The main banking reforms that Green House proposes are these:

1. New rules should be as simple and clearcut as possible, reducing thereby their susceptibility to future lobbying by banks.
2. Abandon the assumption that competition necessarily makes banking safer: it is 30 years of unrestrained competition in credit and derivatives which have brought us to this pass.
3. Legally recognise a bank's financial responsibility towards its depositors to be more important than its fiduciary duty to external shareholders. This legal responsibility should attach to a bank's directors as well as the bank institutionally.
4. Concentrate on assets:deposits as the most important financial ratio of the banks, with an absolute maximum of 100 per cent permitted to deposit-taking banks. This would now be a prudential requirement, aimed at promoting the stability of finance, not a facet of monetary policy as it was 45 years ago.
5. There should be no 'calibration' of any regulations against the current state of the financial markets or the business cycle: any rule must be applicable identically at all times. This is an extension of the first proposal.
6. Investment banks must be sharply reduced in size to become once again the junior partners of the banking sector, as well as being subject to strict limits on their interbank activities too.
7. Make sure that financial derivatives are traded on exchanges as much as possible, without any banking groups or wholly or partly owned subsidiaries of them allowed to participate on these or any other exchanges.
8. Permit OTC derivatives to be traded by banks only with actual risk-facing non-financial clients, not with each other or with financial speculators or investors.
9. All derivatives instruments – those that already exist as well as any that are invented in the future – should require approval by a licensing authority. It would be up to the proponent to satisfy the authority that the proposed instrument serves a useful purpose and does not risk **any** grave economic harm.
10. A general reintroduction of exchange controls designed, among other things, to sharply reduce international flows of money between banks unless they are required by the needs of international trade or (in the right circumstances) corporate investment.

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www.greenhousethinktank.org and www.tomlines.org.uk