

'No appetite' for regulatory blitz

By Pauline Skypala

There is no case for regulatory intervention to advance the cause of independent research in Europe, Charlie McCreevy, the European Union's internal market commissioner, said last week.

There was no significant market failure to be addressed, and the Commission had "no appetite for the kind of regulatory intervention that has happened in the States," Mr McCreevy said.

Speaking at the launch of the European Association of Independent Research Providers (EUROIRP), he said the pot of money US investment banks had been forced to set aside for independent research following New York attorney-general Eliot

Spitzer's investigation had created an entire industry "by judicial fiat".

"What will happen at the end of five years, when the Global Settlements fund disappears is anyone's guess.



McCreevy: no market failure

Will it be stability, volatility, chaos, or a mixture of all three?" Mr McCreevy said.

In Europe, new regulations either in force or pending would deal with disclosure of conflicts of interest by research providers and lay down standards for managing such conflicts.

He wanted these regulations, part of the Financial Services Action Plan, to bed in before making any further decisions. "The cost of research to funds is becoming transparent through the work of regulators and the industry itself," he said.

He acknowledged that action may be necessary on behalf of small investors, who required different protection than institutional investors, but warned of the dangers of going too far with excessive regulation.

His caution was in contrast to calls within the independent research sector for regulators to create a more level playing field, and in particular to improve access for independent researchers to information on IPOs (initial public offerings).

Mr McCreevy said there was a counter argument that allowing access would compromise the independence of the independent sector, and suggested the market was the best mechanism to regulate this aspect.

The new association aims to promote independence, deal with regulators, and provide a common platform enabling people who want independent research to find out what is available across Europe. Its website, www.euroirp.com, will go live on December 15.