

1st March 2010

FAO Piers Haben
Pillar 2 & Stress Testing Policy
Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

E-mail: cp09_30@fsa.gov.uk

Dear Sirs

Response to CP09/30 Capital Planning Buffers (“CPB”)

The Association of Private Client Investment Managers and Stockbrokers (APCIMS) represents firms acting on behalf of investors¹. Member firms deal primarily in stocks and shares as well as other financial instruments for individuals, trusts and charities and offer a range of services from execution only trading (no advice) through to full portfolio management.

Our member firms operate on more than 500 sites in the UK, Ireland, Isle of Man and Channel Islands, employing 25,000 regulated staff. Around £335 billion of the country's wealth is under the management of our members. Our aim is to ensure that the regulatory, tax and other changes across Europe are appropriate and proportionate for the investment community. Our UK firms are subject to BIPRU and the majority are limited licence firms although there are a minority of firms who are full scope firms.

The CP states at 1.17 that *"it may be the case that some very small firms are not set capital planning buffers now and no change in this policy is expected"*. Following an exchange of emails with the FSA we understand that the statement refers, in general, to limited licence investment firms, many of which are not currently required to hold capital planning buffers. However this is not a 'hard' criterion, as some limited licence investment firms (those considered to be of higher impact) are asked to hold capital planning buffers under our Pillar 2 regime. It would be helpful if the feedback statement could reiterate this information so that small investment firms in particular are clear that they are outside the scope of these proposals. We believe scope of these proposals should mirror the provisions set out at SYSC 20.1.1.

Our response to the questions set out in the CP is on the attached appendix to this letter.

¹ APCIMS has around 180 members, over 125 are private client investment managers and stockbrokers and the rest are associate members providing related services to our firms.

In the event you have any queries on the content of this letter and accompanying appendix please contact us.

Yours faithfully

A handwritten signature in black ink that reads "Ian Cornwall". The signature is written in a cursive, slightly slanted style.

Ian Cornwall
Director UK Regulation

Section 2 – Market failure analysis, summary CBA and context for proposed changes

Q1: Do you agree with our market failure analysis and our summary cost-benefit analysis?

No comment.

Section 4 – Setting and using capital planning buffers

Q2: Do you agree that breaking the link between GENPRU 1.2.26 and the capital planning buffer will make it clearer to firms, their boards and their auditors that the CPB is designed to be drawn down during adverse external circumstances?

We are broadly supportive of this approach. We believe however, that there needs to be some recognition that the impact and timing of changes in the economic cycle can differ between sectors. For example, the impact and timing of the economic cycle on different asset classes (and subsequent impact on investment firm's income) can differ from the wider economy thus capital planning buffers can be eroded at different times by regulated firms depending of the nature of their exposure to the economic cycle.

Q3: Do you have any comments on our approach regarding the use, monitoring and rebuilding of capital planning buffers?

No general comment. We believe the resultant feedback statement should clearly identify the actions to be taken by firms if they wish to use their CPB.

Section 5 – Specifying ICG or CPB in particular forms of capital

Q4: Do you understand our proposed clarification that we may specify elements of the CPB or ICG that should be held in particular forms of capital?

The CP makes the proposed clarification clear.