THE BRIBERY ACT 2010

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This issue can be addressed from a number of positions. We know some of the problems including unrest in the Middle East, global indebtedness, increased activism and the global financial meltdown. Of course some of these are interlinked, but many of the solutions are also interlinked and therefore confusing. There are many things that are known. These include, for example the certainty that interest rates and inflation will rise, together with the likelihood that unemployment will remain stubbornly high for the foreseeable future. Governments will fall with increasing frequency – as I am writing this Portugal and Belgium are short of governments and many others are likely to also fall in the short term. So what does it all mean for you as a person, you as a company or you as a citizen?

The Global Market
We have written before that the current position whereby the submerging countries continue to use the resources and funds of the emerging economies is clearly neither ethical nor sustainable. Increasing interest rates will continually bring this into sharper focus and will result in difficult decisions having to be made. You can achieve a balanced budget in a submerging economy – Norway and Switzerland have both achieved this successfully. It cannot just be about reducing the speed of growth of deficits; increasingly countries will need to significantly reduce their level of global indebtedness.

However this is easy to say but difficult to achieve. Civil unrest tends to follow the removal of an unfunded entitlement. Once some style of benefit has been provided many believe that it is their entitlement by right. That someone else has to effectively pay for it becomes part of the problem exacerbated by the fact that it is often people in emerging countries that are essentially the unintended victims.

We need to move towards a world where there is greater balance and economic terrorism is significantly reduced. It is obvious that economic growth is required to achieve the balance that is required and this needs to originate from the private sector. Spending on government agencies by their nature is normally counterproductive. The consequence can often be that the subsidised government sector ends up preventing growth in the private sector through the operation of unfair competition. At worst the money is effectively wasted on schemes that add limited value whereas they should be investing in the future employment opportunities playing to the strengths of the relevant society.
The Changing Global Financial Market

We are perhaps standing on a precipice so now is not the time to take a brave step forward. This is why the fraud which essentially underpins quantitative easing cannot either be the solution or sustainable. We need fiscal tightening while stimulating the entrepreneurial environment encouraging growth and creating real jobs, rather than short term waste. Personal Aspiration

We do subscribe to the proposition that entrepreneurs are born not trained. You either are willing to take risk – or you are not. The conservative entrepreneur stays small making relatively minor iterative steps but fails to achieve their growth potential. Most people want their children to achieve more that they have achieved themselves. They seek to ensure that they have the resources to provide the start that is required and to create the aspiration leading to success. However there are others operating in a cycle of poverty without this style of role model providing limits to their potential achievement which may not actually exist. Both of these need to change. It is unlikely that the next generation in the submerging economies will enjoy an increasing standard of living. Without adding increasing global value you cannot expect to enjoy unearned benefits. With life expectancies increasing and more moral dilemmat to come the ability of intergenerational vales transference is likely to reduce.

To achieve growth in the global community you need to increase global flexibility and encourage aspiration in the emerging economies where this can add greatest value. This needs to take account of changing demands and market forces. We are living in uncertain times and with regret times are likely to become even more uncertain.

Aspiration and the ability to achieve will actually become harder to instil on a generation seeing the value of social media but limiting their interaction. Recently I saw a Group of late teenage girls in a restaurant – it was quiet since they were all texting, perhaps talking to their virtual friends at the expense of their real friends. The impact of social media can of course be significant and I am a major user of LinkedIn, for example. But this could have the unintended consequence of putting people into a bubble and effectively limiting their horizons. It is important to aim for the sky, else you will never leave the ground.

The Financial Market

I am continually worried about the financial market. To be successful banks really do need to have real growth and certainty. That is not fraudulent quantitative “I want to bankrupt my children” growth. That is not “our children can pay back 50% of our problems” growth. It is real growth recognising a changing business paradigm leading to sustainable employment.

I fully understand the demand for changing regulation although much of what is currently proposed is both illogical and mathematically naive. What is missing at present in the argument is the likely impact on people of the changes proposed in both the banking and insurance markets. If you asked someone whether they would rather be employed and adding value to society or unemployed in a market where no firm could fail I know which they would choose. Put at its most basic the regulators and governments are getting this wrong and the impact will not be what they are expecting.

The banking sector needs to be able to drive the growth in society providing cost effective certain services at an affordable price. A sequence of ill thought through capital changes which actually will have counterproductive responses will not solve the problem – rather they are the problem.

We expect new types of financial organisation to emerge which will not be banks. They will take measures risks outside of the mainstream of the existing financial markets operating in lower regulated environments and bizarrely increasing the risk in the whole system. The difficulty we have with the proposals currently going through is that rather than reducing the likelihood of failure they actually increase it. Financial entrepreneurs need to understand what is proposed and develop new styles of solution to encourage the demand which will surely exist.

Global Changes

I do anticipate more changes to the post World War 2 status quo although it is hard to be sure where and how this will occur. What is certain is that it will be both painful and difficult. An expectation of a move to a fully democratic global market is at best a pipe dream. Regimes will fall and be replaced in some cases with regimes that appear even less democratic. New countries will emerge and merge. Europe will stumble onwards towards a future that is at best uncertain lacking economic logic or public support. Given the inherent bankruptcy of the current ridiculous European experiment significant change from within will be required. We would suggest closing Strasburg and the common agricultural policy together with probably two thirds of the anti-entrepreneurial legislation as just being the start.

If I were based in Germany I would have no doubt that German growth would increase were they to leave Europe. I also would expect this to be positive for the remainder of Europe as well. But with regret we doubt that this will actually happen.

So all we can look forward to is more politics, ineptness, regulation, bank strangulation, increasing interest rates and indebtedness and increasing unemployment. The rich will get poorer and so will the poor – but it does not have to be like this and one has to hope that we will not step forward from the precipice.

For further information please contact:

Dennis Cox – CEO
telephone: +44 (0)20 7638 5558
telephone: +44 (0)20 7638 5558
email: DWC@riskrewardlimited.com

Lisette Mermod – New York
telephone: 1-914-619-5410
telephone: 1-914-619-5410
email: LM@riskrewardlimited.com

Joanna Kraska – Public Relations
telephone: +44 (0)20 7638 5558
telephone: +44 (0)20 7638 5558
email: JK@riskrewardlimited.com