2016 / 2017
FINANCE

The Parliamentary Review

A YEAR IN PERSPECTIVE

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Foreword

The Rt Hon Theresa May MP

Prime Minister

This year's *Parliamentary Review* follows a significant year in British politics. It was a year in which our economy continued to grow, as the Government followed its balanced plan to keep the public finances under control while investing to build a stronger economy. It was a year in which we began to deliver on the result of the EU referendum by triggering Article 50 and publishing the Repeal Bill, which will allow for a smooth and orderly transition as the UK leaves the EU, maximising certainty for individuals and businesses.

And, of course, it was a year in which the General Election showed that parts of our country remain divided and laid a fresh challenge to all of us involved in politics to resolve our differences, deal with injustices and take, not shirk, the big decisions.

That is why our programme for government for the coming year is about recognising and grasping the opportunities that lie ahead for the United Kingdom as we leave the EU. The referendum vote last year was not just a vote to leave the EU – it was a profound and justified expression that our country often does not work the way it should for millions of ordinary working families. So we need to deliver a Brexit deal that works for all parts of the UK, while continuing to build a stronger, fairer country by strengthening our economy, tackling injustice and promoting opportunity and aspiration.

In the year ahead we will continue to bring down the deficit so that young people do not spend most of their working lives paying for our failure to live within our means. We will take action to build a stronger economy so that we can improve people's living standards and fund the public services on which we all depend. We will continue with our modern Industrial Strategy, deliver the next phase of high-speed rail, improve our energy infrastructure and support the development of automated vehicles and satellite technology, building a modern economy which creates the high-skill jobs of the future.

At the same time, work needs to be done to build a fairer society – where people can go as far as their talents will take them and no one is held back because of their background. So we will continue to work to ensure every child has the opportunity to attend a good school. We will continue to invest in the NHS and reform mental health legislation, making this a priority. And we will work to address the challenges of social care for our ageing population, bringing forward proposals for consultation to build widespread support.

So this is a Government determined to deliver the best Brexit deal, intent on building a stronger economy and a fairer society, committed to keeping our country safe, enhancing our standing in the wider world, and bringing our United Kingdom closer together. We will continue to put ourselves at the service of millions of ordinary working people for whom we will work every day in the national interest.

"This year's *Parliamentary Review* follows a significant year in British politics"

Foreword

The Rt Hon Philip Hammond MP

Chancellor of the Exchequer

It's been a long road back for the British economy. In 2009 our deficit was at a post-war high, our economy shrank by 4.3% and millions feared for their jobs. Thanks to the hard work of the British people since then, we have reduced the deficit by three-quarters, we have been the second fastest growing G7 economy for the past two years, 2.9 million net new jobs have been created and our employment rate is the highest ever recorded.

By controlling our public spending, backing business and creating the environment for enterprise and investment to thrive, we have got the UK economy back on track.

But now we face new challenges. The deficit is down but debt is still too high. Unemployment is at a 40-year low, but real pay growth is stagnating. And I understand that people are weary of the hard slog of repairing the damage caused by Labour's great recession.

All our progress could be put at risk if we listen to those who say we should abandon the economic plan that has brought us so far, just as we are coming to the final furlong. And it is up to all of us, in business and in Government, across every sector covered by *The Parliamentary Review*, to make the case, all over again, for a market economy, sound money and a system that incentivises enterprise and innovation.

So I will stick to the plan to bring the public finances back to balance, at a pace that supports the economy in the face of short-term challenges, and to make longer-term changes. I will pursue a Brexit outcome that puts jobs and prosperity first. And I will continue with my priority to build a productive and dynamic economy.

It is only by making sustained increases to our productivity that we can deliver the higher wages that will increase living standards and fund the improvement of our public services. That is why I announced the £23 billion of additional investment in infrastructure and innovation at the Autumn Statement last year, and why I launched an overhaul of our technical education system at the Spring Budget.

It is a good start, but there is more to do if we are to close the productivity gap with our competitors, and build a strong economy to provide opportunity, prosperity and the funding for public services that this country needs. I am determined to get on with the job.

This is how we can unlock the full potential of our economy and create an economy that works for everyone.

> "We have been the second fastest growing G7 economy for the past two years"

Foreword

Liz Field

CEO, PIMFA

Our trade association became PIMFA (Personal Investment Management and Financial Advice Association) by bringing together the former memberships of the Association of Professional Financial Advisers (APFA) and the Wealth Management Association (WMA) on 1st June so we can speak with a stronger united voice in such a context.

PIMFA's mission is to create an optimal operating environment so that our member firms can focus on delivering the best service to clients and responsible stewardship for their long-term savings and investments.

Today that environment has a host of regulations impacting it that are proving to be huge undertakings for our firms. Chiefly amongst these is the European legislation, the Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR) that comes in to effect on 3rd January 2018. The regulation has multiple facets and over ten areas that require review - from costs and charges and suitability to product governance and transaction reporting.

Another issue keeping our members awake at night is cybersecurity. This was rated as the second key risk by CEOs in our recent sentiment survey (with regulation being number one).

In an accelerating technological world the sensitive data held by financial services firms is highly sought after and under constant attack, with the UK economy estimated to be losing over £52 billion a year as a result of cybercrime.

Finally attracting and retaining talent was the third highest perceived risk cited in the PIMFA survey. There is a need for the industry to be more broadly reflective of its ever changing, dynamic client base.

By PIMFA works with key industry stakeholders such as the NCA, City of London Police, the ICO, the FCA, HM Treasury etc. to help educate and advise our member firms in this area.

acknowledging clients' requirements and designing evolving solutions to best meet their needs we can ensure we remain as one of the world's leading investment centres.

One way to do this is to develop the debate around diversity – employment figures from ONS' Labour market data highlights that the UK's finance and insurance services industry is currently employing fewer women than ten years ago.

As the political and regulatory context continues to gather momentum the industry is working hard to keep pace. Alongside over 80 events and multiple publications, PIMFA has 30 committees and working parties dedicated to covering key issues with over 450 participants from the sector sharing their insights and expertise to discuss the way forward in our industry.

> "Our member firms can focus on delivering the best services to clients"

Andrew Neil

Return of the Two Party System

The BBC's Andrew Neil gives his take on the state of Parliament following the June 2017 general election.

It was a year in which politicians learned not only of the power of a referendum to overrule the will of Parliament – but of its power to change the party system in which they operate. Nobody saw this coming. But, in retrospect, perhaps we should have, since we had the fallout from the Scottish referendum to guide us.

In the autumn of 2014 the Scots voted 55%-45% to remain part of the United Kingdom. That was supposed to settle the matter of Scottish independence for a generation, until some Scottish Nationalists began regarding a generation as no more than a couple of years. But in post-referendum elections to Holyrood and Westminster, it also recast the Scottish party system.

Remember, Scotland had been one of the first parts of the UK to throw off the British two-party system and replace it with a multi-party choice of SNP, Labour, Tory, Green, Lib Dem and even UKIP. But as the constitutional issue took centre-stage – and remained there even after the referendum – Scottish voters coalesced round a binary choice: for or against independence.

Thus was a new two-party system born of a centre-left Nationalist party (the SNP) and a centre-right Unionist party (the Scottish Tories). The other parties have not been completely obliterated, especially in Holyrood with its peculiar voting system. But by the general election of 2017 Scotland had become a battle between a dominant Nationalist party and a resurgent Tory party representing the Union. Two-party politics was back north of the border.

So we should have been prepared for something similar when Britain voted 52% to 48% to leave the European Union in the June 2016 referendum. At the time, we remarked on the power of referenda to overrule both the Commons (where MPs were 65% pro-EU) and the Lords (probably 80% pro-EU). What we did not see was how the Brexit referendum would reconfigure English politics just as the Scottish referendum had redrawn Scottish politics.

So we were taken by surprise for a second time. In this year's general election – perhaps the single biggest act of self-harm a sitting government has ever inflicted on itself – almost 85% in England voted either Conservative or Labour. The English had not voted in such numbers for both major parties since 1970, when the post-war two-party system began to wane – and declined in subsequent elections to a point where barely 65% voted Tory or Labour, encouraging some commentators to think the decline terminal.

Neil believes two referendums have redrawn the map of British politics.

The referendum, however, reversed the decline. The Brexit vote ended the schism on the Eurosceptic Right as UKIP voters returned to the Tory fold; and those on the Left of the Greens and the Lib Dems flocked to Jeremy Corbyn's more 'Red Flag' Labour offering. So, as in Scotland previously, two-party politics was back with a vengeance in England too.

But without one crucial element. Our historic two-party system regularly produced one-party government for the life of a Parliament. But our new two-party system has produced a hung Parliament with no party having an overall majority. This knife-edge parliamentary arithmetic means the smaller parties may be down – but they are not out.

The Conservatives need an alliance with one small party (Ulster's DUP) to be sure of a majority. Even then, with the Tories and Labour divided over Brexit, no majority on any issue will be certain and on many votes the smaller parties will be pivotal in determining many outcomes.

So politicians return from their summer recess to a great parliamentary paradox: the two-party system has resurrected itself but rather than bringing with it the stability and certainty of the two-party politics of old, almost every major vote in the months ahead will be uncertain and unpredictable – and politics will be peculiarly unstable. Power will rest in Parliament. Government will be able to take nothing for granted. No vote will be in the bag until all the votes are counted. Westminster will have a new lease of life – perhaps even a spring in its step. Our democracy might be all the better for it.

Review of the Year

Brexit and beyond

The effect of Brexit on the finance industry is uncertain, given the complexities of leaving the EU

In July 2017, following the disruption of a snap election, talks with the EU over Brexit started to take shape. There has been no shortage of serious attempts to forecast what the outcome of Brexit and the talks could mean for the financial services sector.

In October 2016, Oliver Wyman published a report, commissioned by TheCityUK, which aimed to estimate the impact of the UK's exit from the EU, particularly with respect to the UK financial services sector. In compiling the report, Oliver Wyman worked closely with TheCityUK's Senior Brexit Steering Committee and senior industry practitioners. It also consulted the major sectoral trade associations in its attempt to estimate the impact of the UK's exit from the EU.

The starting point is that the UK-based financial services sector (FS-sector) is very important to the UK economy as a whole. It's annual earnings amount to some £190-205 billion and the sector provides direct employment to over 1.1 million people. It also generates some £60–67 billion worth of taxes every year. Plus it contributes to a trade surplus that amounts to some £558 billion.

The sector, the report points out, is an interdependent, interconnected ecosystem that has been developing now for many years. The ecosystem itself brings significant benefits to financial institutions and the corporates and the households that it supports. The downside of this, the report notes, is that the UK's exit from the EU could be felt more widely than simply in business transacted with EU clients.

'Our analysis suggests that, at one end of the spectrum, an exit from the EU that puts the UK outside the European Economic Area (EEA), but otherwise delivers passporting and equivalence and allows access to the Single Market on terms similar to those that UK-based firms currently have, will cause some disruption to the current delivery model, but only a modest reduction in UK-based activity. We estimate that revenues from EU-related activity would decline by approximately £2 billion (around 2% of total international and wholesale business), that 3–4,000 jobs could be at risk, and that tax revenues would fall by less than £0.5 billion per annum,' the report says.

However, a scenario that sees the UK move to a 'third country' status with the EU without any regulatory equivalence, would be expected to have a more dramatic impact. The report points out that severe restrictions could be placed on the EU-related business that can be transacted by UK-based firms.

'In this lowest access scenario, where the UK's relationship with the EU rests largely on World Trade Organization (WTO) obligations, 40–50% of EU-related activity (approximately £18–20 billion in revenue) and up to an estimated 31–35,000 jobs could be at risk, along with approximately £3–5 billion of tax revenues per annum,' the report says.

At the same time, the knock-on effect on the financial services ecosystem in the UK could be profound as major players relocate out of the UK. 'An estimated further £14–18 billion of revenue, 34–40,000 jobs and around £5 billion of tax revenues might be at risk,' the authors note.

Europe too, could be a big loser. Oliver Wyman points out that for some institutions, the cost of relocation and the ongoing inefficiencies associated with a more fragmented environment could cause them to close or scale back parts of their business. 'Others, particularly with parents located outside of the EU, could move business back to their home country, reducing their overall footprint in Europe,' it warns.

On the plus side, with Brexit giving the UK a strong push in the direction of forging new relationships and trade links, the report points out that we could see significant opportunities arising from new networks of trade and investment agreements. Initiatives that, for example, nurture the growth of FinTech, would boost jobs, revenues, taxes and the trade surplus delivered by the financial services sector.

European businesses, as much as their British couterparts, have a strong interest in ensuring minimal disruption to their work

It seems obvious that EU business in general has a strong interest in supporting the UK's continued status as an international financial centre. This is true not just because of the services directly provided to EU businesses by the sector, but also, as the report notes, because the UK has been, and continues to be, a conduit for global investment into the EU. 'The best outcome would be to recognise these dynamics and [craft agreements that] deliver mutually beneficial results for the UK, the EU and the rest of the world,' the report concludes.

The legal implications

Following on from the Oliver Wyman report, the law firm Freshfields Bruckhaus Deringer (Freshfields) was commissioned by TheCityUK to carry out a legal analysis of the impact of Brexit on the sector and related professional services industries.

The Freshfields report rules out the most optimistic scenario, which is where the agreement between the UK and the EU results in full equivalence and passporting across the scope of the single market directives. However, the report was commissioned and written before the disastrous (for Theresa May) June General Election, and therefore is partially blind to the current argument (or debate, to give it a politer colouring) within the Government between the 'soft Brexit' camp and the 'hard Brexit' camp.

The possibility of a hard Brexit, particularly given the government's deal with the DUP, is a cause of conern amongst some of the British public

The crux of the matter is immigration, where the likes of Chancellor Philip Hammond want to ensure that UK business continues to have access to EU domiciled talent – making him more favourable towards the EU's 'free movement of peoples' doctrine – while the Prime Minister and those in her camp are strongly opposed to the 'free movement of peoples' approach and want strictly enforced borders with strong controls over immigration. The latter approach is incompatible with continued membership of the European economic area (where acceptance of the 'four freedoms' is a non-negotiable requirement for membership).

Quite which faction, the 'hard' or the 'soft' Brexiteers will come out on top at the end of the proposed two-year Brexit negotiating cycle remains to be seen.

The Freshfields report focuses on two scenarios. The first sees the UK having 'third country' status, with the equivalence already established continuing, but with no new access arrangements in place to compensate for the loss of passporting rights. The second is where the UK does not succeed in obtaining equivalence across the core single market directives.

To be clear, 'equivalence' occurs where the EU agrees that a particular UK supervisory regime is 'equivalent' to the requirements in a specific EU directive, and offers equivalent protections to consumers. Equivalence can be granted in full, or partially, or can be time limited.

According to the Freshfields study, firms they talked to wanted to keep as much of their activities in the UK as possible and to continue their EU-related business with as little disruption as possible. No surprise there. The report also found that firms are basing their contingency planning on a worst case scenario, i.e. no equivalence and massive disruption to services.

Legislating for the UK's withdrawal

David Davis, as Secretary of State for Exiting the European Union, has been personally responsible for much of the negotiations

The main takeaway from the Government's own March 2017 white paper on how it sees legislation progressing, is Theresa May's assurance that the Government intends to convert the 'acquis' i.e. the body of European Community legislation, into UK law at the same time as it repeals the European Communities Act.

'The same rules and laws will apply on the day after exit as on the day before. It will then be for democratically-elected representatives in the UK to decide on any changes to that law, after full scrutiny and proper debate,' the Prime Minister said in her foreword to the white paper.

David Davis, the Secretary of State for Brexit, emphasised in his foreword that the Great Repeal Bill would not be 'a vehicle for policy change'. It is just designed to take what was EU law and turn it into UK law. The business of deciding which of the EU derived laws needs to be repealed or amended can happen at a more leisurely pace. The Great Repeal Bill will simply give the Government the necessary power, as Davis puts it, to correct or remove the laws that would otherwise not function properly post Brexit.

Review of the UK banking sector

In a briefing report looking at the regulatory environment the global financial services sector can expect to face through 2017, the Deloitte Regulatory Centre notes that, taken as a whole, 2016 was another difficult year for the financial sector. Economic and political uncertainty added a large complicating factor to the already difficult task the sector faced in completing preparations to bring their organisations into line with the post-crisis regulatory regime.

'A prolonged period of tepid economic growth and persistently low and volatile interest rates has squeezed profitability in some sectors and put significant pressure on longstanding business models and balance sheet management. Firms are further challenged by continuing uncertainty over the final shape of post-crisis financial regulation. While regulators are keen to preserve the hard won reforms of recent years, rising political uncertainty in developed economies (as demonstrated by the UK's referendum decision to leave the EU and the US presidential election results) has increased the volatility and hence unpredictability of the macro-policy environment. This has caused some to go as far as questioning the sustainability of free trade and open markets,' the report claims.

The City of London is the centre of the UK banking industry, and a focal point of concern following the referendum result and the ensuing uncertainty regarding regulation

Barclays comes close to tripling profits for 2016

Barclays' pre-tax profits for 2016 rose to £3.2 billion for 2016, almost triple its 2015 pre-tax profit figure. However, as Chairman, John McFarlane, warned in his press briefing, the bank still has serious issues to resolve.

The bank needs to reach a settlement with the US Department of Justice over a longstanding mortgage-bond mis-selling scandal. So far Barclays has refused to settle out of court. It is the only major bank to hold out

The US Department of Justice has been highly critical of Barclays' behaviour, and is still taking action against the group

against the swingeing fines imposed by various US authorities for egregious mis-selling and other fraudulent or semi-fraudulent activities by financial institutions in the lead up to the global financial crash of 2008.

The US Department of Justice case is that Barclays jeopardised the financial position of millions of American homeowners over the sale of residential mortgage-backed securities (RMBS) in the run up to the banking crisis

Barclays is also struggling to dispose of its African bank at an acceptable price.

In March 2016 Barclays announced that it wanted to sell its 62% stake in its Africa business, despite its long history of operating in Africa. The bank has been heavily criticised in the past for its sluggish management of its Africa business and its failure to identify and exploit opportunities in a continent that has the youngest demographic on the planet. Barclays Africa Group employs 45,000 people across Africa and controls banks in ten African countries, including Ghana, Kenya, Tanzania and Uganda.

By November 2016 Barclays Africa was the worst performing lender on the six-member FTSE/JSE Africa Banks Index. The bank managed to sell around 12% of its stake in May 2016 but further sales ran into trouble when the South African Reserve Bank made it clear that it did not want shares to end up in the hands of a buyout company.

The Reserve Bank is playing the role of lead regulator for all of the African countries involved in Barclays Africa and is determined to ensure that any transaction that takes place will go smoothly with no disruption to customers, the banking sector or the South African currency.

Co-op sale leaves the Co-op Group with just 1% of the bank

At the end of June 2017 the Co-op Bank announced that it had concluded a £700 million deal with hedge funds. The deal refinances the bank but leaves the Co-operative Group owning just 1% of the bank. In 2013 the Group owned the Co-op Bank outright, but saw its stake dwindle first to 30% then to just 20% within a year.

In 2013, under its former Chairman, the disgraced Paul Flowers, the Co-op Bank had needed an injection of £1.5 billion to stay solvent after a massive black hole was discovered in its accounts. In February, the bank, which was still desperate for funds, said it was putting itself up for sale. At the time, the Co-op Bank Board said it was looking both at a sale and at 'other options' including a stock market floatation.

The bank has proved something of a disaster for the Co-operative Group. In early April 2016, after the bank reported its results for the 2015–2016 year, the value of the Co-operative Group's remaining 20% stake in the Co-op Bank shrank to just £185 million.

This was well down from the original £333 million it put into the bank in 2013 to keep it solvent. Six months later the value of its 20% stake was down to £140 million, giving the bank a notional value of £750 million.

Despite seeing its stake reduced all the way down to one percent after the hedge fund deal, the Co-operative Group emphasised that the Co-op Bank would retain the 'name, brand and commitment to co-operative values, as set out in its ethical policy'.

In March 2017, the bank announced its results for 2016, reporting a statutory loss before tax of £477 million. This is a reduction in the £610.5 million loss before tax reported for 2015. The improvement came from lower operating costs, lower losses on asset sales and lower conduct charges, the bank said.

The Co-operative Bank is now almost entirely owned by other interests, following the Bank's disastrous performance over the last few years

Chairman Dennis Holt called 2016 'a year of both progress and challenge for the bank'. Considerable progress has been made in delivering the bank's turnaround plan over the last three years, and the bank is now stronger in many areas than it was in 2013,' he said.

HSBC intent on putting scandals and revenue slumps behind it

In February 2017 HSBC reported a 62% slump in annual pre-tax profit for 2016, so Stuart Gulliver, the Bank's Chief Executive Officer (CEO) was naturally delighted when HSBC was able to announce in May that it had achieved a 12% increase in adjusted pre-tax profit for the first quarter of 2017. Profit, after discounting one-off items, was $5.94 billion while revenue was up 2% on the same quarter in 2016, rising to $12.8 billion.

Outperformance in Asia plus a strong showing by the bank's investment arm, with trading revenues up 29% for the quarter, eclipsing the average increase of 9% recorded by nine of the largest global investment banks, were responsible for most of the increase. Gulliver said that revenue growth had also come from a solid recovery in retail banking and wealth management.

Stepping down as Chairman in October, Douglas Flint has overseen a difficult period for HSBC, following the Libor scandal

Misconduct scandals, swingeing fines and the fact that globally, HSBC has exited from almost 100 businesses and ceased operations in 18 countries, has taken a heavy toll of the bank in recent years. Moreover, HSBC is about to see major changes in its top management.

Gulliver is due to retire in 2018 and the present Chairman, Douglas Flint, steps down in October this year, making way for Mark Tucker, the Head of the insurance firm, AIA Group. Tucker will have the responsibility of appointing a new CEO to succeed Gulliver.

In its determination to put scandals like the Libor rigging fiasco and money laundering charges behind it, the bank hired some 1,800 extra compliance staff in the first five months of 2017, bringing its total compliance headcount worldwide to more than 6,000.

In August 2016 HSBC announced its first share buyback, drawing on capital released from the sale of its Brazilian business. It bought US$2.5 billion of stock. In his February briefing on HSBC's 2016 full year results, Gulliver noted that the bank planned to buyback a further $1 billion worth of shares, and had received the necessary regulatory clearance.

The bank has something of a cash windfall at present because it is now able to remit money back to its UK headquarters from its US operation. So further buybacks are not completely out of the question, though Flint said that he would not want to steer shareholder expectations in that direction.

Asked whether HSBC was now on track to grow revenues after years of revenue shrinkage, Iain Mackay, Group Finance Director, said that the signs were looking very good.

Lloyds Bank clears its bailout debt

Lloyds Banking Group is now almost wholly privately owned, with only a small government stake remaining

In the first week of April 2017 Lloyds Banking Group (LBG) announced the closure of 100 branches and the loss of 325 jobs. The closures affected 54 LBG branches, 22 Halifax branches and 24 Bank of Scotland branches. The losses are part of a wider attempt by LBG to shrink its cost base, with the total job cutting exercise said to ultimately result in the Group shedding 12,000 jobs.

The closures are part of a plan announced by the bank in June 2016 and reflect a general move among High Street banks to shift more of their business to the internet – which they say is in response to customer demand. LBG plans to use mobile branches to continue services in affected areas.

Despite inevitable criticisms over its branch closure programme, 2017 started well for LBG. Announcing its first quarter results at the end of April, the banking group reported that profits had doubled by comparison to Q1 2016. Pre-tax profit was up at £1.3 billion versus £654 million. This looks particularly healthy in the light of the bank having to set aside a further £350 million to cover payment protection compensation claims.

At the time the results were announced, the Government's stake in Lloyds had shrunk from 43% to less than 2%, and it had already recovered all the taxpayer's bailout cash, amounting to £20.3 billion. In May, just a few weeks after the Q1 results announcement, the Government sold its remaining 0.25% stake in Lloyds, returning LBG to full private ownership almost a decade after the 2008 bailout.

The move was widely seen as a pivotal moment for the UK banking sector, with LBG being the first lender to clear its bailout debt to the Government. According to LBG, the Government made a profit for the taxpayer of £900 million on the conclusion of the deal.

Not so good for the bank is the fact that in October this year its former Chief Executive, Eric Daniels, and Chairman, Victor Blank, are due to give evidence in a £450 million law suit brought against the bank by some 6,000 investors who claim the bank withheld information from them during its government-instigated take-over of Halifax Bank of Scotland (HBOS) at the height of the global financial crash of 2008. Claimants include many small retail investors and some 300 corporates, including pension and investment funds.

The takeover massively damaged Lloyds and led directly to the Government having to bail out the bank. Helen Weir, now Marks & Spencer's Financial Director, is also due to give evidence.

The Lloyds/HBOS Shareholder Action Group expects the hearing, scheduled for 2 October, to last for 12 weeks. One of the main claims being made is that the directors of Lloyds TSB failed to disclose that the bank had secretly made a £10 billion loan facility available to HBOS and that HBOS had already required funding of up to £25.65 billion from the Bank of England and $18 billion from the Federal Reserve.

Under the circumstances, the action alleges, exchanging 0.605 Lloyds shares for each HBOS share amounted to a gross over-valuation of HBOS's share capital. The case 'would highlight the inexcusable failure of the Directors to share crucial information with their shareholders ahead of the deal going through,' the shareholders claim.

Former Lloyds chairman Eric Daniels is undergoing intense legal scrutiny, which may have ramifications for the bank

Restructuring at RBS

On 24 February 2017 the Royal Bank of Scotland reported an operating loss before tax of £4.08 billion for 2016. The loss deepened to £6.955 billion once additional items such as litigation and conduct costs, plus restructuring costs were taken into account.

Restructuring costs included a £750 million provision in respect of its remaining State Aid obligations regarding Williams & Glyn (W&G). The bank had been obliged by the European Commission to dispose of its 300-branch W&G portfolio as a condition of receiving a taxpayer bail-out of £45.5 billion during the 2008 global financial crisis. The Government has now come up with a plan which it hopes the EU will accept, which would allow RBS to abandon the sale.

The Government plans to use £750 million RBS has set aside to enable challenger banks to increase their market share

Paul Pester, the CEO of TSB, has been critical of government plans to increase competition, labelling them as insufficient

The bank is still 71% owned by the Government and has singularly failed so far to find a willing buyer for its W&G branch network, the major barrier being the difficulty of separating the two entities' IT infrastructure. To date, RBS has spent some £1.8 billion attempting to sell the W&G tranche.

The Government is proposing to use the £750 million RBS has set aside to enable challenger banks to increase their market share of the small to medium-sized business market (SMEs). So far, the plan has been less than enthusiastically received by several of the challenger banks. In April, Paul Pester, Chief Executive Officer of TSB, which was successfully carved out by Lloyds, slammed the Government plan. 'Writing us a cheque for £100 million would be very interesting, but it ain't going to do much for competition,' he commented in an interview with the Press Association.

For its part, the Commission has said that it can only accept the new plan 'if the new commitments can be considered equivalent to those originally provided'. There has to be considerable doubt that the EU will consider that equivalence has been achieved.

FinTech's bright future

Governor of the Bank of England Mark Carney has stressed both the challenges and opportunities that the growth of FinTech presents to regulators and the industry at large

In a recent speech, the Governor of the Bank of England, Mark Carney, pointed out that FinTech has spurred a host of new entrants, including new payments providers, peer-to-peer lenders, robo-advisors, innovative trading platforms and foreign exchange agents. In time, he noted, these new entrants would likely bring about the unbundling of traditional banking models and may well deny banks their traditional economies of scale and scope.

Plus, he pointed out, FinTech has systemic consequences that are highly complex and pose challenges for regulators. More diverse business models and alternative providers are positives for financial stability, but robo-advisors and traders could encourage 'herding' behaviour, with trades becoming more and more correlated.

Other positives include the possibility of better credit risk analysis, with Big Data analysis able to provide a more accurate and dynamic picture of the state of the economy. Economic forecast improvements might well emulate weather forecasting, which has steadily improved in accuracy in recent years.

'My own forecast is that FinTech's consequences for the Bank of England's objectives will not become fully apparent for some time. Many of the technologies needed to deliver such transformations are nascent – their scalability and compatibility untested beyond Proof of Concept,' he added.

Rapid growth suggests InsurTech could rival FinTech

Global investment in the InsurTech market by insurance companies totalled US$1.7 billion in 2016, across some 173 deals. The insurance companies were way behind the banks in recognising that buying innovative technology start-ups was a great way of responding to and countering the potential threat from such start-ups.

Accenture, alongside other organisations, have noted the disruptive and innovative potential of InsurTech

Accenture Partner, Steve Watson, keeps a close eye on InsurTech. He reckons that although more than half of all insurance InsurTech deals take place in the US, the UK, along with Germany and China has become a significant centre for such deals. 'There is a growing recognition that although the banking and capital markets may have started their FinTech journeys earlier (and built up a considerable weight advantage), it will ultimately be the insurance industry that sees the most benefit – and the greatest level of disruption – from this global upsurge in innovation,' he comments in a recent blog.

In particular, a number of new InsurTech companies are focusing on the potential benefits to be derived from the ever expanding 'network of things'. 'This is great news for those insurers and start-ups that can harness this army of devices to deliver new levels of insurance personalisation, better real-world outcomes for their customers, and increased due diligence with respect to their own internal risk profiles,' he comments.

The Financial Conduct Authority in 2016/17

On 27 July 2017 the Financial Conduct Authority (FCA) outlined proposals to extend the Senior Managers and Certification Regime to all financial service firms. As always with this regime, the aim is to make individuals more accountable for their conduct and competence. The intention is to encourage personal responsibility for actions and to make sure that the lines of responsibility are clearly demarcated.

The proposal envisages five conduct rules that apply to all financial services staff at FCA-authorised firms. The rules emphasise integrity, due care, skill and diligence, along with being open and cooperative with regulators.

FCA proposals regarding competition and behaviour aim to strengthen regulation whilst limiting interference

Mark Carney visits Cass Business School in London - the School's report on financial regulation was highly critical, perceiving a distinct lack of measures to avoid future financial crises

Senior managers will need to be approved by the FCA and will appear on the FCA Register.

Jonathan Davidson, Executive Director of Supervision – Retail and Authorisations, at the FCA, said 'This is about individuals, not just institutions. The new Conduct Rules will ensure that individuals in financial services are held to high standards, and that consumers know what is required of the individuals with whom they deal. The regime will also ensure that Senior Managers are accountable both for their own actions, and for the actions of staff in the business areas that they lead.'

One of the FCA's major reports over the last year was its study of the competitiveness of the asset management industry, which it launched in November 2015.

The FCA notes that the UK asset management industry is the second largest in the world, managing around £6.9 trillion of assets. Over £1 trillion of this is managed for UK retail investors, £3 trillion for UK pension funds and £2.7 trillion for overseas clients. The final report confirms the findings set out in the interim report published in 2016. This found that price competition is weak in a number of areas in the industry.

To drive competitive pressure on asset managers, the FCA will:

- support the disclosure of a single, all-in-fee to investors
- support the consistent and standardised disclosure of costs and charges to institutional investors
- recommend that the Department for Work and Pensions (DWP) remove barriers to pension scheme consolidation and pooling
- chair a working group to focus on how to make fund objectives more useful and consult on how benchmarks are used and performance reported.

The report also contains recommendations aimed at improving the effectiveness of intermediaries. These include proposing a market study into investment platforms and a recommendation that HM Treasury should bring investment consultants into the FCA's regulatory perimeter.

In October 2016 the FCA and the Prudential Regulation Authority (PRA) came under attack in a report compiled by the Cass Business School for the financial services think tank, New City Agenda. The report suggested that UK regulators were 'sleep-walking' into another financial crisis, and that crucial changes put through in the wake of the 2008 global financial crash were already being watered down.

The administrative costs incurred by the regulators now amount to £1.2 billion a year, six times what they were in 2000. Plus, there are now over 13,000 pages of rules guidance and supervisory statements published by the FCA and the PRA, which, the report claims, is creating a bureaucracy that is both overzealous and ineffective.

What's next?

Commenting on the prospects for the UK economy after Brexit, accountants PricewaterhouseCoopers (PwC) note that the current rate of growth going into the Brexit negotiations is not exactly brilliant. Growth slowed in the first half of 2017, while inflation rose sharply, squeezing consumers. PwC is predicting that gross domestic product (GDP) growth for 2017 as a whole will come in around 1.5%, and will drop another point in 2018, to 1.4%.

This modest growth prediction is despite the fact that the UK economy grew by 2%, from Q1 2016 to Q1 2017. However, the quarter-over-quarter growth rate for Q1 2017 was just 0.2%.

Nor, in all probability, can the UK expect much help from the US economy, traditionally one of the major growth engines driving global growth, along with China. At the time of writing, forecasters were scaling back their growth predictions for the US economy. One of the major concerns for pundits being the fact that President Donald Trump's attempt to repeal the health care reforms instituted by his predecessor have been thrown out by the Senate. This has cast doubt upon President Trump's ability to deliver his promised tax and economic stimulus and has caused some analysts to downgrade their growth predictions for the US economy.

As *The Parliamentary Review* goes to print, it looks as though low growth will continue at least through much of the Brexit negotiations. Whether it will have given way to higher growth or started to slide towards recession by the time the Brexit talks come to an end is anyone's guess.

Early setbacks for the Trump administration on healthcare reforms have caused growing doubt over the president's ability to see through his planned economic measures

Seven Investment Management

Our personal experience meant that what we'd seen working in financial services was not necessarily what we wanted to face as clients. So we launched a business in 2002 that still sets standards 15 years on.

Co-founders Tom Sheridan and Justin Urquhart Stewart

In 2000, we were both running the stockbroking division of a high street bank. We had been looking for somewhere to invest our family money for some time, without success.

It was, in fact, a decision by our employer that actually provided the impetus to set up 7IM. In charging clients a fee for not trading their stocks and shares – effectively punishing them for wanting to invest over the long term i.e. as they should – we felt the bank had gone too far.

First, we took our ideas to our then employer, explaining our review of the marketplace and that there were few firms applying much common sense. We outlined our vision for the business – revamping industry practices that hadn't changed, in some cases, for decades. With the rise of digital services, clients were becoming increasingly aware of what was possible. While the management team thought we had some good ideas, they were a no go. So, with five other colleagues and friends, seven of us established Seven Investment Management (7IM).

People have often worked a lifetime for the money we look after for them, so we believe it is a privilege (not a right) to manage that money over the medium to long term. We want to be seen as a safe pair of hands. Our investment approach therefore aims to manage money in a more predictable manner, avoiding unnecessary risks where we can. Investments are held in globally-diversified portfolios that aim to deliver the returns we set out to clients year-in-year-out.

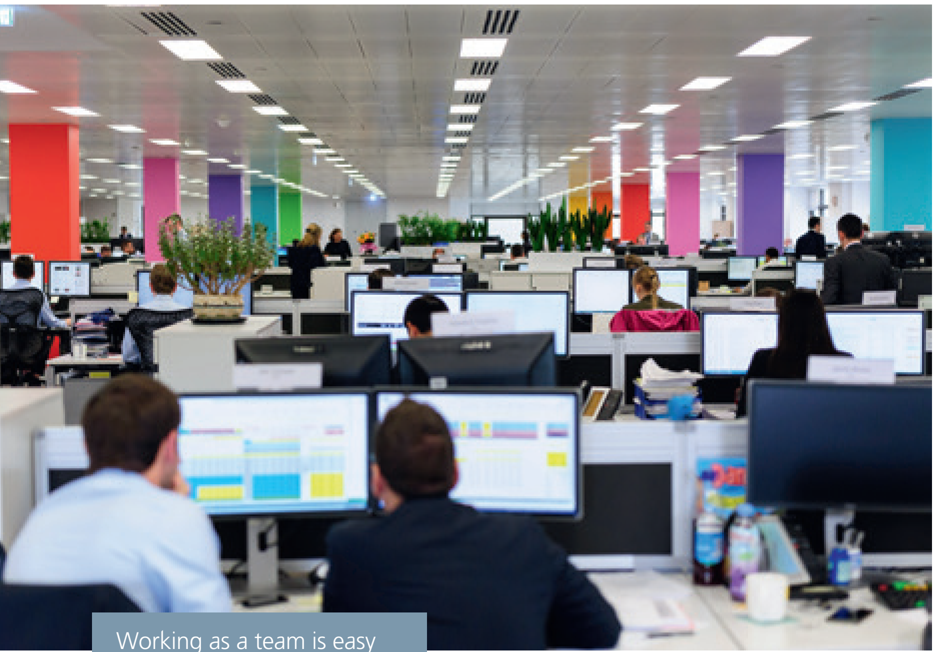
Holding clients' investments in a fund provides more benefits, one of which is currency management. Retail investors can easily have up to 60% of their money invested overseas in assets that change value with foreign exchange movements. This exposes them to risks which many wealth managers can't manage when we can. Also, because our money is managed collectively, you can access investment options that are cheaper or serve different purposes in a portfolio than are traditionally available. For example, we can access equity markets through investments that are cheaper and more flexible than index or tracker funds.

This is all clearly explained, using straightforward language, in the regular updates published on what's happening in financial markets, what that means for clients' money and what fees and charges are due (in pounds and pence). Clearly we cannot offer investment guarantees, but we want to do right by our clients so we're as transparent as possible.

Relationship managers only focus on client service so that they get to know their clients and appreciate how often they want to talk through their investments, in what form they want information and what topics interest them most.

AT A GLANCE

- » 240 people on one open plan floor
- » Based in London, we travel to our clients to keep down office overheads
- » £11 billion assets under management
- » Clients choose how they access our investments: by themselves; with the help of financial planners; or through our in-house services
- » Cost conscious and committed to passing on cost savings to clients
- » Philosophy of managing clients' money to improve the predictability of the outcome – our process helps clients plan for their future
- » Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority (FCA). Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.



Working as a team is easy as we're all on one floor and no one has an office

> "People have often worked a lifetime for the money we look after for them, so we believe it is a privilege (not a right) to manage that money over the medium to long term. We want to be seen as a safe pair of hands"

Independent investment and risk functions are also vital so that money is managed to anticipate and respond to markets. Often in our industry, money is still managed to limit the impact of capital gains tax – yes, it can be significant – but actually our fund structures help here too as, within them, money moved between assets is not taxable. You may only have to pay tax when you sell part of your portfolio depending on your circumstances.

Innovation was at the heart of the business' set-up and we have continued to evolve. At the start, we built our own investment platform – one of the first in the UK. We launched the first range of multi-asset funds for UK retail investors that invest only in passively-managed funds and which are cheaper than most funds available. Most recently, we developed and continue to improve our award-winning app, 7IMagine: as well as helping clients understand how and where their money is invested, it also helps you determine what finances you'll need in the future. Working backwards, 7IMagine calculates how much to save and how much investment risk may be needed to attain your financial goals more easily.

A significant proportion of the money we manage is pension money. We are keen to make a difference for our clients here too, but we also want people to realise how important it is to take charge.

Times have changed, especially over the past few years. People are living for longer and fixed income markets do not necessarily play the same role in portfolios as they did for previous generations. Employees' schemes are now contribution based rather than (absolute) benefits. However, people have more control over their fortunes now than ever before due to the pension freedoms.

We want to help people understand what levers are available to help them achieve a retirement that they can enjoy. Whether it's saving more, better use of the tax breaks, working longer or taking a little more investment risk, each of these has differing impacts on individual retirement pots. We have undertaken considerable research into this area and can really help clients understand their options.

One of our main findings has been that the traditional approach to long-term investment portfolios – i.e. taking lots of investment risk when you're younger and moving increasing percentages into fixed income (seen as safer assets) as you age – may no longer make as much sense than before. There's a tipping point when stepping up investment risk is much more logical, and helping people appreciate this and the power of compounding can really have a big impact on their finances.

It's that practical approach to investments that we look to deliver to our clients… and unfortunately it's so hard to find, we call it radical common sense!

Oldfield Partners

Two key inefficiencies in modern markets are the short-termism of most participants and the tendency of many investors to hug indices. We believe that those who can take a medium- and long-term view and disregard index composition are at an advantage: they will be less a slave to momentum and more inclined to be patient and to buy shares when they are cheap.

Richard Oldfield, Chairman

Oldfield Partners is a boutique investment management firm, small, private, and quiet. Our office is near Victoria, emotionally and physically away from the frenzy of much of the City and Wall Street, where it is difficult to ignore the short term. Our investment philosophy is straightforward: levels of valuation are the single most important determinant of long-term returns.

We focus on levels of valuation – the relationship of share prices to profits and assets – and not on predictions. Oldfield Partners has no information edge and must make commonsensical judgements. We are free from committeeitis. We regard a share whose price has gone down as, *prima facie*, cheaper and more interesting. We believe that markets tend to extrapolate unduly so that expectations reflected in share prices become too low after a run of bad news and too high after a run of good news.

In putting together a portfolio, we start with a blank sheet of paper. We do not use index weightings as a starting point. We have a broad principle of diversification, but with a concentrated portfolio of around 20 holdings.

Stewardship is integral to our investment process. Good stewardship helps to protect and enhance sustainable earnings and the value of companies, and investors with a long-term approach help companies themselves to have a longer view which is likely to be better for returns and for society. While not 'activist' in nature, we will engage with a company's board or management where there are stewardship-related weaknesses and our interaction with the company may have an influence.

Patience and value investing

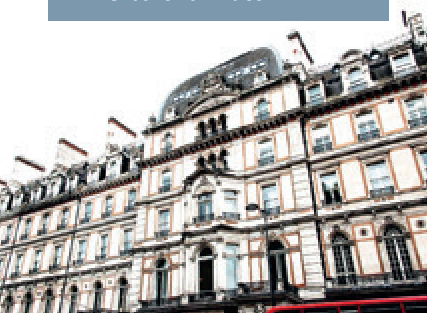
Our approach is known as 'value investing', based on the simple principle that valuations matter most. But a value approach needs patience. It involves investing in companies which are unpopular. We do not hug indices. Our portfolios, concentrated and committed, look utterly different to any index and will perform utterly differently, sometimes for the worse. Over the long term, shares which start with low valuations have resoundingly outperformed shares which start with high valuations, but there are quite long periods when the opposite is true, and we have seen a particularly long period in the years up to 2015 in which

AT A GLANCE

- Oldfield Partners was founded in 2005 and manages around £3.5 billion for endowment funds, pension funds, charities, family offices, and high net worth individuals
- We manage equity portfolios of seven types: global, global ex-US, global equity income, global smaller companies, emerging markets, European and Japanese
- The executive partners own the majority of the firm. A minority is owned by Lisbet Rausing, Sigrid Rausing and interests of Lord Rothschild.

> “Valuations are the most important determinant of future returns”

The firm’s offices at 11 Grosvenor Place



‘value’ sharply underperformed ‘growth’. Those who believe, like us, in reversion to the mean have seen this as elastic stretched beyond endurance, and in 2016 value had a tremendous comeback.

The threat of disruption

Plenty of companies in traditional industries now have unreasonably low valuations. Many claim that technology is changing everything so that nothing traditional can be relied on. We have seen disruption in the music business, with digital replacing physical and now, within digital, streaming replacing downloads; in the newspaper business, with both news and advertising moving to the Internet; in the computer business, with smartphones taking over from personal computers and with the Cloud taking over from local servers; most painfully, perhaps, in the retail business, with sales in stores being replaced by Internet sales.

Not everything that seems new is new. Forty years ago I worked in the food department at Harrods. There was a method of online order and delivery there: it was called the telephone. Lady Something would ring to place an order and ask that it be delivered to Kensington Mansions. But the food department was still packed with people because they wanted to look at and smell the fresh food they bought. I also worked in a truly old-fashioned company, Aetna Life & Casualty in Hartford, Connecticut, in 1981. Even then, a robot made stately progress around the floors, beep-beeping and stopping from time to time so that people could collect tea and coffee from its trolley.

Disruption itself is not new. Wood for energy was succeeded by coal, coal by oil and gas; tanks displaced cavalry, trains displaced horses. There are always disruption-deniers. In 1876 Sir William Preece, chief engineer at the British Post Office, declared: ‘the Americans have need of the telephone, but we do not. We have plenty of messenger boys.’ Similarly Daimler, early in the 20th century, thought that there would be need for no more than 10,000 cars because there would not be enough chauffeurs to drive them.

‘Yeah, yeah’

It seems obvious that the speed of obsolescence today is staggeringly fast. Managers like us may be thought to have an old fogey approach to investing which seemed once to work well but is now itself disrupted by changes in the real world that happen so fast that value investing is obsolete. To this we would say what the Harvard professor Sidney Morgenbesser said when a rival philosopher stated that while a double negative implies a positive, a double positive never implies a negative: ‘Yeah, yeah.’ It is not that there are not huge technological changes; of course there are. But the changes are not in a straight line; they are not easy to predict and they have unforeseen consequences.

‘This time it’s different’?

Sir John Templeton’s famous aphorism was that the most dangerous words in investing are ‘this time it’s different.’ We stick firmly to the time-tested theory that valuations are the most important factor in future returns. In looking at individual companies we try to be sceptics, but we dispense with this view of valuations only when we see confidently that a company’s prospects are indeed permanently disrupted. The valuations of companies which we hold are indeed low. While the US stock market is expensive, other markets are not, and we see plenty of opportunity.

Gemini Financial Planning

Gemini are Chartered Financial Planners based in Cheltenham, providing bespoke financial planning solutions to private and corporate clients. Directors, Chris Furley and Julian Sutton, worked together for a number of years before founding Gemini, which became authorised in January 2012.

Julian Sutton, Director

Following the Retail Distribution Review that was carried out by the Financial Services Authority, firms either had to become independent or restricted with effect from January 2013. The firm we previously worked for took the decision to become restricted and this was our cue to break out on our own.

In just over five years Gemini has expanded from two people and an administrator to seven full-time independent financial planners and six support staff, while our client numbers and funds under management have quadrupled.

Our principles

We did not foresee quite how quickly Gemini would grow in such a short space of time and nor can we predict what might happen next. What we do know for certain is that our principles will never change. We believe in dealing with clients face-to-face, getting to know them, earning their trust and building genuine relationships through years of collaboration. We are always entirely transparent with our clients about the returns and service standards they can expect. We let them know we cannot control the markets but we can control almost everything else.

One crucial and controllable element is our fees and, once again, transparency is king. We are open and honest about the fees we charge so that clients always know exactly how much our services cost. We are also acutely aware of the value of these services, so we do not set targets for any of our staff or for the business itself. We only employ independent financial advisers of the highest quality and we would be loath to hinder their performance with burdensome targets. We are proud to prioritise the long term over the short term, and targets can often inculcate the reverse. Our clients deserve sound financial advice from people interested only in doing their job well. This is exactly what they get.

Above all, we are fiercely independent. It was our belief in the importance of independence that led to Gemini's formation. When we take on a new client, our only focus is on delivering the best possible solution we can.

Our key areas

As truly independent financial planners with chartered status, we cover all aspects of financial planning, from mortgage advice to wealth management. We tend to keep our investment process simple but we can provide more complicated arrangements if needed. Our typical solutions involve ISAs, pensions, General Investment Accounts and Investment Bonds (onshore and offshore).

Our clients choose from our reactive, proactive or bespoke options, generally following a recommendation from us as to what we think would best suit their needs.

AT A GLANCE

- » Independent Financial Advisers
- » CII Corporate Chartered Status
- » SIFA Professional Firm
- » Based in Cheltenham covering Gloucestershire and surrounding counties.
- » Services range from transactional business to Bespoke Planning Strategies
- » Onshore and Offshore Investments
- » Pensions and Retirement Planning
- » IHT/Estate Planning
- » Taxation and Trusts
- » www.geminifinancialplanning.co.uk

"Gemini exists to help our clients reach their financial goals through effective solutions and strategic planning. Our technical expertise, experience and independent status enable us to build long-term relationships with our clients, guiding them throughout their financial planning journeys"

The final decision, however, always rests with them. Our bespoke investment packages may include some of the solutions mentioned above, as well as AIM holdings, investment funds outside our model portfolios and Investment Trusts. Where even greater diversity is required and appropriate, we can also bring in Discretionary Fund Managers.

Recent legislation has somewhat levelled the playing field between Money Purchase and Defined Benefit Schemes, and we are increasingly being asked to review clients' deferred benefits. In such cases, we make sure clients have fully considered their circumstances and objectives and are not unduly tempted by the transfer values alone. Transferring from Defined Benefit Schemes invariably results in the loss of certain guarantees, and we ensure the client is aware of this. In most cases, remaining with the existing scheme is the right thing to do but there are clearly circumstances where a transfer is advantageous and therefore recommended. Whatever the client's preference, a robust process is followed to ensure that the correct outcome is achieved.

Ultimately, whether they are starting a new business, planning their retirement or dealing with their inheritance, we are by our clients' side throughout every step of the process. Some of the most important decisions they ever take are made with our support, which humbles us and imbues us with a sense of duty.

Our clients

The relationships we build with our clients underpins everything we do. We understand the huge responsibility we have whenever an individual or business chooses to work with us. The most rewarding aspect of our work is witnessing the tangible difference we make to people's lives.

One of our clients is a widow who wanted to shelter her assets from any potential Inheritance Tax Liability. After considering her circumstances in detail, we recommended that she invested £1 million within two offshore Investment Bonds, which were then respectively wrapped in an Absolute Trust and a Discretionary Trust, both of which were Discounted Gift Trusts.

As far as inheritance tax (IHT) is concerned, investment growth within a trust is immediately outside an individual's estate. The remaining inheritance tax liability reduces until, after seven years, the entire value of the investment is free of IHT. In this case, assuming the value at the date of death remains £1 million, our client will have made a saving of £400,000 under the current inheritance tax rules. She is now able to see out her remaining years free of financial worry.

In a separate case, we helped two brothers protect their own inheritance as they came to terms with the fact that their mother did not have long to live. Without any inheritance plans at all, the brothers were in a difficult position, but we manged to make it work.

A Power of Attorney was in place which precluded the use of Trusts. We discussed investing in AIM holdings, which attract Business Property Relief once the assets have been held for two years and held at the date of death. With AIM comes increased risk and volatility but the brothers were of the opinion, given the inheritance tax liability, that the risk was worth taking.

So it proved. AIM performed favourably over the period of the investments and, when their mother sadly passed away some three years later, the investment had substantially increased in value. The £400,000 investment had grown to over £600,000 and was now free of inheritance tax. Without our help, their inheritance value would have remained at £400,000 and just £240,000 after IHT.

Finance has the potential to derail the happiest moments of life and compound the most difficult ones. It is our privilege to make our clients' lives as stress-free as possible and, when we see the positive effects our decisions can have, we know that all the hard work is worth it.

OCM Wealth Management

OCM Wealth Management was founded in February 2004 with the aim of providing private clients, wealthy families, charities and trusts with a single solution that brings together high-level financial and tax planning with a modern, client-focused discretionary investment solution that focuses on delivering strong long-term performance.

Jason Stather-Lodge, Chief Executive Officer and Founder

The ideology of the company and its services was derived out of frustration that the substantial amount of time a wealth manager spends with a family to understand their outcome requirements, coupled with a strong tax plan, can be destroyed by a poor investment that is focused on the traditional long hold strategy.

We therefore believe that a strong focus on the underlying investment strategy that has a balance between delivering outcomes and protecting capital, coupled with the high-level financial planning and tax strategy will deliver clients successful outcomes over both the short, medium and long term.

Chartered financial planners

As a chartered financial planning firm we have achieved the highest level of accreditation within our industry and are proud of how our wealth managers deliver the service. Every client relationship starts off with a wealth manager reviewing a client's current situation, while taking a holistic view of their financial position. We look at where the client is today, where they want to be in the future and then work together to define a strategy using different financial solutions, cashflow and taxation models. This means every client has a clearly defined picture of what financial security looks like for them and how they are going to achieve it.

If they have already achieved financial security the plan will be built differently, but still focused on maintaining financial security and minimising the tax drag. Once the strategies are developed, every client will have a coherent outcome goal, clarity on the tax drag using mainstream solutions and an inter-generation planning strategy that defines how we will work with them and their children for many years to come. We then invest our clients into our model portfolios dependent on their risk and loss profile, that are all managed using our outcome based investing (OBI) strategy as an overlay.

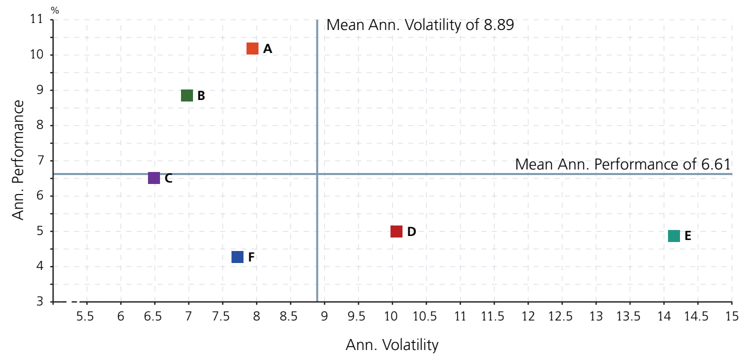
What is outcome based investing?

The OCM investment strategy is called outcome based investing (OBI). The performance of this strategy with low levels of volatility when compared to relevant benchmarks is without question, as detailed below. OBI focuses on delivering the planned wealth management derived outcome for clients, by using modern portfolio theory as a basis and then overlaying it with a strong understanding of the macro economic environment, value at risk analysis and clear focus on the macro- and micro-economic data.

AT A GLANCE

- » Founded in 2004 by Jason and Maggie Stather-Lodge as a boutique independent wealth management firm
- » Extended permissions and became a discretionary asset manager in 2010
- » 20 staff based at our Head Office in Northampton
- » Serve families, trust and corporate entities all over the UK and Europe
- » Have 183 families, or entities that we serve directly and manage £238 million
- » Have a further 284 clients from external Institute of Financial Accountants' (IFA) for which we manage £73 million of assets

Pricing Spread: Bid-Bid • **Currency:** Pounds Sterling



Key	Name	Annualised Performance	Annualised Volatility
A	OBI Active 7 - June 8 2017 TR in GB	10.10	7.94
B	OBI Active 5 - June 8 2017 TR in GB	8.85	6.97
C	FTSE Actuaries UK Conventional Gilts All Stocks TR in GB	6.47	6.49
D	AFI Balanced TR in GB	5.02	10.05
E	FTSE 100 TR in GB	4.89	14.18
F	AFI Cautious TR in GB	4.33	7.72

Source: *Financial Analytics 10 years to 30th June 2017.* Past performance cannot be used as a guide to future performance.

» WHAT NEXT FOR OCM?

As it stands today, OCM's success has been based on referrals from existing clients or from people who know and respect our investment strategy. Because of OBI's success, as well as looking after our own clients we also look after the clients of other wealth managers under the brand of OCM Asset Management. These are typically firms who are frustrated with the traditional long hold strategy. This side of the business is growing as OCM Asset Management is regarded as an industry disruptor, providing something that is both client-centric and different to many of the traditional discretionary asset managers.

Rather than having published financial targets, we focus on continuing to look after our clients, as well as investing in our staff to ensure OCM's continued success.

Our underlying discretionary investment portfolios use both active and passive instruments and our thesis focuses on the macro data and a quantitative approach to the style and geographic asset allocation, blended with a fundamental analysis of the economic data. We do not believe in day trading the noise, nor do we believe in the long hold strategy that means holding assets blindly through an economic cycle.

If we believe there is limited upside, but significant downside, on any assets, we will not hold it and will instead be defensive. We do not use complicated financial instruments, instead, we believe in keeping it simple and focusing on having a clear understanding of what our clients' objectives and outcomes are, coupled with a thorough analysis of the global economic environment and economic cycle analysis.

Our strategy therefore concentrates on delivering the clients mandate to ensure there is a connection between the planning and the underlying investment strategy. We build model portfolios for clients using active or passive strategies from the leading fund managers when we believe their style will deliver, then sell them and invest elsewhere when we feel their style and the alpha from that position has been generated and potentially exhausted.

We are not day trading, what we are doing is cyclically adjusting portfolios and using active when it works and passive when active does not. If we believe that risk is high we will use defensive assets and following a significant event we will go to cash, **on the basis that if we will not invest our own money we will not invest our client's**.

As a boutique, do we want to challenge the big investment houses?

The simple answer to this is no. We recognise the value added by an investment company with 100s of researchers and analysts. The intellectual capital and experience tied up with them is enormous and we do not believe that we could challenge and deliver better performance without matching them in resource, which is not what OCM is about.

The negative though for fund managers and funds is that many of the mandates that are in operation will preclude them from going above 10% in cash. This is their Achilles' heel in times of uncertainty such as at the end of the economic cycle or following a significant market event.

We are not therefore trying to be an investment house that picks Rio Tinto over BHP, or one that has our own funds; what we are is a multi-asset – high-conviction, discretionary investment manager. This allows us to put together model portfolios for clients that uses the best minds and strategies available in the industry, and then reviews the macro data and cyclically adjusts the assets as individual economic cycles develop, using cash as hedge against risk at the end of the cycle or when a significant event occurs, like 9/11 or September 2008.

St. James's Place Wealth Management

Iain Rayner, Joint Chief Operating Officer

St. James's Place is a FTSE 100 financial services group that provides high-quality wealth management services to individuals and businesses. Founded in Cirencester, Gloucestershire, in 1992, we have firmly established ourselves as one of the UK's leading wealth managers with over £83 billion of clients' funds under management. We believe our success can be attributed to our strong client service ethos as evidenced through the value we place on providing face-to-face advice and building long-term relationships, all of which is delivered through our advisers – or Partners – collectively called the St. James's Place Partnership because of the way they work in partnership with clients.

For most people, their finances and wealth are personal and they want to be treated in a highly-personalised way by someone they trust. While the evolution of the UK wealth management landscape means that UK savers and investors have an array of options available to them today, we know that a highly-personalised, relationship-driven model is in high demand and we are confident that this will remain so in the future.

The company's relationship-based approach to wealth management, twinned with our investment management proposition, has been positioned to serve this market.

Clear guidance

The St. James's Place Partnership comprises some of the most experienced and able professionals working in wealth management today, instilling confidence in their ability to build and maintain long-term relationships with their clients, and provide sound financial advice. St. James's Place works hard to support these client/Partner relationships, placing them at the heart of all we do.

However, we are not complacent and we regularly take the opportunity to seek feedback directly from our clients so that we can ensure that the very high standards we place upon ourselves, and our Partners, continue to be met. The most recent research[1], carried out in early 2017, indicates that, overall, client satisfaction remains very strong:

- 94% of clients who responded told us they are either satisfied or very satisfied with the overall relationship
- 97% of clients confirmed that they would recommend St. James's Place to others: indeed, 56% say they have done so already
- when asked to indicate whether they feel our proposition offers value for money, 99% of the clients who responded graded us as reasonable, good or excellent, with 82% in the higher categories.

[1] Figures based on 38,870 respondents

AT A GLANCE

- Highly personalised face-to-face wealth management advice
- Focused on building long-term client relationships
- Over 571,000 clients
- Circa £6 billion market capitalisation
- £83 billion of client funds under management
- 2,570 – St. James's Place Partner Practices
- 18 years – average industry experience of Partners
- Supported by over 1,500 employees
- £60 million funds raised for good causes

> "With the increasing professionalism of financial services, we see big growth in our Next Generation Academy – it's a nice story from the client's point of view, and for us, it's fantastic"

Iain Rayner, Joint Chief Operating Officer, St. James's Place Wealth Management

The holistic advice available from Partners – on everything from tax to intergenerational planning – is complemented by our distinctive investment management approach. This has evolved over the years to enable clients accessibility to a fully-diversified range of assets managed by what we believe to be some of the very best fund managers available across the globe.

We do not employ in-house investment managers. Instead we carefully select a range of external managers of outstanding ability to manage our range of funds.

This has a number of advantages:

- It gives us the freedom to select first-class managers from the global investment market to manage our funds on behalf of our clients
- It enables us to change any of these managers at short notice if we have lost confidence in them, without any charges, or tax, or inconvenience to our clients
- It offers our clients a real opportunity to diversify their investments by spreading their money across funds managed by different managers with different styles

» THE ST. JAMES'S PLACE FOUNDATION AND COMMUNITY ENGAGEMENT

Raising funds for those less fortunate has always been at the heart of the Group's culture, and the collective efforts of the whole of our community, including employees, Partners, suppliers and others connected to St. James's Place, resulted in total funds raised of £7.6 million in 2016 (including company matching). This means the total amount raised since the St. James's Place Foundation's inception in 1992 now stands at over £60 million, benefitting the hundreds of causes it has supported, and will continue to support, to help change people's lives.

To mark this, in the Foundation's 25th anniversary year, and in keeping with our strong desire to support further fund-raising efforts, the Board, on behalf of shareholders, agreed to double the matched funding. It is a special incentive for 2017 only and subject to an overall cap of £10 million.

In addition to these fund-raising efforts, the cultural driver of 'doing the right thing' runs through the whole organisation, underpinning all our interactions with our local and extended communities. We take a great deal of pride in the significant contribution we make through the Foundation and other initiatives, including our structured programmes for summer interns and apprenticeships.

Forward thinking

The political surprises of 2016 offered a timely reminder of the importance of diversification, whether by geography or asset class. Our investment approach gives us the ability to adapt and respond to the changing investment environment in a smooth and timely manner.

We are continuing to invest in the business for the future. Our St. James's Place Academies, set up to offer training to outstanding individuals new to financial services, are flourishing in London, Edinburgh, Solihull and Manchester. We also see strong demand for our Next Generation Academy created primarily for the sons and daughters of existing advisers, and younger people coming into the business.

The intergeneration focus means that St. James's Place can provide a younger adviser in the practice to talk to the younger members of a client family.

In addition, increasing the number of Partners and advisers, whilst at the same time providing them with the tools and support to deliver high-quality outcomes for clients, remains one of the key drivers to achieving our long-term growth objectives.

In summary

Having come far in our first 25 years, we are excited about the opportunities that lie ahead. We recognise that it is incumbent on us to build on our strong foundations by continuing to make incremental enhancements in all aspects of the business; this includes the further development of our proposition for the benefit of both clients and Partners alike.

Future Life Wealth Management

A life-changing experience drove Jillian Thomas to establish bespoke financial planning Future Life Wealth Management in 2009. In the years following its creation, the Sheffield-based company has established itself as one of the UK finance sector's most prominent independent advisory firms.

Jillian Thomas, Managing Director

Surviving the South East Asian Tsunami in December 2004 had a profound effect on me personally. The subsequent few years resulted in a period of personal and professional re-evaluation and led to my decision to form Future Life Wealth Management in 2009. The business was established during the global financial crisis, which led to some people doubting the wisdom of the decision. I boldly told my detractors that I wasn't planning to participate in any recession!

Building from the ground up

The name of the business – Future Life Wealth Management – is significant, as it applies to my life and the journey that would be undertaken by myself and the client. Setting up a new business was a big personal challenge, but this decision was vindicated in the following eight years. Turnover has typically increased every year between 20% and 30%, and our name is trusted for imparting impartial and sound advice.

Having started out with next to nothing, Future Life ended the 2016 calendar with £164 million of client money, with £190 million possible by the end of the 2016-2017 fiscal year. Money-end management is the measuring stick in our industry, and these amounts of client money has established us among the top quartile of financial advisers in the UK.

AT A GLANCE

- Established in 2009 by Jillian Thomas
- Offers bespoke financial planning services for businesses, executives and professionals
- Based in Sheffield
- Employs 10 members of staff
- Held £164 million of client money in 2016
- Winner of multiple industry awards

Not London-centric

Our business is based in Sheffield and, being away from the London bubble, we were able to foresee the Leave vote long before many of the businesses and individuals of the London finance world did. The City was European-centric almost to a fault, and didn't see the bigger picture in the rest of the country.

By working with us, clients get access to all the ancillary facilities, solicitors and accountants not just at a more competitive rate, but also with greater access to high-level people. Operating in the way that we do, Future Life has proved that a successful financial advisory firm dealing with high-end clients doesn't necessarily have to be London-based.

> "Wealth properly managed, is wealth with a future and purpose"

Industry concerns

While nothing is clear at present, the Brexit scenario is causing concern for the financial services sector. Given the size of its contribution – London's square mile accounts for 22% of UK returns alone –any diminishing of these services is bound to have a negative consequence. With some prominent fund managers casting doubts over their futures in the UK since June 2016, we've been striving to get a clearer indication from some of the key companies with which we work.

Pensions

A greater concern on a domestic level is the impact of pension freedoms, introduced in the 2014 Budget, allowing savers to effectively cash in their pensions from the age of 55. At the lower end of the market, I hold the view that this move has been disastrous. Many savers have dipped into their pensions to spend on holidays and other value-decreasing products.

A deprivation of assets clause has since been introduced, meaning if pension money is used for non-pension related activities and the person then relies on means-tested state benefits, they will be treated as if the money is still there. I believe this will produce considerable problems in the coming years.

The FCA's role

The transition from the Financial Services Authority (FSA) to the Financial Conduct Authority (FCA) in 2013 was a very proactive move. However, I would like to see the FCA take the initiative by pre-approving investments before they are allowed to be sold while grading them on a traffic light scheme.

The industry needs new talent

A large part of our success has been our team setup. When establishing Future Life, I spent around four months building robust back office systems. Attracting new talent into the company has also been a key focus. With the average age of UK financial advisors in the mid to late 50s, the sector is essentially declining and will continue to do so if this is not addressed.

> "I want to continue to play a key role in the local economy"

When it comes to finding new talent the industry is struggling for two reasons. First, the reputation of the industry was severely damaged during and after the bank crisis and the last recession. Second, and on a more local level, other industries with a presence in Sheffield have become increasingly attractive places for young people to build careers. Our offices are located near global names such as Boeing, Rolls-Royce, Airbus and McLaren, and these are becoming naturally desirable places to work.

The company has brought in two teenage apprentices with the aim of developing them for the future. In some cases, our trainees have ascended to chartered status within four years. Another trend we have bucked, albeit not intentionally, is that eight of our 11 members of staff are women. Ultimately, my aim in this area is to create a legacy of new, well-educated professionals that are fit to lead the future of our industry in this region. This will need a long-term approach but to date, we've shown a commitment towards achieving this.

Our future life

Continued growth is at the heart of Future Life's future plans. Partnerships will also play an important role, with other like-minded professionals. We firmly believe that wealth properly managed, is wealth with a future and purpose, in these ever turbulent and changing times.

Finally, as a company and as an individual, I want to continue to have an impact on the region. I became president of the Sheffield Chamber of Commerce in 2015, which brought great professional and personal opportunities. It also allowed me to help make positive changes to the Sheffield business community. As the face of Future Life, I want to continue to play a key role in the local economy.

Temple Wealth Management

Temple Wealth Management has blossomed from an idea into a firm of Chartered Financial Planners through the commitment to being customer-centric and looking for new ways to engage a disillusioned generation. Company Managing Director, Neil Prosser, believes that industry and government education is required to empower the client to make informed choices.

Neil Prosser, Managing Director

After the fall out of UK financial crisis of 2008, a group of like minded Independent Financial Advisers joined forces with an idea of creating a company that was focused on the client's goals rather than company profit. Driven by the Managing Director, Neil Prosser, Temple Wealth Management began operating in 2010 with this idea as their mission statement. This has allowed the company to go from strength to strength, adapting our offering as the market and client need changes.

Our Independent Financial Advisers take time to understand their client's financial goals and situation.They then advise on the options for pensions, investments and savings to help them meet these goals. This holistic approach provides the client with an understanding of their financial future, empowering them to make the changes to create their desired outcome.

Based at our head office in Fareham, Hampshire, we quickly realised that expansion was required. Our clients were requesting dedicated Independent Mortgage and Protection Advisers who were able to turn around complex or time precious house moves and remortgages. With this in mind we opened our second office in Poundbury, Dorset. These two locations enabled our Independent Financial Advisers and Mortgage Advisers to meet more clients face-to-face, either in the office, home or place of work, fitting into the lifestyle of our clients and reducing the stress involved in moving house and planning for retirement.

Behind every good adviser is a team of excellent Paraplanners who are able to prepare the documentation and time consuming paperwork that would otherwise slow the service that the adviser provides. As this is an up and coming sector of the Finance Industry; we have expanded our Paraplanning services to other financial advisers. The team now provide their services to 24 other firms across the UK.

Giving our advisers the edge

Priding ourselves on being customer centric, Temple Wealth Management has worked particularly hard in ensuring our financial advisers are provided with the right tools to gain a competitive edge.

Continuous education is a key factor in ensuring our advisers have the most up to date knowledge, coupled with strong relations with our providers. This allows quick reaction and communication to market and regulatory changes. In 2017 we gained Chartered Independent Financial planning status which reflects the dedication of our advisers.

AT A GLANCE

- Established in 2010
- Received CII Corporate Chartered Financial Planner Status 2017
- Employs over 30 staff
- Head office located in Fareham, Hampshire with second office in Poundbury, Dorset
- Dedicated Paraplanning team
- Independent Financial and Mortgage Advisers providing holistic financial advice to individuals and businesses

> "Once given the knowledge, clients have more specific questions which enable our advisers to provide more detailed advice and options"

The team support encourages our new advisers and paraplanners to progress their career and gain individual chartered status, providing the highest level of knowledge to our clients.

Sense Network supports our business in a regulatory capacity which again reassures the client that the advice given has been through rigorous compliance approval.

It is our belief that to truly stand out we need to provide the best possible levels of service and professionalism from all of our team. It is on this that our reputation is ultimately judged.

Becoming more accessible

One way we have looked to achieve this is by tapping into digital marketing. The way clients consume information is changing and we identified two main reasons.

1. Clients often want to research information first before meeting with an adviser.
2. Younger generations prefer to communicate through social media.

In order to meet these client needs we realised it was time to employ a marketing manager to oversee a new strategy. In 2016, we launched our presence on social media, focusing on Facebook, Twitter and LinkedIn. The aim is to increase our brand awareness to the millennial generation and also to break down some of the barriers often associated with aloof financial advice.

Based on the interest and exposure our growing digital presence has generated in the past year, the team agrees that ramping up our marketing output has been one of the best business decisions we have made in recent times.

Better finance education is required

This two way communication has highlighted the need to educate people about financial pitfalls, such as not providing for a pension at a young age and there is more than one way to do this. Once given the knowledge, clients have more specific questions which enable our advisers to provide more detailed advice and options.

The Cridland Review, published in March 2017, suggested a Mid-life MOT to encourage people to take stock and make realistic choices about work and retirement. Temple Wealth Management is a strong supporter of this concept. For people in their 40s this is the ideal time to make changes in order to meet their dream retirement. There is enough time for investments and savings to have an impact, clients are more aware of when they wish to retire and what sort of lifestyle they would like.

Neil foresees that the issues surrounding pensions will continue to prove problematic. The Government may think that they have done their bit through the introduction of auto enrolment schemes but this is often daunting or confusing for small business owners and their employees. Add to that the pension freedoms and the intricacies of Inheritance Tax (IHT) clients who do not seek advice are unlikely to realise the negative financial impact this can have.

Our approach is to cut through all the overcomplicated information available online by providing concise useful information to our clients that they can digest in their own time, coupled with the personal relationship of an Independent Financial Adviser (IFA). Their IFA can advise on their personal situation and the customer has the reassurance that they have the best options available to them and can make an informed decision.

As a company we can do our bit to educate and enhance the client's experience while also instructing the Finance Industry of the factors we cannot directly influence.

Advies Wealth Management

Steve Jacobs, Managing Director

We are fully independent and regulated financial advisers, working with both UK and international clients to plan and help achieve their financial objectives. Growing a financial business under the burden of often onerous regulations can be difficult to say the least, but that is what we have managed to do. From our roots as offshore financial advisers, working predominantly with the expatriate community, we have grown to encompass a wider spectrum of financial services.

Back in 2008 our business was primarily in Europe but it became apparent that the European regulations were getting ever tighter and we saw the offshore brokers were moving to areas that were less regulated, places such as South Africa, the Middle East and the Far East. With that migration of expertise we saw an opportunity to embrace the European regulations and grow our business and that it what we have done.

Path to growth

The decision to embrace European regulations allowed us access to a bigger slice of the pie and opportunity for growth. Historically this industry has grown the business organically; visiting a client, writing his business and adding that client's portfolio to its business. It is quite a slow way of building a business.

We decided to take another route by growing the business through acquisition. The initial businesses that we were looking at were again offshore financial advisory businesses. We found that there were very few that we really wanted to get too involved with but we still wanted to grow the business.

We turned our attention to UK regulated businesses, and we are just about to complete on a business which is based in Wales. We see that as the way to grow our assets under management in a much quicker way.

Working with UK regulations

While we recognise that regulations are required to protect all parties in the financial sector they can often be onerous and stifle ability to perform efficiently. The UK regulations are very tough; lots of advisers find the Financial Conduct Authority (FCA) difficult to work with but we ensure that we comply fully with the rules so that our business works.

In 2012 the FCA introduced the Retail Distribution Review (RDR) that represented one of the biggest overhauls of financial regulation since the Financial Services Act was introduced in 1986. It was instigated with a view to improving service levels and transparency and ensuring the interests of financial advisers and their clients are in line.

AT A GLANCE

- » AUM £75 million
- » Number of active clients: 850
- » Consultants and staff: 15
- » Working in 35 countries

> "Our mission is to meet the objectives of our clients through our innovative wealth management solutions"

> "Only 10% of the population over the age of 60 are willing to pay for advice Interestingly, the 'millenniums' are far more willing to pay for advice"

The team covering Spain and Portugal

The most visible change for many clients of Independent Financial Advisers is the introduction of fees for financial advice. Historically, advisers relied on commission from product providers to pay at least some of the costs incurred when you consult them for advice. Regulators took the view that this could give rise to a conflict of interest as some product providers offered higher commission payments than others for the same solution.

That certainly had the potential to create some anomalies. Inadvertently the FCA has created a whole demographic sector of the community that is not getting the advice that they need and that has really come about from the removal of initial commissions. For example we have seen that, particularly at the lower earnings end of the market, clients that probably are in the greatest need of financial services are not either able or willing to pay the fees to advisers to set up things like pensions. This is also true of the older generation and in a recent survey only 10% of the population over the age of 60 are willing to pay for advice. Interestingly, the 'milleniums' are far more willing to pay for advice.

At some stage there needs to be backtracking from the FCA to allow smaller investors to be able to buy products where financial advisers are paid through an amortised fee basis; that they get paid in a timely fashion for the work that they are doing and the clients can get the service that they need. I do not know how long that will take to happen, but it is something that I can see is likely to happen. The whole industry has got hung up on fees and reducing them but we think that there is more to it than just reducing fees. We think that there has got to be an element of quality considered and it is not all about reducing fees.

A personal service tailored to customer needs

We recognise that people looking for financial planning have a choice, and we have worked hard to build a company that our clients rate highly enough to trust with their financial management. Our clients are diverse in terms of age profile, professional focus and salary range. They include oil production workers in Northern Europe, retired people in the sunshine of Southern Europe and professionals in most capital cities in the Eurozone.

The thing that they all have in common is that they are determined to do the best that they can in terms of financial planning. We work in partnership with our clients developing financial strategies that can flex with each change in their personal or professional lives.

Because of the pattern of expatriate life we know that it is important to create plans that are flexible enough to deal with a move from one financial jurisdiction to another and to cope with a life change that comes with a marriage, children or change of profession.

Our mission is to meet the objectives of our clients through our innovative wealth management solutions that are flexible, proactive and uncomplicated. We appreciate that our clients want an investment strategy that not only meets their financial objectives today, but is also one that they are comfortable with from the beginning to the end.

To achieve this we spend time with them at the outset to make sure that we understand their priorities and to discover what they are trying to achieve. We will also work with them to calculate their attitude to risk so that we can set reasonable expectations and jointly create a financial strategy.

Once everything is in place we will also arrange regular reviews so that we can make any changes needed to keep the financial plan on track during changes in the global economic environment or personal circumstances.

Partridge Muir & Warren

Simon Lewis, Chief Executive

As a chartered wealth manager and chartered financial planner, my job is to look after other people's money. In my profession this fundamental is often forgotten. It is all too easy to become immersed in statistics, obsessed by following trends and focused on percentages. For me, the fact that it is real money depended upon by real people is the most important thing to remember. I am Simon Lewis, Chief Executive at Partridge Muir & Warren (PMW) – a chartered financial planning company based in Esher, Surrey. We provide a comprehensive wealth management service and currently manage investment portfolios for some 700 clients.

Every day, I remind myself that our clients have worked very hard to accumulate the money that we look after and every day I find an opportunity to reinforce this perspective within my team. It might sound an odd thing to say, but I believe that if you value and nurture clients' money as much as if you had earned it yourself, you will be a lot more considered and careful about how you allocate it to investments.

This approach was drilled into me 30 years ago, at the very beginning of my career. My job then was to look after the investment portfolios of trusts. My boss at the time encouraged me to think about the 'widows and orphans' who depended upon the money I was managing. Nine years later, I became the owner and Managing Director of PMW and I was determined that the way I felt about my clients and their money would remain as consistent as the investment returns we would strive to achieve for them.

Founded nearly 50 years ago, PMW has a long-established reputation for creating positive outcomes for its clients. Over that period much has changed, but one thing that has always remained consistent is our approach to our customers. We understand that our clients have placed their trust in us to help them achieve their financial objectives and we feel personally responsible for delivering what we have indicated they should expect. We also understand that financial success can mean different things to different people.

What we offer is a bespoke and personalised service that allows our clients to be confident that they are doing all they can to secure their wealth and preserve it for future generations. Of course, most wealth management companies claim to offer a service that is bespoke and personalised but the truth is that in such a highly-regulated sector, growth in the size of a business can only be achieved profitably by streamlining processes and restricting choice, to the extent that personalisation is stifled.

A typical portfolio that we manage is in the region of £600,000 to £800,000, though we have many clients with multimillion pound investments. Our clients have varying

AT A GLANCE

- We were established in 1969
- We offer wealth management and financial advice for personal clients
- We work hard to maintain our chartered status: a widely accepted gold standard qualification for professional financial planners and financial advisers
- We have over 20 employees based at our office in Esher, Surrey
- We currently manage portfolios for over 700 clients
- A typical portfolio is in the region of £600,000 to £800,000, though we have many multimillion pound investments
- www.pmw.co.uk

> "Our clients trust us to manage their finances so they can get on with living their lives"

goals, for example, we might be managing a portfolio to provide a stable retirement income or setting up and managing a trust fund to protect a family's financial future. Some are just looking for a portfolio of investments that can generate sufficient returns to allow them to meet their ad-hoc spending needs. All of our clients are different, but what makes them similar is that they all trust us to manage their finances so that they can get on with living their lives.

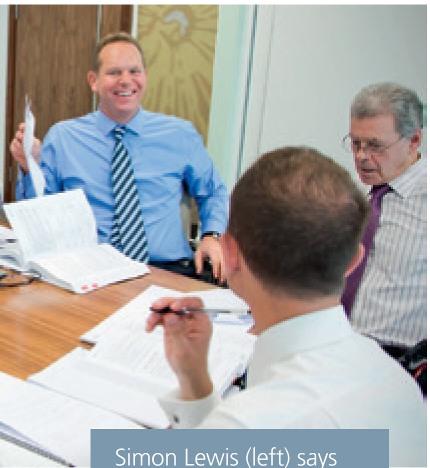
Some financial advisers may advise their customers to save as much as possible but we do not believe in working that way. We give advice that we believe best suits each client's needs: this can sometimes mean spending more to better enjoy their retirement, for example by splashing out on a holiday for all the family. Or we might be encouraging them to help pay off their children's mortgages as an advance on their inheritance.

Our understanding of our customers explains why some of them have been with us for more than 40 years, and we have been serving our current clients for an average of 18 years. We believe in building long-lasting relationships and we understand that focusing on retaining customers, rather than just acquiring new ones, is ultimately the key to commercial success.

I am often questioned about why I continue to look after some clients personally when I have a fantastic team of over 20 people working with me. Arguably, taking this approach acts as a natural cap on the scale of our operation since – by allocating around one third of my time to looking after individual customers – I only have two thirds left over to run the business. My approach might seem self-indulgent but I do it because it keeps me invigorated. What is the point of being successful if that success takes you away from the source of the passion that drove you to success? Furthermore, if one of the most important things that sets you apart from your competitors is the level of personalisation you provide to your customers, there is not much commercial sense in diluting this by becoming a much larger business. I suppose it is a question of figuring out what is most important to you: building an empire or being content to run a modest, successful business as efficiently as possible. I worked out that the latter would provide me with a better quality of life.

So what does the future hold for Partridge Muir & Warren? Financial and legal services are about to be revolutionised by so-called Artificial Intelligence (AI). This will have both positive and negative effects. On balance, it should be positive because it will enable improved access to basic financial advice by lowering costs. This is because computers will be able to learn sufficient skills to deliver basic advice without any human involvement. However, for more complex advice, judgement becomes more important and this is something that is more difficult for a machine to acquire. With responsibility comes accountability and I am not sure that, as a businessman, I would ever want to be accountable for advice given by a computer that will struggle to understand the concept of 'other people's money'.

One thing of which I am sure is that businesses that are willing to adapt and embrace change, while serving the best interests of their customers, are the ones that will continue to survive. This is an approach that has allowed both Partridge Muir & Warren and its clients to prosper during difficult times, and I believe it is an approach that will allow us to do so for many more years to come.



Simon Lewis (left) says 'Looking after clients personally keeps me invigorated'

Review of Parliament

A snap election

Prime Minister Theresa May sought to strengthen her position before negotiations with the EU began

On the 19th April 2017, having repeatedly insisted that she had no intention of calling a snap election, Prime Minister, Theresa May, sprung a complete surprise when she summoned the press to Downing Street to announce she would seek a Commons vote to go to the country on June 8th 2017.

It was all the more dramatic because the first inkling came only when it was announced that the Prime Minister would make an important statement outside Downing Street.

The announcement, made as Parliament returned from its Easter break, had the force of a thunderclap in Westminster. Quite unexpectedly, MPs and parties were plunged into election mode – with no-one in any doubt that the two thirds Commons majority, required to trigger a dissolution, under the Fixed Term Parliaments Act, would be reached.

The immediate effect was to turn what were now the two remaining Prime Minister's Question Times of the Parliament into *de facto* leader's debates – especially since it was made clear that Theresa May would not take part in the kind of televised debates held in the 2010 and 2015 elections.

On this occasion, her first questioner was the Conservative backbencher, Alberto Costa, who zeroed in on his Party's campaign theme: 'Strong countries need strong economies. Strong countries need strong defences. Strong countries need strong leaders. As the nation prepares to go to the polls, who else in this House, apart from my Right Hon. Friend, can provide the leadership that is needed at this time?'

The Prime Minister did not miss a beat: 'There are three things that a country needs: a strong economy, strong defence and strong, stable leadership. That is what our plans for Brexit and our plans for a stronger Britain will deliver... The Right Hon. Member for Islington North (The Labour Leader, Jeremy Corbyn) would bankrupt our economy and weaken our defences and is simply not fit to lead.'

To Conservative jeers, Mr Corbyn counter-attacked: 'She says that it is about leadership, yet she refuses to defend her record in television debates. It is not hard to see why. The Prime Minister says that we have a stronger economy, yet she cannot explain why people's wages are lower today than they were 10 years ago or why more households are in debt. Six million people are earning less than the living wage, child poverty is up, and pensioner poverty is up.'

The two leaders traded more accusations with Theresa May warning that ordinary working people would face higher taxes and lost jobs under Labour while Mr Corbyn claimed the Prime Minister's priority was 'tax giveaways to the richest corporations while our children's schools are starved of the resources they need to educate our children for the future'.

Brexit emerged as one of the Prime Minister's main campaign themes: 'every vote for the Conservatives will make me stronger when I negotiate for Britain with the European Union. And every vote for the Conservatives will mean we can stick to our plan for a stronger Britain and take the right long-term decisions for a more secure future for this country.'

The SNP's Westminster Leader, Angus Robertson, raised the headline in the *Daily Mail* which called on the Prime Minister to 'Crush the saboteurs' working against her plans for Brexit. He said that struck a dangerous tone in a democratic state: 'so does the Prime Minister agree that political opponents are not "saboteurs"?'

Later that afternoon, the Commons voted to call an early election, by 522 votes to 13.

The Queen's Speech

What a difference. Theresa May and Jeremy Corbyn's final Commons confrontation before the election had seen the Conservatives limbering up for a triumphal campaign which would culminate in the inevitable smashing of their Labour opponents. When the diminished, battered band of Conservative MPs reassembled, minus their parliamentary majority, for the state opening of Parliament on June 21st, they were chastened and uncertain, while euphoria gripped the occupants of the Labour benches.

When they came to speak in the traditional debate on an address thanking Her Majesty for the Queen's Speech – the new Government's legislative programme – the dynamic between the two main figures had changed completely. Mr Corbyn seemed a far more confident, assertive parliamentary performer, relishing the opportunity to throw back the taunts that had been hurled at him during the campaign.

A Government which had warned that he could only gain power in a 'coalition of chaos' with the SNP and the Lib Dems had been forced to negotiate for the support of the Northern Ireland Democratic Unionists ... and as the first debate of this new Parliament began, that support had not been secured. Mr Corbyn could not resist the open goal. To triumphant Labour laughter he noted that 'the latest coalition may already be in some chaos'.

The Queen's Speech announced the government's legislative plan for the coming Parliament

Jeremy Corbyn received a boost in support following the election

'Nothing could emphasise that chaos more than the Queen's Speech we have just heard: a threadbare legislative programme from a Government who have lost their majority and apparently run out of ideas altogether. This would be a thin legislative programme even if it was for one year, but for two years – two years? There is not enough in it to fill up one year.'

That was a reference to the Government's decision to declare a two-year Parliamentary Session – a procedural move intended to ensure ministers could push through vital Brexit legislation in time for the exit date in March 2019. Mr Corbyn mocked the Prime Minister for dropping a series of election promises that had not found favour with the voters.

'It is therefore appropriate to start by welcoming what is not in the speech. First, there is no mention of scrapping the winter fuel allowance for millions of pensioners through means testing. Can the Prime Minister assure us that that Conservative plan has now been withdrawn? Mercifully, neither is there any mention of ditching the triple lock. Pensioners across Britain will be grateful to know whether the Tory election commitment on that has also been binned.'

Also absent from this slimmed down legislative programme were the Government's controversial policy on social care (dubbed the 'dementia tax' by Labour), plans to cut free school meals, and the promised expansion of grammar schools.

On Brexit, Mr Corbyn stuck to Labour's careful positioning in favour of a deal with the EU 'that puts jobs and the economy first'. He called for full access to the single market and a customs arrangement that provided Britain with the 'exact same benefits' as now. And in his final flourish he warned the Prime Minister that Labour were now 'not merely an Opposition; we are a Government in waiting, with a policy programme that enthused and engaged millions of people in this election, many for the first time in their political lives. We are ready to offer real strong and stable leadership in the interests of the many, not the few.'

The Prime Minister attempted to puncture Labour's mood with a barbed welcome for Mr Corbyn's return to the Opposition benches – and she reminded him that the Conservatives still had 56 more Commons seats than Labour. She said her policies were aimed at 'grasping the opportunities for every community in our country to benefit as we leave the European Union; it is about delivering the will of the British people with a Brexit deal that works for all parts of our United Kingdom.' She said the referendum vote to leave the European Union was 'a profound and justified expression that our country often does not work the way it should for millions of ordinary families. This Queen's Speech begins to change that, by putting fairness at the heart of our agenda.'

Grenfell Tower

The fire that destroyed Grenfell Tower, a social housing block in the London Borough of Kensington and Chelsea, seemed to some to crystallise the issues that had driven the 'Corbyn Surge' in the General Election just days earlier.

Accusations about the neglect of social housing tenants, chronic under-investment and official incompetence were flying, even while the pall of smoke still hovered over the capital and the horrific images of the blaze were replayed on TV.

So potent was the symbolism that it became intertwined in the debates on the post-election Queen's Speech - but the Government also committed to keep MPs informed about the aftermath, the efforts to identify casualties in the wreckage of the tower, to re-house and assist those who had lost their homes, and to set up a public inquiry.

So it was that the Communities Secretary, Sajid Javid, came to the Commons on July 3rd to announce £2.5 million had been distributed from the special £5 million fund set up to help the residents. Mr Javid said the public inquiry and the criminal investigation had to be allowed the space to follow the evidence wherever it took them, and everyone should be careful not to prejudice their work. Responding to the Labour MP, David Lammy, who had lost a family friend in the fire, he added that although it was for the judge to determine the scope of the inquiry, he expected it to be 'as broad and wide-ranging as possible'.

Mr Javid also dealt with the key issue of the authorities' inability to say exactly how many people had died: 'There has been much speculation about who

Tributes for the Grenfell victims came from across the country

was in Grenfell Tower on the night of the fire, and it is vital that we find out. The Director of Public Prosecutions has made it clear that there will be no prosecution of tenants ... who may have been illegally sub-letting their property, ... There may have been people living in flats that were illegally sub-let who had no idea about the true status of their tenancy. Their families want to know if they perished in the fire. These are their sons, their daughters, their brothers and their sisters. They need closure, and that is the least that they deserve.'

The Government was also taking urgent action to avoid another tragedy in buildings with architectural cladding similar to that which appeared to have been a factor in the Grenfell fire. Mr Javid said the early findings were disturbing: 'So far, all the samples of cladding tested have failed – that is 181 out of 181. ... the priority now is to make those buildings safe.

Where appropriate mitigating measures cannot be implemented quickly, landlords must provide alternative accommodation while the remedial work is carried out.'

The Lib Dem, Jo Swinson, raised suggestions that the fire had been caused by a faulty fridge: 'so will the Government revisit the decision of March last year to dismiss or delay many of the recommendations of the Lynn Faulds Wood review into product recall, which I commissioned [as a Coalition minister] and in particular look at enforcing the regulations.' Sajid Javid said the issue was being addressed.

The Communities Secretary clashed with the Labour MP, Andy Slaughter, who attacked the management record of the local council: 'It is an open secret in West London that the administration in Kensington and Chelsea could not run a bath. That is why the residents of North Ken have had such a raw deal for so long. So when will the Secretary of State put country before Party and send in the commissioners?'

Mr Javid retorted that Slaughter was a local London MP: 'he has an opportunity now to put party politics aside and just do the right thing for his constituents. His constituents are watching him.'

Last rites on the Brexit Bill

David Davis, Secretary of State for Exiting the European Union since July 2016

Back in March, when an election seemed a distant prospect, parliament's main focus was on the European Union (Notification of Withdrawal) Bill. This Bill, which would give Theresa May the authority to begin the UK's divorce from the European Union, was forced on the Government after a Supreme Court ruling that Parliamentary approval was required to begin the process.

Despite fears that the Bill could be watered down or even reshaped to reverse the Referendum verdict, it passed through the Commons unscathed. All attempts to amend, or add, to its 136 words were voted down. Predictions of a major rebellion of up to 50 Conservative Remainers proved unfounded, and only a handful (notably the arch-Europhile former Chancellor, Ken Clark) defied the party whip.

But when it moved on to the House of Lords, where there is no Government majority and a large concentration of pro-EU peers, the Bill was amended twice. One change guaranteed the rights of EU citizens living in the UK, and the second promised Parliament a 'meaningful vote' on the final Brexit deal. That meant the Bill had to return to the Commons because both Houses of Parliament must agree on the final wording of legislation. This is the arcane process known as 'Parliamentary Ping Pong', with each house voting on whether to accept or reject changes made by the other.

When the changes were put to MPs, the Brexit Secretary, David Davis, said they should not be accepted. On the issue of EU citizens, he agreed that they made a vital contribution to the UK. But the issue was that the European Union would not begin talks until the UK had begun the formal process of leaving, so their status could not be confirmed. Securing their status, and that of UK citizens living in the EU, was an early priority for the forthcoming negotiations, he said.

He also rejected the second amendment – giving Parliament a vote on the final Brexit deal – as unnecessary, because the Government had already promised a vote. And he was wary of a hidden agenda behind the push for a 'meaningful vote', warning: 'what we cannot have ... is any suggestion that the votes in either House will overturn the result of the referendum. That is the key point.'

Mr Davis warned that the amendment 'effectively, seeks to prohibit the Prime Minister from walking away from negotiations, even if she thinks the European Union is offering her a bad or very bad deal ... The Government will be undertaking these negotiations and must have the freedom to walk away from a deal that sets out to punish the UK for a decision to leave the EU, as some in Europe have suggested.'

For Labour, the Shadow Brexit Secretary, Sir Keir Starmer, backed both Lords' amendments. He said protecting EU citizens was a matter of principle – but he was challenged by the senior Labour backbencher, Frank Field, who warned: 'if we pass this amendment and give those rights to European citizens here, there will be no incentive whatsoever for other European countries to concede those rights to our citizens.'

Sir Kier retorted that the wording asked Ministers to bring forward proposals within three months, and so did not tie anybody's hands.

Another Labour ex-Minister, Pat McFadden, suggested that, in the event of no deal being agreed, the Government was seeking the authority to default to a trading relationship with the EU, based on the World Trade Organization rules – without a Commons vote. Keir Starmer warned that would be the worst possible outcome, quoting the Confederation of British Industry's view that 'the cost of change is simply too high to even consider it'.

The leading Labour leave campaigner, Gisela Stuart, said the Government should make the status of EU citizens in the UK a priority, but she opposed including the issue in the Bill: 'I shall vote against all the amendments on the simple basis that this Bill has one purpose and one purpose only: to give legal effect to the decision of the people on 23 June ... However, I look to the Secretary of State to give firm assurances that his top and first priority will be the rights of EU citizens.'

Parliament, and the general public, remain divided regarding the relationship that the UK should have with EU

One of the Conservatives' leading backbench Brexiteers, John Baron, said the Commons, in approving the EU referendum in the first place, had made 'a contract with the British people ... if there is a good deal, we will take it, and if there is not, the Prime Minister has made it very clear that we will not accept a bad deal, so we move on, and we move out of the EU.'

The Conservative, Anna Soubry, a strong Remain campaigner, said her Party wanted to honour the vote to Leave: 'now, however, we are talking about the sovereignty of this Parliament and about what would happen in the event that our Prime Minister does not strike a good deal. I trust our Prime Minister ... but let us be under no illusion that if she does not do so, there will be no alternative but WTO tariffs, regulations and rules, and the people in my constituency certainly did not vote for that.'

The debate was held within hours of the announcement by Scotland's First Minister, Nicola Sturgeon, that she would hold a second referendum on Scottish independence. In the Commons, the former First Minister, Alex Salmond, complained that the Government had broken its promise not to trigger the formal process for leaving the EU until there was an agreed 'UK approach' backed by Scotland, and had ignored the SNP compromise proposal to allow Scotland to stay inside the EU Single Market. And he added: 'there might not be a meaningful vote in this Chamber, but there shall be a meaningful vote in Scotland about protecting our millennium-long history as a European nation.'

When MPs rejected both Lords' amendments, the Bill was sent back for immediate consideration in the House of Lords, where David Davis came to watch his Junior Minister, Lord Bridges, call on Peers to drop their opposition. And while the Liberal Democrat, Lord Oates, did urge Peers to continue defying the Government, support for the amendment melted away, and the attempt to throw it back to MPs was once more rejected, as was the attempt to keep the 'meaningful vote'. The final form of the Bill was settled – and it was sent off for the Royal Assent, un-amended.

Article 50 is triggered

Theresa May meets with European Council President Donald Tusk in Downing Street

The passage of the European Union (Notification of Withdrawal) Act cleared the way for the Prime Minister to act on the Referendum verdict and formally trigger Britain's departure talks with the EU.

She was greeted by cheering Conservative MPs when she announced, on the 29th March, that the process had begun: 'A few minutes ago, in Brussels, the United Kingdom's permanent representative to the EU handed a letter to the President of the European Council on my behalf confirming the Government's decision to invoke Article 50 of the treaty on European Union. The Article 50 process is now under way and, in accordance with the wishes of the British people, the United Kingdom is leaving the European Union.'

She added that she wanted to build a close partnership with the EU: 'We know that we will lose influence over the rules that affect the European economy. We know that UK companies that trade with the EU will have to align with rules agreed by institutions of which we are no longer a part, just as we do in other overseas markets – we accept that. However, we approach these talks constructively, respectfully and in a spirit of sincere co-operation, for it is in the interests of both the United Kingdom and the European Union that we should use this process to deliver our objectives in a fair and orderly manner. ... We will continue to be reliable partners, willing allies and close friends. We want to continue to buy goods and services from the EU, and sell it ours ... Indeed, in an increasingly unstable world, we must continue to forge the closest possible security co-operation to keep our people safe. We face the same global threats from terrorism and extremism.'

Jeremy Corbyn warned against leaving without a trade agreement: 'the Prime Minister says that no deal is better than a bad deal, but the reality is that no deal *is* a bad deal. Less than a year ago, the Treasury estimated that leaving the European Union on World Trade Organization terms would lead to a 7.5% fall in our GDP and a £45 billion loss in tax receipts ... It would be a national failure of historic proportions if the Prime Minister came back from Brussels without having secured protection for jobs and living standards, so we will use every parliamentary opportunity to ensure the Government are held to account at every stage of the negotiations.'

He said the debate had now moved on to what a post-Brexit Britain would be like: 'There are Conservatives who want to use Brexit to turn this country into a low-wage tax haven. Labour is determined to invest in a high-skill, high-tech, high-wage future ... Labour will not give this Government a free hand to use Brexit to attack rights and protections and to cut services, or to create a tax dodger's paradise.'

The SNP's then Westminster Leader, Angus Robertson, accused the Prime Minister of breaking her promise that Article 50 would not be triggered without the agreement of the devolved administrations. He noted that Scotland had voted to remain in the EU: 'On this issue, it is not a United Kingdom, and the Prime Minster needs to respect – respect – the differences across the nations of the United Kingdom. If she does not – if she remains intransigent and if she denies Scotland a choice on our future – she will make Scottish independence inevitable.'


Negotiations on leaving the EU are expected to take several years to complete

The then Lib Dem Leader, Tim Farron, called for a second referendum on the terms of the final deal: 'Today the Prime Minister is not enacting the will of the people; she is at best interpreting that will, and choosing a hard Brexit outside the single market that was never on the ballot paper. This day of all days, the Liberal Democrats will not roll over, as the official Opposition have done ... I am determined to be able to look my children in the eye and say that I did everything to prevent this calamity that the Prime Minister has today chosen ... Surely the Prime Minister will agree with me that the people should have the final say.'

The Westminster Leader of the Northern Ireland DUP, Nigel Dodds, congratulated Theresa May on delivering on the will of the people: 'Is not the fundamental point that this United Kingdom – this Union – is far more important for the political and economic prosperity of all our people than the European Union?'

The veteran Conservative eurosceptic, Sir Bill Cash, hailed what he called an historic day: 'At the very heart of this letter lies the democratic decision of the referendum of UK voters given to them by a sovereign Act of Parliament by six to one in this House, enabling the British people to regain their birthright to govern themselves for which people fought and died over generations? ... Trade and co-operation, yes; European government, no.'

Another Conservative, Jacob Rees-Mogg, quoted the Elizabethan hero Sir Francis Drake: ''There must be a begynnyng of any great matter, but the contenewing unto the end untyll it be thoroughly ffynyshed yeldes the trew glory' ... I wish my Right Hon. Friend good luck and good fortune in her negotiations until she comes to true glory and is welcomed back to this House as a 21st century Gloriana.'

The former Labour Minister, Pat McFadden, was less optimistic: 'There are two kinds of future stemming from the process triggered today. The first is that we spend two years desperately trying to secure the exact same benefits as we have, while gaining control of immigration, which, as Ministers have suggested, may make little difference to the numbers. In which case, people will ask, "What is the point?" Or there is another future where we crash without an agreement, defaulting to WTO rules with all that would mean for industry, agriculture and services. In which case, people will ask, "What is the price?" So which future does she think is the more likely: "what is the point" or "what is the price"?'

A terrorist attack on Parliament

The Westminster attack was one of several terror incidents in the UK over the year

On the afternoon of March 22nd, as MPs were engaged in a routine vote of the Pensions Bill, a man drove his car into pedestrians just outside, killing two people and injuring dozens more, before stabbing to death a police officer who was guarding the gates to the Houses of Parliament, and he was then shot dead himself.

The sitting of the Commons was suspended and MPs were held in their Chamber for several hours, before being escorted away. When they returned the next day, they began with a minute of silence. Then the Speaker opened proceedings by expressing 'our heartfelt condolences to the families and friends of the victims of this outrage. A police officer, PC Keith Palmer, was killed defending us, defending Parliament and defending parliamentary democracy.'

The Prime Minister was heard in silence as she updated MPs: 'Yesterday, an act of terrorism tried to silence our democracy, but today we meet as normal, as generations have done before us and as future generations will continue to do, to deliver a simple message: we are not afraid, and our resolve will never waver in the face of terrorism. We meet here, in the oldest of all Parliaments, because we know that democracy, and the values that it entails, will always prevail.'

She gave an account of the previous day's events. 'A single attacker drove his vehicle at speed into innocent pedestrians who were crossing Westminster Bridge, killing two people and injuring around 40 more. In addition to 12 Britons admitted to hospital, we know that the victims include three French children, two Romanians, four South Koreans, one German, one Pole, one Irish, one Chinese, one Italian, one American and two Greeks, and we are in close contact with the Governments of the countries of all those affected. The injured also included three police officers who were returning from an event to recognise their bravery; two of those three remain in a serious condition.

The attacker then left the vehicle and approached a police officer at Carriage Gates, attacking that officer with a large knife, before he was shot dead by an armed police officer. Tragically, as the House will know, 48-year-old PC Keith Palmer was killed.'

She ended by declaring that the best response to terrorism was to act normally: 'As I speak, millions will be boarding trains and aeroplanes to travel to London and to see for themselves the greatest city on Earth. It is in these actions – millions of acts of normality – that we find the best response to terrorism: a response that denies our enemies their victory, that refuses to let them win, that shows we will never give in; a response driven by that same spirit that drove a husband and father to put himself between us and our attacker, and to pay the ultimate price; a response that says to the men and women who propagate this hate and evil, 'You will not defeat us.' Mr Speaker, let this be the message from this House and this nation today: our values will prevail.'

PC Keith Palmer, who died trying to stop the attacker, was given a full police service funeral, and praised for his heroism

The Labour Leader, Jeremy Corbyn, said people should not allow the voices of hatred to divide or cower them – adding that PC Keith Palmer had given his life defending the public and democracy.

Watching impassively in the crowd of MPs standing at the Bar of the House, in the area across the Chamber facing the Speaker's Chair, was the Foreign Office Minister, Tobias Ellwood. He had tried to save PC Palmer's life by giving him mouth-to-mouth resuscitation. Many MPs took a moment to exchange a word with him as they passed or pat him on the arm. And many of those who spoke over the next hour praised his actions.

Tributes and thanks came from all the Party Leaders – the SNP's Westminster Leader, Angus Robertson, the Liberal Democrats, Tim Farron, and the DUP's, Nigel Dodds.

The Conservative MP, James Cleverly, had served with PC Palmer in the army. His voice cracked as he spoke: 'I would like, with your indulgence, Mr Speaker, to turn for just a moment to PC Keith Palmer, whom I first met 25 years ago, when he was Gunner Keith Palmer at Headquarters Battery, 100 Regiment Royal Artillery. He was a strong, professional public servant, and it was a delight to meet him here again only a few months after being elected. In recognition of the work that he did, and that the other police officers and public servants in the House do, would the Prime Minister consider posthumously recognising his gallantry and sacrifice formally?' Theresa May promised that she would.

President Trump

Nadhim Zahawi MP strongly criticised the Trump administration's travel ban on certain Muslim countries

This year more than most, US politics had a bearing on our own. Not only were many MPs looking across the Atlantic for a trade deal and an enhancement of the 'special relationship', following the decision to leave the EU. But the American people themselves had managed to outdo the British electorate when it came to delivering the most surprising democratic decision of 2016.

As recently as January 2016, a small number of MPs had gathered in Westminster Hall to debate whether or not Donald Trump should be banned from entering the UK altogether. His comments about Muslims, among others, had led to an online petition for him to be considered a 'hate preacher' and therefore banned from British soil.

Even those who supported the motion knew there was little chance of such a ban being implemented. But few would have suspected that, just 13 months later, Parliament would be discussing the appropriateness of a state visit from President Donald Trump.

One of the first acts of the new US President was to order a blanket ban on people from a list of Middle Eastern countries travelling to the US. In the Commons, the former Labour Leader, Ed Miliband, and the Conservative, Nadhim Zahawi, joined forces to ask the Speaker for an emergency debate – and it was held that day.

Mr Zahawi, born in Iraq to Kurdish parents, arrived in the UK as a nine-year-old refugee from Saddam Hussein's regime. He is now a British citizen, but because he was born in Iraq, he believed he came under the Trump ban.

He told MPs his place of birth already meant he had been required to go through an interview at the US embassy, to secure the right to travel to America, under rules imposed by President Obama. But the new restrictions were much tougher: 'I learned that ability to travel to the United States – a country that I revere so much for its values, for which I have such great affinity, affection and admiration, and to which I have sent both my sons to university – was to be denied to me. I learned that this great nation had put in place measures that would prevent my family and me from travelling, studying and feeling welcome there. I was concerned about the next time I would see my boys ... my wife and I despaired at the thought that, had one of our sons again been taken as seriously ill as he was last year while at university, we would not be able to go to him when he needed us most.'

The US Government has since clarified that people with British passports will not be affected by the ban, whatever the country of their birth, but Mr Zahawi still thought the ban was 'wholly counterproductive'. He described how it was already being used by pro-Islamic State social media accounts as 'clear evidence that the USA is seeking to destroy Islam. They have even called it the "blessed ban"'.

Ed Miliband said the debate gave the Commons a chance to send President Trump a clear and united view: 'One of the most chilling things ... was that the accounts of what happened to individuals over the weekend sounded like the results of the actions of a tin-pot dictatorship. They did not sound like what we would expect, or hope for, from the United States ... the United States has always been our oldest and closest ally, and some will say that this is not a matter for us as long as our citizens are protected. I profoundly disagree ... Allowing the measure to stand and shrugging our shoulders will amount to complicity with President Trump ... President Trump is a bully, and the only course of action open to us in relation to his bullying is to stand up and be counted.'

Donald Trump's mother was born in the constituency of the SNP MP, Angus MacNeil, who said that as a Hebridean he felt 'utter shame' at the ban. 'It is

President Trump meets with Theresa May in Washington D.C. following his surprise electoral victory

absolutely disgraceful and shameful. I hope he rescinds and changes the measure – not recasts, but rescinds it.'

Labour's Yvette Cooper, who chairs the Home Affairs Select Committee, was 'deeply worried' that the Government had already invited the new President to make a state visit to Britain: 'it will be not a normal visit by a Head of Government, but a ceremonial state visit involving our royal family ... instead of it being a celebration of friendship and shared values and a sign of increased co-operation ... It will look like an endorsement of a ban that is so morally wrong and that we should be standing against.'

The Conservative, Sir Simon Burns, disagreed: 'I think it is absolutely right that the British Government continue the work of the Prime Minister to build bridges with President Trump so that we can, through engagement, seek to persuade him and to minimise or reduce the danger of his more outrageous policies ... I believe that very little would be achieved by cancelling a state visit to which the invitation has already been extended and accepted.'

The emergency debate was on a formal motion that MPs had 'considered' Donald Trump's travel ban, so no call for a policy change was voted on.

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