

trading and investment Be risk free? Or be free to take risks?



Consumer protection is high on the agenda of most financial regulators. And, quite rightly, their primary remit is to protect consumers from harm caused by 'bad conduct within the financial services industry'.

But there comes a point on the regulatory spectrum where risk itself begins to be seen as a bad thing. And this can lead to over-protection, which is as much a problem as the threat it seeks to reduce or eliminate. As the saying goes, "A ship in a harbour is safe. But that's not what ships are for".

Human beings are, by nature, entrepreneurs, and risk-takers; it's only by pushing at the frontiers of our knowledge, ability and indeed security that we learn the art of the possible. Many of the great breakthroughs in human achievement have come about by people taking considered risks: balancing the opportunity and benefits of success against the possibility and consequences of failure.

The question then, is whether it is better for society to be protected from risk, or to learn how to manage it? Would we be 'safer' if the only financial return available to us was a guaranteed two percent yield? Arguably we are 'better off' by being allowed to back our judgement and can make a decent return (and occasionally a spectacular one) – if we have the knowledge and risk management tools to ensure we don't lose our life savings with one poor decision, or to sudden volatility.

To use the analogy of driving a car, we take responsibility for our actions on the road and accept the risk of having an accident in exchange for the freedom driving gives us to conduct our daily lives. The car manufacturer is responsible for designing a vehicle with steering, brakes and control systems that are compatible with its performance.

The role of the regulator is to ensure that we are capable and competent, set speed limits and insist that we have insurance and wear a safety belt.

Trading is a high-risk, potentially high reward means of wealth creation. It also has macro-economic advantages in providing liquidity to financial and capital markets. Like a high-performance sports car, it's a means to arrive a destination but also an enjoyable experience to own and drive – within the sensible limits imposed by society.

"As a trading and investment service provider focused on offering high potential returns, it's our responsibility to ensure that our clients have the means, the necessary knowledge and the tools to manage investment risk – and not to encourage extreme behaviour that would increase our profits at their expense"