

In partnership, the FDIC's Corporate University and the Professional Risk Managers' International Association (PRMIA) Present:

3RD ANNUAL

Policy and Risk Symposium

The Ongoing Financial Crisis:
What Is To Be Done?

Monday, November 7, 2011

7:30 a.m. - 7:00 p.m.

L. William Seidman Center
Building C
3501 Fairfax Drive
Arlington, VA 22226



OVERVIEW

One of the important lessons learned from the ongoing financial crisis is that our domestic and international financial systems retain a high degree of exposure to systemic risk and lack the resiliency needed to effectively support today's highly interconnected, global commerce. In times of uncertainty and economic stress, firm-specific and system-wide fragilities continue to expose institutions, and indeed society, to contagion that is difficult to control. We see this today in the concerns over sovereign exposure to EU countries whose debt rating pose concerns relative to the recent downgrade of the U.S. by Standard & Poors (S&P), as well as the stability of monetary systems worldwide - including the Euro. Today, the ability to recover from a shock, much less resolve a large bank failure, remains an untested proposition and one that, regardless of arguments to the contrary, should give us all cause for concern.

Simply put, the growth of commerce and economic activity has outpaced the ability to safely manage enterprise risk at many large, cross-border financial firms. Beyond the banks themselves, cross-border supervisory agencies, communication and information sharing agreements, and crisis management groups have not kept pace with the complexity of markets, organizational intricacies, market growth, and product exposures. Although much of today's regulation and policy is focused on improving systemic risk management standards of practice, regulate products, and enhance internal risk-governance regimes, this has been a slow-moving and globally inconsistent process. Regulators and central authorities have consistently been caught off-guard during the crisis.

This Symposium seeks to bring fresh ideas and possible solutions to the on-going financial crisis. We will deal with major areas of stress and potential for contagion and policy error including:

- Housing: Risk retention, qualified residential mortgages, the implementation of policy rules (i.e., DFA), and alternative options
- Derivatives: Over-the-Counter (OTC) Derivatives, U.S. loan guarantees as OTC credit default swaps, and Title VII of the DFA
- Financial System Health: The banking business model and its inherent fragilities.
- Monetary Policy: How quantitative easing relates to a solvency crisis, and the pros and cons of what has been a "traditional" approach to a "non-traditional" crisis. Discussion of QE-"n".
- Capital Standards: Basel capital rules and the risk of multilateral, cross-border "fixed regime" policy standards.

WHO SHOULD ATTEND

Financial institution managers and regulators as well as others engaged in the areas of financial company risk management, accounting, and consulting.

GENERAL INFORMATION

Continental breakfast and lunch will be provided.

A reception will follow the event. Dress attire is business casual.

HOW TO REGISTER

Registration is required for this event!

You are encouraged to sign-up as soon as possible as space is limited. For more details and to register online, please visit the PRMIA website at <http://prmia.org>. You will have to sign-in as a **member** before being able to access online registration under the Events Tab. **FDIC employees and Regulators** may register by emailing ccbconf@fdic.gov. **Non-PRMIA** may register by emailing support@prmia.org.

For any questions about registration, please call PRMIA @ (612) 605-5370 or Margretta M. Johnson-Garnett @ (703) 562-2408.

COST

PRMIA Sustaining Members	\$75
Non-members	\$150
Students	\$75
Financial Regulators/Federal Employees	Free

AGENDA

7:30 a.m. Registration and Continental Breakfast

8:15 a.m. Introduction & Opening Remarks: Thomas Day

8:30 a.m. Address by Acting Chairman of the FDIC: Martin J. Gruenberg

9:15 a.m. PANEL I: The Qualified Residential Mortgage (QRM) Rule and Housing Finance: A Cure or More Trouble Ahead?

The QRM rule has been characterized by some as a strategy to restore faith in the originate-to-distribute mortgage model. It is seen as an effort that will get the securitization markets in gear and ensure an on-going stream of available, cheap debt into our nationally subsidized housing complex. Critics of the rule are incensed by the exemptions granted to FHA and the Agencies which, they contend, were at the heart of the mortgage debacle. Why should GSE loans, perhaps the source of the bubble, get a break from risk retention? Others believe that the QRM effectively addresses the cause of the mortgage crisis by drawing a much more distinct line between good and bad credits, assuming the rules are written with enough teeth. They argue that the crisis was driven by the explosive growth of subprime, Alt-A, and pay-option arm mortgages produced without government subsidies, and that more radical changes will only exacerbate the current weakening of the housing market leading to continued economic misery. This panel will explore various alternatives to current policy direction with specific emphasis on risk retention, underwriting standards, and the capital allocation and industry distortions encouraged by broader national housing policy. Effort will be applied to answer whether the Dodd-Frank Act fails or succeeds to properly address these areas and what technical amendments may be needed to move us in the right direction.

Speakers: Allan Mendelowitz, Anne Canfield

Floor Discussion/ Questions & Answers

10:30 a.m. BREAK

10:45 a.m. SPEAKER: Nicholas Dunbar - OTC Derivatives Clearing: Issues and Challenges

Former CFTC Chairman Brooksley Born has documented her efforts to enlist the financial regulators in efforts to contain the systemic risk posed by opaque over-the-counter (OTC) derivatives; however, the industry insists that OTC products played a minor role during throughout the on-going financial crisis. As a reminder, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("DFA") requires bilateral OTC derivatives with financial institution counterparties to be cleared on exchanges. This move to Central Counterparties (CCPs) will increase transparency around potential systemic risk, will make the derivatives market more competitive, reduce risk, and improve price discovery. As a result, these actions will clearly dig into the bid/ask spreads of dealer banks and, therefore, dilute the profitability of the large banks. DFA has been opposed by both issuers and users of derivatives due to concerns including, on the one hand, reductions in margins to issuers and, on the other, increased cash capital requirements for users hedging economic risk and facing asymmetric cash-flows from their hedges and hedged core business positions. Users also fear that lack of liquidity in some derivatives may make the promise of price discovery illusive while making front-running of large hedging operations ubiquitous. We will provide an update on where things stand relative to the current move to CCPs and seek to address overlooked areas that will impose costs such as netting, lack of inclusion of variation and maintenance margins in the rule, and CCPs as emerging "Too Big To Fail" entities that should come under Title II and, potentially, be declared Systemically Important Financial Institutions (SIFIs), as the rules are currently described.

Floor Discussion/ Questions & Answers

12:00 p.m. NETWORKING LUNCH

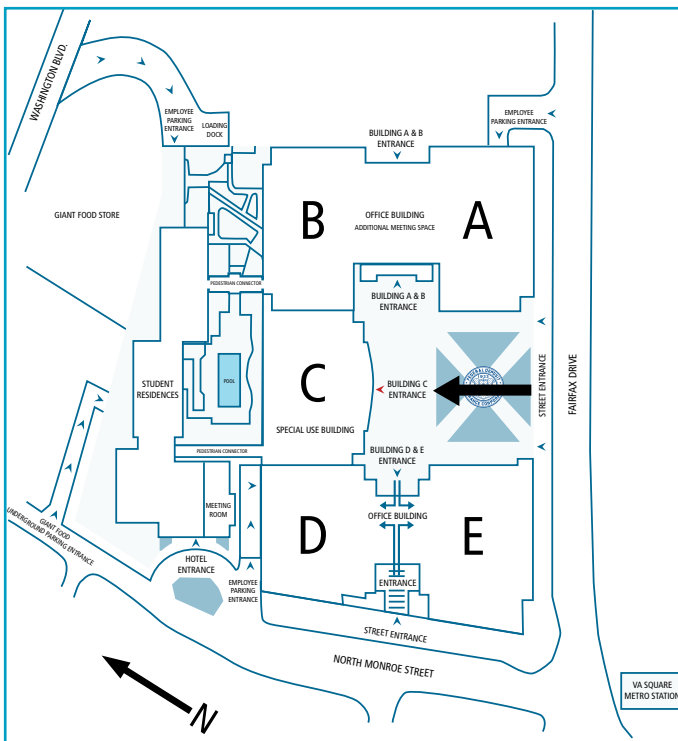
1:00 p.m. Keynote Speaker: Simon Johnson

- 2:00 p.m. PANEL II: The Volcker Rule and The Banking Business Model: Flawed or Fixed?**
Is the classic model of the banking business unstable and fatally flawed? Recently some have argued in favor of alternatives, such as mutualization, Limited Purpose Banking, and money-market-like entities. Is this the right answer to our banking problems? Are the large banks still operating in a fundamentally insolvent condition and how should we begin to think about the “too big to fail” and “too complex to manage” problem that we seem to have ignored during the recent reform? Does the U.K. have the right approach given the ring-fencing proposal of “retail” banking or do we need more fundamental change, such as a move back to a Glass-Steagall world? Further, the panel will take on issues related to regulatory structure and oversight of the industry as well as challenges of supervision related to insurance, hedge funds, and exchanges given that banks operate within an across all of these domains.
Moderator: Barbara Rhem
Panelists: Chris Laursen, Kathy Dick, Karen Petrou
Floor Discussion/ Questions & Answers
- 3:15 p.m. BREAK**
- 3:30 p.m. PANEL III: Regulatory Interventions, Quantitative Easing and the Future of Capital Markets**
The Treasury and Federal Reserve have committed themselves to maintain policies of extraordinary monetary easing and other interventions for the indefinite future—policies that had been deemed necessary in order to bring the system back from the brink of collapse in 2008. However, the minority view is that a series of interventions and regulatory failures over the last several decades in fact caused the ongoing financial crisis and contribute to the flare-ups that have occurred every few years and that continued easing will only reproduce these crises. This crisis is unique in that we have claimed that we’ve learned our lessons from past errors and have applied greater wisdom this time around to the near meltdown of the financial system. However, what errors have we made during this crisis and what systematic mistakes have been made that will cause harm as we move forward? This panel seeks to address policy errors and solutions on a macro-prudential and broad cross-border macroeconomic basis, including the devaluation of the dollar, trade policy, and the role of our financial system in promoting and achieving global stability or, in this case, potential instability.
Moderator: Jesse Eisinger
Panelists: Alex Pollock, Chris Whalen, Sean Egan, Paul Getman
Floor Discussion/ Questions & Answers
- 4:45 p.m. CAPSTONE ADDRESS: The Capital Accord: Breaking with Basel – Consideration of Alternatives**
The on-going financial crisis has resulted in the recognition that one-size fits all capital rules, as envisioned by the Basel standards, may not be the most effective regime to manage the largest, most complex banks on a cross-border basis. One of the key principles of the Basel capital accord is to ensure a level playing field such that jurisdictional weaknesses in capital supervision and requirements don’t result in capital arbitrage and a race to the bottom. It’s not clear that this has worked in the past, nor is it clear that current efforts will work in the future. Given our recent experience with capital, liquidity, and weaknesses in risk management and supervision, perhaps a prudent question to ask at this stage is whether establishing fixed capital rules is a sensible approach in the first place? While official sector regulatory authorities continue to pursue Basel II and Basel III reforms, it is evident that the application and enforcement of the new standards will be uneven across borders. This is a major concern as pursuing rules without equivalent strength in enforcement creates an environment of complacency and fosters regulatory disequilibrium. Is it time to rethink multilateral capital, liquidity, and related standards? Is it time to abandon multilateralism in banking supervision and, rather, work to create the strongest financial system possible by focusing on bilateral arrangements – a system that is a haven for capital security, financial safety and systemic soundness? Lastly, have we contributed to the inherent instability of the system by inadvertently developing an explosive mix of regulatory prohibition, forbearance, standards and subsidies?
Introduction: Steve Lindo
Speaker: William Isaac
Floor Discussion/ Questions & Answers
- 5:45 p.m. CLOSING REMARKS: Steven Lee**
- 6:00 p.m. Adjournment & Reception**

DIRECTIONS

The FDIC's L. William Seidman Center is located just steps away from the Virginia Square/GMU Metro Station on the Orange Line. After coming off the escalator, turn around and the L. William Seidman Center is located across the street on the corner of Fairfax Drive and Monroe Street.

Parking is not available at the FDIC. Please refer to following map for local parking garages.



The conference will be held in the Auditorium, located in Building C. You will need to show photo ID at security.