A new policy structure for UKSA

by Eric Chalker, Policy Director

At our recent AGM, I outlined my thoughts on a new policy structure for UKSA. This has since been put to our board of directors and approved. It replaces the structure reported on the front page of this magazine in March 2012.

The purpose of the new structure is to give us greater flexibility in tackling an increasing number of policy areas and making good use of an increasing number of volunteers from among our members to do this. At the same time, we must also ensure that the things we say are broadly representative of private investor opinion generally and our members in particular, are consistent with each other and made subject to a sensible process of authorisation. Members of our policy team will be those designated by me: we currently have ten, including myself; this is an impressive number, but there is still room for more. Some will have continuing responsibility for certain matters, while others will undertake specific tasks of a limited nature.

My objective is to tap members' expertise, their experience and above all their enthusiasm, to use our reputation and public standing as the principal body representing the interests of private investors, to press for changes in the law, in regulation, in institutional attitude and in director behaviour. Many of our objectives have been written about in these pages and can be found on our website, but other matters of concern have yet to receive our attention. Where we see private investors' interests disregarded, or worse still abused, that is where our attention should be focused.

This is not a selfish matter. The act of investing in equities is of course done for personal reasons, for income and for growing wealth, but it is responsible citizenship too. Private savings, one way and another, are ultimately the principal source of the money invested for the generation of wealth by those engines of profit and growth, the businesses upon which society as a whole depends for its future well-being. Some of us are lucky enough to have the means and ability to invest our money directly into company shares, which I believe gives us not just the opportunity to watch over how that money is used, but a particular responsibility to do so. We have a perspective which governments, regulators and even businesses should value, because it is special.

We have been making progress on a number of fronts, as has been reported, but it needs to be sustained. Recently, a new front has opened up, which is now receiving attention. This is the launch, by European Commission

President, Jean Claude Juncker, of his plan for a Capital Markets Union, reported elsewhere in this issue and on our website. Alongside this is a review of the EU's Prospectus Directive which is also mentioned in another article. EU matters are becoming more important to us and whereas we have long depended on the sterling efforts of Harry Braund and Martin Morton to represent our interests 'over there', these now need to be supplemented on the policy front, so if there is a member with particular interest in watching developments in Brussels as they affect private investors, please let me know.

Eric Chalker

Here at home there are developments too. One of these concerns audit statements, which, as members will have seen, have become more complex and informative. In a year's time, this will be even more so, because of the new corporate governance code requirement for directors to report on companies' 'viability'. This will be no small matter, as was explained at an early morning seminar this month run by the 'big four' accounting firm, EY, attended by Peter Parry and me. It comes into force for all accounting periods commencing on or after October 1 2014 and it is definitely something to be watched by investors, as will be explained in a future article.

Another of the 'big four', PWC, is also anxious to talk with us about its new audit statements. No date has been set for this yet, but Roger Collinge and I are keen to find an UKSA member with an interest in the audit process, because this invitation is surely an opportunity not to be missed. If this applies to you, please contact me!

It seems evident to me that whereas audit statements had become almost completely predictable and therefore of less value than should be the case, the efforts of the Financial Reporting Council to elevate the demands placed on auditors are beginning to have an effect and this is going to increase. Although appearance is frequently to the contrary, auditors are supposed to be appointed by and answerable to the shareholders, not the directors, so it is good and healthy that changes are afoot. I look forward to seeing auditors challenged at company AGMs – and that needs some thought too.

UKSA is becoming quite a powerful force for good, in the interests of all private investors. If you would like to be involved in this side of our activities, do let me know.

Eric Chalker