



THE NATIONAL AFFORDABLE HOMES AGENCY



# Principles-based Regulation: Stability, Risk and Trust

Mark Wagstaff

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# Uses of Rules

- A degree of certainty
- Foreseeable outcomes
- Minimising doubt
- Musts and Must-nots
- Value for smaller organisations



# Corporate Governance

- Regulation inherent in human behaviour
- Culture of particular markets
- Peer pressure and professional ethics
- Corporate governance codes: hardening of norms of behaviour
- Compliance and accountability through encouragement
- Rethinking regulation



# Fair and Reasonable

- Regulated trust, producing stability
- Fairness and contractual intentions
- Balance of power
- Skills and principles of specific markets
- Professional diligence



# Principles as the Basis of Regulation

- Principles for regulators
- Principles for business
- Higher focus than rules?
- Specifying outcomes, not process
- Loss of certainty?
- Transference and regulatory creep



# Principles and Behaviour

- Expectation of behaviour change
- Costs of change: error-cost transfer
- Regulators' capability
- Demonstrating compliance
- Consumer responsibility



# Innovation, Risk and Stability

- Raising risk tolerance or spreading risk?
- Market contestability
- Non-self correcting markets
- Risk enabling innovation
- Accepting failure
- Regulators doing less

