



**FSA Review
Third Quarter, 2010
Including special section on hedge fund employment**

Back on track?

Trends in the regulated UK financial services industry

Recovery in Q3 2010: are we back on track?

Approved Persons and net new business authorisations back up

Following the decline in Approved Person and net business authorisations in Q2 2010, Q3 2010 shows an improvement in Approved Persons employment and net new corporate authorisations.

Net FSA authorisation of new entities is now at its strongest position since Q2 2008 with the potential prospect of net positive authorisations (after cancellations) in the foreseeable future. This has only been achieved in one quarter (Q2 2007) over the past four years.

After concerns of a double dip in the last quarter, this quarter's data appears to suggest that last quarter was a temporary blip in the steady progress of a recovery in the UK financial services industry.

Hedge fund authorisations up in the quarter although overall Approved Person employment down year to date

Authorisation of new hedge funds has seen strong growth in Q3 2010 at over one third of all new authorisations in the 'Financial Investment' sector and over 50% increase on Q2 2010.

Year to date, however, large hedge fund employment is down 24%, with over 85% of large hedge funds showing flat or reduced Approved Person employment in the first three quarters of 2010.

Consistent overseas interest throughout 2010 with North America continuing to consolidate its leadership role

Despite weaknesses in the global economy, overseas investors have continued to consistently support newly authorised entities throughout 2010, representing between 12% and 18% of all quarterly authorisations excluding IFAs.

North America also continues to build its presence given its interest in 52% and 58% of the overseas-owned authorisations in Q2 2010 and Q3 2010 respectively.

Again, the significance of the emerging markets continues with Asia and Africa together surpassing Europe's ownership of newly authorised entities in Q3 2010.

About IMAS Corporate Advisors

IMAS is a corporate finance adviser specialising in managing sales of financial services businesses in the UK. We advise owners on all stages of the disposal process, from the initial preparation for the transaction through to its completion. Having completed over 100 transactions, we use our unique and proprietary knowledge management system ("IMAS-*insight*") that 'maps' the entire financial services industry in the UK, to identify the fullest possible range of buyers, both domestic and overseas.

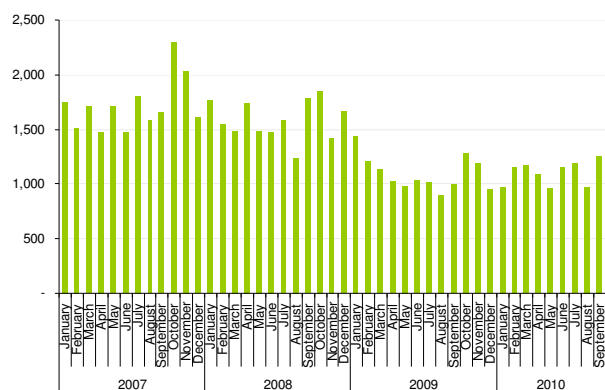
For further details please contact Olly Laughton-Scott (ols@imas.uk.com tel: 0207 444 4392) or Bruce McIntyre (bwm@imas.uk.com tel: 0207 444 4395), or visit our website: www.imas.uk.com.

Improvement in new FSA Approved Persons following declines of previous quarter

Total active FSA Approved Persons, 2007 to Q3 2010⁽¹⁾



Employment of new FSA Approved Persons, 2007 to Q3 2010⁽¹⁾



Source: FSA Register

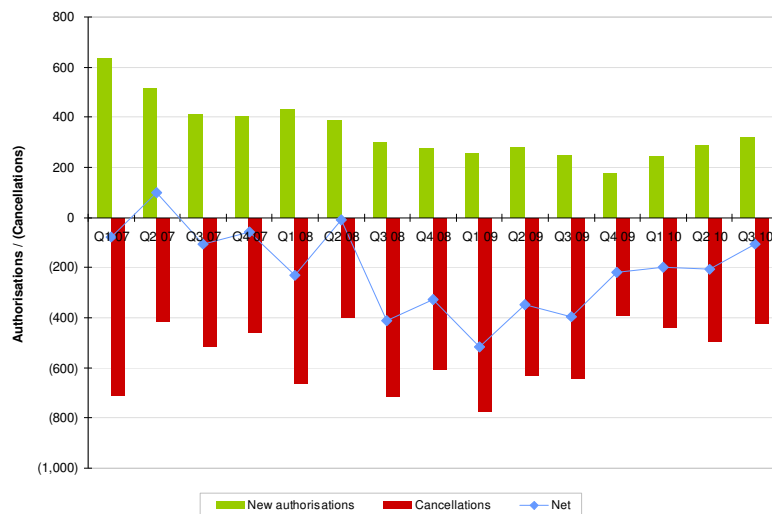
⁽¹⁾ Employment in this report refers to FSA Approved Persons employed in control functions

Highlights

- Improvement in active Approved Persons (“AP”) numbers in Q3 2010, based on growth throughout the quarter
 - Overall active AP numbers now back over 160,000 for the second time in 2010 (also in March 2010)
 - Fifth consecutive increase in monthly active AP numbers
 - Active APs now running ahead of 2010 year to date average of 159,600
- Numbers are, however, still well below the active AP highs of late 2007 and early 2008
 - 6% off recent high of over 169,800 total active APs (May 2008)
 - Also 2% down on average active APs in 2009 of 162,865
 - Still less than 1% above record lows for this economic cycle in January 2010
- Strong quarter for employment of new FSA Approved Persons
 - Just over 3,400 new APs in Q3 2010, up on both Q1 2010 (3,306) and Q2 2010 (3,203)
 - In addition September saw the highest month for new FSA Approved Persons in 2010
- Overall, the UK financial services industry continues to steadily grow in active AP terms, with Q3 2010 AP numbers showing a marked improvement from the ‘softness’ of the previous quarter

Strongest net FSA firm authorisations since early 2008

FSA authorisations of entities from 2006 to Q2 2010⁽¹⁾



Highlights

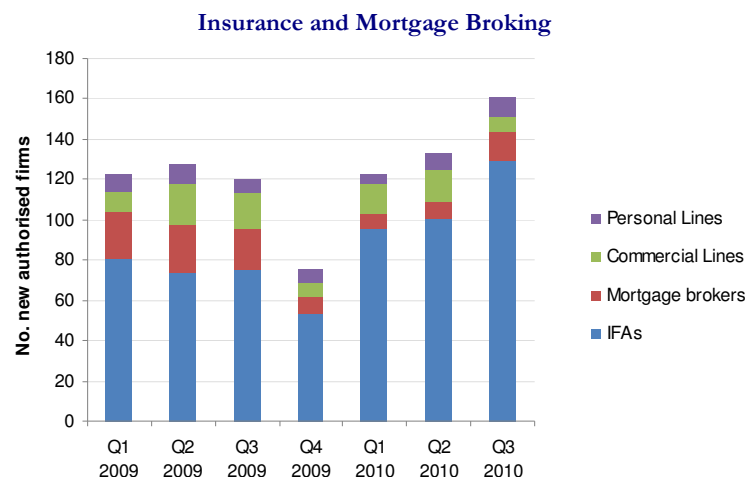
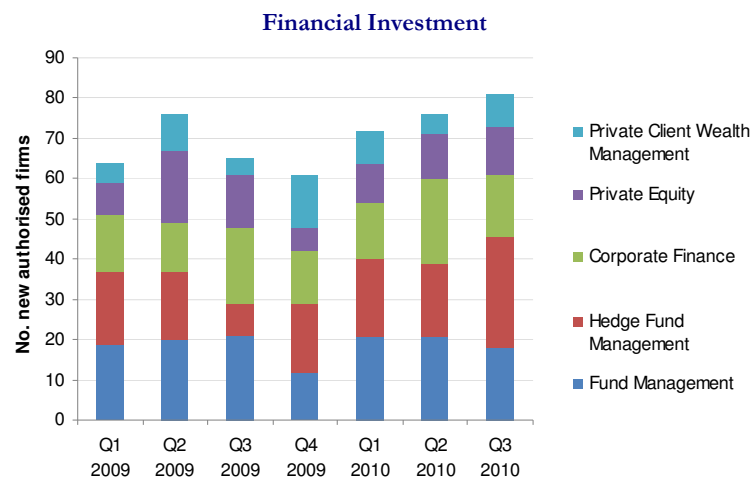
- Significant improvement in net quarterly FSA authorisations (new authorisations less cancellations) in Q3 2010 relative to the previous quarter
 - 49% fall in overall decline in quarterly net authorisations
 - Net cancellations of 106 in Q3 2010 versus 208 in Q2 2010
- Lowest negative net authorisations, i.e. net cancellations, since Q2 2008
 - Indicates sustained recovery out of the lows of the economic cycle experienced since late 2007/early 2008
 - Appears to demonstrate that last quarter was a plateau before further improvements rather than a double dip
- Position in Q3 2010 driven by an increase in FSA authorisations as well as a decline in cancellations
 - 319 new authorisations in Q3 2010 up from 287 in Q2 2010
 - Q3 2010 cancellations of 425 (Q2 2010: 495)
- Overall quarterly authorisations have now been running at 200 to 300 for the last nine quarters, with the notable exception of Q4 2009
 - Highest number of quarterly new authorisations since Q3 2008, the quarter in which Lehman Brothers filed for bankruptcy

Source: FSA Register

⁽¹⁾ Represents businesses being authorised with the FSA in the quarter

Authorisations growth continues lead by Hedge Funds and IFAs

2009/10 Quarterly FSA firm authorisations by sector



Source: IMAS-*insight*, FSA Register

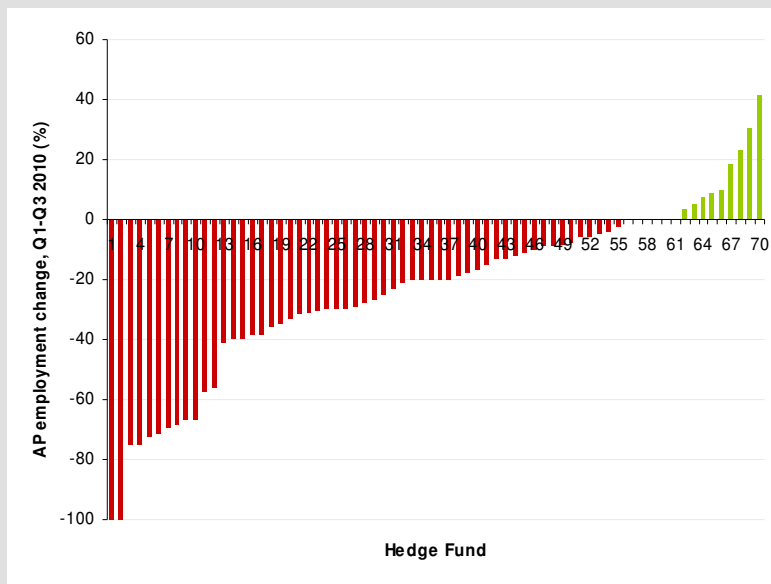
Highlights

- Continued confidence in the Financial Investment sector with a fourth successive quarter of growth in total new authorisations
 - Total of 81 new authorisations; up on the previous quarter's authorisations total of 76
 - 33% up on Q4 2009
- Authorisations of new hedge funds sector has been particularly strong
 - 28 hedge fund businesses have been authorised in Q3 2010, up over 50% on Q2 2010
 - 12 set up by leavers from other hedge funds including Polygon, Sloane Robinson, Odey AM and CQS
 - Ten set up by leavers from investment banks including Credit Suisse, Deutsche Bank, Morgan Stanley and Macquarie
 - Authorisations in other sectors have been stable or marginally negative with the exception of Private Client Wealth Management which has increased to eight authorisations in Q3 2010 (Q2 2010: five)
- IFAs have also been particularly active
 - At 129 authorisations, IFAs represent over 40% of total new authorisations for the quarter
 - Remains a sector with significant new start up activity despite the threats of the proposed RDR regulation in 2012
- Mortgage brokers and insurance brokers continue to see limited overall new activity
 - Some growth in mortgage broker authorisations from eight in Q2 2010 to 15 in Q3 2010
 - Commercial lines brokers in particular were subdued in the quarter

Special Interest Topic: Hedge Fund Health Check

Large hedge fund⁽¹⁾ employment of Approved Persons was down 24% in the first three quarters of 2010

Large hedge fund⁽¹⁾ Approved Person employment change, Q1-Q3 2010



Source: IMAS-*insight*, FSA Register

⁽¹⁾ Defined as all hedge funds employing between ten and 50 Approved Persons as at 31/12/09 (70 in total)

Highlights

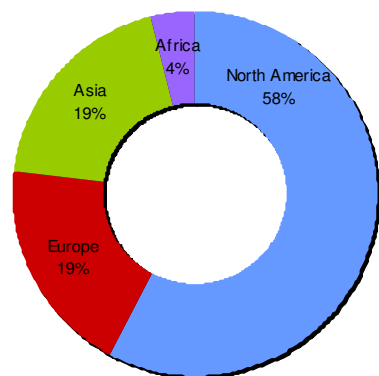
- Overall employment of Approved Persons in large hedge funds⁽¹⁾ is down 24% over the first three quarters in 2010
 - AP employment has fallen from 1288 to 979 people for 70 hedge funds employing between 10 and 50 APs at 31st December 2009
 - 23.5% down for hedge funds with 25 to 50 APs
 - 24.3% down for hedge funds with ten to 24 APs

- Over 85% of large hedge funds⁽¹⁾ saw Approved Persons employment flat or reduced in the first three quarters in 2010
 - 55 hedge funds reduced AP employment over the period, with the average reduction being 33%. Two lost all APs
 - Six hedge funds had no change in AP employment
 - Nine hedge funds increased AP employment over the period, with the average increase being 17%

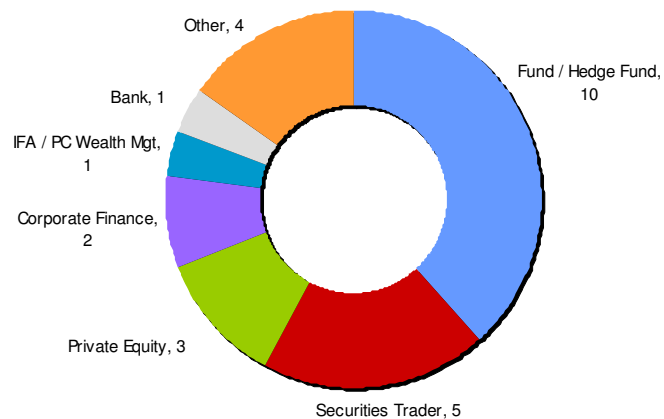
- UK owned large hedge funds⁽¹⁾ had fewer employment losses compared to overseas owned large hedge funds⁽¹⁾
 - 37 UK owned hedge funds' AP employment fell 21.5% on average
 - 33 overseas owned hedge funds' AP employment fell 26.8% on average

Overseas interest in UK financial services has been consistent throughout 2010

Breakdown of Q3 2010 firm authorisations with overseas owners By continent



By sector



Highlights

- Overseas investors continue to be an important component of new FSA authorisations in Q3 2010, having backed 26 newly authorised firms
 - Represented over 13% of all newly authorised firms excluding the IFA sector (Q2 2010: 12%)
 - Asset management continues to be an important sector for overseas interest
 - Over a third of all overseas-backed authorisations in the quarter
 - Over 20% of all overseas-backed entities in UK Financial Services at 30th June 2010⁽¹⁾
 - Other sectors with consistent overseas interest include securities trading, private equity and corporate finance

- North America accounted for 58% of overseas owned firms authorised in Q3 2010
 - Remains the most dominant overseas investor in UK financial services entities
 - Investment interest has been lead by the asset management sector (nine of the total 19), as well as securities trading (three of the total 19)

- As in the previous two quarters this year, emerging markets (Asia & Africa) have again outperformed Europe in its collective ownership of FSA-authorised entities in Q3 2010
 - Includes ownership interests from Singapore, China, Hong Kong, South Korea and New Zealand
 - At 23%, Asia and Africa's interests again exceed the interests of Europe (19%) in newly authorised entities
 - See Appendix for further details on overseas ownership

(1) Source: IMAS's report, "Global Interests - Overseas ownership trends in the UK financial services industry", November 2010

About this report

All base data for this report has been sourced from the FSA Register with further analysis undertaken by IMAS Corporate Advisors to provide a breakdown by business activity, geographical spread and legal structure using its proprietary knowledge management system, IMAS-*insight*.

If you would like to view further IMAS reports, including FSA quarterly review reports, please go to downloads at www.imas.uk.com.

About IMAS

Founded in 1992, IMAS is a corporate finance adviser with unparalleled expertise in selling companies across the UK financial services sector. We have completed over 100 transactions since inception.

IMAS's principals all have extensive experience in working for major UK financial institutions. IMAS combines in-depth knowledge and understanding of the specific issues affecting the financial services sector with our corporate finance experience to provide our clients with discreet, experienced and independent advice.

In addition, IMAS-*insight* allows us to present a range of options to our clients that would otherwise be unavailable. For further details, please contact us or visit our website: www.imas.uk.com.

About IMAS-*insight*

IMAS-*insight* is IMAS's proprietary knowledge management system that 'maps' the UK financial services industry, analysing over 40,000 UK financial services businesses and over 300,000 FSA registered individuals.

IMAS-*insight* provides us with detailed knowledge and insight into individual sectors within the UK financial services industry, including the participants within them as well as financial and other trends. We use this proprietary knowledge to help our clients achieve their strategic objectives.

Summary data derived from the underlying analysis on IMAS-*insight* can be viewed at www.imas.uk.com.

Contacts for further information

If you are interested in buying or selling in the UK financial services sector and would like to increase the range of options available to you, please contact:

Olly Loughton-Scott Tel: 0207 444 4392
E-mail: ols@imas.uk.com

Bruce McIntyre Tel: 0207 444 4395
E-mail: bwm@imas.uk.com

Fred Hansson Tel: 0207 444 4393
E-mail: fh@imas.uk.com

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IMAS - Selected Closed Transactions

This announcement appears as a matter of record only

Advice to the shareholders of
Axco Information Services Limited



a leading provider of information to the global insurance industry

on its sale to

Wilmington Group plc

This announcement appears as a matter of record only

Advice to the shareholders of
Andersen Charnley Limited



a private client wealth management firm

on its sale to

Collins Stewart plc

This announcement appears as a matter of record only

Advice to the shareholders of
Fish Administration Holdings Limited



a specialist insurance broker

on its sale to

Inflexion Private Equity

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Advice to
the Coleman Group



on the sale to management of

Corrie & Partners Ltd

a Lloyd's broker

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Advice to the shareholders of
Crowe Livestock Underwriting Ltd



a specialist underwriting agency
on its sale to

Amlin PLC

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Advice to the shareholders of
Cavendish Young Ltd



CAVENDISH YOUNG

an IFA / Wealth Manager

on its sale to

Merchant Securities plc

This announcement appears as a matter of record only

Advice to
Marsh UK Group Ltd
on the sale of the assets and business of



provider of medical benefits and health risk management

on its sale to

Simplyhealth Group Ltd

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Advice to the shareholders of
SBP Group Limited



a specialist commercial insurance broker
on its sale to

Giles Holdings Limited

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Advice to the shareholders of
E.B. Consultants Limited



a pensions specialist

on its sale to

SBJ Group Limited

This announcement appears as a matter of record only

Advice to the shareholders of
Mobile Money Ltd



an impaired credit lending business

on the disposal of the shares to

Central Trust plc

This announcement appears as a matter of record only

Advice to the shareholders of
Garrison Investment Analysis Ltd



a discount broker

on its sale to

Charles Stanley Group Plc

This announcement appears as a matter of record only

Advice to the shareholders of
Astaire & Partners Ltd



a stockbroker

on its sale to

Blue Oar Plc

Appendix

FSA authorisations and cancellations by legal structure

Business Sector	2010 Authorisations						2009 Authorisations									
	Q3 10		Q2 10		Q1 10		FY 09		Q4 09		Q3 09		Q2 09		Q1 09	
	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix
Financial Advisory	84	26%	79	28%	75	31%	274	29%	66	38%	67	27%	76	27%	65	25%
Financial Trading	14	4%	13	5%	17	7%	65	7%	10	6%	16	6%	22	8%	17	7%
General Insurance	34	11%	43	15%	30	12%	147	15%	23	13%	40	16%	48	17%	36	14%
Life Insurance	139	44%	105	37%	100	41%	295	31%	54	31%	80	32%	76	27%	85	33%
Lending	17	5%	14	5%	12	5%	83	9%	11	6%	23	9%	23	8%	26	10%
Other financial services	10	3%	6	2%	3	1%	16	2%	6	3%	2	1%	6	2%	2	1%
Other non financial services	20	6%	18	6%	4	2%	57	6%	2	1%	10	4%	25	9%	20	8%
Other	1	0%	9	3%	3	1%	23	2%	2	1%	9	4%	6	2%	6	2%
TOTAL ANALYSED SAMPLE	319	100%	287	100%	244	100%	960	100%	174	100%	247	100%	282	100%	257	100%
TOTAL ALL ENTITIES	319		287		244		960		174		247		282		257	

Source: FSA Register

Composition of FSA regulated firms

Legal Structure	2010 Authorisations						2009 Authorisations									
	Q3 10		Q2 10		Q1 10		FY 09		Q4 09		Q3 09		Q2 09		Q1 09	
	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix
Limited	194	61%	187	65%	158	65%	648	68%	110	63%	151	61%	199	71%	188	73%
Limited Liability Partnership	84	26%	69	24%	56	23%	223	23%	45	26%	65	26%	68	24%	45	18%
Public Limited Company	1	0%	4	1%	3	1%	4	0%	1	1%	1	0%	1	0%	1	0%
Building Society	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Unincorporated	40	13%	27	9%	27	11%	85	9%	18	10%	30	12%	14	5%	23	9%
TOTAL ANALYSED SAMPLE	319	100%	287	100%	244	100%	960	100%	174	100%	247	100%	282	100%	257	100%

Source: FSA Register

Appendix (cont.)

Nationalities of overseas owners and activities of newly authorised businesses: January – September 2010

Continent:	Total	Fund and/or Hedge Fund	Securities Trader	Corporate Finance	IFA/Private Wealth Manager	Private Equity	Investment Bank	Commercial/ Retail Bank	Insurance	Other
Q1 2010	19	9	3	2	1	1	-	1	1	1
Q2 2010	12	5	2	-	-	1	-	-	1	3
Q3 2010	15	6	3	2	-	2	-	-	-	2
North America	46	20	8	4	1	4	-	1	2	6
Q1 2010	4	3	-	1	-	-	-	-	-	-
Q2 2010	4	1	-	1	-	1	-	-	-	1
Q3 2010	5	1	1	-	1	-	-	-	-	2
Europe	13	5	1	2	1	1	-	-	-	3
Q1 2010	5	3	-	-	1	-	1	-	-	-
Q2 2010	4	1	2	-	-	-	-	-	-	1
Q3 2010	5	3	1	-	-	-	-	1	-	-
Asia	14	7	3	-	1	-	1	1	-	1
Q1 2010	-	-	-	-	-	-	-	-	-	-
Q2 2010	3	-	-	2	-	-	-	-	-	1
Q3 2010	1	-	-	-	-	1	-	-	-	-
Africa	4	-	-	2	-	1	-	-	-	1
Q1 2010	28	15	3	3	2	1	1	1	1	1
Q2 2010	23	7	4	3	-	2	-	-	1	6
Q3 2010	26	10	5	2	1	3	-	1	-	4
TOTAL	77	32	12	8	3	6	1	2	2	11

Source: IMAS-*insight*, FSA Register

Appendix (cont.)

Nationalities of overseas owners and activities of newly authorised businesses: Q3 2010

Country:	Total	Fund and/or Hedge Fund	Securities Trader	Corporate Finance	IFA / Private Client Wealth	Private Equity	Commercial/ Retail Bank	Insurance	Other
USA	15	6	3	2	-	2	-	-	2
North America	15	6	3	2	0	2	0	0	2
Channel Islands	2	-	-	-	-	-	-	-	2
France	1	-	-	-	1	-	-	-	-
Switzerland	1	1	-	-	-	-	-	-	-
Cyprus	1	-	1	-	-	-	-	-	-
Europe	5	1	1	0	1	0	0	0	2
India	1	-	-	-	-	-	1	-	-
Dubai	1	1	-	-	-	-	-	-	-
Australia	1	-	1	-	-	-	-	-	-
Hong Kong	2	2	-	-	-	-	-	-	-
Asia	5	3	1	0	0	0	1	0	0
South Africa	1	-	-	-	-	1	-	-	-
Africa	1	0	0	0	0	1	0	0	0
TOTAL	26	10	5	2	1	3	1	0	4

Source: IMAS-*insight*, FSA Register