

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Usman Butt
Conduct of Business Standards Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London, E14 5HS

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Our ref:

Dear Mr Butt

DP 15 – Investment research: conflicts and other issues

I am writing on behalf of the Financial Services Consumer Panel with a response to the above discussion paper.

The Panel believe that there are two separate problems for the FSA regarding the integrity and usefulness of investment research. The first is the independence of investment research and this is the main focus of DP 15. However, we believe that as important, if not more, is the extent to which this research reaches retail consumers when it is out-of-date, and therefore misleading.

The Panel support strong measures to increase the integrity of analysts' research. It is in the public interest to have good quality independent research and adopting rules similar to the SEC's rules on analysts would seem to be the most effective way of ensuring this.

However, even if the FSA adopt specific rules to address conflicts of interest and as a result, analysts' research is rigorous and independent, it is still unlikely to be useful to retail consumers when they receive it and are able to act on it. Some research will be received in the post, by which time it will be well out of date. Even if the research is emailed, it is unlikely that retail consumers will be able to act on it before the market has acted and the new prices incorporate the information contained in the research. We believe that this issue needs to be addressed by the FSA. The FSA

should consider whether to put warnings on this research to the effect that the recommendation of 'buy', 'sell' or 'hold' very quickly goes out of date.
I hope this is helpful.

Yours sincerely,



Colin Brown
Chairman
FS Consumer Panel

cc.

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