

City doubts that SRO system will work

By Lawrence Lever

The Financial Services Bill received a mixed reception from the City and professional bodies yesterday as those subject to its self-regulatory regime considered its implications in detail.

Professional bodies thought the Bill's "recognition" rules too onerous, while City criticism focused on the unworkability of the system of self-regulatory organizations (SROs).

Mr David Hopkinson, managing director of the M & G Group, said the costs of the SROs "run into tens of millions and the Government should pay part".

Mr Gordon Pepper, senior partner of W. Greenwell, the broker, attacked the "very untidy" SRO system. He said: "In some areas, such as fund management, there are four possible governing SROs, while elsewhere there may be gaps between them. I would much rather have seen various activities defined and have had a SRO for each."

He also questioned the competence of the SROs to regulate investment activities. None had practical experience of policing regulations he said.

Professional bodies, such as the Law Society, the Institute of Chartered Accountants, and Chartered Institute of Certified Accountants, gave the Bill an overall welcome, subject to concern over the recognition requirements.

These provide that the designated agency has powers to recognize a professional body: a member of such a body would not require separate authorization provided his investment activities were incidental to his professional practice.

However, the rules of a recognized professional body would have to conform to various rules laid down in the designated agency's rule book.

Mr Peter Hobkinson, president of the Chartered Association of Certified Accountants, described the conditions involved in seeking recognition as "over-elaborate".

He said: "Recognition may be inappropriate for a body where only a minority of members give investment advice and then only as a small part of their overall business."

Similar views were expressed by Mr Brian Jenkins, president of the Institute of Chartered Accountants, "For a very small part of our business we will be subject to a very broad set of rules," he said.