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Fund managers lobby Cable for rules against risk-taking

By LISA BUCKINGHAM

A GROUP of self-styled ethical fund managers is to meet Business Secretary Vince Cable and the Bank of England to promote plans to reduce risk and improve confidence among investors.

The New City Initiative – whose 17 members, including Stanhope Capital, Odey Asset Management and Shore Capital, have £150 billion under management – argues that there should be much greater alignment of interests between investment managers and their clients.

This, the NCI will tell Cable, can 'limit the likelihood of making bad investment decisions, which harm individual savers and the financial system in general'.

Aligning the interests of managers and clients provides an inherent safeguard against inappropriate risk-taking, the group says. It is better protection than can be achieved by regulation alone and could help make the issue of City bonuses and hedge fund managers' earnings more transparent and less inflamatory.

The NCI will urge Cable to look at whether Government reviews should compel fund managers to reveal if they invest in their own funds just as they are obliged to reveal their fee structures.

It is also calling for the remuneration committees of financial institutions to make clearer the basis of incentive payments and then to be held directly accountable for their recommendations.

NCI members are clearly concerned that recent rules on remuneration will hit smaller firms more severely than larger ones and could exacerbate risk-taking by City professionals.