SECURITIES & INVESTMENT APRIL 2014

REVIEW

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

Banking ON ISLAM

The City has become a centre for Islamic finance, but it must work hard to maintain its position *page 12*

REVIEW

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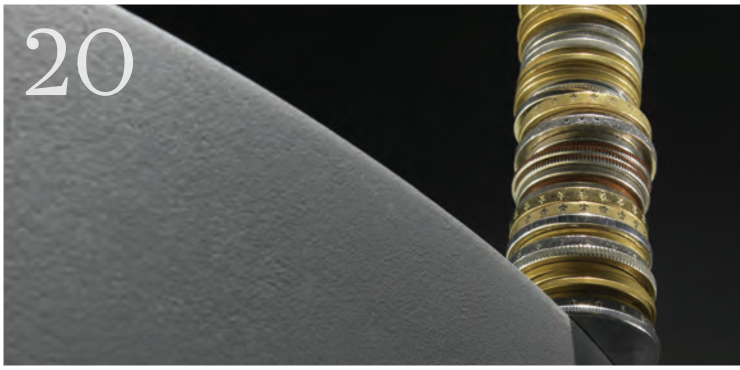


Contents

CISI OPINION

The EU directive on bankers' bonuses plays to public sentiment, but no one will benefit if European banks are at a global disadvantage

Moral outrage or foolish rule?

AS THE BONUS season arrives, this year, for the first time, banks based in Europe will be prevented from paying their top performers a bonus that is more than the individual's annual salary (or twice, with special permission). As a result, many banks are paying some of their staff an additional 'allowance', which looks suspiciously like a mechanism to evade the spirit of the EU directive.

The reaction from the public and media is one of moral outrage, but the banks are in a difficult predicament. Finance is a global business and unless there are rules applied worldwide, then restriction in one region merely handicaps the financial institutions working there. The EU rule does not apply to foreign banks operating in foreign lands, or even in Europe.

So, a salary cap restriction imposed by the EU will simply discriminate against staff working at EU banks, putting these institutions at a major competitive disadvantage.

Market forces

More fundamentally, what business is it of the EU to say how a private firm pays its staff? Why does it wish to impair a specific geographical region? Quite rightly, the EU does not cap the incomes of top footballers; Manchester United pays its top stars whatever it can afford, but the EU is scoring an own goal for its banking industry.

In a capitalist economy, setting pay is something the owners of the business should decide, not government. If the owners don't like the size of the payment structure, they should say so and instruct their managers to change it.

However, in order for the owners – or the shareholders – to make that decision, they need to see the data. This means greater transparency on the size and number of the bonus pool. The CISI has long argued that bonus payments more than twice the average annual salary (ie, £54k) should be published, in bands, in a firm's annual report, just as directors' emoluments are currently shown.

An argument for intervention is that the financial crisis has shown the need for the taxpayer to provide, or ability to provide, financial stability and so government has a right to intervene. However, Chancellor George Osborne already applies a bank levy for just that reason, which raises £2.5bn a year.

Politics of envy

Bonuses are a legitimate and useful management tool. However, such is the growing toxicity of the term that any mention of it provokes public moral outrage, although there is universal approval for John Lewis staff receiving a bonus, this year at 15% of salary.

The kernel of the problem is that in the public's eye, the banks are either wholly or significantly responsible for the financial crash and consequent five years of austerity. Therefore, many feel passionately that it is wrong for any banker to receive a bonus, irrespective of the fact that the bankers who are to blame have long since departed and others need to be rewarded for clearing up the mess.

> ***The European Union is scoring an own goal for its banking industry***

This view from the heart has an emotional resonance with the public, but legislators should use their heads and avoid the politics of envy. The EU wants and needs the most talented to help fix the banking problem, recover the money for the taxpayer, build up the capital, restore the balance sheet and lend again. If banks working in the EU are restricted from paying the market rate for top talent, then we all lose.

Used as intended, the bonus system makes the cost structure of an organisation more variable and reduces operational gearing, which is particularly important in a volatile industry.

A more persuasive argument for external intervention is that having a high ratio of bonus to salary distorts behaviour by making the reward so large. This was a strong point in the past, but has been negated by the significant changes made in the payment of bankers' bonuses since 2008. These include multi-year vesting, with a significant proportion being paid in shares and clawbacks; the latter allowed Barclays and RBS to recover more than £600m from its staff's pre-vesting bonus as a penalty for the LIBOR scandal. Lloyds, too, clawed back many millions from its senior executives over the payment protection insurance scandal.

The EU bonus cap is an ill-judged and foolish intervention; it creates a dangerous precedent and impedes European banks. It is no wonder that banks are observing this foolish law by letter, rather than spirit. ■

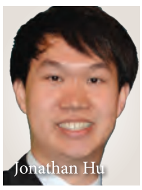
Upfront News and views from the CISI

RECOGNITION

Annual Awards confirm Institute's global standing

From left, Joice Tjen, Manish Jajodia and Mei Hui Tan, joint winners of the overall Investment Operations Certificate award

Martin Ericsson, left, receives the overall award for the certificate in Corporate Finance, one of his three prizes, from Sir David Howard FCSI(Hon), Chairman, CISI Examination Board



The CISI's global reach was highlighted at its Annual Awards for top exam performers.

Of 96 prizewinners honoured at the ceremony at Mansion House, London, a record 20 were from outside the UK, including from India, the UAE, Singapore and, for the first time, France.

Awards were given in 54 categories with the winners being selected from takers of nearly 37,000 exams in 74 countries.

There was a strong UK regional flavour, led by Scotland, which had three award recipients. Awards also went to candidates from Manchester & District, North East, South Coast, Bristol & Bath, Birmingham & West Midlands, Guernsey and Jersey.

HSBC was the firm celebrating the highest number of winners, with six of its employees picking up eight prizes between them.

CISI Managing Director Ruth Martin said: "With public interest and scrutiny in the financial services sector continuing, the outstanding results of our award winners serve as a beacon of professionalism and excellence and we are delighted for them."

The exclusive sponsor of the CISI's awards was RBC Wealth Management.

Award winners

Three candidates from outside the UK shared an overall award for the Investment Operations Certificate (IOC), a globally established CISI qualification for administration and operations staff.

They were **Mei Hui Tan** and **Joice Tjen**, from Singapore, and **Manish Jajodia**, from India. Mei Hui is an Associate in Wealth Management Operations at Morgan Stanley and Joice is an analyst at Royal Bank of Scotland.

In addition to his success in the IOC, Manish, Subject Matter Expert for Reconciliation at HSBC Electronic Data Processing in Kolkata, won the Exchange-Traded Derivatives award. Highlighting the benefits of achieving "globally recognised certification" through the CISI, Manish said: "Undoubtedly taking these qualifications puts the candidate in a better position than their peers."

The highest achievement in the IOC was awarded in memory of Pen Kent FCSI(Hon), a long-standing Honorary Fellow of the Institute who passed away recently. He had a distinguished career at the Bank of England.

There were two further winners from Singapore of the Over-the-Counter Derivatives award – a unit of the IOC – which was shared by seven candidates. They were **Wenjie Eddy Boo** of DBS Bank and **Raghuraman Uthaman** from Barclays Capital. Raghuraman said studying for the CISI qualification had "definitely given me an edge over other analysts in terms of market and product knowledge".

Steve Wagner, Corporate Strategy Manager at Lamprell, a Dubai-based oil and gas construction company, was the first winner of the ICAEW/CISI Diploma in Corporate Finance. He also secured the prize for Corporate Finance Strategy & Advice – one of two exams that form the Diploma. He said: "The qualification has specifically helped me to perform my role by building my understanding of the Listing Rules and Takeover Code, both of which are central to working for a listed company."

Steve faced the challenge of relocating to Dubai and juggling a number of projects while sitting the exams.

Among UK-based winners, there was a hat-trick of successes for **Martin Ericsson**, an analyst at Lazard in London. He was joint top scorer in both the Corporate Finance Regulation and Corporate Finance Technical Foundations subjects and was overall winner of the Certificate in Corporate Finance Award.

Martin said that CISI qualifications "set you off to a good start by covering broad and useful topics relevant for most positions in the financial industry".

Picking up two awards was **Robin Ellis ACSI**, a Trainee Investment Manager at Smith & Williamson in London. He secured prizes for Financial Markets and Securities (Investment Advice Diploma).

In the education sector, the winner of the Certificate for Introduction to Securities & Investment (Schools) Award came from Jersey. He was **Lewis Young** from Hautlieu School in St Saviour.

Jonathan Hu from University College London picked up the Introduction to Investment (Education) prize.

For a full list of award winners, see page 28.

49 The number of sukuk – or Sharia-compliant bonds – that have been issued via the London Stock Exchange Group. For more on Islamic finance, and the virtues of the City, turn to page 12

MEDIA

The *S&IR* is changing

Exciting changes are being made to the *S&IR* for the benefit of CISI members around the world.

Next month a tablet- and smartphone-friendly digital edition will be introduced, which will be updated on a weekly basis.

Then, in June, the first issue of a bigger and more engaging printed edition will be sent to full members. Produced every three months, the magazine will include the CISI's new academic journal, *Review of Financial Markets*, which first appeared in the March issue of the *S&IR*.

CISI Chief Executive Simon Culhane, Chartered FCSI, said: "The CISI prides itself on an extensive range of professional membership benefits and we continually review our offering to ensure all CPD opportunities remain relevant and up to date. We have consulted with members to find out what you like and dislike about the *S&IR* and that feedback has been invaluable in enhancing an already popular magazine.

"With our publishing partner, Wardour, we have developed an innovative programme that blends digital and print channels and will deliver around a third more editorial content. The print edition will serve as an authoritative journal of record, exploring trends within the financial services industry, while the digital edition will enable us to be more nimble and responsive in our coverage."

For more information, visit *cisi.org/sireview*

PUBLICATIONS

Change – the regulatory update

The latest edition of *Change* – the CISI's regulatory update – is out this month. It is an important source of information on current and future regulatory changes in the UK, EU, US and globally for UK firms. It is also a good read for anyone interested in regulation.

The last three months have seen the start of many new obligations for firms. In the UK, there have been changes to platform remuneration, conflicts and inducements, the PRA Rulebook and FCA policy towards the wholesale sector.

"But the most dramatic development is in the EU, where some important regulations and directives have been agreed between the Parliament, the Council and the Commission," says Christopher Bond, Chartered MCSI, Editor of *Change*. "These include Mifid II, the Market Abuse Regulation and UCITS V. The names may sound technical, but the practical impact will be felt by all in the future. So get on with those gap analyses and prepare for the changes!"

The latest edition will be available from 9 April at *cisi.org/change*

OBITUARY

Peter G B Wills TD FCSI(Hon) 1931–2014: A City Life

Peter Wills was a man of many parts: a distinguished military man, a pillar of strength and integrity in both the old Stock Exchange and in the City after Big Bang, and a mentor to politicians trying to understand the City. But he will be remembered most as a loyal and caring friend to the large number of people he worked with in the City in his 50 years as a member, first of the London Stock Exchange, then the Securities Institute, then the CISI, where he was an Honorary Fellow.

After attending school at Malvern, Peter carried out National Service with the Royal Inniskilling Fusiliers, serving in Northern Ireland and Korea. He then served for 15 years as a territorial with the London Irish Rifles, and was awarded the Territorial Decoration. Following National Service, Peter studied at Corpus Christi, Cambridge, taking an MA degree; in 1955 he began his career in the City, joining Sheppards and Chase, where he became a partner in 1960. He specialised as a money broker, a rare and select group within the Stock Exchange, who had an important role within the economy of ensuring the day-to-day liquidity of the money market and the jobbers. Peter was Chairman of the Money Brokers Committee of the London Stock Exchange from 1985–89. He was proud to be one of the few individuals allowed a personal account at the Bank of England.


Peter Wills FCSI(Hon), left, pictured greeting the Duke of Edinburgh on a visit to the Stock Exchange during his tenure as a Deputy Chairman of the organisation

Peter was elected a member of the Stock Exchange Council in 1973, and in 1979 he was appointed to serve three years as a Deputy Chairman. It was a particularly interesting and important time to take this role, as the Stock Exchange was under heavy fire from the Government, which was introducing the Restrictive Practices legislation that led eventually to the major City changes known collectively as 'Big Bang'.

Peter had no time for unnecessary regulation. Indeed, there is a story that he suggested that the extremely long Stock Exchange Rule book should be reduced to one rule: "Members of the Stock Exchange shall behave like gentlemen." However, this did not gain acceptance when it was suggested that it should be qualified by: "This rule shall not apply to the gilt-edged market!"

Peter was a founding Director of the Securities Institute (membership number 3!) and, as Chairman of the Membership Committee, attracted more than 8,000 applicants in the first year – a remarkable achievement considering that the membership of the London Stock Exchange had been less than 5,000. Peter was also a director of the Securities and Futures Association and of Liffe.

Peter was well known for his role in mentoring politicians in the ways of the City, particularly Mo Mowlam and Tam Dalyell. He was also a specialist adviser to the Social Security Committee of the House of Commons.

CAREERS

Institute launches CISI Jobs Online

The CISI has launched a new online jobs board that allows both members and non-members globally to search for, and place, new vacancies in the financial services industry. CISI Jobs Online can be accessed via the CISI website **cisi.org** and is an easy-to-use jobs portal that links qualified professionals in the financial services industry with firms and recruiters searching for employees.

Key benefits are:

Individuals
- Allows CISI members and non-members globally to upload anonymously their CV and cover letter to the system's database at no cost
- Sophisticated system matches candidates to employers
- Job alerts to fine-tune search
- Monthly jobs email listing the latest jobs
- Career management capabilities for careers searches.

Corporates
- Online registration, jobs posting and payment facilities
- Pre-screen capabilities to filter qualified candidates
- Online tracking and management
- Messaging system to facilitate communication with job-seekers
- Access to a database of the registered users' CVs
- Online access to statistics and reporting
- Opportunity to place advertisements on banner space.

CISI Managing Director Ruth Martin said: "We have spent some time working with our partner Jobtarget to produce CISI Jobs Online to enable members, non-member job-seekers and employers globally to engage, knowing that they will be reaching professionals in the industry that other commercial jobs boards simply cannot reach.

"As the professional body for the securities and investment industry for the last 22 years, we anticipate that CISI Jobs Online will be seen as the natural place to go to for career development in our global industry."

ONLINE

BEST OF THE BLOGS

1 tinyurl.com/moneybeat
Given recent uncertainty in equity markets – compounded by the prospect of unwinding quantitative easing in the US – the crisis in Ukraine has had little impact on the markets. For a list of comments and reaction from around the investment world, read this post from the *Wall Street Journal*'s Money Beat blog. It features comment from researchers, analysts, fund managers and economists, with many adopting a speculative mind-set on the severity of any sanctions imposed by the West.

2 tinyurl.com/blackrockuk
If you would rather trust the views of one person, then who better to trust than Russ Koesterich, Chief Investment Strategist at BlackRock? Given that few people can accurately say what will happen in the Crimea, Koesterich argues, there may be less volatility in the markets if the Federal Reserve continues to taper its bond-buying programme. He concludes: "Little risk is currently priced into financial markets, as it's clear that investors aren't prepared for a major geopolitical confrontation."

3 tinyurl.com/globei
For investors who are convinced of an extended military stand-off between Russia and Ukraine, Cliff Wachtel at FX Empire may be able to help. Wachtel identifies several losers in such a scenario, including Boeing, Renault and Royal Dutch Shell, which all have interests in the area. Winners include weapons makers and holders of US Treasury bonds.

For more on emerging market chaos, turn to page 20.

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

PROFESSIONAL FORUMS

Wealth management


Peter Legg

The importance of inheritance tax planning as an element of wealth management was highlighted at a recent professional forum meeting.

Peter Legg, who has spent 18 years working in the Inheritance Tax Office with HM Revenue & Customs (HMRC), provided his expert insight. He outlined to Wealth Management Forum members the politics of inheritance tax, provided an update on regulatory changes and reminded attendees of the details of tax incentives and solutions that have stood the test of time.

The forum, held at the offices of legal firm Freshfields Bruckhaus Deringer in Fleet Street, London, considered current negative sentiment towards tax planning and attempted to set the record straight. The speaker emphasised that wealth managers should consider sensible tax planning, applying the rules laid out by HMRC's office, for all clients.

For information on forthcoming meetings of the CISI's six professional forums, visit *cisi.org/pf*

EDUCATION

Big book giveaway for Guernsey students


Pictured at a book presentation at Guernsey Grammar School are, from left, Alex Cannon, CISI Head of Educational Development, Richard Conder, States of Guernsey Education Board Member; Fionnuala Carvill, Chartered FCSI, CISI Educational Trust Board Director and CISI Guernsey branch committee member, two students and Julian de G Parker, Chartered FCSI, President, CISI Guernsey branch

The CISI has given 1,700 copies of *#yourmoney* to Year 12 and 13 students at secondary schools and the College of Further Education in Guernsey.

The giveaway of the book, which was sent to schools by the States of Guernsey's Education Department, was sponsored by the local branch of the CISI and the Institute's Educational Trust.

Written by Jeanette Lichner MCSI, the book is in its second edition and is aimed primarily at under-25s. It offers a plain-speaking guide to earning, spending, managing and saving money.

In addition to receiving the books, some Guernsey schools received a visit by Alex Cannon, the CISI's Head of Educational Development. Alex gave a short talk to students on financial literacy.

BACK STORY

Stephen Pinner, Chartered FCSI, Managing Director, Goodacre UK

"Three years, three days a week, and for three hours at a time..." Listening to Stephen Pinner, Chartered FCSI, talk about his training in the 1970s to gain access to the stock market floor, you get a sense of the hard grind of stockbroking in a time before computers handled clearing, executing orders or determining prices.

Stephen had wanted to pursue a career as a stockbroker to be like his uncle, Ted Goodacre, a partner at Robert Wigram. Yet he wasn't keen on exploiting the family link. "And how foolish was I," he jokes. After gaining his qualifications with brokers Strauss Turnbull – working during the day in the back office – Stephen turned up for his first day at the dealing desk. But there was a snag: the desk he had been promised was occupied by a new recruit – a man who had previously worked as a waiter at the senior partner's favourite restaurant.

The experience didn't deter Stephen and he soon found work at Centre-file, a subsidiary of NatWest. Tellingly, the company was involved in building the first real-time system for stockbrokers. A new world was beckoning, where there was no place for the likes of open outcry or, for that matter, brazen nepotism.

"I spent 14 years there and we ended up handling half of the stock exchange's trades," says Stephen. "It was a huge success and a great opportunity to keep in touch with the broking side."

By the mid-80s, Stephen found himself at the centre of the technical revolution that underpinned much of Big Bang, in his role on the board of FiCS, a subsidiary of the brokers Hoare Govett. He says: "Margaret Thatcher had to liberalise the City and the new regulations worked to a point – but the thing that had to happen was the technological revolution. Overnight, almost, the market trading floor disappeared."

> "Overnight, almost, the market trading floor disappeared"

Hoare Govett's part in that technological revolution was to develop the UK's first clearing system. But Stephen fell victim to the firm's success. "My job was to sign up new business, but we had to slow down on sales because the system couldn't cope with demand," he says. "In the end there was not much for me to do."

By 1987, Stephen had decided to set up his own settlements business – called Security Settlements Plc. The firm needed to raise £3m, which it won from management and two investors. "The only problem was that we launched in the week of the '87 crash," he explains. "Our business plan said that we needed only a couple of customers – after the crash, we needed about 20. We got them, but it cost so much to set up each that we quickly went through the capital. The owners wanted to sell and in the end the company was bought by Société Générale – it is still going today."

Following a spell as a consultant to several wealth management firms, Stephen set up the consulting firm Goodacre UK in 1998 – its name an obvious nod to Uncle Ted. Goodacre advises regulated firms how to set up and run their businesses, and has a particular specialisation in training, technology, recruitment and, perhaps fortuitously in these times, regulation.

Stephen obviously still enjoys his work enormously. He also has a word to say to those who constantly grumble about new regulations. "The market needs to be regulated," he says. "If you don't like it, maybe you're doing something wrong!"

Stephen Pinner

Managing Director, Goodacre UK

Do you have a back-office story?
rob.haynes@wardour.co.uk

FEEDBACK

Your say

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

Dear *S&IR*,
I found the article 'Ten ideas to shake up pensions' (*S&IR*, March) very informative. However, I would like to point out that the author's call for the removal of the requirement to purchase an annuity at age 75 has already been heeded by the current Government. The requirement to annuitise was abolished with effect from 6 April 2011.

In addition, individuals can obtain a retirement income from their accumulated defined contribution pension funds by using income or pension drawdown. There are two types of drawdown available – 'capped' and 'flexible' – and readers who would like to learn more can visit the publications section of The Pensions Advisory Service website. Finally, the March 2014 Budget announcements, proposing greater choices for retirees will (if implemented) transform the options available to those approaching retirement. The implications of these significant changes will be a very suitable topic for a follow-up article.

Paul Dawson, Chartered FCSI, Senior Compliance Manager, Business Compliance, Fidelity Worldwide Investment

Dear *S&IR*,
Until sometime last year, it was possible to prove one's identity for anti-money laundering purposes using a bank-certified copy of a passport as of one of two required documents.

I have recently learnt that, due to new regulations, this is no longer an option. Neither NatWest (with whom I have banked for over 50 years) nor Lloyds were prepared to certify a copy of my passport. The reason? They would be unable to ensure the destination of the copy or control how it could be used or who would be relying on it.

For existing or potential investors who wish to open new accounts and who live far away from the relevant bank or investment adviser, this is a major drawback.

Rather than commit their passport to the post, they might well choose not to invest – a loss to both them and the investment community. I hope that one day common sense will prevail and this important service will be re-introduced.

P.H.S. Kelley FCSI, Brewood, Stafford

EVENTS

Guest speakers entertain at branch dinners

Heard the one about the comedian, the sports star and the MP? No, it's not a joke – they were the speakers who entertained guests at three CISI branch annual dinners.

- Comic Patrick Monahan appeared at the Jersey branch event at L'Horizon Hotel, St Brelade where £3,565 was raised for Teenage Cancer Trust. Nearly 200 guests attended, including: Senator Ian Gorst, Jersey's Chief Minister; Sir Michael Birt, Bailiff of Jersey; and John Harris, Director General, Jersey Financial Services Commission.

- Former snooker player Willie Thorne was in the frame at the East Midlands & Lincoln dinner in Leicester, which was attended by 79 people. The event raised £1,210 for Rainbows Hospice for Children and Young People in Loughborough, of which he is a patron.

- The Northern Ireland branch dinner attracted nearly 80 guests and featured Sammy Wilson MP MLA as speaker. The event was held at Queen's University Belfast, and for the second year running, prizes were presented for the Northern Ireland CISI Investment Management Award. First prize was won by Aisling Armstrong from University of Ulster.

To find out about forthcoming CISI branch events, turn to page 27 or see **cisi.org/events**

Jersey: branch President Paul Clifford, Chartered FCSI, left, with comedian Patrick Monahan

East Midlands & Lincoln: from left, former snooker player Willie Thorne, Claire Herrick, Rainbows Hospice, CISI Managing Director Ruth Martin and East Midlands & Lincoln branch President Jonathan Wernick ACSI

Northern Ireland: from left, CISI Director of Global Business Development, Kevin Moore, Chartered MCSI; Professor Marie McHugh, University of Ulster; Sammy Wilson MP MLA; Aisling Armstrong, Investment Management Award winner and Northern Ireland branch President Wayne Nickels, Chartered FCSI

INDUSTRY RECOGNITION

Redmayne-Bentley wins Stockbroker of the Year award

Redmayne-Bentley, a long-standing supporter of the CISI, has received the title of Stockbroker of the Year 2014 at the City of London Wealth Management Awards.

The award, which was voted for by members of the general public, recognises the quality of service the firm and its 40 branches across the UK and in the Republic of Ireland provide to its clients.

CPD

The binary buds of may

Keith Bear

Stephen Christie

May is a bumper month for IT in the London CPD calendar. At an extended session at IBM's UK headquarters on 8 May, Keith Bear, the IT giant's Director of Capital Markets, will lead a session on how far 'big data' can protect the capital markets from 'Michael Fish moments'. This refers to the BBC weather announcer's horribly wrong assertion on primetime British TV in 1987 that rumours of an imminent hurricane were unfounded. Such a mistake would have been stopped in its tracks by today's computers – or would it?

Roy Zimmerhansl, HSBC's revered Global Head of Securities Lending, will address key developments in his field on 21 May. Much of this will centre on better deployment of IT to cope with aggressive new regulation.

On 27 May, Steve James, Digital Consultant at the cutting-edge digital firm MRM, will show how engaging with social channels is rewarding, easy to control and helps to nurture business relationships.

On 29 May, Dr Stephen Christie, Senior Partner of Neural Insights, will lift the lid on 'behavioural analytics', arguably the buzziest new opportunity for finance in the 2014 IT lexicon. Dr Christie brings a wealth of industry knowledge – he was formerly Global Managing Partner for Accenture's FS Finance and Performance Management Practice, and Global Lead Partner for Risk Management at Deloitte.

QUICK QUIZ

Test your industry knowledge

Illustration: Cameron Law

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

☛ Answers are on page 29.

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

Q1. What is the maximum prison sentence for a person with a summary conviction in a Crown Court for the offence of tipping off?
A) Six months B) Two years C) Five years D) 14 years

Q2. Which ONE of the following is a principle that must be complied with under the Data Protection Act 1998?
A) Data can be freely transferred to other countries B) Data must be kept for a minimum of ten years C) Data must be fairly and lawfully processed D) Data can be obtained for any purpose

Q3. What is one of the purposes of Mifid?
A) To provide a passporting framework for financial services firms across the EEA
B) To regulate investment exchanges throughout the EEA C) To supervise firms' systems for client money D) To monitor firms' minimum funding requirements

Q4. Which of the following agencies is responsible for developing and promoting policies to combat money laundering and terrorist financing?
A) Financial Action Task Force B) Financial Stability Board C) International Monetary Fund
D) World Bank

Politics, politics

Christopher Adams examines how a prolonged stand-off between the Ukraine and Russia may affect oil and gas prices

POLITICAL RISK IS back. Russia's incursion into Ukraine has propelled geopolitics to the forefront of investors' minds. The biggest question for traders hangs over energy: what does rising tension with the West – and possible military conflict with Ukraine – mean for the oil and gas markets?

Russia is the world's biggest producer of oil and natural gas. Yet the impact of the Ukraine crisis on prices has been remarkably muted. Set aside a brief spike in oil prices in early March and energy markets have stayed calm. But if the crisis escalates, all bets are off.

There are a number of ways that prices of oil and gas could be affected.

The first is via disruption to Russian supplies across Ukraine to Europe. Ukraine's role in transporting Russian gas to western markets has been front-page news before, most recently in 2009 when Moscow halted supplies.

Usually, such disruption has been due to wrangling with Kiev over what it pays for its own supplies. Predictably, Gazprom, Russia's state-controlled gas giant, has already hinted that it could stop shipping gas to Ukraine over unpaid bills, which may mean reduced flows to Europe.

Piping down

Russian crude oil also travels across Ukraine, along the Druzhba pipeline. Roughly 10% of the 3m barrels of crude oil exported per day by Russia to Europe travels via the pipeline's southern spur, which crosses Ukraine. Alternative supply routes exist, but the risk of disruption is real for Hungary, the Czech Republic and Slovakia. On its own, this might be expected to support or even propel prices beyond current levels in the European crude market. Right now, though, the bigger supply picture weighs more heavily on the market.

Indeed, output from Opec and non-Opec producers is rising strongly. The most recent data from the International Energy Agency shows that in February, global oil supplies rose by 600,000 barrels per day (b/d) to 92.81m, led by a charge from Opec. A dip in Libyan output has been more than offset by Iraqi production surging to its highest level in 35 years.

There is the possibility that US and EU sanctions on Russia could increase, extending beyond visa bans to, for instance, more punitive steps that would harm the country's banks. But a ban on buying Russian crude oil and gas looks unlikely for now, since it would hurt the west as much as it would Moscow.

Testing times

In fact, the crisis could depress prices. How so? This looked unlikely until Washington announced an unusual – and, officially at least, unrelated – decision to release oil from the US Strategic Petroleum Reserve (SPR). The move, described as a 'test', is the first release from the reserve since 2011 – during Libya's civil war – and the first to be described as a test since 1990. If there is a message behind the move, it was not lost on traders.

The view in the market is that Washington was sending Moscow a signal about action it could take if Russia fails to pull back its troops. There is little doubt that an SPR release

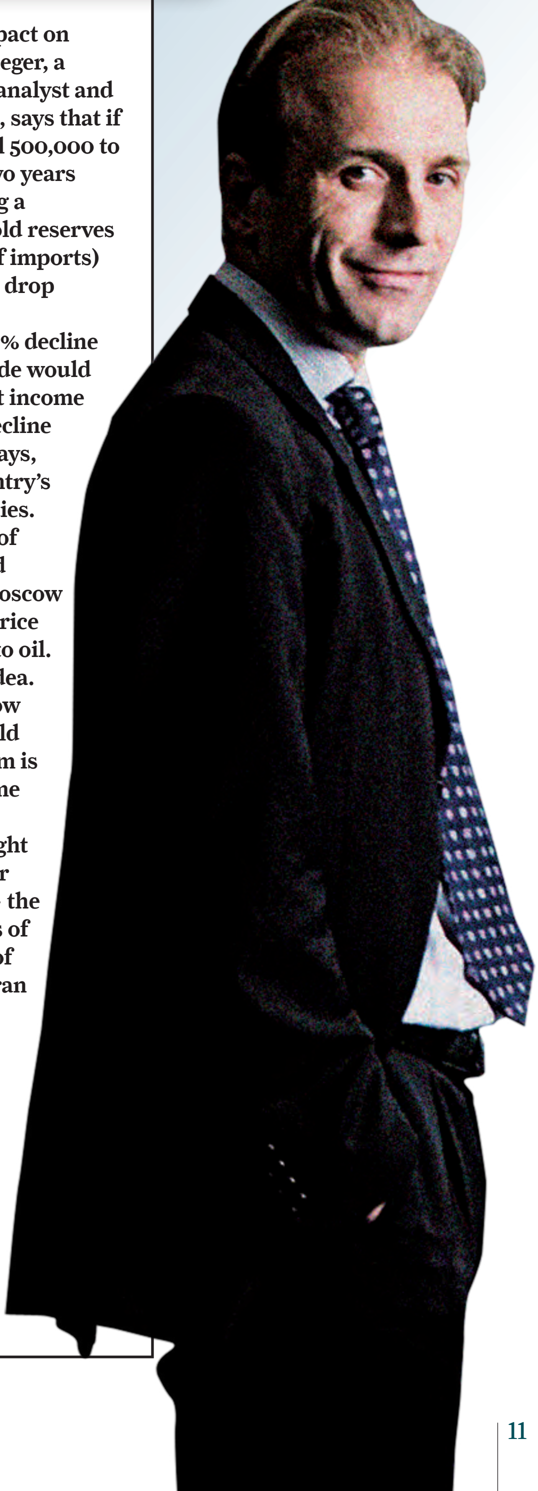
> *A 10% decline in the price of crude oil would hit Russian exports*

would have an impact on prices. Philip Verleger, a respected energy analyst and former US official, says that if the US were to sell 500,000 to 750,000 b/d for two years (while maintaining a commitment to hold reserves equal to 90 days of imports) the oil price could drop \$10–\$12 a barrel.

That roughly 10% decline in the price of crude would hit Russian export income and worsen the decline of the rouble, he says, adding to the country's economic difficulties. European buyers of Russian gas would benefit because Moscow seeks to link the price of its gas exports to oil.

It is a striking idea. The question is how Saudi Arabia would react. The kingdom is unlikely to welcome a sharp fall in oil prices, though might go along with it for political reasons – the Saudis are no fans of Moscow because of its alliance with Iran and support for Syria's President, Bashar al-Assad. The test release suggests the odds on such a move have shortened. ■

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



Following ISLAM

With its advanced banking services and legal sector, London is the ideal location for Islamic finance to flourish, finds **Chris Alkan**

THE BRITISH GOVERNMENT is willing to bend over backward to bolster London's status as a global financial centre. The promotion of Islamic finance is no exception. As part of this effort, in October 2013 Prime Minister David Cameron unveiled a plan to sell £200m worth of Sharia-compliant government bonds – becoming the first western country to do so. This follows a decade in which the British Government has managed to sweep aside tax and regulatory barriers that might otherwise have impeded the development of Islamic finance in the UK.

The CISI and Islamic finance

The fast growth of the Islamic finance sector has not gone unnoticed by the CISI. The body runs a well-established Islamic Finance Qualification (IFQ), with learning materials and exams in both English and Arabic.

"Islamic finance is highly aligned with what the CISI stands for," says CISI Managing Director Ruth Martin. "Essentially, everything a professional does should be wrapped in integrity. Many of the concepts of Islamic finance have a lot in common with the CISI."

The IFQ, designed by industry experts, aims to give a deep understanding of the principles and technical details of Sharia-compliant finance. The qualification was an initiative of the Central Bank of Lebanon and is awarded jointly with Lebanese partners. Since its launch in 2006, the exam has been taken in more than 40 countries. It has been recognised by a number of banks and most recently by the Malaysian authorities.

Martin adds: "The syllabus covers the whole waterfront of Islamic finance, covering in-depth courses on instruments such as sukuk and takaful [Islamic insurance], as well as the financial statements of Islamic banks."

It is not hard to see why the Government is so keen to woo practitioners of Islamic finance. The growth potential is huge. So far just 1% of the world's financial assets are Sharia-compliant, yet Muslims represent a quarter of the globe's population. Indeed, Islamic finance is growing 50% faster than conventional banking.

What's more, London already has a leading position. At last count, 22 banks offered Islamic services in the UK – more than any other western nation and twice as many as the US. That includes 16 western banks, such as Barclays and Royal Bank of Scotland, which have Islamic windows – business departments – that cater to this growing market. Meanwhile, organisations including the CISI offer highly regarded qualifications in the discipline.

Location, location

Yet competition is intensifying. Dubai and Kuala Lumpur are seeking to grab larger shares of the market. Both cities have much more going for them than mere proximity to the main issuers of Islamic debt: Middle Eastern governments and companies. Dubai has established itself as the region's top centre for conventional banking, while the Malaysian capital benefits from efficient financial regulation and a huge local market for Islamic bonds.

Illustration: Andrew Holder for Pocko

London also appeared to suffer a setback at the end of 2012 when HSBC's Islamic arm, Amanah, decided to shut down its Islamic retail banking operations in six markets around the world, including the UK. In addition, some large investment banks have beefed up their teams in Dubai.

In fact, such setbacks are more apparent than real, according to Wayne Evans, an international strategy adviser at TheCityUK, a body that promotes the financial services sector. "London has been building on its position as a powerhouse in Islamic finance," he says.

For a start, there is more than enough business to go around. Global assets of Islamic finance have doubled since the start of the economic slowdown in 2007 to around $1.46tn in 2012, according to research by TheCityUK. The London Stock Exchange continues to be a key venue for the issuance of sukuk – Sharia-compliant bonds – with 49 issues raising a total of more than £20bn so far. Meanwhile, around 25 law firms supply services in Islamic finance. Added to this, four professional institutes and at least 16 universities and business schools in the UK offer qualifications in the discipline.

"One advantage that London still has in this market is the heft of its professional services firms," says Tarek El Diwany, a senior partner at Kreatoc Zest, experts on Islamic finance. "While it is easier to set up peripheral transaction and consulting services in the Gulf or South East Asia, the main transaction services and underwriting are still dominated by the big international firms and the main financial centres – notably London."

The functions most likely to be conducted in Dubai or Malaysia, according to experts, include structuring Islamic products themselves. One explanation for this is that such teams can be nearer to the legal scholars that are required to certify the Sharia compliance of a bond or other product. Much of the activity then moves to London, where most of the legal documentation is drawn up. Global investment banks in London are also in a better position than regional rivals to market bonds or other products to investors around the world.

Law of attraction

The English legal system is part of the appeal, says Atif Hanif, a partner at Allen Overy with a special expertise in Islamic finance. "For cross-border deals, most of the contracts are drawn up under British law," he explains. "The legal framework is robust and the courts have a reputation for competence and independence." While Allen Overy has an office in Dubai, large and complex deals that need to be completed quickly tend to also involve the firm's London office.

Hanif believes that the commitment of the British Government and regulators has also been important in promoting London's role as an Islamic finance hub. "The UK has been diligent in taking steps to make this sector welcome and has been quick to remove barriers," he says. "For example, the British tweaked the tax code to ensure that customers who took out Islamic mortgages – which involve the purchase of a house by the bank first and then its transfer later to the client – did not end up paying stamp duty twice." The Government has also reformed the issue of bonds so that returns and income payments can be treated as if they were interest.

> *Global assets have doubled since the economic slowdown in 2007*

Similarly, western financial institutions seem likely to maintain a strong position in the market relative to purely Islamic institutions, such as Dubai Bank, Abu Dhabi Islamic Bank and Islamic Bank of Britain. They go head to head with the likes of Citi, Standard Chartered Bank and Deutsche, which have Islamic windows that operate in the UK and a number of other jurisdictions. "Of course there will be some very devout clients that will prefer to do business with an institution that does nothing but Islamic finance," says Hanif. "But these players are still relatively small and more focused on their home markets. The mainstream banks are therefore better able to tap investors all around the world."

El Diwany believes that the western banks have other advantages too. "International banks, such as HSBC, are probably still ahead of the game in terms of technology, relative to their solely Islamic rivals."

Of course, London can ill afford to rest on its laurels. "The worry for the City is that it is thousands of miles from the largest users of Islamic products – governments, companies and retail clients," says El Diwany. But London's economies of scale, combined with the British government's eagerness to promote the sector, look likely to guarantee that the City remains a top hub for Islamic finance. ■

What is Islamic finance?
Ken Eglinton, UK Islamic Financial Services Director, EY

Islamic finance rests on the fundamental principle that business should be carried out in an ethical manner. This includes the prohibition of charging interest or providing finance to businesses involved in products deemed as anti-social, such as the arms trade, gambling, drugs or alcohol. It is the role of recognised Sharia scholars to clarify what the fundamental principle, and other Sharia requirements, mean in practice. Over time, these scholars have endorsed a wide range of product structures, although they continue to be refined.

An important feature of Islamic finance concerns transparency and the sharing of information. The belief is that one party should not profit from asymmetric information, or as a result of having more knowledge than the other. In this respect, Islamic finance resembles 'ethical investing'. The traditional 'caveat emptor' approach, once associated with western finance, is not really consistent with Islamic finance. Consequently, Islamic finance is aligned well with the agenda of the PRA and FCA of 'Treating Customers Fairly'.

The prohibition of charging interest is based on the principle of 'togetherness' between the finance provider and the borrower. The provider cannot simply stand at arm's length and make money for providing finance. Instead, the finance provider and the borrower must work together for a particular business goal, and will share the profit. A common form of Islamic finance is the 'sukuk' structure. Unlike bonds, whose values are typically driven by an interest rate or yield, sukuks typically offer investors the right to an income stream that is based on the money-making feature of the underlying asset – it works somewhat like a securitisation. Suppose that the underlying asset is an office building: it can be sold into a special purpose vehicle, and the investors– the buyers of sukuks – will have an equity right on the asset. The office will generate income in the form of rentals, which will form an income stream for the sukuk holders.

The prohibition on gambling generally extends to derivatives, however, scholars are increasingly agreeing that derivatives can be used for hedging, but not for speculation. For instance, foreign exchange derivatives, used to insulate against the unpredictability of currency fluctuations, are now deemed acceptable in many cases. Profit-rate swaps are also available to reduce the risk of sukuk income streams under-performing. Take-up of these, however, has been patchy to date.

The future of Islamic finance, from a global perspective, is certainly interesting. The hydrocarbon wealth in the Middle East is set to generate huge pools of liquidity for investment for decades to come. Furthermore, a growing demographic will mean there is a greater need for Sharia-compliant products.

It is, however, costly to design Sharia-compliant products that refer to assets in member countries of the Organisation for Economic Co-operation and Development. Luckily for the UK, this issue presents an opportunity, and London, as a world-leader in this arena excels at product structuring and in building secondary markets for such products.

Ireland after the storm

Image: Getty

James Boxell discovers that Ireland's fortunes are improving, making it the poster child for economic austerity

TOLSTOY WROTE THAT "each unhappy family is unhappy in its own way." So it is with the economic fortunes of Portugal, Ireland, Italy, Greece and Spain. The group, labelled the 'PIIGS' since the sovereign debt crisis of 2009, were seen as the weakest economies in the EU. Their fortunes have varied, however, and Ireland now appears less unhappy than the rest.

In Ireland, as in Spain, relatively low interest rates – typically below 6% – that came with euro membership created the conditions for huge property bubbles prior to 2008. While Germany and some other 'core' economies accelerated structural reforms after creating the eurozone, the peripherals moved too slowly, falling further behind on growth, competitiveness and productivity. By 2007, Germany's current account surplus was 1.7% of gross domestic product (GDP), while Greece had a 15% deficit. Portugal and Spain had deficits of 10%, and Ireland 5%.

When Greece entered its debt crisis in late 2009, terrified investors effectively punished the peripherals by hiking borrowing costs, thereby halting capital inflows. This prompted a sudden end to debt-fuelled private spending and the creation of unmanageable fiscal deficits, and forced many periphery members into seeking bailouts from the 'troika' of the EU, the European Central Bank (ECB) and the International Monetary Fund (IMF).

But after the four years of austerity imposed in the bailouts, sentiment towards the periphery has improved markedly. Significantly, borrowing costs for the PIIGS have fallen to 2010 levels. Even yields on Greece's ten-year bonds dropped from highs of 35% to below 8% – owing in large part to ECB President Mario Draghi's promise in 2012 to do "whatever it takes" to save the euro.

Ireland and Spain, and more recently Portugal, are even more in favour. This has prompted some European officials to speculate about a possible split in the periphery between the 'good' countries that

have swallowed their bitter austerity medicine, and 'bad' Greece and Italy, which risk falling behind because of chronic political and economic instability.

The poster child

Ireland has emerged as an ECB poster child after it became the first of the PIIGS to exit its three-year bailout. The former Celtic Tiger took a €78bn loan package from the EU and IMF in 2010, under terms that forced it to slash public sector wages and implement a fiscal squeeze worth 19% of GDP. Public sector workers saw their pay reduced by as much as 15% in an effort to save some €1bn for the Irish exchequer.

Since quitting the bailout in December 2013, Dublin has raised €3.75bn in a ten-year bond auction at a rate of 3.54% – compared with 14% at the crisis peak. In mid-February the ten-year yield was down to 3.29%, compared with 2.79% for the UK. The average equivalent rate for yields for other PIIGS nations currently stands at 4.6%.

As experts point out, Ireland is unique compared with its debt-stricken cousins in southern Europe. Pat Lardner, Chief Executive of the Irish Funds Industry Association, which represents firms with more than €2tn under administration, says: "One thing that has been constant before, during and after the crisis is a very active and developed approach to foreign direct investment. So even though we redoubled efforts, it wasn't something we had to create from scratch – we've been doing it for 20 or 30 years."

While EU officials want to use Ireland to vindicate their strategy of forcing wage cuts on economies and thereby boost competitiveness, the country has for two decades maintained a highly competitive export base as a result of a low-tax industrial strategy. This strategy has attracted American technology and drugs firms and built a 25,000-strong financial services industry (excluding the crisis-stricken traditional banks) from scratch.

"Ireland is a very small, open economy," says David Duffy, Senior Researcher at Dublin's Economic and Social Research Institute. "So the fact that we are seeing growth in the US and the UK, and at least signs that Europe is stabilising, has helped." In 2012, Irish exports totalled 108% of GDP; in Spain this was 32%, Italy 30%, Portugal 39% and Greece 27%.

Taking its medicine

According to Lardner, this well-established identity as a profitable staging post for global trade has helped avert the public unrest that surfaced elsewhere. "There will be very few people who don't have a member of their extended family involved in some type of business with international exposure," he says. "I like to think we've demonstrated a sense of responsible action across all segments of society."

Brian Dillon, Partner at Dublin-based law firm Dillon Eustace, says that the funds industry has played a vital part in the nascent recovery, with assets under administration in

Unlike some others, Ireland is one of the 'good' countries that has swallowed its bitter austerity medicine

the country up from €1.6tn in 2007 to €2.5tn in 2014. "For any economy to recover, there have to be several engines driving growth, and fortunately financial services has emerged as one," he says. "The broader cost of doing business in Ireland has reduced; commercial rental costs are lower than 2007, and there's been a stabilisation of wages with plenty of well-educated people looking for employment."

Of course, Ireland's traditional lenders helped create the crisis in the first place, forcing the Government to spend €64bn on its broken banking system. With a potentially brutal round of bank stress tests scheduled for 2014, there are fears about it being forced to spend again. Moreover, while economists predict Irish GDP growth of about 2% this year, comfortably ahead of eurozone rivals, unemployment is slightly higher than the eurozone average at 12.3%, the budget deficit is 7.3% and government debt was 124% of GDP last year. The need to guard against complacency is obvious.

As Duffy says: "There are always dangers in being put on a pedestal." ■

What does this mean for the eurozone?

When Ireland made its formal exit from the EU and International Monetary Fund bailout in December 2013, EC President José Manuel Barroso claimed it sent "an important message" about the eurozone and that "with determination and support from partner countries, we can and will emerge stronger from this deep crisis".

The Irish public has played its part, stoically enduring €28bn in spending cuts and tax rises – equivalent to 20% of the value of the Irish economy.

David Duffy, Senior Researcher at Dublin's Economic and Social Research Institute, points out that Ireland is "so small that I'm not sure the recent improvements will have a big impact on the eurozone economy".

He does, however, see some positives: "Ireland's successful emergence from the bailout programme might just help improve sentiment towards Europe and within Europe. It is a sign that countries that have been particularly hard hit, and which had to go into the bailout, are emerging from it, which at an overall level is a positive indicator."

Pat Lardner, Chief Executive of the Irish Funds Industry Association, says it also provides an example to other periphery states. "Hopefully it gives a level of confidence for other countries to do similar," he says. "This does involve courage and taking some risks, and I think the behaviour and performance of Ireland should have helped enhance the reputation broadly of the EU economy." Outsiders, he claims, are looking at Ireland to judge whether it can be a template for recovery in other eurozone economies.

Former Kleinwort Benson equity banker and CISI Board member Nick Seaward, Chartered FCSI found a passion for education that saw him abandon the City altogether, he tells **Janice Warman**

Teacher FROM THE CITY

THE DAY I ARRIVE to see Nick Seaward, Chartered FCSI banker turned teacher, I've heard on the *Today* programme that UK children lag far behind their Chinese contemporaries. A report from the Organisation for Economic Co-operation and Development said even the children of British doctors and lawyers were more than a year behind the sons and daughters of factory workers across the globe.

It's gloomy news for a sunny day. But when I find Seaward in his classroom at Kemnal Technology College in Sidcup, he is not remotely surprised. He is passionate about his new career – but it's not been an easy switch.

"Do you feel that you achieved what you set out to achieve in teaching?" I ask him.

"No," he answers. "There are two reasons for that. Firstly, the workload, particularly in the first three years, is so crippling that it tends to knock most of the idealism out of you, because you are so desperately trying to keep your head above water.

"And you don't really have time – or, to be frank, the energy – to implement some of the more interesting ideas that you might have been dreaming of. I don't think anybody prepares trainee teachers for this incredible assault of the workload that's going to hit them."

When he started giving his first lessons, he found that, on average, his ratio of preparation time to delivery was about six hours to one hour delivery. "And that's fine when you are on a restricted timetable as a trainee teacher, where you start off doing three lessons a week, but very rapidly that number of lessons builds up."

Bankers who face 5am starts and think teachers have an easy life should take note: "As a newly qualified teacher, you are teaching roughly 21 hours a week; you can see that there is a massive workload."

From training to teaching

There are two other reasons why teaching has not fulfilled his expectations and hopes as perhaps it might have done. "The level of attainment and prior achievement of the students that I am teaching is much lower than I anticipated, he says. And the third reason after the workload and the low attainment is that the behaviour of the students is such that even in the sixth form, you are spending a considerable proportion of your time in managing behaviour in the classroom."

The roots of his teaching career lay in his time at Kleinwort Benson. He initially ran the Asian sales desk, but requested a move over to the European side at the turn of the millennium and was made head of the equities liaison team, which operated, he says, as a kind of bridge between the research and the sales departments.

Each year, he took on one or two graduate trainees. "A number of the people who I trained up were quite complimentary about the training that I'd given them – and that made me think that perhaps I could develop that side a bit further."

When Dresdner Kleinwort was sold to Commerzbank in late 2008, Seaward, then Chairman of the CISI editorial panel, took redundancy and within two weeks of leaving the bank, began a teacher training course.

"It was really because I had done the training at Kleinworts that I thought I could become a teacher, but I discovered they are very different animals," he says. "Training is really, I suppose, about imparting knowledge and technique, whereas that's almost the greatest insult that you can ever throw at a teacher these days."

With school pupils, "You are supposed to be 'guiding young people on a voyage of discovery'. Probably the worst critique you could receive in a lesson observation is that it was mere transmission of knowledge. That is like a dagger to the heart of any modern-day teacher."

Seaward is modest about his achievements. Few teachers, however, make the impact that Seaward has on the financial syllabus itself.

"Some years ago, when I was on the Board of the CISI, Managing Director Ruth Martin mentioned a plan to adapt one of the suite of professional exams for use in schools and, although in those days I had no intention of becoming a teacher, I thought that was an extremely good idea.

"Wearing my Board director's hat, I gave her as much encouragement as I could, because that was the way forward for the CISI.

"It seemed natural, if you were offering a suite of professional qualifications, to move further down to the early part of education and start off with qualifications to be done in schools."

That first qualification, the Certificate for the Introduction to Securities and Investments, was an AS-level equivalent and an industry qualification in its own right.

"And then, when I did become a teacher, I found myself in the business and economics department of my first school and I persuaded them to take on the Cert.ISI because I was familiar with the qualification from my time at the CISI."

It was the first time the course had been taught. Elements of the syllabus had been adopted by a number of public schools as an add-on, "something to do in the summer after

> ***The worst lesson critique you could receive is that it was mere transmission of knowledge***

CV snapshot

2013 – Develops a new GCSE-equivalent finance qualification for CISI

2011 – Creates a new A-level-equivalent finance qualification for CISI; completes MA in Business Education, IOE London

2010 – Qualifies as a secondary school teacher of business, economics and enterprise, IOE London

2006– Appointed to Board of CISI

1994 – Joins Kleinwort Benson, London, becoming Head of Asia ex-Japan equity sales

1982 – Moves to South East Asia, becoming editor of *Maritime China*, then business correspondent for *Far Eastern Economic Review*

1977 – Graduates from the University of Kent, with a degree in History the main exams season was over". But this was the first time the full qualification had been introduced.

New syllabus

Inevitably, Seaward ended up piloting its teaching and devised all the lessons and teaching resources. "And in doing so, it became very clear to me that it was not suitable in its current form for schools. It was basically aimed at high-achieving schools with an awful lot of teaching time available to them."

Like the private schools? "Like the private schools. So I revamped the order in which it was being taught, because it didn't strike me at the time as being terribly logical." Seaward then pointed out to Ruth Martin and the educational development team that "if you want to get into the educational sector, you cannot just offer a single year of sixth-form study – you have to offer both years. No state school is going to take on a stand-alone AS-level."

It seems Seaward has a habit of making work for himself. The CISI asked him to devise the syllabus for the second year. He did so, and put together an advisory panel from people he had trained with and met in the course of his MA in Business Education. That became the Diploma in Finance, Risk and Investment – the Dip.FRI. And, of course, once that was written, a textbook was needed: Seaward wrote it. So, then, Seaward is inventive, inspired and hardworking. He is also clearly unafraid of controversy.

Photo: Johanna Ward

In a previous job as educator, he became a whistleblower. He had what he identifies, with understatement, as "a very unpleasant incident". He will not be drawn on the details: "I felt it was incompatible with my status as a teacher; I think that is the best way of putting it."

It did, however, lead him to make a report to the Department for Education under the Public Interest Disclosure Act, "which led to my MP, Tessa Jowell, asking a number of questions in the House about why the Department for Education had not acted on my report." Has it done so since? "No, not to my knowledge."

UCAS points

However, the incident did give him time to write the textbook. "The new qualification is currently being piloted, I believe, by a school in Liverpool this year for the first time and I will be delivering the second part to Year 13 at this school next year."

He was then asked by the CISI to handle the application for UCAS points to be awarded for the new A-level, and to prepare the submission to the Department for Education for both the AS- and the A-level to be included in the performance league table for schools, "without which, no state school would have taken them on."

This represented another triumph: an original 3,000 qualifications were cut to just 87 – but both the CISI AS-level and A-level made the cut.

Seaward wasn't finished, however. He then rewrote the CISI's GCSE qualification, now the Fundamentals of Business and Finance, which is also included in the school league tables.

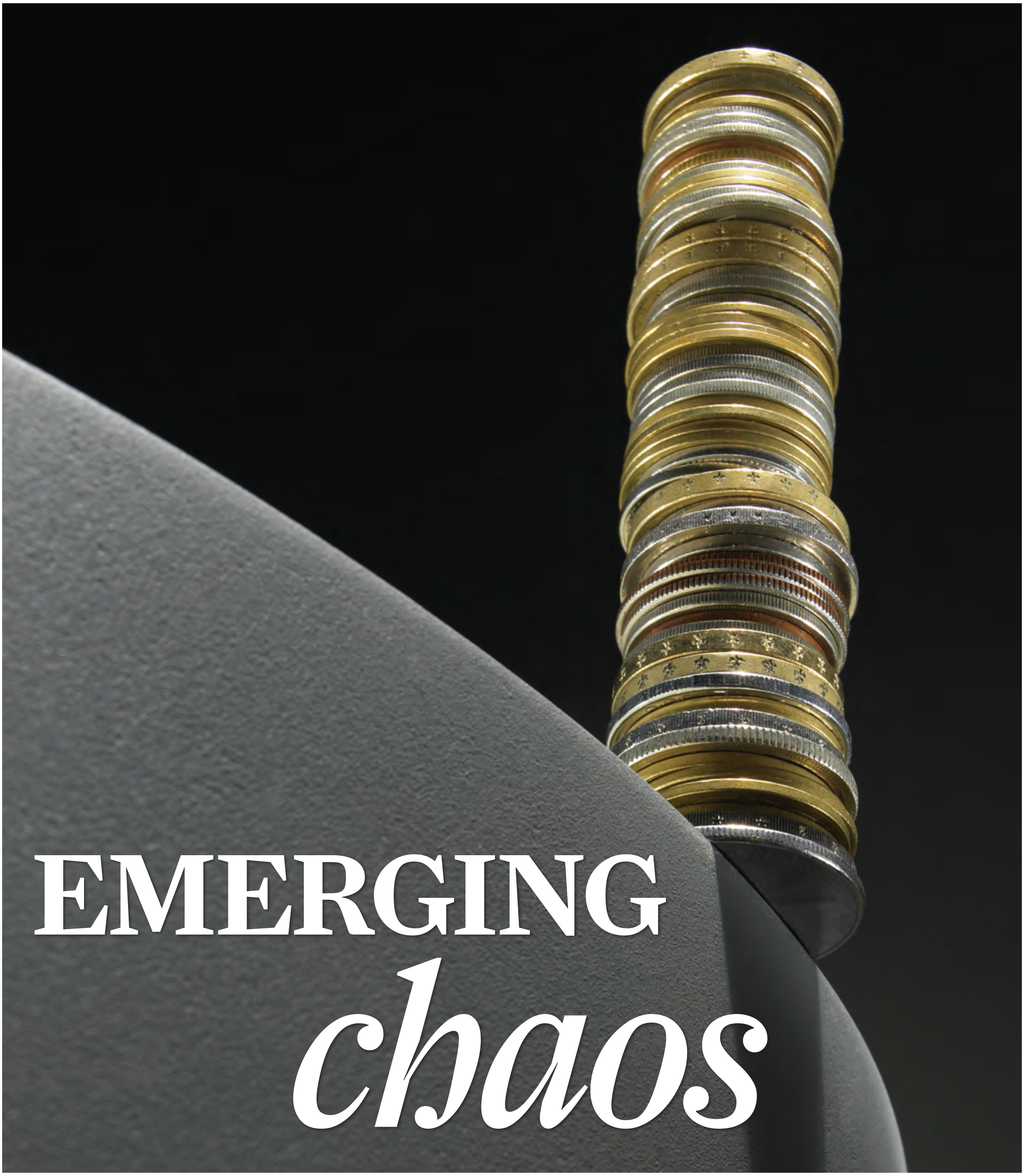
But when I put it to him that he has had a real influence on what's being taught in schools in the financial arena, he gives a characteristically modest reply: "I wouldn't put it as far as that. It's very early days yet in the take-up rate."

"Do you feel it's been worth the amazing switch you've made from one industry to another?" I ask.

"Yes, because it's given me first-hand experience and insight into the world of secondary education, without which I would not have been able to devise those various qualifications. You needed someone who had a foot in both camps. I hope I don't sound self-aggrandising in that way."

I think we can agree that this is not the case. Seaward is clearly accustomed, though, to being brought down to earth, at least by his family. He lives ten miles away from work and gets to school on an old motorbike – a 1983 BMW R65.

"My wife allowed me to buy a motorbike again only after the children had left school." (Which, he says, accounts for the crumpled state of his suits.) So they wouldn't want one too? "No. Because I had finished paying the school fees. I was surplus to requirements." ■



EMERGING *chaos*

Image: Getty

James Boxell finds that, following Russia's incursion into Crimea, investors are becoming wiser about investing in emerging markets

AS THE WORLD has fretted about Russia's designs on Ukraine, investors in both countries have been understandably jumpy. When Russian troops seized control of the Crimea in early March, stock markets fell sharply in Moscow and Kiev. They recovered some ground on hopes that diplomacy might bear fruit, but have fallen again as that was exposed as wishful thinking. Ukraine is in a particularly parlous position financially, with its bonds still pricing in potential defaults and $30bn of sovereign debt becoming due in the next two years.

Russia is in a more robust position because of its $160bn worth of annual oil and gas exports. Most analysts predict that the West will be powerless to impose energy sanctions because of Europe's dependence on Russian fuel. "Arguably, the problems are already in the [stock market] price," says George Littlejohn MCSI, a senior adviser to the CISI, who has been working in Russia recently. "At mid-March, Russia is priced for

> *"Market underperformance has not happened without good reason"*

Armageddon and if that doesn't happen, investors will be in the money. The earnings multiple in Russia is way below even normal emerging markets standards anyway."

There is, of course, a broader warning here for emerging markets, which have suffered a grim few months of late. Fears over China's financial system and its de-leveraging, and the scaling down of quantitative easing in the US, have caused huge outflows of capital from riskier economies.

Political risk

Speaking about the expected medium-term impact of the Ukraine events, Rain Newton-Smith, Head of Emerging Markets at Oxford Economics, the global forecasting specialist, says: "It's re-emphasised to investors that political risk really exists in emerging markets, which has been shown repeatedly over the past year. It's added to what we've seen in other countries. Investors had reached a point where they had unrealistic expectations, not just about growth prospects, but about some of the major risks. People have realised there is quite a lot more political risk, but also economic risk too."

As evidence of this new-found realism, Jade Fu at Heartwood Investment Management estimates that in mid-March, the MSCI Emerging Markets Index was trading at just 1.5 times price-to-book value and poor sentiment had already resulted in outflows of more than $30bn from emerging market equities in the year to date.

Others argue that this could well represent a buying opportunity, particularly for those willing to make a longer-term bet on emerging markets (EM), over a five-year period.

Jan Dehn, Head of Research at Ashmore Group, the emerging markets investment manager, says: "Despite huge outflows from EM and material increases in borrowing costs for EM countries over the last year EM will grow 5%-plus this year compared with 4.5%-plus in 2013. No country has defaulted, no country has run out of reserves, no country's banking system has gone bust, and no country has seen systemic corporate defaults. There was and is no crisis in EM. What we saw was an unwinding of very unfavourable technicals. This caused big moves in the prices of assets. Price volatility and risk are not the same thing at all."

That said, even those most invested in emerging markets acknowledge that the recent run of bad news from countries ranging from Brazil and Argentina to South Africa, India and Turkey, shows the need to examine carefully the risks on a country-by-country basis, rather than relying on the group as a whole being propped up by cheap US money and relentless Chinese growth.

"EM is the most inefficient market on the planet," says Dehn. "Asset prices are a terrible guide to riskiness. There is no substitute for proper sovereign analysis of each country. Investors should monitor the ability and willingness to service debt in each country, then compare this to the markets' pricing of risk. If the two part ways, you have a trading opportunity."

Smart investors

Newton-Smith agrees that investors are becoming savvier about differentiating between countries. "We are beginning to see some markets that we think have been unfairly hit, like Indonesia and Mexico, recovering a bit. And people are starting to see that the more structural problems, such as those in India and Brazil, are different to, for instance, Turkey, in terms of financing their current account."

Fu agrees that there are "pockets of value appearing in some areas", but warns that "the past three years of market underperformance have not happened without good reason".

> *Investors are savvier about differentiating between countries*

She adds that "the biggest challenge facing emerging markets is growth". Her comments are backed by the fact that China's underlying growth continues to decline, while Mexico recorded economic growth of just 1.1% last year and Russia 1.3%.

Where opinion divides is over to what extent the cooling of investor sentiment is permanent. Dehn – who says the last time emerging markets bonds traded at a 7.1% yield, US treasury yields were 4.5% – valiantly claims that "the biggest risk by far is in the heavily indebted developed countries, not in EM". He points out that it is developed countries that are "printing money and forcing pension funds and insurance companies to finance their deficits via regulatory-led financial repression". Oxford Economics agrees that it still expects emerging market growth to outstrip advanced economies because of demographic trends and productivity gains.

Newton-Smith concludes: "In terms of investors and companies, they have both started to realise that doing business in these countries is much harder than they appreciated.

"That realisation, alongside slower growth and political risk – as shown by Ukraine – is leading to a fundamental reappraisal." ■

Crises in Argentina and Turkey

Argentina's attempts to shore up its increasingly worthless currency, the peso, came to a sudden end in January as the country's stores of foreign reserves dwindled. The crisis there switched quickly to fears about other emerging market currencies, such as South Africa, Turkey and Russia.

Despite the ever-present fear of contagion, it is not certain that this year's events carry the same level of threat as the run-up to the 1997 Asian financial crisis, when a collapse in the Thai baht led to a slump in currencies and stock markets across southeast Asia.

Arguably, Argentina and Turkey have to be lumped together because they have both suffered from seeing their currencies spiral against the dollar – by 21% for the peso in the first three months of the year, and 5% for the Turkish lira.

But Argentina is unusual in that it has not had a significant increase in external debt funded by portfolio inflows, because it hasn't had the same degree of access to external financial markets as other emerging economies. Rain Newton-Smith at Oxford Economic says that "Argentina is, in part, more about internal mismanagement" than investors pulling out vast funds.

Turkey, by contrast, has a large current account deficit of around 10% of GDP and a hefty proportion of external debt (around 40% of GDP). This means that any correction in the exchange rate can turn into a negative spiral – as happened with many countries that were caught the Asian financial crisis: Turkey will be less able to serve the debts it owes in foreign currencies as the lira depreciates, thus making investors want to pull out more funds.

"The one comparison you can make with the Asian financial crisis is that most countries now, particularly in Asia, are in a much better position but the countries that look more vulnerable are countries like Turkey or South Africa," says Newton-Smith.

Image: Getty

DISRUPTION AND INNOVATION

A thin tech line

Regulation and technology are tugging financial services in different directions. **Ariadna Sánchez** reports from the frontier

PAUL VOLCKER, FORMER Chairman of the US Federal Reserve, doesn't buy the conventional wisdom that "financial innovation" is necessary for a healthy economy. "The only useful banking innovation," he says, "was the invention of the ATM." His time spent as Chairman of the Economic Recovery Advisory Board under President Barack Obama from 2009–11 honed his disdain of innovation, as he dealt with the problems caused in large part by over-active brainpower on Wall Street.

Volcker's, and others', scepticism didn't stop the younger folk at this year's World Economic Forum (WEF) in Davos from probing the value of 'disruptive technologies'. A snap poll of the 50-plus executives in the WEF Disruptive Innovations in Financial Services working group questioned whether regulation would mean more or less competition. A thumping 80% of those polled believed that it would mean less. They reckon the rules on anti-money laundering and Know Your Customer, in particular, are halting innovation among many firms.

> *There is no room for anyone to take for granted the economic model pre-2008*

The concept of disruptive technologies made its debut in *The Innovator's Dilemma* by Professor Clayton Christensen from Harvard Business School. He offered what he called 'sustaining technologies' – developments that help organisations make marginal improvements in what they are doing, which need only gradual change, and usually preserve the status quo.

Future perfect

Disruptive technologies, meanwhile, are unexpected, often wild, breakthroughs that make individuals and firms rethink their future. Like corporate collapse, divorce and revolutions – think Ukraine – breakthroughs start quietly, but then move very quickly, junking existing products, practices and markets. The mobile phone, digital photography and online retailing are classic examples.

"One of the most consistent patterns in business," says Professor Christensen, "is the failure of leading companies to stay at the top of their industries when technologies or markets change. Why is it that companies like these invest aggressively – and successfully – in the technologies necessary to retain their current customers but then fail to make certain other technological investments that customers of the future will demand?"

New ways of seeing

Christensen argues that the processes and incentives that companies use to keep focused on their main customers work so well that they blind those companies to important new technologies in emerging markets. Many companies have learned the hard way the perils of ignoring new technologies that do not initially meet the needs of mainstream customers. When they first appeared in the early 1980s, new-fangled personal computers did not meet the needs of mainstream minicomputer users. But the power of the desktop machines improved at a much faster rate than minicomputer users' demands for computing power.

As a result, personal computers caught up with the needs of many of the customers of Data General, Digital Equipment, Nixdorf, Prime and Wang. Remember them? Professor Christensen says: "The minicomputer-makers, keeping close to mainstream customers and ignoring what were initially low-performance desktop technologies, used by seemingly insignificant customers in emerging markets, was a rational decision – but one that proved disastrous."

David Craig, president of the Financial and Risk business of Thomson Reuters, is a regular at Davos: "One of the more interesting questions debated at WEF this year was whether the current model of capital markets, buy- and sell-side, can survive in a world where technology no longer presents the barrier it once did."

One of the more sobering comments at Davos came from a CEO who said he didn't need a sell-side bank anymore because he says he can now go directly to the buy-side or lending markets: "Clearly the complexity, structure and expertise mean there is still a strong role for sell-side institutions."

However, technology is levelling the playing field and there is no longer room for anyone to take for granted the economic model that they enjoyed pre-2008. Sell-side institutions should be thinking about accessing the buy-side, being more comprehensive in their model and not allowing disintermediation to happen. Undoubtedly there will be disruption to the financial services supply chain as a result of these changes."

Craig points to an 'impressive' amount of innovation in the peer-to-peer lending arena, with new online financial lending communities sprouting up, building successful businesses and raising the stakes for established banks. And since the Budget you can invest via an ISA. "It's not surprising that insurance groups are looking at cyber business as a growing opportunity," he says. "However, as shadow-banking organisations and lenders become larger, they too become regulated, and often regulation again becomes a barrier to competition.

"Clearly, the industry needs to think about the unintended consequences of regulation," he concludes. "One thing that is clear from all of the discussion and debate on disruptive innovations at Davos, and elsewhere, is that technology is changing access to capital, expertise and distribution. My advice on what to do tomorrow is clearly to invest in technology and ensure your business model is ready for what's coming next." And what better time to think about what's coming next than when the venerable *S&IR* itself launches into a brave, new technological future – with paper backup? ■

Crowdfunding vs crowdinvesting

Crowdfunding – and crowdinvesting – are classic examples of disruption at work. Crowdfunding happens where the crowd, made up of the general public, and family, friends and fans of the borrower come together to give donations for an idea, project or business through an online platform. Crowdfunding was set up to fund creative and non-business projects such as movies, documentaries and music. It is not a new concept – the Statue of Liberty and football club AFC Wimbledon were crowdfunded. But small and medium-sized business (SMEs), hungry for capital, saw an opportunity here and crowdinvesting, or equity crowdfunding, was born.

Crowdinvesting allows for businesses to raise equity funding from the crowd through an online platform. So crowdinvesting is disruptive to the standard way of raising funds in that it provides a new means to make funding accessible and, its proponents say, creates a more dynamic entrepreneurial economy.

Eureeca.com was the first global online crowdinvesting equity platform. Its Deputy Chairman is Dr Nasser Saidi, who says: "Young entrepreneurs and growth-oriented SMEs are the necessary enablers of innovation and job creation. It has never been more important for our countries to support and nurture these companies. Eureeca.com enables the enablers." Dr Saidi, a former member of the CISI's Advisory Council in UAE, is no slouch when it comes to "enabling the enablers".

He was the Chief Economist of the Dubai International Financial Centre during the boom years from 2006–12. He is a member of the IMF's Regional Advisory Group for MENA, and served as Minister of Economy and Trade and Minister of Industry of Lebanon in the 1990s.

Regulators are, not unnaturally, wary. Britain's FCA has been working to ensure that consumers have access to fair, clear information that is not misleading, when using loan-based, or securities-based, crowdfunding platforms. Christopher Woolard, the FCA's Director of Policy, Risk and Research, says: "We want to ensure that consumers are appropriately protected – but not prevented from investing. We have been careful to listen to feedback from the market and the rules provide consumer protection, while allowing businesses to continue to have access to this innovative method of funding."

The crowdfunding market in Britain is small, but growing very rapidly. Securities-based crowdfunding, which the FCA already regulates, allows people to buy shares or debt securities in a company.

Loan-based crowdfunding – mainly peer-to-peer lending – will be regulated from now onwards. It saw £480m lent by consumers to individuals and businesses in 2013, a rise of around 150% on the previous year.

Lebanon's Capital Markets Authority was one of the first off the mark on crowdfunding regulation – not surprising given Dr Saidi's connection. In rules issued last summer, it said that specialised crowdfunding institutions would have to set up an electronic platform to connect the firms with investors.

Minimum capital to be raised was set at LBP30m, or about $20,000. Crowd investors' direct and indirect investments in each company must be between LBP750,000 and LBP15m, about $500–$10,000. Crowdfunding organisations must open a frozen escrow account at a bank operating in Lebanon for each crowdfunding transaction, and the release of funds is contingent on reaching the desired amount of funding within 180 days.

See p10 for details of the CISI's exciting programme of technology-related events in London and via CISI TV in May 2014

Ariadna Sánchez is Project Manager at frontiers-of-finance.com

On expenses

When a bank manager is embroiled in questionable expense claims, he considers whether whistleblowing is the right option

GAVIN IS A MANAGER in the accounts department of Harmani, a self-contained subsidiary within Bettabank, a major banking group. The structure of the group means that Harmani has separate reporting lines to the main company within Bettabank, with whom it transacts large amounts of business. The business that it transacts on behalf of Bettabank is obtained as a result of the reputation of Harmani, for providing a high level of service.

Matthew is a senior manager within Harmani and, as well as overseeing the company's operations, is responsible for liaising with Bettabank and its clients. Consequently, he is frequently involved in client meetings with his colleagues from Bettabank, who have a fairly expansive attitude towards the financing of hospitality – 'corporate' or otherwise – and who lose no opportunity to entertain clients and sometimes just themselves.

Matthew is concerned about this attitude but Hamish, his main contact in Bettabank, and who is the equivalent of Matthew's own senior manager, tells him that Bettabank's expense and entertainment policy is now so restrictive that he is embarrassed to entertain the type of client whom he is seeking to attract. Accordingly, he asks Matthew to pick up the costs, since Harmani does not suffer the same restrictions as Bettabank and, as Hamish tells Matthew, Harmani gets the main benefit of the business obtained.

Gavin is frequently asked to process these expense claims, which he feels are increasing in frequency and amount. He mentions this to Matthew, telling him that he is uncomfortable about what he is being asked to do. Matthew agrees that the situation is difficult, but Harmani benefits from the business obtained and that this is reflected in everyone's remuneration.

Matters are brought to a head one evening when Gavin is having a drink with a colleague. They are disturbed by a small but noisy group on the other side of the room, which appears to consist entirely of Bettabank employees, and he recognises Matthew trying to quieten them down.

> *Whistleblowers, however right they may be, often suffer retribution too*

Two days later, Gavin is asked to process a large claim for expenses with a receipt from the bar where he had been drinking when he saw Matthew. Gavin comments to Matthew about the ability of such a small group to spend so much money. By this time, Gavin is so concerned that he decides that he will review all the expense claims that he has been asked to pay over the preceding six months and, when he does so, he is appalled at the amount that has been spent. The same names keep cropping up and they seem unrelated to the scale of business done with those firms; in some cases, no business is done.

Tacit acceptance

Gavin takes his findings to Matthew, saying to him that, while he accepts that it is not for him to tell a senior manager what to do, he feels that something ought to be done to stop what appear to be entirely spurious entertainment expenses, incurred by Bettabank, being paid for by Harmani.

Matthew thanks Gavin for sharing this information with him, but says that while he also finds it distasteful, it is a part of business life, whatever the Bribery Act may say, and in any case his Senior Executive, Robert, is aware of what is going on and appears tacitly to condone it.

Gavin is disappointed at this response, but decides that he will continue to monitor the expense claims, which continue unabated. He wonders what action, if any, he can take. In the meantime, he receives an invitation from his professional body to a continuing professional development event on the topic of whistleblowing and he decides to attend.

At the event, Gavin hears about the increased emphasis being placed on whistleblowing by regulators in the US and how the topic is being raised increasingly in the UK by both the regulator and the Government, following a series of financial scandals in the industry. This leads Gavin to wonder whether whistleblowing might be an appropriate response to the situation regarding expense claims that he finds so troubling. If so, what should he do and to whom should he blow the whistle?

Weighing up the options

On his way home, Gavin mentally reviews his possible courses of action, conscious of the warning from the evening's speaker that whistleblowers, however right they may be, often suffer retribution seemingly greater than the people on whom they are blowing the whistle. He considers a number of options:

- Gavin has tried to persuade Matthew that something should be done, but without success, it is unlikely he would be very receptive to a further approach. Indeed, Matthew's own boss apparently knows what is happening and seems disinclined to take any action. Gavin concludes that he should simply ignore the matter as not being his problem, hoping that someone else will pick it up.
- He might advise Internal Audit, but is concerned that he is involved in the chain of events himself, since he has authorised his team to process all of the expenses claims. Although the books have been reviewed, internal audit may not be happy to be told that it has missed matters that it might have picked up.
- He wonders whether it might be better to report to Compliance and seek to insulate himself from any investigation, but thinks that is unlikely and so is concerned at what his position might be.
- He vaguely recalls that the Bettabank group (which includes Harmani) has an external whistleblowing helpline and he considers using that, but wonders how secure it is, or whether, as with his concerns about Compliance, the whole matter may rebound on him.

What would you advise Gavin to do?

Visit cisi.org/expenses and let us know your favoured option. The results of this survey and the opinion of the CISI will be published in the June edition of the S&IR. ■

Image: Getty

Pushing the envelope
THE VERDICT

February's Grey Matters concerned the dilemma faced by Sami, an experienced trainer who was a speaker at an overseas conference, representing her employer.

At the end of the conference, she was surprised to be given an envelope containing \$500 as a 'personal thank you'. As a result of additional pressures she faced at the airport while awaiting her flight home, Sami decided to accept the money to upgrade to business class travel for her and her partner.

This dilemma generated a surprisingly small response, perhaps because readers felt that it was too obvious! In essence, the question was whether or not Sami could accept a personal payment for undertaking something in her professional capacity, or whether she should simply return the money with a suitable note.

Although the latter was the preferred answer of the majority of respondents, a significant minority thought otherwise and felt that it was quite in order to accept the money and use it in the manner described, provided that she declared it to her employer, who would then decide whether such action was acceptable. Might they use the money themselves?

Accepting the money and telling your employer about it does meet the Honest, Open, Transparent and Fair (HOTF) test for Sami as an individual. However, it does have the major drawback that it does nothing to halt the 'cash in a brown envelope' culture that does not meet the HOTF test and for that reason alone is very much a second-best option.

Such action also presents the danger for Sami that she may be faced with the expense of two business class air fares if her firm makes her surrender the cash and does not offset it against her flight 'upgrades', although that appears to be a risk that she accepted.

Options 3 and 4 were not chosen by any reader, which is reassuring. Option 3 – she will claim for her own upgrade but will say nothing about the \$500 she has used for her partner's fare – is very hard to justify. Option 4 suggested that as Sami has paid for the flight upgrades on her company credit card, possibly no one will query it – and if they do she can declare the \$500 and offer it to the firm. That is basically dishonest.

Need to read

The latest publications and study aids supporting CISI qualifications

NEW WORKBOOK AND ELEARNING EDITION

Operational Risk

The Operational Risk unit provides an ideal introduction to the world of operational risk and ensures that candidates have an understanding of operational risk as it relates to the needs of operations and administration staff. The workbook covers exams from 1 June 2014. The unit covers:

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

Price: £100 for combined workbook and elearning product

NEW WORKBOOK AND ELEARNING EDITION

International Certificate in Wealth and Investment Management

The objective of the International Certificate in Wealth and Investment Management (ICWIM, formerly the International Certificate in Wealth Management) is to provide a test of competence for individuals engaged in private client asset management (discretionary portfolio management) and fund management. New editions of the ICWIM workbook and elearning product (for exams from 21 January 2014) are out now, covering:

- industry regulation
- financial assets and markets
- investment planning
- lifetime financial provision.

Price: £100 for combined workbook and elearning product

NEW WORKBOOK AND ELEARNING EDITION

Managing Operational Risk in Financial Institutions

The object of this exam is to ensure that candidates can apply the knowledge, theory and practical techniques required to: investigate an operational risk incident; manage operational risk in the long term; model appropriate behaviours to support operational risk management in the workplace; and effectively recommend, and contribute to, measures to enhance the operational risk culture and operational risk management in the workplace. A workbook and elearning product are due out (for exams from 11 May 2014) and will cover:

- fundamentals of financial risk
- operational risk within financial institutions
- application of the risk-management process
- operational risk incidents: an investigation
- regulation of operational risk.

Price: £100 for combined workbook and elearning product

NEW WORKBOOK EDITION

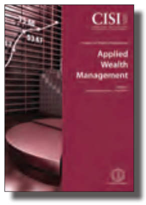
Regulation & Compliance

The aim of the Regulation & Compliance exam is to test candidates' knowledge and understanding of the legal, regulatory and ethical framework of the UK financial services industry and their ability to apply such knowledge and understanding in a practical manner. Candidates are also required to display an awareness of current topics of interest in the field and be able to debate the major principles of such topics. A new edition of the accompanying workbook is due out (covering exams from 24 June 2014) and will cover:

- the regulatory framework
- PRA/FCA Handbook of rules and guidance
- other regulatory provisions
- the regulation of markets and exchanges
- current regulatory developments
- risk in financial services.

Price: £150

NEW WORKBOOK EDITIONS



Masters in Wealth Management

Applied Wealth Management: This exam requires candidates to identify a client's requirements, and to structure and manage a suitable portfolio of financial assets.
Financial Markets: The exam involves analysis of company information and making recommendations on financial instruments.
Portfolio Construction Theory: Candidates must think critically in the context of the theory of investment as applied to the management of private client funds and more.

New editions of the corresponding workbooks (covering the June and December 2014 exams) are out now.

Price: £150 per subject

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

ONLINE TOOL

Professional Refresher

Professional Refresher helps you remain up to date with regulatory developments, maintain regulatory compliance and demonstrate continuing learning. This popular online learning tool allows self-administered refresher testing on a variety of topics, including the latest regulatory changes. New modules are added to the suite on a regular basis and existing ones are reviewed by practitioners frequently. At the end of each module, there is a test that will help you to determine how much knowledge you have gained. The product consists of more than 55 modules, including:

- anti-money laundering
- behavioural finance
- taxation.

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

Access is available on an annual licence basis. The full suite of Professional Refresher modules is free to CISI members or £150 for non-members. Modules are also available individually. If you or your firm would like to find out more about Professional Refresher, visit cisi.org/refresher or contact the CISI on customersupportcisi.org or +44 20 7645 0777.

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.

Currently, about 300 external specialists have volunteered to assist the Institute's qualifications team but more are required. The CISI would particularly welcome applications from specialists to assist with developing exams for Advanced Global Securities Operations, Operations, Commodity Derivatives, Corporate Finance Regulation, Derivatives, Life Insurance & Pensions Administration, and Securities.

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

Diary

Events to attend over the coming months

Conferences

17 JUNE CISI Annual Conference 2014†
Grange St Paul's Hotel, 10 Godliman Street, London, EC4
The CISI's flagship conference attracts more than 250 delegates and delivers top-level topical speakers giving members – and through you, your clients – unique insights into the investment landscape.

This year's conference theme is Driving Ambition – the role of wealth management in supporting global economic growth – and how clients and firms can best benefit.

Speakers include:
- Sir Richard Lambert FCSI(Hon), Banking Standards Review
- Stephen Cohen, Managing Director, Chief Investment Strategist for BlackRock International Fixed Income and iShares EMEA
- Sir George Cox, Chairman, Warwick University
- Dr Nick Motson, lecturer in Finance, Cass Business School

9 JULY The Financial Regulation Summit†
America Square Conference Centre, 1 America Square, 17 Crosswall, London, EC3

CISI members can attend each conference for just £200 (non-members £400).
For further details, visit *cisi.org/conferences* or call *+44 20 7645 0777*

CONFERENCE SPONSORSHIP
To consider taking up one of the sponsorship or exhibition opportunities at this conference, please contact Victoria Caine on *+44 20 7645 0655* or *victoria.caine@cisi.org*

CPD training courses
Venue: London, unless otherwise stated

16 APRIL FATCA and Global Tax Disclosure – its Impact on Your Firm and Your Clients (half day, morning)† £300

24 APRIL Significant Influence Functions – What You Need to Know (half day, morning)† £300

25 APRIL Client Assets and Client Money (CASS)† £500

30 APRIL Mifid II and the New Regulatory Structure† £500

1 MAY Introduction to Financial Markets £500

6 MAY Introduction to Risk – for Non-Risk Professionals £500

7 MAY Getting to Grips with Operational Risk – For Non-Operational Risk Professionals £500

8 MAY Corporate Governance: Building Board Competence and Effectiveness £500

9 MAY Essentials of Supervision £500

13 MAY Ethical Finance – What's In It for Me? (half day, morning) £300

14 MAY Cybercrime Risks in Mobile Payments Services† £500

15 MAY Anti-Money Laundering & Terrorist Financing Introductory Workshop† £500

21 MAY Conduct Risk: What Might We Expect in the FCA Environment? Practical issues £500

27 MAY Understanding Regulation and Compliance £500

3 JUNE Behavioural Economics† £500

4 JUNE Advanced Leadership Skills for Investment Professionals £500

10 JUNE Hot Topics in Operational Risk £500

17 JUNE NEW Essentials of Financial Crime – Attestations, Anti-bribery and Corruption, Anti-money Laundering, Sanctions and Fraud† £500

Member and Fellow discounts

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

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

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

London CPD events

28 APRIL ETF Essentials
BlackRock, Drapers' Gardens, Throgmorton Avenue, EC2

8 MAY Big Data, Big Opportunity?†
Fleming Room, IBM South Bank, 76/78 Upper Ground, SE1

21 MAY Stock Lending – Key Global Developments†
Swift, The Corn Exchange, 55 Mark Lane, EC3

27 MAY Financial Services & Social Media Don't Mix (and Other Myths)
America Square Conference Centre, 1 America Square, 17 Crosswall, EC3

29 MAY Competing on Behaviour
King's College London, Nash Lecture Theatre (K2.31), Strand, WC2

3 JUNE Conduct Risk – Tackling the Challenge
FTI Consulting, 200 Aldersgate, EC1

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

Branch events

8 APRIL Update on Recent Trustee Cases and How These Impact the Private Client Area (held jointly with STEP)†
Manchester & District: 3 Hardman Street, Spinningfields, Manchester, M3

1 MAY International Tax Transparency Initiatives – Update on the Legal and Practical Considerations†
Yorkshire: DLA Piper, Princes Exchange, Princes Square, Leeds, LS1

8 MAY Financial Crime†
Southern: The Guildhall, 131 High Street, Guildford, GU1

14 MAY Industry Update Conference†
South East: The Spa Hotel Mount Ephraim, Royal Tunbridge Wells, Kent, TN4

15 MAY Annual Dinner
Bristol & Bath: Bristol Zoo, College Road, Clifton, Bristol, BS8

22 MAY Annual Dinner
Liverpool & North Wales: Crowne Plaza, St Nicholas Place, Princes Dock, Pier Head, Liverpool, L3

12 JUNE Pricing Model – the Theory and Putting It into Practice†
Yorkshire: DoubleTree by Hilton, 2 Wharf Approach, Granary Wharf, Leeds, LS1

4 SEPTEMBER Annual Dinner
Scotland: The George Hotel, 19–21 George Street, Edinburgh EH2

24 OCTOBER Annual Dinner
Isle of Man: Mount Murray Hotel, Mount Murray Road, Santon, Isle of Man, IM4

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

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

CISI 2014 Annual Award winners

Qualification	Sponsor	Winner	Firm
Capital Markets Programme (formerly Certificate in Investments)			
Derivatives		Gautam Kalani	Deutsche Bank
		Niclas Aschenbrenner	Credit Suisse
		Marco Rebussi	Deutsche Bank
		Guillaume Banderet	UBS Investment Bank
Securities		Alberto Ronchetti	BNP Paribas
		Alessandro De Marchi	Morgan Stanley & Co International
		Joseph Sumner	Barclays Capital
Financial Derivatives		Nils Espedal	BNP Paribas
Commodity Derivatives		Nguk-Lan Ng	Armajaro Securities
		Adam French	Goldman Sachs
Risk in Financial Services		Theodor Talpasanu	Credit Suisse
Capital Markets Programme Overall Winner		Romy Shioda	Merrill Lynch International
Regulatory Awards			
FSA/UK Financial Regulation	BNP Paribas Securities Services	Hester Serafini	JPMorgan Chase
Principles of UK Financial Regulation		Alex Lai	BNP Paribas
Certificate in Corporate Finance			
Corporate Finance Regulation		Martin Ericsson	Lazard
		Ciaran Ryan	Lazard
		Charles Fox	Lazard
		Giles Prentice	Lazard
Corporate Finance Technical Foundations		Rohan Badade	
		Martin Ericsson	Lazard
		Jonathan Cooper Absolon	Royal Bank of Canada
Certificate in Corporate Finance Overall Winner		Martin Ericsson	Lazard
Investment Advice Diploma			
Derivatives		Simon Evans ACSI	Lloyds TSB Corporate Markets
		Simon Ferguson	Invesco Perpetual
FSA Regulation & Professional Integrity		Jake Nixon	
		Johnathan Korchak	
		David Liddell	IpsoFacto investor.com
Investment, Risk & Taxation		James Cartwright	Morgan Stanley Private Wealth Management
Securities		Tracy Stewart	HSBC Trust (UK)
		Robin Ellis ACSI	Smith & Williamson Investment Management
		Maria Feld	J.P. Morgan
Private Client Advice	RBC Wealth Management	Lydia Warde ACSI	Scodie Deyong LLP
		Edmund Wilson ACSI	St James's Place
Investment Advice Diploma Overall Winner	Brewin Dolphin	James Burnett ACSI	Barclays
Investment Operations Certificate			
Administration of Settlement & Investments		Hannah Nightingale ACSI	Baker Tilly
Asset Servicing		Nicola Billham ACSI	Friends Provident
		Niren Sharma	Barclays Capital
		Leanne Jolly	Euroclear SA/NV (London)
Collective Investment Schemes Administration		Zoe Lu	
		Gitanjali Misra	Capita India
Exchange-Traded Derivatives		Manish Jajodia	HSBC Electronic Data Processing India
Global Securities Operations	Baillie Gifford	Anne Le Lievre ACSI	Northern Trust (Guernsey)
		Santosh Vaidya	Tieto Software Technologies
		Zabrina Smith	Northern Trust
ISA Administration	International Financial Data Services	Michael Trillwood	City Asset Management
IT in Investment Operations		Stewart Jeacocke	Business Control Solutions
		Richard Jacobs	Business Control Solutions
Operational Risk		Nicholas Howland	Royal Bank of Scotland
Over-the-Counter Derivatives	LCH.Clearnet	Luciano Donato	Lloyds TSB Corporate Markets
		Edward Bury	Goldman Sachs
		Emily Myers	Lloyds Banking Group
		Raghuraman Uthaman	Barclays Capital
		Milena Dimitrova	LCH.Clearnet
		Wenjie Eddy Boo	DBS Bank
		Gajaba Manamperi	LCH.Clearnet
Investment Operations Certificate Overall Winners		Mei Hui Tan	Morgan Stanley
		Manish Jajodia	HSBC Electronic Data Processing India
		Joice Tjen	Royal Bank of Scotland
International Suite			
International Certificate in Wealth Management	RBC Wealth Management	Michael Gilbey	Securities & Commodities Authority
Islamic Finance Qualification	Fund Advisers	Mehdi Hassayoune	
International Introduction to Investment Award	Fund Advisers	Banya Bhattacharya	
		Rajorshi Chatterjee	
		Marc Khalifé	IMEF
		Hajjoubi Hafsa	Qatar Finance and Business Academy
Global Securities		Vikram Viswanathan	Securities & Commodities Authority
Global Financial Compliance		Barry Elliss	
		Darren Kelly ACSI	Kleinwort Benson Trustees (Isle of Man)
Combating Financial Crime	CCL City Training	Lisa Ramage ACSI	Turcan Connell Asset Management
		Sian Wood	Charles Stanley & Co
Advanced Certificates			
Advanced Certificate in Global Securities Operations Overall Winner		Catherine Dunne	Pioneer Investment Management
Diploma in Investment Operations Overall Winner		Katherine Buchanan MCSI	HSBC Global Asset Management
Advanced Certificate in Operational Risk Overall Winner	International Financial Data Services	Katherine Buchanan MCSI	HSBC Global Asset Management
Introduction to Investment			
Introduction to Investment: The Foundation Qualification	Investment Management Association	Alexander Taylor	International Financial Data Services
		Matthew Lees	HSBC Bank
		Nicola Jane Cromack	RPMI
		Shakir Ahmed	Brewin Dolphin
		Alan Gilliland-Patterson	Standard Life Investments
		Carla Booker	HSBC Trust (UK)
		Andrew Winearls	FIL Investment Management
Introduction to Investment: The Foundation Qualification – Further Education College Award Winner		Jonathan Hu	University College London
Certificate for Introduction to Securities & Investment (Schools)		Lewis Young	Hautlieu School, Jersey
CISI Diploma			
Bonds & Fixed Interest Markets	ICMA Centre	Julian Lewis MCSI	Cavendish Asset Management
Financial Derivatives		Philip Thomas	Morgan Stanley & Co International
Fund Management		Crispin Vollers MCSI	Schroder & Co
Global Operations Management		Julian Howard MCSI	GAM (UK)
Certificate in Private Client Investment Advice & Management	Wealth Management Association (formerly APCIMS)	Mark Adams MCSI	SG Hambros Bank
Regulation & Compliance: Compliance Institute Award 2011		James Groom, Chartered FCSI	Broadstone Pensions & Investment
CISI Diploma Overall Winner	Standard Life	Nathalie Krekis MCSI	Cazenove Capital Management

CISI 2014 Annual Award winners (continued)

Euroclear Prize in Memory of Andrew Winckler Diploma in Investment Compliance	Euroclear	Russell Connor MCSI	HSBC Bank
ICAEW/CISI Diploma in Corporate Finance			
Corporate Finance Strategy & Advice		Steve Wagner	Lamprell
Corporate Finance Techniques & Theory		Jason Williams	Price Bailey
ICAEW/CISI Diploma in Corporate Finance Winner		Steve Wagner	Lamprell
CISI Masters in Wealth Management			
Financial Markets		Robin Ellis ACSI	Smith & Williamson Investment Management
Portfolio Construction Theory		Andrew Coles MCSI	Brewin Dolphin
Applied Wealth Management	FSTP	Stephen Lennon, Chartered MCSI	Smith & Williamson Investment Management (Guildford)
CISI Masters in Wealth Management Overall Winner	Charles Stanley	Andrew Carver ACSI	Smith & Williamson Corporate Finance

Membership admissions and upgrades

MCSI

Aspinalls Group
John Butters
Asset Risk Consultants
Andrew Kettlety
Barclays Wealth
Dean Moore
Barclays Bank
Adam Wyrill
Bennett Coleman & Co
Anand Kumar
Brewin Dolphin
Arthur Guillaume
British International
Russell Byrne
C Hoare & Co
Lucy Fiona Alice
Gore Langton
Charles Stanley
Nicholas Pritchard
Citibank
Fiona Bailhache
Coutts
Hemal Barot
Rick Dewhirst-Lister
Nicholas Gornall
Konstantinos Halicioglu
Louise Iberson-Hurst
Anek Mhajan
Alexander Midha
Shreeya Rabheru
Siobhan Reason
Felicity Selcoe
Phoebe Stone
Antony Mills
David Booler
Simon Watts
Duncan Lawrie
Gillian King
Ecovis
Anthony Xuereb
EFG Harris Allday
Annabelle Clinton
EFG Private Bank
Brian Dimitroff
Heartwood
James Blake
Richard Butcher
Pankaj Patel
James Brearley
Victoria Allen
JM Finn
Anthony Eaton
J.P. Morgan Asset Management
Marion Zimmer
Julius Baer
Robert Hayward
Legal & General
Mark James Hughes
Merrill Lynch
Brendan Ashe
Fiona Kerr
MoneyWeek
Samantha West
OCBC Bank
Vijay Acharya
Himanshu Mehrotra
Quilter Cheviot
Nicholas Britnell
Royal Bank of Canada
Corey Cook
Lynne Jones
Schroders
Astrid Gendron-Judd
SDB Strategic Planners
Stuart Bryant
UBS
Robert Gibbs
Russell Gula
Jonathan Povey
Unicredit Bank
Keith Hill
WH Ireland
Richard Griffiths
Samantha Naylor
White & Case
Jiyoung Park
Others
Adebolu Akinlolu
Chi Kwong Chan
Simon Harryman
Oliver Peach
Craig Schott
Jing Zhao Mamie

ACSI

ABN AMRO Bank
Lee Rimeur
Analyst Investment Management
Bhavesh Amin
Anderson Anderson & Brown
Stuart Ritchie
Arjent
Simon Beazley
Beaufort Securities
Mohammad Qasim Bhatti
Bhatia Brothers
Vijay Yedavalli
BNP Paribas
Lucy Galley
Henry McCormick
Rakesh Solanki
Brewin Dolphin
Bobbie Osborne
Brookfield
Nechar Ali
Cambridge Mercantile Risk Management
Darryl Hood
Brian Rayment
Central Markets
Nikos Christoforou
William Polston
Charles Stanley
Matthew Hall
CISI
Richard Bennett
Citi
Guillermo Valencia Ocampo
Citibank
Alexander Biryukov
Maxim Kurnikov
Curzon Capital
Stuart Alistair Mackenzie
Deloitte
David O'Brien
Global Reach Partners
Zubeir Bham
Habib Bank
Mehdi Ali Khan
HSBC
Rajesh Gangaputra
Alvaro Illan Fernandez
Aravindh Sadacharam
Eleanor Anne Yap
IPP Financial Advisers
Andrew Fong
JM Finn
Nicholas Hopkinson
Dominic Keily
Mark King
JPMorgan Chase
Edward Downpatrick
Killik
Charles Lucas
London Metropolitan University
Clive Farrand
Alia Marasti
Mondial Academy
Christopher Wall
Morgan Stanley
Mark Linning
Multrees Investor Services
Martin McGinley
Rebecca Stein
Newham Sixth Form College
Jamal Assiamah
Rathbones
Steven Haines
Royal Bank of Canada
Rhea Munro
Royal Bank of Scotland
Obiaderi Agbonrofo
RVB Currency
Thomas Hampton
Saltus Partners
Fiona Alexandra Williamson
Securities & Commodities Authority
Michael Gilbey
SG Hambros Bank
Andrew Topping
Standard Bank
Omid Arashan
Tadhamon Capital|
Khaled Jaafar Ahmed Ali Abdulla
UBS
James Mcintosh
Walker Crips
Chris Bradley
Warden Baker
Praveen Challa
Vikram Rege
Others
Kevin Stoddart
Mark Truman-Davies

Chartered FCSI

Ashcourt Rowan
Simon Brown
Barclays
David Mellett
Brewin Dolphin
Charles Bailey
Alexander Barrell
Alistair Douglas
Brooks Macdonald
St John Burke
Charles Stanley
Lois Gray
Deutsche Bank
Stephen McClymont
Enhance Group
Nicola Le Brocq
JM Finn
Sam Barty-King
Dominik Drozd
David Higham
Michael Mount
Charles Ramsay
Iona Sinclair
Longley Asset Management
Melissa Longley
Rathbones
Andrew Butcher
Raymond James
Stuart Hutton
Royal Bank of Canada
Edward Loader
SG Private Banking
Ian Harrison
Shard Capital Partners
Dimitrios Masselos
Vestra Wealth
Lynsey Carson
Others
Andrew Ingram
Peter Scriven

Chartered MCSI

ABN AMRO Bank
Hiren Rawal
Barclays
Michelle Duncalf
Brewin Dolphin
Andrew Wheeler
Paul Whitehead
Cheviot
David McNiven
Coutts
Martin Buckley
Julia Cole-Turner
Gary Gee
Raymond Hollis
Simon Jackson
Adrian Jones
Patrick Kerr
David McLellan
Shantha Pitigala
Alastair Rawlinson
Neil Weston
Peter Wilson
Mark Yellops
Falcon
Roger Quirk
Farley & Thompson
Colin Chalkly-Maber
Edward Harvey
Galvan Research & Trading
John Woolfitt
HSBC
Zahid Nawaz
Ian Ross
Paul Stokes
Investec
David Rolland
Jefferies
W. Mark Brodie
JM Finn
Alan Sharpe
Killik
Charles Maclean
Newton
Richard Sankey
Northwood Symonds
Jordan Batchelar
Planet Investments & Financial Planning
Terence Farrow
Quilter Cheviot
Christopher Beckett
Ramsey Crookall
Bernadette Crawley
SG Hambros Bank
Caroline Telfer
Shard Capital Partners
Gareth Burchell
Robert Wiegold
SP Angel
Elizabeth Yong
Speirs & Jeffrey
Stuart Laurie
SS&C
Michael Hunwick
Tyneholm Associates
Marianne Andrews
Other
Yizhe Huang

This list includes admissions and upgrades from 27 January to 24 February 2014

Membership upgrade correction

We would like to point out that Ian Walker, listed in the March edition as being upgraded to MCSI status, works for Heartwood Wealth Management and not SG Hambros Bank as stated. Apologies for the error.

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

Right on TARGET

There is plenty of history behind James Stewart-Smith's enthusiasm for shooting. **Lora Benson** reports

James Stewart-Smith MCSI

THE LEE ENFIELD rifle was the standard issue weapon for British and Commonwealth troops fighting on the Western Front in the First World War. A century on from the start of the conflict, James Stewart-Smith MCSI, President of the CISI's recently formed Southern branch, can testify with authority to the influential role played by this weapon.

James is a member of the Lee Enfield Rifle Association (LERA), which was formed in 1998 by a group of enthusiasts who saw the need for an organisation dedicated to the use and study of the firearm, the rifle of choice for the British Army from 1895 until 1957, taking in both world wars. James was taught to shoot from a young age by his father, who was in the British Army.

James recalls: "I shot until my early teens and then I became interested again in later life, when a friend of mine asked me to an open day at Bisley (the famous shooting range in Surrey). He introduced me to his club, LERA, and I became a member about five years ago.

"The Lee Enfield rifle has so much appeal because it was such a mainstay of this country's military history. There is also a sentimental value, because it was the rifle I used during my days in the Army Corps at my school."

James, who heads the Intermediary Sales Team at Charles Stanley and divides his time between the firm's offices in Guildford and London, owns two Lee Enfield rifles. They are a No 1 (the model used in the First World War), which was made in 1939, and a No 4 (the World War II version), which dates from the 1940s.

"They are very basic but accurate and powerful rifles – both give quite a kick."

His collection also includes a Mauser 98k, which was built in 1941 and became widely used by German troops in World War II.

Owning these guns requires holding a firearms certificate, which can only be obtained through being a member of an approved shooting club and passing competence and safety tests.

With LERA, he regularly takes part in internal shooting competitions, which are mainly held at Bisley and surrounding ranges.

"These involve shooting at normal black round targets with a bull's eye and rings, from a distance of 100, 200 and 300 yards," says James.

As a testament to the influence of the Lee Enfield rifle, James refers back to the early days of the First World War, and the success it brought British troops. In August 2014, the relatively small British Expeditionary Force (BEF) was squaring up to the might of Germany, but despite their small numbers, the rifle gave them the upper hand.

He says: "The first shots that the British fired were at Malplaquet and the Germans were pulled up short near Mons as the withering rifle fire of the British caused them heavy casualties.

"On 25 August 1914, at Le Cateau, the story of Mons was repeated, only on a bloodier scale. Again, the Germans attacked in tightly bunched waves and once more they were met with rifle fire so intense that they thought the British were equipped with machine guns.

"By 1 September 1914, the forward elements of the German army were a mere 30 miles from Paris. The BEF had earned the title 'Contemptible Little Army' from the Kaiser and the reputation of the SMLE (Short-Magazine Lee Enfield) rifle – affectionately known as the 'Smellie' was born."

Indeed, James' grandfather, Dudley Stewart-Smith, would have been familiar with the Lee Enfield rifle through fighting in the First World War.

A lieutenant with the famous Black Watch, he was captured, seriously injured, in a German offensive in northern France in April 1918.

James says: "He was held as a prisoner of war at a German camp until his release in December 1918 and kept a diary during his captivity.

Factfile

- Total production of all Lee Enfields is estimated at more than 17 million rifles.
- Considered the finest bolt-action battle rifle ever produced, it was easily capable of 15 rounds a minute of accurate fire in the hands of a trained soldier. A record of 37 rounds a minute was achieved in the 1930s.

"It is a terrific account of his experiences, which includes a picture of the German Kaiser visiting Allied prisoners. With the help of my secretary, I transcribed and published the diary. Sadly, I never met my grandfather, as he died before I was born, but he had a fascinating life, appearing as a Judge Advocate at the Nuremberg trials at the end of World War II."

A copy of the diary can be obtained from James for £10, to cover the cost of printing. To contact James, email: james.stewart-smith@charles-stanley.co.uk. For more information about LERA, visit leeenfieldrifleassociation.org.uk. ■

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

James Stewart-Smith takes aim with a modern-day rifle

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