

# REVIEW



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

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## Class ACTS

England is moving to place financial education on the National Curriculum *page 12*

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*Latest developments and advice, p22*

**Ring-fencing banks**  
*How practical is the Vickers proposal?, p16*



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# REVIEW



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# ONLY HALF OF PROFESSIONALS WORKING IN THE BANKING SECTOR IN THE UK RECEIVED A BONUS IN 2012

**Richard Ryan, Manager of Banking and Financial Services Recruitment in the North at Robert Walters, discusses some of the key findings from the firm's recent pay and compensation survey.**

The market is clearly challenging for banking and financial services firms at the moment and compensation across the sector is currently under significant scrutiny.



Overall, pay rise and bonus levels were relatively low in 2012. Only 48% of professionals working in the banking and financial services sector in the UK received a pay rise, with the majority of these uplifts between one and six per cent of salary (only 22% received an increase of seven per cent of their salaries or more). Similar trends were evident in the bonuses that were awarded. Only 53% received a bonus, with only a very small proportion (22%) receiving a bonus of more than ten per cent of their salaries.

Professionals in the North were relatively well rewarded in comparison to the rest of the country. According to our survey, 51% of banking and financial services professionals working in the region received a pay rise in 2012, which was a greater proportion than the UK as a whole and both Midlands (47%) and London and the South East (46%). While these statistics are clearly indicative of a tough market, they also reflect how firms are increasingly focusing their resources outside of London.

This was in evidence last year, when we saw a growing interest among employers in relocating to the region. In the last 12 months, we've received an unprecedented number of enquiries from organisations implementing feasibility studies investigating moving at least some of their operations to the North of the country. While the cost benefits are obvious, there is also the realisation that there doesn't have to be any sacrifice in terms of quality. There is an increasing acceptance that both the level and depth of talent in the big cities outside of London is very strong. Although this trend has primarily been driven by the impact of the downturn, businesses are now consciously looking to tap into these resources because they realise that they can relocate without compromising the overall productivity or quality of work.

The impact of these relocations on the local jobs market has been significant – people obviously leave their existing roles to move into these newly-created vacancies and they ultimately have a 'domino effect' on recruitment in the region. They often lead to jobs being created in a range of back office-focused areas at the junior to mid-level, from finance, HR and administration to, in some cases, legal and marketing.

While the overall market remains tough, there are some encouraging signs – particularly in the North. As a result, we are reasonably optimistic about the banking and financial services jobs market in the region for 2013.

To request your copy of the Robert Walters Banking and Financial Services Compensation Survey or to request a copy of Robert Walters' 2013 Salary Survey contact: [richard.ryan@robertwalters.com](mailto:richard.ryan@robertwalters.com).

**“Professionals in the North were relatively well rewarded in comparison to the rest of the country.”**

## CISI OPINION

*The Government's Help to Buy scheme reveals a skewed preference for housing that is embedded in the national psyche*

# House RULES

**GOVERNMENT INTERVENTION** IN markets is fraught with danger for investors and politicians alike and the latest foray into the housing sector is no exception. The inability of so many Britons to raise what is still a modest deposit in percentage terms tells us more about actual affordability and value for money than the plethora of ratios, indices and statistics produced by the industry.

The proposed Help to Buy scheme will see the Government invest up to £3.5bn, providing borrowers who are unable to afford interest payments on a wholly-owned home with an equity loan of up to 20% of the price of a new-build property. A second scheme, also limited to 20%, sees a further £12bn of mortgage guarantees for those able to pay the interest but unable to meet the new, higher deposit requirement on existing homes. To participate in either scheme, all an investor needs is a deposit of at least 5% – still a tidy sum of cash given today's house prices, particularly in the south east.

It's a tongue-in-cheek thought, but if government is willing to extend 20% 'equity loans' and encourage capital gearing of up to 20 times to stimulate investment and activity in the housing market, then why not consider extending the same largesse elsewhere? Perhaps to share or bond ownership? Could we see government not just providing limited tax breaks on ISAs and pensions but also 'equity loans' to help those unable to get on the

'savings ladder'? Such large cash inflows could simultaneously revive the new issue market, lower the cost of equity capital, boosting corporate investment in the real economy, and restore confidence in equity markets and the savings industry. It's all rather fanciful, isn't it? But not, it seems, when it comes to housing.

Home ownership holds a special place in the British psyche and, as one of the many initiatives aimed at stimulating the economy, the proposal has much going for it. It promises to boost house-building activity, which

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## *If Government wants to stimulate the housing market, then why not share or bond ownership?*

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accounts for about 1.5% of GDP, but will also be good news for everyone from solicitors and removals firms to decorators and carpet suppliers who benefit from an active housing market. It has been estimated that increasing the number of new-build properties in England by 100,000 from today's figure of 115,000 could boost GDP by around 1% and start to address the longer term undersupply of new homes – although that is unlikely to be good news for prices.

Residential housing is also firmly on the

institutional agenda, with Legal & General recently spending £65m on 46.5% of house builder Cala Group and Prudential Property Investment Managers £105.4m on a residential letting portfolio from home-builder Berkeley Homes. So, is housing cheap?

Conventional measures suggest it is neither cheap nor dear, with the Nationwide affordability index within a whisker of its average of the last 30 years. While that's good news, it's not quite as simple as that. Over the past 30 years the size of the average newly built home has shrunk and is now the smallest in Europe, about two-thirds of the size of the average Dutch home. Price and value are not the same thing.

Investing directly in markets artificially distorts prices, usually with unintended consequences and, as we saw in the late 1980s when the Government withdrew its Mortgage Interest Relief At Source tax subsidy on mortgage interest payments, the housing market can be surprisingly volatile. Rather, government should focus on lighter regulation to stimulate activity while removing barriers such as stamp duty, a transaction tax that reduces activity and in housing makes extending cheaper than moving. It should do the same in securities markets. ■





# 4,024

The number of videos viewed on CISI TV in March. This membership benefit is an easy way to catch up with some of the CISI's most popular CPD events online. See [cisi.org/cisityv](http://cisi.org/cisityv) for further details



## UK NETWORK

# New CISI branch

The CISI branch network in the UK has been further expanded to 17.

The Southern branch held its launch event at the Guildhall in Guildford. Its President is James Stewart-Smith MCSI, an Investment Manager at Charles Stanley's Guildford office (see 60-second interview, right). James said: "The new Southern CISI branch brings together the great pool of talent in the region to disseminate the message that professional financial services can and are found outside of the City of London, with the CISI ensuring a quality mark for firms."

The branch covers members working and living in Guildford, Dorking, Woking, Cranleigh and other surrounding areas. It will organise a full programme of CPD and networking events throughout the year, with the next session planned for 20 June - a presentation covering a technology theme.

For more details about the branch, please visit [cisi.org/southern](http://cisi.org/southern)



Branch President James Stewart-Smith MCSI and CISI CEO Simon Culhane, Chartered FCSI, at the launch event



## 60-second interview

**James Stewart-Smith MCSI**, President of the CISI's new Southern branch



### Q *Why has the Southern branch been set up?*

We thought it was time to start a CISI branch to represent the large number

of Institute members based in the south of England.

While many live in the area and commute to London, a significant proportion work for firms that are either wholly based locally or have regional offices here.

### Q *How will the new branch benefit members?*

Through talks, seminars and events for members that will promote greater understanding of industry issues and good practice, and provide updates on latest developments within financial services. The branch will widen the CISI's reach to firms based in the southern area that may previously have felt that the CISI was not of great benefit to them.

We will also seek to get across the message to local clients that they do not have to go to London in order to have

their financial services needs met. The quality of investment management services available in this area is as good as that available in the City and other parts of the UK.

### Q *How important is it for the CISI to have a regional presence?*

With any industry body, it is vital that its members feel represented and that they can have their voices heard. It is also crucial that they have access to training and industry events that are convenient to attend.

By having a branch on the doorstep of members based in the area, we can achieve these aims and allow more individuals and firms to be involved in the CISI's work.

### Q *What do you hope to achieve in the next 12 months?*

To increase membership, promote the investment services that our members offer to the population of the region, and to organise events that focus on members' professional needs and also provide networking opportunities.

## MEMBERSHIP SURVEY

# Have your say on the Institute

The CISI is urging members to have their say about the services and benefits it offers. Its annual membership survey is currently being conducted, with members around the world having until 20 May to express their views.

CISI Managing Director Ruth Martin said: "We are a membership-driven organisation and so feedback from our members is crucial in helping us develop our policies and benefits package. We would be grateful if members would spend a few minutes completing the questionnaire; they are all analysed with care and comments thoroughly dealt with."

Members can access and complete the survey in the MyCISI area of the Institute's website at [cisi.org/mycisi](http://cisi.org/mycisi). Those members at MCSI and FCSI level have also been sent a paper copy of the survey and can alternatively complete this version

## ANNUAL CONFERENCE

# The future of financial services



Iona Bain

**What does the future hold for the wealth management industry?** This year's CISI Annual Conference, which will be held on 3 July in London, will be

looking to the horizon to see the opportunities - and threats - that loom for its members, their firms and their clients.

Iona Bain, a journalist and media contributor covering personal finance, particularly for young people, will be peering through her telescope, with the help of Daniel Godfrey, CEO of the Investment Management

Association, and Nick Hungerford, CEO of online discretionary investment management company Nutmeg, to try to answer some of the broad questions.

What are the challenges and where does the potential lie? What will people of Iona's generation want from their financial advisers?

Iona has written a special feature on financial education being placed on to England's National Curriculum for this issue of the S&IR. Turn to page 12 to read her article.

For further details about the conference, please see page 27

## DONATION

# Help for infants



Manchester & District branch President Alan Budenberg, Chartered MCSI, left, pictured at the presentation of the monitor. He is shown with, from left, Catherine North (MedEquip4Kids), Jane Kilpatrick (Stepping Hill Hospital) and Ghazala Baig (Chief Executive, MedEquip4Kids)

A hospital has received a helping hand from the CISI's Manchester & District branch to save the lives of babies at risk of sudden infant death syndrome.

The branch raised around £800 at its annual dinner last November in aid of MedEquip4Kids, a Manchester-based charity that provides medical equipment for hospitals and health teams to support children's treatment.

The money has been used to buy an apnoea monitor for the maternity unit at Stepping Hill Hospital, Stockport. The monitor is used to alert medical staff to any changes in the breathing of babies with health problems so that they can intervene at a vital early stage.

Branch President Alan Budenberg, Chartered MCSI visited the hospital to hand over the equipment. He said: "We're delighted to be able to provide such tangible support to improve the care of local children."

## QUALIFICATIONS

# Award for top performer

**Congratulations to** Stacey Blandford, who has been honoured as a joint top performer in the CISI's Introduction to Investment exam.

Stacey, a team leader at International Financial Data Services' (IFDS) contact centre in Chelmsford, Essex, was among more than 90 winners in a record 59 categories in this year's CISI Annual Awards.

She was unable to attend the awards ceremony at London's Mansion House, which was reported in April's edition of the *S&IR*, and instead received her prize from IFDS Director Clive Shelton, Chartered FCSI.

Stacey said: "I'm really pleased to have won the award. Taking the Introduction to Investment exam has given me a much greater knowledge of the financial services industry and the



Stacey Blandford receives her award from IFDS Director Clive Shelton, Chartered FCSI

products with which our firm deals, which will help me in my career."

She has gone on to pass the CISI's FSA Financial Regulation exam and is now planning to complete a third unit in order to be awarded the Institute's Investment Operations Certificate.

## FUNDRAISING

# Cycling for charity

JustGiving

**CISI external** specialist Simon Parrott is geared up for a 100-mile bike ride in aid of the National Autistic Society in May along the South Downs Way.

He said: "A good friend of mine, whose son is autistic, receives valuable support from the Worthing branch. It does an amazing job helping families living with autism and deserves

support. Any donation from CISI members would be appreciated."

Funds raised by Simon will be matched by his employer, Aviva Investors, where he is an enterprise risk manager.

To support Simon, visit his Just Giving page, [justgiving.com/Simon-Parrott1](http://justgiving.com/Simon-Parrott1)

## EVENTS

# CISI AGM 2013

This year's Annual General Meeting will be held at the CISI, 8 Eastcheap, London EC3M 1AE, on **Wednesday 25 September**, at 10.30am.

A Member (MCSI) or Fellow (FCSI) of the Institute may be nominated for elected vacancies on the CISI Board of Directors. Board members retiring by rotation may stand for re-election and the Board itself may also sponsor candidates for any vacancies arising.

A nomination form, which includes an explanation of the requirements for the election of candidates to the Board, is available in the members' area of the CISI website. Alternatively, a hard copy is available upon request. Please email [linda.raven@cisi.org](mailto:linda.raven@cisi.org) or call +44 20 7645 0603.

The closing date for nominations for Board membership is 12 July 2013.

CISI Chairman Alan Yarrow, Chartered FCSI(Hon) is happy to speak to any potential nominee or sponsor before a formal application is made. He can be contacted at [alan.yarrow@cisi.org](mailto:alan.yarrow@cisi.org) or +44 20 7645 0603.

## ONLINE

## BEST OF THE BLOGS

**1 tinyurl.com/buttonwood-financial**  
Sounding a pessimistic note on the theme of financial education in schools, *The Economist's* Buttonwood blog points to various failures in the US. It quotes a survey by the Federal Reserve Bank of Cleveland that states: "Unfortunately, we do not find conclusive evidence that, in general, financial education programmes do lead to greater financial knowledge and ultimately to better financial behaviour." However, it is not all doom and gloom; Buttonwood also mulls the positives of alternative forms of education – such as gaming – and extols the virtues of a basic grounding in maths.

**2 tinyurl.com/financial-education-vox-pops**  
Putting the issue into its wider context – the overhaul of the national curriculum proposed in February 2013 by Secretary of State for Education Michael Gove – a series of interviews published in *The Guardian* reveals what a number of teachers and professionals think. Several of these expressed the concern that although the new curriculum generally

advocates applying learned facts to real-world situations in a number of subject areas, this may not be best suited to the exam culture.

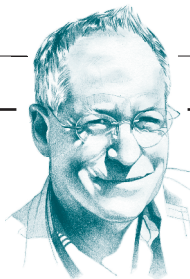
**3 tinyurl.com/black-bullion**  
The Black Bullion blog, founded by former private banker Vivi Friedgut in order to help people become money smarter, adopts a behaviourist's stance. Rather than simply teaching young people about the basics, such as compound interest, this blog post argues for an education agenda that instils good habits in place of bad. The following quote forms the meat of the article: "Overspending is a habit, under-saving is a habit, debt becomes our personal culture and soon our slavery to our debt determines not just our mood and morale but our behaviour which in turn feeds into our mood and morale."

See page 12 for more on financial education.

**Do you have a blog recommendation?**

Send it to the Editor: [rob.haynes@wardour.co.uk](mailto:rob.haynes@wardour.co.uk)





# CLAY 'MUDLARK' HARRIS

Mike Jones FCSI(Hon), Partner, Share Witness and Chairman, MBA Systems

**Mike Jones** FCSI(Hon) is one of a select few in the City who not only experienced the huge changes in financial services in the past 50 years, but helped shape them at almost every turn.

Although he left his last executive job in 2000, Mike still puts his experience to use. Among other roles, he heads the European and International Committee of the Association of Private Client Investment Managers and Stockbrokers, the body he helped to found and formerly chaired.

Mike's path to the City began at a summer camp in the Lake District run by Roan Boys' Grammar School, the school he attended in Greenwich. Sir John Bevan Braithwaite, the local squire and head of the school's board of governors, visiting the camp for a chat, suggested that Mike join the training scheme at the Stock Exchange, where he was Chairman.

Mike's first responsibility was to gather the prices for the Daily Official List, but in three years he learned about all aspects of the exchange.

In 1963, he applied for a job at Sir RW Carden Stockbrokers where the interview involved, Mike recalls, "writing down my name and address. I was told: 'You're not really what we're looking for, but you'll have to do'."

Although ownership, corporate names and structures changed many times, Mike was to work for the same employer for the next 37 years.

He started in the research department and later became head of the investment department. In 1970, Somerset Gibbs, the firm's senior partner, approached Mike and offered to make him a partner if he would take charge of the firm's administration and introduce computers.

Gibbs was Mike's mentor. "If you have the right sort of mentor, they are like

**"If you have the right sort of mentor, they are like gold dust"**

gold dust. He taught me how to have fun and do your job professionally. He was one for extracting every bit of fun out of life as long as the work was done 100%."

Mike networked, before the term was coined, with other firms' administration partners and was elected to the board, and then as Chairman, of the Stock Exchange Management Association.

He helped to devise the first Stock Exchange exams and was on the Stock Exchange rules committee at Big Bang, and then that of the Securities and Futures Association. He still

chairs the Securities Industry Management Association.

While he was playing such central industry roles, Mike had a day job, of course. Sir RW Carden merged with Capel-Cure, among others, was taken over by Grindlays, and then by ANZ Merchant Bank, where Mike set up market-making and derivative-trading operations.

In the 1990s, Mike rose to be Chief Executive at Capel-Cure Myers, which went through various mergers and owners, ending as part of Old Mutual, the South African insurer. He was Capel Cure Sharp's technical director when he took early retirement in 2000.

Mike wasn't ready to quit, though. He chairs the trading systems vendor MBA Systems and helped to found CityCompass, a financial services consultancy and conference organiser, before turning to what is now his main interest. With Jonathan Eardley, who died last year, he set up Share Witness, through which he gives expert-witness testimony in complex financial cases; he has been involved in more than 60 so far.

At 70, Mike reflects: "I have always employed people who are generally more clever than myself. I also believe in giving every bit of credit to others when something is a success."



Mike Jones  
FCSI(Hon)

Partner, Share  
Witness and  
Chairman,  
MBA Systems

Do you have a  
back-office story?

mudlarklives@  
hotmail.co.uk

Illustration: Luke Wilson

CPD

## Guarding against frightening lawsuits

**Laws and** regulation are changing and the number, size and complexity of investigations continue to grow. Lawsuits against directors – and managers – of financial services firms are rarely out of the headlines. Senior managers can be left without protection to respond to enquiries when urgently needing advice and support.

A major seminar in London on 15 May will discuss recent investigations and tips for ensuring you get the right cover. It will be led by two of the leading global experts in the field – Allen & Overy partner Calum Burnett and Francis Kean of Willis. Scott

Dobbie CBE, FCSI(Hon), Senior Adviser, Deutsche Bank London and former Chairman of the CISI, will introduce this important event at Willis's HQ in Lime Street, London EC3.

Simon Airey, Head of Investigations and Compliance at DLA Piper, will address the impact of the equally worrying new tax disclosure rules – outlined on pages 22–23 of this issue – at a special CPD event on 6 June at DLA Piper, 3 Noble Street, London EC2.

Register now for these and the many other free-to-member events in the CISI's world-leading programme at [cisi.org/events](http://cisi.org/events)

SELECT BENEFITS

## Prepaid currency card on offer



**The FairFX** Prepaid currency card is a revolutionary step forward in spending money abroad – and as a CISI member there is an extra reason to apply for one.

Protected by chip-and-pin technology, the FairFX card can be used throughout the world

at stores and at cash machines that display the MasterCard Acceptance Mark and also to make online purchases.

It is easy to load money on to the card using your mobile phone, the internet or by bank transfer and you benefit from a competitive exchange rate.

CISI members are entitled to a free FairFX Prepaid MasterCard card, which normally costs £9.95. In addition, members can receive a free £5 top-up when they order their first card.\*

This deal is offered as part of the CISI Select Benefits package. To apply for your FairFX card, visit CISI Select Benefits via [cisi.org/memberlogin](http://cisi.org/memberlogin)

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## Ask the experts...

### SHALE GAS

Shale gas is an energy source stored in shale rocks, and technological developments in the past decade mean that it can now be extracted relatively cheaply in some countries. When burned it releases less carbon dioxide than traditional fossil fuels and deposits of shale are being found in locations around the world.

However, there are some concerns worth noting. The process of 'fracking' involves drilling a well bore into the reservoir rock formation and then forcing water, sand and chemicals into the well at high pressure to create fractures or fissures in the rock. Once the fracture is open, the released gas flows out into the well bore. Shale gas development around the world has met with fierce opposition from local residents and environmental groups due to the perceived environmental impact on contamination and depletion of both groundwater and surface water and the potential to trigger seismic activity. France, for instance, banned hydraulic fracturing as of July 2011, including its use for research purposes.

In the US, companies have unlocked access to rich shale gas reserves measuring a total in excess of 800 million cubic ft and the country is seeing marked activity in ramping up for full-scale production, including investment opportunities mainly in the mergers and acquisitions market.

In 2008, the country imported 13% of its natural gas supply. That figure is expected to drop to less than 1% by 2035. It is commonly thought that the US is poised to become a significant player in the global natural gas market, becoming a net exporter in the coming decades.

This means that significant investment in infrastructure will be needed over the next

25 years, with capital requirements expected to exceed US\$200bn. According to the Securities and Exchange Commission's new reporting standards on reserves, companies can now include shale gas in their reserve base. As reserves represent the growth potential of a company to an investor, these new provisions are extremely favourable to companies seeking to exploit shale. It will help investors to calculate future cash flows and lead to better company valuations.

Europe has some 639 million cubic ft of shale gas reserves, but the depth of the resources is believed to be 1.5 times greater than in the US. The Oxford Institute for Energy Studies estimates that the cost of extraction in Europe could reach over \$16 per 1,000 cubic ft, compared with less than \$7 for the US. These high production costs and low margins, combined with greater competition, are curbing the appetite for investment in shale gas production start-ups in Europe.

Compared with the US, the regulatory regime in Europe is relatively undeveloped, which is also a threat to investment. Companies are forced to work without a predictable regulatory framework, and, even within the EU, there is no universal approach. Access to exploration permits and development licences is uncertain, creating significant regulatory risks.

Additionally, European investors are watching the US to see if players there decide to develop the country's capabilities as a natural gas exporter.

In the UK, where reserves measure below 100 million cubic ft, shale gas production was started at the Blackpool aquifer in Lancashire, and then voluntarily suspended due to concerns that the operation was causing seismic activity. These claims have not been proven, and new

## Update

In April's budget, Chancellor George Osborne announced a series of tax breaks that will make searching for and extracting shale gas more attractive. These include gas field allowances, to stimulate investment in the sector.

The Chancellor said: "Shale gas is part of the future and we will make it happen," adding that he was keen to ensure that local communities benefit from shale gas projects in their area.

The Chancellor's 'dash for gas', however, has been met with scepticism. Speaking at the Clerk Maxwell Lecture at the Institution of Engineering and Technology, Professor Paul Stevens, Senior Research Fellow at Chatham House, claimed that the shale gas revolution in the US is unlikely to be repeated in the UK, and that Mr Osborne's strategy is seriously flawed.

shale gas deposits have been located in the Mendips.

In May 2011, the Parliamentary Select Committee on Energy and Climate Change concluded that, based on estimates of the UK's onshore shale gas resources, there will not be a 'shale gas revolution' in the UK based on domestic resources alone. Nevertheless, developing shale gas reserves could make the country more self-sufficient by reducing its reliance on imported natural gas.

Do you have a question about anything from tax to virtual trading?  
✉ [richard.mitchell@cisi.org](mailto:richard.mitchell@cisi.org)



### QUICK QUIZ

## Test your industry knowledge



Illustration: Cameron Law

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

Answers are on page 29.

To order CISI elearning products, please call the Customer Support Centre on +44 20 7645 0777 or visit [cisi.org](http://cisi.org)

Q1. Which ONE of the following is an operational-statutory objective of the Financial Conduct Authority?

A) Reduction of financial crime B) Enforcement of principles C) Protecting and enhancing the integrity of the UK financial system D) Ensuring that the relevant markets function well

Q2. A loan is available at a quoted rate of 8% p.a. with interest charged on a quarterly basis. What is the annual effective rate?

A) 8.00% B) 8.24% C) 9.01% D) 36.05%

Q3. Which ONE of the following items appears in a cash flow statement?

A) Depreciation charges B) Goodwill amortisation C) Short and long-term creditors D) Interest payments

Q4. Who assumes the risk of ensuring that the liabilities of a defined benefit pension scheme are met?

A) Scheme members B) Scheme sponsor C) Each beneficiary D) Government actuary

# Cyber flunk

Have you heard the one about the virtual currency? Unless you are prepared to treat 'investments' such as Bitcoin as a speculative joke, it's probably best to leave well alone

**THIS IS ONE** bubble that really could damage your financial health. Forget tulip mania, the South Sea Company and the dotcom boom. Investing in Bitcoin – a virtual currency promoted as an alternative to 'real' money – is proving to be a nerve-racking ride.

Bitcoin is a nice idea. Imagine a world where powerful governments and central banks no longer manage currencies, where the creation of money is automated by computer algorithms and the little man can thrive in a digital marketplace where cash is obsolete.

## Diminishing returns

In the wake of the global financial crisis – and as Cyprus became the latest eurozone nation to be bailed out – interest in Bitcoin has grown.

At the same time, the price of the 'coins' has been nothing if not volatile. In February, they were valued at \$20. The 'currency' then leapt to as much as \$266 in April, before plunging back again in a matter of days to below \$100. Hardly a haven of stability.

Indeed, the biggest Bitcoin exchange – Mt.Gox in Tokyo – briefly suspended trading after that plunge. The exchange said it had been a "victim of our own success" and blamed the "astonishing" number of new accounts being opened: 20,000 a day. Personally, I'd take that explanation with a big pinch of salt. Bitcoin may be a fascinating phenomenon – but it is also one hell of a bubble and no place for serious investors. Here's why.

Bitcoin was created four years ago by an unknown computer scientist. The limited stock of coins is 'mined' by computer users and becomes

harder to generate as time passes, limiting supply. A small number of online services are accepting Bitcoins as payment: for example, you can redeem them for electronic goods, guitars, website hosting and even dental work. The currency is perhaps best known, though, for its use on the Silk Road, a clandestine site that traffics drugs and other illicit goods.

The shady side of Bitcoin need not diminish its attractions as a currency, as long as it works like one. The problem is that it doesn't behave like a currency.

## The trading flaw

Paul Krugman, the Nobel prize-winning US economist, has already exposed the fundamental flaw in Bitcoin. His analysis, two years ago, goes a long way to explaining the extraordinary moves now. Yes, the sudden and sharp rise in Bitcoin's value in April made it look like a good investment. But that doesn't make it a successful currency. A monetary system should not make people rich, says Krugman, but make transactions easier and the economy as a whole richer.

Bitcoin shows no sign of doing that. As the price of the coins has soared, real-world dollar prices have more or less stayed steady. This means that consumer prices as measured in Bitcoins have plunged. Thus, there is every incentive to hoard the coins rather than spend them.

Hoarding the virtual coins not only keeps trade illiquid, it will help drive prices sharply higher should people bid to buy them on an exchange such as Mt.Gox. In short, it will take only a little trading activity to move prices a long way. The result has been the kind of

“The problem is that Bitcoin doesn't behave like a currency”

volatility – a huge South Sea-style bubble – that would send even the bravest hedge fund managers running for the hills.

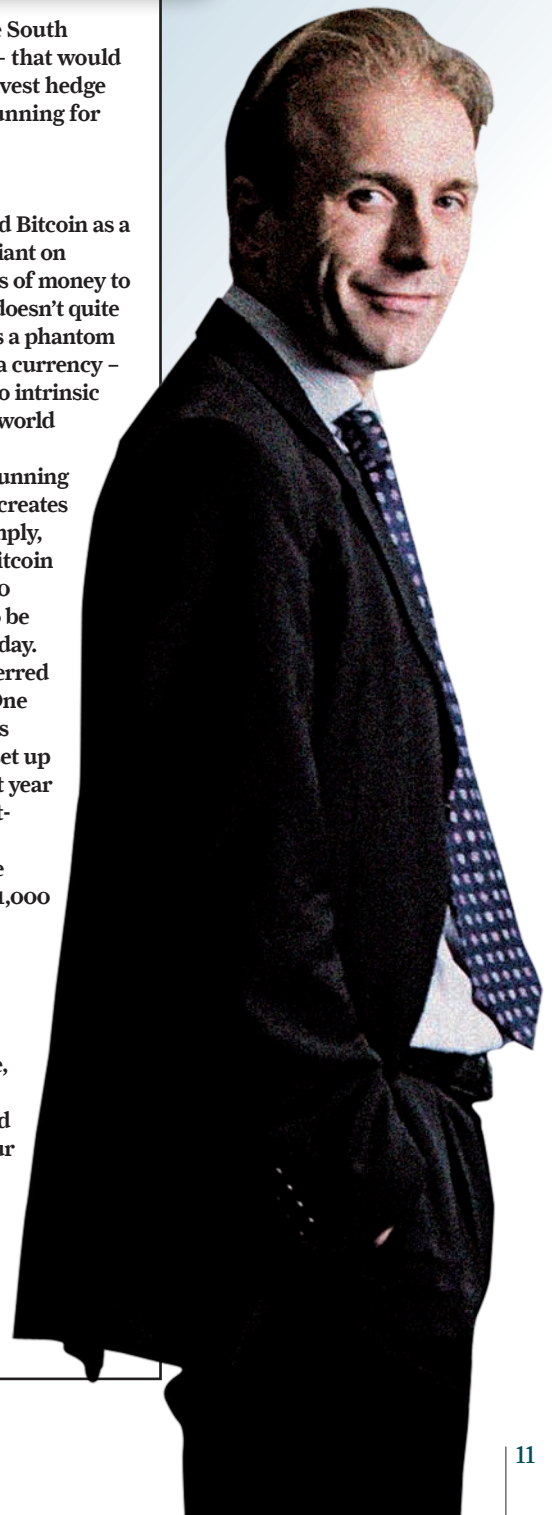
## Gold for geeks

Some have derided Bitcoin as a Ponzi scheme, reliant on continuing inflows of money to keep going. That doesn't quite nail it. Rather, it is a phantom commodity – not a currency – that has little or no intrinsic value beyond the world inhabited by the computer nerds running the software that creates the coins. It is, simply, 'gold for geeks'. Bitcoin could trade at \$100 tomorrow, only to be worth \$1 the next day.

That hasn't deterred the speculators. One asset manager was reported to have set up a Bitcoin fund last year intended as a light-hearted punt. It offered people the chance to invest \$1,000 when the price of coins was \$13, the caveat being you could lose the lot. If you can afford to treat it as a joke, then why not?

Just be prepared to laugh when your money turns into cyber tulips. ■

*Christopher Adams is the Financial Times' markets editor*



# The money PROGRAMME

English authorities have long shied away from putting financial education on to the national curriculum. All of that is due to change, reports **Iona Bain**

**UNTIL NOW, THE** complex world of money has been an incidental part of the English school syllabus. Unless parents and schools went out of their way to teach financial skills, it was only maths as a core subject that might, as a happy by-product, have created a better understanding of how to make the pounds go further. Imparting how interest on a savings account works, or whether a two-for-one deal on baked beans is good value, is as far as most teachers have strayed into this tricky territory.

That's all about to change. As part of the draft National Curriculum, drawn up by the Department for Education, citizenship classes will, from September 2014, ensure that pupils are "equipped with the financial skills to enable them to manage their money on a day-to-day basis as well as to plan for future financial needs". That means learning about budgeting, as well as the basic financial services that young people are likely to encounter sooner rather than later. Further down the line, pupils will get to grips with wages, taxes, credit and debt, as well as the more 'sophisticated' financial products that their parents may still be struggling to grasp.

Only the outline of the curriculum will be drawn up by the Department for Education but it is thought it will be similar to the arrangements in Wales and Scotland, where there is freedom as to what resources are used and how teachers cover these topics.

Despite the lack of clarity at this stage, people do feel that financial education is needed. According to recent research from the Nationwide Building Society, half the population say that had they been taught money management when they were younger it would have had a "positive impact" on their current financial

situation. Three-quarters support embedding financial education within the curriculum.

But a row is brewing over who should take charge of shaping lessons. Should it be those who, in theory, know money better than anyone – the financial services industry itself? Or can teachers be trusted, with the right resources, to teach this thorniest of topics independently and thoroughly? And will it be enough to embed it within citizenship classes, which also aim to cover areas such as law, volunteering and respecting ethnic minorities?

A recent commentary in the *Financial Times* claimed that high street banks responsible for some of the "worst consumer misselling scandals of the past decade" would be "invited" into British schools to help implement the Government's new financial prospectus. Martin Lewis, of Money Saving Expert fame, has previously suggested visits by bankers to schools would be as morally dubious as pharmaceutical companies teaching children about biology and chemistry.

What about HSBC, which won an award from *Charity Times* magazine last year for a five-year, £3.4m programme, working alongside the Personal Finance Education Group (PFEG), Britain's foremost charity in this area? It deployed 648 teachers and trained 1,110 HSBC volunteers, as well as developing a 'best practice' package that was used in 5,250 schools. More than 20,000 primary school pupils were thought to have been taught the ins and outs of money through the scheme. A more long-running project comes from

Illustration: Dale Edmin Murray



## The CISI and financial education

The CISI is actively involved in education. It has an Education Trust, which financially supports developments in schools, that is chaired by former Board member Clare Gore Langton, Chartered FCSI(Hon) and also an Education Committee, chaired by Board member Nick Swales, Chartered FCSI, which brings together education professionals and practitioners. The CISI has also developed qualifications, learning and teaching materials for schools to use.

For example, a number of schools and colleges currently deliver the CISI's Certificate for Introduction to Securities & Investment,

which has teachers' slides and interactive learning, and from September the CISI will be piloting its new Certificate in Finance, Risk & Decision Making in several schools.

The two certificates combine to become the Diploma in Finance, Risk & Investment, which has already been approved for funding in schools and is recognised by Ofqual, the education regulator. Many firms have signed up to offer work experience to complement the studies of these students, while others have sponsored the distribution to local schools of *#yourmoney*, the book by Jeannette Lichner

MCSI, published by the CISI. The Education Trust itself has sponsored the distribution of 2,000 copies of this book.

A new qualification, Fundamentals of Financial Services, has recently become available for schools and colleges. Two of the Institute's qualifications are also recognised as part of Advanced and Higher Apprenticeship frameworks. The CISI is also actively working with universities to ensure that young people with its qualifications can go on to university – the Certificate for Introduction to Securities & Investment already attracts UCAS points.

the RBS Group, which has delivered sessions on money for more than 18 years via the MoneySense for Schools programme, while a Santander in Schools scheme uses staff volunteers to talk to children about the role of banks.

### Investing for the future

In preparation for the changes ahead in England, the CISI has itself been investing considerably in the education sector. In April, funding from the CISI's Education Trust led to the Institute sponsoring a two-year teaching post at Liverpool's Archbishop Beck College. This step drew support not only from Liverpool City

Council's Children's and Young People's Services, but also from local CISI corporate supporter firms, the Institute's regional committee, and indeed the Archbishop of Canterbury.

CISI Managing Director Ruth Martin says: "Professional bodies

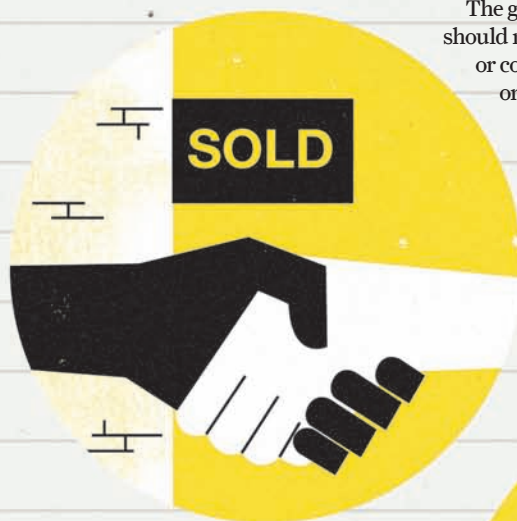
with close links to teachers in the sector will be ideally placed to offer materials and support; the CISI has always been practitioner driven and, in the field of schools education, this includes head teachers and teachers, who are represented on the CISI's Education Committee. The CISI will be playing its full part and is working closely with the PFEG to offer practical support as well as ensuring that its own schools qualifications will be relevant and appropriate to the new curriculum requirements unfolding in England."

Meanwhile, Jeannette Lichner MCSI, author of *#yourmoney*, the CISI-sponsored guide for 16–25-year-olds on spending and saving money, and an experienced financial services professional, is supportive of banks playing a part in financial education. Lichner says: "It's extremely unfortunate that some press articles have gone into a tailspin over this, describing banks as the architects of payment protection insurance misselling who are now handling our children's money education. There were a handful who did wrong but it's now clear there are lots who are trying to do right."

The general consensus in the financial industry is that it should never hijack the education agenda to push products – or consumer trust could well be lost again. In a 2012 report on investor education initiatives among its members, the International Organization of Securities Commissions said strict guidelines were generally followed.

"For example, the speakers are not allowed to promote themselves, identify the financial institution with which they are affiliated, or promote any financial products."

Tracey Bleakley, Chief Executive of the PFEG, says that the financial services industry



has been “extremely generous” in its support for financial education, and that the PFEG’s own quality mark is a guarantee that resources are “independent, free of branding, and of the highest educational quality”. She goes on: “Through its work in schools and its support for the PFEG over the last 12 years, the sector has helped millions of young people understand more about money. On its own, however, this is not enough. We want to see financial education taught in every school in the UK, which is why we are so pleased that after two years of campaigning the Government has finally agreed to include it in the new National Curriculum being introduced from September 2014. This is a huge victory and a big step forward for our broader campaign for every young person to be given the skills, knowledge and confidence they need to be able to manage their money well.”

Alongside its counterpart in Wales, the Scottish Government decided some time before Westminster (five years ago) to make personal finance education compulsory. But Education Scotland leaves it up to schools to decide how they teach money – much like the model proposed for England next year. Step forward Royal Bank of Scotland, Clydesdale Bank and Standard Life, which have been among those offering books or online courses as part of the Financial Education Partnership (FEP), supported by seven Scottish institutions. Simon Thompson of the Chartered Institute of Bankers in Scotland, which runs the FEP, admits that a programme can succeed in a school only where a teacher makes time for it. “They need to be as passionate about the topic as they would be about music, or chemistry. But, as in other parts of school life, teachers always have other priorities.”

When the FEP ran pilot workshops last year, it found that 40% of schools had nobody overseeing financial education, with 71% of volunteers experiencing problems when they visited students. Nearly one-third of schools didn’t have the right equipment to host the session, and nearly a quarter of students wished they had been given

more time to learn about the topics, which included money management, borrowing, financial products and the world of work.

The Stewart Ivory Foundation, a charity set up by a group of Edinburgh fund managers when they sold their business to a US buyer in 2003, recruits volunteers across the financial sector (many retired) to provide regular sessions for (Scottish) sixth-year students. Chairman Hamish Buchan says: “The big question is whether you teach the teachers or bring in outsiders. We’ve been told that financial experts engage the students far more once they have reached sixth year and you have to ask if the teachers really are confident enough to do it on their own. Teachers trust us because we’ve no axes to grind or any agenda to promote.”

Buchan concludes: “If we’re really committed to personal finance education in schools, it needs to be properly state-funded and treated as a subject in its own right. The big complaint we hear from teachers is that they have so much to get through and personal finance ends up falling through the cracks. If it doesn’t have its own exam, it’s at the bottom of the pile.” ■

*About the author: Iona Bain is a freelance journalist who specialises in young people’s personal finance. She has appeared as a contributor to BBC Scotland and Radio 1 and has her own website, [youngmoneyblog.co.uk](http://youngmoneyblog.co.uk)*

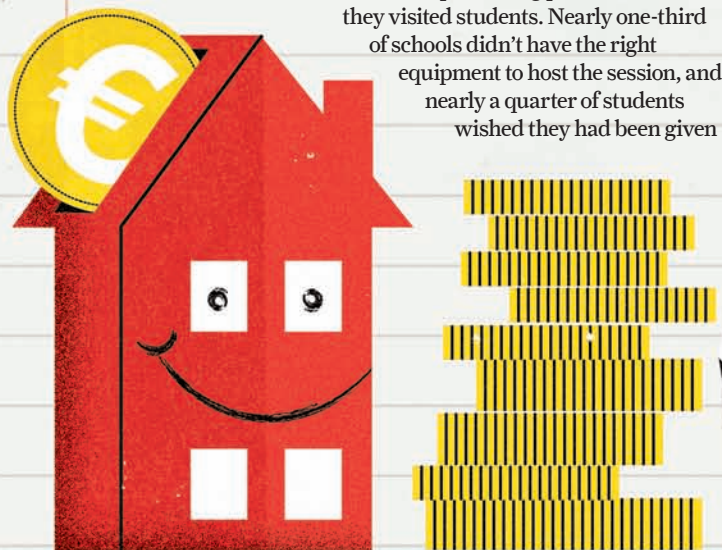
## The international angle

England will now join Australia and Singapore in planting money lessons within the curriculum. Other English-speaking countries, such as New Zealand and Canada, are also following suit, developing national finance education strategies at government level. Money is even a stand alone subject in certain US states, such as Tennessee and Utah. However, a 2011 survey from the Council for Economic Education also found that the number of states that require students to take a personal finance course at high school level is just 13. Emerging countries are also trying to address financial illiteracy. Brazil now has its own National Association for Financial Education and has struck up a partnership with the Organisation for Economic Co-operation and Development to promote thorough financial education throughout Latin America.

In Europe, the Czech Republic has been teaching money in secondary schools since 2009, while other beleaguered countries in the eurozone, such as Spain and Italy, have both seen successful pilot schemes that aim to impart financial sense in youngsters. These have now prompted discussions about whether to enshrine money lessons within the curriculum.

It’s too early to see whether education schemes in other countries have improved financial literacy among the young – there hasn’t been enough research to prove that approaches in other countries could provide a useful template for England.

Britain’s network of financial education charities, particularly the PFEG, is considered alongside the American organisation Jump\$tart Coalition and the Australian website MoneySmart as being the most helpful resources available. But both Australia and the US have, at various points, recognised exams as a vital indicator of whether young people are becoming financially savvy. By contrast, it’s unclear at present whether children in England will be comprehensively assessed on what they’ve learned, even after the curriculum changes.



## CISI Annual Conference 2013

# Other People's Money Investing in growth

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

The CISI has been in the vanguard of much that has shaped our industry recently and this year's conference is an important opportunity to discuss how we can all advance following these changes.

David Nicol, Chartered FCSI  
CEO, Brewin Dolphin

The CISI's events have an enviable reputation for clarity, interest and spot-on relevance. I greatly look forward to this year's Annual Conference.

Martin Watkins, Chartered FCSI  
Director, Ernst & Young LLP

Keynote speaker

John Griffith-Jones, Chairman, Financial Conduct Authority

#### Further speakers include:

- Chairman: Alderman Alan Yarrow, Chartered FCSI(Hon), Chairman, CISI
- Daniel Godfrey, CEO, Investment Management Association
- Nick Hungerford FCSI, CEO, nutmeg
- Sir David Omand GCB, Kings College and former Permanent Secretary, Cabinet Office and Home Office
- Silvia Pavoni, Economics Editor, The Banker
- Terry Smith, CEO, Tullett Prebon



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# Degrees of separation



**Chris Alkan** asks whether the Vickers proposal to split investment from high street banking is practical

**BRITAIN'S BIG BANKING** groups have long known that the cosy relationship between their retail and investment businesses was coming under attack. Ever since the publication of the Vickers report in September 2011, it has been clear that politicians wanted to ensure that high street banks would not be put in danger by their racier investment banking arms.

By early next year the Banking Reform Act, which is currently working its way through Parliament, will insist that retail businesses are put behind a 'ring-fence' so they could survive even if riskier parts of the business collapse.

This is easier said than done, however. Large modern banks share payment, financial management and information technology systems across the entire group. A single board of directors oversees all wings of the company. Siphoning off one part of the business will present a host of technical challenges, as well as compromising the rights of shareholders to control the business they own.

"The practicalities of how this will work will be hugely important for the banking industry," says Jan Putnis, a partner at Slaughter and May who specialises in the financial services sector.

"If the rules are too strict then the synergies of joining these businesses together will disappear and it may make more sense for banking groups to simply break apart."

#### **More questions than answers**

At present, banks have more questions than answers about how the new system will function. Although the Independent Commission on Banking, led by Sir John Vickers, published its report in September

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***"A total split would create a lot of duplication and inefficiency"***

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2011, Parliament is still fleshing out its findings. The Banking Reform Bill is not expected to receive royal assent until early 2014. Even this will not be the end of the process. The new Prudential Regulation Authority – which only came into being on 1 April to replace some of the functions of the FSA – will then need to make more specific rules based on the law.

Once that process ends, banks are expected to have until 2019 to ring-fence their retail divisions. "We don't yet have a detailed list of dos and don'ts," says Putnis. "How well this plan works will depend on a lot of micro details."

The first mystery for banking groups is how the stand-alone retail units will be controlled. Retail divisions will require a separate board of directors, which raises some thorny corporate governance questions.

"Shareholders of the main banking group will not have unfettered discretion in who sits on these new boards," says Giles Williams, a partner at KPMG's regulatory services practice. "Instead, regulators will have to play a role in the selection too. The most likely outcome is that shareholders will submit and watchdogs will approve." That is an unusual situation for shareholders, who are used to exerting complete sway over fully-owned subsidiaries.

Being a director in one of these organisations will be an awkward and difficult role, cautions Simon Gleeson, a partner at Clifford Chance. "They will have all the existing duties to shareholders with added duties to the regulators on top."

Paul Chisnall, Executive Director of Financial Policy at the British Bankers'





Association (BBA), says: “Several issues arise as the Vickers recommendations find themselves being translated from concept to statutory provision and practical application. The question of how you appoint independent directors, for instance, is not an insuperable one since the issue arises with the appointment of independent non-executive directors under existing governance norms.”

An even more crucial question is how far banking groups will be allowed to share services between their different divisions. “There is a danger that regulators will insist that for a bank to be able to stand on its own two feet it will need very separate systems,” says Putnis. “A total split would create a lot of duplication and inefficiency. That would mean a spike in costs.”

Chisnall says the BBA is looking at whether a bank’s infrastructure can both support the bank on a group basis and be relied upon in the event of financial difficulty. “We are also giving attention to ensuring that the basis upon which ring-fencing is put in place is consistent with the ring-fenced bank being able to meet reasonable customer needs,” he adds.

Attention is likely to focus on several core areas of banking infrastructure. Among the most crucial will be payment systems, such

as Bankers’ Automated Clearing Services. Regulators can make a strong case that such services need to be within a ring-fence, says Gleeson. “Processing payments is an essential part of why retail banks exist,” he explains. “It wouldn’t matter if a bank were solvent. If it lost the ability to make payments, even temporarily, it would cease to function.”

The same could be said of other key parts of the plumbing that enable banks to operate, including information technology systems. Banks also face the threat of having to duplicate treasury functions, which currently handle the management of an entire group’s financial

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***“We could end up with such high ring-fences that a full break-up would make sense”***

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exposure. “Treasury systems are not cheap and neither are the people who operate them,” warns Williams at KPMG.

Banking experts are still unsure how strict the rules are likely to be. However, they are already mulling over ways to prevent such costly duplication. One possible solution is that the rest of the group could be a supplier to the retail bank. “This could be permissible so long as the function is not so crucial that it could not be replaced quickly,” says Putnis. “This could include some IT services, investment management of surplus and custodial services.” Of course, any such contracts are likely to be scrutinised closely by regulators, Putnis warns.

Alternatively the retail bank could supply services to the rest of the group. It is also possible that banks could set up a free-standing service company, that could provide backing to both arms of the organisation. “This kind of operational subsidiarisation could prove a good solution to this problem,” says Gleeson.

#### **Further challenges**

However, there will also be technical challenges beyond merely splitting infrastructure. Under current rules, banks need the consent of customers in order to move their accounts to a different entity. “This means that banks need to write to their customers and any of them can object in court,” says Putnis. “Such a huge volume of communications and the process of logging any objections will be a huge administrative hassle. It may take a number of years to achieve.”

An additional worry is that the divide is likely to create dislocation for end users, says Williams. The complex financial operations sometimes demanded by the ultra-rich may not be allowed within the retail bank. As a result,

high-net-worth individuals may find themselves dealing with two banks on either side of a ring-fence – depending on the service they are using. The same may also be true of small and medium-sized businesses, which require services that straddle the investment banking and retail banking world.

Working through these various issues, experts warn, is set to be a long and laborious process. “The outcome is likely to be far from simple,” says Williams. “We are in real danger of tying ourselves up in knots.”

Experts also believe that the new system is almost certainly going to constrain bank profits and could also impose extra costs on customers. “We could easily end up with such high ring-fences that a full break-up would make more sense,” says Gleeson. A strict implementation of the Vickers principles will increase the cost of retail banking, he warns. “Since banking is meant to be theoretically ‘free’, this will mean higher overdraft fees and other charges.” ■

### ***An electrified ring-fence***

Enforcing the new rules may require the threat of punishment, according to Andrew Tyrie MP, Chairman of the Parliamentary Commission on Banking Standards. He favours an “electrified ring-fence” that would break up banks if they breach the rules. “In other words, if the banks test the ring-fence too much, they will get a shock,” Tyrie wrote in the *Financial Times* in January 2013.

The motive for such draconian threats, says Giles Williams, a partner and regulatory expert at KPMG, is to avoid backsliding in the future. “There might be a strong determination to impose these rules now,” he says. “But at some point memories will begin to fade. Banks will be more willing to take chances and regulators and politicians may be willing to allow them to get away with it. We do not know what the world will look like in 2020 or 2025.”

This was what happened to Glass-Steagall, the 1933 Act in the US that attempted to separate retail and investment banks. “Over time, the distinction got blurred until finally the law was repealed,” says Williams. “Electrification would be a way of guarding against such backsliding.”

Last year, Professor Alvin Roth won the Nobel prize for economics for his ground-breaking work examining the mechanics of markets. **Tamsin Brown** traces the academic's achievements and finds out that his ideas possess real-world punch

# The market maker

**THE ECONOMIC THEORY** behind Alvin Roth's work may be difficult for the average man in the street to understand, but the application of his work has helped to solve major headaches, and even heartache, for people from many walks of life.

While many of his peers have been wrestling with questions surrounding the credit crunch and eurozone crisis, the 61-year-old American economist has been busy improving the mechanisms of all types of markets – everything from school applications and kidney donations to the finer details of transactions in the financial services sector. Roth, who is indifferent about which markets he studies, says his motivation is to help make things work better.

For all the accolades he has achieved, including his Nobel prize, Roth's academic life didn't get off to a promising start. The son of two teachers, he quit high school in Queens, New York when he was aged 15 – a decision he says was driven by his feeling that he had learned nothing in the classroom since being taught to read and write. He admits that his parents felt the decision was foolish but they needn't have worried. Roth was hardly your average high school drop-out. He had been attending weekend classes at Columbia University's engineering school – it accepted

him on an undergraduate course and he graduated in 1971 in a branch of engineering called operations research, although he admits that much of his time was spent mastering karate. From there he went on to complete a PhD at Stanford, and has taught at the universities of Illinois, Pittsburgh and Harvard.

Roth's speciality may be matching markets, such as those of jobs and schools, but the design of any market, including financial ones, he says, is paramount to how well it works.

"The City of London is a big financial market because it is convenient for people to go there and do their transactions. It is good to go where the market is 'thick' – or where lots of

behaviour that reduces overall welfare". It is difficult to read these words, published by Roth in the 1990s, and not admire their simple prescience with respect to some of the events of the financial crisis. Indeed, the EU's insistence upon central clearing of over-the-counter derivatives is one example of market designers making a safe place of exchange, and at least

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## *The design of any market, including financial ones, Roth says, is paramount to how well it works*

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trades are being offered and where you can choose among a large number of possible counterparties," he says.

But one problem that can afflict financial markets is 'congestion'. Roth explains: "You sometimes have people eager to make trades in such volumes, more quickly than they can be accomplished, so the price moves by the time the trades can be executed and that is a problem for the market."

He says that, while electronic trading has increased the capacity of many financial markets, he agrees with the side of a debate, currently ongoing in the US, that is sceptical about the vast sums of money being spent on fibre-optic cables and microwave channels connecting the various exchanges based in New York and Chicago. Despite his desire to see markets avoid congestion, Roth seriously questions whether this costly race for ever-fast trading is an efficient use of resources. Indeed, he recommends an incremental approach to participation in financial markets, whereby prices move at specific intervals of, say, ten seconds.

Markets must be "safe to participate in" so as to "prevent participants transacting outside of the marketplace and engaging in strategic

### *CV snapshot*

- 2013** – Returns to Stanford as Visiting Professor of Economics
- 2012** – Shares Nobel prize for economics with Professor Lloyd Shapley
- 1998** – Joins Harvard University as George Gund Professor of Economics and Business Administration
- 1982** – Becomes Professor of Economics at the University of Pittsburgh
- 1979** – Becomes Professor in the economics and business administration departments at the University of Illinois
- 1974** – Completes PhD at Stanford University and becomes Assistant Professor at the University of Illinois
- 1971** – Graduates from Columbia University with a degree in operations research



Photo: Corbis

suggests that regulators are heeding the words of academics like Roth.

Roth is willing to apply his highly academic mind to discussions on almost any market. But it is the practical application of his work that has set him apart. He has helped improve the way new doctors apply for jobs in hospitals in the US and he has assisted in the redesign of the application process for schools in a number of major American cities.

The work for which he has probably received the most praise is designing the kidney exchange programme in New England. When someone offers to donate a kidney to their loved one but it is not compatible, they can enter a computerised system designed by Roth which will search for a compatible donor/patient pair. The complex computer algorithm

enables chains of donors and patients to be matched and significantly increases the number of compatible kidneys available to those in need of them.

The need for new kidneys in the US far outstrips supply and another interest for Roth is the repugnance felt by much of society for the buying and selling of body organs. Roth has written papers exploring what drives these emotions. This has led him to look at some rather more obscure markets that evoke similar feelings of repugnance, such as for horsemeat and even dwarf tossing. However many eyebrows this may have raised, there will be plenty of attention focused on him in the years ahead to discover whether his work can solve any more pressing real-life problems. Among these may be financial markets. ■

## *Winning the Nobel prize*

It clearly came as a surprise. Alvin Roth was fast asleep when the call from Stockholm came to tell him he had won one of the most prestigious awards on the planet – the Nobel prize for economics. In fact, it was only on the second call, which went through to his wife's office, that the callers from Sweden received an answer.

The 8m Swedish kronor (£808,000) award was shared by Roth and fellow economist Lloyd Shapley, Professor Emeritus at the University of California, for their work in studying and improving the performance of many markets.

The two academics' studies may have been a generation apart but both have focused on matching markets where participants can't just choose what they want or pay for what they want; they also have to be picked. These include, for example, university applications or the job market. Their research focused on how the clearing process of these markets can be carried out with the most stable outcome. In other words, how to make sure that as many people as possible are happy with their choice so that the market operates effectively.

Roth built on the studies that Shapley, now 89 years old, carried out in the 1960s, with the now deceased David Gale from the University of California, into how different matching methods can be used. Roth conducted experiments to test the theory and then put his findings into practice, helping to redesign job, school and organ donor markets.

The pair were honoured by the Royal Swedish Academy of Sciences in Stockholm for the theory of stable allocations and the practice of market design. Although commonly known as the Nobel prize for economics, the award is officially called the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel and was first awarded in 1969.

Roth says: "I guess you could say designing of markets is an ancient human activity but economists are starting to understand something about it and are now sometimes able to help a little bit."



# Branching out



Will the Cypriot crisis herald the end of the passporting approach to branches? **Beth Holmes** investigates

**CYPRUS IS THE** nation closest to home that continues to cause concern for regulators, economists and banking customers alike. One ramification of the crisis is for non-domestic banking entrants in the UK.

In March, Cyprus agreed a €10bn bailout with the EU and the International Monetary Fund (IMF) in an effort to avoid the disintegration of its banking sector and the wider economy. As well as Cyprus agreeing to an overhaul of its banks, plus tax rises and privatisations, the country's second-largest bank, Laiki Bank, will be closed.

Customers with less than €100,000 will be protected. If these customers currently bank with Laiki, their deposits will be frozen and moved to the Bank of Cyprus. Customers with

more than €100,000, however, will have around 40% of their excess used to help bail out the industry. Small compensation for these better savers, although the original deal brokered by the EU and the IMF would have seen all Cypriot bank customers face a one-off charge starting at 6.75% for the smallest deposits – a radical departure from EU policy that prompted Dutch Finance Minister Jeroen Dijsselbloem to express serious concerns about the template this would set for similar crises.

Kleopas Stylianou, Advocate and Legal Consultant at NCI Law Group, says: "We knew that the situation was bad but I and other people were not expecting another violent change, as in the case of Greece. I could not have expected the EU going into the pockets of the depositors and getting part of their money."

In Cyprus, customers are now limited to withdrawing €300 a day, taking no more than €1,000 in cash when leaving the country, and transferring no more than €5,000 a month on debit or credit cards.

The measures were due to stay in place for just a few days, but Cypriot authorities have

indicated that they are likely to keep them in place for longer. Iceland introduced temporary capital controls in 2008, which are still in place today. (More on Iceland later.)

At the time of writing, a draft document prepared by the country's creditors showed that the cost of the bailout for Cyprus has increased to €23bn, up from the original price tag of €17.5bn. This extra amount must be found from somewhere and ordinary Cypriots must still be aware of the Sword of Damocles hanging perilously over their heads.

But what does all of this mean for Cypriot banks operating in the UK and what implications will it have for other banks setting up – or wanting to – in London?

EU law allows banks from any member state to set up branches in another member state without the obligation to convert them into subsidiaries. Subsidiaries are regulated by the government in the country in which the bank is hosted (and have their own capital and liquidity), but branches are not.

The Bank of Cyprus UK is a subsidiary and has 50,000 UK customers. In other words, it is a separately incorporated UK bank and depositors are protected by the UK's Financial Services Compensation Scheme (FSCS), which covers savings up to £85,000. The crisis in Cyprus should have no effect on its depositors.

Meanwhile, Laiki Bank has four branches in the UK and serves 13,000 customers. Unlike Bank of Cyprus UK, its UK operations are directly controlled from Cyprus, and so are not covered by the FSCS. It says deposits of up to €100,000 are guaranteed and customers are free to make withdrawals if they wish.

Depositors with more than €100,000 in UK branches of Laiki would be at risk of facing the same fate as their Cypriot counterparts. However, the Prudential Regulation Authority (PRA) has said all accounts in credit in Laiki's four UK branches would be shielded from any levy on their accounts and their deposits will be moved to Bank of Cyprus UK, giving them protection under the UK's banking rules.

KPMG Partner Stephen Smith, who has held the responsibility for co-ordinating the firm's response to the eurozone crisis since 2009, says: "In relation to Laiki, the UK Government and Cyprus arrived at a mutually agreeable result whereby the Bank of Cyprus took over deposits, avoiding precisely the problems that arose in relation to Iceland."

The previous UK Government intervened in Iceland's banks in order to protect UK depositors and arrangements were made to pay compensation to retail depositors in the UK branches of Icelandic banks Landsbanki, Heritable Bank and Kaupthing Singer & Friedlander. While UK depositors were protected, Iceland's own people took a different view.

"At the time, the collapse of the three largest Icelandic banks in October 2008 was blamed on the British, and then Prime Minister Gordon Brown became a hate figure in Iceland," says Icelandic economic commentator Sigrún Davíðsdóttir. "A nine-volume report finally told Icelanders what had happened and why the banks collapsed. Only then did it become clear

### *For non-EU banks, there has been a sharp fall in the number of branches*

how politicians had ignored warning signals, regulators were too lax and bank managers were, at best, economical with the truth. Rumours of foul play in the banks led to setting up an Office of the Special Prosecutor, which has already indicted leading bankers and shareholders. Finding out the truth does not resolve economic woes but it answers the questions necessary to learn the right lessons. This is what Cyprus can learn from Iceland."

So why do overseas banks prefer branches? "Branches, put quite simply, are cheaper and there is an easier flow of liquidity," says Smith, "but if you're operating in any country you need

to stay on the right side of the regulators."

And that is why, even though banks are not legally obliged to form a subsidiary, changes are afoot. When the Bank of Cyprus converted its UK branch to a subsidiary last year, it said it was because regulators had threatened to force it to remind depositors that they were not covered by the FSCS, established by the FSA at the end of 2010.

For non-EU banks, which need regulatory approval for branches, there has been a sharp fall in the number of branches. Since 2007, the UK has allowed only four non-EU banks to open branches, while 14 have opened subsidiaries.

Andrew Bailey, Chief Executive Officer of the PRA, has gone on record as saying that the practice of allowing even EU banks to have deposit-taking branches across national lines is "dying out" because of repeated bank failures and that the situation is "not sustainable".

With local regulation as strict as the UK's, thanks to the newly up-and-running PRA, which has the single objective of promoting the financial stability of the UK financial system, is the UK an attractive proposition for non-domestic bank entrants?

"I don't think it would hurt," says Smith, "[And] I don't think we should underestimate the degree of scrutiny here. I think there is a massive focus from banks and regulators about their exposure to the evolution of the eurozone crisis. Our regulators were on top of the issue, followed what was happening in Cyprus and were able to engage with the Cypriots. When the Treasury team went to Cyprus, there was a sense that the Brits were coming over to give their counsel, borne out of what happened in Iceland." ■

### *Out of Luxembourg?*

Before the Cypriot crisis, the FSA's tough regulations were proving to be a turn-off for some non-domestic entrants. At the end of last year, a group of China's largest state-owned banks, including the Agricultural Bank of China and the China Construction Bank, wrote to the Treasury to complain about the UK's "rigorously demanding" liquidity rules and blamed the FSA for forcing them to transfer large parts of their European business to Luxembourg, where regulation is less stringent.

Since the start of the financial crisis, several state-owned Chinese banks had set up in London but found their efforts to establish branches were thwarted by the FSA. Along with regulators in the US, Netherlands and France, the FSA was concerned about the self-sufficiency of branches of foreign banks and their intra-group exposures. This meant that setting up subsidiaries, with their tight standards on transparency and liquidity, was the only, somewhat less appealing, option.

So what does the Cypriot situation mean for London now? Within the EU, the imposition of capital controls in Cyprus as part of its bailout by the EU and IMF has raised serious questions of how such measures are compatible with a single market, where the freedom of banks to establish branches in other EU countries has long been a cornerstone. Indeed, the situation may herald the beginning of the end for branches, altering the situation for non-EU banks trying to get a foothold in Europe. A number of international trade bodies, including the Futures and Options Association and the British Bankers' Association, have written to the International Organization of Securities Commissions, asking it to address mutual recognition for regulating cross-border business.

# Lifting the lid on tax evasion



Photo: Getty

Crown Dependencies are leading the way in tax transparency. **Simon Airey** explains the legal and practical implications for financial institutions and intermediaries

**RECENT DEVELOPMENTS ON** tax in the Crown Dependencies – the Isle of Man (IOM), Jersey and Guernsey – have important consequences for CISI members, on the islands and elsewhere, and for many of their clients. Action needs to be taken now in order to prioritise and plan effectively for compliance with the recently signed Memorandum of Understanding (MOU) in each of the Crown Dependencies and the associated enhanced tax information exchange and reporting regimes.

HM Revenue & Customs (HMRC) has published a report, *No Safe Havens*, outlining its offshore strategy. This makes it clear that it expects to recover £1bn in underpaid tax through agreements with the IOM, Guernsey and Jersey over the next five years.

The UK Government is:

- providing voluntary disclosure facilities for

taxpayers with overseas accounts, and

- looking to sign wider Tax Information Exchange Agreements or clauses in the double tax treaties with individual countries, enabling the detection of those evading tax, or with undeclared liabilities.

#### **Voluntary disclosure facilities**

The states of Jersey and Guernsey announced separately on 20 March 2013 that they had

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***Those availing themselves of these opportunities will benefit from substantially reduced penalties***

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each signed an MOU with the UK Government relating to co-operation in tax matters, establishing voluntary disclosure facilities for ‘relevant persons’ with undeclared UK liabilities. The terms and time frames are similar to those of the Isle of Man agreement that was signed on 19 February.

In order to qualify for the special terms, a UK taxpayer must not be currently, nor have been historically, subject to an investigation by HMRC. A voluntary disclosure must:

- be full and unprompted
- be made between 6 April 2013 and 30 September 2016
- include a computation of all undeclared tax liability from 5 April 1999
- declare that the disclosure is correct and complete

- be accompanied by full payment of the tax or evidence of inability to pay, a payment on account and a proposal for full payment.

Those availing themselves of these disclosure opportunities will benefit from substantially reduced penalties. Also, only liabilities (that are eligible within the terms of the relevant disclosure facility) arising after 5 April 1999 will need to be disclosed. For liabilities falling outside the terms of the disclosure facilities, HMRC may, in certain circumstances, seek recovery of underpaid tax for the previous 20 years. In addition, if HMRC agrees that the liability arose from a reasonable error or mistake, liability needs to be computed only for the past four years, which could be extremely useful. While there is no immunity from criminal prosecution, discussion on an anonymous basis with the 'help desk' run by an experienced professional adviser should minimise this risk.

Interest, penalties and any 'further tax' (not yet defined) due must be paid within 30 days of notification by HMRC. From informal discussions with HMRC, it is anticipated that a quantification of 'further tax' will be agreed with the taxpayer and their advisers. The Frequently Asked Questions (FAQs) published on HMRC's website on 8 April clarify a number of the outstanding questions. However, these FAQs will continue to be refreshed on HMRC's website as further questions arise. *They can be viewed at [cisi.org/offshore/tax](http://cisi.org/offshore/tax)*

### The Liechtenstein Disclosure Facility

The UK Government and the Principality of Liechtenstein announced an MOU in August 2009 creating a disclosure facility providing UK taxpayers with the opportunity to regularise their tax affairs. The Liechtenstein Disclosure Facility (LDF) is available until 5 April 2016.

The terms of the LDF are different from those in the Crown Dependencies. Those UK taxpayers making disclosures under the LDF have an assurance against criminal prosecution where they make a full, accurate and unprompted disclosure, as long as the source of funds is not 'criminal property' as defined under section 340 of the Proceeds of Crime Act 2002, with the exception of tax offences. In addition, there is no tax payable in respect of periods prior to April 1999.

It should be noted that the Crown Dependency disclosure facilities may not always be the most cost-effective solution. For instance, the LDF may result in an overall lower settlement (and a guarantee of no criminal prosecution), which in turn may

preserve greater funds under management within the local financial institution (FI).

Subject to certain qualifying criteria, the LDF is available to any UK taxpayer with undeclared assets anywhere in the world (including in the Crown Dependencies). Therefore, careful assessment of a person's individual circumstances should be undertaken by a specialist adviser in this field to establish which facility is more favourable.

### Practical implications of the Crown Dependency MOU

Some of the key considerations for FIs operating in the Crown Dependencies are summarised below.

FIs are required to identify 'relevant persons' and advise them of the existence of the disclosure facility before 31 December 2013. They must also send a reminder in the last six months of the disclosure period, which ends on 30 September 2016.

The definition of what constitutes an FI is wide and covers custodial institutions, investment entities and insurance companies. The definition of a 'relevant' account is similarly wide and encompasses a far broader range of investments than has traditionally been reported under the EU Savings' Directive.

Inevitably, there are a number of legal and practical considerations, including with relation to data protection legislation, anti-money laundering and banking confidentiality. The appropriate way to search, reconcile and interpret customer data will often be complicated by multiple sources of information, old or inconsistent data and legacy computer systems. Related issues

## The Crown Dependency disclosure facilities may not always be the most cost-effective solution

concerning old or inadequate 'Know Your Customer' data may also arise.

There are important questions that FIs need to ask themselves, in order to ensure that they have satisfactory procedures in place to deal with all relevant legislation; the manner of communicating with customers will often be a sensitive one. These include:

- Who should the notification come from?
- What should it say?
- Does it inadvertently constitute tax advice?
- What happens if such a sensitive communication cannot be delivered or falls into someone else's hands (eg, via a

communal or outdated address)?

- How are customer queries or complaints to be addressed – and by whom?
- What if a customer disputes that they are a relevant person?
- What if a customer does not respond or seeks to move assets elsewhere?
- Can customers 'self-certify' their status or is more positive confirmation needed?
- What about 'gone-away' cases or instances where the underlying beneficial owner must not be contacted?
- What if a customer advises an employee of the FI that they have undisclosed tax but have not decided which disclosure facility to use?
- Are effective monitoring procedures in place for any reporting obligations under anti-money laundering legislation?
- Who should FIs refer customers to if they need advice regarding a voluntary disclosure?

### Foreign Account Tax Compliance Act and intergovernmental agreements

In addition to the initiatives referred to above, separate announcements have been made by the Crown Dependencies relating to negotiations with the UK and the US concerning intergovernmental agreements. These steps are designed to underpin the disclosure facilities by providing the relevant tax authorities with the information they need to check the accuracy of taxpayer returns.

### Conclusion

Governmental approaches to deterring and detecting tax evasion are to be applauded as long as they are proportionate, effective and consistent. However, there are significant costs and risks to manage, especially where FIs operate across jurisdictions, as they will need to accommodate different information reporting and compliance regimes. Despite this, careful planning and assessment can mitigate the risks and facilitate cost-efficient solutions to achieve compliance. ■

*Simon Airey will speak at a CISI CPD event about tax disclosures on 6 June at DLA Piper, 3 Noble Street, London EC2. Details are available at [cisi.org/events](http://cisi.org/events)*

Simon Airey is Head of Investigations and Compliance at DLA Piper



# Acts of CHARITY

In order to honour its funding commitments, a charitable organisation must increase its income. A possible solution presents both the charity and its advisers with a dilemma

**CHRISTOPHER HAS WORKED** throughout his career for a major corporation and reached a senior level as the head of marketing, a position from which he is about to retire. He is a strong supporter of a charitable foundation, established in Victorian times by his wife's great-grandfather, that promotes education in countries within what is now the Commonwealth. Christopher's wife, Harriet, is a trustee of the charity as a result of her family connection. Although highly engaged in the activities of the charity, Harriet does not have a deep understanding of its finances, particularly relating to the investment strategy of the foundation, which is all-important in the context of generating income to fund its ongoing activities.

Harriet returns from a meeting of the trustees one day looking rather concerned and tells Christopher that the meeting was quite difficult and concluded with a degree of acrimony. Apparently, Jasper, the Chairman of the trustees, who is 'something in the City', had told the meeting that if the charity continued to utilise the conservative investment strategy recommended by its existing investment manager, Sphere, it would be unable to generate sufficient income to meet all of its existing funding commitments to its chosen projects.

This had come as something of a bombshell to the trustees, who had asked what action, if any, they could take to try to restore the necessary levels of income. At this point, Jasper had said that he had spoken to some of his contacts in the City who had made a number of suggestions, including that as a start they should change the charity's fund manager. However, before they went down that route, they should listen to what Sphere

had to say and, at that point, he ushered into the room Yvette, the fund manager who directed the charity's funds.

Yvette told the trustees that the investment climate was not good for delivering the level of return necessary to fund the charity's commitments, some of which had been entered into at a time when returns had generally been higher and easier to achieve. To achieve these returns in the current climate would require a change of strategy that would involve investing in a broader and riskier spread of investments, including hedge funds and derivative-based investments, which were normally available only to investors whose experience and knowledge would enable Sphere to classify them as 'professional' customers. The present classification of the trustees as 'retail' customers meant that Sphere was restricted in what investments it could recommend to the charity. This talk of hedge funds, derivatives and customer

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## *The classification of the trustees as 'retail' customers means they are given only restricted investment advice*

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classifications served only to concern Harriet, who felt that she was getting out of her depth.

After Yvette left the meeting, the Chairman told the trustees that he strongly recommended that they should seek to re-let the mandate to manage the charity's funds. He suggested that they should do this as a matter of urgency, as Sphere was clearly not up to the task. Sphere and Yvette had been investment managers to



Photo: Getty

the charity for many years and a number of the trustees were not at all happy with the way in which the Chairman was effectively suggesting they should be sacked. Accordingly, they recommended that Harriet, as a representative of the founding family, should contact Yvette and suggest tactfully that Sphere would have to be more proactive if it wished to retain the charity's investment mandate.

Harriet told all of this to Christopher, who listened sympathetically. He said that he would support Harriet, but that if she had been asked to contact Yvette, then she should do so.

Harriet's news did not come as a complete surprise to Yvette, who had been wondering what she could, or should, do to try to retain the charity's business both for Sphere and her own position. She went to discuss the matter with Malcolm, her director.

Malcolm was quite blunt in his response,





saying that the investment climate was challenging for everyone, and that Sphere was no different to any of its peers which specialised in managing charities' money. If Sphere wished to remain in business, it would have to do whatever was necessary to retain the mandate and its revenue from it. If that meant reclassifying the charity trustees as 'professional' investors, so that they could be offered more diverse products, then so be it. Additionally, if Yvette persuaded the trustees they should 'opt up' to broaden their investment options, the subsequent reclassification would give them access to institutional share classes of funds, which normally carry an annual management charge of half that of the retail class. This would accelerate the cost benefit to the charity from the changes to the commission regime resulting from

the Retail Distribution Review, but Yvette should be able to sell this as a positive feature.

This apparent reduction in the fees would almost certainly help to sway the board, particularly those members who, like Harriet, did not really understand the financial side of the charity and might not focus on the potential increase in risk arising from 'opting up', but who would be attracted by lower fees and the possibility of higher returns.

After her somewhat bruising encounter with Malcolm, Yvette reflected on what he had said and whether this was something with which she felt comfortable. Clearly, it was important both to her and to Sphere to retain the charity's mandate, but was it reasonable to take the steps being proposed?

Reclassification, although permissible in appropriate circumstances, would, she felt, be stretching the definition of 'professional' investor, since although one or two of the

trustees were professional men and women (to whom the classification probably could be applied) the same could not be said of the board as a whole. Moreover, was it appropriate for a charity to give up important protections to broaden its investment possibilities, increase its income or reduce its fees? The turnover in trustees might very well mean that the current expertise justifying the 'opt up' could disappear at any stage. Therefore, was a charity in a different position from an individual investor? ■

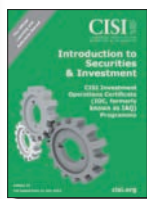
*So was this really a solution creating winners all round, or was it unfair on, or unsuitable for, the charity? Yvette remained in a quandary.*

*If you have any comments, email them to [richard.mitchell@cisi.org](mailto:richard.mitchell@cisi.org) or leave a comment at [cisi.org/sireview](http://cisi.org/sireview)*

# Need to read

The latest publications and study aids supporting CISI qualifications

## NEW WORKBOOK AND EARNING EDITION



### Introduction to Securities & Investment

A new edition of the CISI's *Introduction to Securities & Investment* workbook and corresponding elearning product (covering exams from 21 July 2013) is out now. Providing an ideal introduction to the

world of financial services, it covers topics including:

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

**Price: £100 for combined workbook and elearning product**

## NEW WORKBOOKS AND EARNING EDITIONS

### CISI Study Material and the New Regulatory Environment



This year a new regulatory structure took effect in the UK, made up of the Financial Conduct Authority, the Prudential Regulation Authority and the Financial Policy Committee. As a

result, new workbook and elearning editions (covering exams from 1 April 2013) are out now:

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

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

## NEW WORKBOOK AND EARNING EDITION



### Fundamentals of Financial Services

*Fundamentals of Financial Services* is a new qualification that is an important first step in developing the essential basic knowledge required for working in financial

services. Candidates will learn about the industry and commonly used financial products, such as shares and bonds. It will provide an understanding of financial terminology and help in calculating interest rates and dividend yields. The Ofqual-regulated qualification, which is recognised as a level 2 award on the Qualifications & Credit Framework, is ideally suited to junior employees within the industry. It is also appropriate for school leavers who are considering a career in finance. A key feature is that it comes with free CISI student membership with access to a wide range of online study tools. The workbook and corresponding elearning product (covering exams from 11 May 2013 to 31 July 2015) are out now.

**Price: £80 for combined workbook and elearning product**

## NEW WORKBOOK AND EARNING EDITION



### Taxation in the UK for Individuals & Trusts

The object of this new level 4 exam is to ensure that candidates can apply the knowledge, theory and practical techniques required

to assess a client's current financial position and future requirements, make suitable investment recommendations, monitor performance and respond appropriately to changing circumstances. The exam will test candidates on their knowledge and understanding of taxation of investors and investments in the UK. The corresponding workbook and elearning product (for exams from 12 March 2013 to 11 March 2014) cover:

- taxation of investment income
- National Insurance Contributions
- tax-planning strategies.

**Price: £100 for combined workbook and elearning product**

## NEW WORKBOOK AND EARNING EDITION



### Risk in Financial Services

*Risk in Financial Services* is part of the Investment Operations Certificate and Certificate programmes. It gives candidates a broad understanding of the

general principles of business risk, the key risks that arise within the financial services industry, the influence of corporate governance, regulation and codes of conduct, and the approaches that are typically used to identify, reduce and manage specific aspects of risk. A new edition (covering exams from 11 August 2013) of the workbook and corresponding elearning product are due out in May. Topics will include:

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

**Price: £100 for combined workbook and elearning product**

Visit [cisi.org/bookshop](http://cisi.org/bookshop) to purchase workbooks, publications and elearning products quickly and efficiently.

## ONLINE TOOL

### Professional Refresher



The CISI's Professional Refresher is a training solution to help you

remain up-to-date with regulatory developments, maintain regulatory compliance and demonstrate continuing learning. This popular online learning tool, now enhanced and updated, allows self-administered refresher testing on a variety of topics, including the latest

regulatory changes. Modules are reviewed by practitioners frequently and new topics are added to the suite on a regular basis. At the end of each module, there is a test which will help you to determine how much knowledge you have gained.

The product currently consists of over 40 modules, including:

- anti-money laundering
- corporate actions
- financial crime.

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

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

## External specialists

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

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

The CISI would particularly welcome applications from specialists to assist with developing exams for Exchange-Traded Derivatives, Commodity Derivatives, Over-The-Counter Derivatives and Corporate Finance Technical Foundations.

To register your interest, please contact Iain Worman on +44 20 7645 0609 or download the application form available via [cisi.org/externalspecialists](http://cisi.org/externalspecialists)

# Diary

Events to attend over the coming months



## Conferences

**3 JULY CISI Annual Conference 2013\*** London



John Griffith-Jones

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

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

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

Of equal importance, this interactive event provides the opportunity for delegates to discuss the issues with other attendees.



Sir David Omand

### Confirmed speakers include:

Alderman Alan Yarrow, Chartered FCSI(Hon), Chairman, CISI; John Griffith-Jones, Chairman, Financial Conduct Authority; Professor Sir David Omand GCB, Visiting Professor, Department of War Studies, King's College, London, former Security & Intelligence Co-ordinator and Permanent Secretary at the Home Office; and Nick Hungerford, CEO, nutmeg



Nick Hungerford

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

## CPD training courses

Venue: London, unless otherwise stated

**14 MAY Introduction to Financial Markets** £500

**15 MAY Getting to Grips with Operational Risk – for Non-Operational Risk Professionals\*** £500

**16 MAY Mifid II and the New Regulatory Structure\*** £500

**21 MAY Practical Guidance on Preventing Insider Dealing and Market Abuse\*** £500

**5 JUNE Suitability and Appropriateness: Avoid Misselling!\*** £500

**6 JUNE Sanction Breaches – Avoiding Expensive Enforcement!\*** £500

**10 JUNE Planning, Delivering and Recording CPD in the RDR World** £500

**11 JUNE Client Assets and Client Money (CASS)\*** £500

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

**18 JUNE Updated Thinking for Packaged Products\*** £500

**24 JUNE RDR gap-fill: Investment Principles & Risk (PCIAM, half day)** £500

## 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](http://cisi.org) [customersupport@cisi.org](mailto:customersupport@cisi.org) +44 20 7645 0777

## London CPD events

**15 MAY Directors' and Officers' Liability Explained\***

Willis, 51 Lime Street, EC3

**11 JUNE FIX Essentials\***

BT Centre, 81 Newgate Street, EC1

**12 JUNE Thematic and Sector Investing with ETFs\***

Deutsche Bank, 1 Great Winchester Street, EC2

**24 JUNE LIBOR – A Response to the Scandal\***

America Square Conference Centre, 1 America Square, 17 Crosswall, EC3

**9 JULY Investment Horizons\***

Willis, 51 Lime Street, EC3

For further information about London CPD events, visit [cisi.org/events](http://cisi.org/events)

To book: [cisi.org/eventscal](http://cisi.org/eventscal) +44 20 7645 0777

## Branch events

**16 MAY Annual Dinner**

Liverpool & North Wales: Crowne Plaza, Nicholas Place, Princes Dock, Pier Head, Liverpool

**22 MAY Allocating to High Yield/Corporate Credit\***

Jersey: The Royal Yacht, Weighbridge, St Helier, Jersey

**22 MAY Bank of England Update (joint event with ACCA and CIMA)\***

Yorkshire: Holiday Inn, Tadcaster, York

**23 MAY Anti-Money Laundering (joint event with CIMA)**

Yorkshire: DoubleTree by Hilton, 2 Wharf Approach, Granary Wharf, Leeds

**23 MAY Month Two – the FCA Today (followed by Annual General Meeting)\***

Liverpool & North Wales: Investec, The Plaza, 100 Old Hall St, Liverpool

**24 MAY Month Two – the FCA Today\***

Liverpool & North Wales: Surrendalink, 8–11 Grosvenor Court, Foregate Street, Chester

**24 MAY What the FCA Means for You? The Future of Regulation\***

Manchester & District: Barclays Wealth, 3 Hardman Street, Spinningfields, Manchester

**29 MAY Corporate Finance, FCA/PRA Update: Latest Practical Advice on Preparing for the New Regime\***

Bristol, Bath & South Wales: TLT, One Redcliff Street, Bristol

**6 JUNE Charity Golf Day for Yorkshire Air Ambulance**

Yorkshire: Leeds Golf Centre, Wike Ridge Lane, Leeds

**6 JUNE Annual Dinner**

Yorkshire: DoubleTree by Hilton, 2 Wharf Approach, Granary Wharf, Leeds

**6 JUNE Annual Dinner**

Birmingham & West Midlands: Regency Hyatt, 2 Bridge St, Birmingham

**14 JUNE Evening at the Races**

Liverpool & North Wales: Aintree Racecourse, Ormskirk Road, Aintree, Liverpool

**27 JUNE Annual Dinner**

East Anglia: Norwich Cathedral, Norwich

**30 AUGUST Football Tournament**

Liverpool & North Wales: TBC

**10 SEPTEMBER Multi-region Football Tournament**

Liverpool & North Wales/Yorkshire/Manchester & District: TBC

To book: [cisi.org/eventscal](http://cisi.org/eventscal) [region@cisi.org](mailto:region@cisi.org) +44 20 7645 0652

## RDR ANNUAL CPD

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

## Professional forums

## Members' events



Andrew Bailey

The CISI's six professional forums are a key membership benefit.

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



David Young

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

Bruce Weatherill

MCSI

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

## Forthcoming events

## Compliance

10 July: *Conflicts of Interest – Round-table Event*

## Corporate Finance

21 May: *Corporate Broking: Is the Obituary Premature?*

Speaker: Tim Linacre MCSI, Consultant

16 July: *Banking Regulation – What is the Future?*

Speaker: Andrew Bailey, Deputy Governor for Prudential Regulation and CEO of the Prudential Regulation Authority, Bank of England

## Financial Technology

18 July: *High-frequency Trading*  
Speakers: TBC

## Operations

22 May: *The Impact of AIFMD*  
Speakers: Richard Pavry, Director, Jupiter Asset Management; Nick Jenkins, Assistant Director, Regulatory and Technical, National

Westminster Bank; Bill Scrimgeour, Global Head of Regulatory and Industry Affairs, HSBC Securities Services

17 July: *What is the Target? T2S, A Revolution in Securities Settlement or a Costly Mistake?*

Speakers: Richard Young, Market Reform Manager, SWIFT; Chris Prior-Willeard, CEO, BNY Mellon CSD SA/NV; Justin Chapman, Senior Vice President, Global Head of Industry Management, Operations and Technology, Northern Trust

## Risk

16 May: *Demystifying ICAAPs*

Speakers: Colin Atkinson MCSI, Supervision Division, Financial Conduct Authority; Sani Alnajjar, Senior Manager, Risk and Regulation, Deloitte LLP

5 June: *The Problems of Risk Reporting and Governance*

Speakers: John Sutherland; David Young, Consultant, Maisemore Consultants Ltd

4 July: *Why Do Banks Get It Wrong? Reputational Risk in Practice*

Speakers: Dennis Cox, Chartered FCSI, CEO, Risk Reward Ltd; Neil Brown, Chartered FCSI, Senior Partner, Earth Capital Partners

9 July: *Investment Horizons CPD event*

Speakers: Trevor Williams, Chief Economist, Lloyds Bank; Kevin Gardiner, MD, Global Investment Strategy

## Wealth Management

2 July: *Asia and the ComPeer Wealth Management Benchmarking UK Report*

Speakers: Bruce Weatherill MCSI, Partner, Weatherill Consulting; James Brown, Senior Analyst, ComPeer Ltd

For more information about forthcoming forum meetings, visit [cisi.org/pf](http://cisi.org/pf)



## Tee time for charity



Former rugby player John Bentley

Get in the swing of a CISI charity golf day to help an air ambulance service keep flying.

The event, being organised by the Institute's Yorkshire branch, will take place on 6 June at Leeds Golf Centre. The event is open to teams of four or to individuals; tickets are £30

per player, payable in advance. Companies are invited to enter more than one team if desired and to sponsor a hole (minimum donation of £20).

The fundraising will continue into the evening with the branch annual dinner being held at the DoubleTree by Hilton Hotel in Leeds, where there will be the chance to win raffle prizes and take part in an auction. The dinner will feature as guest speaker John Bentley, who played for England at both rugby union and rugby league, with tickets costing £40 per person or £380 for a table of ten.

The Yorkshire Air Ambulance relies heavily on donations to cover the £7,200 daily cost of providing emergency rescue cover over an area of four million acres.

Book online soon at [cisi.org/eventscal](http://cisi.org/eventscal) or email Alexandra Blunden at [alexandra.blunden@cisi.org](mailto:alexandra.blunden@cisi.org) for more details

## LIVERPOOL &amp; NORTH WALES

## Online presence



With the growth of online media, the Liverpool & North Wales branch of the CISI has set up its own group on the business network, LinkedIn.

Branch President Jon Walker, Chartered MCSI said: "We see this as an excellent way for members in the region to stay in touch with each other and discuss and debate industry events. It will enable us to update members about CISI CPD and social events and new Institute developments and benefits."

Members can catch up with the group – CISI Liverpool & North Wales Branch Network – at [linkedin.com](http://linkedin.com)

Nearly 5,000 members have already joined the CISI's LinkedIn group – Chartered Institute for Securities & Investment Official – and this number continues to grow.

## Membership admissions and upgrades

## MCSI

Acumen  
Alexander Robertson  
Ahli United Bank  
Zeena Farouk  
Alfa Trading  
Nilesh Rajudin  
Anderson Strathern  
Ross Hunter  
Attivo  
Charlotte Watson

## Baker Tilly

Kyria Ali  
Barclays  
Miles Nesbitt  
Bestinvest  
Charles Buxton  
Brewin Dolphin  
Ian Booth  
William Keogh  
Leana Prasher  
Katie Waite

## BRI

Hannah Edwards  
Brooks Macdonald  
Andrew Bennie  
Matthew Watson  
Butterfield Bank  
Darragh Lee  
Cave & Sons  
Nicholas Saunders  
Central Markets  
Joseph Neighbour

## Chevot

Myles Tunstall  
Churchill Wealth Management  
Matthew Barwick-Barrett  
Citi  
Wanda Symonds  
Collins Sarri Statham  
Damien Brown  
Conifer Fund Services  
Donna-Maria De Roche

## Contrarius

Lee Richardson  
Coutts  
Alan Ditton  
Raphael Ribeiro  
Daniel Webb  
Monique Wong  
Credit Suisse  
Matthew Bailey  
Timothy Woosley  
Ian Wright

## Cruse

Allan Cruse  
Deutsche Bank  
Bronwen Morgan-Thomas  
Downing  
Judith MacKenzie  
Excel Recruitment  
Catherine Hullah-Brown  
Fiske  
James Gatehouse

## Membership admissions and upgrades

<b>Groupe Financiere Hottinger</b>	Abul Choudhury	<b>BRI</b>	Ronald Jarman	Amnon Barak	<b>Legal &amp; General</b>
Richard Howard	<b>Shore Capital</b>	Dan Boardman-Weston	Christopher O'Meara	Wael Charbel	Robert Merrifield
<b>Habib Bank</b>	Rupert Armitage	<b>Brown Shipley</b>	Philip Ostle	Birgit Kasak	<b>Murray</b>
Sameer Mhatay	<b>Sindicatum</b>	Sameer Kaushal	Edward Tomlinson	Gavin Stanley	Ross Middleton
<b>Halstead</b>	Setiadi Sutanto	<b>BWCI Group</b>	<b>IMEF</b>	<b>Unicredit Bank</b>	<b>Psigma</b>
Mark Halstead	<b>Smith &amp; Williamson</b>	Lindsay Wright	Khaled Samadi	Dario Luciano Merlo	Nicholas Grant
<b>Henderson Rowe</b>	James Boycott	<b>Capital Asset Management</b>	<b>Intrinsic Value Investors</b>	<b>Walkers</b>	Rupert Stone
William Jamieson	Nicola Landes	Lyndon Phillips	Adi Mere Tuivaturago	Georgia Prinsloo	<b>Quilter</b>
<b>Hermes Fund Managers</b>	<b>State Street</b>	<b>Central Markets</b>	Drika	<b>Zervudachi Asset Management</b>	Andrew Chapman
Ao Jiang	Ying Lei	Peter Shepherd	<b>Investec</b>	Patrick Zervudachi	Ciara Hurley
<b>Highcliffe</b>	Kevin Forbes	<b>Cerno Capital Partners</b>	Steven Holmes	<b>Others</b>	Oliver Stainer
Gerald Bennett	<b>Swinton Insurance</b>	Mustafa Abbas	Andrew Parkes	Farouk Alwyni	<b>Rathbone</b>
<b>HSBC</b>	Inalegwu Agbogo	<b>Charles Stanley</b>	Robyn Pilkington	Francisco d'Orey	James Brennan
Esha Kumar	<b>Thistletdown</b>	Edward Clark	<b>James Brearley</b>	Mark Fail	<b>Redmayne-Bentley</b>
Sarah Moreton	Peter Wyatt	<b>Cheyne</b>	Louise Gover	Sergio Garcia Puga	Reginald Wilson
Damian Paul	<b>UBS</b>	Omotara Brown	Sharon Nuttall	Karmilia Kayzee	<b>Smith &amp; Williamson</b>
Sophie Ward	Faisal Sheikh	<b>CISI</b>	<b>JPMorgan Chase</b>	Khairudin	John Harrop
<b>ICMA Centre</b>	Michel Vernier	Robert Cronin	Darius Daubaras	Catherine Waterworth	Jeremy Hodges
George Alexandridis	<b>United Arab Bank</b>	Linda McQueen	<b>Kaplan</b>		<b>Step Teachers</b>
<b>Investec</b>	Gerard Hague-Holmes	<b>CLFIS</b>	Timothy Handerson		Michael Jones
Annabel Ayers	<b>University of East Anglia</b>	Neil McLaughlin	<b>KARVY</b>	<b>Chartered FCSI</b>	<b>TD Waterhouse</b>
Cynthia Cho	Susan Wheeler	<b>Close Brothers</b>	Vinay Battu	<b>ABN AMRO</b>	Matthew Keay
Matthew Ellis	<b>Veritas</b>	Jacqueline Butt	<b>Kleinwort Benson</b>	Calum McInnes	<b>Thompson Taraz</b>
Susan Fleming	Charles Prickett	<b>Collins Stewart</b>	Nigel Bolt	<b>Adam &amp; Co</b>	Andrew Grieve
Jon-Paul Hill	<b>WFO Professional Services</b>	Amelia Lawther	Andrew Wheeler	John Barne	<b>UBS</b>
Jade Hilton	Chukwuma Kalu	Johnathon Rivers	<b>Lacomp</b>	<b>Barratt &amp; Cooke</b>	Gregory Simmons
David Rolland	<b>Wilson King</b>	Coutts	Peter Buxtorf	William Barratt	<b>Others</b>
Benjamin Thomas	Henry Crofton	Ann Bainbridge	<b>Lloyds Bank</b>	Samuel Matthews	Prashant Basanagoudar
<b>Investment One</b>	<b>Winterbourne Trustee Services</b>	Natalia Kuznetsova	Sarah Saigol	William Mellor	Robert Parker
Nicholas Nyamali	Nigel Hill	Derek Moore	<b>Logic Investments</b>	Fergus Newman	
<b>Killik</b>	Simon Davies	David Quinn	Henry Shann	<b>Berry Asset Management</b>	<b>Chartered MCSI</b>
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<b>KPMG</b>	Philip Jones	<b>Credit Suisse</b>	Prasad Fernando	<b>Blankstone Sington</b>	Jennifer Canterbury
Anastasia Loizidou	Michael Obrist	Paul Durdin	<b>National Bank of Abu Dhabi</b>	Glyn Edwards	Sarah Heyes
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<b>Mercury Institute of Management</b>	Ahmad Faris Bin Ahmad	Ahmed Rawaf	Rasaq Adebimpe	David Pegler	<b>Bestinvest</b>
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<b>Midcocean Management and Trust Services</b>	<b>ACPI</b>	Cyprus Securities and Exchange Commission	Shaun Port	Timothy Sanders	<b>Brewin Dolphin</b>
Naiyada Henry	Brett Lankester	Marios Nearchou	<b>Panmure Gordon</b>	Canaccord Genuity	Daniel Evans
<b>Millen Capital</b>	Alok Oberoi	<b>Daniel Stewart</b>	Adam James	<b>Hawkpoint</b>	James Hayley Bell
Angus Millen	<b>Ahli United Bank</b>	Christopher Gordon	<b>Quilter</b>	Rupert Pepper	<b>Brooks Macdonald</b>
<b>North Middlesex Hospital</b>	Sadegh Farhadi	<b>Deutsche Bank</b>	Gerry Harris	<b>Capital G Investments</b>	Daniel Masters
Femi Dada	Chahmaze Farhat	Samuel Matthews	<b>RBC Capital Markets</b>	William Rudston De Baer	<b>Brown Shipley</b>
<b>Northwood Symonds</b>	Guy James	deVere	Michael Redfearn	<b>CEI Compliance</b>	Scott Powell
Jordan Batchelar	<b>Arcturus</b>	Sajan Chugani	<b>Redmayne-Bentley</b>	Lee Werrell	<b>C Hoare &amp; Co</b>
<b>NWD</b>	Dane Halling	Quentin Sellar	Paul Edwards	Kenkos	Deborah Phillpotts
Paul Morrison	<b>Atlantis</b>	<b>Equitrade</b>	<b>Rowan Dartington</b>	Sophie Yabsley	<b>Capital International</b>
<b>OCBC Bank</b>	Paolo Vaglietti	Inderveer Dhariwal	Catherine Ireland	Charles Stanley	Antony Kelsey
Gautam Krishna	<b>Azure Wealth</b>	<b>Financial Planning</b>	<b>Royal Bank of Scotland</b>	Jaymin Patel	Christopher Boyde
<b>Prydis</b>	Jean-Pierre Casey	Jonathan David Chorley	Andrew Smith	<b>Collins Ward</b>	Cazenove
Scott George Marshal	<b>Baillie Gifford</b>	<b>Freight Investor Services</b>	<b>RSM Tenon</b>	Christian Ward	Richard Onslow
Harrison	Tracey Hanrahan	Annika Sara Kalen	Jennifer Hunt	Coutts	<b>Financial Services Authority</b>
<b>Qatar Petroleum</b>	<b>Bank Insinger de Beaufort</b>	Fyshe Horton Finney	Hannah Nightingale	Helen Jackson	Matthew Austen
El Sayed Salem	Sevac Artin	Stuart Fairhurst	<b>Salisbury Partners</b>	David Morrish	<b>Heartwood</b>
<b>Redmayne-Bentley</b>	Steven John Martin	<b>H2O Markets</b>	Andrew Nicolson	Stuart Rollason	Mark Wills
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<b>Reynolds Porter Chamberlain</b>	Tracey Snell	Maximilian Muirhead-Smith	Mark Ward	Patrick Millar	Ross Bridger
Harriet Boughton	Frances Stopher	<b>HSBC</b>	<b>Scodie Deyong</b>	EFG Harris Allday	Killik
<b>Risk Reward</b>	<b>Bank of England</b>	Manish Kumar	Mark Jacobs	Karen Smith	James Stell
Mark Dougherty	Zoe Pye	Bharalawala	Lydia Warde	<b>Financial Services Authority</b>	Alan Hooks
<b>Rowan Dartington</b>	<b>Barclays</b>	Sarbendu Chakraborty	<b>Securities &amp; Exchange Commission</b>	Derek Young	<b>MCM</b>
Alastair King	Daniel Blowfield	Ben Alexander Hanney	W C J Thabrew	<b>GEM Compliance</b>	Jeffrey Winter
Sebastian Roiz De S'a	Stefanie Drews	Mayank Jhaharia	<b>SG Hambros Bank</b>	Consulting	<b>Rathbone</b>
<b>Royal Bank of Canada</b>	Agnes McDowall	Ritesh Jhawar	Henri Brun	Gillian Gallacher	Thomas Lovell
Jaime Zuloaga Saenz	<b>BHSF</b>	Ritesh Jhawar	Alla Glendenning	<b>Gibraltar Financial Services Commission</b>	<b>Royal Bank of Scotland</b>
<b>Royal Bank of Scotland</b>	Jim Winter	Deepak Kumar	Farah Nanji	Marcus Killick	Jin Ma
Benjamin John Haymer	<b>BMCE Bank</b>	Bikash Purohit	<b>Société Générale</b>	<b>Gore Browne</b>	<b>Sanlam Group</b>
<b>S C Davies</b>	Carole Margolis	Krishanu Raha	Habeeb Siddiqui	Simon Hebb	Stuart McCann
Simon Davies	<b>Brewin Dolphin</b>	Atonu Saha	<b>Speirs &amp; Jeffrey</b>	<b>HSBC</b>	
<b>Saltus Partners</b>	David Appleby	Aaron Simpson	Graham Black	Timothy Dickens	<i>This list includes membership admissions and upgrades from 19 January to 28 February 2013</i>
Jon Macintosh	Daniel Higginson	Tracey Snell	Stephen Hall	Kay McCarthy	
<b>Sarasin &amp; Partners</b>	Shahbear Hussain	Lee Yit Cheng	<b>Standard Chartered</b>	<b>Investec</b>	
James Fishbourne	Samantha Mills	<b>IG Group Plc</b>	Daniel Haine	Andrea Lobb	
<b>Seven</b>	Thomas Pearson	Timothy Walker	Ciara Harvey	Charles Tibbits	
Stewart Sanderson		<b>IM Asset Management</b>	Thesis	<b>JM Finn</b>	
<b>SG Hambros Bank</b>		Samantha Brown	Susan Hoggarth	Alexander Gulliford	
Martin Brookes		Vicky Clark	<b>UBS</b>	<b>LCF Edmond de Rothschild</b>	
		Philip Goldthorp	Alina Aroni	Ruth McKenzie	

Marie competes at the Commonwealth Games in Victoria (Canada) in 1994



Marie, left, and below, taking part in mountain bike races in the Isle of Man



# Pedal power

Marie Morgan, Chartered MCSI has enjoyed a glittering cycling career that has seen her compete all over the world. **Lora Benson** reports



Marie Morgan, Chartered MCSI

## WHEN ISLE OF MAN

stockbroker Ramsey Crookall took on a young receptionist 27 years ago, little did the firm realise that one day she would become a British cycling champion and star at two Olympic Games.

Now Marie Morgan, Chartered MCSI is looking forward to making another major contribution to the world of sport, after being appointed an ambassador for the Isle of Man Commonwealth Games Association in the lead-up to the Games, which will take place in 2014 in Glasgow.

She says: "This came totally out of the blue. The Association was looking for sports people who had competed at the highest level and my name came up. It is hoped that I will have much to offer athletes who are trying to gain qualifications standards by giving them advice and support, as well as undertaking fundraising support.

"I'm delighted and honoured to accept the role. I look forward to putting something back into sport, which has given me so much pleasure over the years. It will mean a lot to me if I can play a part in helping someone else realise their ambitions at the Games."

Marie was a late starter to cycling, taking up the sport aged 26 in 1987, a year after joining Ramsey Crookall. She says: "I felt I was becoming a couch potato, having in my younger days been a successful middle-distance runner. I got hold of a second-hand bike and could manage to cycle only three miles to start with, as I was really unfit. Initially I competed in local races and as my fitness progressed, I started giving the local female cyclists a run for their money and then began racing in the UK."

Now a dealer at Ramsey Crookall, Marie became British Women's Road Race Champion on five occasions during the 1990s. She also competed for Great Britain in the 50-mile road race at the 1992 Olympics in Barcelona and the 1996 Games in Atlanta.

Marie says: "The directors at Ramsey Crookall were extremely supportive, allowing me time off work when I gained a place on the British team after cycling only for three years and helping me out with equipment.

"In the two Olympic years, I was able to take six months out from the office so that I could concentrate on winning a medal."

At the Barcelona Games, Marie suffered the disappointment of a tyre puncture when she

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***"I could manage to cycle only three miles to start with, as I was really unfit"***

---

was in the lead ten miles from the finish, eventually being placed 24th.

"I was absolutely gutted but in sport there are things that happen that are beyond your control," she says. In Atlanta, she came 11th.

Marie also suffered bad luck at the 1994 Commonwealth Games in Victoria, Canada, where she had a good chance of winning a medal. Representing the Isle of Man for a second time – she had also competed at the Auckland games in 1990 – Marie lost crucial time when the chain came off her bike and jammed before the halfway point of the race. She still came home in fourth place.

Apart from her five British Road Race titles, Marie became ten-mile and 25-mile British National Time Trial Champion.

Marie also held the women's British hour record on the track, a mark that had stood for 14 years when she broke it, and won the Women's Tour of Majorca. She became the first British woman to triumph in a stage in the Women's Tour de France in a mountain-top finish at Vaujany. Marie recalls: "I was being chased all the way up the mountain by a Dutch rider who was a World Champion and did not like to be beaten in the mountains – I would count that as my most satisfying win."

She has had her share of injuries along the way: "In my first full season, a car pulled out on me while I was competing in a time trial. I sustained a smashed jaw, which had to be plated back together, and it was then wired up for eight weeks. I was on a liquid diet throughout and it was not a pleasant experience."

Marie retired from competitive cycling in 1996, but keeping fit is still a huge part of her life: "I cycle or run three to four times a week. I love being in shape and keeping trim. Living on a beautiful island is an inspiration in itself to get out there and do something.

"Almost everyone can cycle. It is a fantastic way to keep fit and is a great family activity. Cycling is on a real high due to the success of our Olympic cyclists like Bradley Wiggins and Isle of Man pair Mark Cavendish and Peter Kennaugh."

Marie's sporting prowess is not confined to cycling – she has also represented the Isle of Man at clay pigeon shooting. ■

For further information on cycling, see [britishcycling.org.uk](http://britishcycling.org.uk)

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

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