

Paper: Finance Assignment

Style: Harvard

Pages: 12

Word count: 3100

Level: Graduate

UK Financial Services

[Writer's Name]

[Institute's Name]

[Date]

## **UK Financial Services**

### **Introduction**

This Paper is based on Portfolio Management. The Total Investment amount is £ 13,743.234.32 that is gain from the national lottery. The amount of £ 2,000,000 will be spending on real assets. The targeted net income is £ 275,000 per year. The amount of £ 1,500,000 will be spending over Travelling for the next 5 years. A suitable Portfolio needs to be constructed that will consider the Financial service industry of UK.

### **Discussion**

#### **Purpose and Structure of UK Financial Services Industry**

In the UK, the financial services industry, covering the banks, insurers and credit card companies as well as accounting firms and advisory services, such as securities dealers. It is perhaps not surprising that as an object of study, financial services is wide and deep, and is a valuable addition to the knowledge base and skills required by anyone wishing to pursue a career in the industry even if they are not quite sure which nests with their strengths are, or what they like the most.

It is a quasi-judicial body responsible for regulating the financial services industry in the UK whose board is appointed by the UK Treasury. The 'Financial Services Authority' is structured as a company limited by guarantee, part of the government. The FSA is independent of government and is financed by companies regulated by fees, fines and compulsory levies. Its main headquarters is in Canary Wharf, London, and has another office in Edinburgh (Robert, 2009).

After a series of scandals that occurred during the 1990s that ended with the collapse in 1995 of Barings Bank, the oldest merchant bank in London (1762-1995), it was decided to end the self-regulation of the service industry financial. The 'Securities and Investment Board' "SIB" revoked the recognition of FIMBRA (Financial Intermediaries, Managers and Brokers Regulatory Association) as institution of self in June 1994. The October 28, 1997, the "SIB" changed its name to present the Financial Services Authority (FSA), which from that time has powers and full regulatory authority grounded in the Financial Services and Markets Act 2000 '(Act Financial Services and Markets 2000). In addition to regulating banks, insurance companies, brokers and financial advisers, the FSA regulates the mortgage business since October 1, 2004 and general insurance intermediaries from the February 14, 2005 (Robert, 2009).

The June 16, 2010, George Osborne, Chancellor of the Exchequer of the United Kingdom, announced its intention to abolish the FSA and separate its responsibilities between the Bank of England and a number of new agencies. At the end of 2012 under a division of the Bank of England, the functions of the current FSA split into two new bodies, the 'Prudential Regulation Authority' (PRA) and the Financial Conduct Authority "(FCA) to be endorsed next April 1, 2013 (Robert & Tom, 2012).

The 'Prudential Regulatory Authority' (regulatory authority) that still have resources specifically devoted to monitoring companies, will be responsible for monitoring of providers of financial products and the Financial Conduct Authority 'will arrange to focus more on monitoring the theme of work, consumer protection, including monitoring the form of sale of financial products and banking business in general. The main changes will occur in the way of being supervised companies and the risk mitigation process. Banks, insurance companies and investment firms will be supervised by two independent groups for both prudential and behavioural issues. These

groups work with different objectives and act separately, but internally coordinate the exchange of data and information.

### **Main Financial Services Product Types and their Functions**

The Britain Secretary of financial services industry is actually a Global financial Hub. The London City has around 250 to 270 overseas banks, which are higher than Frankfurt, New York, Paris and number of overseas Banks, comprising 10 comes from Chinese. Few of the members of media in UK and in world economy at completion of second exploration of sound, but the existing British Office is Replica Handbags the future economic growth of 1.1% to 1.4% to 1.5 percent. In addition, the Confederation of British industry feedback for us, economic growth in the UK has been the most recent 16 years. Of course, people would have the same panic; the world economy at the end of this second approach, the United States is approaching the bottom. However, there are a variety of data is not compatible with the current end of the second scan. Century 21 as the financial services industry in the UK, is the impact of the financial tsunami has dissipated (Robert & Tom, 2012).

### **UK Taxation and Social Security Systems**

The British Social Security system is of a general nature and covers both employees and non-employees the workers. However, some special rules apply to self-employed. Thus, in order to facilitate the reading there are two separate notes, one for employees and the self-employed. In each of these notes benefits can be paid only on condition of residence or resources will also be included.

In the following note, only the devices for employees, benefits conditional residency and benefits of non-contributory scheme will be studied (self-employed, see "Note on the British social security system - non-employees).

The British general social protection cover against all risks (sickness, maternity, old age, disability and survivors, accidents at work and occupational diseases, unemployment and family benefits). Some risks are covered under the residence and others as an occupation. The coverage of these risks is mainly based on the social security contributions paid by employees and employers allowing the allocation of contributory social security benefits which are generally flat. Besides these contributory benefits, there are many non-contributory benefits financed by taxes. They are mainly used to help people in a precarious situation (Andrew, 2003).

### **Administrative Organization:**

The supervision of the British welfare system is exercised by:

The Department of Work and Pensions (Department for Work and Pensions) for pensions and cash benefits of social security and social assistance, with the exception of maternity benefits, paternity and adoption leave; The Ministry of Economy, Innovation and Skills (Department for Business, Innovation and Skills) for maternity benefits, adoption and paternity; The (National Tax Administration HM Revenue & Customs ) for the management of social security contributions and the payment of tax credits for families with dependent children and low-income workers, child allowances (Child benefit) and the allocation of guardianship (Guardian's allowance).

**Financing:**

The benefits under unemployment assistance, accidents and occupational and family benefits are exclusively financed by taxes and contributions.

Health care is financed by taxes and, to a lesser extent, by contributions. Anyone over the age of 16 years, who have not attained the legal age of retirement (legal retirement age: see Chapter IV - Aging) and receiving a salary or income in respect of a business, must pay National Insurance contributions (National Insurance Contribution - NIC), if his income or wages exceed a certain amount. Employer contributions are due, however, even when the employee has reached the age of retirement. There are five categories of contributions in the UK: Class 1 paid by the employer and the employee that the employee is working, Class 1A paid by the employer is essentially the benefits paid to employees, two categories (classes 2 and 4) reserved for the self-employed, and Class 3 for those wishing to contribute voluntarily to maintain their pension rights (Michael & John, 2004).

**Maternity Allowance (Statutory Maternity Pay - SMP):** This is a weekly allowance paid by the employer. The employee must notify the employer of the date on which it wishes to receive SMP and this no later than the 15th week before the expected birth of the child. If the applicant wishes to change the date, it will notify the employer at least 28 days before the new date. The benefit is paid by the employer to the employee who has received at least the minimum weekly wage (Lower Earnings Limit - LEL: £ 107 for the fiscal year 2012-2013) and worked for the same employer for at least 26 weeks including the 15th week before the expected week of childbirth.

**Accidents at work:** The damage occurred during a professional activity or that the latter is treated as an industrial accident. In case of an accident during his professional activity, the employee shall immediately notify the employer in writing or orally, giving all the details on the accident even if it caused no immediate damage. Then, the employee may request that the accident is recognized as an industrial accident. To do this, the employee must complete the first part of the form (BI100A) that transmits the regional office of accidents which will contact the employer for confirmation of the circumstances of the occurrence of the accident. Thereafter, the Office will decide on the professional nature of the accident or not (Michael & John, 2004).

### **UK Taxation System:**

In the UK, the system that covers the payment of taxes is known by the acronym PAYE (Pay As You Earn), that is, pay as you earn. The types of income that are affected by this system are: the normal wages, overtime, bonuses, paid holidays, pensions and sick leave or maternity.

The PAYE system is designed to infer the correct amount of tax when it reaches the end of the fiscal year. However, there are always people who do not have discounted all they had and others who have paid more than necessary. In both cases the Treasury (the Inland Revenue) will provide you or return you ask-the difference, more the former than the latter. But of course in Hacienda works very clever people and to bring back what you overpaid ask (Great Britain. National Audit Office, 2007). To find out if you have to return some money, cannot be easier: just take the P60, which is a document that gives the employer at the end of the fiscal year in which it is specified how much money you have earned and how much tax you have deducted to any of the offices of finance and you will be told if you get back money or not. If you had more than one job in the last year, you also have to bring P45 each. In short: we only pay taxes from

our earnings reach the £ 4,385. A part of that amount is paid 10% on the first £ 1,520, 22% on the next 26,880 and 40% for salaries over £ 28,400.

Type of income	Tax rate (Article 19, paragraph 1)	Higher tax rates lack of certification on the status of a natural person not domiciled in the United Kingdom (Article 19, paragraph 3)
Interest income	48%	50%
Dividend income	40%	42.5%
Other income	48%	50%
Capital gains	27%	28%

### **Inflation and Interest rates Volatility**

After the explosion of the New Year message in January, sales in banks up and down the high street, British savers are now facing the fact that savings rates are still not as friendly as they can expect they are in 2010. However, while it may be difficult for people to find a decent return on their cash, an organization has been launched to give UK savers voice group. Despite enticing sales in January not only saw the Bank of England base rate sticks at 0.5 percent and it looks like it will do for some time), but the data index consumer prices (CPI) showed that inflation rose 2.9% in the last month - according thisismoney.co.uk: "one of the largest increases since records began (Great Britain. National Audit Office, 2007).

According to a report by the Centre for Economics and Business Research, the Bank of England is expected to keep its key interest rate at the current low of 0.5% until 2011, which could lead the British currency below parity the euro. Inflation slowed to 1.1% in September, the lowest in five years. [...] We are already starting to see the effect of the depreciation of sterling against the euro in trade between the United Kingdom and the rest of Europe, said Ben Broadbent, an economist at Goldman Sachs in London. If the trend continues, this should be the case, in my opinion, the effect will be even more important, with an investment transfer on British soil (Stefano & Hubert, 2009).

The Bank confirms market forecasts, Oracles of interest rates in the United Kingdom to 5.75% in September this year. The next goal is to determine the following, interest rate 5.75% for the major indices are whether the predicted collapse of the housing market in the United Kingdom appears after the final push to summer activity dissipates. If, as expected, the housing market in the UK is in a prolonged slump, and that will effectively pull the CPI inflation back on target to 2% in 2 years and then confirm peak in UK interest rates to 5.75%. The situation that interest rates will do over the next two years will be much clearer in September 2013.

### **Roles, Functions, Duties and Powers of the Financial Services Authority (FSA)**

All countries that have banking and finance system need some kind of entity that regulates. After all, simply allowing banks and financial companies to run independently without any checks and balances system almost certainly leads to corruption and disaster. In the UK, the regulator of the financial system is the Financial Services Authority, or FSA, and is managed independently.

The 'Financial Services Authority (FSA) is the regulatory authority for financial services in the UK. The FSA was created under the supervision of the British Treasury on June 7, 1985 under

the name of 'Securities and Investments Board Ltd' ("SIB"). It is a quasi-judicial body responsible for regulating the financial services industry in the UK whose board is appointed by the UK Treasury. The 'Financial Services Authority' is structured as a company limited by guarantee, part of the government. The FSA is independent of government and is financed by companies regulated by fees, fines and compulsory levies. Its main headquarters is in Canary Wharf, London, and has another office in Edinburgh (Mandy, 2006).

After a series of scandals that occurred during the 1990s that ended with the collapse in 1995 of Barings Bank, the oldest merchant bank in London (1762-1995), it was decided to end the self-regulation of the service industry financial. The 'Securities and Investment Board' "SIB" revoked the recognition of FIMBRA (Financial Intermediaries, Managers and Brokers Regulatory Association) as institution of self in June 1994. The October 28, 1997, the "SIB" changed its name to present the Financial Services Authority (FSA), which from that time has powers and full regulatory authority grounded in the Financial Services and Markets Act 2000 '(Act Financial Services and Markets 2000). In addition to regulating banks, insurance companies, brokers and financial advisers, the FSA regulates the mortgage business since October 1, 2004 and general insurance intermediaries from the February 14, 2005 (Jacqui, 2005).

At the end of 2012 under a division of the Bank of England, the functions of the current FSA split into two new bodies, the 'Prudential Regulation Authority' (PRA) and the Financial Conduct Authority "(FCA) to be endorsed next April 1, 2013. The 'Prudential Regulatory Authority' (regulatory authority) that still have resources specifically devoted to monitoring companies, will be responsible for monitoring of providers of financial products and the Financial Conduct Authority 'will arrange to focus more on monitoring the theme of work, consumer protection,

including monitoring the form of sale of financial products and banking business in general (Stefano & Hubert, 2009).

The main changes will occur in the way of being supervised companies and the risk mitigation process. Banks, insurance companies and investment firms will be supervised by two independent groups for both prudential and behavioural issues. These groups work with different objectives and act separately, but internally coordinate the exchange of data and information.

Last December, a representative of Santander UK confirmed that the company had suspended some 800 advisors in order to improve their training and recycle roles according to new industry regulations that came into force in January 2013. The British financial supervisor decided to do this research on consultancy services provided by British banks after detecting that several of the country's leading banks improperly marketed among its customers payment protection insurance (PPI) and hedges against volatility of interest rates, after which banks like Lloyds, Barclays and RBS have had to make provisions multimillionaires.

### **Legal Considerations While Investing in UK**

The two vehicles used by foreign investment in the United Kingdom (UK) are the branches / representative offices (i.e. Registered UK establishment), which do not have legal personality and the Private Limited Liability Company. The choice between one or the other form of investment is motivated by questions of responsibility, organizational and business as well as the tax implications of both alternatives. Foreign companies have to enlist in the register (Register of Companies) your Registered UK establishment within one month of establishing its presence in the UK. The foreign company is required to submit financial information or which is required to be prepared, audited, and disclosed in accordance with the regulations of the country in which it

is incorporated or otherwise, financial information prepared in accordance with UK regulations (Jacqui, 2005).

In the context of societies with legal personality and limited liability, the flexibility of the Private Limited Liability Company located in priority regarding the Public Limited Liability Company. Among other things, the Private Limited Liability Company have no minimum capital requirements or minimum payments, contributions in kind do not require assessment by an independent expert and the formalities required for the distribution of profits are lower. The main limitation of the Private Limited Liability Company, as opposed to Public Limited Liability Company is that the former cannot be financed by offering shares or debt instruments to the public. In any case, the issue of warrants is permitted (Mandy, 2006). The foreign dividends are not subject to withholding tax in the UK. For its part, the repatriation of profits from permanent establishment's headquartered tax is not subject to taxation (i.e. no branch profit tax applies). Interest and royalties are subject to a withholding tax of 20%, subject to the exemption provided for in Directive 2003/49/EC as well as relevant provisions of agreements to avoid double taxation. The interesting thing to note is that the application for exemption or reduced rates to interest requires prior authorization by the UK tax authorities (i.e. clearance).

## **Conclusion**

Global economy is recovering from UK-based financial industry has recovered, and even restored to the state it was before the financial crisis. In the UK, the financial services sector consists of two parts, one is local financial institutions, foreign institutions like Citigroup, Deutsche Bank, Morgan Stanley, Bank of Paris, etc. The UK has been thinking about how to provide these financial institutions to create a better environment for sustainable development,

we have a committee Hermes Bags are some of the indicators of the banking sector, mainly in conducting review discusses two aspects, one is the capital of the degree of filling, one is mobility. The results will be presented in September. However, and 24 months ago, the City of London is, as always, prosperity and stability of my answer is yes. Because all reports, the third game of the survey is facts to support my opinion. Of course, the last 12 months, some data also indicate that the sustainability of the recovery in the financial services industry have instability.

## References

- Andrew D, (2003), Conflicts of Interest in the Financial Services Industry: What Should We Do About Them? Published by Centre for Economic Policy Research, pp. 51-65
- Great Britain. National Audit Office, (2007), The Financial Services Authority: a review under section 12 of the Financial Services and Markets Act 2000: Report, Published by The Stationery Office
- Jacqui Chetham, (2005), The Future of the UK Financial Services Industry, Published by FT Financial Publishing, pp. 74-86
- Mandy Webster, (2006), Data protection in the financial services industry, Published by Gower Ltd, pp. 74-89
- Michael J & John L, (2004), The UK Financial System: Fourth Edition, Published by Manchester University Press, pp. 210-225
- Robert E, (2009), The Future of Global Financial Services, Published by John Wiley & Sons, pp. 42-56
- Robert Kuenzel & Tom Springbett, (2012), UK Economy: The Crisis in Perspective, Published by Routledge, 227 pages
- Stefano Pagliari & Hubert Zimmermann, (2009), Global Finance in Crisis: The Politics of International Regulatory Change, Published by Routledge, pp. 74-89