

What reform is still needed to bank regulation?

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A commentator called John Warren made this comment in the blog yesterday, [in response to comment on HSBC](#):

I am not going to comment on the particular issue raised here, but [want instead to] make a general point about regulation and the law in the banking and financial sector in the UK; or rather less a point (in the spirit of not shirking something more robust, even if it has flaws) than to offer eight proposals for reform of the law and regulation of the UK financial sector (for I think we have all had enough — it seems to me that fines have turned transgression into a mere 'cost of doing business' rather than a penalty):

- 1) *Bring the criminal law into the centre of the financial regulatory framework.*
- 2) *Apply regulatory fines only for minor or non-repetitive offences. Apply the criminal law to major offences.*
- 3) *Do not under any circumstances allow free public funds to be used to pay fines. If necessary a structured loan should be set up with a rate of interest well above the miscreant institution's borrowing rate, with an exit for immediate repayment.*
- 4) *Establish a new statutory Fraud Act that actually works in the Financial Sector.*
- 5) *Use the criminal law rigorously where appropriate, and put people in jail.*
- 6) *Define a Bank. Define it clearly and narrowly (now that is tough!). Penalise transgression, but reward exemplary banking standards through the taxation system.*
- 7) *Prohibit the most volatile, dangerous forms of derivative (certain CDS activities, re-hypothecation etc.) and monitor new derivative developments very, very closely.*
- 8) *Fund the resources on a scale that entails serious regulation. 'Open for business' in the UK too easily becomes open to transgression (the proof is the Crash, 2007-8, and its*

long aftermath of failure).

I am sure others will have much better proposals, but I have the advantage — for this moment — of having declared them.

I make clear this list would not be quite how I would have proposed reform, but my opinion is not the only one worth noting, and I think it very obvious that major banking reform is still needed when so much in our culture is changing but abuse in and by banks remains as apparently unchallengeable as ever.

Comments welcome but please note moderation will be slow today and I will have a very low threshold for trolls.