

BROWN & BALLS QUOTES ON RISK AND REGULATION

Brown

“I want us to do even more to encourage the risk takers” (Gordon Brown, Mansion House speech, 17 June 2004)

“Labour is not against wealth, nor will we seek to penalise it”
(The Times, 17 February 1993)

“Last year we set out **radical proposals for changing the way we regulate**: minimising the administrative burdens of regulation; and ensuring that the realities of regulation, as you experience them on the ground, are transformed -- by moving away from the old blanket approach, of 100 per cent form-filling and 100 per cent inspection that is inefficient and wasteful of your time, **to a new approach based on risk... And I believe, too, we should consider how we can continue to extend our risk-based approach, applying the concept of risk not just to the enforcement of regulation, but also to the design and indeed to the decision as to whether to regulate at all... And we will take the fight on deregulation to Europe.**” (Speech to the CBI, 5 June 2006)

“Progress if we invest in and nurture the skills of the future, **advance with light touch regulation... stability through a predictable and light touch regulatory environment...** I will be honest with you, many who advised me including not a few newspapers, favoured a regulatory crackdown. I believe that we were right not to go down that road which in the United States led to Sarbannes-Oxley, **and we were right to build upon our light touch system** through the leadership of Sir Callum McCarthy – fair, proportionate, predictable and increasingly risk based. I know Sir Callum is committed to reducing regulatory administrative burdens and the National Audit Office will now look at the efficiency and value for money of our system.”

“As well as promoting greater deregulation across Europe, we will stand up for an approach that is pro-Britain, pro-business and pro-European single market - for a Europe which is outward looking, reforming, liberalising and lighter touch in its regulation... The **risk based approach of the future that Britain is now pioneering is founded on a different view of the world - trust in the responsible company**, the educated consumer and the informed employee, with then on a risk basis the goal should be a fraction of forms, a fraction of information requirements and a fraction of inspections needed. And over time **this new model of regulation should not only apply the concept of risk to the enforcement of regulation, but also to the design and indeed to the decision as to whether to regulate at all.**” (Speech to the CBI, 28 November 2006)

“And I want to work with you so that over time we apply the concept of risk not just to the enforcement of regulation, but also to the design and indeed to the decision as to whether to regulate at all.” (Speech to the CBI, 15 May 2007)

“Considering together the things that we must do - and, just as important, things we should not do - to maintain our competitiveness: enhancing a risk based regulatory approach” (Speech to CBI, 20 June 2007)

Ed Balls

“The FSA's **risk-based regulatory approach is praised around the world and regularly cited as a key strength for the UK...** getting the regulatory balance right has always been tougher in retail than in wholesale. While in wholesale a default or an investment that does not perform as hoped can be seen as just part of the rough and tumble of markets, in retail where consumers are less able to judge risks for themselves, it is a

harder balance to strike. But **we must not let this be a bar to principles-based regulation** or push us towards a zero failure regime - this would benefit neither firms nor consumers.... The first thing to stress is the consensus over **the positive role that hedge funds play** - providing liquidity, helping markets price assets more accurately and driving financial innovation... **Some observers have urged us to go further and proposed disclosure in hedge fund portfolio positions** to regulators in some sort of register. Like Callum McCarthy, **I strongly believe this would be counterproductive.** (Speech to the FSA regulation conference, 23 April 2007)

Ed Balls defending City bonuses: **“If the City is doing well, we are all doing well. When it prospers, we all prosper”**
(Guardian, 3 November 2006).

“The City’s future strength and success starts with you all – the people who work here in the City of London and in financial services across our country... our decision to establish a single regulator for financial services, replacing the fragmented, overlapping and self-regulatory system we inherited **with today’s system of increasingly light-touch and risk-based regulation...** At the same time as arguing for **a sensible and light touch approach** at the global and EU levels, we must also take what action is needed to protect our domestic regulatory approach. The Government’s interest in this area is specific and clear – **to safeguard the light touch and proportionate regulatory regime that has made London a magnet for international business.** That has made London an economic asset for the UK, for Europe, and for countries throughout the world... **We do not view bank profits as undesirable.** Profits are essential for any industry to survive let alone invest, grow and innovate. And **in banking, profits, which are generally strongest at an advanced stage of the cycle, are an essential**

part of keeping the sector sound and stable over the whole cycle. Some have suggested that given their central role in the economy, it would be appropriate to treat banks just like utilities– to subject them to price-setting and onerous rules on how they interact with their customers. **The alternative approach – and the one I favour – is to rely on market forces and competition policy to promote efficiency through open and competitive markets.**” (Speech to BBA, 11 October 2006)

“Our system of principles- and **risk-based regulation provides our financial services with a huge competitive advantage and is regarded as the best in the world...** when others argue that it is the UK which is making the mistake by allowing an excessively light touch in our regulation - or specifically criticise the regulation of the AIM market – I also disagree... To revert to more heavy-handed, detailed or mechanistic regulation which put process before substance would divert us from proper risk-assessment and stifle innovation. We do not intend to fall into that trap. (Speech to the City of London Corporation, 25 October 2006)