

Merging ideas

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During the period of numerous announcements and press coverage about the difficult times at Northern Rock, the FSA published a speech by Verena Ross on regulatory convergence in Europe and beyond.

Matters on European Union, including the problems with it, will no doubt become increasingly prevalent as we approach a general election but whatever your views are, you can expect more and more change emanating from Brussels in the world of financial services regulation.

Some commentators have raised doubts on whether or not regulatory convergence in Europe is achievable. In addition, concerns have been raised by firms that legislative developments in Europe could hinder the FSA's shift to more principles-based regulation.

Nevertheless, the FSA is keen to point out that regulatory convergence can only be meaningfully defined in terms of outcomes, namely better outcomes for consumers, investors and markets. Verena Ross, director of strategy and risk for FSA, said: "Financial markets are constantly changing. It is essential that financial regulation keeps pace with this. At the most basic level it is neither practicable nor desirable for regulation to seek to respond to each market development." In other words, principles are better than prescription as they allow regulatory flexibility without having to change the rulebook every few months or so. "Fewer rules that work" and avoiding 28 plus versions of the truth is seen as the way forward.

At a practical level, the committees of European Securities Regulators, European Banking Supervisors and European Insurance and Occupational Pensions Supervisors, are working on the strategic issues and all three have senior representatives from the FSA, including Sir Callum McCarthy and Hector Sants. In particular, CESR has taken the lead in establishing processes and protocols to support regulatory collaboration and convergence, including peer review arrangements by which member states will examine and monitor the implementation of directives.

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