




Welcome to Investmaster's new look MasterPiece
 from Tom Brady, CEO

We have been producing Masterpiece as a printed magazine for the last two years but feel that the time is right to move on to an e-format. This is why, and how we hope the new format will benefit you...



New to Investmaster?

Portfolio Management, Settlement, CGT, Document Management, CRM, Fees Billing - how can we help?

Here's a quick overview



The Markets in Financial Instruments Directive (MiFID) - a Bluffer's guide

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Rebrand from Equipos, our Document Management and Client Reporting partner

Introduction

Welcome to Investmaster's new look MasterPiece

We have been producing Masterpiece as a printed magazine for the last two years but feel that the time is right to move on to an e-format:

- Our feedback tells us that the majority of our readers would prefer to receive MasterPiece by email, as being both quicker to access and easier to distribute to colleagues
- We aim to distribute MasterPiece on a more frequent basis to keep you up to date with news and developments in our sector – this can be achieved more quickly and effectively using email
- We plan to provide you with a more efficient means of selecting the information that really interests you, through links to relevant websites and to our own site where we can show further articles, presentations, and other supporting materials.

We are pleased to include in this MasterPiece two highly topical features. Guy Sears, Head of Implementation & Policy at APCIMS gives an update on MiFID. This is clearly a subject of enormous importance to the European financial services market and one that continues to evolve. Assessing its impact on the UK private client market is something that no investment management business can afford to ignore.

Nemone Wynn-Evans, Director of Business Development at the Plus Markets Group plc writes about the exciting new equity trading initiative, the Plus Service. This was only formally announced in October 2005 but has already attracted a good deal of interest and support from across the market. How this develops and how the London Stock Exchange responds will be very interesting to watch in the coming months.

Also included in this edition are updates on our own news and developments. This includes news of recent Investmaster sales successes with Hargreave Hale, Barratt & Cooke, Walker Crips Stockbrokers and Smith & Williamson Investment Management; details of plans for our market leading Wealthmaster Front Office product; and news of our recent extensive review of our client services provision.

We are also pleased to announce an agreement with MBA Systems Limited, in the latest in our series of strategic partnership initiatives. Under the terms of this partnership, our clients will be able to benefit from outsourced hosting and Managed Application Services (MAS) and Business Continuity Services provided by MBA.

I hope you like the new format of Masterpiece and find the contents of interest. I look forward to hearing your feedback.

Tom Brady
CEO
Investmaster Group Limited

info@investmaster.com
www.investmaster.com
www.mifidsolutions.com

MiFID Article

The Markets in Financial Instruments Directive (MiFID) – a bluffer's guide

Talking about MiFID is starting to become like discussing the facts of life. You know you should know about it, you think your friend does know about it and you have a slight fear that when you finally know about it, something of your innocence will be lost. You turn to your trusted consultant and all they will tell you is to start planning now and ensure you have taken precautions. Against what, you wonder, as you decide not to ask whether it is wrong to implement MiFID alone, if you are compliant, and what on earth a systematic internaliser is for?

What is MiFID?

MiFID is a European directive, published on the 30th April 2004 and originally due to go live on 30th April 2006. It now seems pretty certain that MiFID will need to be made part of UK law by 1st February 2007 and will go live on 1st November 2007.

Level 1 and 2

MiFID is the third Directive to enter the Lamfalussy process. The process, named after the Baron who chaired the initiative, is unique to financial services legislation. Under it, the European Commission first agrees a high-level framework directive, called a Level 1 directive. This is what we know as MiFID.

The next stage involved a body called CESR, the Committee of European Securities Regulators, on which FSA and the other 24 national securities regulators are represented. The Commission mandated CESR to provide it with written advice as to what detailed implementing measures are needed. These are known as Level 2 measures.

That advice was received and the Commission has consulted on its own proposals via four working documents, covering transaction reporting, internal organisation of firms and research, market transparency and conduct of business. In December, we expect that the Commission will table a proposal for a directive and a regulation to implement these detailed Level 2 provisions. A directive needs to be brought into a country's laws; a regulation takes direct effect.

The proposed Level 2 measures will be considered by the European Securities Committee (comprising representatives of the member state Treasuries) together with the European Commission. They are expected to approve them (with or without amendments) in March 2006. Also in March, FSA will consult on the main changes to the Handbook. This will follow a consultation on system and control changes in late February consequent on MiFID and the Capital Requirements Directive. The Handbook will likely be formally revised in December 2006.

Why was it needed?

The 1993 Investment Services Directive had set up a system whereby firms could do business in other EU states under a "passport", but it was not up to the job. MiFID is designed to make much clearer how the passport works and that the firm's home state rules always apply. Firms can also set up branches or have tied agents in other states and then certain of that country's rules will apply to business done from that branch or by that tied agent. From an investor protection viewpoint, MiFID also harmonises across the EU to a large extent the rules applicable to firms when dealing with clients. From a markets' viewpoint, MiFID ends the concentration rule and seeks to bring equivalent treatment to a wide range of trading models, introducing the concept of systematic internaliser which (very loosely) is a firm which has a significant and structured own account internalisation process that is offered to clients.

What does it cover?

MiFID deals with people and firms who carry on one or more specified activities, dealing, portfolio management, advising and arranging, to name some, in relation to specified investments. These include transferable securities (e.g. shares and bonds); money-market instruments; units in collective investment undertakings; and a wide range of options, futures, swaps, forward rate agreements, contracts for differences and other derivatives.

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MiFID provides a new architecture for the financial services industry, and some of its key provisions are the removal of the concentration rule, new rules on best execution, the new concept of Multilateral Trading Facilities, the extension of scope to include commodity derivatives, and measures to increase the transparency of limit orders. Firms will be required to make substantial systems changes to cope with the new provisions. It remains a possibility that investment advice will be widened to include generic advice

Guy Sears

Head of Implementation and Policy

The Association of Private Client Investment Managers and Stockbrokers

www.apcims.co.uk

info@apcims.co.uk

020 7247 7080

PLUS - a new equity market trading service for London

PLUS Markets Group – the independent provider of primary and secondary equity market services - recently announced details of its new equity trading service for listed and unlisted securities. This initiative completes a year of change for the Group, following a refinancing, the introduction of a new management team and the restructure and repositioning of its Ofex market as a listing destination for smaller companies.

The new PLUS service has been developed in direct response to demand from leading financial institutions and brokers. Many of those requiring this service are the private client stockbroker members of APCIMS, who have long sought a trading system tailored to the needs of their clients.

The PLUS service will provide market participants with a choice of execution venues and introduces true competition into the equity trading marketplace. It is anticipated that the service will be operational by early 2006.

PLUS Markets Group recognises the importance of the private client broking and market making community in providing price formation and liquidity for smaller companies. Equally, they hear clearly from this community that a quote-driven system can provide them with an efficient and cost-effective trading mechanism.

There has been increasing concern about the potential impact of the Markets in Financial Instruments Directive (“MiFID”), the increased deployment of order-book trading by traditional exchanges, and how a significant change of ownership in the UK cash equity marketplace might affect its market participants.

In the midst of such change, PLUS Markets Group’s principles have shone out clear and constant: its independent status as a UK equity market operator; its commitment to listen and respond to the needs of its customers; and its support of cost-effective trading through the quote-driven model.

The PLUS service will trade listed and unlisted securities with existing quotations elsewhere in London. Initially, its stock coverage will include a selection of smaller companies admitted to the Official List, which do not benefit from an exclusively quote-driven market. Following launch, coverage will be extended according to demand from its market participants.

The PLUS service will offer an independent price discovery mechanism, based on a quote-driven system, supported by free trade reporting, and providing choice and flexibility for the broking community. PLUS Markets Group believes that its system could also offer an appropriate mechanism for Retail Service Providers to operate efficiently after the introduction of MiFID.

By entering this marketplace, PLUS Markets Group seeks to bring down the cost of execution in the UK. Through a competitive charging structure, including the abolition of trade reporting fees, PLUS will offer its members the opportunity to trade very cost-effectively.

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Key elements of the PLUS service include:

- Continuous firm two-way prices maintained by market makers;
- Full pre and post trade transparency through leading data vendors;
- Operated in accordance with UK's accepted standards of regulation;
- Support for the existing Retails Service Provider model; and
- Immediacy of trading and flexible settlement

Trading on the PLUS service will be subject to real-time supervision and will come within the protection of the Market Abuse regime. Investors in securities that are tradeable on PLUS will continue to benefit from any existing taxation benefit eligibility such as ISA/PEP and SIPP status. PLUS will also offer stamp duty relief for intermediaries.

To ensure total market transparency for market users, PLUS Markets Group has worked in close partnership with leading data vendors including Proquote, Interactive Data, Reuters, Fidessa, Thomson, Telekurs Financial and Comstock Partners, to ensure PLUS trading data is available through a wide range of providers.

Over recent months, the Group has been investing heavily in upgrading its trading platform and recruiting appropriate technical staff to give it the capacity to trade substantially higher volumes. Recently, PLUS Markets Group raised £2.5 million specifically to finance the development and operation of the PLUS service. The offer was substantially over subscribed and the group's shareholder base includes leading financial institutions such as Close Brothers, Cenkos, KBC Peel Hunt, Shore Capital and Charles Stanley.

PLUS Markets Group believes that the PLUS service will offer an attractive trading platform for its customers, offering choice while reducing transaction costs in the London equity markets. There is momentum building behind a fundamental transformation of the UK equity marketplace, and PLUS Markets Group is leading the way.

Nemone Wynn-Evans

Director, Business Development
PLUS Markets Group plc

www.plusmarketsgroup.com
enquiries@plusmrketsgroup.com

020 7553 2000

News

New clients for Wealthmaster Front Office

We are pleased to report that Hargreave Hale and Barratt & Cooke have recently been signed to the Wealthmaster Front Office (WMFO) community, joining Smith & Williamson Investment Management, Cunningham Coates, JM Finn, Gerrard, and James Brearley & Co. This means that Wealthmaster Front Office now has over 800 individual users benefiting from the wide range of features it offers. Not surprisingly, with such a large and diverse user base, they are all keen to be involved in the future direction of the product and in order to facilitate this, a WMFO User Group has been created. The User Group is run by the users with support and additional contributions from Investmaster and the inaugural meeting was held in early September.

The User Group will clearly play an important part in defining the roadmap for Wealthmaster Front Office in order that clients continue to be able to meet the challenges of an increasingly competitive and regulated environment.

Walker Crips Contract for Difference with 4i-CFD

Walker Crips Stockbrokers Limited are poised to go live on the Investmaster 4i-CFD (Contracts for Difference) module. Using the same proven technology as the popular 4i-Core product, of which Walker Crips have been longstanding users, the 4i-CFD module offers a fully automated solution for the input, processing and settlement of Contracts for Difference. Completion of this project will give Walker Crips greater efficiency in their Contracts for Difference business, while offering the potential for greater profitability and enhanced CGT client reporting.

Hargreave Hale extends use of Investmaster products

Hargreave Hale, an independent firm of stockbrokers specialising in servicing the fund management needs of high net worth clients, has increased its usage of Investmaster products by acquiring our Wealthmaster Front Office and Client Reporting software. Already users of the Investmaster 4i-Core back office system and the 4i-CFD (Contracts for Difference) module, Hargreave Hale have switched from the LISA product to our front office and client reporting solution as part of a strategic drive to enhance their straight through processing capabilities. Both their front and back office operations are now run entirely on Investmaster delivered systems.

The client reporting software is a partner product and a recent addition to the Investmaster product suite. Recently rebranded by Equipos as Coric Straight Through Reporting (see below) the product offers comprehensive functionality including client portfolio valuations, client cash/dealing statements and client transaction statements, along with a sophisticated graphics capability to enable wealth managers both to meet the high service expectations of clients and to comply with regulatory requirements.

Review our full product set at <http://www.investmaster.com/>

Smith & Williamson commit to 4i

In an ongoing project in which most of their settlement procedures have been transferred from Wealthmaster Settlement (WMS) to internal systems, Smith & Williamson Investment Management are transferring the remaining use of WMS to Investmaster's 4i-Core.

Prior to this, Investmaster worked with SWIM on developing the latest version of Wealthmaster Front Office (WMFO) - our real-time, front office portfolio management product - which was then installed upon their bespoke settlement systems. The success of this project highlights the flexibility of WMFO as a product capable of being integrated with Investmaster, third party, or client's in-house back office systems

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4i-Connect enables Crest users to meet major changes

Euroclear remains on track to implement the first of the major changes which they hope will keep them at the forefront of the CSD arena. By making the requisite DEX changes, Investmaster's 4i-Connect product is also on track to support users in meeting these important changes. The "Single Settlement Engine" will combine the three main areas - Euroclear Bank, Euroclear France and Crest - into a single engine which is due to go live in Q3 2006. This will mean that for the first time, the majority of UK equity settlement will take place on mainland Europe.

However, subsequent Crest enhancements will have an even bigger impact on UK participants. Starting in 2008, Euroclear will be implementing their 'Single Platform' which hinges on the introduction of the CCI (Common Communications Interface). The most significant feature of the CCI will be the replacement of the current proprietary messaging with standard 15022/20022 SWIFT messages. The ability of the 4i-Connect product to handle these standard SWIFT messages will enable customers to use the product to access Crest and also to send and receive messages to their global or local custodians. Tight integration of this with the back office will mean that firms can look to achieve the same levels of STP for cross border settlement that they currently enjoy for Crest securities.

Investmaster focuses on client service

Earlier this year, we completed the transition of our core development operations to Leicester, while maintaining our sales, marketing and account management teams in London. In parallel, an in-depth client satisfaction survey and a comprehensive review of our client service provision was undertaken. The result of these activities mean that we now have a clearer understanding of our clients' needs and direction, more robust structures and processes to enhance our client service management capabilities, and a renewed commitment to achieving standards of excellence in client care.

If you would like more information about any of our products and services, please contact us:

info@investmaster.com

Partner News

Equipos rebrand Document Management and Client Reporting products

One of our partner product providers, Equipos, has recently rebranded its product line, now known as Coric:

- Coric Document Warehouse – a fully featured, browser-based Document Management product incorporating Workflow and Forms Processing.
- Coric Straight Through Reporting - advanced Financial Client Reporting, offering high volume, high quality, rapid implementation of client output containing reports, charts and external documents.

These elements can be purchased through Investmaster as stand alone solutions, or as key components of Investmaster's Wealth Relationship Management platform, a complete product suite for client management.

New partnership initiative with MBA Systems Limited

Under the terms of our recently announced partnership, MBA Systems Limited will provide outsourced hosting and Managed Applications Services (MAS) for Investmaster products, as well as offering Business Continuity Services to Investmaster customers.

Together with MBA, we will jointly market and sell these new services to existing Investmaster customers as well as other private client investment managers and private banks in the marketplace. The full set of Investmaster straight through processing products, including 4i Core, 4i OMR, 4i CFD, 4i Connect, and Wealthmaster Front Office, will be offered from MBA's secure operational infrastructure.

In addition to our own products, the partner products for which we act as distributor and which are components of our Wealth Relationship Management platform, will also be available on an MAS basis. Whether integrated with Investmaster products or used stand-alone, these services will be available for Coric Document Management and Client Reporting; Salentica Client Relationship Management; and Revenue Manager Fees Billing and Invoicing.

The increasing number of security incidents around the world are heightening awareness of business continuity issues. Good business practice (as well as regulatory pressure) dictates that business continuity plans and provision are in place. The partnership with MBA will mean that Investmaster customers will be able to rely on the proven MBA infrastructure and the comprehensive support of their core application software provider to ensure a rapid recovery to operations in the event of a serious incident.

Read the full press release at: <http://www.investmaster.com/downloads/MBAPressrelease.pdf>

Product Set

Investmaster Group Limited is committed to the provision of genuine straight through processing solutions to the wealth management and institutional broking sectors. Our product sets cover the full trade lifecycle from front office decision support through to settlement. Ensuring pre and post-trade compliance and underpinning the clients' business in an increasingly regulated market, our fully integrated suite of products has been purpose built for the wealth management marketplace.

Here's a quick overview:

- *4i-Core* : The market leading settlement system
- *4i-OMR* : A highly flexible order management and routing system
- *4i-CFD* : The specialist broking and settlement module for 'Contacts for Difference'
- *4i-Connect* : The most widely used CREST interface product on the market
- *Wealthmaster Front Office* : With over 800 users, the most widely used portfolio management and modelling product in the UK.

Our Wealth Relationship Management platform is complemented by partner products for which we act as distributors:

- *Coric* : Document Management and Client Reporting
- *Salentica* : Client Relationship Management
- *Revenue Manager* : Calculation and production of fees and invoices and calculation of trail commissions

Visit us at www.investmaster.com for more details, or contact us at info@investmaster.com for further information.