TRAVERS SMITH

Financial Services and Markets

The Turner Review

This is the second part of our note on the Turner Review. It accompanies "The Turner Review - a brief overview" and provides more detailed information on the issues summarised in that note.

Changes to Bank Regulation

Bank Capital

Current position

- The main regulatory capital requirement for UK banks is to hold a minimum ratio of regulatory capital to risk weighted exposures. This capital ratio is based on the Basel II Accord. The capital required can be comprised of a combination of Core Tier 1 capital (broadly ordinary shares, share premium, P&L reserve) and Tier 1 (Core Tier 1 plus certain hybrid instruments) and Tier 2 capital (certain preference shares and subordinated debt).
- There is a distinction between the capital charges for instruments booked to the trading book as opposed to the banking book, with the trading book attracting lower capital charges. The idea of the trading book is that where positions are liquid and subject to mark to market accounting, capital is only needed to cover market movements over a length of time sufficient to facilitate liquidation. Therefore, capital requirements for trading book positions have historically been lower than banking book requirements. However banks have included less liquid instruments in their trading books. The recent market volatility has significantly increased trading book capital requirements and in some cases banking book requirements have then been lower, which has resulted in some banks moving holdings into the banking book on the basis that there is no longer an intention to trade them.
- Banks are subject to individual liquidity requirements tailored to each bank.

Turner/FSA proposals

- The current capital ratio should be increased. Bank capital ratios for systemically important banks should in future be measured entirely in terms of Core Tier 1 capital. The overall level of bank capital must be significantly higher than currently required under Basel II. The FSA has commissioned research to help determine the optimal level of bank capital.
- The changes in approach to the trading book which are due to be implemented by the end of 2010 are not enough, even though they may triple the capital requirements for some bank trading books. There should be a complete review of the capital treatment for trading books, of the instruments eligible for the trading book and of the use of Value at Risk measures used to calculate capital requirements for trading book risk. The industry now has the burden of proof to convince the FSA that continued regulatory recognition of VAR models to set capital requirements for the trading book is appropriate. The review could include very major variation in capital requirements as between different types of trading activity, distinguishing between market-making to support customer service and proprietary position-taking.
- Banks should be required to maintain a "capital buffer" which would introduce overt counter cyclicality into the banking capital system. Thus capital requirements would increase in good years when loan losses are below long-run averages to create a capital buffer which would be drawn down in recession years as losses increase. There are a number of ways in which this might work and the pros and cons of these alternatives are now to be discussed in international discussions with a view to the production of a proposed way forward by the Basel Committee by the end of 2009
- Published accounts should clearly show the impact of the capital buffer. The non-distributable "Economic Cycle Reserve" should appear somewhere on the profit and loss account, allowing the bottom line profit and earnings per share to be calculated both before and after its effect. This would provide two measures of profitability; the traditional accounting figure and a second figure taking into account economic cycle reserving, so as to create greater awareness amongst shareholders and management of the need to assess profitability in the light of the position in the economic cycle.

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- In addition to the capital ratio, banks should comply with an asset-based leverage ratio (total assets to capital). Such ratios are currently used in the US and Canada but not in the UK.
- There should be changes to liquidity policy so that in addition to a liquidity approach tailored for each bank there should also be a core funding ratio applicable across all or at least some banks. This would impose a minimum acceptable proportion on the share of core funding in total funding. Core funding would comprise funding sources sustainable throughout the economic cycle, including established retail deposits and long-term wholesale funding. The FSA is therefore inviting debate on this issue. The FSA considers that this could have a role in suppressing excessive credit growth as banks will need to pay higher interest to attract longer term deposits which would flow through to borrowing costs and hence affect credit demand.
- In addition it should be noted that the FSA expresses concerns about the complexity of capital requirements and the limited usefulness of economic capital models to help determine the requirement for individual firms. There is apparently a growing preference for a more prescriptive approach and less inclination to accept lobbying for special treatment for certain types of transactions.

Cross-border banking

European issues

- The arrangements for passporting banking services and bank branches into other Member States is inadequate and unsustainable and must be changed as a matter of urgency. This was demonstrated with the collapse of Landesbanki, which cost the UK taxpayer significant sums because the Icelandic resources were inadequate to cover UK depositors. Yet the primary responsibility for prudential supervision lay with the Icelandic regulator and the FSA had only limited powers over its branch.
- Thus host state supervisors should have more direct oversight of branches, their supervisory powers over bank liquidity must be reinforced, and host countries should have the right to demand subsidiaries as opposed to branches, and the right to impose adequate capital requirements and other restrictions on such subsidiaries. For European banks this is a major change from the European single market but, in Turner's view has to take place, as the only viable alternative is a significant retreat from single market freedoms.
- It is clear that further work will have to be done on compensation schemes and their funding. Although not advocated at this stage, the FSA floats the idea of a pre-funded EU-wide deposit guarantee scheme potentially to cover those banks which use the passport to branch elsewhere in the EU. It notes that if satisfactory solutions are not met, then there will have to be restrictions on passporting to prevent retail deposit-taking by EEA bank branches or the withdrawal of the passports for branches of banks. These would be extreme measures, but it demonstrates the levels of concern that have arisen as a result of the Landesbanki case.

Supervision

- The FSA has already adopted major changes to its supervisory approach, with the introduction of "intensive supervision" of high impact firms, but there will be more changes. The FSA will be more intrusive in its overall approach, less trusting of management judgement and there will be more analysis of and a greater willingness on the part of the FSA to make judgements on banks' business models and, indeed, to require changes to them. There will be a move away from a focus on supervising systems and controls and a move towards supervisors making judgements of the judgement of senior management. Supervisors will require action to be taken if, having assessed the senior management judgement, they consider that there are risks to the FSA's objectives
- There will be a major shift in the role which the FSA plays in relation to published accounts and accounting judgements. In essence, the FSA will not be trusting bank management and auditors, and will want much more extensive disclosure and discussion in relation to accounting treatments.
- There will therefore be far more intense contact with bank management and auditors and a review and comparison of accounting approaches including to fair value estimates and loan impairment provisions. The work of the last six months in analysing bank balance sheets has revealed that different banks value similar trading book assets in significantly different ways, and that there are significant differences in the allocation of assets between trading and banking books. In the past, the judgement on valuation and allocation has been left to the board and to auditors, but Turner envisages that the FSA should monitor these accounting policies more closely, provide comparative review of the judgements made by different banks, and meet with management and auditors to explore any reasons for outlier positions.
- There will not be a move to the "bank examiner model" which is used in the US, and which is far more resource-intensive in terms of the amount of staff of the regulator located to onsite inspections and permanent presence at major regulated firms. Turner considers that the distinction between styles is not clearly correlated with relative success and that the US system of resource-intensive bank examination has been no more successful than the UK's approach. The FSA notes however that if it is not satisfied with the results of its intensive supervision model, it may consider moves in that direction.

- Instead future bank regulation needs to prevent large commercial banks from expanding their proprietary trading activities in a way which creates risks for both the bank and the system. A key tool to achieve this will be the fundamental review of the trading book regime.
- In any event he considers that the overall changes in regulation may well result in market developments which head towards the "narrow banking" idea because:
  - under the new regime, an increased number of banks are likely voluntarily to pursue strategies which are primarily focused on classic commercial and retail banking activity;
  - large complex banks involved in market-making and trading will increasingly do so in support of customer relationships rather than as a standalone activity; and
  - the new system is certain to result in fewer resources in terms of people and total balance sheet devoted to the complex and risky trading activities which have grown in recent years.

Remuneration

- The total level of remuneration is not an issue for bank regulators; the issue for regulators is the way in which remuneration structures can create inappropriate risk-taking incentives. The FSA is currently consulting on its Code of Principles for remuneration structure, and will be focusing on the risk consequences of remuneration policies within its overall risk assessment of firms.
- If the "Economic Cycle Reserve" is introduced, any incentive-based pay system which referred to profit and earnings per share would be based on distributable profits and distributable earnings per share after the deduction of this reserve. This would ensure that the remuneration system reflects a reasonable estimate of future possible credit losses and impairments.
- The overall effect of the proposals will be to make trading activity significantly more expensive for banks in terms of the capital required to support the activity. Turner considers that this may reduce the aggregate scale of trading activity and have the side effect of reducing the aggregate remuneration of people involved in these activities.

Risk management and governance

- Whilst detailed FSA proposals will await the outcome of the review being conducted by Sir David Walker on bank governance, which will report in October 2009, Turner notes that he expects improvements to be required in the following areas:
  - improved professionalism and independence of risk management functions. He expects the FSA will in future play a more active role in assessing the technical competence of senior risk managers and will consider whether the governance structure for risk oversight is appropriate;
  - risk management issues must be imbedded in remuneration policy;
  - non-executive directors' skill levels and time commitments need significant improvement; and
  - shareholders need to exercise more discipline over corporate strategies.
- Turner also opens a debate on whether appropriate governance arrangements for banks are different to those which apply to the generality of companies, and whether codes and rules which go beyond the Combined Code are required.

Implications

- The Turner proposals have the potential to bring about significant changes to the structure of the banking industry. The overall effect of the capital, trading book, liquidity and other proposals may be to:
  - reduce the amount of proprietary trading by banks so that it takes place to support customer business rather than as a stand alone profit centre;
  - increase the cost to customers of trading with banks, particularly in illiquid instruments;
  - reduce reliance on short term wholesale funding, having a knock-on effect to the wholesale funding market;
  - incentivise banks to attract a higher proportion of retail term deposits;
  - increase demand for gilts and other high quality liquid assets;
  - reduce rapid growth in lending by banks and increase lending from non-banks (which will itself need a supervisory response);

- lead to more resources being required for accounting and risk management functions and greater involvement by senior management in accounting judgements;
- lead to an increase in the cost of non-executive directors and in the demands made by them for information, training and adequate insurance cover;
- encourage shareholders to be more questioning of corporate strategy;
- change the shape of the banking industry, which has already been affected by the part nationalisation of several large banks, by encouraging the development of other banking models.

Unregulated Activities and Entities

- The concerns about unregulated entities operating in the financial markets relate to:
  - the "shadow banks" which, like banks, provide "maturity transformation" (holding longer term assets than liabilities, enabling the non-bank sector to hold shorter terms assets than liabilities) and leverage. This includes SIVs, conduits and some money market mutual funds;
  - the FSA describes these activities as "bank-like" and considers that they could be defined in such a way that the firms carrying them on could become subject to regulation;
  - their potential to become of systemic importance without regulators having the information needed to recognise this. The example given is of hedge funds;
  - the risk of tighter regulation increasing the incentive for movement offshore and for regulatory arbitrage using unregulated structures;
  - the fact that unregulated activities or entities in regulated financial groups can cause the failure of the group, of which AIG Financial Products Group provides the most glaring example.
- Turner considers that there must therefore be international agreement that regulation should focus on economic substance and not legal form. It is also essential that there is global agreement to bring offshore centres within the ambit of internationally agreed financial regulation (whether relating to banking, insurance or any other financial sector).
- Off balance sheet vehicles such as SIVs which create substantive economic risk either to an individual bank or to total system stability must be treated as if on balance sheet for regulatory purposes.
- The prudential oversight of financial institutions should be co-ordinated in integrated regulators so as to reduce inconsistency and arbitrage between different authorities within one country.
- There has to be a regulatory approach in future which will spot the development of systemically important investment vehicles and respond in time. There are entities where there is no connection with an otherwise regulated group. Regulators need information gathering powers to get information from unregulated as well as regulated firms, and national authorities should have reserve powers to bring new activities and entities into the regulatory perimeter. Regulators and central banks need to gather much more extensive information on hedge fund activities and on the activities of any other newly evolving form of investment intermediation. They should be able to apply capital and liquidity and other prudential rules to hedge funds or any other category of investment intermediary if they judge that the activities have become either bank-like in nature or systemic in importance.
- The FSA notes that firms should be monitoring and assessing the implications of their exposures to and relationships with unregulated financial entities and that this information should be evaluated by supervisors. In essence, the approach is indirect regulation via regulated entities in key financial jurisdictions. They also consider that this approach could be used to restrict the type, amount or concentration of business that a regulated firm undertakes with an unregulated entity or to restrict specific unregulated activities.
- There can be unregulated group parent holding companies and unregulated firms or activities within groups which are subject to group supervision. The FSA considers there is a strong case for legislative change in the UK and elsewhere so that regulators have direct powers to ensure that parent holding companies for financial services groups comply with the requirements of the prudential framework. It proposes measures to enable supervisors to assess the risks posed by unregulated activities that are conducted within a regulated financial services group.

Group Structures

- Another effect of the financial crisis has been to focus regulatory attention on the complex structure of cross-border financial groups. In particular, matrix management and global business line structures blur the distinctions between legal entities. Yet when a serious event occurs, such as an insolvency, all of the legal and regulatory implications occur at a national and entity level. There will be greater emphasis on the part of regulators in understanding the structures in cross-border groups and complexity in such structures will come under close scrutiny. Firms will need to be able to demonstrate to their regulators that their operational structures (and indeed the way they present themselves to clients and counterparties) does not cause legal or regulatory risk.
- There will be greater examination of the roles of senior individuals who hold positions in both local entities and other group companies, to focus on their management of conflicts of interest which may arise in fulfilling their duties to each of the entities.

Markets

Credit Rating Agencies and the Use of Ratings

- Turner supports the EU regulation which is likely to come into force in late summer 2009 to address the governance and conduct of, and the management of conflicts of interests by, credit rating agencies.
- In the crisis, ratings for structured credit proved far less robust predictors of developments than ratings for single name securities. The instability of ratings was pro-cyclical and undermined confidence in the future stability of credit ratings. There has to be a fundamental review of the use of structured finance ratings.
- The FSA notes that the current prudential framework requires banks to use ratings on structured finance exposures (where they exist) to determine their capital requirements. The FSA considers that the recent performance of the CRAs' structured finance ratings means that reliance on these ratings for this purpose is not justified and there will clearly be an international re-evaluation of the role of ratings in determining capital requirements.
- There is clearly concern about the extent to which credit ratings are embedded in the procedures and controls of market participants, producing an overreliance on them which the FSA considers dangerous. It expects market participants to assess the extent to which they rely on ratings and whether this is appropriate. It does not expect firms to use credit ratings as a substitute for proper due diligence. For example, investment mandates of institutional investors often restrict investment to securities with certain credit ratings. This generates a level of dependency on ratings and leads to forced selling on a downgrade.
- Similarly some contracts have trigger events which operate if a counterparty is downgraded. The FSA is expecting firms to consider the potential impact of these clauses and highlights the fact that one major supervisor has already required insurance firms to stress test the impact of a reduction in their own credit rating. The FSA notes that this is a potentially high risk area for firms which have written a large number of contracts with such clauses. The FSA states that it has considered banning authorised firms from entering into contracts with such triggers. This demonstrates both the significance attached to this issue and the new more intrusive regulatory approach. The FSA clearly expects firms to take full account of the existence of such triggers in their stress testing and contingency funding plans.
- When the securitised credit market returns, the impact of the various regulatory policy changes will mean that it will do so in a simpler form more in line with the original concept of securitisation and highly complex structures, such as CDO^2, will be unlikely to find an investor market in the future.

Liquid Markets and Stability Concerns

- The belief in the benefit of liquid markets has been a fundamental philosophy for most securities regulators. Turner considers there are some objections to the idea that additional liquidity is always and in all markets beneficial, and notes that there can be trade-offs between increased liquidity/technical efficiency and susceptibility to irrational herd effects. He discusses short-selling in this context, which has beneficial effects in creating liquidity but it contributed in autumn 2008 to a self-fulfilling downward cycle of falling confidence.
- He does accept, however, that such behaviour (i.e. the short-selling in last autumn) was not market abuse but the concern was the collective impact of apparently rational and non-abusive behaviour. He therefore highlights that the FSA may wish to extend its legal powers to ban or limit short-selling or require disclosure so that they do not rest on the market abuse regime but rest on the responsibility to maintain orderly markets and financial stability. This is in effect a recognition of the legal weakness which underpinned the short-selling rules and highlights a move to give the FSA potentially much wider-based powers in future to issue directions to the markets.

Netting, Clearing, Derivatives Trading Central Counterparty

- A number of market infrastructure issues were raised during the crisis. The FSA is considering whether there are further measures that can be taken to support the holding and protection of client positions at clearing houses. It appears that some Lehman clients had their positions held in the Lehman house account (which offered certain economies on margin), but there are clearly issues about the extent to which clients understood the potential impact of such arrangements. Enhanced disclosure and more formal rules in this area may be expected.
- The FSA will consider whether there can be improvements to the arrangements to settling defaulted OTC equity transactions. The Lehman collapse highlighted the significant number of off-exchange equity transactions, which, being private contracts, have no common or indeed any provisions to deal with default situations, causing complexity and leading to uncertainty. In addition, many firms had inadequate systems which meant they were unable to identify whether transactions were on or off exchange.
- Part VII of the Companies Act 1989 provides protection for the operation of the default rules of recognised clearing houses and exchanges; there will be a review as to whether the scope needs widening to deal with MTF and OTC trades.

- Turner supports the objective of achieving robust and resilient central clearinghouse arrangements for CDS clearing. However, he notes that the potential impact of such measures should not be overestimated, as clearing and central counterparty systems will only be feasible for roughly 50% to 75% of the CDS which is accounted for by standardised contracts and a large volume of bespoke contracts will continue to be traded in an OTC fashion.
- The FSA notes that the European Commission has said that it wants to see CCP services based in Europe for clearing European CDS contracts. The FSA considers that such arrangements must not limit the ability of firms to manage risks effectively across jurisdictions, including between the EU and the US; so there is clearly room for some disagreement on this issue.

Product Regulation

- There is a serious discussion taking place amongst regulators and politicians as to whether there should be wider product regulation in either or both of the retail and the wholesale markets. Turner's report highlights that the past philosophy that product regulation would stifle innovation, and that market discipline would control excessive risk-taking, has been shown to be defective. In his view, assumptions as to the sophistication and innovation in the wholesale markets have proved to be incorrect, and there is an argument for regulators to consider the direct regulation of products which are identified as having potentially adverse financial stability effects.
- Thus as a general principle regulators should not treat it as a given that direct product regulation is by definition inappropriate. There is clearly going to be both a more general and an ongoing specific review as to whether particular markets have characteristics whose risks are sufficiently harmful and benefits are sufficiently slight as to justify regulatory intervention.
- Retail product regulation could, for example, include limits on the mortgage loan to value or loan to income ratios that would be permitted. A mortgage market reform paper will be published by the FSA in September which will consider these issues.
- Wholesale financial product regulation is being discussed in the area of structured credit and credit derivatives and could extend more widely.

Market Issues - Investor Understanding

- The FSA considers that poor understanding of the risk associated with certain capital market products, such as RMBS and CDOs, contributed to the current crisis and significantly damaged market confidence. Some market participants conducted ineffective due diligence, relying largely on third party analysis.
- Some market participants did not understand the basic processes of the capital markets, for example, the operation of default procedures, leading to confusion and a reduced market confidence at critical times.
- Institutional investors must have a better understanding of credit ratings. Many assumed, wrongly, that a rating carried an inference for liquidity and of market price stability, rather than solely for credit risk. To combat this, there are currently international initiatives to enhance disclosure requirements and conduct of business principles, as well as to improve the ratings of securitised products.
- Whilst not expressly stated, given the clear concern about the lack of sophistication at financial institutions the FSA may be open to reviewing its training and competence requirements for the wholesale markets. It is certainly likely to put more emphasis on understanding and challenging firms’ training and competency assessment procedures.

International and Domestic Regulatory Structures

UK Issues

- The lack of a system-wide macro-prudential perspective was critical to the origins of the financial crisis, i.e. there was a failure to identify the trends in the economy and in the financial system which have implications for financial and macro-economic stability. This was an international failing but in the UK macro-prudential analysis fell between two stools because the Bank of England tended to focus on monetary policy analysis required by the inflation target and the FSA focused on the supervision of individual institutions and insufficiently on wider sectoral and system-wide risks.
- There is a need to reconsider the character of the relationship between the Bank of England and the FSA. Turner highlights a number of options as to the way forward for this relationship, and notes that in principle there are attractions to an approach which means that the Financial Stability Committee, which is currently purely a Bank of England committee, becomes a joint committee of the Bank of England and the FSA, making the final judgement as to macro-prudential conditions and final decisions as to appropriate policy responses. This is clearly delicate political territory.

EU Issues

- There should be a new EU institutional structure to replace the Lamfalussy Committees with an independent European authority with regulatory powers to be a standard setter and supervision overseer, and which would be involved alongside central banks in macro-prudential analysis. This would leave primary responsibility for supervision at Member State level.

International Issues

- The FSA considers that there is a need for better international early warning systems to alert regulators to emerging risks, and envisages that such a function could be performed by a strengthened IMF or FSS.
- The FSA does not agree that only a supra-national or global regulator can solve the issues of information sharing, co-ordination and co-operation amongst regulators of global financial groups. It considers that the framework in which supervisors operate is secondary to the information which they exchange. It is therefore proposing a model to improve co-operation and exchange of information between regulators and for improved crisis management arrangements.

General issues for regulators

- There is a need to challenge conventional wisdom assumptions. Conventional wisdom, that risks had been diversified and reduced, was both widely accepted and was wrong. Turner recommends consideration of inviting external academics and others to deliberately present views counter to conventional wisdom to enable it to be challenged and assessed.
- Regulators and other institutions must be free to act away from political pressure. Turner notes that even the IMF can be subject to influence by national directors, and that its reports are agreed in a somewhat politicised process of review. He says that the global challenge is to empower the IMF or other international institutions to produce wholly independent analysis of system-wide risks which will require major international powers to take the report seriously as input to their own domestic macro-economic policy decisions.

Accounting Firms and Accountancy Standards

- The FSA highlights that there are general accounting issues for the banking sector, and in particular whether the financial statements provide transparency about a bank's financial position at a sufficient level of granularity. It is already engaging in an intensive dialogue with banks and their auditors on valuation procedures and assumptions used for some complex asset classes.
- The FSA is also considering whether to make mandatory enhanced disclosures in relation to high risk asset classes (such as ABS tranches, CDOs, etc.) to make all UK banks make disclosures fully in line with international best practice.
- The FSA raises the fact that the largest global accounting firms are now a lynch-pin in the provision of reliable financial information about internationally active banks and companies across all sectors. This leads it to conclude that it is important that everything possible is done to mitigate the risk of circumstances which might lead to one of the big four accounting firms having to exit the market for audit services.
- It considers that there are gaps in the regulatory architecture for audit services, in particular:
    - there are no regulators in a position to take an overview of each major accounting firm;
    - there is no regulation of non-audit services - the provision of which may pose financial and reputational threats to the audit firms.
- As a result serious consideration must be given to establishing some form of global supervisory architecture for all significant activities of the major accountancy firms. This would consider their risk management systems and their ability to meet financial claims. This is an interesting and provocative thought, which will both have attractions and give rise to concerns for the major audit firms.

Regulatory Approach

- It is important for all firms to appreciate that there has been a significant shift in regulatory mood. Regulators will no longer assume that managers are better placed to understand and judge the risks inherent in their business, that professional institutions understand the instruments they deal in or that regulation should not restrain innovation. Whilst much of the Turner report is about banks, these themes have much wider relevance. Key elements of future regulatory philosophy will be:
    - a general shift to a supervisory approach which is proactive and which challenges the judgement of senior management on business models, risks, etc.;
    - more detailed scrutiny of the organisational and funding structure of international groups and the responsibilities and conflicts of managers in respect of the local firm and the group as a whole;
    - that more liquid markets are not always better and innovation in the financial markets is not automatically a good thing;
    - that theories based on self-correcting and rational markets are wrong - financial markets are susceptible to irrational herd effects;
    - that wholesale participants are not always as sophisticated as they think they are and in particular must make improvements to their understanding of capital markets structures, of risks and their use of credit ratings.

Timing Issues

Many of the proposals require international agreement to be truly effective. The FSA has signalled that if international standards are not agreed it may take unilateral action in some areas, although there would be further consultation and cost benefit analysis. There is clearly a strong preference for international agreement and a desire for this to be reached as a matter of urgency. The timing emphasis is therefore on the need to reach agreement quickly. It is recognised that implementation is a different matter.

In particular it is accepted that that the transition to the future capital regime for banks will be a lengthy one because of the current economic crisis. The increases already planned for trading book capital increases will be implemented by 2010 but any other changes need careful management because of the severe recession affecting all the major developed economies and the fact that increasing capital ratios for banks would constrain their ability to lend. The FSA notes that the gradual exit strategy from government involvement will lead to the need to balance the desire to maximise government proceeds in a privatisation with the pace at which a capital buffer can be built up.

Not all of the proposals will necessarily be adopted, either at all or in the form suggested. On some of the issues, for example the concept of "capital buffers", the opinions of different central banks and regulators may vary. There will therefore be a vigorous debate on some of the issues raised.

If you would like further information or advice on this issue, please contact Margaret Chamberlain, Jane Tuckley, Mark Evans or Tim Lewis in the Financial Services and Markets Department or your usual contact at Travers Smith.

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