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## Editorial

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### Investor Protection

Professor Gower's report, "Review of Investor Protection", has now been published (Cmnd 9125) and is being avidly studied and discussed in the City and beyond. Comments are sought by the Department of Trade and Industry by April 30. Part II of the report containing a draft Investor Protection Bill is expected later this year.

The report continues along the lines set out in the earlier discussion paper (see editorial, March 1982) of self-regulation within a statutory framework but Prof Gower now accepts that it will not be practicable to regulate through a small number of functionally based agencies but that instead regulation should now be through existing professional institutions although this will increase the number of bodies involved. He also accepts that this will not now give comprehensive coverage so the Department would be left with some residual direct licensing functions.

As regards the overall supervisory role, Prof Gower clearly leans towards a "self-standing commission" (which would be more likely to be adequately staffed and to be able to allow its staff to acquire the necessary level of specialist expertise) but stops short of recommending this course. Instead he recommends that once the legislation is introduced, if it is apparent that most firms will secure registration through membership of a recognised agency, so that surveillance of the self-regulatory

agencies will be the main governmental task, it could be undertaken by the Department but that otherwise a self-standing commission would be preferable. The Council for the Securities Industry would continue its "umbrella" and co-ordinating role over the self regulatory agencies; some doubts have been expressed as to the CSI's current adequacy for this role but there are already signs of its organisation being geared up for this role though further steps will be needed to formalise relations between the CSI and the agencies on the lines envisaged by Gower.

There is said to be some doubt as to whether the primary legislative priority will be given to the Gower proposals or to the Cork proposals (on insolvency law reform). This seems an unreal question. Surely both of these are important and urgent matters for the commercial structures of this country and should be given appropriate priority — particularly in view of the increasing extent to which our international earnings rest on commercial or financial activities.

While there are clearly under-regulated sectors in the securities markets (eg commodities or pension funds) it is important that the new framework should not place obstacles in the way of the major restructuring taking place in the financial markets. These markets are nowadays very international in nature and if unnecessary expenses and formalities are imposed in Britain this will merely serve to drive the business to competitor countries' markets