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Subject: Fw: MONITORING PA - DARLING WARNS US OVER WAR ON WALL STREET

Date: Sun, 24 Jan 2010 14:59:37 +0000

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----- Original Message -----

From: Bengier Sophie (BIS CORP)

To: COMMS - Press Office Monitoring; COMMS - Press Office Operational

Sent: Sun Jan 24 13:01:39 2010

Subject: MONITORING PA - DARLING WARNS US OVER WAR ON WALL STREET

DARLING WARNS US OVER WAR ON WALL STREET

HHH CITY Darling

Topic CITY <<http://www.mediapoint.press.net/business/search.jsp?topic=CITY&newerThan=1>>

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By Holly Williams, Press Association City Staff

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Chancellor Alistair Darling has sent out a warning shot to America not to go it alone with bank sector reforms, it was reported today.

In an interview with The Sunday Times, Mr Darling cautioned that President Barack Obama's war on Wall Street announced last week could harm international co-ordination.

He called for unity among the G20 nations and also said the moves to curb banks would not have prevented the financial crisis.

"If everyone does their own thing it will achieve absolutely nothing," said Mr Darling.

He added: "The banks are global - they are quite capable of organising themselves in such a way that if the regime is difficult in one country, they will go to another one and that doesn't do anyone any good."

The US president sent shockwaves through the banking sector on both sides of the Atlantic with last week's announcement of proposals to limit the activities of banks.

The plans include a ban on retail banks from using their own money in investments, instead of being limited to investing their customers' funds, and restrictions on banks' abilities to make high-risk trades.

Mr Obama said he was ready for a "fight" with the sector over the reforms, which came in the middle of the US bank reporting season revealing bumper profits at many major groups.

The Tories were quick to back Mr Obama and accused the UK Government of becoming internationally "isolated" over the banking overhaul.

However, Mr Darling today stood firm on his opposition to plans that would effectively split retail and investment banks.

"You could end up dividing institutions and making them separate legal entities, but that isn't the point," he told The Sunday Times.

"The point is the connectivity between them in relation to their financial transactions."

He stressed that failed US investment bank Lehman Brothers did not have retail deposits, but was allowed to go to the wall with disastrous consequences for the global financial system.

He said: "Equally the large-small thing doesn't run - Northern Rock was very small in global terms but systemically it was quite important when it got into trouble."

The UK will continue working with the US on banking overhaul plans, but the Chancellor said he would ensure proposals did not "disadvantage London relative to the rest of the world".

But the UK has so far gone out on a limb with its one-off 50% special tax on City bonuses over £25,000.

The move has already seen threats from banks to relocate affected staff abroad, while a number of foreign banks - including Credit Suisse and reportedly Goldman Sachs - are capping or reducing UK staff pay.

US Treasury officials are understood to be arriving in London tomorrow to brief the Government on Mr Obama's radical plans.

And City minister Lord Myners is said to be gathering UK and international officials to discuss solutions to the "too big to fail" issue.

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