

City pushes for more disclosure

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AN INFLUENTIAL group of City investment managers is calling on the industry to introduce new standards of disclosure and to ensure their interests are more aligned with their clients to make sure there is no repetition of the financial crisis.

The New City Initiative, which numbers City grandees Crispin Odey of Odey Asset Management and Dominic Johnson of Somerset Capital among its members, is calling on wealth managers to put their "money where their mouth is" and invest alongside their clients.

In a paper to be presented to the Government and the Bank of England, the group warns: "The new financial giants have used their larger capital bases as tools to borrow ever-increasing amounts of money to pursue riskier activities.

"The search for higher margins has driven many institutions to transform their financial advisory activities into product distribution channels without even clearly disclosing this shift to clients."

Although Dominic Johnson said the NCI was not calling for more regulation, it did want to influence behaviour. He said the group wanted investment managers to be investing alongside their clients and disclosing this level of investment to them.

However, the paper, to be presented to Vince Cable, the Business Secretary, next month and the Bank of England shortly afterwards, does go as far as to suggest the Government could look at regulating disclosure.

"Government reviews should address a possible requirement for disclosure of whether or not fund managers are significantly invested in the funds they manage."

The body is also warning that current proposals from the EU and other bodies to restrict bankers' bonuses by requiring them to be paid in shares or options will not solve the problem of alignment of interest.

"This is because stock and stock options are too distant from the daily decisions being made on behalf of clients," the paper warns.

Instead, the NCI supports greater disclosure on pay levels.

The NCI was created in May this year to represent some of the smaller boutique investment houses. It was founded by Daniel Pinto, chairman and co-founder of Stanhope Capital.

It currently represents asset managers controlling Pounds 150bn of assets.