

The Future of Wall Street Ethics

Minnesota Futurists

By

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Today's Agenda

Wall Street Trends

10 -11 AM

Past

1999 – 2009

Present

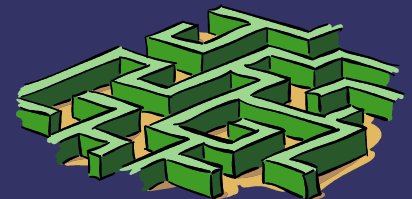
2010 – 2011

Future

2011 – 2015

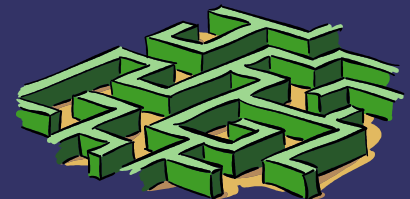
Discussion

11 – 11:30 AM



Definitions

- The Glass-Steagall Act
- Derivatives
 - Credit Default Swap (CDS)
 - Collateralized Debt Obligation (CDO)
 - Mortgage Backed Security (MBS)
 - Structured Investment Vehicle (SIV)
- Abacus Fund
- Timberwolf I Fund
- Shadow Banking



Background of Wall Street's Cultural Decline

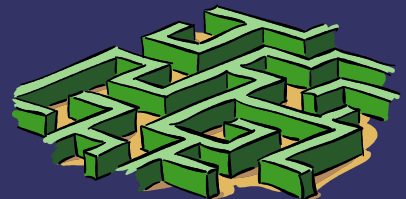
Wall Street Ethics - The Bank Job

The Subprime Mess and Phil Gramm

Bailouts, TARP & The CFPA

Hedge Funds and the Global Economic
Meltdown

Goldman Sachs Profit History



Wall Street Past 1999 - 2009

- ⇒ Glass-Steagall Act Triggers Deregulation
- ⇒ Dot Com Bubble
- ⇒ Intensified Search For New Profit Sources
- ⇒ Trading for Own Book
- ⇒ De-emphasis On Retail Market Making



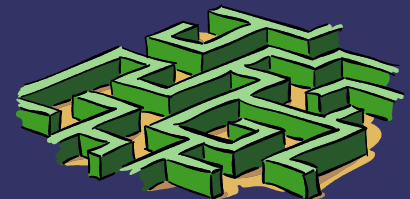
Wall Street Futures 2010 - 2015

➡ Outcome of Regulatory Reform



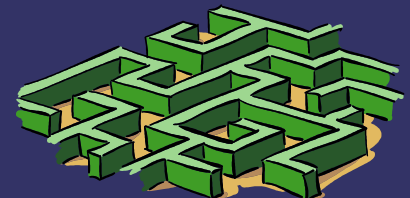
HIGHLIGHTS OF THE NEW BILL

- ➞ Ends Too Big to Fail
- ➞ Advanced Warning System
- ➞ Transparency & Accountability for Exotic Instruments
- ➞ Federal Bank Supervision
- ➞ Executive Compensation and Corporate Governance
- ➞ Protects Investors
- ➞ Consumer Protections with Authority and Independence
- ➞ Enforces Regulations on the Books



Ends Too Big to Fail

- ⇒ Ends the possibility that taxpayers will be asked to write a check to bail out financial
- ⇒ firms that threaten the economy by: creating a safe way to liquidate failed financial firms; imposing tough new
- ⇒ capital and leverage requirements that make it undesirable to get too big; updating the Fed's authority to allow
- ⇒ system-wide support but no longer prop up individual firms; and establishing rigorous standards and
- ⇒ supervision to protect the economy and American consumers, investors and businesses.



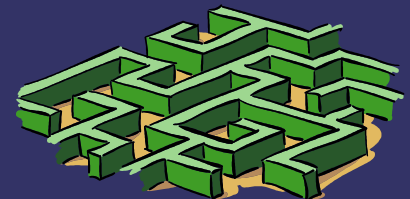
Advanced Warning System

- ⇒ Creates a council to identify and address systemic risks posed by large, complex companies, products, and activities before they threaten the stability of the economy.



Transparency & Accountability for Exotic Instrument

- ➔ Eliminates loopholes that allow risky and Abusive practices to go on unnoticed and unregulated - including loopholes for over-the-counter derivatives, asset-backed securities, hedge funds, mortgage brokers and payday lenders.



Federal Bank Supervision

- ➡ Streamlines bank supervision to create clarity and accountability. Protects the dual banking system that supports community banks.



Executive Compensation and Corporate Governance

- ➡ Provides shareholders with a say on pay and corporate affairs with a non-binding vote on executive compensation.



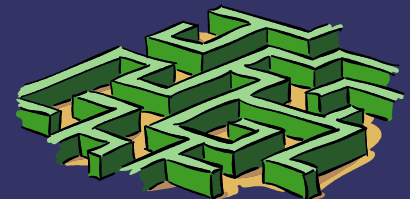
Protects Investors

- ➡ Provides tough new rules for transparency and accountability for credit rating agencies to protect investors and businesses.



Consumer Protections with Authority and Independence

- ➡ Creates a new independent watchdog, housed at the Federal Reserve, with the authority to ensure American consumers get the clear, accurate information they need to shop for mortgages, credit cards, and other financial products, and protect them from hidden fees, abusive terms, and deceptive practices.



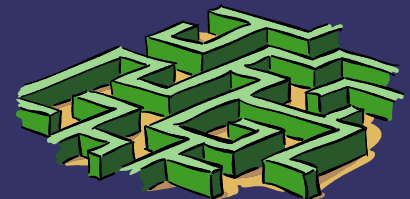
Enforces Regulations on the Books

- ➔ Strengthens oversight and empowers regulators to aggressively pursue financial fraud, conflicts of interest and manipulation of the system that benefit special interests at the expense of American families and businesses.



Summary

- ⇒ Worst World Financial Crisis
- ⇒ Frozen Credit Lines To Business
- ⇒ Worst Unemployment In 3 Generations
- ⇒ Shortage of Investment Capital For Startups
- ⇒ Slowdown in Merger and Acquisition Market
- ⇒ Shattered Public Confidence in Investing
- ⇒ Loopholes in Regulatory Agency Roles
- ⇒ Power of Lobbying in Securities Regulation



Group Discussion

- ➡ Who Is At Fault?
- ➡ What Was the Cost Of Greed?
- ➡ How Long Will It Take To Restore Confidence?
- ➡ Will The Dodd Bill Suffice?
- ➡ How Long Will Blankfein Last?
- ➡ What Will be the Effect of Only 5 Investment Banks in US?
- ➡ Will Foreign Banks Seek Greater Positions in US Investment Banking Industry?
- ➡ What Are Odds That One of Big 5 Will Spinoff Inv. or Retail Banking Function?
- ➡ AIG abandons GS-Will other clients follow?

