



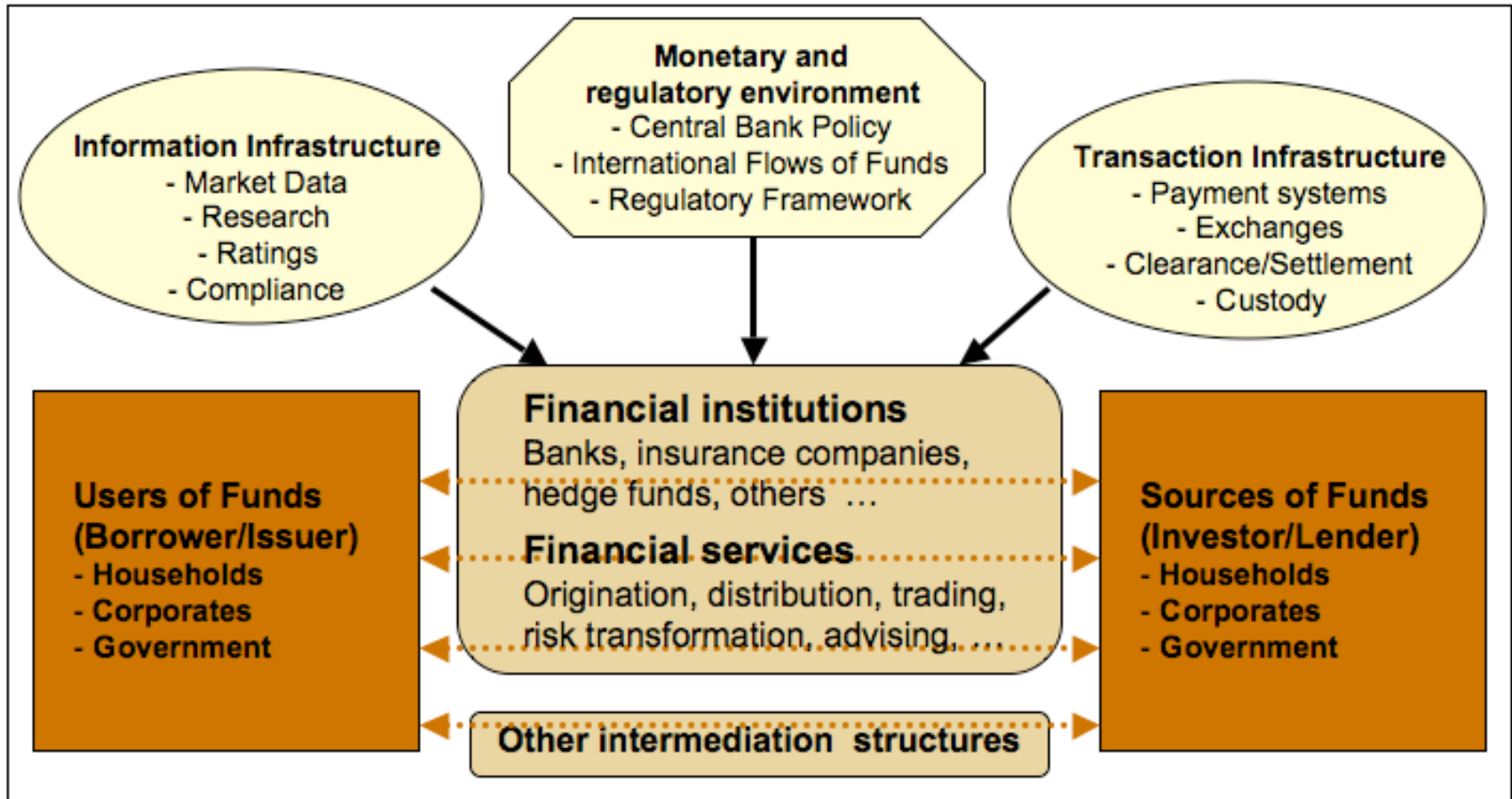
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Banking, Regulation, and Politics: Recent Developments from a Global Perspective

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The global financial architecture

(partly based on Walter, I./Smith, R.: Global Banking, Oxford 1997, p. 186)



International Banking (Economist Survey, May 2005)

Title: “Open wider”. Some headlines:

- Uneven regulation and protectionist practices are holding back international competition in banking
- America’s banking patchwork holds together, but only just
- European banking integration is slow and imperfect
- Banks want to keep their payment systems to themselves
- Is greed good? Sometimes banks can seem too profitable
- Indian defense: How bank regulators keep out competition
- Crusader castles - Building impregnable banks carries its own dangers

International Banking (Economist Survey, May 2006)

Title: “Thinking big”. Some headlines:

- Banks the world over are scrambling to become larger, whether by organic growth or by mergers and acquisitions. But does size matter?
- When banks go wrong, the biggest come off worst. But that doesn't stop the scramble for growth
- One Basel leads to another
- What single market? But western European banks are at last beginning to do more cross-border business
- International banking:
 - Austrian banks have led the way in eastern Europe
 - Russian banks worth having are few and far between
 - Brazil's banks charge startling rates to private customers
 - Overprotected it may be, but India's banking sector is going from strength to strength
 - Financial services in China are set for huge growth, but there is no easy way in
 - Japan's banks have restructured and consolidated. Now they must find new ways of making money

International Banking (Economist Special Report, May 2007)

Title: “Risk and Reward”. Some headlines:

- Global investment banks are taking ever more risk, and are devising ever more sophisticated ways of spreading it
- Investment banks’ inventions for transforming risks are ingenious, but hard to fathom
- Relentless competition is forcing financial firms to take more risks with their own capital
- Advising on, financing and investing in buy-outs is a great business. But banks should not be too greedy
- Investment banks are scouring the globe for new business
- In Asia, banks have to try harder
- Regulators are doing their best to ensure financial stability, but they don’t have all the answers
- Investment banks are a high-wire act. How good are the safety-nets?
- Is risk ending up in the right places?

International Banking (Economist Special Report, May 2008)

Title: “Paradise lost”. Some headlines:

- Banks are bound to fail from time to time. But does the fallout have to be so painful?
- Securitization has its flaws, but many of them can be mitigated
- Risk managers take a hard look at themselves
- An accounting standard comes under the microscope
- Bankers’ pay is an easy target. Is it the right one?
- Managers of banks face a tricky balancing-act
- Regulators need to counterbalance the cycle, not accentuate it
- A simple way of curbing banks’ greed
- The crisis may have chastened the industry, but for how long?
- Cross-border supervision needs more attention

International Banking (Economist Special Report, May 2009)

Title: “Rebuilding the Banks”. Some headlines:

- Exit right (the contract between society and banks will get stricter)
- Don't blame Canada (a country that got things right)
- From asset to liability (the shifting shape of bank balance-sheets)
- Too big to swallow (the future of securitisation is the industry's most pressing question)
- Opportunity gently knocks (who will gain from the crisis?)
- The revolution within (the way banks manage risks will change - as will the way they reward managers)
- Back at the branch (more Swedish lessons for the banking industry)
- From great to good (banks will still make money, just less of it)

The Big Questions in Banking / Financial Services

- Future regulation of financial services industry
 - What to regulate: Scale / Scope
 - Who regulates: Regulator / Central Bank
 - Who to regulate: Banks / other financial institutions
 - How / how much to regulate: Risk management
- What to do with the „too big to fail“ Mega-Banks
 - With/without bail-out money
- What to do with executive compensation
 - Bonus / Salary
- How to position the financial centers
 - Taxation
 - Secrecy/Privacy

Changing places ... in terms of market capitalizations

	2004	2009
1	Citibank	Industrial and Commercial Bk of China
2	Bank of America	China Construction Bank
3	HSBC	HSBC
4	JP Morgan Chase	JP Morgan
5	Wells Fargo	Bank of China
6	Royal Bank of Scotland	Bank of America
7	UBS	Banco Santander
8	Barclays	Wells Fargo
9	Wachovia	Citigroup
10	BNP Paribas	BNP Paribas
11	Bank of Tokyo Mitsubishi UFJ	Goldman Sachs
12	US Bancorp.	Commonwealth Bank of Australia

The successful bank of the next years ...

- Right choices in
 - Activity domains (based on size, growth, competitive structure, contestability)
 - Client domains (value creation for banks AND clients)
 - Geographic domains
- **Right approach towards risk**
 - Disciplined, risk-return-based approach to internal capital allocation
 - Keep the long term view
 - **Don't gamble with the "black swans" if your business model is based on trust**
- Right communication / leadership
 - Communicate what you do (good, bad, ugly)
 - Keep strong emphasis on brand/franchise/culture
 - Be consequent in your approach. Talk is cheap, execution is crucial