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## The IMRO Reporter

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### IMRO: Transitional Arrangements

The IMRO Reporter of June 1998 carried a letter by Phillip Thorpe explaining the practical consequences of the transition to the Financial Services Authority (FSA) for IMRO regulated firms. The purpose of this letter is to provide a further update.

Authorised firms and individuals registered with IMRO will continue to be regulated by IMRO until the Financial Services and Markets Bill is enacted, a date that is referred to as N2. The Government expects this to be some time in the year 2000, subject to satisfactory pre-legislative scrutiny by a joint committee from the Houses of Commons and Lords.

#### IMRO and FSA: Integration of Operations

In response to the proposed changes to the regulatory structure announced by the Government in May 1997, the FSA and the SRO Boards, including IMRO, agreed to achieve an early integration of operations. On 28 May 1998 IMRO and the FSA signed a service agreement to facilitate this integration. The employment of IMRO staff was then transferred to the FSA with effect from 1 June 1998, and IMRO's operations and registered office moved to the FSA's new headquarters at 25 North Colonnade, Canary Wharf on 16 November 1998.

The practical effect of these arrangements is that while the IMRO Board remains responsible for its regulatory functions under the Financial Services Act and IMRO's Rules, FSA staff now carry them out.

Specifically:

- IMRO has delegated its monitoring function to the FSA. This is in line with the FSA's agreement with all three SROs. In practice, however, the FSA has simply reconfigured the former IMRO Monitoring Department as a separate department within its Investment Business Division. Although where opportunities arise the department will seek the benefits of a single regulator, IMRO's overall approach to monitoring its firms is expected to remain unchanged until N2.
- FSA has seconded staff to IMRO to enable IMRO to continue to discharge its other regulatory functions, such as authorisation and enforcement. There continue to be dedicated "IMRO units" within the FSA's corporate authorisation, individual registration and enforcement departments. Although the FSA will begin to seek the benefits of a single regulator in the authorisation function, IMRO's overall approach to carrying out these functions is also expected to remain substantially unchanged in this area until N2.
- FSA has agreed to provide IMRO with financial management and other support services in respect of company administration, human resources and IT, including the use of office accommodation. This means that IMRO's support functions are now completely integrated with those of the FSA.
- IMRO pays the FSA a monthly fee for the provision of these services, which is to be directly related to the cost of providing them. Over the transitional period IMRO and the FSA have also agreed to consult each other before setting their budgets and fees. In practical terms, the substantive item in IMRO's budget is the service fee payable to the FSA.

#### **IMRO: Continuing Responsibilities**

What does this mean for IMRO over the transitional period? Until N2, IMRO continues to exist not only as a legal entity, but also as a recognised self-regulatory organisation under the Financial Services Act. IMRO cannot transfer its statutory responsibilities to the FSA until the new legislation comes into force, thus it retains regulatory responsibilities whilst relying on the FSA to carry them out. Inevitably this is less than an ideal arrangement. It requires careful management of the issues associated with building a single regulator for the future, and the need to meet responsibilities for the present. But the potential disfunctions can be and are being managed with goodwill on both sides.

Thus for IMRO firms, while there may be some changes in the people with whom you come into contact, and in the case of monitoring activity in the use of FSA stationery, IMRO's authorisation, monitoring and enforcement functions continue essentially unchanged.

Regulatory changes may however become more apparent in the policy area. IMRO Rules and guidance remain applicable to firms until N2, and IMRO is committed to keeping these as up-to-date as appropriate. For this reason, and to ensure firms are aware of relevant developments, we intend to continue periodic publication of the IMRO Reporter. But IMRO also recognises that an integrated Rulebook is a priority objective of the new FSA, and accepts that new policy development will increasingly be the work of the FSA rather than IMRO. We will seek to resolve any conflicts that may arise between new policy development by the FSA and maintenance of the IMRO Rulebook.

In personnel terms IMRO now consists of a non-executive Chairman and Board assisted by myself as Chief Executive. Our primary function is to ensure that IMRO continues to meet its statutory responsibilities. In the course of doing so, the Board's role is to monitor the performance of the FSA in carrying these out on IMRO's behalf and to deal with any issues that may arise. IMRO Board Committees continue to make regulatory decisions with respect to authorisation, enforcement and Rules waivers. Despite delegation of its monitoring functions, the IMRO Board retains ultimate responsibility for ensuring that the arrangements are effective, and these continue to receive close attention. IMRO also continues to be responsible for its own budget, Companies Act obligations, and for its Investment Ombudsman.

We recognise that the transition may create a degree of uncertainty and confusion for regulated firms. Both IMRO and the FSA are keen to

minimise this. As the principal relationship for IMRO firms and individuals continues to be with IMRO, you are welcome to contact me with any concerns that you may have. We would welcome your

continued support over the transitional period.

**Deborah Glass**  
Chief Executive

## Internet sites – exclusion of liability clauses

### Principal contacts for IMRO firms

		Telephone	Fax
<b>Chief Executive</b>	<i>Deborah Glass</i>	0171-676 3214	0171-676 3215
<b>Company Secretary</b>	<i>Ian Bowden</i>	0171-676 3190	0171-676 3191
Company Secretariat Administrator	<i>Sue Griffin</i>	0171 676 3070	0171-676 3071
<b>Monitoring of IMRO Firms</b>			
Head of Department	<i>Robert Aitken</i>	0171-676 5082	0171-676 5083
Senior Manager	<i>Peter Cardinali</i>	0171-676 5596	0171-676 5597
Senior Manager	<i>John Liver</i>	0171-676 5084	0171-676 5085
<b>Authorisation</b>			
Corporate Authorisation	<i>John Morgan</i>	0171-676 4562	0171-676 4563
Individual registration	<i>Jenny Hunt</i>	0171-676 4852	0171-676 4853
<b>Enforcement</b>			
Head of IMRO Investigations	<i>Sam Stewart</i>	0171-676 1406	0171-676 1407
<b>IMRO Services</b>			
IMRO Publications	<i>Shaun Clarke</i>	0171-676 3292	0171-676 3293
Fee Notices	<i>Debbie Marriott</i>	0171-676 3452	0171-676 3453
Investor Helpline		0845 606 1234	
Industry Training	<i>David Jackman</i>	0171-676 0762	0171-676 0763

In May 1997, IMRO issued a Notice to Regulated Firms which drew attention to a number of issues in relation to the application of certain Rules that Firms need to consider if they intended to advertise or to carry on investment business on the Internet.

It has recently come to our attention that there is a widespread misunderstanding among Firms of one of the issues raised in this Notice.

The Notice states that “as with any other advertisement, communication or agreement, a Firm must not exclude or limit its liability in respect of any material relating to Regulated Business where this would be prohibited by Rule 2.5 (1) (a)...” This Rule states:

*“A Firm must not, in any written communication or agreement, seek to exclude or restrict any duty or liability to a Customer which it has under the Act, or under the regulatory system.”*

(Firms are reminded that Rule 2.5 (1) (a) of Chapter II applies not only to written communications with existing Customers of the Firms but also with Indirect Customers and Potential Customers of the Firms)

This rule requirement applies whatever the medium of communication used by a Firm,

whether, for instance, in hard copy or electronically via the Internet.

IMRO has identified the following examples of disclosures in Firms' web sites that are in breach of this Rule:

*"...[The Firm] accepts no liability for any loss, damage or injury arising as a consequence of any party relying on the content of this web site..."*

*"...By proceeding, you agree to the exclusion of any liability in respect of any errors or omissions contained in [the web site]. No liability is accepted by any person with [the Firm] for any losses or damage arising from the use or reliance on information contained herein including, without limitation, any loss of profit, or any other damage direct or consequential..."*

*"...In no event will [the Firm] be liable for any loss or damage of any kind, including, without limitation, any direct, special indirect or consequential damages, even if expressly advised of the possibility of such damages, arising out of or in connection with the use of, performance of, or your browsing in, or your links to other sites, from this site..."*

A Firm's web site would normally constitute an Investment Advertisement and as such be subject to the requirement under Rule 1.1 (1) (a) (ii) of Chapter II that it is fair and not misleading. To include a clause in a Firm's web site excluding or limiting the Firm's liability in respect of any material relating to its Regulated

Business that it places on the Internet, can be construed as an attempt by the Firm to exclude its regulatory responsibilities under Rule 1.1 (1) (a) (ii) of Chapter II.

IMRO acknowledges the extremely wide coverage of the Internet and the potential this creates for liabilities arising in other jurisdictions in the world which Firms may be seeking to limit by including such statements. Nevertheless, Firms should delete such statements or amend them to ensure they do not conflict with the requirements of the above rules. Where Firms' web sites allow for investment without recourse to further documentation and a Customer subsequently makes a Complaint, the Firm cannot rely on the presence of any non-compliant statement.

Generally, Firms are encouraged to review their web sites to ensure that they are in compliance with the IMRO Rules and other applicable regulations, and they have addressed the issues identified in IMRO's Notice to Firms issued in May 1997. Firms are also reminded that the operation and content of their web sites is an area that may be reviewed during future Supervision Visits. Given the risks associated with operating a web site to promote and sell Investments and Investment Services, failure to comply with the IMRO Rules governing its operation will be considered to be serious. ♦

## Key Features: changes to PIA rules on projections and rates of return

Table 1 of Chapter II: Section 6 of the IMRO Rules sets out the Key Features contents requirements for Packaged Products other than Life Policies and makes reference to the PIA Rules. In this respect, Firms are requested to note that PIA has amended its Rules on projections and rates of return. The changes take account of lower expected investment returns, improving mortality and changes to the taxation of products since the Rules were last updated in 1993.

### Significant points for Firms to note are:

#### 1. *New rates of return*

All the monetary rates of return have been reduced. For example, the lower, intermediate and higher rates of return for ISAs are now 5%, 7% and 9% respectively. For unit trusts the rates are 4%, 6% and 8%. The real rates of return, which are mandatory for the SERPS comparison if applicable to a particular product, remain unaltered.

#### 2. *Annuity rates*

Part IV of Schedule L:4 to PIA Adopted Lauto Rules specifies the basis to be used in calculating the pension available after vesting. The basis incorporates standard expenses and mortality rates. The mortality rates

have been reduced. PIA has calculated a number of specimen rates to assist Firms, some of which are enclosed with PIA Regulatory Update No. 62. PIA plans to make copies of complete sets of rates available through the FSA Sales & Distribution Department at a cost of £20.

### 3. *Existing Guidance*

A number of PIA Regulatory Updates contain guidance on the use of projections. These include PIA Regulatory Updates 18, 29, 38, and 55. The existing guidance in such Regulatory Updates should now be read in the light of the amended rules.

### 4. *Implementation of amended rules*

The amended rules were made by PIA on 1 January 1999 and Firms are encouraged to implement them as soon as possible. There is, however, a transitional period until 30 June 1999 during which a Firm can use either the old or new bases. Firms are not expected to use the old basis in respect of new products or new literature after 5 April 1999.

Firms will need to make their own arrangements within the transitional period to minimise the consequences of any change of basis implemented during the sales process or between the issue of pre and post sale material.

A further transitional period to 30 September 1999 has been granted in respect of pre-printed material on schemes, where projection rates are only used to show the effect of charges and expenses.

Full details of the changes have been published by PIA in its Rules Notice 41 which has been issued with PIA

Regulatory Update No 62. Copies are available from FSA Publications Department. ♦

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## Clearance Events for partnerships/collective memberships

Firms are reminded that where they are constituted as a partnership or where their effective controlling entity is so constituted then a change in the composition of such a partnership may entail a change of Controller and hence a Clearance Event.

The Rules definition of "Controller" derives from the Investment Services Regulations 1995 implementing the ISD. Part (c) of the Rules definition relates to partnerships and includes as a Controller any person who along with his "associates" (including partners) can exercise a significant influence over the management of the Firm. Therefore, any partner who has a legal right to influence management (no matter how small that influence is) whether in a partnership which is an IMRO Firm or is a Controller of an IMRO Firm which is a partnership would thereby fall within the "Controller" definition.

Therefore, any partner acquiring or ceasing to have management influence whether through admission to, retirement from, or change of his legal rights within the partnership (eg acquiring or losing voting rights)

would constitute a change of Controller.

Firms should therefore be aware that IMRO will generally treat notification of a change in a partnership as a Clearance Event subject to the Rules governing such events as set out in Chapter IV.

Clearly, depending on the management influence rights a partner has, he may or may not be a Controller. For instance, in the case of a partnership of solicitors controlling an IMRO Firm, it is probable that only the equity partners and not the salaried partners would be Controllers.

Each time the membership of the partnership changes it technically dissolves and is reconstituted. Where the essential nature of the partnership does not change there should be no need to re-apply for authorisation as it is merely a potential Clearance Event (depending on the management influence of the partners involved). A substantive change in a Firm's structure such as the incorporation of a partnership would, however, require a fresh application for authorisation.

Limited partners may not participate in the management of the partnership by virtue of the Limited Partnership Act 1907. Therefore, such partners will not be Controllers when they are limited partners in an IMRO Firm and equally where the limited partners are in an entity which is the Controller of an IMRO Firm.

If incorporated, any of the individuals who has a 10% voting right, significant influence, or 10% shareholding (this would include non-voting shares),

whether alone or in conjunction with “associates”, would constitute a Controller. In the case of an unincorporated entity the members are not “associates” if the entity is not a partnership. Therefore, in such a case, to be a Controller a member would individually need 10% or more of voting power or to be able to exercise significant influence. ♦

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## Compliance and information technology

Information Technology<sup>1</sup> (“IT”) continues to play an increasingly prominent role in the way Firms operate their investment businesses and, by implication, can have a significant impact on the way Firms meet their regulatory responsibilities. The extent of that impact will, in the main, depend on how Firms use IT to meet the requirements of the Principles and IMRO rules covering the maintenance of adequate records, procedures and internal controls. Compliance with these and related regulatory requirements can therefore be highly dependent on how well the relevant IT systems are designed to play such an integral role, and how secure they are in enabling the Firms to place reliance on them when demonstrating they are meeting their regulatory responsibilities. In assessing their overall compliance arrangements, Firms need to take into account the

effectiveness of the role IT systems play.

In the second half of 1998 fact-finding visits were carried out to a sample of Firms to assess what common approaches they were adopting. Each Firm was asked a series of questions which was based on the type of enquiries a supervision team might make of the robustness of the manual records, procedures and internal controls of a Firm but adapted to fit an IT environment. In selecting the Firms, we sought to obtain a sample covering a cross-section of large, medium and small Firms conducting asset management activities for private and institutional investors, both on a domestic and international basis.

Overall we found that Firms do take a common approach in so far as:

- (i) Compliance<sup>2</sup> is actively involved where IT development and ongoing operation have an impact on the investment business of Firms;
- (ii) Firms have an IT policy on and have set up procedures and controls to ensure the integrity and security of IT systems. IT policy is communicated to all staff;
- (iii) the integrity and security of IT systems are monitored on a risk based approach for weaknesses, and where problems are identified escalation processes come in to play. Implementation of remedial action is also monitored; and
- (iv) where IT systems incorporate automated processes and provide paperless records, Compliance<sup>2</sup>

monitors such systems and/or their output to ensure that the requirements of the relevant rules are met.

These results give a good indication that Firms are taking into account the role of IT in assessing the effectiveness of their compliance arrangements.

Although there was consistency in their approach, specific steps taken did vary from one Firm to another. In order to illustrate these variations we have summarised the questions and responses from the visits and these are available on request from:

Jane Beesley  
 ISD Supervision (IMRO Firms)  
 10th Floor  
 FSA  
 25 The North Colonnade  
 Canary Wharf  
 London E14 5HS  
 Tel 0171-676 5078 Fax 0171-676 5079  
 jane.beesley@fsa.gov.uk

### Notes

<sup>1</sup> We acknowledge that there is a wide range of computer technologies with differing applications but for illustrative purposes we only refer to the commonly used generic term of Information Technology.

<sup>2</sup> Reference here is to Compliance as a function, which we acknowledge can be organised differently from one Firm to another.

# Review of programme trading

## Background

SFA and IMRO conducted a series of joint visits to securities and fund management firms last year to review their programme trading activities. The purpose of the review was to assess market practice and determine whether the existing regulatory framework, as applied to programme trading, remains effective.

SFA and IMRO do not propose to amend their rules in light of the review, but they believe there would be value in reminding firms of their existing regulatory obligations, particularly those relating to best execution and the management of conflicts of interest. SFA's *Board Notice 500*, issued on 13 November 1998, provides guidance to SFA regulated firms. This article raises issues of particular relevance to fund managers, and although principally concerned with programme trading activities, may also be applicable to other forms of trading.

Programme trading is a well established method of acquiring or disposing of a portfolio of stock in a single transaction or series of transactions. In the UK, programme trades fall into one of two categories. In a 'risk' (principal) trade, a broker will tender to acquire a portfolio from or for a fund manager as principal, quoting a premium or discount to a price prevailing in the market at a future 'strike' time. In an agency trade,

a broker will tender for the portfolio on the basis that it will purchase or sell it on behalf of the fund manager at the best price available in the market, or according to some other agreed pricing formula, with an agreed commission being paid upon completion of the trade.

## SFA's guidance to firms

During the review, several SFA regulated firms expressed uncertainty about whether SFA regarded it as acceptable for a broker to carry out cash or derivatives transactions for its own book, ahead of the designated strike time for a risk trade. *Board Notice 500* makes clear that the provisions of Principle 6 restrict a broker from knowingly taking a position in the same or related investment for its own book ahead of strike time, unless it can provide fair treatment for its customers and ensure that it has not placed its own interests above those of the customer. *Board Notice 500* acknowledges that some brokers enter into arrangements with their customers under which it is agreed that the broker can enter into hedging transactions ahead of the strike time. However, unless firms that conduct this type of trading do so with the explicit consent of suitably informed customers, SFA does not believe that they will be able to comply with their obligations under Principle 6.

A number of firms involved in the review expressed concerns that some brokers were able to charge lower commission on agency bargains because elements of the trade were subsequently transacted on a principal basis and an additional

'turn' was being taken which was not being disclosed to the customer.

*Board Notice 500* reminds firms that:

- if a firm deals as principal, Rule 5-34 (Contract Notes) requires this to be disclosed on the contract note;
- if a firm owes a duty of best execution, any mark-up or mark-down from the best execution price represents a charge which must be disclosed to the customer; and
- the provisions of the best execution rule apply to each individual transaction executed in a programme trade unless best execution has been waived or the terms of the transaction clearly preclude its application. Where a firm executes an order, it should pass on to the customer the price obtained as the customer's agent, regardless of whether the trade is executed as an agency trade or a back to back principal trade.

## Issues for fund managers

A few of the IMRO regulated Firms visited queried whether Rule 3.8(1) (Best Execution) requires a Firm to accept the lowest commission rate quoted for an agency trade, irrespective of other considerations. Firms are reminded that, under the guidance to Rule 3.8(1), a Firm should take into account all relevant considerations in judging whether any quote is "the best available". For the avoidance of doubt, Rule 3.8(1) does not oblige a Firm to accept the lowest priced quote for a programme trade, if it believes on

reasonable grounds that it will achieve better quality execution by paying higher commission.

It should, of course, be borne in mind that programme trading is an activity involving market professionals, and the protections afforded by conduct of business rules should not be regarded as a substitute for effective risk management by Firms. It became clear during the review that fund managers use a range of techniques to manage the risks associated with programme trading. Although the appropriate mix of techniques will vary from one Firm to another, depending on business needs and other considerations, it may be helpful to draw attention to some of the more commonly used techniques.

Discussions with brokers and fund managers have served to emphasise the need for there to be a very clear understanding between both parties concerning the basis on which a trade is to be conducted. For example, where a broker undertakes a trade on an agency basis, instances may arise where the best available price is that being quoted by the broker's in-house traders. In these circumstances, both parties need to be clear at the outset about whether or not some parts of the trade may be executed on a principal basis.

Most of the IMRO Firms visited limit the amount and type of information provided to tender participants during the bidding process. None of the Firms visited provide tender participants with details of individual names, and most give no indication of direction, although brokers may be able to guess the direction of the trade from publicly available information. Most Firms also emphasised the importance of

commercial disciplines in this area. To retain the confidence of its fund management client, a broker will need to be able to demonstrate that it can manage successfully any conflicts of interest arising from programme trading, irrespective of whether or not it wins the trade. A number of Firms commented that they would stop dealing with a particular broker - either for a specified period or indefinitely - if it was found to have taken advantage of information provided during the tender process to trade in a manner which was to the detriment of its Customer. In order to monitor broker performance, some Firms also undertake a detailed analysis of market activity in the constituent stocks in the period leading up to and following execution of a programme trade. As well as helping a Firm to monitor the quality of execution, trade analysis may highlight unusual or unexpected price movements which warrant further investigation.

IMRO does not propose any Rule amendments in relation to programme trading at the present time, but will keep the application of relevant Rules and guidance under review. Firms are encouraged to review the contents of SFA's *Board Notice 500*, which can be obtained from the Financial Services Authority's Marketing and Publications Department (0171 676 3298).

Any enquiries regarding this issue should be addressed to Stephen Tilton, Investment Business Policy Department on Tel: 0171 676 5404. ♦

## Performance indicators for the quarter ending 30 September 1998

Performance indicator information is published in two parts. The first part is a table of key performance indicators which are reported on each quarter; the second provides further information on a particular process (different processes being reported on in successive quarters). The process highlighted this quarter is Supervision.

### Key Performance Indicators

- The total number of Firms regulated by IMRO has risen over the quarter, with 27 new firms admitted but only 14 resignations. This is the lowest number of resignations in a quarter since the third quarter of 1994/95. There has been a significant change in the number of fund managers, which have risen by 16.
- During the quarter, new applications from 1,058 individuals were processed for registration. Of these, the majority were processed within seven working days. Among those applications which took longer than seven days were those from individuals associated with corporate applications and those which required overseas vetting.
- The number of corporate applications in progress has risen

to 32 at the end of the quarter. This is the highest number since October 1995.

- The number of supervisory visits to Firms this quarter is somewhat lower than in the last quarter, although higher than for the same period last year. This is commented on further in the second part of this item.
- One firm was fined £150,000 in the quarter. There was a full cost recovery on disciplinary actions completed and warnings given in the quarter.
- The number of new complaints against IMRO-regulated firms received by the Ombudsman's office continues to rise, and this has had a knock-on effect on the number of complaints in progress at quarter-end. The average age of outstanding complaints is under three months.

#### Supervision and Intervention

- The total number of supervision visits to firms carried out this quarter is consistent with previous quarters. The total is lower than in the last quarter; as the first graph on page 10 shows, this has been caused by a marked reduction in the number of Other Visits (which was very high in the previous quarter). The number of Periodic Visits, which are determined by the relative risk assessment model, has in fact risen since last quarter.
- Under the Other Visits heading, the supervision teams have carried

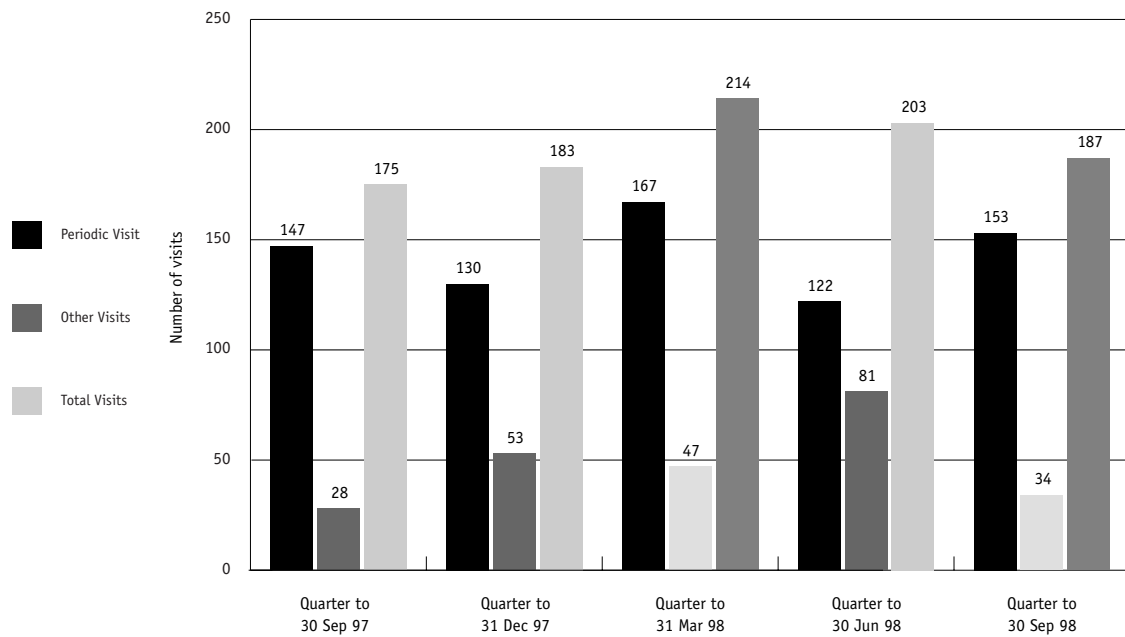
#### Key Performance Indicators for the quarter ending 30 Sep 1998

	Quarter to 30/9/98	Quarter to 30/6/98	Quarter to 30/9/97
<b>Firms Regulated by IMRO</b>			
Number of IMRO-regulated Firms at quarter end	<b>1,063</b>	1,050	1,052
New Firms admitted in the quarter	<b>27</b>	26	16
Resignations in the quarter	<b>14</b>	23	18
Number of registered individuals at quarter end	<b>19,675</b>	19,584	18,631
<b>Corporate Admissions</b>			
Applications in progress at quarter end	<b>32</b>	28	24
<b>Supervision and Intervention</b>			
Number of visits made to Firms in the quarter	<b>187</b>	203	175
Number of summary fines imposed in the quarter	<b>15</b>	22	19
<b>Discipline</b>			
Investigations in progress at quarter end	<b>39*</b>	40*	35
Disciplinary actions in progress at quarter end	<b>6</b>	5	9
Number of warnings issued in the quarter	<b>2</b>	1	2
Total fines levied in the quarter	<b>£150,000</b>	£580,000	£375,000
Number of Firms fined in the quarter	<b>1</b>	5	2
Costs incurred (disciplinary actions & warnings)	<b>£49,199</b>	£1,419,503	£162,305
Costs recovered (disciplinary actions & warnings)	<b>£49,199</b>	£1,310,261	£156,792
Recovery rate	<b>100%</b>	92%	97%
<b>Complaints Against Firms</b>			
New complaints received in the quarter	<b>118</b>	90	76
Complaints in progress at quarter end	<b>119</b>	91	108

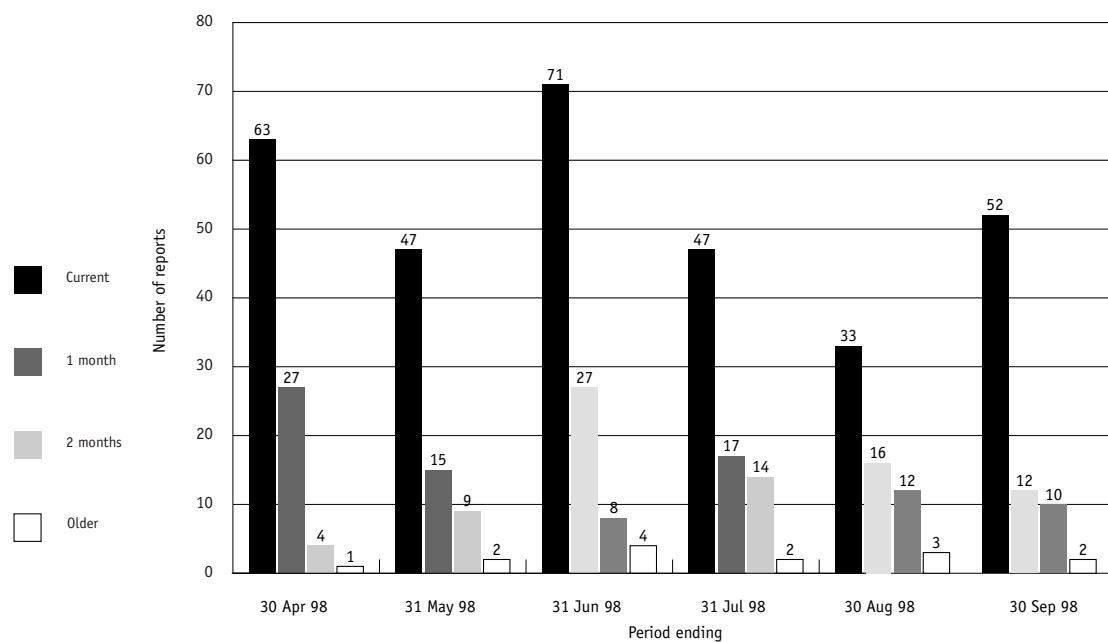
\* including one case which is on hold pending action by another authority

**Key Performance Indicators  
for the quarter ending 30 Sep 1998**

**Visits to firms**



**Age analysis of outstanding post-visit reports**



out a number of theme visits to firms in order to gauge the impact of a possible failure adequately to prepare for the introduction of the single European currency in January 1999. This programme of visits, to firms where the risk is considered most serious, continued into the following quarter. Findings from the visits suggested that, although time was tight, firms were devoting considerable time and resource to their euro preparedness, and should be ready in time.

- In addition to visit work, other supervisory work which was carried out during the quarter included the following:

- supervisory preparations for the introduction of Individual Savings Accounts in April 1999;
- playing an active role in dealing with the consequences of the imposition of exchange controls by the Malaysian government in early September;
- carrying out research on allocation practices by insurance companies; and
- undertaking further work on pension transfers.

- The second graph on page 10 shows the age analysis of outstanding post-visit reports over the past six months. The position has deteriorated somewhat over the period due to pressures on

team resources. However, there was some improvement in September, and management will continue to focus closely on this area over the coming months. ♦

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## Industry training

### Training and Competence – Examinations Update

#### *Individuals Transferring from Investment Administration to Investment Management*

Individuals sometimes transfer from a back office to a front office role. IMRO therefore wishes to ensure that those making such a transfer, who are appropriately qualified and who are Threshold Competent, do not have sit an examination which duplicates examinations already passed. IMRO has worked with the Institute of Investment Management and Research to produce suitable arrangements to take account of such transfers.

IMRO's Approved Examination for individuals engaged in discretionary or advisory management of Investments for Private or Non-private Customers is the Investment Management Certificate.

IMRO will now allow an exemption from part of the Investment Management Certificate for certain individuals who switch from an investment administration role to an investment management role. The partial exemption will apply to individuals who have passed Approved Examinations for Stages 1 and 2 of the examination

requirement for Administration Functions and who have subsequently achieved Threshold Competence. Individuals will be exempted from the UK Regulation and Markets modules of the Investment Management Certificate, but will still have to pass the remaining investment elements of the examination. The investment part of the Investment Management Certificate is called the Investment Practice Version.

Queries about the examination and bookings should be addressed to the Institute of Investment Management and Research (Tel 0171-796 3000).

An updated edition of IMRO's Examinations and Exemptions Schedule is due to be issued in March 1999.

Queries regarding Training and Competence relating to IMRO-regulated Firms should be addressed to Peter Rooke (Tel 0171-676 0766).

**Industry Training Workshop Programme**

IMRO firms will recently have received details of the FSA's Industry Training Workshop programme. Details of the programme for January to April 1999 applicable to IMRO firms are given below:

The new programme introduces Regional Workshops and this initiative will be developed further. We are also working on extending the programme more widely across the sectors covered by the Financial Services Authority and further details will be published over the next few months.

Queries regarding the administration arrangements should be addressed to Josephine Parr on 0171-676 3284. General queries about the programme should be addressed to Peter Filmer (0171-676 0774) or Sheena Gray (0171-676 0776). ♦

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**IMRO Publications issued since 1 September 1998**

Reporter 22	September 1998
RN48: Regulation of Individual Savings Accounts	January 1999
Notice to Regulated Firms: IMRO Fees 1998/99	January 1999

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DATE	TITLE	TIME	COST	LOCATION
Wednesday 10 February	Risk-Based Compliance	9.30-16.30	£250	Canary Wharf
Wednesday 24 February	Compliance Arrangements	9.30-16.45	£250	Edinburgh
Thursday 25 February	Regulation of OEICs	9.30-12.30	£150	Canary Wharf
Tuesday 9 March	Training and Competence Standards for Administration Functions	9.30-12.30	£150	Canary Wharf
Thursday 11 March	Training and Competence Standards for Administration Functions	2.00-5.00	£150	Canary Wharf
Friday 19 March	Training and Competence Standards for Administration Functions	9.30-12.30	£150	Manchester
Thursday 15 April	Risk-Based Compliance	9.30-16.30	£250	Canary Wharf