Deregulation of the financial services industry, resulting in the creation of diversified financial conglomerates, has been the trend world-wide. With the coming together of various financial services under one corporate umbrella comes an increase in the potential for conflict of interest abuse, particularly insider dealing. The book, *Financial Conglomerates and the Chinese Wall: Regulating Conflicts of Interest*, presents the problems being faced in the United Kingdom in reregulating the financial services industry to protect individual investors in securities markets from the effects of abuse of conflict of interest, while maintaining the economic benefits gained through deregulation. The solution proposed by the author is the use of Chinese Walls: a mechanism by which financial conglomerates limit the amount of sensitive information that is transferred from one arm of a conglomerate to another. McVea buttresses his arguments in favour of Chinese Walls by comparing the use of Chinese Walls in the United Kingdom and the United States.

The author effectively uses a law and economics and a comparative law approach to present his arguments in favour of Chinese Walls. The topic lends itself to an economic analysis since any policy decisions made in relation to limiting freedom in the marketplace will take into consideration the macroeconomic impact, as well as the legal fairness, of the policy. The author also points to the regulatory and common law treatment of insider dealing in the United States (and to a much lesser extent other common law countries) to support his argument that insider dealing is a significant social problem warranting the attention of policy-makers.

The author reviews the legal and policy issues associated with the use of Chinese Walls. Two main questions are addressed: does the Chinese Wall serve as an effective mechanism to control access
to information between divisions within a single conglomerate? and, is the mechanism of the Chinese Wall sufficiently rigorous to protect a conglomerate from liability due to conflicting duties originating from either contractual or fiduciary relationships at common law? In answering the first question the author argues that, in theory, the mechanism is effective, and that although when applied in practice weaknesses become evident, the absence of scandals is evidence that Chinese Walls work. This argument is weak since the ineffective use of Chinese Walls would be at least as difficult to detect as insider dealing itself—a notoriously hard to detect activity. In addition, the number of conglomerates attempting to use this mechanism properly is unknown. The second question is answered by showing that the courts (in the U.K. and elsewhere) appear to be allowing financial conglomerates to use Chinese Walls to avoid liability, although the law is not yet settled. The author argues that the courts should allow conglomerates to use Chinese Walls to restrict their liability at common law except in situations where the conglomerate is acting in its own interest.

The book offers an overview of the current state of British and American law relating to Chinese Walls. Confusion arises, however, when the author attempts to simplify the area of conflicts of interest by initially focussing on insider dealing. The author devotes, perhaps excessively, two chapters to insider dealing, after which he broadens his analysis to include a range of conflict of interest and duty situations. Remarkably, however, the author does not provide any examples of how Chinese Walls can control insider dealing specifically.

Chapters five through nine provide a concise discussion of the application of Chinese Walls in financial conglomerates. The deregulation of the financial services industry is a product of the recognition that economies of scope are more efficient. The resulting growth of financial conglomerates has had the effect of concentrating economic power in an ever decreasing number of hands. The Chinese Wall is an instrument by which financial conglomerates can participate in the capital markets without upsetting market fairness and efficiency.

The author’s conclusion that Chinese Walls are the best and least costly regulatory option available to balance the protection of both the investor and market fairness against the economic benefits of
creating conglomerates is credible, despite the lack of empirical evidence. Other options are presented, discussed, and dismissed as inferior in either effectiveness or cost. Unfortunately, all of the options, including Chinese Walls, are theoretical solutions at this point in time as no real evidence exists of the success or failure of any of them.