

## Tackling the moral hazard inherent in banking

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John Kay has a first rate article on this issue in the FT today. [In it he says:](#)

*It is not possible for one country, even the US, to impose restructuring of the global financial system on its own, and not sensible to try. A business such as HSBC or Standard Chartered, which operates globally, can migrate if its lead regulator imposes burdensome requirements.*

*But the mobility of capital, and even headquarters, does not prevent unilateral action to protect domestic depositors and national taxpayers. The first object is achieved by insisting that domestic depositors' funds are ring-fenced, the second by insisting that government does not underwrite the wholesale market obligations of banks located within its borders.*

*That might lead banks to shop around in search of accommodating jurisdictions willing to underwrite their global activities. Such banks would be the corporate equivalent of the benefit scrounger posing as asylum seeker, and are likely to receive the welcome that such migrants receive as individuals.*

Quite so.

No ring fence, no deposit protection, which will equate to no customers.

And inadequate capital should mean no licence to operate.

Is it really that hard?

Candidly, I don't think so.

It just takes political will.