Who speaks for the City?

Trade associations galore

David Lascelles and Mark Boleat

CSFI
Centre for the Study of
Financial Innovation

CSFI

NUMBER FIFTY-SIX OCTOBER 2002

Who speaks for the City?

Trade associations galore

By David Lascelles and Mark Boleat

Preface

At least fifty trade associations (and quite a lot more if one includes, as possibly one should, professional associations who do a little lobbying on the side) claim to represent and promote the interests of either "the City" as a whole or a subset of financial practitioners. Is that too many? Or too few? Does it cost the UK's financial services sector too much? Or do City firms actually underspend on getting their messages across, given the challenges they face? And what about those who are being lobbied by City trade associations – the government, the Financial Services Authority, Brussels? What do they think?

These are difficult questions – and, rather perversely, they seem to become more difficult the more one looks into them.

Initially, anyone who hears the cacophony of voices that comes from City trade associations on any issue will tend to support a fairly swingeing rationalisation. Equally, a major bank that finds itself shelling out subscriptions to a dozen or more bodies will tend to think that much of its money is wasted.

But is it? My colleague, David Lascelles, and Mark Boleat (who has the unique resumé of having run three UK financial trade associations) are not so sure. In this important (and, we think, ground-breaking) look at the way the trade association sector is organised, they come to the conclusion that the best interests of the City may be served by "letting a thousand flowers bloom". Yes, there will be overlap, some of it avoidable, and, from time to time, conflicting messages from different trade associations will cancel each other out. But the City is a complex place with many interests and, in the end, the current structure does a pretty good job of representing and promoting those interests.

That is not necessarily the conclusion we expected to come to – and both David and Mark concede that there is some scope for rationalisation around the edges. But big portmanteau trade associations often fragment internally, and, as Mark points out, the consequence of merging two associations is often to create five – the new merged body, the two constituent associations (who will live on in some form within the new body) and two splinter groups which were always opposed to the merger.

We think this is pioneering work that is bound to set the City thinking. I am, therefore, grateful to the authors and to those who helped collect the data on individual associations – not always an easy task. We also want to thank the many trade associations which supported the project.

Andrew Hilton
Director

Executive summary

Who speaks for the City? The question has acquired new urgency with the growth of competition from Continental financial centres like Frankfurt and Paris. The answer is that a lot of people do, or at least claim to. This paper identifies no fewer than 50 trade associations which claim to represent some part of the UK financial services sector, and that's not counting entities like the City Corporation which fight the City's battles in Whitehall and Brussels.

Is this too much? Would the City be better served by a more streamlined representation to reduce the number of voices - and save some of the cost?

Although there are moves to merge financial TAs, the authors of this report argue that the current structure with its mix of broad institutional TAs and sectoral specialists suits the requirements of the UK finance sector rather well. This view runs counter to the desire of many UK financial institutions, particularly large banks and insurance companies, to see fewer trade associations. It also challenges the traditional belief that the key to successful lobbying is bulk rather than specialist expertise.

Mark Boleat - a former director-general of the Building Societies Association, the Council of Mortgage Lenders and the Association of British Insurers - says that the structure looks "logical in relation to the market", though some sectors are over-represented - fund management for example. Big banks - which typically belong to 15 trade associations - might want to reduce their memberships, but often their own divisions are keen to retain specialist associations.

However he identifies four forces which may bring about change:

- the establishment of a single regulator in the Financial Services Authority;
- consolidation within the financial sector;
- the internationalisation of the finance industry, and
- market changes, for example in the tax treatment of offshore centres.

David Lascelles, CSFI co-director, says that trends favour the specialist TA: the proliferation of products and markets, the increasingly detailed nature of regulation, and the weakening cohesion of individual financial sectors. But he notes a growing willingness among trade associations to form *ad hoc* alliances to fight particular issues, and reduce the risk of fragmentation. Although City institutions complain about the number of TAs they belong to, he found that few of them take an active interest in TA affairs or attempt a rational evaluation of the benefits of membership.

He concludes: "Efforts to streamline the City's trade association structure will doubtless continue: to save costs, to match underlying changes in the market, and create broader alliances. And efficiency gains can certainly be made in some areas.

But the evidence is compelling that major structural reform will achieve little: the City is simply too big and complicated to pack its interests into a few large trade associations."

The report also includes some newly collated numbers about City TAs. These show that:

- the UK has at least 50 financial trade associations, excluding professional bodies;
- their total turnover is over £125m a year, including non-subscription revenues such as member services, conferences etc;
- total subscriptions amount to £55m a year, or 43 per cent of total income; and
- they employ about one thousand people.

Contents

Additional research by ***Erin Spillane, Ajay Yelandi*** *and* ***Ryan Sandahl***

The City's trade associations

by David Lascelles

As befits a large contributor to the UK economy, the City has spawned dozens of trade associations to champion its interests. This report identifies no fewer than 50 of them (using the City in its wider sense of the UK finance sector as a whole). And the list is certainly incomplete: it does not include the City's professional institutes (whose main job is to manage professional education and qualification) or broader bodies such as the Confederation of British Industry to which many City institutions belong. Nor does it cover the many international federations through which the City fights its corner in foreign fields like Brussels.

A £125m a year business

Altogether, the TAs we identified have a turnover in excess of £125m a year, which makes them a substantial sector in their own right (the total figure is certainly larger because many TAs do not publish financial accounts). However this figure is somewhat misleading since, as well as member subscriptions, it includes revenue from activities such as conferences and business services that TAs provide for their members. The total subscription income for the identified TAs is about £55m a year, or 43 per cent of their total income.

Growth and merger

Although the City's oldest trade associations go back over a century (the oldest we found is the Building Societies Association formed in 1869), most date from the last 20-30 years with the emergence of London as a major international financial centre, and the creation of new markets like Eurobonds, derivatives and hedge funds which require a lobbying effort of their own. Another factor is the (willing) retreat by the Bank of England from its traditional role as the City's mother hen, and the more assertive line taken by City institutions generally now that their traditional clubs have broken down.

This growth has been offset by mergers. The Association of British Insurers became one of the UK's largest financial trade associations following the mid-1980s merger of a dozen TAs specialising in the nooks and crannies of the life, property and casualty markets. The Finance and Leasing Association is the product of a mid-1990s merger of the Finance Houses Association and the Equipment Leasing Association, and so on.

Size of TAs

The TA sector can be defined in several ways. Size of membership provides one yardstick (Table 1). This highlights associations with a heavy weighting of personal as opposed to institutional membership; not surprisingly the small company industries such as financial advisers come out on top. The numbers are also blurred by the different classes of membership that many TAs offer, e.g. associate, honorary etc..

Table 1

Members[1]

1	Life Insurance Association	25,000
2	Association of Independent Financial Advisors	17,500
3	Association of Corporate Treasurers	3,185
4	Association of Business Recovery Professionals	3,000
5	British Insurance Brokers Association	2,000
6	Consumer Credit Association	1,387
7	National Association of Pension Funds	1,374
8	Corp. of Insurance, Financial and Mortgage Advisors	1,000
9	British Vehicle Rental and Leasing Association	800
10	International Securities Market Association	523

Ranking TAs by corporate membership paints a rather different picture, with the big institutional associations topping the list (Table 2).

Table 2

Corporate members

1	International Securities Market Association	523
2	International Swaps and Derivatives Association	500
3	Association of British Insurers	398
4	National Association of Pension Funds	379
5	Association of Investment Trust Companies	302
6	British Bankers Association	295
7	Ass. of Private Client Inv't Managers and Stockbrokers	272
8	Investment Management Association	265
9	Finance and Leasing Association	184
10	Futures and Options Association	162

TAs can also be ranked by size of turnover. Here, the heavy hitters are, again, those with a large institutional membership (Table 3).

[1] Data for all tables are latest available, usually for 2001. Since not all TAs publish accounts, some of the data were supplied informally. Tables only include TAs for which data were available.

Table 3

Annual turnover (£m)

1	Association for Payment Clearing Services	22.0
2	International Securities Market Association	20.6
3	Association of British Insurers	15.0
4	International Underwriting Association of London	14.1
5	Association of Investment Trust Companies	11.1
6	British Bankers Association	7.6
7	Investment Management Association	5.2
8	Council of Mortgage Lenders	3.6
9	Building Societies Association	3.2
10	Finance and Leasing Association	2.9

Fees are not the only source of income

However these figures should be heavily qualified because, at some associations, they include non-fee income and the cost of operations not normally performed by TAs, for example acting as clearing houses for the industries they represent. Both the Association for Payment Clearing Services and the International Underwriting Association of London perform this role, while the International Securities Market Association provides service infrastructure for much of the Eurobond market, for which it collects substantial fees. The ABI has also recently been acting as the clearing house for payments to settle the pensions mis-selling scandal. Some TAs even provide services for other TAs for a fee, as the BSA does for the Council of Mortgage Lenders, for example.

For this reason, the size of membership fee income gives a better indication of a TA's underlying size (Table 4).

Table 4

Membership fee income (£m)

1	Association of British Insurers	14.2
2	British Bankers Association	5.5
3	Investment Management Association	4.5
4	International Underwriting Association of London	3.5
5	Association of Investment Trust Companies	3.0
6	International Securities Market Association	2.6
7	Lloyd's Market Association	2.4
8	Council of Mortgage Lenders	2.1
9	Building Societies Association	2.0
10	Finance and Leasing Association	2.0

The methods used by TAs to calculate membership subscriptions vary widely. Some charge all members the same, some charge by size (assets, headcount etc). The British Bankers Association uses a formula based on staff numbers, sterling liabilities and foreign currency assets. Apart from being more "equitable", size-based fees give TAs some protection against loss of income as their members merge. But regardless of fee size, all members are supposed to be equal.

Should TAs be in business?

Income in kind as well as cash

Another area where TAs differ is in their policy on generating non-fee income, for example by running seminars and conferences. Some favour it because it provides extra services to members, and helps keep subscriptions down. Others think it confuses - even compromises - their role. One TA that is unique in this area is APACS which levies no membership fees at all, but earns all its revenue by running payment services for its members.

However subscriptions represent only a portion of the cost to members: much of it comes in the form of time given by member executives to support the TAs' work. Some TAs also receive grants from interested bodies: ABCUL, which at 26 per cent has one of the lowest dependencies on subscriptions, receives several hundred thousand pounds in grant support for both general and specific purposes (Tables 5 and 6).

Table 5
Subscriptions as % of total income
Highest ten

1	Association of Independent Financial Advisors	99
2	Lloyd's Market Association	98
3	Association of British Insurers	95
4	Ass. of Private Client Inv't Managers and Stockbrokers	94
5	London Investment Banking Association	93
6	Association of Friendly Societies	87
7	Investment Management Association	86
8	International Financial Services, London	85
9	British Bankers Association	72
10	Finance and Leasing Association	70

Table 6

Subscriptions as % of total income

Lowest ten

1	Association for Payment Clearing Services	0
2	International Securities Market Association	13
3	International Underwriting Association of London	25
4	Association of British Credit Unions Ltd.	26
5	Association of Investment Trust Companies	27
6	Association of Business Recovery Professionals	27
7	Association of Foreign Banks	43
8	Association of Corporate Treasurers	44
9	National Association of Pension Funds	48
10	British Venture Capital Association	52

The TAs as employers

Trade associations try to operate on lean budgets and small staffs. According to the Trade Association Forum, total employment in the financial TA sector is 680. However this does not include TAs like ISMA which have a large London presence but are actually headquartered abroad. We estimate the total at around 1,000. The largest employers are as follows:

Table 7

Staff numbers

1	International Securities Market Association	140
2	Association for Payment Clearing Services	120
3	Association of British Insurers	110
4	British Bankers' Association	70
5	Investment Management Association	33
6	National Association of Pension Funds	30
7	Building Societies Association	26
8	British Insurance Brokers' Association	25
9	Life Insurance Association	25
10	Council of Mortgage Lenders	25

Note: Figures for ISMA and APACS include staff engaged in market servicing and clearing operations.

Source: Trade Association Forum/CSFI

Who speaks for the City?

by David Lascelles

For the first time in centuries, the City faces serious financial competition on its doorstep with the growth of other European centres. So the question of how it should champion its interests has acquired a new urgency.

On the face of it, newcomers like Frankfurt and Paris seem to do it better. Being smaller, they find it easier to speak with a single voice, to give the *Finanzplatz* a focus. But can we expect the City, ten times larger and infinitely more varied in its interests, to sing in unison, or even in harmony?

The answer is no. Although much work is being done to merge and coalesce its voices, the reality is that financial innovation is constantly adding to the swell. Despite an appearance of consolidation, the trend is actually the other way: new trade associations are appearing all the time, and the bulk of them are less than 20 years old.

The Corporation as City champion

The City's challenge is quite different from that facing Continental centres. It is to pursue its many sectoral goals, but with enough idea of the collective interest to produce as few clashing notes as possible, and even some impressive chords. But this is not easy. As this report shows, the City has over 50 trade associations with widely diverging interests and roles. Nor are we talking just about TAs. One of the City's most powerful voices is the City Corporation which champions its business interests, and pushes in other areas like tax, regulation and transport. Then there are the City boosters like the chambers of commerce and London First. As choruses go, it is on a Handelian scale.

The trade associations

The main players, however, are the TAs. Although the Corporation is effective at promoting the Square Mile's interests, its role is circumscribed by the City's desire to speak for itself, not through a political body. Furthermore, the Corporation represents a geographical location, whereas the City's large international constituency increasingly takes a global market view, which is itself a major issue in how the City should present itself.

The trade association sector is, however, quite a jumble. Some sectors, like banking, have several associations working on their behalf; some, like building societies, only one. Some TAs represent a single sector (e.g. the gold market); some, like the Association of British Insurers, many. Some represent only specialised segments of a particular market, like hedge funds or vehicle leasing.

But this jumble is in many ways a mark of the vigour of the UK financial TA sector. Unlike some Continental centres where institutions are obliged to join the relevant TA as a condition for doing business, UK TAs have learnt to live the hard way: by competing for funds, members, and for the ear of government. Many of them are currently under financial pressure, with shrinking memberships and flat, if not declining, incomes. However, they are also great survivors. Few die, and some adapt, like the once exclusive Accepting Houses Committee of City merchant banks which lost its franchise at Big Bang, but re-invented itself as the London Investment Banking Association, and now caters to a much wider international membership.

The lack of consistency among TAs has many causes: history, accident, merger, the weight of political or regulatory pressure on a particular area of the market. But above all it reflects the constant dilemma that they face: whether to achieve their ends through weight or finesse.

TAs essentially have four roles. One is to "jump up and down", as one TA official put it to us, "to enumerate the weight and significance of an interest group in a more or less threatening way". Another is to gather, crunch and disseminate authoritative information about their sectors. A third is to "represent" their members and argue cases, which requires quality analysis and good contacts. And the fourth is to set business standards for their industry. Traditionally, the first and second of these were the most important: large trade associations "spoke for" chunks of the City and churned out reams of routine statistics, and their relations with government were quite cosy. More recently, with the expanding debate about financial regulation and corporate governance, and the shift towards a more rigorous relationship with government, the representation and standard-setting roles have assumed a much greater importance. Meanwhile, the number-crunching role is, arguably, in decline.

The trends

The trends at the moment are confusing, what with mergers and non-mergers. But the overhanging question is whether the crowded TA scene could do with a good shake-out or whether its diverse structure suits the City's current needs.

The issues come down to effectiveness and cost.

Effectiveness. What is it that makes a TA effective? Size, credibility, quality, focus, all of these in some measure.

Size versus finesse

The traditional view favours size: a weighty TA, it maintains, backed by a large constituency will carry more clout than a small one, however nifty. This is increasingly less true. A TA needs to have a large enough mass to command attention, and to fund a worthwhile level of activity. But while a large TA will possess the resources to put together strong cases and turn heavy guns on its target, there is a danger that the need to accommodate widely dispersed member views will blur the message and weaken its firepower. And while government officials may find it convenient to be presented with a single industry-wide case, the conscientious ones will want to probe what went into it. The Financial Services Authority, which regulates 11,000 firms, has its own trade association officer whose job is to keep track of all TAs and make sure that lines of communication work, and that everyone gets a hearing.

> "We need trade associations that can deliver prompt and informed industry views at two levels: technical and strategic."
>
> **Financial regulator**

Large size also creates democracy problems: the bigger TAs get, the less the voice of individual members will be heard. Smaller members feel particularly left out - and more so as policy and regulatory initiatives achieve ever grander scales (e.g. Basel 2). By the same token, the larger institutions can do their own analysis and lobbying, and sometimes suspect that they are subsidising the TA for the benefit of their smaller brethren, so they become resentful. This lack of cohesion can seriously impair a TA's effectiveness. As one TA official put it to us: "It does not need much back-door lobbying by dissident members to undermine an industry position."

The conversations we had with regulators and government officials showed quite clearly that what matters to them is not so much a TA's size as its ability to put a well-founded, well-argued case, plus the knowledge that the views it expresses reflect a strong consensus in the sector. In a word, credibility.

It matters less what you are than what you do

Furthermore, several trends seem to favour the specialised TA over the broader type. One is the transformation of the finance sector from one driven by institutions to one driven by products and markets. It matters less today what you are than what you do: a bank sells insurance, insurers trade derivatives. This trend is constantly spawning new TAs, and widening the distinction between old-style institutional TAs (BBA, BSA, ABI etc.) whose numbers are fairly static, and newer product/market TAs (CML, FOA, ISMA etc.) whose numbers are growing all the time. While the institutional TAs can take a broad industry view, it is increasingly up to the specialist TAs to deal with specific issues.

> "The system is biased against us hearing the views of small members."
>
> **Government official**

Another trend is the increasing granularity of regulation: the enormously detailed and consultative regime being implemented by the FSA and Brussels requires finely honed specialist knowledge - which may exist within large institutional TAs but which can be delivered in a purer form by the specialists.

So, while credibility may be acquired through sheer numbers, it can equally well be found in a small, well-run, issue-led TA which has all its members behind it, and does its homework - what the French call "*un interlocuteur valable*". In this world, size is a secondary consideration.

Cost. A constant gripe among City institutions is the cost of TA membership. But would having fewer TA reduce the cost burden and make everyone happier?

The cost of the TA industry

Our calculations show that City institutions subscribe about £55m a year to their TAs - a figure which will strike many as very large, though it is difficult to say whether it is excessive, or merely an indicator of what the City is prepared to pay/tolerate to sustain its lobbying effort. (It compares with the £160m or so that it costs to run the FSA.) However there are reasons for believing that cost is less of an issue than it might seem.

One is that purely commercial considerations seldom drive the decision to join or leave a TA. The major clearing banks and insurance companies have to belong to the BBA or the ABI whether they like it or not. We also found that many institutions, particularly the large ones, do not even know to how many or to which TAs they belong: the decision is usually a divisional one. Furthermore, one bank can belong to a single TA in several guises (TAs actually cater to this by offering group discounts), though more institutions are now trying to keep central tabs on their TA links. There is another group of institutions which do not belong to TAs at all as a matter of policy, for example Virgin.

> "We regularly evaluate our trade association memberships. But it is difficult not to be a member of the British Bankers Association. We ask ourselves questions like: 'What are we getting out of this? Are we giving more information than we are getting back?' On the other hand, being a member of a trade association is useful because we can float ideas through it.
>
> "Because we belong to several trade associations, we were in favour of the BBA-ABI merger."
>
> **Clearing banker**

When institutions do swing the budgetary axe, it tends to be in a sweeping or haphazard way ("We want to halve our TA memberships") rather than on the basis of cool financial calculation. And this is because it is very difficult, if not impossible, for them to measure the value they get out of TAs. As we have seen, many of them don't even know how much value they put in, whether it be in the form of money, data or executive time. It comes down to a "feel" for whether a particular TA's subscription is worthwhile. However, many institutions believe they belong to too many TAs, that subscriptions are too high - and this disposes them to favour mergers among TAs.

Even so, one revealing point we picked up is that <u>institutions take little direct interest in their TAs' finances</u>. Many associations told us they did not circulate accounts, and were seldom asked by members to produce them. Although some TAs make a point of publishing accounts in their annual reports, some do not, notably the British Bankers Association which has a reputation for secrecy (though it intends to start publishing accounts next year).

The problem of costs in a time of financial stress

<u>Nonetheless, TAs do feel under constant pressure to cut costs and run a lean operation, particularly at this time of financial stress</u>. The ABI underwent a major internal shake-up in the late 1990s which resulted in it shedding staff, and dropping much of its "back office" work in favour of a more "front office" lobbying role. The Trade Association Forum has also launched an "added value" initiative in which some City TAs are participating. For the sector as a whole, much the most positive influence on costs has not been structure but technology: email and the Internet have hugely facilitated contact and consultation at a time when the flow of regulatory proposals from Brussels and the FSA has reached flood levels.

Would mergers reduce costs?

The short answer is yes. There is duplication and overlap between a number of TAs in similar areas, for example in fund management and consumer credit, which could be reduced through merger. But the real question is whether mergers would only be achieved at the price of reducing the effectiveness of the trade associations that went into them. As we have seen, the larger that TAs become, the more they run the risk of blur and dissent, and the less equipped they are to meet the increasingly specialised demands of today's marketplace. These risks may be offset by the achievement of greater size, but as we have also seen, this is a questionable benefit. The reality is that within large TAs there will be what are effectively mini-TAs working away at mini-sectors, suggesting that fragmentation is alive and

> "Every trade association's membership believes that the shots within that TA are called by another section of the membership of which it is not part."
>
> **TA chief executive**

The merger that happened...

The most notable recent TA merger was that in mid-2002 between the Association of Unit Trusts and Investment Funds and the Fund Management Association to produce the Investment Management Association. The first partner represented the retail side of the business and the second the institutional, so the merger gave the multi-billion pound fund management industry a broad sectoral voice.

The new association has integrated management at the top, though it retains some sectoral elements at committee and staff level. According to Richard Saunders, IMA's chief executive, "the merger took two sub-optimal groupings and turned them into something with close to the optimal balance of scale (to attract attention) and focus (to know what you're talking about)."

And the merger that didn't...

In early 2002, the Association of British Insurers and the British Bankers Association proposed a merger that would represent a major cross-sectoral coming-together. The rationale was to forge an integrated TA that mirrored the integration of financial regulation in the FSA, though there were also common interests in the retail end of the finance business, and the convergence of insurance and banking.

But the merger was called off in mid-summer because the two sides decided "it would be more sensible for the two associations to work closely together on matters of common interest, rather than divert resources into a complex and time-consuming structural change". There were also concerns on the banking side that the ABI was locked into an expensive property lease.

well, even if buried in a mega-TA like the Association of British Insurers. Clearly, there will be times when numbers matter, for example when the entire banking sector wants to make a point. But, as we shall see in a moment, this needn't mean big TAs so much as collaboration.

Significant restructuring is not occurring

Yet, mergers *are* taking place. Does this not imply a trend towards consolidation? Not really. There has only been one recent merger which pulls together significant parts of a major sector: that between the Fund Management Association and the Association of Unit Trusts and Investment Funds to form the Investment Management Association (see box). But by our count that still leaves eight TAs with an interest in the fund management area. Other recent mergers are more in the nature of mopping up operations: the creation of the Lloyd's Market Association out of a bagful of small insurance TAs, and the streamlining of foreign bank representation in London into the new Association of Foreign Banks leave both those sectors looking much tidier.

Moreover, the failure of the proposed merger between the Association of British Insurers and the British Bankers Association suggests that the attraction of size has its limits, both in the sense that the influence gained would be small, and the scope for rationalisation not that great: the need for internal mini-TAs would live on. Besides, it was probably a bad time for bankers to be getting into bed with the insurers, given the current problems of the insurance sector.

The cancellation of the match also undermined various arguments that had become popular. One was that the convergence of banking and insurance through *bancassurance* was becoming dominant: in reality, the opposite seems to be true, at least in the UK. A second was that the two industries had begun to split along retail/wholesale rather than sectoral lines (both the ABI and the BBA being essentially concerned with high street issues). A third was that the creation of the super-regulator in the FSA should be mirrored by the creation of super-TAs. It would be worrying indeed if the FSA was susceptible to being impressed by a giant TA: one would hope that it wanted good information rather than large numbers.

> "…a merger between, say, the ABI and the IMA would result in virtually no staff savings because the type of detailed expertise needed to represent those in the investment management market is different from that needed in the life insurance market."
>
> **TA chief executive**

Better structures?

Umbrella TAs and specialists

But if the TA scene is in a state of flux, is this leading to more rational structures? In some senses it is, because the size and character of TAs is shifting with changes in the underlying businesses. Many of the new realities are reflected in, for example, the strong and varied representation of the investment banking market which has an umbrella TA in LIBA, and several strong TAs in specialist areas: ISDA (derivatives), ISMA (eurobonds) and IPMA (primary market). Indeed this umbrella structure seems to be increasingly the norm in sectors like commercial banking, insurance and fund management, where large institutional TAs work alongside a cluster of smaller product and market specialists.

But we also found that this is a very political area: turfs are jealously guarded, traditions upheld, "competitors" talked down. Often, change depends not on the market or even members, but on the personality of the director-general. This is a sector that has its share of empire-builders and stick-in-the muds; change frequently occurs after a director-general has stepped down. Member pressure was said to be behind the IMA and ABI-BBA initiatives. But most TAs say their members do not get deeply involved in the associations' own strategy issues, particularly where TAs have "professionalised" - i.e. developed an independent executive function. (The situation is different at TAs based on personal membership like the financial advice profession where individuals participate more directly in their associations' affairs.) For TAs in general, there is no objective arbiter, like the stock market, influencing events to achieve the most efficient outcomes. Even the

> "When we get out of step with members' opinions, a perception grows that we are not delivering value. Sections of the membership feel aggrieved, or a frenzied cost-cutting wave sweeps the industry. Very often the outcome is quirky, driven by one or two zealots who have become over-excited, rather than optimal in terms of ideal organisation."
>
> **TA chief executive**

regulators and government - who have views - prefer to lie low, though they do occasionally prod. The City Corporation also takes an interest.

The Brussels dimension

A further factor in all of this is Brussels, which has now become a major focus of TA activity because of plans for an integrated European financial services market, and the major role played in it by the City.

> "A single highly regimented 'London view' would not always receive a warm welcome in Brussels."
>
> **TA executive**

However, Brussels is a very different proposition from Whitehall: it has no special interest in UK plc as such, and cannot necessarily be expected to adopt a City-friendly position. Indeed, rather the opposite: it has become wary of City lobbyists mounting offensives over financial directives. *Les anglo-saxons* are not always welcome. One TA executive related the tale of an EU regulator who said to him angrily: "Why is it always you who make submissions, and why are they always in English?" The City can hardly be blamed for being at the forefront of Brussels lobbying on financial matters, but sometimes it is more tactful to make the advance under the cover of an EU-wide federation.

The EU presents opportunities for expansion

<u>Brussels is also different in that it *does* seem to be impressed by large numbers</u>, probably because of the stronger tradition of power lobbying on the Continent, partly no doubt also because numbers provide the simplest form of measurement in the 15-nation whirl of Brussels horse-trading. But this reinforces the need for coalitions at the supra-national level. Indeed, this process is producing consolidation: the two leading European fund management associations, FEFSI and EAMA, recently agreed to merge.

> **The European agenda**
>
> The Association of Private Client Investment Managers and Stockbrokers is one of the City-based TAs that has enlarged its foreign presence in order to gain a more international role. It recently merged with the European Association of Securities Dealers which, among other things, gained it an office in Brussels. It has also developed links with Continental TAs, such as the German Association of Portfolio Managers (VuV). "This has strengthened our European involvement, which is essential in considering the galloping agenda emanating from Brussels in the form of the Financial Services Action Plan", says Angela Knight, APCIMS's chief executive.

<u>At the same time, though, this presents a major opportunity for City-based TAs to take a leading role in the EU</u>, which increasingly requires a pro-active stance. Although many TAs, particularly those on the investment banking and capital markets side, are physically located in London, they are actually international associations representing institutions from all over the world, operating in global markets: for example ISMA and ISDA. Some of their lobbying is directed at Whitehall and the FSA because of the importance of London's markets, but their focus is just as heavily on Brussels and international regulators. Of all the EU's financial TAs, they are among the best-placed to offer a European vision and speak on a Union-wide basis.

And City TAs are trying to expand their role, for example APCIMS (see box). The London Investment Banking Association is also considering dropping London from its name so that it can become the voice of the international investment banking community - a big step forward. This trend means that the emphasis of lobbying is shifting away from boosting UK plc to promoting the interests of London (or the UK) as a place to do international business. At some point this could even involve the large US trade associations, many of whose members have as large a business in the City as they have on Wall Street.

So what is the way forward?

The evidence strongly supports the case for a multiple and varied TA sector: the finance industry is evolving so fast and in so many directions that it is creating fresh interests all the time, without necessarily killing off the old ones in the process. There is always more. In this world, City institutions are almost certainly best served by specialised TAs which are strong on their subject rather than by large TAs who have to satisfy a broad church. Specially persuasive is the argument that even if TAs merge, they have to remain fragmented internally in order to keep on top of all the interests they follow, and that the scope for cost savings through merger is therefore limited. And at the end of the day, diversity safeguards the flexibility and pragmatism that underpins the City's success.

But this conclusion is bound to encounter objections.

<u>One is that it buys the trade association line.</u> City institutions want to see fewer TAs to simplify their lives and reduce their membership costs, but TAs tend to argue for specialisation, perhaps to justify their existence. However, finance is not getting simpler, and if today's financial conglomerate is active in a dozen markets at once, it must expect to join several TAs to advance its interests in them. This is not to rule out consolidation altogether. But it seems that the scope is limited, and that the pressures are actually moving the other way. If City institutions really did want to see a more streamlined TA sector, they should take a more active interest in their TAs' affairs than they currently do.

Bringing a babble of voices into harmony

Another objection is that <u>multiple TAs will only lead to a babble of voices</u>. Here, the way forward must lie in the growing practice of collaboration and resource-pooling among TAs. A well-developed contact network already exists among many of the City's leading TAs. Their chief executives meet once a quarter with institutions like the Stock Exchange and the Bank of England to talk about issues of common concern, and liaise over how to address them. This has helped TAs avoid stepping on each others' toes, and duplicating effort. It has also encouraged the practice of establishing *ad hoc* groupings of TAs to address particular issues. For example, the investment banking TAs formed a City liaison group in 1997 initially to coordinate positions on the formation of the FSA, but more recently to influence the Brussels agenda. The insurance TAs have a similar committee to look at European issues. A City coalition was effective in helping the Chancellor fight off the withholding tax threat from Brussels, and has remained in existence to deal with subsequent matters. City TAs also play a leading role in the Joint Money

> "*Ad hoc* collaboration is a very effective mechanism since it can be financed cheaply, calls for no dramatic constitutions, and enforces a degree of conscious search for consensus rather than dragging people along as passive and often grudging passengers."
>
> **TA chief executive**

Laundering Steering Group which produces guidelines on how to implement the rules in this controversial area. (Another area where TAs collaborate, incidentally, is over cost. A number of them share premises, back offices, even staff to keep their budgets down.)

Compiling and managing these groups will become an important part of the City's quest for vocal harmony on both domestic and international issues, and needs to be encouraged. By whom? Although the City Corporation and officialdom both take an interest, and nudge where possible, this has to be an area where the TAs themselves take the initiative. Suggestions of official interference would be compromising and probably self-defeating.

<u>A third objection is that consolidation would be more "rational"</u>. It is possible to see two structural shapes that might be created by a trade association Gosplan. One would consolidate all the TAs into a small number of sectoral mega-TAs, for example for banking, insurance and fund management. But it is hard to see what would be gained by this other than the creation of large battalions, which, as we have seen, are not best suited to fight today's complex and highly technical battles. Indeed, such a structure would more likely reduce than raise the effectiveness of the fighting forces. Or else Gosplan could try to be more subtle by clustering TAs according to sector, possibly by having an umbrella TA for each sector which dealt with big picture issues, and a set of smaller ones which represented the more segmented interests. Alternatively, each sector could be represented by an institutional TA which handled policy and others which looked after market or product issues. Indeed, some sectors already have structures of this kind (eg. investment banking), though experience has shown that the scope for actually reducing the number of TAs in this way is quite small.

> "Ultimately, it is the strength of the people in any association which will influence how it is perceived, and whether it merits an independent existence. Big may be beautiful, but only if it does not lead to the lowest common denominator in terms of representation, information etc, because a consensus cannot be reached."
>
> **TA chief executive**

Is the City's "collective interest" a myth?

<u>A fourth objection is that having multiple TAs makes it even harder to perceive where the City's "collective" interest lies</u>. But what does that mean? An interest in having City-friendly policies, sensitive regulation, a supportive constituency in Whitehall? To be sure. But these are pretty obvious. It is a myth that the City has a collective interest in anything other than the broadest principles that everyone knows and recognises. Therefore this supposed "loss" must be small. Moreover, it is increasingly outdated to talk of the City in a geographical sense: nowadays it is a collection of international markets.

Conclusion

Efforts to streamline the City's trade association structure will doubtless continue: to save costs, to match underlying changes in the market, to create broader alliances. And efficiency gains can certainly be made in some areas. But the evidence is compelling that major structural reform will achieve little: the City is simply too big and complicated to pack its interests into a few large trade associations. And even if it did, the mega-associations would be plagued by factionalism and splinter groups. Today's complex markets and regulations require enormously high levels of focused expertise, and the capacity to deliver this will prove more valuable both to members and officialdom than the ability to mobilise huge battalions.

Finding the right voices

by Mark Boleat

The finance industry in Great Britain is heavily regulated and undergoing rapid change. In such an environment the role of trade associations is crucial in ensuring that the views of companies in the sector are adequately represented. Yet such a changing environment at the same time puts the role of trade associations themselves under the spotlight.

This paper briefly examines the trade association structure in the finance industry and then analyses the drivers for change and possible restructuring scenarios.

The need for representation

The extent to which an industrial sector needs a representative mechanism depends partly on the nature of the sector but more on the extent to which it is subject to specific regulation. A very large sector with little specific regulation, such as retailing, requires only a modest representative mechanism. By contrast, a smallish sector, which is heavily regulated, has a greater need for a representative mechanism.

Finance is always in the public eye

The finance industry collectively is very large and is heavily regulated, not only by the FSA but also by a number of other regulators, such as the Office of Fair Trading and the various code of practice arrangements. The finance industry is also in the public eye for a host of other reasons, and attracts considerable media and political attention for which some collective response is needed.

In fact there is no sector of the British economy more in need of top quality representative arrangements than the finance industry. Among the issues the industry has had to contend with in recent years, in addition to the creation of the FSA, are

- the government’s proposals for universal banking, with the DTI as the lead department;
- the Cruickshank review on the banking industry, followed by theCompetition Commission’s review of banking arrangements for small businesses;
- concerns about indebtedness, where the DTI has been the lead department;
- development in genetic testing, mainly relevant to the insurance industry, where the Department of Health has been the lead department; and
- environmental issues, where DEFRA is now the lead department.

The ideal constituency for a trade association

Before discussing the finance industry specifically, it is helpful to analyse the environment that is ideal for strong effective trade associations. The ideal environment is one comprising domestically owned institutions which are specialist, operating almost entirely in the domestic market, where the institutions and the market itself are subject to special regulation. In such an environment, there is a clear commonality of interests.

In practice of course, no sector fully meets these requirements. The building societies, until about the mid-1980s, came very close to it. They were subject to specific legislation in respect of their structure and activities, they dominated the mortgage and retail savings markets and they operated entirely domestically.

Financial sectors are becoming blurred

Today, there are few clear dividing lines between the various sectors of the finance industry. Unit trusts and investment trusts probably come closest to having the ideal environment. At the other extreme the fund management industry and investment banking face a more disparate environment.

Constituencies in the finance sector

This section seeks to identify very broadly the different sectors of the finance industry as the basis for the subsequent analysis of the trade association structure. The table below shows a very broad classification.

Retail sales	Retail products	Wholesale/international
Brokers	Mortgages	Mortgage backed securities
	Hire purchase	Leasing/factoring discounting
	Loans	Wholesale loans/venture capital
	Savings	Money markets
	Money transmission	Money broking/clearing systems
Financial advisors	Stockbroking	Securities dealing/exchanges/ futures and options
	Unit trusts	Fund management
	Investment trusts	Fund management
	Life insurance	Fund management
	Retail pensions	Fund management
	Occupational pensions	Fund management
Brokers	General insurance/ commercial insurance/ re-insurance	Commodities trading

Note: The retail sales column identifies organisations that sell but which are not product providers. It is assumed that all product providers also sell those products directly.

The trade association structure today

Appendix 1 lists the various sectors of the finance industry, subdivided between retail and wholesale, and indicates the trade associations that represent those sectors. Some general observations can be made from this table.

There are two associations not listed in the main part of the table which represent specialist institutions which operate in a number of markets. They are the Association of British Credit Unions (retail savings and lending) and the Association of Friendly Societies (insurance). These sectors are relatively small and operate under special legislation. Their activities are largely confined to institutional rather than market matters.

Partly in this category, but much larger is the Building Societies Association, but this is also very active in the retail savings market.

Until recently, there were two associations that dealt with sectors that were confined to institutions that adopted a specified structure, that is the Association of Investment Trust Companies for investment trusts and the Association of Unit Trusts and Investment Funds (AUTIF) for unit trusts and open ended investment companies (OIECs). However, at the end of 2001, AUTIF merged with the Fund Managers' Association (FMA) to form the Investment Management Association (IMA), giving it a functional as well as an institutional sector.

Some TAs are driven by markets, some by institutions

Also in the retail sector, there are three sub-sectors where the activities of the trade associations are largely market rather than institutional. The Council of Mortgage Lenders (CML) represents almost the whole of the mortgage lending sector. Over half of all mortgages are sold by intermediaries. The larger intermediaries are insurance companies and the major broking firms and there is no large association for mortgage intermediaries. Hire purchase and stockbroking are represented respectively by the Finance and Leasing Association (FLA) and the Association of Private Client Investment Managers and Stockbrokers (APCIMS).

There are two major associations that deal only with selling rather than manufacturing - the Association of Independent Financial Advisors (AIFA), in respect of life insurance and pension products and the British Insurance Brokers Association (BIBA), in respect of general insurance.

At the retail level, there are the two major associations. The Association of British Insurers (ABI) covers both life and general insurance, and given that much insurance is sold directly rather than through intermediaries, covers the selling process as well as manufacturing. At first sight there is little logic for life and general insurance being combined for trade association purposes. The reason that they are in Britain is that much of the business is undertaken by composite insurers which are in both markets and the industry has a common regulator.

Finally in the retail sector is the British Bankers Association (BBA). This covers the whole range of retail banking services, although it shares responsibility for money transmission with the Association for Payment Clearing Services (APACS).

Both the ABI and the BBA also represent their members in respect of commercial, and to some extent international, business.

There are two associations that are concerned only with commercial or wholesale activity, but they tend to share the representative function with the retail associations. They are

- the International Underwriting Association of London (IUA), which represents the London insurance market and re-insurance, with the ABI also being in this market; and
- the London Investment Bankers Association (LIBA) which represents the investment banks (almost entirely now foreign-owned), with the BBA also being in this market.

Until its merger with AUTIF, the FMA was also in this category. The special position of Lloyd's needs to be noted here. It is a combination of a market, a representative body, a regulator and a franchise. On some matters it represents its members' interests directly; on retail matters it often works with the ABI and is represented on some of its committees; and on wholesale matters it works with the IUA.

The National Association of Pension Funds (NAPF) is in an unusual position. It represents employers who provide pension schemes and is often not regarded as a "City" institution. It is mainly relevant to the City through its fund management activities.

Finally, there are associations that operate entirely at the wholesale level with almost no overlap with the retail associations. They are:

- the Futures and Options Association;
- the London Bullion Market Association;
- the Wholesale Market Brokers Association; and
- the British Venture Capital Association.

Some TAs are domestic, some focus on global markets

This paper is largely confined to the British market but of course finance is an international activity. In effect the commercial/wholesale market merges into the international market. There are a number of associations that deal with international matters only but where inevitably there is some overlap with the domestic associations. These include

- the International Primary Markets Association;
- the International Swaps and Derivatives Association;
- the International Securities Lenders Association; and
- the International Securities Market Association.

Finally, it is necessary to recognise some more wide ranging associations relevant to the City of London. International Financial Services London (formerly British Invisibles) is a promotional body which seeks to promote internationally the whole of the UK financial industry. Its members comprise large financial institutions and trade associations. Even more wide ranging is the Confederation of British Industry, the major representative body for industry and commerce in Britain.

Current issues

Does this brief analysis suggest any immediate issues which need to be addressed? In fact the structure looks fairly logical in relation to the market. There are no glaring anomalies. Perhaps two issues stand out.

The first relates to fund management. The two major associations representing the long term savings industry, the ABI and NAPF, both provide services in respect of fund management to their members. They concentrate particularly on corporate governance issues and the protection of shareholders' interests generally. AUTIF did not provide the same service, although in practice almost all members of AUTIF were in groups which were also members of the ABI and therefore could obtain the ABI's services. Now that AUTIF has merged with the specialist FMA, to which many members of the ABI and the NAPF also belong, it is in the same category as the ABI and NAPF. With this fragmented structure, it is not surprising that the running on fund management issues is made not only by the trade associations but also by individual fund managers, in particular Hermes, and also the pressure group PIRC. Given that the fund management issues facing insurance companies, pension funds and specialist fund managers are virtually identical, there seems no rationale for the current fragmentation. The formation of the IMA does nothing to reduce the fragmentation.

The problem of overlapping TAs...

The second current issue is of a lesser order, that is representation for the money transmission business. APACS is primarily a technical organisation which provides a clearing mechanism. Its members are the banks and building societies which belong respectively to the BBA and the BSA. This tends to lead to confusion on major issues such as the recent row about charging for withdrawals from cash dispensers of other banks. It is difficult to see an immediate solution to this problem other than better co-ordination among the three associations.

Longer term structural issues

There are a number of longer term structural issues that revolve around the two major associations, the BBA and the BSA.

Is the scope of the BBA appropriate? Two major areas of bank lending, hire purchase and mortgage lending, the markets for which are dominated by banks, either directly or through subsidiaries, are represented by specialist associations. And the Building Societies Association, in addition to representing the building societies as institutions, has a role on savings and money transmission issues. There is a case, although no more than that, for the BBA seeking to expand its remit to cover the whole of the retail banking industry. This could also include taking the Association of British Credit Unions under its wing.

...but what can be done about it?

There are similar issues facing the ABI. There is a significant overlap between the activities of life insurance companies and the activities of unit trusts and, indeed, a significant institutional overlap as well. Should the ABI be seeking to work more closely with IMA, possibly with a view to merging with it some time in the future? Is there also a case for the ABI seeking to take the Association of Friendly Societies under its wing?

Is there a case for the ABI and the BBA getting together? They are the two largest trade associations which work in similar ways and which already have a fairly close working relationship. Moreover, there is now a very significant overlap of membership. Early in 2002, the two associations announced that they were considering a merger and had retained consultants to advise them. In fact the case for a merger was always weak. While it might appeal to the large banking groups, it had little appeal to the majority of members of either association. The very different property positions of the two associations also represented an immense practical problem. The discussions became protracted and it was no surprise when the merger concept was later abandoned.

Does the current structure meet current needs?

This question is almost impossible to answer. There is certainly no evidence that the structure is hopelessly inadequate for its purpose. However, there is no doubt room for improvement. The question can be addressed from a number of angles.

The government and government agencies, primarily in the shape of the FSA and the Treasury, are the main recipients of representative work. Does the current structure serve the government's aim of securing an effective dialogue with the industry? There have been no public concerns (or seemingly private concerns) expressed by the government or the FSA on this matter. However, they may take the view that this is entirely a matter for the industry. If it fails to have an adequate representative mechanism then it is the industry that suffers rather than the government or the regulators.

Some institutions and sectors are probably served very well, particularly where there are strong specialist associations such as the CML and FLA. But they are able to serve their members well only if they work with other associations where the need arises and do not attempt to represent their members on everything. They do not have the resources to do so.

The large banks belong to 15 different associations...

The group of institutions most entitled to ask whether the structure serves them well are the major banking and to a lesser extent insurance groups. The major banking groups in fact belong to all of the retail associations listed in Appendix 1 (with the exception of the AITC) and to most of the wholesale institutions. The big four banks each belong to around 15 trade associations, while the big insurance companies belong to around eight each. These associations will often be making representations on the same issues.

Do the major banks co-ordinate internally their relationships with trade associations and seek to ensure that their interests are adequately represented in all of the institutions to which they belong? The answer is probably that they do not, and indeed the various subsidiaries are probably very keen to retain specialist associations to speak for them.

...and spend millions of pounds on government inquiries

It is also the case that the banks do a great deal of representational work directly - albeit often not very well, certainly in the past. And the pattern in many industries is for the big companies increasingly to get together outside the trade association structure to work on major issues. The importance of the issue for the large banks can be judged by a comment from HSBC in the summer of 2001 that the recent inquiries into the banking sector had cost it £10 million in staff and management time, printing costs, consultants and lawyers. This figure does not include the cost of implementing the recommendations of the investigations. Perhaps a question that HSBC should be asking itself is whether it has the right representational structure in place, either directly or through the various trade associations to which it belongs, to minimise the number of such enquiries and also the adverse media that inevitably results from them. The fact is that the banks are a soft touch for a government that wishes to score political points.

Drivers for change

Four factors are driving the need for change in the structure of representation in the financial services sector.

First, and most important, is the establishment of a single regulator, the Financial Services Authority. In the past, much of the work of trade associations has been dealing with specific regulators on matters specific to their sector. For example, the Association of British Insurers will have dealt with the Department of Trade and Industry on insurance regulation, and the Building Societies Association with the Building Societies Commission on building society regulation. Now there is a single regulator and increasingly a single regulatory regime. Trade associations are therefore not making representations on something specific to their members, but rather on something that applies to all or a large part of the financial services market. The big banks, with their membership of 15 trade associations, may well find they have put their names to 15 representations which may or may not be making similar points.

CSFI 5 DERBY STREET, LONDON W1J 7AB Tel: 020-7493 0173 Fax: 020-7493 0190 E-mail: info@csfi.org.uk Web: www.csfi.org.uk

The fact that there is a single regulator does not mean that there should be a single trade association. The regulatory regime is not the same for all institutions and there are still matters that are specific, for example to insurance companies or to building societies; to the extent that matters cut across traditional boundaries, then the trade associations can co-operate together in making the appropriate representations. Having said this, there is no doubt that the creation of the FSA as a single regulator should weaken the impact of the specialist associations and should strengthen the clout of the two big associations, the BBA and the ABI.

Industry consolidation can be a big headache for TAs...

The second factor is mergers, both within and between sectors. Intra-sector mergers, such as the Halifax and Bank of Scotland, create problems for trade associations by reducing subscription income if there is a tapering or capped scale. Even if there is not, it creates problems in that a smaller number of institutions are paying a larger proportion of the total costs of running the association. All the major associations have suffered from this problem recently and have had to address it either by cutting costs, increasing revenue from other sources, attracting new members where this is possible, or increasing subscriptions for all members.

Mergers between industries can create bigger problems for associations which are based on a specific sub-sector. Where the leading companies in the sector are independent, they will be keen to belong to a trade association of companies like themselves which are also independent, rather than be part of a much bigger grouping. The Prudential's acquisition of M&G, one of the largest unit trust groups, is the sort of corporate restructuring which can have an effect on trade associations, although the extent to which it will do so depends on whether the acquired institution retains much of its independence in fact. At another level, Lloyds Bank's acquisition of Scottish Widows marked a significant further step in the integration of the banking and insurance industries. As a result of this, one of the larger members of the ABI is now a subsidiary of a bank, an additional point being that the current chairman of the ABI comes from that institution.

...so can pressure from foreign-owned institutions

The internationalisation of the finance industry creates a different set of problems for trade associations. A company's commitment to a trade association is obviously lessened where it is the subsidiary of a foreign institution, particularly if many matters have to be referred to head office. In the case of the finance industry, where much regulation now begins at the international level, there is an obvious issue for the major international groupings as to how they work through national trade associations. In the insurance industry two of the largest five members of the ABI, Axa and Zurich, are foreign-owned. In the case of the investment banks, most are now in foreign ownership.

Finally, there are market changes which can significantly change the demand for trade association services. A good example is the abolition of tax relief on mortgage interest. While tax relief was in force, mortgage lending was in effect a ring-fenced activity. Without tax relief, mortgage lending has become more integrated into retail banking generally, with flexible mortgages now being offered which combine a mortgage loan, a personal loan, a savings account and even a current account. For mortgage lenders, one of the benefits of membership of the CML was advice on administering the system for giving tax relief on mortgage interest. That *raison d'être* has now disappeared by an action which, at the same time, has served to diminish the special nature of mortgage lending.

There is likely to be a similar process in respect of life insurance where with-profits products seem doomed, and a move towards the unit trust or OEIC formula is likely. This means that the large insurance and unit trust groups may end up doing more of their business through unit trusts rather than life insurance, which has obvious implications for the relative positions of the ABI and the IMA.

Dynamics of change

Change does not come easily to trade associations. They are not subject to normal market forces and it can take years before factors necessitating change result in actual change. Unlike the commercial world, it is not simply a matter of convincing management and then getting the shareholders to vote in favour, but rather taking the whole membership along. It is well known in trade association circles that a possible consequence of merging two trade associations is to create five - that is, the new merged association, the two existing associations remaining in practice and two splinter groups which were opposed to the merger.

It's up to the big boys to drive through change

Very rarely does pressure for change come from within a trade association. A chief executive who suggests the need for restructuring is putting his head on the block. The best elected officers are busy people who probably do not have the time to engage in detailed restructuring. Those who do are generally the worst placed to take the issue forward. Sometimes, the impetus for change can come from the government or regulatory bodies where it is felt that a trade association structure is hopelessly inadequate. As this is not the case in the British financial services industry, little pressure from this direction can be expected.

Generally, the driving force behind structural change comes from the largest members of a trade association. They are the ones who pay the bulk of the bills and they are the ones who suffer from multiple membership of multiple trade associations. If there is to be any action in Britain on the trade association structure it will because Barclays, HSBC, Lloyds, the Royal Bank of Scotland, Halifax and possibly others such as Abbey National and the Prudential get together outside the traditional trade association structure and agree the need for change and then drive it through.

Appendix 1

Trade associations in the financial sector

Activity	Trade association
Retail	
Mortgages	Council of Mortgage Lenders (CML)
Hire purchase	Finance and Leasing Association (FLA)
Retail lending	British Bankers Association (BBA)
Retail savings	British Bankers Association (BBA)/BuildingSocieties Association (BSA)
Money transmission	Association for Payment Clearing Services (APACS)/ BBA/BSA
Stockbroking	Association of Private Client Investment Managers and Stockbrokers (APCIMS)
Unit trusts	Investment Management Association (IMA)
Investment trusts	Association of Investment Trust Companies (AITC)
Life insurance manufacturing	Association of British Insurers (ABI)
Life insurance selling	ABI/Association of Independent Financial Advisors (AIFA)
Retail pensions manufacturing	ABI
Retail pensions selling	ABI/AIFA
General insurance manufacturing	ABI
General insurance selling	ABI/British Insurance Brokers Association (BIBA)
Wholesale	
Leasing	FLA
Factoring and discounting	Factors and Discounters Association (FDA)
Wholesale banking	BBA/London Investment Banking Association (LIBA)
Futures and options	Futures and Options Association (FOA)/International Swaps and Derivatives Association (ISDA)
Fund management	IMA/ABI/National Association of Pension Funds (NAPF)
Occupational pensions	NAPF
Commercial insurance selling	BIBA
Commercial insurance/ re-insurance manufacturing	ABI/International Underwriting Association of London (IUA)
Money broking	Wholesale Markets Brokers' Association (WMBA)
Venture capital	British Venture Capital Association (BVCA)
Precious metals	London Bullion Market Association (LBMA)

Other specialist trade associations

Association of British Credit Unions (credit unions – small deposits and lending)
Association of Friendly Societies (friendly societies – small scale insurance business)
International Financial Services, London (international promotion of the UK finance industry)
Confederation of British Industry (representation of industry and commerce generally)

Trade association	Sector	Contact	Email	Web site
Banking & finance				
ABCUL - Association of British Credit Unions Ltd.	Credit unions	Holyoake House, Hanover Street, Manchester M60 0AS 0161 8323694	info@abcul.org	www.abcul.org
AFB - Association of Foreign Banks	International banks and securities houses	1 Bengal Court, London EC3V 9DD 020 7283 8300	secretariat@fbsa.org.uk	www.fbsa.org.uk
AFS - Association of Friendly Societies	Friendly societies	10-13 Lovat Lane, London EC3R 8DT 020 7397 9550	info@afs.org.uk	www.afs.org.uk
AISBL - Association of International Savings Banks in London	Non-UK savings banks, mainly European	c/o Swissca Securities Limited, Camomile Court, 23 Camomile St, London EC3A 7LL 020 7863 1931		
BBA - British Bankers Association	Banking/financial services	Pinners Hall, 105 - 108 Old Broad St, London EC2N 1EX 020 7216 8800	info@bba.org.uk	www.bba.org.uk
BCCA - British Cheque Cashers Association	Cheque cashing industry	Swan House, Lynchborough Road, Passfield, Liphook, Hampshire GU30 7SB 01428 751123	info@bcca.co.uk	www.bcca.co.uk
BSA - Building Societies Association	Building societies	3 Savile Row, London W1S 3PB 020 7437 0655	info@bsa.org.uk	www.bsa.org.uk
BVRLA - British Vehicle Rental and Leasing Association	Vehicle finance	River Lodge, Badminton Court, Amersham, Bucks HP7 ODD 01494 434747	info@bvrla.co.uk	www.bvrla.co.uk
CCA - Consumer Credit Association	Consumer credit	Queens House, Queens Road, Chester CH1 BQ3 01244 312044	cca@ccauk.org	www.ccauk.org
CCRG - Credit Card Research Group	Credit card issuers	2 Ridgmount Street, London WC1E 7AA 020 7436 9937	ccrg@mhcc.co.uk	www.ccrg.org.uk
CCTA - Consumer Credit Trade Association	Consumer credit	Suite 8, The Wool Exchange, 10 Hustlergate, Bradford BD1 1RE 01274 390380	info@ccta.co.uk	www.ccta.co.uk
CML - Council of Mortgage Lenders	Mortgage lending	3 Savile Row, London W1S 3PB 020 7437 0075	info@cml.org.uk	www.cml.org.uk

Trade association	Sector	Contact	Email	Web site
CSCB - Committee of Scottish Clearing Bankers	Scottish clearing banks	38 Drumsheugh Gardens, Edinburgh EH3 7SW 0131 473 7770	info@scotbanks.org.uk	www.scotbanks.org.uk
FDA - Factors and Discounters Association	Asset-based working capital	Boston House, The Little Green, Richmond, Surrey TW9 1QE 020 8332 9955	robin.clarke@factors.org.uk	www.factors.org.uk
FLA - Finance and Leasing Association	Asset-based finance and consumer credit	Imperial House, 15-19 Kingsway, London WC2B 6UN 020 7836 6511	info@fla.org.uk	www.fla.org.uk
IPFA - International Project Finance Association	International project finance, private finance initiative	70 Wheelhouse, Burrells Wharf, Westferry Road, London E14 3TA 020 7358 9891	info@ipfa.org	www.ipfa.org
Capital markets				
BVCA - British Venture Capital Association	Private equity	Tower 3, 3 Clements Inn, London WC2A 2AZ 020 7025 2950	bvca@bvca.co.uk	www.bvca.co.uk
FOA - Futures and Options Association	Derivatives trading	One America Square, 17 Crosswall, London EC3N 2PP 020 7426 7250	info@foa.co.uk	www.foa.co.uk
GEMMA - Gilt-edged Market Makers Association	Dealers in UK government securities	c/o Barclays Capital, 5 The North Colonnade, London E14 020 7623 2323		
IPAA - Issuing and Paying Agents Association	Issuing and paying	PO Box 846, Mariner House, London EC3N 4HT 020 8876 2869	ipaasec@aol.com	
IPMA - International Primary Market Association	International debt, equity markets	36-38 Cornhill, London EC3V 3ND 020 7623 9353	admin@ipma.org.uk	www.ipma.org.uk
ISDA - International Swaps and Derivatives Association	Derivatives trading	One New Change, London EC4M 9QQ 020 7330 3550	bhanlon@isda.org	www.isda.org
ISLA - International Securities Lenders Association	Securities lending	P O Box 2072, Rayleigh, Essex SS6 9NQ 020 7675 8127	admin@isla.co.uk	www.isla.co.uk
ISMA - International Securities Market Association	International debt securities, trading services	Rigistrasse 60, PO Box, CH-8033 Zurich, Switzerland 00411 363 42 22	info@isma.org	www.isma.org
LIBA - London Investment Banking Association	Investment banking	6, Frederick's Place, London EC2R 8BT 020 7796 3606	liba@liba.org.uk	www.liba.org.uk

Trade association	Sector	Contact	Email	Web site
Insurance				
ABI - Association of British Insurers	General insurance, life, pensions, and savings, investment	51 Gresham Street, London EC2V 7HQ 020 7600 3333	info@abi.org.uk	www.abi.org.uk
AIOA - Aviation Insurance Offices Association	Aviation insurance	London Underwriting Centre, 3 Minster Court, Mincing Lane, London, EC3R 7DD 020 7617 5444	dave.matcham@iua. co.uk	
BIBA - British Insurance Brokers Association	Personal and commercial insurance broking	BIIBA House, 14 Bevis Marks, London EC3A 7NT 020 7397 0201	williamsm@biba. org.uk	www.biba.org.uk
IUA - International Underwriting Association of London	International insurance, wholesale insurance, reinsurance	London Underwriting Centre, 3 Minster Court, Mincing Lane, London EC3R 7DD 020 7617 4444	info@iua.co.uk	www.iua.co.uk
LIA - Life Insurance Association	Life insurance sales	LIA House, Chorleywood, Rickmansworth, Herts WD3 5PF 01923 285333	suea@lia.co.uk	www.lia.co.uk
LMA - Lloyd's Market Association	Lloyd's underwriters and capital providers	Suite 1085, One Lime Street, London EC3M 7DQ 020 7327 3333	simon.sperryn@lloyds.com	www.the-lma.com
LMBC - London Market Insurance Brokers' Committee	Insurance broking	BIIBA House, 14 Bevis Marks, London EC3A 7NT 020 7397 0216	jo.brady@lmbc.co.uk	www.lmbc.org.uk
Fund management				
AIMA - Alternative Investment Management Association	Alternative investment, hedge funds	10 Stanhope Gate, London W1K 1AL 020 7659 9920	info@aima.org	www.aima.org
AITC - Association of Investment Trust Companies	Investment trusts	8-13 Chiswell Street, London EC1Y 4YY 020 7282 5555	info@aitc.co.uk	www.aitc.co.uk
APCIMS - Association of Private Client Investment Managers and Stockbrokers	Investment management, stockbrokers, private banks, EU securities industry	112 Middlesex Street, London E1 7HY 020 7247 7080	info@apcims.co.uk	www.apcims.co.uk
APUT - Association of Property Unit Trusts	Property unit trusts	c/o Merrill Lynch Investment Managers 33 King William Street, London EC4R 9AS	neeral_patel@ml.com	www.aput.co.uk
ASIM - Association of Solicitor Investment Managers	Investment management	Baldocks Barn, Chiddingstone Causeway, Tonbridge, Kent TN11 8JX 01892 870065	admin@asim.org.uk	www.asim.org.uk

Trade association	Sector	Contact	Email	Web site
IMA - Investment Management Association	Unit trust, open-ended investment companies, fund managers	65 Kingsway, London WC2B 6TD 020 7831 0898	info@investmentuk. org	www.investmentuk.org
NAPF - National Association of Pension Funds	Occupational pensions	4 Victoria Street, London SW1H 0NX 020 7808 1300	info@napf.co.uk	www.napf.co.uk
PIMA - PEP and ISA Managers Association	PEP and ISA managers	Cleveland Business Center, 1 Watson Street, Middlesbrough, Cleveland TS1 2RQ 01642 207200	enquiries@pima.co.uk	www.pima.co.uk
Financial advisors				
AIFA - Association of Independent Financial Advisors	Financial consulting and advising.	Austin Friars House, 2-6 Austin Friars, London EC2N 2HD 020 7628 1287	info@aifa.net	www.aifa.net
CIFA - Corporation of Insurance, Financial and Mortgage Advisors	Insurance and financial consulting	174 High Street, Guildford, Surrey GU1 3HW 01483 539121		
Specialised				
ACT - Association of Corporate Treasurers	Corporate treasurers	Ocean House, 10/12 Trinity Lane, London EC4V 2DJ 020 7213 9728	enquiries@treasurers. co.uk	www.corporate-treasurers.co.uk
APACS - Association for Payment Clearing Services	Payment systems	Mercury House, Triton Court, 14 Finsbury Square, London EC2A 1LQ 020 7711 6200	publicaffairs@apacs. org.uk	www.apacs.org.uk
APMM - Association of Policy Market Makers	Endowment policy trading	The Holywell Centre, 1 Phipp St, London EC2A 4PS 020 7749 3400	enquiries@apmm.org	www.apmm.org
IFSL - International Financial Services London	Financial services generally	1-2 Bank Building, Princes St, London EC2R 8EU 020 7213 9100	enquiries@ifsl.org.uk	www.ifsl.org.uk
LBMA - London Bullion Market Association	Bullion trading	6 Frederick's Place, London EC2R 8BT 020 7796 3067	mail@lbma.org.uk	www.lbma.org.uk
LMMA - London Money Market Association	Sterling wholesale money market	c/o Investec Bank (UK) Limited, 2 Gresham Street, London EC2V 7QP 020 7597 4485	rvardy@investec.co.uk	
R3 - Association of Business Recovery Professionals	Corporate reconstruction, insolvency	Halton House, 20-23 Holborn, London EC1N 2JD 020 7831 6563	association@r3.org.uk	www.r3.org.uk
WMBA - Wholesale Markets Brokers' Association	Wholesale broking	Cable House, 54-62 New Broad St, London EC2M 1JJ 020 7827 2800	wmba@wmba.org.uk	www.wmba.org.uk

David Lascelles is co-director of the CSFI, through which he has published research papers on a wide range of subjects, including online finance, the euro, the future of London as a financial center, and financial regulation. He is also author of the CSFI's annual "Banana Skins" survey of the risks facing the banking sector.

David was previously with the Financial Times, where he held several key positions, including Banking Editor and New York bureau chief. During his time at the FT, David acquired a broad knowledge of the financial services industry both in the UK and abroad, and wrote widely on commercial and investment banking.

Mark Boleat spent 25 years working for major national, European and international trade associations. He joined the Building Societies Association in 1974, holding a number of positions before being appointed Director General in 1986. He also became Director General of the Council of Mortgage Lenders when that organisation was created in 1989. He held both positions until 1993. In 1993 Mark Boleat joined the Association of British Insurers, the largest British trade association, to become its first Director General. He left the ABI in June 1999 to set up his own consultancy business specialising in trade association strategy and management and the handling of public policy issues.

Mark Boleat is also a non-executive director of several companies, and a member of the National Consumer Council, the Gibraltar Financial services Commission and the Court of Common Council of the City of London.

Mark Boleat holds a BA degree in Economics and an MA in Contemporary European Studies. He is also a fellow of the Chartered Institute of Bankers. He has published a number of books on various financial and public policy issues.