So far a heavy emphasis on raising the quantity & quality of capital

BUT RECENT EXPERIENCE DOES NOT ENGENDER HOPE THAT THIS ALONE WILL BE EFFECTIVE
Banks that failed had higher capital/asset ratios

Source: IMFGFR April, 2009, Chapter 3, p.7
Regulation and supervision is a continual contest between regulatees and less-well-paid & less-well-informed regulators

“These new regulations will fundamentally change the way we get around them.”

New Yorker, March 9, 2009, p. 52.
Bailout Mentality has infected even bank examinations
Sensitivity to market risk

Earnings

Asset Quality

Capital Adequacy

Management Quality

Liquidity
For the first time a CAMEL rating was revealed in June 2009

✓ This bank has received billions in TARP money and guarantees
✓ Made two disastrous acquisitions
  – Countrywide
  – Merrill Lynch
✓ Has a CEO in trouble with the regulatory authorities, shareholders and the courts
✓ Has a board with no succession plan
✓ Yet bank received a CAMEL rating of 2, indicating it presented no supervisory concern
✓ 2B2F mentality has corrupted the supervisory process