**CURRENT ISSUES
IN FINANCIAL SERVICES**

CURRENT ISSUES IN FINANCIAL SERVICES

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Brian Anderton

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Brian Anderton is the Head of the Department of Financial Services, one of the five academic departments in the University of Central England Business School. After leaving school, he worked for a period with Westminster Bank (later National Westminster Bank). Brian took time out from banking to read economic geography at the London School of Economics, after which he resumed his banking career with Lloyds Bank. He has an extensive list of publications, mainly in the area of law relating to banking and banking law and practice. Brian has been very active in the area of professional education for bankers, writing textbooks, developing and running short courses for banking organisations, and examining for the Chartered Institute of Bankers. During the period 1990–2, he was Chairman of the Association of Banking Teachers, and he is currently Vice-President of the Association. In 1987 Brian was elected a Fellow of the Chartered Institute of Bankers in recognition of his services to banking education. More recently, Brian has taken an interest in banking education in central and eastern Europe. This has involved working with the newly emerging banking communities in both Hungary and the Ukraine.

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research database of failed companies, and the application of new predictive techniques. Although his work has tended to be 'leading-edge' research, Ken has ensured that its results have reached a wider audience. This has included papers presented to the British Accounting Association, seminars for practitioners from the construction industry, and legal and accounting professions, and incorporation of his work into teaching programmes at both masters and undergraduate levels.

Patrick Bentley had a career in insurance stretching back nearly twenty years before he moved into higher education. His experience included underwriting and training activities in the life assurance sector. Although moving into higher education as a senior lecturer, Patrick has retained his interest in insurance with his teaching programme split between preparing insurance staff for the professional examinations of the Chartered Insurance Institute, and teaching specialist insurance options to undergraduate students. Patrick is a Fellow of the Chartered Insurance Institute, and takes an active role in the affairs of the Society of Fellows in the West Midlands. He is also a Member of the Society of Financial Advisers. In the area of research, Patrick has collaborated with other colleagues in the Enterprise Research Centre at UCEBS, on a project investigating risk, insurance and high technology small firms. The results of this research have formed the basis of a seminar for entrepreneurs and insurance professionals, and also the basis of an academic paper delivered at the High Technology Small Firms Conference in 1994. The work has also attracted national press coverage. In addition, Patrick co-authored a standard text *UK Financial Institutions and Markets* (Macmillan, 1991) with other colleagues in the university.

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Diane Walker holds the Birmingham Insurance Lectureship in the Department of Financial Services, University of Central England Business School. Her post is sponsored in a unique way by a consortium of insurance companies, insurance brokers and loss adjusters. Diane is a Fellow of the Chartered Insurance Institute and holds a Diploma in Business Administration from Aston University. She has a particular interest in the development of a unified European market for financial services. Diane had a varied career in the insurance industry before moving into the higher education. She has experience of underwriting in several large composite insurance companies. Latterly, she ran her own insurance broking business in the West Midlands. Diane has a major commitment to the effective education of insurance professionals. She has been a past president of both the Worcester and the Birmingham Insurance Institutes, as well as playing an active role in the Chartered Insurance Institute at a national level. Diane has considerable teaching experience preparing insurance staff for the professional examinations of the Chartered Insurance Institute, and on specialist insurance units on undergraduate courses.

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BRIAN ANDERTON

Preface

Financial services has become a popular area for study over the last decade or so with the treatment of the sector as part of business studies programmes, and the development of whole undergraduate degrees devoted to the study of financial services.

The problem is that financial services is not an academic discipline, but rather a functional area and, moreover, a highly diverse functional area. The study of financial services requires a degree of competence and knowledge in a wide range of relevant disciplines. In addition, there will be issues relating to one branch of financial services which will not be relevant to another.

In this text, we make no claim to comprehensive coverage of such a wide-ranging field of study. Rather, we have chosen to focus on a number of key topic areas which we believe are significant to the way the modern financial services sector has evolved and now operates. Equally, we make no pretence to providing discussion of the latest 'twist' in the ever-changing story of financial services. Interested readers are referred to the quality press and trade/professional periodicals for this.

There is a loose organisational framework to the way the topics are presented. The early chapters examine some of the major environmental factors which have played a role in shaping the financial services sector in recent years: the regulatory framework; macroeconomic policy; the information technology revolution; the tax environment; and the dominance of institutional investment in the decision-making process. The later chapters pick up important operational issues: developments in techniques used to appraise credit risk; problems in deriving a sound basis for the allocation of costs in a multi-product financial institution; and response to the market.

The contributions are primarily set within the context of UK financial institutions and markets. However, the final chapter widens the discussion, and provides a summary of the difficult journey towards a unified European market for financial services.

Each chapter seeks to provide the reader with an overview of the main issues, and with a framework within which to gain a perspective on these issues. The further reading, at the conclusion of each chapter, is designed to enable the reader to develop a deeper understanding of the topic under con-

sideration. In nearly all cases, the further reading has been chosen to be readily accessible to undergraduate students.

The financial services sector is, perhaps, the most dynamic and significant part of post-industrial western economies. It is interesting to note that, in the restructuring of the economies of central and eastern Europe, high priority has been given to the creation of an effective financial infrastructure. The contributors to this text have collectively had many years working in, teaching, researching and writing about financial services. We hope some of our enthusiasm for study of the sector will communicate itself to the reader.

BRIAN ANDERTON