

# UK ALMA/AFGAP Summer Conference

***The solutions to reform finance are they the good ones ?***

*Personal Thoughts  
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# What criteria should we use?

Granularity

Prescription

Arbitrage

Revised Regulation

Level Playing Field

Severity

Impact on society

# Lessons from Basel 1

Granularity

Not enough

Prescription

Overly

Arbitrage

Encouraged

Revised Regulation

Required

Level Playing Field

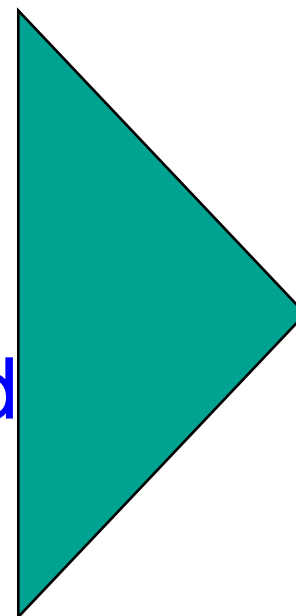
Yes

Severity

Not enough

Impact on society

Loads of lending



Internal  
Models

# The new Basel liquidity proposals fall short

Granularity	Not enough
Prescription	Overly
Arbitrage	Encourages
Revised Regulation	Likely
Level Playing Field	???
Severity	Too much?
Impact on society	Will certainly encourage saving

# The leverage ratio also falls short

Granularity	NONE
Prescription	N/a
Arbitrage	Encourages
Revised Regulation	Second attempt for US
Level Playing Field	Netting = problem
Severity	Business model dependent?
Impact on society	None?

# Other Capital Changes

Definition of Capital

Deductions

Capital Buffer

Capital for Trading Book

Treatment of Securitisation

Disclosure

# Why can't we use the lessons?

Liquidity: Historic data gives complete range of answers – behavioural overlays are measure of liquidity risk appetite

Liquidity/Leverage ratio G20 need transparent and simple measures

- Using trends in metrics and interrelationship of different metrics not an easy sell

Credit Institutions' own models not trusted

# What exactly was the problem anyway?

**As with so many previous crashes:**

**The basic tenants of lending were forgotten!**