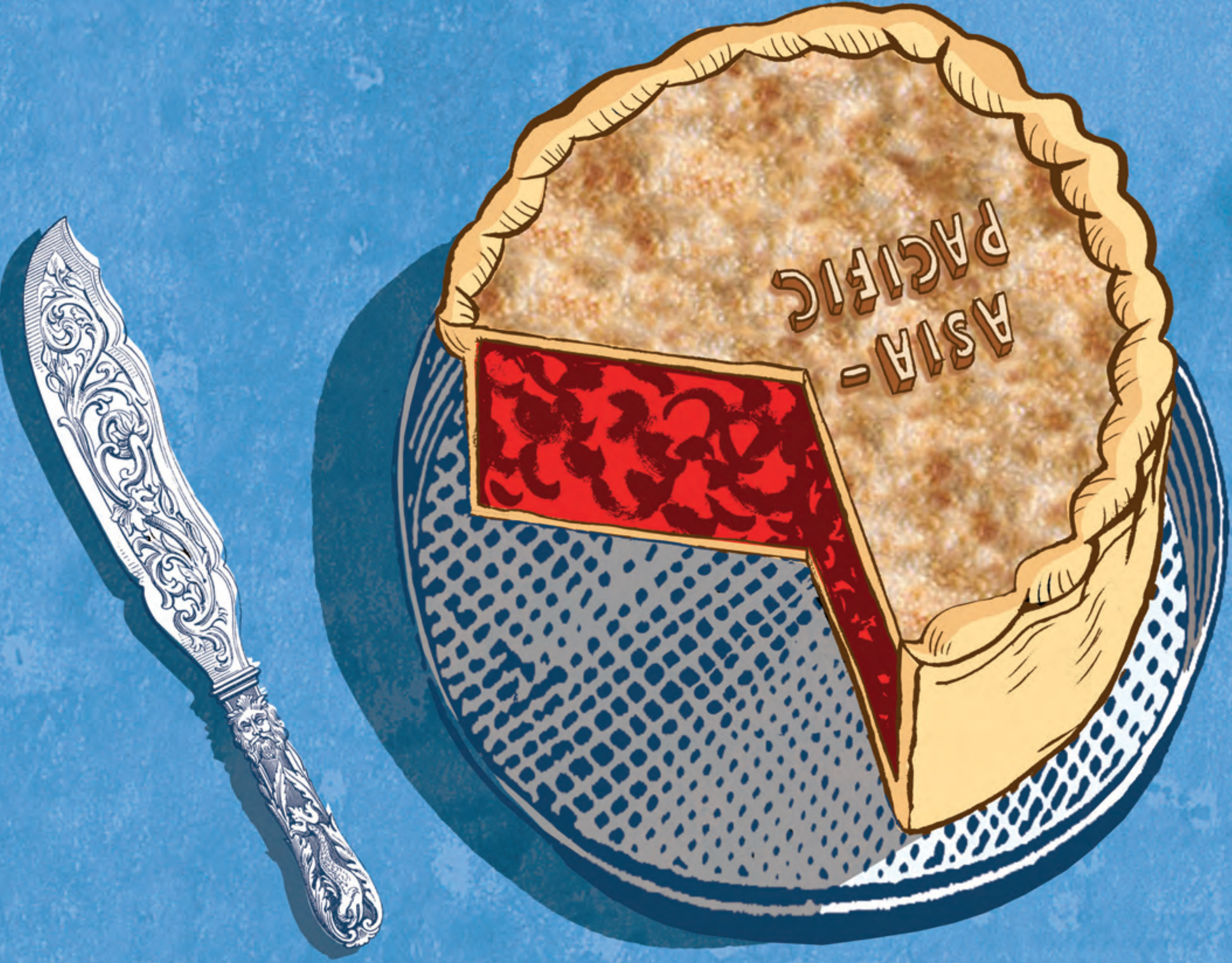
> *"Asian regulators have forced exchanges to reduce pricing and to innovate"*

In October 2011 there was support for greater openness among regulators at the World Exchange Congress Asia, where the CISI exhibited and which was chaired by Robert Barnes, Chartered FCSI and CISI Board member, who runs UBS's MTF.

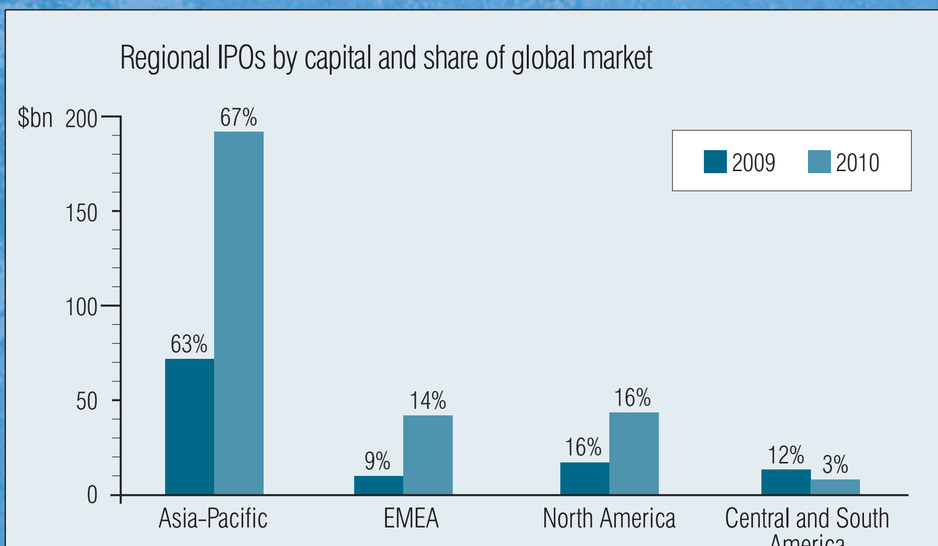
With global equities trading volumes 30% lower than they were in 2008, Asia is set to play a key role in the recovery of liquidity worldwide. Since 2009, Asian exchanges have boasted greater volumes than those in Europe, according to the World Federation of Exchanges, on the back of record-breaking new issuance fuelled by the region's explosive growth.

Hive of activity

In 2010, Asia-Pacific issuers accounted for two-thirds of the total global issuance, amounting to $191bn and 879 deals, according



to Ernst & Young. China, Hong Kong and Taiwan alone generated 69% of this. The Hong Kong Stock Exchange was the world's most active exchange for the second year running; Malaysia, Singapore and Indonesia also had record years. All of this has been achieved despite the fact that Asia has yet to benefit from large levels of high-frequency trading, which was associated with surging activity when it appeared in the UK, France and Germany. According to consulting firm Celent, whereas high-frequency trading drives 55% of all equities volumes in the US, and 35% in Europe, in Asia it is responsible for just 5%. The region is still largely under-served by alternative execution venues. Celent estimates that an overwhelming 98.9% of equities volume is still conducted on exchanges. Critics complain that the scarcity of venues to date has kept trading fees high and limited the pressure on incumbent exchanges to develop their technology offering. Europe shows that alternative venues can transform the landscape when they arrive. At the start of 2008, the region's largest order books were on national exchanges – the London Stock Exchange and Deutsche Börse. Since the beginning of 2010, a cross-border exchange, Chi-X, has boasted the largest volumes. There are encouraging signs that new venues will grow in number and influence. Japan, still the largest-volume market in the region, now features two execution venues that are alternatives to the two national exchanges in Tokyo and Osaka (which announced a proposed merger in November 2011): Japannext, launched by a consortium of Japanese online brokers, and Chi-X Japan. Together, these two MTFs accounted last October for 5% of Japan's total market, placing their combined efforts ahead of those of the Osaka Securities Exchange. Korea, which according to Thomson Reuters currently comprises 11% of the total Asia-Pacific trading



Source: Dealogic, Thomson Financial, Ernst & Young

Illustration: Frazer Hudson for Debut Art volume, proposed legislation in July 2011 that would see the introduction of a licence system to allow new stock exchanges or alternative trading systems in the country for the first time.

Meanwhile, existing exchanges are improving services for high-frequency traders. The Tokyo Stock Exchange has revised regulations on its Remote Trading Participant System to allow overseas financial firms without domestic branches to trade directly in Japan, removing the need for investor IDs. It also launched Arrowhead, a new trading engine for equities and corporate bonds that has reduced drastically order-response times.

Thailand, Malaysia, Singapore and Indonesia, meanwhile, have all committed to allowing so-called direct market access, where high-frequency traders can control electronic orders themselves rather than routing them via their brokers' systems.

Simultaneous listing of stocks on multiple national exchanges is another way to help spur volumes, and Brazil, Russia, India, Hong Kong and South Africa recently announced that they will soon cross-list equity index futures. This will provide traders around the world with the opportunity to buy and sell the contracts around the clock – in much the same way as they can with the world's major currencies.

The success of cross-border listing is also about choosing the right products to list. Here, Asian exchanges might look to Europe for successful case studies. The Euro Stoxx 50, a stock index of leading eurozone blue-chip stocks, was launched in 1999 and has since become the most liquid index future in Europe.

Getting exchange-traded funds (ETFs) on to the exchanges is another move that would increase Asian flows. Beyond the US, the majority of ETFs are traded off-exchange. If Asian exchanges can list ETFs and the underlying shares of which they are composed, high-frequency trading will follow; a popular strategy is to trade the difference in price between the ETF and its components.

A passporting regime, whereby products that adhere to certain guidelines can be distributed throughout the region, will be key here in reducing the ETF trading costs. Last year, the Australian Treasury backed the idea of an Asia Region Funds Passport; regulators in Hong Kong and Japan are considering supporting the passport, and there are rumours that the Association of Southeast Asian Nations will throw its weight behind the suggestion.

> *"China won't be railroaded into what the US and Europe think is right"*

Obstacles remain

It's important to note, though, that not all regulators have signed up to the changes. China, in particular, is heeding the part played by loose regulation in the current financial crisis, with controls on foreign investment still tight.

Toby Lawson, Managing Director at brokerage Newedge Asia, notes: "At a recent conference, the Mayor of Shanghai asked: 'Should we copy what the West has done when we've just seen a collapse in the financial system?' China knows what it wants to do, it plans ten years or so ahead and won't be railroaded into what the US and Europe think is right."

Regulation is still limiting growth in India, where dark pools (alternative execution venues where orders are not revealed until they are filled) are banned. India, Korea and Taiwan all still require participants to have an exchange identification or give up business to an onshore broker to execute trades in the domicile, and this continues to limit their appeal to foreign firms. Singapore also has rules limiting order size, which are an obstacle to high-frequency traders who prefer to trade in smaller chunks.

Derivatives

Yet reform of the Asian trading landscape is firmly under way. The example of Asian derivatives, where more liquid markets and lower trading costs have allowed high-frequency traders to participate, shows what is possible.

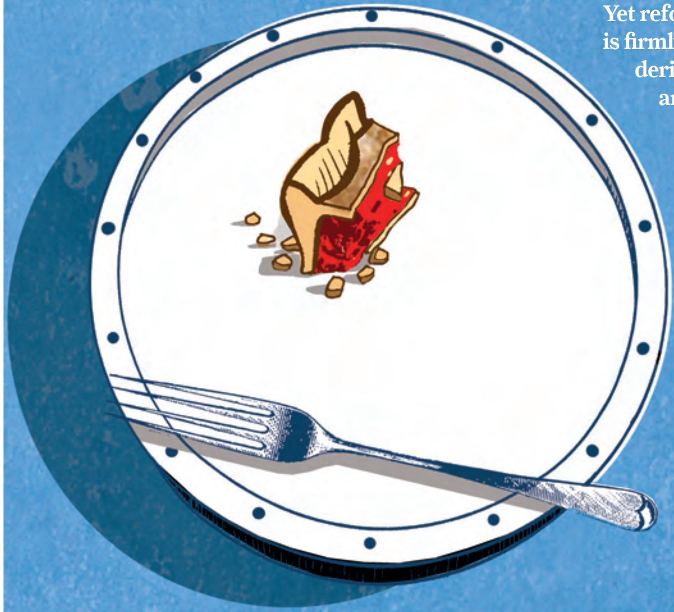
According to US trade body the Futures Industry Association, at the end of 2010 the Asia-Pacific region accounted for 40% of volume in exchange-listed derivatives worldwide, compared with North America's 32% and Europe's 20%. Volumes of listed derivatives grew by 43% in the Asia-Pacific region in 2010 – much higher than the global growth rate of 26%.

China, India and Korea dominate this industry, as traders there seek a quick route to hedge exposures to Asia's commodities boom. Commodity derivatives alone grew by 34% in 2010 and Chinese exchanges accounted for more than half of this.

Derivatives also help traders to avoid the high fees associated with equity trading in jurisdictions like Hong Kong where, according to electronic brokerage firm ITG, market impact and brokerage fees make trading equities 35% more expensive than in the US and 25% dearer than in the UK. Finally, derivatives provide traders with ways to short where regulatory regimes prohibit this – in Korea, for example, which banned short-selling in August 2011.

"We have seen a rapid growth from this sector since 2008," says Toby Lawson, Managing Director at Newedge Asia, which clears nearly a third of derivatives on Japan's Osaka Securities Exchange and a similar proportion in Singapore. Exchanges in Japan, Singapore and Korea in particular, he says, have attracted these traders by building in the technology that allows them to exploit market inefficiencies that appear and disappear in a millionth of a second.

Now that regulators appear ready to extend these reforms to equity markets in the region, Asia could soon extend this explosion of derivatives trading to the cash equities markets. ■



The merits of caution

There are benefits to the careful scrutiny and slow pace of reform that has characterised Asian regulators. Hong Kong resisted significant pressure for a blanket ban on short-selling in the aftermath of the crisis because mandatory reporting of the practice meant that it could see that it would be ineffective.

"The regulator had data on the impact of short-sellers on the key stocks, which demonstrated that it was investors selling long positions, rather than short-sellers, that was having the major impact," notes Lee Porter, Head of Liquidnet Asia.

The effects of dark pools are also better understood in Hong Kong. "All trades are tagged, so the regulator knows how many crossed trades are coming from the dark," Porter says. By contrast, Europe lacks a single electronic-reporting system – or so-called consolidated tape – making it almost impossible to accurately record the level of trading that takes place in off-exchange venues.

Australia, too, followed a thorough process of consultation before allowing competitors to its national exchange. Porter says: "Market integrity rules, best execution and dark pools were all put out to consultation: all market participants, and not just those who lobbied the hardest, had their voices heard."

CISI

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New Year New SPS

To demonstrate compliance with the Retail Distribution Review (RDR) rules, the FSA has stated that all retail investment advisers must obtain a Statement of Professional Standing (SPS) from an Accredited Body, such as the CISI, by 31 December 2012.

The certificate is valid for 12 months and requires renewal every year.

Advisers must apply for an SPS within three months of their CISI CPD year closing, so the CISI can ensure that the CPD undertaken is current and relevant.

The CISI deadline to receive applications, in order to obtain an SPS prior to the end of 2012, is **31 October 2012**.

For more information and how to apply, visit

cisi.org/rdrsps

Where the BUCK STOPS

The financial crisis exposed the paucity of board oversight of risk, especially in financial services, as expressed in their risk statements. **Piper Terrett** reports on the debate that is forging better standards

HIGH-PROFILE FAILURES in recent years – Lehman Brothers, AIG and, more recently, MF Global – demonstrate the catastrophic costs of excessive or inappropriate risk appetites. The size of these firms, and the social consequences of their failure, made governance an issue for society.

In 2009, David Walker was dispatched by the Government to review corporate governance in the UK banking sector. In his findings he called for a major shake-up of the boardroom, recommending that non-executive directors devote more time to assessing risk and ask tougher questions about company strategy. While Walker also recommended that companies appoint board risk committees, he emphasised that the board alone is ultimately responsible and accountable for risk.

Experts argue that risk appetite was poorly understood and implemented, and that this contributed to the financial crisis. Michael Mainelli, Chartered FCSI, Director of commercial think-tank Z/Yen, says that the industry "continually tacks on risk". He continues: "Value at Risk, risk statements, Basel weightings and their associated credit ratings are all add-ons. Risk must be integrated with all financials."

The inadequacy of the risk approaches of firms such as Lehman was visible to all in their risk statements. Deepa Govindarajan, Fellow at the International Capital Markets Association Centre, part of Henley Business School, explains that these should be set directly by the board, relate clearly to the company's strategy and exist as a work in progress that is regularly updated. Financial services institutions are required by the FSA to complete a formal risk-appetite statement, outlining the risk types they face, and to hold the capital necessary to mitigate those risks. The UK Corporate Governance Code of 2010, overseen by the Financial Reporting Council (FRC), states that boards are responsible for "determining the nature and extent of the risks" they are willing to take in achieving "strategic objectives" while maintaining "sound risk management and internal control systems". Under the FSA's listing rules, publicly listed companies are required to disclose how they have complied with the Code and, where they have not, explain why.

> ***"Boards that view risk functions as simply keeping them out of trouble are not doing their job for shareholders"***

How financial businesses set their risk appetites in general, and how they word the risk statements in particular, has been under close scrutiny following the crisis of 2008/09. New research by Govindarajan for the Henley Business School found that many risk statements are still banal and over-generalised, and therefore are ineffective as risk-management tools. Many read identically despite vastly different strategic goals and risk profiles. "For a number of firms," she says, "there is a real struggle to create a statement that the frontline business can truly engage with – one that actually influences day-to-day risk-taking.

"I'd be keen to see good risk-appetite statements that are truly the result of strong debates between the executives and non-executives on boards – statements that reflect the firms' strategic choices and the allied risk-taking required," she says. The outcome would then be a detailed plan, using clear terminology that defines the risk appetite and specific risks that exist. This will provide the board's binding risk manifesto.

The industry is still a long way from achieving this, apparently. Govindarajan's research concludes that many risk-appetite statements are not robust enough and focus too heavily on risks to shareholders at the expense of other stakeholders.

Board leadership

Chris Hodge, Head of the FRC's corporate governance unit, stresses that boards, not executives, must take responsibility for setting risk appetite. "If you have a bottom-up approach, you're not going to spot all the risks," he warns. "There's a need for boards to get involved in horizon scanning and linking the risk appetite to the strategy. It's also important to set the tone from the top."

In a September 2011 report, *Boards and Risk*, the FRC emphasises better reputational risk and the need for crisis-management plans. "Because social media means that news can spread so quickly," says Hodge, "[even if the problem has a minor financial impact] the reputational risk can sometimes be greater than financial risk. Companies have become aware of the need to focus on crisis management and to have an agile approach to it."

If boards are to set firms' risk appetites correctly, they need accurate information. One of the hardest things for companies is getting information flows right between the board and the management. This does not mean bombarding boards with paperwork. Crucially, however, it does not mean holding back from the board information that is perceived to be unimportant. Hodge says: "We have heard stories of where things were known within a company but it was not felt that it was important enough to tell the board about and, when the issue broke [in the news], the board members knew nothing about it."

Information needs to flow from board to executive, too – especially when many board members are generalists. "Good risk management is not only about having the right answer, but also a clear answer," says Lon O'Sullivan, Head of Portfolio Market Risk Management at Morgan Stanley. "Boards that view risk functions as simply keeping them out of trouble are not doing their job for shareholders."

Stakeholder value

Govindarajan urges boards to pay more attention to risks to other stakeholders besides shareholders. Risk-appetite discussions have traditionally focused on risks affecting equity holders or those that might influence capital deployment. "Surely this cannot be enough," she says. "There are several risks that are not mitigated by capital. Risk-appetite discussions must reflect risks to other stakeholders including bond holders, employees, customers and the community. We need to go beyond capital-focused risk-appetite statements. We also need to be more honest about the risks we are taking that affect a broader group of stakeholders."

Stakeholders include wider society and the environment. "Boards need to take account of underlying social and environmental – as well as economic – value drivers, how they are increasingly linked and their cumulative impact," says Tony Manwaring, Chief Executive of UK think-tank Tomorrow's Company. "Increasingly, companies will be talking to investors who will want them to take this into account too."

Setting and monitoring risk appetite is the board's job. Manwaring and Govindarajan both warn against outsourcing risk-appetite statements to corporate executives or consultants. "Strategic risk management needs to be a shared competency of all board members – it is about mindset as much as any specific skill or professionalism," says Manwaring. "If a 'professional' helps to develop this for a period of time, then that is to be welcomed, but then there is the chance that that person is seen as responsible for risk, compounding the organisation's risk profile."

If the financial crisis and the Walker Review have taught boards anything, it's that they – not the risk committee and not executives – are ultimately accountable for the risks a company takes. ■

DEVELOPMENT *banker*

The outgoing Chairman of Sri Lanka's stock exchange and CEO of the country's leading development bank speaks to **Hugo Cox**

IT TURNS OUT that, with the right attitude, steering a nation's stock exchange through the country's civil war is less complicated than you might expect.

"We decided not to worry about what we couldn't change, but rather to make plans for better times," says Nihal Fonseka, who until June 2011 was Chairman of the Colombo Stock Exchange.

The Tamil Tigers' 26-year-long insurgency made for low turnover at the exchange, and a paucity of new listings. When he was appointed in 2006, rather than trying to create a more favourable business environment – a task beyond his control – Fonseka focused on reforming listing rules and corporate governance procedures. He also actively engaged potential issuers who would be in a position to list when Sri Lanka's circumstances improved.

"Things began to get better in 2008, but improvement really started after the end in May 2009 of the ongoing violence," he explains. "Since then, the growth has been huge."

On the back of a GDP increase of 8%, Sri Lanka had, by the end of 2010, spent two years as the world's second-best performing stock market, with the all-share index tripling in value in that time.

"The complexities of buying land here are a serious impediment to growth"

Since 2000, Fonseka's other involvement in the prosperity that has followed the end of the civil war has been his support of entrepreneurs. He is also Chairman of the Association of Development Financing Institutions in Asia and the Pacific and, in January 2000, became Chief Executive Officer of DFCC Bank, the pioneering Sri Lankan development bank (see box). It gave his work a welcome social application.

"All my life I'd been at a commercial bank. I'm not saying they don't contribute, but they get in on businesses after they are up and running," he says. "Here, most of our work is supporting entrepreneurs for project funding. These are typically start-ups, so we are helping to create something."

For the Colombo Stock Exchange, meanwhile, the bull run – fuelled in part by sharp increases in retail participation – came to an end in 2011, with the market now more than 20% below its February 2011 high. Regulatory intervention this year has focused on dampening demand using measures such as limiting the credit lines that brokers can extend to retail customers and the amount of credit that banks can extend for stock trading and initial public offerings (IPOs), as well as forced sell-offs of unsettled trades. "The volumes of retail trading increased rapidly, and we saw a number of fundamentally weak stocks being pushed up to unrealistic levels before regulators moved in," Fonseka says.

Over the long term, Fonseka notes that, as global equities volumes record a 30% fall-off since the end of 2008, the challenge for the Colombo Stock Exchange is similar to that facing any exchange around the world: widening investor participation, increasing the number of issuers and expanding the product range.

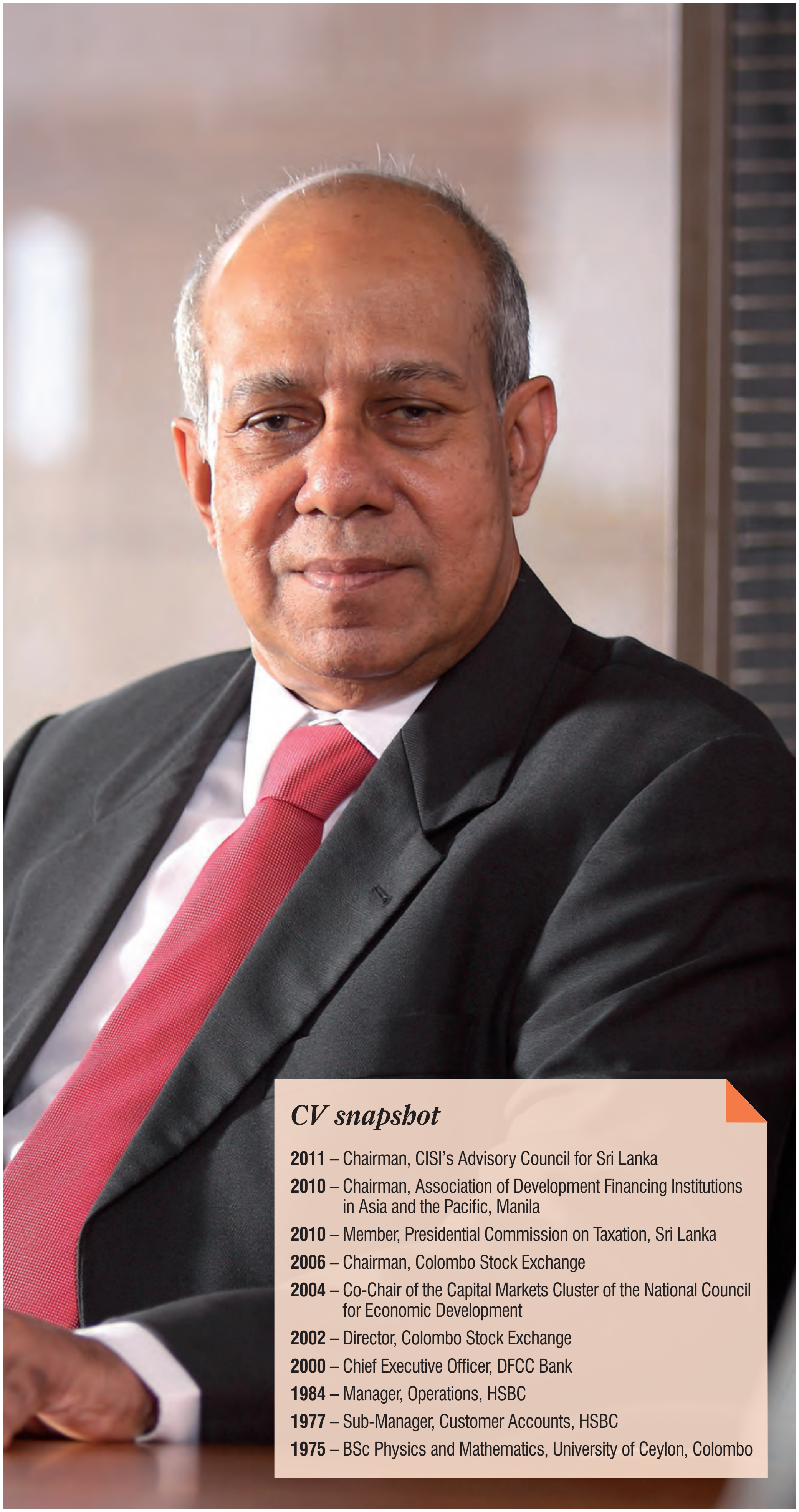
This will not happen until liquidity increases, reducing the high market-impact costs associated with trading – especially for institutional investors with larger order needs. It means reducing high transaction costs and attacking operational risk by migrating to delivery versus payment and a central counterparty, and diversifying tradeable instruments beyond the cash market.

There are encouraging signs on the supply side so far. Despite a boom in private credit offered by commercial banks – up 28% last year – firms are increasingly looking to capital markets for equity sales and debt issuance, says Fonseka. The Sri Lankan Government is playing a central role in this, and the IPO in November 2011 of the state-owned People's Leasing Company raised $75m.

"At a deeper level, the complexities of buying land in Sri Lanka are a serious impediment to growth," he says. The Government is the biggest landowner, and land investments involve negotiating complex land laws and a lengthy process of bureaucracy. "There is a pressing need to streamline the process whereby land is put into productive use."

Education, education, education

As Chairman of the CISI's Advisory Council for Sri Lanka, which was established in 2011, Fonseka has pioneered efforts by the industry to improve skills among those working in the financial sector. The banks, he says, have



CV snapshot

2011 – Chairman, CISI's Advisory Council for Sri Lanka
2010 – Chairman, Association of Development Financing Institutions in Asia and the Pacific, Manila
2010 – Member, Presidential Commission on Taxation, Sri Lanka
2006 – Chairman, Colombo Stock Exchange
2004 – Co-Chair of the Capital Markets Cluster of the National Council for Economic Development
2002 – Director, Colombo Stock Exchange
2000 – Chief Executive Officer, DFCC Bank
1984 – Manager, Operations, HSBC
1977 – Sub-Manager, Customer Accounts, HSBC
1975 – BSc Physics and Mathematics, University of Ceylon, Colombo

DFCC Bank

Nihal Fonseka was appointed Chief Executive Officer of DFCC Bank in January 2000. Established in 1956, the bank is one of the longest-standing sustainable-development financing institutions in Asia and the Pacific.

Its core activity has been long-term project financing of the private sector but, in recent years, it has branched into investment banking and venture capital as well as fund management, stockbroking, consulting and commercial banking. These are offered both directly and through subsidiaries and associate companies.

made significant progress in raising their educational standards. "Financial education has been clearly established, and incentives are now linked to the level of qualification," he says. "But areas including corporate finance, securities trading and investment advice, as well as compliance operations and operational risk management, could all benefit from a greater focus on education."

Fonseka is rare among Sri Lanka's leading bankers in having completed his education in his native country. After studying Physics and Mathematics at the University of Ceylon in Colombo, he considered a research job in physics before realising that this would mean leaving Sri Lanka.

Despite the fact that "banking, back then, was not as appealing as it is now", he took a job with HSBC, where he worked for 23 years – most of which was in Sri Lanka. The subsequent move to DFCC freed him from the mainstream commercial banking world that, he feels, has become unnecessarily siloed. "I find it amazing that very few people understand how the wider finance industry works," he says. "Indeed, the structure of businesses generally works against this."

The appeal of DFCC's social goals conflicted with how effectively these were being implemented. "The firm had to change in the 1990s," Fonseka notes. "Commercial banks started getting in on development funding and we were struggling to compete with them. We realised that being a one-product bank wasn't going to work – we needed to diversify our own product base."

Part of this involved encouraging people to think in a commercial banking way, so Fonseka's first initiative was to implement a comprehensive IT infrastructure. "Everything was paper-based, but we needed better technology – for example, to process loan applications faster," he says.

According to Fonseka, having a broad view of the entire industry is especially important if you are to succeed in the financial industry of an emerging market.

He concludes: "This is why having a good grasp of the basics is so important: if you take the trouble, I think that that makes your decision-making more informed. Especially if you come to Sri Lanka, where you will be serving customers with a diverse set of needs, you need a good understanding of how the wider industry is composed." ■

The taxman COMETH

The proposed EU financial transaction tax will transform European financial services. The Prime Minister is dismissive, but the City should start lobbying now, argues **Hugo Cox**

FIRST DRAFTS OF European Commission directives are notorious for being hastily assembled and unrealistic. But the one published in September 2011 on a proposed financial transaction tax (FTT), which was rushed through under pressure from French and German MEPs, threatens a radical restructuring of Europe's financial services landscape. In its current form, due for implementation from the start of 2014, the FTT – also known as the Tobin Tax – would be levied on nearly every wholesale financial transaction involving a counterparty in any of the 27 member states of the EU. It is proposed that the exchange of shares and bonds would be taxed at a minimum rate of 0.1%, and derivative contracts ("for investment purposes" only and excluding spot currency markets) at a rate of 0.01%. However, member governments would be able to charge more if they wanted. The charge would be levied on each counterparty (0.2% on each transaction). It would cover the major institutional financial transactions, but would exclude transactions with the European Central Bank and national central banks lest it prevent the current perilous business of European sovereign financing. Any firm outside the EU conducting a transaction with an EU firm would be liable to the tax on that transaction. "Would it be enforceable?" asks David Newton, Global Financial Services Tax Leader at PricewaterhouseCoopers. "For the non-EU firm, we're not sure that they would volunteer to pay the tax. A lot of financial services groups would be looking to route their business around the FTT territories. In fact, we've already had some conversations about just this." The current wording has tax receipts shared by the member state in which the transaction takes place (which would be responsible for collecting it) and the EU. Though there is a precedent for a European tax (a portion of all VAT in the EU goes to Brussels), the wording of the 30-page Commission directive explains that the FTT "aims at creating a new revenue stream with the objective of gradually displacing national contributions to the EU budget". A further threat to fiscal sovereignty is that the FTT would spell the end of UK stamp duty – the 0.5% levy on all share transactions – as the Commission says that the tax would replace all current and future taxes of that type. This radical position is unlikely to survive further drafts. "The current move towards greater fiscal authority from Brussels does not mean a shift of budget resource – member states will want to keep this democratic," says Lieven Denys, Law Professor at the Free University of Brussels, who led a report by industry experts on the FTT last year. A spokesperson for European Tax Commissioner Algirdas Šemeta told the *S&IR* that the rebate currently received by the UK from Brussels would be protected under the FTT. UK Chancellor George Osborne's objection to the tax is well documented: he argues that the burden would fall disproportionately on the City, where the majority of derivatives business is done in Europe. He has been dismissive of both its merits and its feasibility. But Parliament is less sure. Andrew Tyrie, Chair of the Treasury Select Committee, challenged Osborne's scepticism in a letter last November: "You say that 'it is far from clear that a eurozone-only FTT would gain widespread support', but it is quite possible that it might still be proposed."

> ***"A lot of financial services groups will be looking to route their business around the FTT territories"***

Measuring the impact

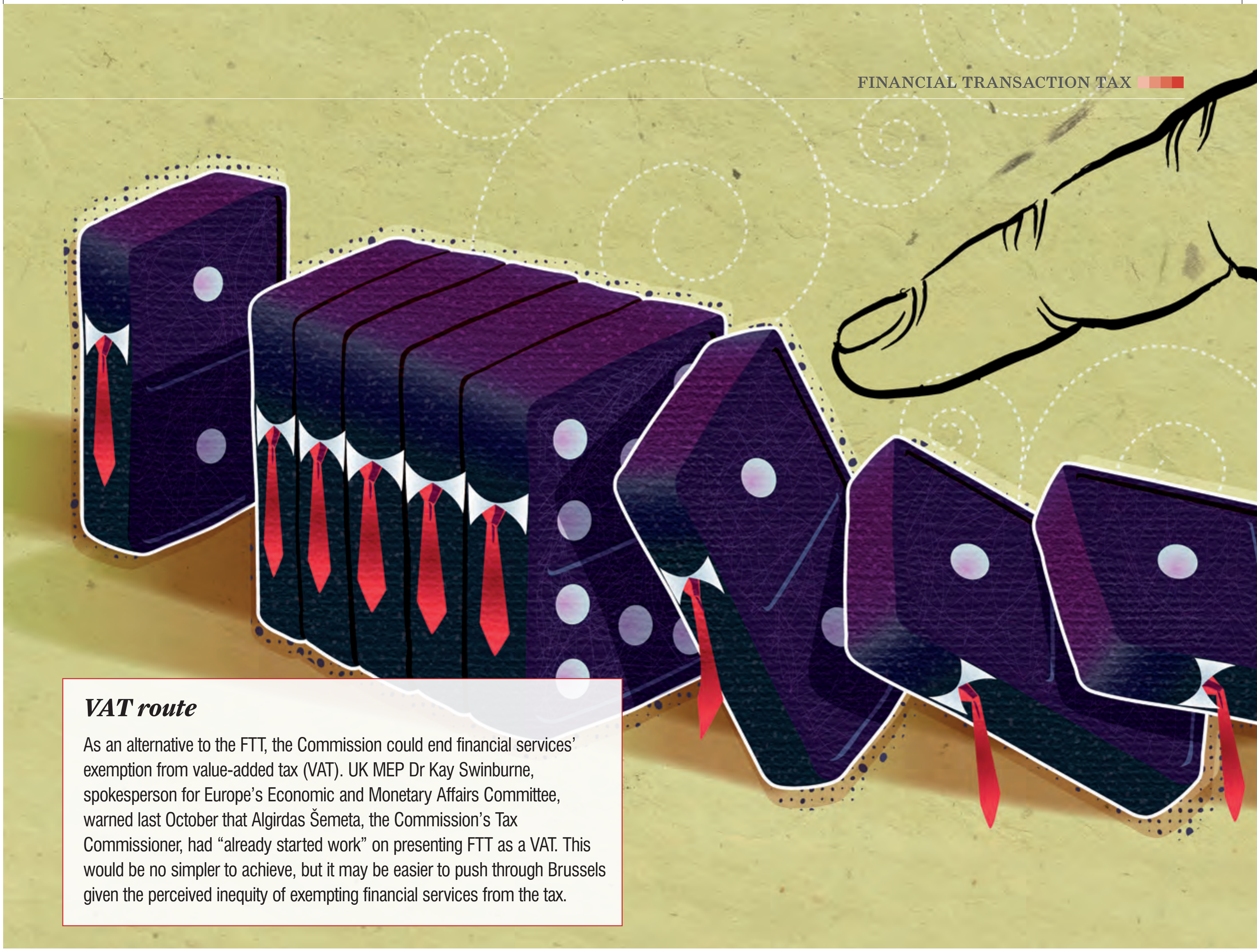
European Commission President José Manuel Barroso claims that the FTT could raise €55bn per year, which is about 0.45% of Europe's GDP (although a closer look at the Commission's impact assessment has this at nearer €45bn on 2010 volumes – nearly two-thirds of which would come from the derivatives tax).

When it comes to the economic cost, the figures are even more confusing. The Commission has estimated that the derivatives tax would wipe out between 70% and 90% of the European industry (making the above revenue estimate, dependent as it is on derivatives, a little fanciful). But the 70% figure is drawn from a 2011 impact study by Stephan Schulmeister of the Austrian Institute of Economic Research that takes the derivatives tax as 0.05% rather than the proposed 0.01% (at 0.01%, Schulmeister estimates a 30% reduction in exchange-traded derivatives).

"It's largely guesswork," says the Institute of Development Studies' Dr Stephen Spratt of the Commission's current impact assessment. It is hard to gauge the accuracy of its long-term assessment of the effect of the FTT on the EU's GDP, which it marks at between 0.5% and 1.76% over 20 years.

Halfway house

German Chancellor Angela Merkel agrees that co-ordinated and international action is preferable, but it appears that there is now a consensus view in Europe that this is not a necessary condition of adopting the FTT. Last month's UK veto on new European legislation could prevent the current draft from becoming law, but Germany has signalled that the 17-country eurozone could go it alone in a pared-down version of the FTT. Šemeta's spokesperson told the *S&IR* that if unanimity were not achieved, a selection of states could adopt the tax by embracing the 'enhanced co-operation mechanism', which allows a minimum of nine member states to operate within European structures without other members being involved. In this case, the EU's Mutual Assistance Recovery Directive (MARD), which is in the process of being passed into UK law, would mean that the UK would have to provide EU neighbours with support in recovering tax due. According to the Commission, some impact on European GDP (see 'Measuring the impact' box) is a fair trade for



VAT route

As an alternative to the FTT, the Commission could end financial services' exemption from value-added tax (VAT). UK MEP Dr Kay Swinburne, spokesperson for Europe's Economic and Monetary Affairs Committee, warned last October that Algirdas Šemeta, the Commission's Tax Commissioner, had "already started work" on presenting FTT as a VAT. This would be no simpler to achieve, but it may be easier to push through Brussels given the perceived inequity of exempting financial services from the tax.

compensating EU member states for the €4.6tn in bailout funds provided to the financial sector during the crisis. The FTT's main target is automated trading by high-frequency traders, even though no one believes that they played a key role in the crisis.

These costs would "erode the marginal profit" at such firms, notes the Commission's directive. It is hard to see how equity high-frequency traders could shift their models seamlessly to the more abstract swap markets; few German or French politicians in Brussels would mourn their passing.

For the derivatives industry, where the majority of the FTT's revenues would come from, firms would wrack their brains for a way round the new tax. There seem to be loopholes in the current directive's wording. Exemption from the tax would be granted, according to the directive, where there is "no link between economic substance of the transaction and the territory of any member state".

"But it might be contestable, in the case of an instrument such as a contract for difference, whether the economic substance of the transaction pertained to the member state," says Dr Stephen Spratt of the Institute of Development Studies.

This same question hangs over whether the levy would fall disproportionately on the City. With the UK likely to opt out of the FTT, the eligibility of the City's derivatives transactions would turn on whether transactions could be related to, say, the economies of adopters such as France, and whether the UK could then be required to collect these taxes under existing EU directives. If not, London could potentially benefit. "Rather than trading French equities, for example, participants might move to trade synthetics of the French equity market, which would likely be structured in London, to avoid the FTT," says Spratt.

Protecting the interests of UK financial services was at the heart of the Prime Minister's veto of changes to the Lisbon Treaty in early December 2011. The first of the FTT drafts was rushed and lacking in consultation; that, in part, explains why it is so radical.

But there is a groundswell of support in Brussels for a tax on financial services; the City should not assume that the FTT is unworkable or that a version that excludes the UK from its signatories would exclude London from its scope. The industry should not rely exclusively on the Prime Minister to represent its interests in Brussels: a co-ordinated communication and lobbying exercise should start now. ■

At a glance: The financial transaction tax

How much? Minimum of 0.1% on shares and bonds and 0.01% on derivatives. The derivatives tax is levied on the notional amount. This means that, if you buy an index future on the FTSE 100 that obliges you to buy securities to the value of £100,000 from another party next January, you will pay £1,000 (0.01% of £100,000) – this could be more than the futures contract itself.

What is covered? Shares, fund units, capital market instruments, money-market instruments, derivatives agreements and securitised and other structured products. Regulated markets, over-the-counter transactions and multilateral trading facilities.

Who is covered? Investment firms, pension and collective-investment funds and their managers, credit institutions, insurance firms, holding companies and special-purposed entities.

Where is covered? If either party is established in an EU member state, both parties are liable for the tax.

Which transactions are excluded? FX spot markets, insurance contracts, mortgage lending, consumer credits and payments services.

The value OF TRUST

If you believe that you cannot put a value on trust, think again. A new report has done just that in a bid to help wealth managers strengthen their business. **Bruce Weatherill** MCSI, whose firm produced the study, explains the key findings

TRUST IS THE cornerstone of finance. The credit crunch showed what happens when the foundation of trust is shaken. So are wealth managers now any better placed to prevent such a decline in trust from happening again, and what can they do to improve the way clients perceive them? A survey by Weatherill Executive Consulting, and sponsored by IBM, of 369 high-net-worth individuals and 285 wealth managers in the UK and overseas, examined what constitutes trust in the relationship between wealth managers and their clients. It looked at the different perspectives of clients and advisers and identified good and bad practice. Achieving 'trusted adviser' status is the ultimate goal for those working in the industry. Based on this survey, for the first time, a value has been placed on attaining this target: a client-centric organisation will be five times as profitable as an 'untrusted' adviser.

> *The message to wealth managers is clear: support your staff if you want your staff to support clients*

The survey

In assessing client satisfaction and trying to measure the extent of trust, it was important to ascertain why clients remain with their wealth manager. Quality of service is the key criterion for both clients and wealth managers, followed by timely and appropriate contact. Portfolio performance and the strength of the association with their relationship manager are seen as the next most important factors. The survey highlighted that there are certain basic elements that wealth managers must get right in order to gain and maintain trust:

- Always being available
- Good communication
- Treating clients fairly
- Following through with a promise to do something
- Taking time to understand a client's needs
- Having pride in their own firm.

Satisfaction levels

Client perceptions have improved significantly since the depths of the credit crunch, when a previous survey of views was carried out. Of those questioned, 49% indicated that they were satisfied with the performance of their wealth manager, up from 28% in 2009. This figure contrasts with the 66% of wealth managers who consider that they have performed well. While this gap in perception between clients and wealth managers about quality of service has narrowed since the last survey, it remains a worrying discrepancy. This is most evident, and is particularly in need of addressing, in relation to those who believe that a wealth manager has 'added value' in the service provided. Of wealth managers, a high 64% – probably rather self-servingly – considered that they added value, but only 38% of clients agreed with them. Just 50% of clients said they believe that their wealth manager has their best interests at heart. Wealth management firms must remember that quality of service delivery should not be measured by what effort they believe they expend, but rather by the satisfaction that the client derives from it. Only 26% of UK wealth managers were rated by clients as 'trusted advisers'.

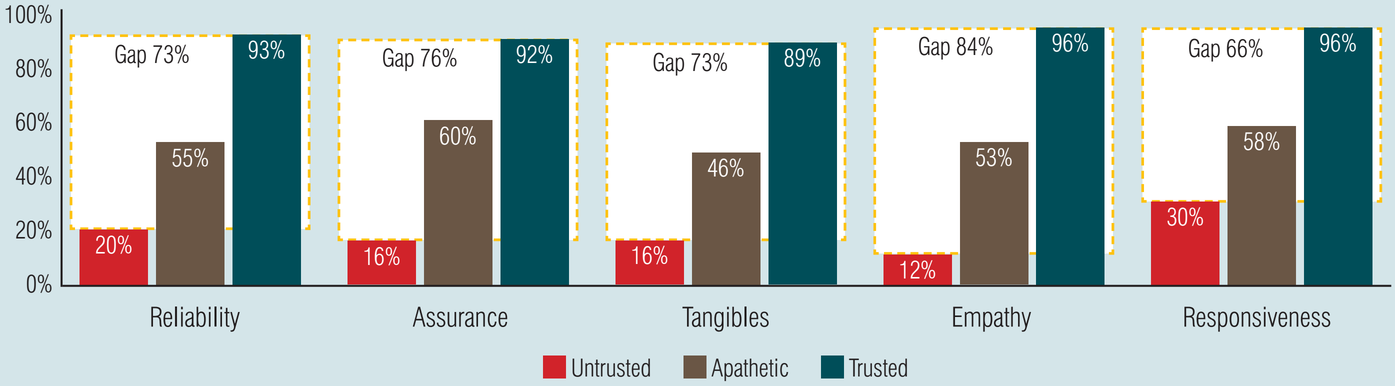
> *To be ranked as a 'trusted adviser', a wealth manager had to score at least nine out of ten on trust in the survey. Those scored by clients at seven or eight out of ten were termed 'indifferent' and anyone who rated six or less was termed 'untrusted'.*

Measuring trust

Trust is traditionally thought of as an intangible concept that defies measurement. However, this study has adapted a proven methodology, allowing wealth managers to measure trust for the first time and identify areas of strength and weakness. This methodology borrows from the RATER system, which can be used to rank any service on the basis of five comparable characteristics:

- **Reliability** (ability to perform services dependably and accurately)

Figure 1: RATER system score by trusted adviser status



Source: Weatherill Executive Consulting

- **Assurance** (employees' knowledge and courtesy and their ability to inspire trust and confidence)
- **Tangibles** (physical facilities, equipment, personnel and communication materials)
- **Empathy** (caring, individualised attention given to clients)
- **Responsiveness** (willingness to help clients, provide prompt service and solve problems).

The survey asked 18 questions relating to each of these five characteristics to measure how well wealth managers were delivering on their service promise and, therefore, how much trust they were inspiring among their client base.

As shown in Figure 1 above, 'trusted advisers' gained much higher scores on each of these measures, with the largest performance gap between 'trusted' and 'untrusted' advisers appearing in the area of empathy. This is a cause for concern, as the RATER analysis has statistically proved that empathy is the single most important driver of trust.

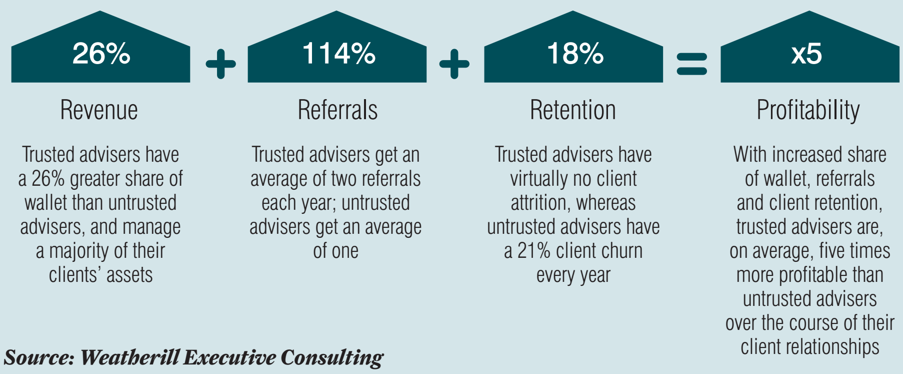
The bottom line

As stated earlier, the study has calculated that 'trusted advisers' achieve five times greater profitability than those who are 'untrusted'. This results from increased revenue, a higher number of referrals and improved client retention (as illustrated in Figure 2).

Key lessons for firms

Many firms have a long way to go to achieve 'trusted adviser' status. In fact, only a third of organisations were rated as client-focused. A key issue that needs to be addressed by the sector is the significant gap between the key performance indicators (KPIs) of wealth managers and those of their clients. The KPIs of wealth managers are largely internally focused and relate to financial indicators, such as cost:income ratio, revenue targets for individual managers and product performance. Those of clients are more emotional in nature and relate to service and feelings, for example rapport with an adviser, a tailored service and level of trust. Organisations need to align more closely the interests of the company, the employee and the client, setting out a vision of what they want to achieve and translating this into a strategy. The strategy should provide the tools and processes that employees need to achieve the vision. This will influence positively how staff feel about the company and their job, driving up quality of service and increasing the frequency of contact a client receives. This, in turn, benefits both client referrals and retention. Firms should be aware that there is an extraordinary correlation between how employees perceive their jobs and the level of trust that they inspire among their clients. While 79% of employees agree that they are proud to work for their organisation, one in five is dissatisfied in his or her role and is, therefore, at risk of leaving. Some 50% of these dissatisfied employees stated that there was no employee retention plan in their firm, so management is unlikely to pick up on their dissatisfaction before it is too late and staff have already left. To ensure that managers recognise employee dissatisfaction early, organisations should focus on defining a programme to reduce staff turnover. Client satisfaction formed an important part of their appraisal or remuneration for less than half of wealth managers (45%), so this is clearly another area that needs management attention. Continuity of the client-adviser relationship is essential to building trust. Research among clients found that trust takes, on average, six years to build. Only one in ten clients comes to trust their wealth manager within two years. It is, therefore, worrying that 56% of wealth managers have been with their organisation for five years or fewer and 78% have been with their employer for ten years or fewer. Indeed, a third of clients have had three or more relationship managers over the past ten years. This underlines the need for wealth managers to retain their key client relationship managers, maintaining their compensation packages at a competitive level. The message to wealth managers is clear: support your staff if you want your staff to support clients. There is no doubt that a number of wealth management organisations are experiencing tough times, with margins under pressure, regulatory costs and requirements increasing and pressure from clients to add value. The findings of this survey show that the answer is not to reduce client service but to deliver to clients what they want and what they value. The 'holy grail' of wealth managers to be 'trusted advisers' really is worth it. ■

Figure 2: The bottom line



Source: Weatherill Executive Consulting

To read a full report on the survey, visit bruceweatherill.com/reports/The-Value-of-Trust-Report.pdf

Bruce Weatherill MCSI
is Chief Executive of Weatherill Executive Consulting. He is Deputy Chairman of the CISI's wealth management professional interest forum

In February 2011, former Lord Mayor Michael Bear launched an initiative to restore trust in the City. At a recent conference, leading figures from the City came together to review progress and identify the way forward

Ethics IN FOCUS

IN SEPTEMBER 2010, Marcus Agius, Chairman of Barclays, and 16 leading City figures signed a letter to the *Financial Times* about the need for "excellence and integrity" in the City and its institutions. This was followed the next month by a conference hosted by the then Lord Mayor, Nick Anstee, and attended by, among others, Sir Win Bischoff, Chairman of Lloyds Banking Group, the Archbishop of Westminster and Frank Field MP. This resulted in the Rt Hon The Lord Mayor, Alderman Michael Bear, in his year in office, introducing his Restoring Trust in the City scheme to look at "practical ways to embed the right values and behaviours in the DNA of every City business and worker". Under the Chairmanship of the then Sheriff of the City of London, Richard Sermon, an advisory board was established containing representatives of key City institutions including employers, professional bodies, the livery movement and the voluntary sector. Within the parameters established for the initiative, a number of working groups were convened. What became apparent was that an enormous amount of work has already been undertaken to promote the high standards of integrity and ethical behaviour for which the City has, historically, been well known and which, in many areas, has never gone away. This is contrary to the impression that is widely held by the general public, so the correction of this misconception, and finding the means to do this, remain key tasks.

Update

The output of the working groups established under the initiative was presented at the Lord Mayor's Conference on Trust and Values. At the event, Professor Paul Palmer from Cass Business School provided results from the first-ever survey of City business voters, undertaken by Cass together with the City of London Corporation. Voters were drawn from businesses located in the City of London, providing a wide spread of viewpoints, particularly regarding ethical issues. The results demonstrated that members of professional bodies tend to feel more confident in handling ethical issues, whereas those who are not members look to their senior management to provide leadership in that area. It is perhaps not surprising that ethical 'resilience' is weaker in large organisations. This is partly a result of a disinclination to challenge authority because of a perceived negative effect on career progression. It was also felt that ethical standards and the reputation of the City would

be enhanced if more consistent action was taken against wrongdoers and if such action was made public. Having said that, there are many reasons why publication of such actions is not widespread – not least the ever-present concern of a subsequent legal challenge. In addition to the voter survey, Cass examined some 50 codes of conduct from a range of organisations. They found that there was a large degree of similarity between the codes; however, there was a wide variation in length, which was deemed to be in inverse proportion to their effectiveness.

Human resources advisory group

Robert Potter, Chairman of the project's human resources advisory group, explained how the group had investigated the development of structures and activities that support the relationship between individual organisations and the City, including the preparation of eight white papers covering key aspects of their investigations. This had led to two significant conclusions: first, that there should be a code of practice for City organisations to strive to achieve; second, that there needs to be a wider promotion of the positive aspects of the City to communities, universities, schools and shareholders. Potter also made the audience aware of the Next Generation Vision, an initiative by TheCityUK, which is the independent body that promotes financial services. The project (see link in the box below) has brought together 21 younger City professionals to develop a new vision for the industry. At the conference, a film was shown that comprised a series of interviews with members of the project, whose views may be characterised by the phrase spoken by one member of the group: "a part of the City, not apart from the City".

> ***Members of professional bodies tend to feel more confident in handling ethical issues***

The professional institutions advisory group

The professional institutions advisory group comprises 14 professional bodies with significant member representation in the City and throughout the UK. It is already heavily involved in the promotion of high ethical standards to its membership and within the industry. Consequently, it was felt that these initiatives and products required higher visibility, which could be achieved most effectively through a dedicated website, Integrity Resources (see link below). This site is populated with all of those products and services that the participating bodies wish to publicise. Additionally, in his role as Chairman of the professional institutions advisory group, CISI Chief Executive Simon Culhane, Chartered FCSI, involved the audience in the Institute's Integrity at Work interactive seminar. Attendees were presented with a real-life dilemma, which they were asked to discuss with their neighbour before choosing the most appropriate course of action using an electronic voting device. The noise volume during the discussion was testament to the level of engagement by the audience.

Investing in Integrity

Philippa Foster Back, Director of the Institute of Business Ethics (IBE) and CISI Board member, introduced and explained the work being carried out on an integrity 'charter mark', a project that is being pioneered jointly by the IBE and the CISI. To gain the charter mark, subscriber firms will be required to undertake an integrity self-assessment. This will cover their ethics code, policies, procedures and practices and will be followed by a formal audit of these areas to confirm whether what the firms think they do, as scored in the self-assessment, is actually undertaken in practice. This was a soft launch of a service that will be available early in 2012 under the title 'Investing in Integrity' (see link below).

Chartered Banker: Professional Standards Board

Lady Susan Rice, Director, Lloyds Bank, Scotland, introduced the concept of the Chartered Banker: Professional Standards Board (see link below). Supported by all the major banks, this body was formed to define a set of ethical and professional standards to which individuals must subscribe at all stages of their career. Importantly, individuals may be sanctioned if they fall short of these standards.

Panel discussions

The audience also benefited from two panel discussions addressing questions relating to the theme of the day, 'restoring trust in the City', and financial services more generally. These discussions revealed that although the audience was confident that it was playing its part, somewhere between the boardroom and the metaphorical 'shop floor' the message about the need for high standards can easily become lost.

Reconnecting the financial and ethical

It was a timely coincidence that Ken Costa, former Chairman of investment bank Lazard International, had been invited to give the concluding address on reconnecting the financial and the ethical, shortly before being invited by the St Paul's Institute to address the means of doing just that. While reaffirming his belief that capitalism remains the best system for wealth creation and raising living standards, he stressed the need to reconnect the financial and the ethical, to reclaim the vocabulary of morality and become comfortable using it; as he said, the general public is more comfortable talking about it than the City is. This is a conversation that needs to be had and heard from the top down and from the bottom up.

Conclusion

Much good work has been carried out already, but this remains a constantly evolving task, in which everybody has a part to play. The decline in reputation and trust will require them to be slowly and progressively rebuilt, with continuous tangible demonstrations by the firms in order to show that they do what they say. Professional bodies, livery companies, employers and employees all have an important role to play in work of a newly constituted City Values Forum, which will promote the exchange of views and information. Most encouragingly, there is an appetite among younger members of the professions to play a part in this challenge to a greater extent than has been allowed in the past. This should be accepted and encouraged as demonstrated by the Next Generation Vision. ■

To read a City of London report on the Lord Mayor's Conference on Trust and Values, visit the City of London Corporation website at cityoflondon.gov.uk

Further information

The Next Generation Vision: *nextgenerationvision.co.uk*
Integrity Resources: *cisi.org/IntegrityResources/index.html*
Investing in Integrity: *investinginintegrity.org.uk*
Chartered Banker: Professional Standards Board: *cbpsb.org*

Need to read

The latest publications and study aids supporting CISI qualifications

NEW WORKBOOK

Combating Financial Crime

The objective of this newly launched qualification is to ensure that candidates have a basic knowledge of the regulations and practices related to combating financial crime.

The *Combating Financial Crime* workbook covers:

- the background and nature of financial crime
- predicate offences
- money laundering
- terrorist financing
- corruption and bribery
- combating financial crime
- the role of the private sector.

Price: £75

NEW WORKBOOK

Global Financial Compliance

The newly launched Global Financial Compliance qualification provides candidates with a comprehensive international introduction to the issues a compliance officer may face.

The *Global Financial Compliance* workbook covers:

- the international regulatory environment
- the compliance function
- managing the risk of financial crime
- ethics, integrity and fairness
- governance, risk management and compliance.

Price: £75

NEW WORKBOOK EDITION

Investment Management

The Certificate in Investment Management is the appropriate, competence-based qualification targeted at investment professionals engaged in managing investments, dealing in/advising on securities or derivatives and undertaking activities as a broker fund-adviser. A new edition of the *Investment Management* workbook (valid for exams from 22 March 2012 to 21 March 2013) covers:

- economics
- financial mathematics and statistics
- industry regulation
- asset classes and investment strategies
- financial markets
- accounting
- investment analysis
- taxation
- portfolio and performance management.

Price: £75

NEW WORKBOOK EDITION

Risk in Financial Services

Risk in Financial Services provides candidates with a broad understanding of the general principles of risk in business, the key risks that arise within the financial services industry, the influence of corporate governance, regulation and codes of conduct, and the approaches that are typically used to identify, reduce and manage specific aspects of risk. A new edition of the *Risk in Financial Services* workbook (valid for exams from 22 March 2012) covers:

- principles of risk management
- international risk regulation
- operational, credit, market, investment and liquidity risk
- corporate governance and risk oversight
- enterprise risk management.

Price: £75

NEW WORKBOOK EDITION

International Introduction to Securities & Investment

The International Introduction to Securities & Investment unit 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 *International Introduction to Securities & Investment* workbook (valid for exams from 21 April 2012 to 20 April 2013) is due out this month and will cover:

- the financial services industry
- the economic environment
- financial assets and markets
- equities
- bonds
- derivatives
- investment funds
- financial services regulation
- taxation and trusts.

Price: £75

ONLINE TOOL

Professional Refresher

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

- anti-money laundering
- corporate actions
- investment principles and risk
- financial crime
- training and competence
- the UK regulatory structure.

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

ONLINE

CISI bookshop

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

Go to cisi.org/bookshop

External specialists

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

There are currently about 300 external specialists who have volunteered to assist the Institute, but more are required.

The CISI would particularly welcome applications from specialists to help with developing its regulatory titles, Corporate Finance Regulation, FSA Regulation & Professional Integrity and FSA Financial Regulation workbooks.

To register your interest, please contact Carolyn Williams on *+44 20 7645 0750* or download the application form at *cisi.org/externalspecialists*

Diary

Events to attend over the coming months

Conferences

28 March Private Wealth Management Conference
Haberdashers' Hall, London EC1

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

CONFERENCE SPONSORSHIP
To consider taking up one of the sponsorship or exhibition opportunities at a conference, please contact Hannah Steele on *+44 20 7645 0648* or email *hannah.steele@cisi.org*

Professional courses

Venue: London unless otherwise stated

- 16 JANUARY Investment Principles & Risk (PCIAM)* £300
- 16 JANUARY Investment Principles & Risk (IAC)* £500
- 16/17 JANUARY Investment Principles & Risk (LSE)* £900
- 18/19 JANUARY Understanding Regulation and Compliance £900
- 26/27 JANUARY Derivatives* £900
- 31 JANUARY Financial Crime Hot Topics £500
- 31 JANUARY Securities* (Manchester) £500
- 1 FEBRUARY Understanding Pensions and Retirement Planning* £500
- 2 FEBRUARY Mastering Communications with Clients and Colleagues £500
- 3 FEBRUARY Investment Principles & Risk (PCIAM)* (morning) £300
- 3 FEBRUARY Investment Principles & Risk (PCIAM)* (afternoon) £300
- 7 FEBRUARY Investment Principles & Risk (PCIAM)* £300
- 7 FEBRUARY Investment Principles & Risk (IAC)* £500
- 7/8 FEBRUARY Investment Principles & Risk (LSE)* £900
- 13 FEBRUARY Securities* £500
- 15 FEBRUARY Investment Principles & Risk (PCIAM)* £300
- 15 FEBRUARY Investment Principles & Risk (IAC)* £500
- 15/16 FEBRUARY Investment Principles & Risk (LSE)* £900
- 21 FEBRUARY Securities* £500
- 22/23 FEBRUARY Derivatives* (Glasgow) £900
- 23 FEBRUARY Investment Principles & Risk (PCIAM)* (Liverpool) £300
- 23 FEBRUARY Investment Principles & Risk (IAC)* (Liverpool) £500
- 23/24 FEBRUARY Investment Principles & Risk (LSE)* (Liverpool) £900
- 6 MARCH Introduction to Financial Markets £500

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

Member and Fellow discounts

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

Extra professional courses discount: make two bookings together and get a 10% discount; three bookings together, a 15% discount; four or more bookings together, a 20% discount.

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

Regional events

31 JANUARY Structured Products and Derivatives in Portfolio Planning
Jersey: The Royal Yacht, Weighbridge, St Helier

2 FEBRUARY Responding to Changing Regulations in Platform Space
Scotland: TBC (Edinburgh)

2 FEBRUARY Responding to Changing Regulations in Platform Space
Scotland: TBC (Glasgow)

3 FEBRUARY Annual Dinner
Guernsey: Beau Sejour Leisure Centre, Amherst, St Peter Port

7 FEBRUARY Making Regulation Work for Your Business
Bristol & Bath: The Thistle Hotel, Broad Street, Bristol

9 FEBRUARY India – Is the Growth Story Intact?
Birmingham & West Midlands: Asha restaurant, Edmund House, 12–22 Newhall Street, Birmingham

9 FEBRUARY The Middle Office: the Impact of New Regulations
Guernsey: The Old Government House Hotel, St Ann's Place, St Peter Port

17 FEBRUARY An Update from the Bank of England
West Country: Bank of England offices, 11–15 Dix's Field, Exeter

1 MARCH Annual Dinner
Northern Ireland: TBC

6 MARCH Financial Crime
North East: TBC

7 MARCH Annual Dinner
East Midlands & Lincoln: Devonshire Place, 78 London Road, Leicester

9 MARCH Annual Dinner
Jersey: L'Horizon Hotel and Spa, St Brelade

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

London CPD events

17 JANUARY Securing the State: FCSI Masterclass with Sir David Omand GCB
Reform Club, 104–105 Pall Mall, SW1

18 JANUARY Europe 2012: Challenges and Opportunities – West End
Royal United Services Institute, 61 Whitehall, SW1

19 JANUARY Europe 2012: Challenges and Opportunities – Canary Wharf
McGraw-Hill, 20 Canada Square, Canary Wharf, E14

19 JANUARY Unweaving the Anti-Money Laundering and Counter-Terrorist Financing System
Gresham College, Barnard's Inn Hall, Holborn, EC1

26 JANUARY Securitising Britain's Mortgage Market
McGraw-Hill, 20 Canada Square, Canary Wharf, E14

21 FEBRUARY European Markets Infrastructure Regulation
SWIFT, 55 Mark Lane, EC3

23 FEBRUARY T2S and the Future of European Post-Trade Competition
SWIFT, 55 Mark Lane, EC3

1 MARCH Into the Folly of Value: Reforming Sustainable Finance
Bank of America Merrill Lynch Financial Centre, 2 King Edward St, EC1

8 MARCH Gresham's Law in Economics: Background to the Crisis
Gresham College, Barnard's Inn Hall, Holborn, EC1

29 MARCH Philanthropy Now – the City's Key Role
Gresham College, Barnard's Inn Hall, Holborn, EC1

A number of CPD events are being held in addition to those listed above. For the full programme, visit *cisi.org/capitalcpd*

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

Professional interest forums

Forthcoming meetings

Tony Bronk, Chartered FCSI

The CISI's seven professional interest forums (PIFs) are a key benefit of CISI membership.

Covering the areas of compliance, corporate finance, Islamic finance, IT, operations, risk and wealth management, these discussion groups meet regularly in the City of London and Canary Wharf to debate current issues and hear presentations from industry speakers.

Events are generally held at midday, with a light lunch provided and time to network.

These sessions are free and open to Fellows, Members, Associates and Affiliates of the Institute. Student members may attend one event of each forum annually.

Tony Bronk, Chartered FCSI, Head of Compliance, Ahli United Bank (UK), who regularly attends PIF meetings, said: "I find the Compliance and other CISI forums a good use of an occasionally longer lunch break. I rarely fail to benefit from some increased knowledge and new perspectives on an increasingly changing environment. Why not try for yourself?"

Forthcoming events

Compliance Forum
25 January: Hot Topics: Round Table Discussion
21 March: Financial Promotions – Unregulated Collective Investment Schemes

Corporate Finance Forum
21 February: Economics

Islamic Finance Forum
9 February: Risk Management (joint event with Risk Forum)

IT Forum
29 February: Legal Entity Identifiers Update

Operations Forum
18 January: Operational Safe Custody and Nominees
28 March: Corporate Actions: Risk and Pitfalls

Risk Forum
19 January: How to Identify Fraud in Your Firm
15 March: Stress Testing, Scenario Modelling and What Really Worries Your Board

Wealth Management Forum
31 January: What Follows the Shock? Economic Cycles and the Five Stages of Grief
27 March: Investment Managers, Financial Planners and Post-RDR Wealth Management

To book on to any of the events listed, please email *pifs@cisi.org*, stating your membership number.

For more information about forthcoming meetings, visit *cisi.org/pifs*

ANNUAL DINNERS

Events attract high-profile speakers

Former BBC Royal Correspondent Jennie Bond and Michael Portillo, broadcaster and ex-Cabinet Minister, were guest speakers at annual dinners staged by two of the CISI's UK regional branches.

From left: CISI Chief Executive Simon Culhane, Chartered FCSI; Jennie Bond; West Country branch President Paul Lewis, Chartered FCSI

Jennie Bond, who reported on royal events for 14 years, addressed more than 70 guests at the West Country function at Exeter Golf and Country Club. Attendees were invited to have a flutter on casino tables, resulting in £530 being raised for Turntable, an Exeter charity that collects unwanted furniture to pass on to low-income families.

Michael Portillo, left, with South Coast branch President Peter Jones, Chartered MCSI

Michael Portillo appeared at the South Coast dinner at the Hallmark Hotel in Bournemouth, which was attended by more than 100 people.

At both events, updates on local committee activities were given by the branch Presidents, Paul Lewis, Chartered FCSI, of the West Country, and Peter Jones, Chartered MCSI, of the South Coast. The CISI's Chief Executive Simon Culhane, Chartered FCSI, and Regional Director Richard Bennett, attended the West Country and South Coast functions respectively.

Membership admissions and upgrades

MCSI
7City Learning
Sean Ring
Aberdeen
Susan Anderson
Acacla
Gopal Lohiya
Adam & Co
Colin Mann
Steven Pennington
Ashcourt
Benjamin Loughnane
Ashcourt Rowan
Crispin Cripwell
Barclays
Andrew Elliot
Daniel Gorton
Andrew Harris
Michael Heyworth
Jason Mustafa Khan
Nicholas Morris
Steven Moss
Tahir Sayani
Toby Sellers
Martin Snowden
Richard Thomas
Bestinvest
Daniel Bland
Thomas Hawkins
BPP
Laurence Seeff
Brewin Dolphin
Scott Brown
Susanne Evans
James Hayley Bell
Carrie Keenan
Lindsay Strachan
Graham Sutherland
Brown Shipley
Graeme Bruce
David Currier
Claire Evans
Thomas Illingworth
Martyn Percival
Rajen Shah
Cardale
Mark Puleikis
CCLA
Mitchell Humphreys
John Kelly
Charles Stanley
Kevin Boland
Lorraine Coombes
Edward Lester
Giles McKean
James Stewart-Smith
C. Hoare & Co
Timothy Bailey
Cinda
Tsz Lan Chua
Citibank
Hugo Peterson
Clariden Leu
Dimitrios Masselos
Close Asset Management
Thomas Comins
Close Brothers
Christopher Ighodaro
Coutts
Gillian Clifford
Mark Cozens
Rebecca Easton
Paul Gauntlett
James Owens
Angelo Rana Noya
Zeki Shenol
Neil Woodrow-Clark
Credo
Richard McCadden
Cunningham Coates
John Costain
Deloitte
Alexander Petrelis
Duncan Lawrie
Stephen Giddins
Gavin Renno
Edinburgh Partners
Stewart McIntyre
EFG Harris Allday
Dominic Curran
Rachael Harper
EFG Private Bank
Sailesh Bhundia
Fairbairn
Alex Jeffries
Carlo Lourenco
Fiske
Matthew Wakefield
Franklin Templeton
Patrick Velay
Gladstone
Anthony Gaughan
Gore Browne
John MacMahon
Haines Watts
Stefan Palenski
Hargreave Hale
Laura Eaves
Hawksmoor
Alexander Boyle
Hillberry Trust
Adam Matheson
HSBC
Charles Boulton
Kevin Bunting
Kenneth Davidson
Joseph Eng
David Griffiths
Sarah Hobby
Norman Jensen
Jessie Kwok
Angus Lang
Piers Lawrence
David Mckenzie
Nicholas Price
Derek Proctor
Christopher Toy
Insight Management
Kieng Chan
Investec
Michael Curran
JO Hambro
John Bellamy
Jeffrey Keen
Oliver Kelton
Edward Novis
Christopher Rose

Membership admissions and upgrades continued

Tomislav Satchell
Claire Wright
James Brearley
Neil Connolly
Jersey Financial Services Commission
Ide-Marie Helie
Martin Toudic
Johnston Campbell
Andrew Burrows
Jupiter
Kevin Booth
Christopher Conway
Killik
James Stell
Lloyds Banking Group
Pankaj Marwaha
Lloyds TSB
Alan Hooks
Macquarie Bank
Rowan Clarke
Man Investments
Terry Hall
Merrill Lynch
Shaheen Ashiq
Firdosh Shaw
Daniele Sironi
Moore Stephens
Clive Dixon
Jilly Mann
Jon Telford
NM Rothschild
Harvey O'Neal
Thomas Yeowart
Neptune
Sian Connolly
Nomura
Andrew Bowley
Odey
Peter Martin
Pershing
Louise McEveley
Plurimi
Bhavin Vadher
Prospect
Julia Young
Psigma
David Kness
Quilter
Tim Healy
Edward Lummis
James McDaid
Rathbone
James Cooke
Clare Gunn
Vince Hawkes
James Ward
Redmayne Bentley
Nicola Loudon
Richard Norman
Reuters
Martin Palotai
Robinson
James Robinson
Rothmans
Andrew Perriam
Rowan Dartington
Kirsty Jackson
Royal Bank of Scotland
Jennifer Canterbury
Sarasin & Partners
Rowena Tudor-Evans
Schroders
Guy Christie
Scottish Friendly
Nichola Montgomery
Seven
Joanna Thow
SG Hambros Bank
Howard Weisberg
Smith & Williamson
Hugh Mansel
Rebecca Shepherd
Target Loan Servicing
Sian McDermott
The First Financial Consultancy
Andrew Chatt

The Share Centre
Elizabeth Rae
Thesis
Tracey Payne
Totalserve
Constantinos Markou
Richard Wernick
Tower Trading
Paul Snell
Towry
Oliver Stainer
UBS
Vedanta Bagchi
Michelle Bates
Graeme Cowie
VSA Capital
Malcolm Graham-Wood
Walker Crips
Nicholas Hawkins
Ian Marsden
Christopher Murphy
Robert Regan
WH Ireland
Brinley Knoyle
Williams de Broë
Charles Lawson
Douglas Spence
James Wallace
Xcap
Peter Glancy
YBSM Partners
Samuel Mendy
Zurich
Aidan Moore
Others
Mahmud Abdulrahman
Moyosola Agunbiade
Michail Chalaris
Letian Chen
Augustine Egbele
Kester Ehiwario
Robert Fortes
Viresh Kosambia
Haoyuan Li
Chien-Chih Lin
Thomas Lins
Andrew Little
Robert Noble-Warren
Sunday Okolie
Sabananthan Paramananthan
Martin Perrin

ACSI

Aberdeen
Simon Cornelius
ABN AMRO
Katy Fallaize
AES
Nicolas Cole
Arbuthnot
Mats Arthursson
Attivo
Lev Kravchenko
AXA
Jimeel Angel
Jonathan Gould
Bank Leumi
Edward Webster
Barclays
Savio Figueredo
Raghavendra Hegde
Tony Mahoney
BNP Paribas
Helen Russell
Brewin Dolphin
Martin Armstrong
Kristian Robinson
Christopher Robson
Andrew Thomas
Samantha Willmot
Brooks Macdonald
Laura Mann
Canada Life
Brian Amess
CCLA
Christina Gardener
Charles Stanley
James Francis

CISI
Robert Cronin
Chiltern Consultancy
Ian Watson
Citibank
Ravi Ramakrishna
CLFIS
Steven Bourne
Cofunds
Michael Wisbey
Conoco Phillips
Elena Mikhaylova
Creechurch
Glen Cochrane
Deutsche Bank
Jason Friend
deVere
Samantha Bowen
Ian Crompton
Edward Davies
David Naughton
Doha Bank
Olayinka Ojewole
Dowgate Capital
Clare Curry
Becky Reid
Karen Williamson
Edison
James Brown
EFG
Edmond Breuer-Weil
Evolution Group
Jessica Tsang
Fairbairn
Susan Christian
Martin Rigg
FXCM Securities
Daniel Lowe
Glenara
Jane Chuttoo
Global Advisors
Adam Kantor
HSBC
Matthew Barrett
Andrew Finlay
Stephen Herbert
Mouna Kammoun
Nick Mangan
Serina Kaur Matharu
Simon Murtagh
Alexandre Robert
Christopher Wilson
Investec
Nick Rowe
Benjamin Thomas
Jarvis
Sebastian Osman
JM Finn
James Macfarlane
Alan Sharpe
JO Hambro
David Chaplin
Victoria Emmerson
Alan Gibbs
David Gibbs
Charles Macfadyden
Algernon Percy
Mark Smith
Edward Stileman
Gavin Thompson
Johngift
Olayinka Arowolo
Iko Bulus
Ahmed Haruna
Godwin Mgbodile
Iliyasu Mysa
Nicholas Nneji
Adolphus Oduche
Sariyu Oladosu
Ebun Olusanya
Adetola Oyo
Julius Baer
Kay Smith
Kyte
Tersia Tame
Lloyds
Sharon Rogers

Lloyds TSB
Matthew McAllister
Benjamin Neville
Hannah-Louise Smith
Merchant Securities
Cormac O'Mullan
Mwana
Lorenz Werndle
National Bank of Canada
James Pridmore
Nomura
Richard Snow
Old Park Lane Capital
Philip Swinfen
Pershing
Drew Green
Alan Reynolds
Rachel Stewart
Plurimi
Anthony Bodenstein
Pretium
Shaun Isaacs
Ben Morris
QIB
Christopher Hunter
Quilter
Leo Hathaway
R&R
Raymond Khoo
Rathbone
Sajmira Cairns
Steven MacGowan
Redmayne Bentley
Kristian Powell
Royal Bank of Canada
Justyna Jackholt
Eliseo Sendon Leston
Michelle Wright
Ruffer
Heena Pitrola
Sanne Group
Hanna Ylijukuri
Santander
Anees Baig
Seneca
Daniel Fallows
Seven Investment Management
Rachel Smallcalder
Simply Compliance
Vanessa Kernick
Standard Chartered
Amanda Keens
State Street
Malcolm Davies
State Trading
Abdulla Javid
Steel Rock
Rupert English
SVS Securities
Gareth Burchell
Ian Callaway
Jonathan Critchley
Thomas Curran
Cameron Dickie
Steven Flintham
Ian Griffiths
Ross Hayden
Alexander Mattey
Gabor Nagy
Kyriacos Nicola
William Russell
Stacy Saber
Benjamin Tadd
Robert Wiegold
Robert Williams
Swisscanto
Paul Campbell
TD Direct
Nicholas Richardson
The Blackstone Group
Nicholas Tassell
Thomas Miller Investment
Dean Whitty
Venture Capital
Jeremy Leggate
VSA Capital
Jessica Pendal

WM Thomson
George Bruce
Others
Mark Ackers
Adewale Dare
Jeremy Heath Davis
Saira-Liane Evans
Amina Faruqui
Paul Humphreys
Weicheng Hung
William Nicholas Norris
Mark Pitman-Rowe
Ravi Ramachandran
John Robinson
Olufemi Shobanjo

Chartered FCSI

Barratt & Cooke
Robert Cator
Brewin Dolphin
Adrian Wasson
FCMB
Balchandra Achary
HSBC
James Lewis
JM Finn
William Doe
Jonathan Holley
Libertas
Natalia North
Premier Fund Managers
Clare Nisbet
PSigma
Daniel Adams
Reserve Bank Of New Zealand
Amanda Miller
Walker Crips
Valentina Kang
Other
William Scott

Chartered MCSI

ABN AMRO
Timothy Duquemin
James Torode
Barclays
Matthew Green
Brewin Dolphin
Philip Brown
Ben James
Hannah Knight
Iwan Price
BRI
Robert Bill
Brown Shipley
Ben Roberts
Cenkos
Robert Tannahill
Charles Stanley
Anjali Roberts
George IDE Phillips
Ian Mellor
HSBC
Thomas Hills
James Sharp & Co
Ian Thompson
Liberum
John Truscott
Raymond James
Roy Swain
RBC
Sumit Sibal
Société Generale
Elizabeth Nelson
Surrenda-link
Gareth Lyttle
Tasheni
Francis Mubanga
Wipro Technologies
Manivannan Kaveripakkam
Janakiraman
Others
Thomas Melliar-Smith

This list includes membership admissions and upgrades from September and October 2011

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

To Helmand AND BACK

Wayne at a checkpoint
Right: Wayne meets BBC reporter Mervyn Jess during a visit to the battalion's base

Serving with the Territorial Army on the front line in Afghanistan was a life-changing experience for Wayne Nickels MCSI. **Lora Benson** reports

Wayne Nickels MCSI

WHEN WAYNE Nickels was posted with his Territorial Army (TA) unit to Nad-e-Ali district in Afghanistan's Helmand province, it was a hotbed of insurgent activity.

But since then, it has become secure enough for coalition forces to hand control of the area over to the Afghan military, with the increased stability translating into a better quality of life for local people.

That is an achievement that Wayne cherishes from his gruelling seven-month tour of duty in Afghanistan with the 2nd Battalion, the Royal Irish Regiment TA unit, in which he is a Captain. The 73-strong unit worked with its regular counterparts from the 1st Battalion, the Royal Irish Regiment, to free the area from the Taliban's grip.

Wayne, an Investment Manager with Cunningham Coates Stockbrokers in Belfast, part of Smith & Williamson Group, says: "Every soldier in our battlegroup played a huge part in the positive development of the area, helping the local people to enjoy economic benefits."

However, Wayne experienced at first hand the human cost of conflict when a young soldier on a patrol he was leading was killed in action. "It brought home the horrors of war," he says. Indeed, across the entire Royal Irish Battalion, three regular soldiers lost their lives, with many seriously injured.

Wayne, who is Vice President of the Chartered Institute for Securities & Investment's branch in Northern Ireland, faced ever-present danger and arduous conditions. "The first few months, when the Taliban were at their strongest, were the toughest," he says. "We were on the go for 19 or 20 hours a day and routinely came under fire on patrol – all while having to contend with temperatures of up to 45°C. However, the hard work paid off as we gained the initiative."

His tour of duty was the first time Wayne had fired a gun – a standard issue SA80 assault rifle – in 'anger'. Wayne says: "Nowadays, the training you receive is so realistic that using a weapon becomes second nature when you are thrown into a conflict situation."

Initially, Wayne co-ordinated all intelligence within the unit about insurgent activity, and that information was used to help plan future operations. With the aid of interpreters, he was also involved in training about 80 members of the

> ***"We were on the go for 19 or 20 hours a day and routinely came under fire"***

Afghan National Army and working with other elements of the Afghan National Security Forces.

A crucial part of the battalion's role was building relationships with local people. "As the area stabilised," he says, "I was placed in charge of activities to improve conditions within the community, including developing roads, rebuilding a school, digging wells and boosting medical facilities."

Back to basics

His home in Afghanistan was a dusty 100-square-metre base, reinforced with blast-proof walls.

He says: "We each slept in a single mosquito-netted bed space within a tent, had no running water, 'washed' out of a solar shower bag, ate daily ration packs and were swarmed by mice, flies and hornets. It was all extremely basic."

Summing up his experience, Wayne says: "It certainly put life into perspective. The small things many of us fret over pale into insignificance compared with what my colleagues and I had to endure and the conditions the Afghan locals face. Many families live in one mud-walled compound with their animals and no material possessions, but still have smiles on their faces. It has made me appreciate everything more."

Wayne's military role may contrast sharply with his day job, but he feels that there are similarities between the two. "As a wealth manager, the most important aspect of our business is the establishment and maintenance of a solid, trust-based relationship with our clients," he says.

"My Commanding Officer in Helmand often said: 'Do the right thing, all of the time' in order to ensure that we 'won' the campaign for the hearts and minds of the local population. This also rings true in the financial world, where it is so important that integrity remains at the forefront of client relationships."

Wayne has served with the TA since 1996 and recommends to readers life as a part-time soldier. "Joining up was the best decision I have made," he says. "I've gained many friends, attained skills that have helped in my civilian employment and in life, travelled and amassed experience and knowledge outside of my comfort zone." ■

For more information about the Territorial Army, visit *army.mod.uk/join/20233.aspx*

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