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The FSA is out of control [1]

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Lord Turner of Makebelieve is at it again. Much City trading, which the Financial Services Authority purports to regulate, is, he told the Cass Business School, ?economically useless?. If so, isn?t the incubus on the back of this activity even more economically useless? The FSA has just published its 72 page annual plan which is specific about costs but says nothing about what the public gets for its money. There are no benefits, still less quantified, nor any benchmarks by which the FSA?s performance could be measured.

One of their four basic objectives, consumer financial education, is being removed and handed to a new quango, the CFEB. Does that mean that the staffing and costs of the FSA will reduce by 25%? Of course not, staff numbers are expected to increase from ?approximately 3,300? (they are not sure how many they have) to ?around 3,700? (p.53), i.e. 13%. Needless to say, the fees charged by the FSA will increase even more sharply to allow also for their other cost increases like their £8.5m ?investment? in long-term accommodation. Since the FSA clearly does not understand the meaning of the word ?investment?, it is just as well that financial education is being transferred elsewhere.

The FSA?s grandiose plans for its future makes no mention of the government?s agreement to transfer financial services regulation to Brussels, leaving the FSA (or its successor) merely to supervise the regulations Brussels decides. Will it get any smaller then? Not under Lord Turner of Makebelieve it won?t.

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