

# STATES OF JERSEY

## Public Accounts Committee

MONDAY, 20th APRIL 2009

**Panel:**

Senator B.E. Shenton (Chairman)  
Connétable J.M. Refault of St. Peter  
Connétable A.S. Crowcroft of St. Helier  
Deputy T.A. Vallois of St. Saviour  
Mr. A. Fearn  
Mr. K. Keen  
Mr. M.P. Magee  
Mr. P.J.D. Ryan

**Witnesses:**

Mr. P. Paul (Royal London Asset Management)  
Mr. J. Pope (Royal London Asset Management)

**In attendance:**

Ms. A. Heuston (Committee Clerk)

**Senator B.E. Shenton (Chairman):**

It is a little bit echoey but we are using it for the first time so it is quite interesting to see. I have got a little bit of housekeeping I have to do. I have to read you out a statement beforehand just as a matter of course. The proceedings of the panel are covered by parliamentary privilege through Article 34, the States of Jersey Law 2005 and the State of Jersey Power, Privileges and Immunities (Jersey) Regulations 2006. Witnesses are protected from being sued or prosecuted for anything said during hearings unless they say something that they know to be untrue. This protection is given to witnesses to ensure that they can speak freely and openly to the panel when giving evidence without fear of legal action, although immunity should obviously not be abused by making unsubstantiated statements about third parties who have no right of reply. The panel would like you to bear this in mind when answering questions. If I could just start by asking you to briefly introduce yourselves and give us a little bit of background about Royal London.

**Mr. P. Paul (Royal London Asset Management):**

My name is Pierre Paul. I am the Managing Director of Royal London Asset Management C.I. Limited. In terms of my personal background, I have been involved with the money markets for in excess of 20 years. I am qualified by virtue of the fact that I am a member of the Association of Chartered Institute of Bankers and also a member of the M.S.I. (Member of the Securities Institute) which is the Securities Institute. I have worked with Royal London for 21 years. My background in that area specifically was coming through money markets trading and dealing in bank deposits. That is a sort of potted history. In terms of the Royal London Group, Royal London is a large, mutually owned organisation owned by the policyholders of the company. The main operation is an insurance operation. Royal London Asset Management exists primarily to manage the assets of the insurance company. It also manages assets of a number of third parties, including obviously the States of Jersey. We have got an operation in London and our Channel Islands operation is based in Guernsey. So that is a potted history of Royal London Asset Management. We have had a relationship with the States of Jersey for nearly 3 years now. If I just hand over to my colleague, John ...

**Senator B.E. Shenton:**

Can I just interrupt you? This is a public meeting and I notice that the Channel T.V. (television) are filming. I take it you have no objection to the T.V. cameras filming?

**Mr. P. Paul:**

No.

**Mr. J. Pope (Royal London Asset Management):**

My name is Jonathan Pope. I work in Royal London Asset Management in the Guernsey office. I am responsible for the day-to-day investment management of the Guernsey operation. I have worked with the company since 1995. My role is day-to-day investment management of the clients for which we manage money. I have obviously got 14, 15 years experience of the money markets. I have seen the various ups and downs of the money markets in that period. I have been responsible for client money,

initially as an assistant investment manager, but since the late 1990s as an investment manager. I have on occasion worked in the London office but I am based in Guernsey at the moment.

**Senator B.E. Shenton:**

Do you have any foreign exchange specific qualifications such as the A.C.I. (Association Cambiste International) dealing certificate or ...

**Mr. J. Pope:**

My qualifications, I am a member of the Chartered Secretaries and also a Member of the Securities Institute, so M.S.I.

**Mr. P. Paul:**

Our role is not providing foreign exchange advice so ...

**Senator B.E. Shenton:**

You say your role is not providing advice.

**Mr. P. Paul:**

Our role in respect of our relationship with the States of Jersey Treasury is to manage their sterling reserves.

**Senator B.E. Shenton:**

Okay, but you obviously have provided some foreign exchange advice in this particular instance.

**Mr. J. Pope:**

We gave an opinion on where we thought the sterling/euro exchange rate was going to go but that is very different to offering definitive advice on what the States of Jersey were trying to achieve.

**Senator B.E. Shenton:**

Yes. My personal impression when reading through the papers is that you were never told specifically in fine detail exactly why you were being asked the advice you were being asked. Would you confirm that this is true or not?

**Mr. J. Pope:**

We were initially approached on the afternoon of 29th October to be told that some of the money we were managing would be used to fund an incinerator and that funding would be in euros. We were managing money in sterling and there were various options that were being looked at to raise those euros. We were given 3 options. Firstly, just raise the euros as they were required; secondly, they were looking at forward foreign exchange contracts; and, thirdly, buying the euros in one block and paying the euros as they were required by fixed payments to the contractor. We were asked whether we could help in any of those. The email said that option 1, just taking the exchange rate was probably not going to be pursued but could we help with the other 2 options. Our reply was, yes, we could help with the other options. We have the facilities to be able to offer that service but at no point did we advise on the suitability of those options for the situation.

**Senator B.E. Shenton:**

So, basically, what you were saying is that you could help out on an execution only basis?

**Mr. J. Pope:**

Yes, exactly.

**Senator B.E. Shenton:**

You could provide generic advice but this would not be advice specific to the actual problem that they have at the moment with regard the funding of the payments for the incinerator?

**Mr. J. Pope:**

Yes.

**Senator B.E. Shenton:**

So the advice that you gave them was very much generic as we would find that most asset managements they would all have a view on a currency from a generic point of view.

**Mr. J. Pope:**

Yes.

**Senator B.E. Shenton:**

Basically” Can you do this or can you do that?” You said: “Yes, we can but that would be execution only advice.”

**Mr. J. Pope:**

Yes.

**Senator B.E. Shenton:**

Do you think it is slightly misleading if someone said that the Treasury had taken specific advice on this matter?

**Mr. P. Paul:**

I think the use of the word “advice” in the report is probably used a little bit too liberally now that we have been called to this hearing. It was more that our opinion was being given as opposed to our advice was being given. As you say, it was generic. When we were talking about exchange rates it was generic to the situation at the time but in terms of advice, we were not expecting anyone to rely on anything in particular that we were saying, just to use it as part of other advice that was being sought in respect of making a decision as to what the final outcome was going to be in terms of buy now or buy later.

**Senator B.E. Shenton:**

Your actual relationship with the States of Jersey Treasury does not provide for specific currency advice anyway on something like this?

**Mr. J. Pope:**

No.

**Senator B.E. Shenton:**

Okay. One aspect that jumped out at me was a bit of advice given: wait until January. That seems very strange, given you are both investment professionals and understand the volatility of exchange rates.

**Mr. P. Paul:**

I think the context in which the question was asked is important here as well with regard to that particular episode. John?

**Mr. J. Pope:**

Yes, as I say, the initial email, attached to it was a schedule of payments and the first payment was due in January 2009. So we were told that this contract was probably going to be signed, that there would be a requirement from January 2009 for 18 months for staged payments to be made, the total sum of those staged payments would be in the region of 75 million euros, and could we help. So January 2009 was the start date that was given to us as the date at which euros would start to be required. The report mentions that the principal objective of the States of Jersey was to have some sort of definitive or certainty of exchange rate. We were not aware of that, just make the point that we did not know about that principal objective. I think our advice would have been different had we known that that requirement existed. I mean, the report I wrote on 5th November says the exchange rate would effectively be fixed in early January because that is the start date that we were under the impression was required.

**Senator B.E. Shenton:**

Right, okay. It still seems quite strange that you did not take into account the possible fluctuation, even on the staged payment, the fact there was a payment due in January, the possible consequences of a move between November and January.

**Mr. P. Paul:**

I think we were aware that obviously there were risks involved in exchange rates moving between that point and January. I think our ... I cannot remember the detail in the emails given specifically but I am pretty sure the word "risk" was mentioned.

**Senator B.E. Shenton:**

Risk, in the context that the risk is yours?

**Mr. P. Paul:**

By not having an exchange rate fixed, there is a risk. It can go one way or the other.

**Senator B.E. Shenton:**

Right, okay. You obviously undertook some foreign exchanges on behalf, that a part of the money has now been converted.

**Mr. P. Paul:**

Yes.

**Senator B.E. Shenton:**

You used HSBC as your counterparty, is that right?

**Mr. P. Paul:**

Yes, HSBC. We have used them for a number of years. They act as the custodian and banker for all of

our clients.

**Senator B.E. Shenton:**

What sort of spread would you expect on deals of the size that you are ...

**Mr. P. Paul:**

When we speak to them we do say whether we are going to be buying or selling, so they give us an actual rate at which they will buy sterling from our client on our behalf and sell us the euros in this particular instance. So they do not quote a spread; they quote us their exchange rate for doing the deal. We obviously have systems. We use Bloomberg to monitor what is going on in the money markets on a live basis and we check what HSBC tell us against what we can see coming through on the Bloomberg information system.

**Senator B.E. Shenton:**

Do you mark up at all?

**Mr. P. Paul:**

No, we do not act as a principal. We act purely as an agent in all our relationships with our clients so we do not take any turn or any other remuneration from doing exchanges for our clients.

**Senator B.E. Shenton:**

You have got the Bloomberg so you know exactly where the market is on a very tight split. What would you say was acceptable for H.S.B.C. to take out of something like this?

**Mr. P. Paul:**

Personally, from experience I would talk about less than .0007 of a per cent, you know, of a basis point, so probably 7 tenths of a basis point.



**Mr. J. Pope:**

Again the Bloomberg can be moving instantaneously because it will be being fed from lots of other market participants. But at the rate at which HSBC quoted, it was a buying rate and there was ... I did the foreign exchange and there was a bit of negotiation there. I had to ask them to improve the rate, which they did to the rate that Bloomberg was showing on the screen.

**Senator B.E. Shenton:**

Right, okay. When did you get a clearer picture of the fact that this money was required with a limited risk with regard the exchange rate?

**Mr. J. Pope:**

I think it was when Mr. Swinson interviewed us with regard to writing the report.

**Senator B.E. Shenton:**

Have you provided advice since then to the Treasury with regard to the management of this exchange rate risk?

**Mr. J. Pope:**

No. We have done another couple of foreign exchanges but on an execution only basis.

**Senator B.E. Shenton:**

Were they on limits or were they just ...?

**Mr. P. Paul:**

There were a total of 2 large wholesale foreign exchange transactions and one slightly smaller one, I think, in the period in question.

**Senator B.E. Shenton:**

Right, okay. You have not offered any advice to them with regard to their current strategy? Are you aware of their current strategy?

**Mr. P. Paul:**

We are aware of it now. We are aware of having read the report what the objectives obviously were and are and what decision has been taken to achieve those and achieve exchange rate certainty. We are not, as far as I am aware, aware of any decision that has been made.

**Senator B.E. Shenton:**

Can I ask you your opinion of the current strategy which is to convert at set levels if the rate moves up but to do nothing on the downside until it hits 105 and then have a meeting?

**Mr. P. Paul:**

Our opinion of that?

**Senator B.E. Shenton:**

Yes. Is that a strategy? You are limiting your profit and unlimited losses.

**Mr. P. Paul:**

It is such a difficult market to have a fixed opinion. Obviously, if the exchange rate were to improve to a situation which existed pre-October and the exchange rate goes back to above 120, that will be, in hindsight, a good decision to have made. But I think hindsight is a wonderful thing. I think certainty, to my mind, is a key objective and having certainty is what I would try and always go for.

**Senator B.E. Shenton:**

I mean if it was put to you that perhaps they should have a rising stock, as the rate improves to have a stock loss rising as the rate improves, would that not be a better strategy?

**Mr. P. Paul:**

We have always said we do not give foreign exchange advice. This is putting us into a position where we are almost giving a view on foreign exchange. I cannot really say what I think is the best thing at the moment; not in this forum, I am afraid.

**Senator B.E. Shenton:**

When they contacted you for foreign exchange advice, did you make it quite clear that you were providing it even though you do not normally provide it?

**Mr. J. Pope:**

The report of 5th November where the options were discussed does make it clear that we could not give any sort of view on cost of one option over the other option and that our view in that report was from the administration side of acting on an execution only basis to achieve the aims of the email that we received.

**Senator B.E. Shenton:**

But you did give advice.

**Mr. J. Pope:**

Advice in the administration of the 2 options that were under consideration, be it for foreign exchanges or buying the euros in one go. As cash managers, our field of expertise really is in the managing of the euro portfolio. If all the euros had been converted in one go, us managing that euro sum on a reducing sum basis as staged payments were made, our expertise would have been to maximise the return on those euros for the 18 months there was a euro balance. So we talked in the report about the disparity between euros interest rates and the Bank of England interest rates. So that was really the crux of our speciality, our expertise, as cash managers. That is where our expertise is focused.

**Senator B.E. Shenton:**

Do you think there was a possibility that as cash managers there was an assumption that you did provide cash advice with respect to foreign exchange?

**Mr. J. Pope:**

I think our advice was caveated every time we did make a reply during this whole process with we cannot ... and the report makes the point that no house really would give short term foreign exchange opinion or advice because it is so difficult and fraught, especially given the market circumstances at the time that we were discussing. In the last quarter of last year, the world economy was going through unprecedented times and I think it would have been very difficult to find. Paul makes the point that it would be difficult for a house to give advice on those sort of scenarios.

**Mr. K. Keen:**

Mr. Pope, it seems on page 43 in Wednesday the 5th you do seem to indicate that you are giving advice. Then you turn on another consideration, making administration. So you did not appear to me to be saying: "We are only dealing with administration" or "We are not going to give you advice on how you should hedge it." You seem to say there are alternatives by the currency or have some forward contracts and then you say a further consideration is the administration. So it seems possible that somebody could have misinterpreted that as they were getting advice on ... especially as they were asking for advice, is that they were getting advice on the F.X. (foreign exchange) exposure.

**Mr. J. Pope:**

No, I do not think ... the initial email was to ask for our opinion on the options open. The reply of 5th November is specifically concerned with the 2 options: buying forward foreign exchange contracts or buying the euros in one go and managing the resulting amount of euros. My report or my memo was talking about how we would go about doing either option and then I said the administration side of things potentially we think it might be easier if you buy all the euros in one go. We are not talking about hedging. At no point were we giving an advice on hedging the exposure because we did not know that was the principal objective prior to 29th October. We were asked: "These are the options under

consideration, can you help and do you have an opinion on which option?" We did give that opinion I think.

**Mr. K. Keen:**

So you did not think that the Treasurer's Department was asking you for advice on ...

**Mr. J. Pope:**

On when to buy euros as opposed ... when to sell sterling and buying euros? No, I do not, no. The advice or our involvement was the administration side of the situation.

**Mr. K. Keen:**

I think it would be understood that the decision would ultimately be the Treasurer's or his department but he seemed to be asking you for advice as to how he might hedge or his department might hedge that exposure. There is a decision to be made and there is a way to best execute that decision. It seems that you were giving advice on that.

**Mr. P. Paul:**

No, I think we go back to saying these were the options available: either buy now or buy forward. We are not giving advice as to which one was better.

**Senator B.E. Shenton:**

But sort of going all the way back, when they asked you for advice and you said you did not give advice but surely the first question you would ask is why do you want to do this.

**Mr. P. Paul:**

Yes. We were aware that there was going to be a requirement to buy euros but the decision was not ours and we were not giving advice as to whether to do that.

**Senator B.E. Shenton:**

So you did not ask why they wanted to do this?

**Mr. J. Pope:**

We knew why but ... we were given the schedule of payments, which starts in January 2009, and said: "This is when we will have a requirement for euros and these are the options under consideration." So we had enough information with those 2 pieces of information to write the report that we wrote.

**Senator B.E. Shenton:**

But you did not know at that point that the States had said that we want the exchange rate risk eliminated on the signing of the contract?

**Mr. J. Pope:**

No.

**Connétable J.M. Refault of St. Peter:**

Just really looking at some sort of general housekeeping questions, if you do not mind. The first one is obviously to you, Pierre, because I think you have been involved with Royal London a lot longer. How long has Royal London been looking after the asset management on behalf of the States of Jersey?

**Mr. P. Paul:**

Just under 3 years.

**The Connétable of St. Peter:**

It is only the last 3 years. And your relationship with the current Treasurer?

**Mr. P. Paul:**

Sorry, the relationship with the current Treasurer?

**The Connétable of St. Peter:**

With the current Treasurer of the States.

**Mr. P. Paul:**

I think I probably met him a year before, about a year or so before we.

**The Connétable of St. Peter:**

Is he your principal contact with the States of Jersey?

**Mr. P. Paul:**

No.

**The Connétable of St. Peter:**

Your principal contact being ...?

**Mr. P. Paul:**

Our contacts are the operational staff within the Treasury on a day-to-day basis. So there are a number of contacts there. Principally at the moment it is a lady by the name of Jenny Heath who we talk to on a day-to-day basis; sorry, we talk to reasonably regularly. On a day-today basis we speak to a number of other people.

**The Connétable of St. Peter:**

Were you aware around the time that you were being asked opinions - I am aware you do not wish to use the word "advice" - that other advisers were also offering different advice?

**Mr. P. Paul:**

No.

**The Connétable of St. Peter:**

Were you aware there were advisers involved in the project at all?

**Mr. P. Paul:**

We do know obviously that the States of Jersey use an investment consultant by the name of Hewitts but it would be, I guess, natural to consult an investment consultant with regard to this particular thing. But we did not know ... certainly I am not aware that we knew at the time that other parties were being asked similar questions or questions of a similar nature.

**The Connétable of St. Peter:**

From the questioning, the questions that were being posed to you by email from the Treasury Department, was it not fair to assume or to reasonably assume that they were looking for - let us use a different word - a steer from you on the best way forward?

**Mr. P. Paul:**

No. I think it was not something that we were aware they were hoping for. I do not think they were expecting ... we did not expect to give them that opinion on when was the best time to do a foreign exchange transaction. We, again, were firmly always concerned with the administration of either managing the sterling, while it waited until it was converted into euros, or managing the euros once it had been converted from the sterling.

**The Connétable of St. Peter:**

Did you at any time sort of question why you were being asked to comment on these opinions? I do not know, Jonathan, whether that is a better one for you.

**Mr. J. Pope:**

As the process went on into December it was apparent from sort of circular emails that we were



receiving that other advice was being sought and given. Very much we were still of the opinion that we were ... once we had set up the methodology by which we could buy euros on behalf of the States of Jersey, using the sterling funds and made the States of Jersey or the people we spoke to aware of the procedure that would need to be followed in order to enact that execution only advice, there were other emails we received which did imply to me that advice had been sought elsewhere. We did receive an email in December to say that they had received some advice on this and the advice was not to transfer the entire sum into euros at this time. So I was of the opinion that people were receiving advice and when people making the decisions decided to act upon that advice they would in turn contact us, tell us what to do and we would then put in process the strategy, or not the strategy, the methodology that we had agreed upon to buy the euros.

**The Connétable of St. Peter:**

So when you decided to advise ... sorry, recommend, the right word ... to buy the euros in January 2009, that was based on?

**Mr. J. Pope:**

Purely on ... the January 2009 decision or start date was purely on the original conversation we had which was back in October: "In January we are going to have a requirement to raise euros." We were given a repayment schedule. The first payment was in January 2009 so our thinking ... well, not thinking but our administration, again it was not ... we were not thinking about January 2009 from a currency hedging situation. It was purely part of the problem we had been given, if you like, was that in January 2009 there will be a requirement for euros.

**The Connétable of St. Peter:**

Going to the land of what if, if you were to be asked to comment again in the future on another large acquisition which involved different currencies, would you alter the way that you dealt with your responses to the States on that future occasion in any way and, if so, which way?

**Mr. P. Paul:**

I think we would probably take each situation as it comes in terms of we are still primarily concerned with the management of a particular type of currency. If then asked for an opinion on exchange rates, we would give our opinion but probably no differently to how we have given an opinion but it would be couched in the context of the question that we were asked at the time.

**The Connétable of St. Peter:**

Can I just go back again to Jonathan then? You said it became clear that other people were giving advice at the time. Again coming back to my land of if, knowing that in the future would you not have asked what that advice is and factored that into any comments you made back?

**Mr. P. Paul:**

I think that came quite late in the scenario. That was 15th December so it had been evident for a while.

**The Connétable of St. Peter:**

Sure.

**Mr. J. Pope:**

In this situation, again I did not think that it was our role to give advice as of ... from the 15th December email. Other people were giving the advice. There is a strategy here. We were on the administration. When the decision is made, we will do that. We will enact that decision to the very best of our ability. Our role would be to get the best rate we could do and to ensure not only was the foreign exchange done at the best rate but then of course there is the funding, the euro purchase with the sterling investment and ensuring that side of things was done to the best rate to benefit the States of Jersey. There is also making the payment, which sounds like a very straightforward thing but if a payment had not been made on the right date, I think there would have possibly been other issues. So our sort of area of expertise was to ensure that side of things went without fault.

**The Connétable of St. Peter:**

I think really just my words again, what I am getting from you if this were to occur in the future you would not factor in other advice in expressing your opinion.

**Mr. J. Pope:**

Would not, sorry?

**The Connétable of St. Peter:**

You would not factor in other advice which the client had received in coming to your opinions. Is that correct?

**Mr. J. Pope:**

We do not give advice so we would assume that other people would be giving that advice, could be a summation of our view.

**The Connétable of St. Peter:**

Sorry, just a slight difficulty because I know we are getting hedged around this word. This word "advice" is a bit of a trip. Let us call it a steer for the moment. But there clearly is a lot of evidence that your steer which caused a steer has been sought through a number of emails and contacts with you. Call it a steer; call it advice; call it recommendation. It is clear that the States Department, your contact there, was quite keen to hear from you what you thought was the best route to take.

**Mr. P. Paul:**

Again, I think it was around the ease of administration of the issue involved. I think that the January date was primarily concerned with ease of administration. It was far easier to say: "Let us just keep everything in sterling until January and then we will start buying some euros." But from an ease of administration we were asked, that was obviously the easiest option but it certainly was not advice on the best time to do the exchange rate for whatever ... in terms of achieving an exchange rate certainty. It

would have achieved exchange rate certainty but it was not advice to do it in January.

**Senator B.E. Shenton:**

So when this came to light, the fact that the money had not been hedged in accordance with the proposition, the response was something along the lines of: “We took advice and the advice was not to hedge.” Royal London never provided such advice along those lines is what you are saying. All you provided was generic advice and administration advice?

**Mr. P. Paul:**

Yes.

**Senator B.E. Shenton:**

But you certainly never said to Treasury: “Do not hedge”?

**Mr. P. Paul:**

No.

**Mr. J. Pope:**

No.

**Mr. M. P. Magee:**

Could I ask a question? When you got the first email, the natural thing, I would have thought, as a service provider you would ask the question, what is your policy on F.X.? Was that question asked? Because to me that is how, if you looking at the admin side, you would say: “What is your foreign exchange policy? What do you do with F.X.?” Or was it so evident from the type of email that this was an inexperienced person who really was not quite sure what to do here?

**Mr. J. Pope:**

Well, I mean the fact that 2 options were offered in the email - buying a series of forward foreign exchange contracts or buying euros in one go - obviously indicated that there was a certain element of ... the email gave us some options: "These are the options we are considering. Can you help?" It could have been that our help was not necessary. They could have just said: "Thank you for your thoughts. We are going to get somebody else to go and do that. We are going to use the money that you are looking after to fund this option."

**Mr. P. Paul:**

I think you have got to take it in the context in which the question was asked. It was not just: "We are looking for some advice on foreign exchange. What is your advice?" It was more: "We have got this situation where we are going to have to buy some euros. Can you manage it?" That was always the premise under which we were working and that was I think the emphasis that was given when we were dealing with these people, with the relevant Treasury people, because it was: "How can we deal with this situation?"

**Mr. M. P. Magee:**

So it was not viewed as a sort of pseudo cry for help from somebody who was not quite sure where to go forward, like: "Help me formulate a policy"?

**Mr. P. Paul:**

We certainly wanted to help in whichever way we could but it was to help with the practical side and execution only situation. It was not providing help on foreign exchange with a view to a rate.

**Mr. J. Pope:**

We simply were not party to any of the conversations prior to 29th October. The principal objectives, at first we did not know. So we were asked a question on 29th October and we answered that question.

**Senator B.E. Shenton:**

I am not sure whether Guernsey is the same as Jersey. In Jersey, to give foreign exchange advice you need an A.C.I. certificate, or Association Cambiste International certificate, and you cannot give currency advice unless you hold that in Jersey. Is there a similar thing in Guernsey or not?

**Mr. P. Paul:**

There must be slight differences between Guernsey and Jersey but we are ... our licence to provide investment management advice is literally that, quite broad: to provide investment management advice. In terms of the detail, the nitty gritty of what that involves, as far as I am aware it is not specific to foreign exchange or bonds or currencies or equities. It is a more sort of generic investment management approach.

**Senator B.E. Shenton:**

On the basis that Treasury have contacted you since Chris Swinson apprised you of the exact situation, do you now consider yourself out of the loop and you just operate now on an execution only basis for carrying out foreign exchange transactions as and when required by the Treasury Department?

**Mr. P. Paul:**

We certainly consider ourselves as execution only but we are obviously very happy to provide opinions and to provide solutions if they are required.

**Senator B.E. Shenton:**

In other words, you will give your view on the euro but you will not specifically say what they should or should not do?

**Mr. P. Paul:**

Or help to set up a structure to achieve an objective, yes.

**Senator B.E. Shenton:**

Right. I am not sure if anyone else has any questions? No?

**Mr. K. Keen:**

Can I just ask one thing? Your remuneration, are you remunerated on a time basis?

**Mr. P. Paul:**

No.

**Mr. J. Pope:**

No.

**Mr. P. Paul:**

So what we are ... everything is purely ... we are not being remunerated effectively for what we are doing. We do not charge extra for what we are doing, no.

**Mr. K. Keen:**

So the only remuneration you would have obtained from this is from executing the euro transaction?

**Mr. J. Pope:**

No, we did not receive anything for executing the transaction either. We charge a set fee on the funds under management which we look after. It is an all inclusive fee so it would cover absolutely everything.

**Senator B.E. Shenton:**

If anything, you lose out because the money has been paid away, has it not?

**Mr. P. Paul:**

That is part and parcel of being a money manager. You are at the sharp end. It goes up and down, as we

all know, on a fairly regular basis.

**Senator B.E. Shenton:**

So the generic advice you gave was more as a good well gesture as opposed to anything else?

**Mr. J. Pope:**

Well, yes, as a very valued client, and we try and help where we can for any of our clients.

**Senator B.E. Shenton:**

Anyone else? I do not have any more questions. Thank you very much for coming over today. Thank you very much.