

CSFI

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Breaking up the banks: A round-table discussion with Prof. John Kay and Hugo Dixon (Reuters Breakingviews).

To be held on Monday, April 26, 2010 from 12:30-2:15pm.

Last September, we published an important paper by John Kay. Entitled *Narrow Banking: The reform of banking legislation*, it was a plea for policy-makers to use the financial crisis as an excuse to impose structural reform on the banking industry. Specifically, John argued for the separation of 'narrow' banking (the utility function, comprising access to the payments system and deposit-taking) from the 'casino' function (largely, the so-called 'shadow' banking system). The former would be regulated like a utility; the latter would, essentially, be outside the regulatory 'umbrella' – and would take its lumps accordingly.

John's report won some powerful support – *inter alia* from Mervyn King and John McFall. It also attracted a fair amount of criticism. Most of this revolved around questions of practicality. Where does one draw the line between the utility and the casino? How does one enforce it? How does one stop institutions that are outside the fence from, willy-nilly, becoming Too Big (or too connected, or too complex) To Fail?

Nevertheless, the debate that John's paper provoked needs to progress, and we are, therefore, delighted that John has agreed to come and explain his own thinking on the *how*, as well as the *why* of narrow banking.

I am sure you all know John – who is one of the UK's leading (academic and business) economists. A fellow of St. John's, Oxford, a former professor at LBS and director of the Said Business School, he also founded London Economics and is currently a director of both Clear Capital and Law Debenture. Oh, and he is an author, whose latest book, *Obliquity*, is (shall we say) a bit left-field.

I am also delighted that Hugo Dixon has agreed to respond to John's proposals – and to lay out his own thinking on the shape of banks to come. He is founder, editor-in-chief and chairman of Breakingviews (recently sold to Thomson Reuters), and is a former head of Lex at the *Financial Times*.

John and Hugo are both powerful thinkers, and I am sure the atmosphere will be blue with good ideas. If you or a colleague can join us for what I can predict will be a fascinating and important discussion, please let us know by emailing sophie@csfi.org.uk or by calling the office on 020 7493 0173. As usual, refreshments will be provided.

Sincerely yours,

Andrew Hilton
Director
CSFI