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UPDATE 3-Global watchdog aims for unbiased investment research

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(Adds more details, broker's comment)

By George Georgiopoulos and Ellie Tzortzi

LAGONISSI, Greece, Sept 25 (Reuters) - A global market watchdog group called on Thursday for a ban on investment analysts taking part in road shows and other sales pitches as it unveiled its proposals for ensuring unbiased research at banks.

The International Organisation of Securities Commissions (IOSCO), seeking to set a standard for regulators worldwide, also proposed severing any links between analysts' pay and any investment banking deals.

Analysts also should not report to their investment banking division or need prior approval for their reports, it said.

IOSCO recommendations were eagerly awaited by the financial industry following a landmark \$1.4 billion settlement in the United States between 10 investment banks and regulators over allegations of misleading stock research.

Roel Campos, U.S. Securities Exchange Commission commissioner who had overseen the preparation of the principles said it was now up to national watchdogs to decide whether they would implement them in their regulations.

"These do not present a recipe for regulation...In an area like this it is very important to have a benchmark and these (principles) will serve that," he told a news conference after a two-day session at a beach resort 40 kilometres from Athens.

Rick Levitt, research manager at European investment bank Dresdner Kleinwort Wasserstein, said IOSCO's suggestions chimed with the line U.S. and UK regulators were taking and with internal guidelines at his bank.

"Everybody is singing from the same hymn sheet," he said.

"If the United States and the UK and IOSCO are all broadly in line on the question of analysts attending pitches it's likely that most other regulators will end up with similar prescriptions," Levitt said.

Asked whether implementing the principles would create extra costs for banks, IOSCO's Campos said:

"There may be some costs involved, but these should be seen as an investment, assuring the public that these principles are in place. These will increase confidence, promoting the business over time," he said.

IOSCO also called for barring analysts' employers from promising corporate clients favourable research coverage or ratings in return for business and a ban on trading by analysts and their employers in securities and derivatives ahead of publishing research that would affect them.

The organisation also produced a similar set of principles for credit rating agencies, highlighting the need to preserve their independence and freedom from economic and political pressures.

"Fairly or not, rating agencies have been in the spotlight in the wake of recent high-profile corporate scandals. The statement of principles...offers a set of high level approaches to buttress credit rating agencies analytical independence," said David Knott, chairman of IOSCO's technical committee.

The group said rating agencies should as far as possible, avoid any actions that might compromise their independence and objectivity, make disclosure and transparency their objectives and preserve the confidentiality of information submitted by reviewed issuers.

Europe's market regulators have signalled they are looking to guiding principles rather than U.S.-style rules to avoid conflicts of interest, putting the onus on the banks to keep stock research free from bias.

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In April U.S. settlement banks agreed to contribute towards setting up legally independent research firms and to separate research and corporate advisory business so that analysts are not involved in both.

The clamp-down followed allegations that some analysts publicly told investors to buy shares in companies they privately derided.

Jamie Stewart, head of research at UK brokers Eden Group said the principles don't go far enough, and won't until research is pulled entirely out of the hands of investment banks.

"Analysis should be tendered out to regulated independent researchers who by definition will not have any connection to bankers looking for investment banking business," he said.

"With the best will in the world it will be impossible for investment banks to live up to these rules, there will still be leakage".

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