

## **British economy in "extremely difficult position":FSA chairman**

LONDON, Oct. 11 (Xinhua) -- Britain's economy and financial status were "in an extremely difficult position" due to its slow economic recovery after the financial crisis and the continuing Eurozone crisis, the outgoing chairman of Britain's Financial Services Authority (FSA) said Thursday.

Lord Adair Turner told a banquet of high-ranking business leaders at the Mansion House, the ceremonial home of the Lord Mayor of London, that a sounder banking system needed to be created, and warned that the British economy faced the dangers of "deflationary headwinds."

Turner also warned that Britain's status outside the Eurozone meant that although it was affected by the Eurozone crisis, it had no direct say in creating a solution.

"We will need to support from outside and influence as best we can the redesign of the Eurozone, to ensure that our domestic efforts are not undermined by headwinds from abroad," said Turner.

The FSA is the regulatory body for financial services in Britain and Turner became its chairman in September 2008, five days after the collapse of Lehman Bros.

Turner is currently one of two front-runners for the soon-to-be-vacant post of the Governor of Bank of England (BOE), Britain's central bank.

The BOE will be reformed and its regulatory powers increased next year as a response to the financial crisis, with powers currently held by Turner's FSA moving to it.

Turner was also critical of the global financial system which had been "allowed to run with equity capital resources and liquidity buffers which we now believe were a small fraction of safe levels."

He criticized the "flawed design" of the Eurozone project, and added it was a mistake to launch it without a commitment to a banking union, and without some fiscal integration.

Turner said a sounder banking system needed to be created, and many of the reforms needed to achieve that were already under way including the formation of the Financial Policy Committee (FPC) inside the BOE.

The FPC is charged with identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the British financial system.