

Registration No. 08733443 (England and Wales)  
Charity No. 1164902

**FINANCIAL MARKETS LAW COMMITTEE**

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2016**

# FINANCIAL MARKETS LAW COMMITTEE

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# **FINANCIAL MARKETS LAW COMMITTEE**

## **REFERENCE AND ADMINISTRATIVE DETAILS**

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<b>CHARITY REGISTRATION NUMBER</b>	1164902
<b>COMPANY REGISTRATION NUMBER</b>	08733443
<b>TRUSTEES</b>	Lord R Walker Mr D Greenwald Mr M Duncan Mr S Firth Ms K Gibbons Sir R Knowles CBE (appointed 24 March 2016)
<b>REGISTERED OFFICE</b>	8 Lothbury London EC2R 7HH
<b>INDEPENDENT AUDITORS</b>	Price Bailey LLP Chartered Accountants & Statutory Auditors Dashwood House 69 Old Broad Street London EC2M 1QS
<b>BANKING SERVICES</b>	The Bank of England Threadneedle Street London EC2R 8AH London EC2M 1QS

# **FINANCIAL MARKETS LAW COMMITTEE**

## **TRUSTEES' REPORT**

***FOR THE YEAR ENDED 31 OCTOBER 2016***

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### **CONTRIBUTORS**

#### **TRUSTEES**

Lord Walker	Chairman, Director, Member
David Greenwald	Deputy Chairman, Director
Michael Duncan	Director
Simon Firth	Director, Member
Kathleen Gibbons	Director, Member
Sir Robin Knowles QC	Director, Member

#### **SECRETARIAT**

Dr Joanna Perkins	Chief Executive Officer (the "CEO")
Emma McClean	Operations Manager
Rachel Toon	Executive Assistant   Events Manager

The Trustees are pleased to present their annual report together with the financial statements for the year ending 31 October 2016, which are also prepared to meet the requirements for a directors report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the U.K. and Republic of Ireland (FRS 102) (effective 1 January 2015).

# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (continued)

**FOR THE YEAR ENDED 31 OCTOBER 2016**

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### 1. OBJECTIVES AND ACTIVITIES

- 1.1 The Trustees have regard to the Charity Commission's guidance on public benefit. The objectives of Financial Markets Law Committee ("FMLC" or the "Charity") are to promote for the public benefit the upholding and proper administration of the law and the advancement of education by:
- a) identifying and considering, impartially and in the public interest, issues of legal uncertainty or misunderstanding relating to the functioning and regulation of financial markets; and
  - b) making its work on those legal issues freely available to financial markets and to the general public.
- 1.2 FMLC aims to identify issues of legal uncertainty, or misunderstanding, present and future, in the framework of the wholesale financial markets which might give rise to material risks, and to consider how such issues should be addressed. It will also act as a bridge to the judiciary to help U.K. courts remain up-to-date with developments in financial markets practice and serve a public education function.
- 1.3 Some element of legal uncertainty is inevitable in financial markets that are international, competitive and innovative. Although the U.K. framework of law for financial markets is highly developed and robust, new ideas or practices can sometimes raise legal uncertainties as to how the law will apply, on occasion based on misunderstandings about existing law.
- 1.4 In addition, proposals (whether at home or abroad) for new law or new regulations, can give rise to uncertainties or misunderstandings when the specific features of wholesale market practice have not been fully understood by a legislator or other public authority.
- 1.5 The establishment of FMLC reflects the view—widely held across the wholesale financial markets—that London should continue to have arrangements in place to identify and analyse areas of legal uncertainty or misunderstanding affecting those markets. The Committee<sup>1</sup>, which meets bi-monthly to review FMLC publication proposals and to guide the Secretariat's forward research strategy, is balanced and strives to act impartially. It comprises senior lawyers, individuals employed by financial market participants (buy-side and sell-side) and representatives of the Bank of England, Financial Conduct Authority and HM Treasury. Meetings are attended regularly by observers from public bodies and industry associations.
- 1.6 The Committee was originally established by the Bank of England (the "Bank"). FMLC, however, is independent from the Bank and its views and any published materials cannot be taken to reflect the views of the Bank, or those of any other patron and/or stakeholder.
- 1.7 Once identified, many issues will be addressed by the publication of an objective research paper that outlines the issue(s) identified and suggests how the relevant legal uncertainty might be eliminated or ameliorated.<sup>2</sup> The Charity will seek to raise the profile of such papers with those who are best positioned to consider the research produced, along with consultation responses and explanatory letters.
- 1.8 In order for the Charity's work to be promoted for the public benefit, the Secretariat takes appropriate steps to ensure that FMLC's work is available to any interested party. This is achieved through adherence to the procedures outlined below.
- a) Committee reports (and any other related materials) will be published on FMLC's website as soon as the materials are approved by the Committee. It is important that all such information is made publicly available unless there are clear and exceptional circumstances for not doing so (for example relating to confidentiality).

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<sup>1</sup> For more detail regarding the Committee, please see Appendix One.

<sup>2</sup> Please see Appendix Two for more detail regarding the framework for identifying and outlining issues for consideration.

# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (continued)

### FOR THE YEAR ENDED 31 OCTOBER 2016

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- b) Dissemination of reports and their content more widely is encouraged. This may for example include allowing reports to be published elsewhere or discussed at seminars or events. The Secretariat is primarily responsible in each case for ensuring that the work of the Charity is kept in context and FMLC's impartiality, independence and limited remit (in particular, not relating to policy matters) is explained at all times. To help support this work all papers, correspondence, seminar materials etc. include appropriate information in relation to the Charity, its role, and the scope of its work.
- c) At times it will be appropriate for matters considered by the Charity to be discussed with relevant stakeholders in person. This approach, however, has limitations and is adopted only if the Committee is of the view that the issue cannot be adequately addressed in writing. It is vital that any oral discussions on behalf of the Charity are only conducted in a controlled manner which allows the Secretariat to maintain its general supervisory role over all FMLC work and representations. In particular, discussions on behalf of FMLC other than in writing will only be conducted with the prior approval of the Committee, which will set out the scope of matters to be covered and the individual(s) who are authorised to undertake the discussions, a member of the Secretariat or a Committee Member will always be present and the content of any discussion will be recorded in writing and reported to the Committee at the earliest opportunity.

1.9 The Charity also acts as a bridge to the judiciary, helping the U.K. courts to remain up-to-date with developments in financial markets practice. It carries out this role primarily by organising seminars to brief senior members of the judiciary on aspects of wholesale financial markets practice of which they might not otherwise be aware. FMLC also holds a number of educational events<sup>3</sup> each year which are not aimed solely at the judiciary and which are attended by interested parties.

1.10 FMLC is also tasked with liaison with the members of two international forums, originally established by central banks who have a regulatory role in the leading global financial centres. The first of these is the Quadrilateral Forum, of which there are four members: the European Financial Markets Lawyers Group ("EFMLG") in Frankfurt, the Financial Markets Lawyers Group ("FMLG") in New York and the Financial Law Board ("FLB") in Tokyo. The Forum members discuss global issues of concern to the financial markets and they meet at least annually for a one to two day conference. The second is a group of seven members (the "ICI Group") comprising the four organisations mentioned above and three similar groups from Switzerland, Hong Kong and Singapore. The ICI Group meets by video conference every four or five months. Both forums promote the free exchange of knowledge and ideas—which enables the FMLC to enhance the quality, range and depth of its research output—and they facilitate coordination on legal issues of mutual concern.

1.11 Crucially, FMLC never seeks to change the decisions or policies of government authorities and always acts for the benefit of the public as a whole rather than for any particular body or bodies within it.

## 2 ACHIEVEMENTS AND PERFORMANCE

2.1 FMLC held six formal - including four educational - events, from 1 November 2015—31 October 2016. The Secretariat deserves credit and praise for its skilful and enthusiastic efforts to provide a successful creative educational events programme.

2.2 In spring 2016 FMLC held a joint seminar with a fellow educational charity/the Bingham Centre for the Rule of Law on the topic of "The E.U. Referendum and its impact on Legal Relationships". In relation to this event and in line with FMLC's objectives as detailed in Section One above:

- a) with 176 attendees this was the most successful and popular event coordinated by FMLC in the past three years;
- b) 78% of those who completed a feedback survey agreed that the topic relevance of this seminar was excellent;
- c) in satisfaction of FMLC's educational remit, attendees also described the event as insightful, engaging and informative; and

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<sup>3</sup> For a full list of FMLC events held in the year please see Appendix Three.

# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2016

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- d) FMLC events educate a wide range of people, with invitees to this event including representatives from the senior judiciary, law firms and trade associations, together with academics and a number of university students.
- 2.3 In July 2016 FMLC held a judicial seminar titled "Too Big to Fail? How bank capital and bail-in can help avoid a bail-out". Judicial seminars are held annually to provide a link between commercial judges—who do not always have deep experience of the financial markets—and those with relevant financial expertise. These educational events further FMLC's objective, as mentioned at paragraphs 1.2 and 1.9 above, of acting as a bridge to the judiciary to help U.K. courts remain up-to-date with developments in financial markets practice.
- 2.4 In July 2016, FMLC also hosted the Quadrilateral Conference. The Conference included panels on Finance and Innovation, Developments in Financial Markets, Financial Markets Infrastructure and Financial Stability, Developments on Sovereign Debt, Ending too Big to Fail and Brexit. The CEO participated in several of these panels. A keynote speech was given by a U.S. Securities and Exchange Commissioner during the event. Discussing global issues of concern to the financial markets at this event allowed FMLC to identify areas which could be usefully relayed to interested parties and the public, via FMLC publications.
- 2.5 In order to gain a more robust understanding of proposals (whether at home or abroad) for new law or new regulations and as mentioned at paragraph above, FMLC's CEO and members of the Secretariat participated in videoconferences with the members of the ICI Group to compare and discuss international issues of legal uncertainty. Such proposals can give rise to uncertainties or misunderstandings when the specific features of wholesale market practice have not been fully understood by a legislator or other public authority, making such discussions vital to FMLC's objectives as listed in at paragraphs 1.1 above.
- 2.6 The Secretariat is highly sought-after, with members of the team often going on to gain employment with City firms and research bodies. On account of this FMLC lost several staff members between 1 November 2015—31 October 2016. During this time, however, FMLC was still able to produce 18 publications<sup>4</sup> in pursuit of its public education function (as mentioned at paragraphs 1.1, 1.2, 1.8 and 1.9 above) including on:
- a) 10 October 2016 a paper on the Obligations of Central Counterparties and their Clearing Members under Part VII of the Companies Act 1989 which was sent to<sup>5</sup> the Financial Conduct Authority and HM Treasury; and
- b) 18 July 2016 a discussion paper on legal uncertainty arising in the context of Virtual Currencies, which was requested by stakeholders. From this FMLC went on to establish a standing Finance and Technology Scoping Forum to serve as a space for further discussion and analysis of the legal character of Virtual Currencies in the context of their development as a medium of exchange.
- 2.7 FMLC is committed to making its work available to financial markets and to the general public. Building on the two important articles produced in the previous year<sup>6</sup> another well received article on Benchmarks was co-authored by the CEO and a member of the Secretariat. This article was published in the Journal of International Banking and Financial Law<sup>7</sup>.
- 2.8 The CEO gave 18 speeches<sup>8</sup> during the year in five different countries, raising the profile of FMLC's important work on an international scale. Topics of these speeches included Brexit, Benchmarks, the Legal Aspect of Virtual Currencies and Total Loss Absorbing Capacity. In line with FMLC's public education function, Speeches were given to university students in London and in Switzerland.

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<sup>4</sup> For a full list of publications please see Appendix Four.

<sup>5</sup> In pursuit of FMLC's public education function, all publications are freely available at <http://www.fmlc.org> and in hard copy.

<sup>6</sup> Perkins, J (as co-author with a member of the Secretariat) "Evolving Financial Benchmarks: the Impact on Legacy Contracts" (2015) 04 Journal of Securities Operations and Custody 296 (Autumn/Fall); and Perkins, J (as co-author with a member of the Secretariat) "As Good as it Gets? Co-ordination in Reform of International Financial Regulation" (2015) 07 JIBFL 391 (July/August).

<sup>7</sup> Perkins, J (as co-author with a member of the Secretariat) "The evolution of benchmarks: a European framework for reform" (2016) 05 JIBFL 273 (May).

<sup>8</sup> For a full list of the CEO's speeches, please see Appendix Five.

# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2016

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- 2.9 All of the achievements highlighted serve as evidence that the aims of the charity, as stated in section one above, have been met and this will further FMLC's purposes in future years as the Charity seeks to expand its educational function.

### 3. FINANCIAL REVIEW

- 3.1 The Charity's financial performance was satisfactory in 2015-16. Charitable donations fell by 7.9% to £347,500 (2015: £377,344) supporting FMLC's need for a robust reserves policy, as outlined below. Total costs increased by 2.85% to £351,362 (2015: £341,636) with almost all of this amount (£340,046) related to the direct costs of the upholding and proper administration of the law and the advancement of education. The Charity's year end reserves increased by £239,106 to £601,304 (2015: £362,198).
- 3.2 FMLC's Trustees have agreed the FMLC's reserves policy<sup>9</sup> which is to hold in reserve funds approximately equal to at least one year's expenses of up to £400,000 to cover the risk<sup>10</sup> of unforeseen events and meet the needs of cash flow in the event of a reduction in income. As outlined above, at the year-end total reserves were £601,304, of which all was unrestricted. There is, therefore, a reserves surplus of approximately £200,000. The Charity intends to increase its robustness in mitigating key strategic risks through hiring to new roles and expanding its annual events programme which will result in the reduction of this surplus. The Charity also intends to review its reserves policy and reserve levels on an annual basis.
- 3.3 FMLC is a small charity, which spends most of its income on salaries in order to fulfil its remit which requires extensive legal research, analysis and writing, as detailed above. A majority of FMLC's donors are in the same line of business, being mostly law firms and trade associations, so an unforeseen event which has an impact on the business of one of the Charity's donors is likely similarly to affect other donors. FMLC raises funds once a year. If a large number of donors were to withdraw or reduce their support in any one year, FMLC's operating budget for that year would be adversely affected to a very significant degree without reserve funds. The reserves are intended to cover the costs of FMLC until the next fundraising round in the expectation that, over the year, the Charity will be successful in finding alternative sources of support.
- 3.4 The reserve funds are also intended to cover the costs of strategic planning to mitigate key risks identified in FMLC's risk register, as detailed below in Section Four.
- 3.5 At the date of approving the report and accounts, there are no uncertainties about the charity's ability to continue as a going concern.

### 4 STRUCTURE, GOVERNANCE AND MANAGEMENT<sup>11</sup>

- 4.1 FMLC is a company limited by guarantee (the "**Company**") governed by its Memorandum and Articles of Association ("**Article**") dated 3 December 2015 (replacing earlier Memorandum and Articles of Association dated 15 October 2013). Anyone over the age of 18 can become a Member of the Company. There are currently four Members, each of whom agrees to contribute a sum not exceeding £1 in the event of its being wound up.
- 4.2 FMLC is registered as a charity with the Charity Commission. Directors appointed to the Board of the Company have control and management of the Company and are, therefore, the Charity Trustees for the purposes of the Charities Act 2011. As such, they not only owe fiduciary duties in the normal way as Directors of the Company, but they also owe fiduciary duties to the Charity in the same way as they would if they were trustees of a charitable trust.

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<sup>9</sup> For FMLC's full reserves policy, please see Appendix Six.

<sup>10</sup> For a full list of risks and uncertainties for the year ahead please see Section Four.

<sup>11</sup> Please see Appendix Seven for a diagram illustrating FMLC's governance structure, together with supplementary notes.

# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (continued)

**FOR THE YEAR ENDED 31 OCTOBER 2016**

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- 4.3 The Board is responsible for the governance of the Charity, and the operation and administration of FMLC, the Committee and the Secretariat. The Board also has ultimate responsibility for the financial position of the Charity. The Board maintains, supports and sets the terms of reference of the Committee. Minutes of meetings of the Committee are sent to the Board, who all also serve as Committee members.
- 4.4 In accordance with Article 45 the Board may delegate any of its powers or functions to committees of two or more Trustees (which the Board may create), subject to such rules or requirements as the Board may consider appropriate, provided that the terms of any delegation are recorded in the meeting minutes. Such a delegation can be subsequently revoked by the Trustees.
- 4.5 The Board must at all times comprise a minimum of two Trustees and a maximum (unless otherwise determined by an ordinary resolution of the Members) of ten in accordance with Article 27.
- 4.6 The Appointments Sub-Committee (the "**Sub-Committee**") comprises the Chairman, the Deputy Chairman and the CEO. Its responsibilities include:
- a) recommending to the Board the appointment of a Trustee to the position of Chairman and to serve as Chairman of the Committee;
  - b) recommending to the Board the appointment of a Trustee to the position of Deputy Chairman and to serve as Deputy Chairman of the Committee;
  - c) appointing or re-appointing individuals who are willing to serve as members of the Committee; and
  - d) removing Committee members if the circumstances demand it.
- 4.7 In exercising its powers, the Sub-Committee has regard to the need to maintain independent judgement and a proper balance of the skills and experience requisite for achieving the Charity's objects.
- 4.8 The Chairman is appointed by the Board on the recommendation of the Sub-Committee. The criteria for eligibility require that the individual has held a position in the senior judiciary or, failing that, is a person of real distinction and unquestionable integrity and independence who has made a significant contribution to the legal system of the U.K. The Chairman's main responsibilities include to:
- a) lead the Committee in such a way as to ensure that it fulfils its responsibilities to the Board;
  - b) lead the Board in such a way as to ensure that it fulfils its responsibilities for the governance of the Charity;
  - c) be a member of the Sub-Committee;
  - d) work with the CEO to help achieve the objectives of the Charity;
  - e) optimise the relationship between the Board, the Committee and the Secretariat; and
  - f) inform the Trustees of any concerns employees may have in regard to the role of the Board and to relate the concerns of Trustees and other stakeholders to the CEO.

# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (continued)

### FOR THE YEAR ENDED 31 OCTOBER 2016

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- 4.9 Each new Trustee receives the Committee Members' Handbook, the most recent annual report and accounts of the Charity and the minutes of previous Board meetings together with supporting papers. All Trustees must demonstrate:
- a) commitment to the work of the Charity;
  - b) willingness to participate actively in the work of the Board; and
  - c) regular attendance at Board meetings.
- 4.10 The Board may resolve by majority vote to appoint (or reappoint) Trustees. A Trustee ceases to hold office if he or she retires in accordance with Article 31 to 32A, or in any of the circumstances set out in Article 38. Trustees who retire will be eligible for reappointment.
- 4.11 None of FMLC's Trustees receive remuneration or other benefit from their work with the Charity. Any conflicts of interest must be reported to the Managing Assistant. No such conflicts have been reported.
- 4.12 Aside from the Trustees, the only other executive personnel in charge of directing and controlling, running and operating the Charity on a day-to-day basis is the CEO. The CEO's pay may be reviewed at each meeting of the Trustees (of which there are ordinarily five per annum). The CEO is responsible for managing the day-to-day operations of the Charity, within the clear guidelines agreed with the Trustees and in close consultation with them.
- 4.13 No external person or body has entitlement to appoint one or more of the Charity's Trustees.
- 4.14 The Trustees, together with the Secretariat, regularly review and monitor risks to which the Charity is exposed and ensure that appropriate systems and controls are in place to manage those risks. The biggest risks facing the Charity in the year ahead 2016-17 are:
- a) income generation;
  - b) loss of senior management;
  - c) an adverse change in the Charity's occupation of its current premises; and
  - d) loss of reputation.
- 4.15 The Charity has a number of systems and controls in place to cover the cost of strategic planning to mitigate the key risks identified. This includes a robust reserves policy which will allow FMLC to introduce new roles such as appointing a fundraising manager to maintain and ultimately increase donations levels and new senior management positions which will allow the Charity to implement the optimal transition plan for CEO succession. The reserves policy also will also protect FMLC should new premises need to be sought. Systematic peer review, as highlighted in this document, together with a commitment to expanding FMLC's events programme and increasing staffing levels, will maximise confidence in FMLC's output, ensuring it remains at all times sturdy and robust.

# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (continued)

**FOR THE YEAR ENDED 31 OCTOBER 2016**

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### 5. FUTURE PLANS

- 5.1 As noted in section two, FMLC has had a successful year and has met the aims set out in section one. FMLC is committed to maintaining momentum in continuing its important work and will strive to set out key performance indicators which will be used as criteria for measuring success and ensuring that the public benefit remains at the forefront of all activities carried out by the Charity.

Good indicators of success will include maintaining and/or increasing FMLC's work in a number of areas. The Charity aims to ensure that the CEO gives a minimum of ten educational speeches in the next year and that a minimum of twelve publications are produced and made publically available on FMLC's website. The Charity also aims to disseminate FMLC research through at least one publisher other than the aforementioned website and to raise the profile of the educational research produced by engaging with a minimum of five foreign jurisdictions.

Building on the solid foundation of events held in this year, as detailed in section two, next year the Secretariat aim to increase the programme to include a minimum of five educational events. The Charity also hopes to stabilise the Scoping Forum programme<sup>12</sup> and, having hired a staff member dedicated to achieving this objective, intends to source a minimum of six external speakers to present at these discussion panel meetings in the next year. Achieving this will further the educational function of the Charity, which is proactively seeking to produce research on current and future issues of legal uncertainty or misunderstanding. FMLC is committed to increasing staffing levels in order to meet these key performance indicators and expanding the Secretariat in the next year in line with the events and research programmes will be another measure of the Charity's success.

By ensuring these targets are met and by actively seeking and monitoring feedback on FMLC output, the Charity will be able to measure its success and ensure that it is operating in a way which maximises the benefit to the public and furthers the advancement of education.

### 6. EXEMPTIONS FROM DISCLOSURE

- 6.1 There are no exemptions from disclosure.

### 7. FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

- 7.1 There are no funds held as custodian Trustee on behalf of others.

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<sup>12</sup> Please see Appendix Seven, Note Two

# **FINANCIAL MARKETS LAW COMMITTEE TRUSTEES' REPORT (APPENDICES)**

**FOR THE YEAR ENDED 31 OCTOBER 2016**

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## **APPENDIX ONE**

### **THE COMMITTEE**

#### **REMIT**

Within the operational parameters set by and administrative resources made available by the Board, and subject always to the Board's governance responsibilities, the Committee decides the issues of legal uncertainty to be addressed, and the method of addressing them.

#### **COMPOSITION**

The Committee must at all times comprise a maximum of twenty-eight Committee Members, including the Chairman and Deputy Chairman. Of these Committee Members:

- a) at least three shall be representatives of HM Treasury, the Bank of England, the Financial Conduct Authority or other statutory regulators;
- b) at least four shall be persons who hold or have held judicial office or are practising barristers; and
- c) at least seven shall be solicitors in private practice.

#### **ROLE OF COMMITTEE MEMBERS**

Committee Members combine their expertise and experience in reaching decisions on the issues of legal uncertainty to be addressed and the method of addressing them, including by:

- a) regularly attending and participating in Committee Meetings;
- b) participating in Working Groups and Scoping Forums as appropriate;
- c) considering and assessing the bi-monthly "developments update" document compiled by the Secretariat which sets out the progress of each Working Group; and
- d) contributing on a pro bono basis to the work required on particular issues.

Committee Members must in their work on the Committee, unless they are representatives of central government or statutory regulators, act according to their best individual judgement and not as delegates or representatives of their firm, company or association.

#### **Time commitment**

The Committee meets once every two months to consider proposed new areas of research and to review existing areas.

#### **Conflicts of Interest**

Further details of the Committee Conflicts Policy is available on request.

#### **Appointment of Committee Members**

The Appointments Sub-Committee may resolve to appoint (or reappoint) Committee Members.

Subject to the composition requirements set out above, the Appointments Sub-Committee may resolve to appoint (or reappoint) a Committee Member for a period (or further period) of two years, but no Committee Member shall, without a resolution having first been passed, serve for more than 10 years in all.

# **FINANCIAL MARKETS LAW COMMITTEE**

## **TRUSTEES' REPORT (APPENDICES)**

### **FOR THE YEAR ENDED 31 OCTOBER 2016**

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#### **REMOVAL OF COMMITTEE MEMBERS**

Committee Members may resign by giving written notice to the Board.

The Board may, by written resolution, remove a person as a Committee Member if s/he:

- a) was appointed as a representative of an organisation and is no longer employed by that organisation, or was appointed in an independent capacity and (having retired from professional practice) no longer qualifies as a Committee Member;
- b) in the written opinion of a registered medical practitioner treating that person, has become physically or mentally incapable of acting as a Committee Member and may remain so for more than three months; or
- c) is absent without the permission of the Chairman from all Committee meetings held within a consecutive period of nine months.

#### **TRAINING OF COMMITTEE MEMBERS**

Each new Committee Member receives from the CEO the following information:

- a) a copy of the Committee Members' Handbook; and
- b) the minutes of the previous Committee meeting and supporting papers.

#### **APPENDIX TWO**

##### **FRAMEWORK FOR IDENTIFYING AND OUTLINING ISSUES FOR CONSIDERATION**

###### **Stage One:**

Topics are initially identified by the Secretariat in a number of ways:

- a) it is the responsibility of the Secretariat to keep in regular contact with financial market participants and end-users (such as public sector institutions and non-governmental organisations (NGOs)) both in the U.K. and internationally. In this context, the CEO also maintains regular contact with FMLC patrons and stakeholders. The role of the Secretariat is to reach out to all relevant parties and bodies and discuss their experiences in order, through these discussions, to allow the Secretariat to identify possible issues for consideration. In other words, issues are born out of the Secretariat's enquiries and research rather than from direct requests from particular bodies or stakeholders. Any Member of the Committee is also free to offer the benefit of their experience in noting possible issues for consideration. Areas of legal uncertainty which may constitute viable topics may become apparent from such engagement;
- b) the Secretariat will also independently consider and research potential viable topics through its own resources; and/or
- c) the Scoping Forums, established by the Committee to focus on specific issue areas, meet quarterly to discuss potential issues in respective fields. Each Scoping Forum is provided by the Committee with a scoping document setting out the Scoping Forum's role and remit. If potentially viable topics are identified, these are passed to the Secretariat for further consideration.

# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (APPENDICES)

**FOR THE YEAR ENDED 31 OCTOBER 2016**

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### Stage Two:

The CEO, with support from the Secretariat, is responsible for reviewing each issue raised at Stage One above, in order to determine in each case if a particular issue is:

- a) within the role and remit of the Committee; and
- b) is well-defined enough to be usefully considered by the Committee.

### Stage Three:

Every two months, the Committee receives an update from the Secretariat on all issues identified as worthy of consideration. The Committee considers these and forms a view on which issues fall within the guidelines and should be formally adopted.

### Stage Four:

Each issue formally adopted by the Committee is then passed to a Working Group or dealt with "in-house" with the assistance of the Secretariat. If an issue is passed to a Working Group, that Working Group researches the issue(s) at hand and, if appropriate, considers possible solutions. Each Working Group's progress is kept under regular review by the Secretariat and by the Committee (through the "developments update" document prepared by the Secretariat).

Close control and supervision of Working Groups (or the Secretariat, as applicable) is important to ensure that all work remains consistent with the role and remit of FMLC. In particular, Working Groups (like all other aspects of FMLC) must confine their remit only to identifying and considering, impartially and in the public interest, issues of legal uncertainty or misunderstanding. Working Groups cannot, therefore, comment on policy issues and any work produced must be demonstrably impartial and independent. No special pleadings can be made for one industry or market, or for London as a financial centre.

## APPENDIX THREE

### LIST OF FMLC EVENTS HELD FROM 1 NOVEMBER 2015—31 OCTOBER 2016 INCLUSIVE

#### Thursday 26 November 2015

FMLC Autumn Seminar. Financial Benchmarks *Reference rate transition, evolution and regulation*.

#### Thursday 3 December 2015

FMLC Festive Drinks Reception. An annual drinks reception in celebrate the festive season and to mark the end of the year.

#### Thursday 3 March 2016

FMLC Spring Seminar (joint with a fellow educational charity/ the Bingham Centre for the Rule of Law). *The E.U. Referendum and its impact on Legal Relationships*.

#### Tuesday 2 July 2016

FMLC Judicial Seminar. Sovereign Debt: Collective Action and *Pari Passu*.

#### Tuesday 19 – Thursday 21 July 2016

Quadrilateral. An annual meeting with the European Financial Markets Lawyers Group, Financial Markets Lawyers Group to discuss global issues of concern to the financial markets.

#### Thursday 29 September 2016

FMLC Patrons' Dinner.

**FINANCIAL MARKETS LAW COMMITTEE**  
**TRUSTEES' REPORT (APPENDICES)**  
***FOR THE YEAR ENDED 31 OCTOBER 2016***

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**APPENDIX FOUR**

**LIST OF FMLC PUBLICATIONS PRODUCED BETWEEN 1 NOVEMBER 2015—31 OCTOBER 2016 INCLUSIVE**

22 December 2015

Uncertainty Arising in the Context of Indirect Clearing of Derivatives.

8 January 2016

Letter to the European Commission on Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse.

22 January 2016

FMLC Response to European Commission Call for Evidence on EU Regulatory Framework for Financial Services.

3 February 2016

FMLC/CCMR Addendum to Comment Paper on Issues of Legal Uncertainty Relating to the Recognition and Supervision of Central Counterparties.

8 February 2016

Letter to the Financial Stability Board regarding Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution.

17 February 2016

Letter to the DCLG regarding the Investment Powers of Local Authorities.

25 February 2016

Response to a Consultation by HM Treasury on the Implementation of the Bank Recovery and Resolution Directive.

18 March 2016

FMLC/CCMR Letters to Lord Hill, Chairman Massad and Oliver Guersent on the recognition and supervision of Central Counterparties.

31 March 2016

Response to Discussion Paper by the European Securities and Markets Authority on Benchmarks Regulation.

12 April 2016

Letter to the European Money Markets Institute on the Evolution of Euribor.

25 April 2016

Letter to International Organization of Securities Commissions on Cross-Border Regulation and Supervisory Memoranda of Understanding.

**FINANCIAL MARKETS LAW COMMITTEE**  
**TRUSTEES' REPORT (APPENDICES)**  
***FOR THE YEAR ENDED 31 OCTOBER 2016***

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27 May 2016

Response to Discussion Paper on Equity Release Mortgages Published by the Prudential Regulation Authority.

13 June 2016

Response to the European Commission Consultation Paper on an Effective Insolvency Framework.

22 June 2016

Letter to HM Treasury on Reforms to the Special Administration Regime for Investment Banks.

18 July 2016

Discussion Paper on Issues of Legal Uncertainty Arising in the Context of Virtual Currencies.

29 July 2016

Paper on Issues of Legal Uncertainty Arising in the Context of Asymmetric Jurisdiction Clauses.

1 September 2016

Letter to the Department for Business, Energy & Industrial Strategy on Beneficial Ownership Transparency Legislation and its Effect on Security Financial Collateral Arrangements.

10 October 2016

Paper on the Obligations of Central Counterparties and their Clearing Members under Part VII of the Companies Act 1989.

**APPENDIX FIVE**

**LIST OF THE CEO'S SPEECHES MADE BETWEEN 1 NOVEMBER 2015—31 OCTOBER 2016 INCLUSIVE**

Thursday 27 October 2016

**"Regulation of Market Abuse"** presentation given at the RIMES' Second Regulatory Seminar in London.

Wednesday 26 October 2016

**"Brexit: transition and standstill"** presentation given at the FMLC Brexit High Level Advisory Group meeting in London.

Wednesday 12 October 2016

**"Legal aspects of Virtual Currencies"** presentation given at the Financial Law Board meeting in Tokyo.

Tuesday 26 July 2016

**"After the E.U. Referendum"** presentation given to the FMLC Brexit High Level Advisory Group meeting in London.

# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (APPENDICES)

**FOR THE YEAR ENDED 31 OCTOBER 2016**

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Wednesday 19- Thursday 20 July 2016

Presentations on **"Legal aspects of Virtual Currencies"**, **"MiFID II- Best execution"** and **"Loss-Absorbing Capacity"** and **"Bank Capital"**, given at the Quadrilateral Event hosted by FMLC in London.

Thursday 7 July 2016

**"Loss-Absorbing Capacity and Bank Capital"** presentation given at a FMLC Judicial Seminar, hosted by Freshfields Bruckhaus Deringer LLP in London.

Friday 27 May 2016

**"The Evolution of Financial Benchmarks and Legacy Contracts"** presentation for the EMMI Euribor Legal Workshop meeting in Brussels.

Thursday 19 May 2016

**"Banking and the Rule of Law Workshop"** presentation given on at Allen & Overy in London.

Tuesday 19 April 2016

**"Banking Recovery and Resolution in Europe - The BRRD and its implementation"** presentation given at CMS Cameron McKenna LLP in London.

Tuesday 3 May 2016

**"The Regulation of Financial Benchmarks"** presentation given on at CFA & LISIG event in London.

Tuesday 22 March 2016

**"Total Loss-Absorbing Capacity"** presentation, given at Shearman & Sterling LLP, London.

Thursday 25 February 2016

**"The Regulation of Financial Benchmarks"** presentation given at the University of Lausanne in Switzerland

Friday 29 January 2016

**"Managing benchmarks risk in Financial Markets"** presentation given at the Hilton London Metropole.

Monday 25 January 2016

**"Benchmark panel session at P.R.I.M.E conference"** at the Peace Palace, The Hague in the Netherlands.

Thursday 21 January 2016

**"Total Loss Absorbing Capacity"** presentation given on at the Practising Law Institute, hosted by Freshfields Bruckhaus Deringer LLP in London.

# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (APPENDICES)

**FOR THE YEAR ENDED 31 OCTOBER 2016**

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Monday 30 November 2015

"Financial Institutions Litigation Conference on LIBOR/FX" presentation given at the Grange Tower Bridge Hotel in London.

Monday 30 November 2015

"Ethical Dimensions of the LIBOR Scandal—the tale of a dozen “C”s”, given at the Queen Mary University - Centre for Commercial Law Studies in London.

Thursday 26 November 2015

"Financial Benchmarks" presentation at Autumn Seminar hosted by FMLC in London.

### APPENDIX SIX

#### RESERVES POLICY

One of the core requirements of the financial markets is a sound legal infrastructure. However, some element of legal uncertainty is inevitable in financial markets that are international, competitive and innovative. Although the U.K. and E.U. framework of law for the financial markets is highly developed and robust, new ideas or practices, or proposals for new law or new regulations can sometimes raise legal uncertainties. Financial Markets Law Committee ("the Charity" or "FMLC") is a charity (formally registered with the Charity Commission as of 17 December 2015, number: 1164902) established for the purposes, among others, of education and the advancement of the understanding of financial markets law. FMLC contributes to the fulfilment of these purposes by identifying issues of legal uncertainty or misunderstanding, present and future, in the framework of the wholesale financial markets (including inconsistencies between draft law or regulation and market practice) which might give rise to material risks, and considering how such issues should be addressed. FMLC is always demonstrably impartial and independent and acting for the benefit of the public as a whole.

Generally, once issues are identified they will be addressed by the publication of objective research papers and correspondence which outline the issues and suggest how the relevant legal uncertainty might be eliminated or ameliorated. The Charity seeks to raise the profile of such papers with those who are best positioned to implement the recommended solutions. This work is actively supported by the Bank of England, HM Treasury and the Financial Conduct Authority. The Charity also acts as a bridge to the judiciary, helping the U.K. courts to remain up-to-date with developments in financial markets practice, it carries out this role primarily by organising seminars to brief senior members of the judiciary on aspects of wholesale financial markets practice of which they might not otherwise be aware.

It is important in pursuing all of its activities that the Charity never seeks to change the decisions or policies of government authorities. It must also always act for the benefit of the public as a whole rather than for any particular body or bodies within it. FMLC's objects are specifically restricted to promoting for the public benefit the upholding and proper administration of the law and the advancement of education by, without limitation:

- 1) Identifying and considering, impartially and in the public interest, issues of legal uncertainty or misunderstanding relating to the functioning and regulation of financial markets;
- 2) making recommendations to and collaborating with governmental and regulatory authorities on such issues; and
- 3) making work undertaken by the Charity freely available to financial markets and to the general public.

# **FINANCIAL MARKETS LAW COMMITTEE**

## **TRUSTEES' REPORT (APPENDICES)**

***FOR THE YEAR ENDED 31 OCTOBER 2016***

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### **RESERVES POLICY - CONTINUED**

FMLC is a small charity which spends most of its income on salaries in order to fulfil its remit which requires extensive legal research, analysis and writing, as detailed above. FMLC's reserves policy is to hold in reserve funds approximately equal to at least one year's expenses to cover a reduction in income. Many of FMLC's donors are in the same line of business and an unforeseen event which has an impact on the business of one of the Charity's donors is likely similarly to affect other donors. FMLC raises funds once a year. If a large number of donors were to withdraw or reduce their support in any one year, FMLC's operating budget for that year would be adversely affected to a very significant degree without reserve funds. The reserves are intended to cover the costs of FMLC until the next fundraising round in the expectation that, over the year, the Charity will be successful in finding alternative sources of support. They are also intended to cover the costs of strategic planning to mitigate key risks identified in FMLC's risk register. Such costs may entail responding to an adverse change in FMLC's occupation of its current premises and/or recruiting a Deputy CEO in order to implement the optimal transition plan for CEO succession.

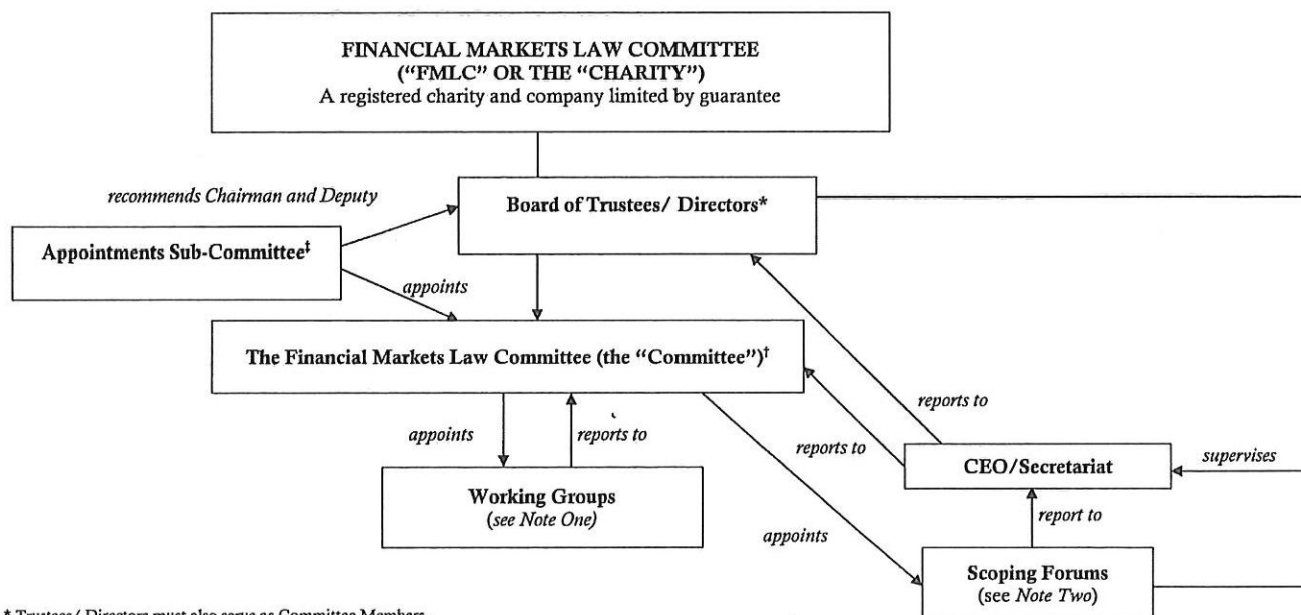
# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (APPENDICES)

FOR THE YEAR ENDED 31 OCTOBER 2016

### APPENDIX SEVEN

DIAGRAM ILLUSTRATING THE CHARITY'S GOVERNING STRUCTURE WITH SUPPLEMENTARY NOTES



\* Trustees/ Directors must also serve as Committee Members.

† The Chairman and Deputy Chairman of the Board also act as Chairman and Deputy Chairman of the Committee.

‡ This sub-committee comprises the Chairman, the Deputy Chairman and the CEO.

# **FINANCIAL MARKETS LAW COMMITTEE**

## **TRUSTEES' REPORT (APPENDICES)**

***FOR THE YEAR ENDED 31 OCTOBER 2016***

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### **NOTE ONE: WORKING GROUPS**

When a suitable issue of legal uncertainty or misunderstanding is identified by the Committee which it wishes to be considered, generally a Working Group will be formed to examine the key points of uncertainty or misunderstanding and to consider how such issues can be addressed, and ultimately to submit a report to the Committee for approval. Alternatively, if the Committee feels that it is not necessary for a Working Group to be formed it may decide to deal with the matter "in-house", with the assistance of the Secretariat.

Working Groups provide bi-monthly progress reports to the Secretariat for inclusion in the "developments update" document considered at Committee meetings.

The Committee proposes the approximate size of the Working Group. Nominations for Working Group members are passed to the CEO by the Committee and, where appropriate, relevant patrons and stakeholders. Working Groups will generally include one or more Committee Members, together with other individuals approached by the CEO because they have the necessary legal and/or technical know-how in the field under discussion. Such participants are often lawyers, barristers, GCs of banks, and/or members of international or governmental bodies.

Working Groups will be chaired by a Committee Member or by the CEO or, where this is not possible, by a former Committee Member or, if strictly necessary, another individual who has a deep institutional understanding of FMLC protocols and processes by virtue of his or her regular engagement with the FMLC's work.

Working Groups may not contain more than one representative from any given institution, and the Committee will in all cases be in a position to monitor the work done by Working Groups and maintain awareness of the conduct of Working Group meetings.

Once appointed, Working Groups are provided with terms of reference, a formal agenda and the Charity's Contributors' Guidelines. Working Groups are given to understand from the outset that they are convened only to make recommendations (including recommendations on drafting), which may then be adopted and endorsed (or not) by the Committee.

Close control and supervision of Working Groups is important to ensure that their work remains consistent with the role and remit of FMLC. In particular, Working Groups (like all other organs of FMLC) must confine their remit only to identifying and considering, impartially and in the public interest, issues of legal uncertainty or misunderstanding. Working Groups cannot, therefore, comment on policy issues and any work produced must be demonstrably impartial and independent. No special pleadings can be made for one industry or market, or for London as a financial centre.

# **FINANCIAL MARKETS LAW COMMITTEE**

## **TRUSTEES' REPORT (APPENDICES)**

***FOR THE YEAR ENDED 31 OCTOBER 2016***

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### **NOTE TWO: SCOPING FORUMS**

Scoping Forums are discussion panels established by the Committee to provide a platform for the discussion of current and future issues of legal uncertainty or misunderstanding that are of concern in relation to a specific area of the financial markets industry. Scoping Forums are provided by the Committee with a document setting out the Scoping Forum's role and remit.

Any viable topics which are identified are passed by the Scoping Forum to the Secretariat, which may then if it considers the topic suitable pass the proposal to the Committee for consideration. The Secretariat is therefore primarily responsible for ensuring that the work of the Scoping Forums is within the role and remit of FMLC.

Scoping Forums should meet at least every quarter but may, if it is deemed necessary by the Committee, meet more regularly.

Chairs of a Scoping Forum are chosen on a rotational basis. The Secretariat will have a list of rotational chairs, some of which may be drawn from the members of the particular Scoping Forum.

Scoping Forums do not themselves have any powers to initiate projects or pass resolutions affecting FMLC or the Committee.

There are currently eight Scoping Forums in operation in relation to market infrastructure, finance and technology, banking, buy-side, insurance, Brexit, sovereign debt and virtual currencies.

# FINANCIAL MARKETS LAW COMMITTEE

## TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2016

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### STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also directors of Financial Markets Law Committee for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### AUDITORS

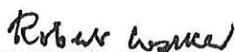
In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The board recommend to the AGM that Price Bailey LLP should continue to be engaged as auditors for the forthcoming financial year.

This report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf by:



Lord R Walker

Date: 27/07/2017.

# **FINANCIAL MARKETS LAW COMMITTEE**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FINANCIAL MARKETS LAW COMMITTEE**

***FOR THE YEAR ENDED 31 OCTOBER 2016***

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We have audited the financial statements of Financial Markets Law Committee for the year ended 31 October 2016 which comprise the Statement of Financial Activities (incorporating an Income and Expenditure Account), the Charity Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Trustees' Responsibilities Statement set out in the Trustees' Report, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and report in accordance with this Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 October 2016, and of the company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## FINANCIAL MARKETS LAW COMMITTEE

### INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF FINANCIAL MARKETS LAW COMMITTEE

**FOR THE YEAR ENDED 31 OCTOBER 2016**

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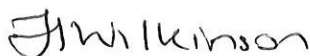
#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report



**Helena Wilkinson BSc FCA DChA (Senior Statutory Auditor)**

for and on behalf of  
**PRICE BAILEY LLP**

Chartered Accountants  
Statutory Auditors

Dashwood House  
69 Old Broad Street  
London  
EC2M 1QS

Date: 28 July 2017

# FINANCIAL MARKETS LAW COMMITTEE

## STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)

FOR THE YEAR ENDED 31 OCTOBER 2016

	Note	Unrestricted £	Restricted £	2016 Total £	2015 Total £
<b>INCOME</b>					
Donations	2	347,500	-	347,500	377,344
Charitable activities	3	242,968	-	242,968	326,490
<b>Total income</b>		<b>590,468</b>	<b>-</b>	<b>590,468</b>	<b>703,834</b>
<b>EXPENDITURE</b>					
Charitable activities	4	(351,362)	-	(351,362)	(341,636)
<b>Total expenditure</b>		<b>(351,362)</b>	<b>-</b>	<b>(351,362)</b>	<b>(341,636)</b>
<b>Net income</b>		<b>239,106</b>	<b>-</b>	<b>239,106</b>	<b>362,198</b>
<b>Transfers between funds</b>	11a	-	-	-	-
<b>Net movement in funds</b>		<b>239,106</b>	<b>-</b>	<b>239,106</b>	<b>362,198</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward	11b	362,198	-	362,198	-
<b>Total funds carried forward</b>	11a	<b>601,304</b>	<b>-</b>	<b>601,304</b>	<b>362,198</b>

All amounts relate to continuing activities of the company.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes to the accounts are shown on pages 23 to 28.

# FINANCIAL MARKETS LAW COMMITTEE

REGISTERED COMPANY NUMBER: 08733443

## BALANCE SHEET

AS AT 31 OCTOBER 2016

	Notes	2016 £	2015 £
<b>CURRENT ASSETS</b>			
Debtors	9	351	337
Cash at bank and in hand		713,519	374,167
<b>TOTAL CURRENT ASSETS</b>		<b>713,870</b>	<b>374,504</b>
<b>LIABILITIES</b>			
Creditors: amounts falling due within one year	10	(112,566)	(12,306)
<b>NET CURRENT ASSETS</b>		<b>601,304</b>	<b>362,198</b>
<b>NET ASSETS</b>		<b>601,304</b>	<b>362,198</b>
<b>FUNDS OF THE CHARITY:</b>			
Restricted funds	11	-	-
Unrestricted funds	11	601,304	362,198
<b>TOTAL FUNDS</b>		<b>601,304</b>	<b>362,198</b>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The attached notes on pages 23 to 28 form part of these financial statements.

The financial statements were approved by the Board of Trustees and signed on their behalf by:

*Robert Walker*

Lord R Walker

Date: 27/07/2017.

# FINANCIAL MARKETS LAW COMMITTEE

REGISTERED COMPANY NUMBER: 08733443

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 OCTOBER 2016

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	Notes	2016 £	2015 £
<b>Cash Flows from Operating Activities</b>			
Net cash provided by operating activities		239,106	362,198
<b>Adjustments for:</b>			
(Increase)/decrease in debtors		(14)	(337)
Increase/(decrease) in creditors		100,260	12,306
		<hr/>	<hr/>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>339,352</b>	<b>374,167</b>
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the reporting period		374,167	-
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>713,519</b>	<b>374,167</b>
		<hr/>	<hr/>

The attached notes on pages 23 to 28 form part of these financial statements.

# FINANCIAL MARKETS LAW COMMITTEE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

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### 1 Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

#### a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The financial statements are prepared on a going concern basis and are presented in sterling, which is the functional currency of the charity.

The charity meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

#### b) Going Concern

The trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

#### c) Legal status of the Charity

There is no share capital as the company is a private company limited by guarantee incorporated within England. Each member has guaranteed an amount, not exceeding £1, towards the company's liabilities in the event of a winding up, provided that a member has not ceased to be a member one year prior to any winding up order. The registered office of the charity is 8 Lothbury, London, EC2R 7HH.

#### d) Fund accounting

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

#### e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the items of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Donations comprise income received from members and grants given by the Bank of England to support the charitable company's activities. Donations are recognised when received and grants are recognised on submission of expenditure claims from the charitable company to the Bank of England.

#### f) Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accruals basis.

Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

## FINANCIAL MARKETS LAW COMMITTEE

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

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**g) Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Accrued income and tax recoverable is included at the best estimate of the amounts receivable at the balance sheet date.

**h) Cash at bank and In hand**

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

**i) Creditors**

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due. Concessionary loans received at below market rates are received in order to further the charitable objects of the organisation and are therefore included at the amount received and are not discounted.

**j) Financial instruments**

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

**k) Foreign Currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

**l) Taxation**

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

## **2) Judgments In Applying Accounting Policies And Key Sources Of Estimation Uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Trustees make estimates and assumptions concerning the future based on their knowledge of the business and the markets it operates in. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

There are no areas considered to be potentially material to the financial statements.

## FINANCIAL MARKETS LAW COMMITTEE

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

#### 2 Donations

	2016 £	2015 £
Donations	347,500	377,344

All donations received in 2016 and 2015 related to unrestricted funds.

#### 3 Income from Charitable Activities

	2016 £	2015 £
Grant income from the Bank of England	242,968	326,490

All income from charitable activities in 2016 and 2015 related to unrestricted funds.

#### 4a Analysis of resources expended by activity

	Direct Costs £	Support costs £	Total 2016 £
Upholding and proper administration of the law and the advancement of education	340,046	11,316	351,362

#### 4b Analysis of resources expended by activity

	Direct Costs £	Support costs £	Total 2015 £
Upholding and proper administration of the law and the advancement of education	335,870	5,766	341,636

#### 5 Analysis of support costs

	2016 £	2015 £
Sundry expenses	1,761	1,316
Audit fees	6,840	4,450
Non Audit fees	2,715	-
	11,316	5,766

## FINANCIAL MARKETS LAW COMMITTEE

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

#### 6 Analysis of staff costs and key management personnel

	2016 £	2015 £
Wages and salaries	282,123	262,472
Social security costs	30,562	25,556
	<u>312,685</u>	<u>288,028</u>

The Chair received £nil (2015: £nil) during the year in respect of his duties in office.

During the year, no trustees were paid in respect of their duties (2015 – Nil).

In 2016, no trustees (2015 – 1) received reimbursements of expenses (see note 12).

The charity considers its key management personnel to comprise of 1 person. During the year, the total employment benefits of this person were £118,371 (2015: £78,837).

The average monthly head count was as follows:

	2016 Number	2015 Number
Charitable activities	<u>8</u>	<u>9</u>

There was one employee whose total employee benefits excluding pension contributions was between £100,000 and £105,000 (2015 – one employee between £70,000 - £80,000).

Total employer pension contributions during the year for the staff in the above bandings were £Nil (2015: £Nil).

#### 7 Net incoming resources

	2016 £	2015 £
Net incoming resources is stated after charging:		
Auditors remuneration:		
- for audit services	6,840	4,450
- for non-audit services	<u>2,715</u>	<u>2,160</u>

#### 8 Taxation

The company is a registered charity and as such is exempt from taxation on its income and gains falling with section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied for charitable purposes.

# FINANCIAL MARKETS LAW COMMITTEE

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 9 Debtors

	2016 £	2015 £
Prepayments and accrued income	351	337
	<u>351</u>	<u>337</u>

### 10 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	93,503	-
Other taxation and social security	8,039	7,856
Accruals	11,024	4,450
	<u>112,566</u>	<u>12,306</u>

### 11 a Funds analysis – current year

	Balance at 1/11/15 £	Income £	Expenditure £	Transfers £	Balance at 31/10/16 £
<b>Restricted funds</b>					
Restricted	-	-	-	-	-
<b>Total restricted funds</b>	-	-	-	-	-
<b>Unrestricted funds</b>					
Donations	362,198	347,500	(14,891)	(93,503)	601,304
Grant income from the Bank of England	-	242,968	(336,471)	93,503	-
<b>Total unrestricted funds</b>	<u>362,198</u>	<u>590,468</u>	<u>(351,362)</u>	<u>-</u>	<u>601,304</u>
<b>Total funds</b>	<u>362,198</u>	<u>590,468</u>	<u>(351,362)</u>	<u>-</u>	<u>601,304</u>

# FINANCIAL MARKETS LAW COMMITTEE

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 11 b Funds analysis – prior year

	Balance at 1/11/14 £	Income £	Expenditure £	Transfers £	Balance at 31/10/15 £
<b>Restricted funds</b>					
Restricted	-	-	-	-	-
<b>Total restricted funds</b>	-	-	-	-	-
<b>Unrestricted funds</b>					
Donations	-	377,344	(15,146)	-	362,198
Grant income from the Bank of England	-	326,490	(326,490)	-	-
<b>Total unrestricted funds</b>	-	<b>703,834</b>	<b>(341,636)</b>	-	<b>362,198</b>
<b>Total funds</b>	-	<b>703,834</b>	<b>(341,636)</b>	-	<b>362,198</b>

### 11c Net assets by funds

	Unrestricted Funds 2016 £	Unrestricted Funds 2015 £
<b>General fund:</b>		
Current assets	713,870	374,504
Creditors falling due in less than one year	(112,566)	(12,306)
	<b>601,304</b>	<b>362,198</b>

### 12 Related party transactions

During the year the company reimbursed travel expenses of £Nil (2015 - £671) to Lord Walker, a trustee of the charity.

The amount due to Lord Walker at the year end was £Nil (2015 - £Nil).

During the year the company received donations from law firms at which trustees S Firth, K Gibbons and M Duncan are partners.

### 13 First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on total funds.