



# The Actuarial Profession

making financial sense of the future

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Sir

The risks implicit in capitalism in the UK have generally been leavened by a sense of social responsibility and an understanding of the public interest.

Thus the public accepts that the benefits of airline competition bring with them risks of failure. The impact of failure is mitigated by various safety nets but the public does not expect Government to rescue those airlines.

At the other end of the spectrum the management and shareholders of utilities understand that there are times when a part of their profits must, albeit at the behest of government, be used for the benefit of the public rather than for the direct benefit of shareholders.

Yet no such consensus exists for the banking sector. Management, spurred on by shareholders (and relatively unconstrained by regulators) have legitimately pursued a return on equity normally found only at the riskier end of the spectrum. Yet customers and the public desire that these institutions be managed in a way more consistent with the uninterrupted supply of electricity or other similar vital parts of public life.

The decision about which end of the spectrum banks should be at is one for elected politicians. Only when this has been made clear should regulators be asked to implement the political will. If politicians leave regulators to make these decisions then they will be in dereliction of their duty.

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