

Standards in financial regulation

Madam, - I do not wish to analyse the competing points of those who debated the topic of financial regulation in Ireland over the past week (Liam O'Reilly, chief executive of Ifsra, Opinion, January 16th and Sarah Goddard of DIMA, Letters, January 13th). But it is heartening at last to read intelligent debate on this every important subject.

The assertions of Justin O'Brien (Agenda, January 9th) and the retorts of DIMA and the Financial Regulator will not, of course, prevent a damaging financial scandal from arising in Ireland. However, what their comments should do is make us all appreciate just how dependant IFSC activity is upon overseas perceptions of Ireland's governance standards and enforcement regime.

Our international regulatory reputation is fast becoming a key factor in the minds of US and other international conglomerates looking to establish business here - though not as influential as Ireland's low corporate tax rate. Many of these companies face increased scrutiny at home in respect of their worldwide subsidiaries (e.g. in the US under Sarbanes Oxley laws). This puts Ireland squarely in the international best practice frame. Should capital begin to leave Ireland due to negative perceptions held by foreign investors, tens of thousands of jobs and our economy are at dire risk.

The Financial Regulator is right to continue to expect high ethical standards from industry, but unless it acts swiftly and decisively to deal with miscreants then outsiders will view Ireland as a light-touch regulatory regime - rightly or wrongly, that is the way the financial services world works. Enforcement action is not in question in the case of the current reinsurance scandal, nor may it be the answer to the next scandal which touches Ireland's shores; but somewhere along the line action will be necessary to prevent confidence dropping in (and capital exiting from) the Irish economy.

Readers should remember that it was not Dr O'Brien sitting in Belfast who coined the phrase "Wild West" in reference to Dublin's insurance industry, but rather two journalists writing in *The New York Times* in April 2005. Ireland is wrong to conclude that it is not seen in certain quarters as having a light-touch regulatory regime. When Compliance Ireland was established in 2004 a senior executive at a large US bank quipped, perhaps unfairly given recent scandals there, that it was the best oxymoron he had ever heard. I am not sure who should be laughing.

- Yours, etc,

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