

Borrowing Short And Lending Long Is Still A Bad Idea

- Large Duration Gaps Create a 'Mismatched Book'
- 'Extra Spread' Not Worth Refinancing Risk
- Short-Term Funding Can Always Be Rolled ...Except in a Credit Crisis!



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Accounting Matters...A Lot!

- Mark to Market Accounting Was Not the Cause of the Credit Crisis
- Level II and Level III Assets: 'Mark to Model' Fantasy
- Off Balance Sheet Risks Are Still Real Risks: Remember Enron?
- Equity Capital is Not Simply to 'Balance the Books'



"Our books are balanced. 50% of our numbers are real and 50% are made up."

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Conflicted Rating Agencies: Still Not Unbiased Observers

- Issuer Compensation Creates Inherent Conflict of Interests
- Rating Agencies Aided in Structuring 'AAA' Financial Products
- Rating Agencies Are Always One Step **BEHIND** Wall Street
- CDS Market Offers 'Real Time' Evaluation of Credit



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Regulate The Activities Not The Actors

- National Financial Security Council Needed - Regulatory Fiefdoms Mean No One Has Ultimate Responsibility
- Regulatory Capture is a Real Issue
- The Level of Risk is Not Determined by Firm Type
- Demonizing Hedge Funds Caused Regulators to Miss the Last Crisis



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'Value At Risk' May Put Your Firm At Risk

- Black Swans Do Exist
- 'Six Sigma Events' Seem to Be Happening More Often
- VaR Models Work Well In Theory: Reality is Often Quite Different



"Okay, everybody—good news, bad news. Our derivatives have gone kablooiie, but Hoffman here is the new Nobel laureate in physics."

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Messrs. Glass And Steagall Were Right After All

- Depositors Are Once Again Financing the Whims of Wall Street
- Wall Street Prefers the Excitement of Fee-Based Transactions: Traditional Lender/Borrower Relationship is Boring
- Shareholders and Bankers Reap the Rewards While Depositors Bear the Risks



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Too Big To Fail = Too Big To Exist

- 'Systemic Risk': Too Big If it Cannot Be Allowed to Fail
- State Sponsored Entities Given Unfair Advantage
- Implied Government Backstop Encourages Excessive Risk Taking
- Taxpayers Bear the **Ultimate Risk!**



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Capitalism On The Upside And Socialism On The Downside Is Bad Policy

- 'Hands-Off' Regulation of Markets...Until Wall Street Needs a Hand!
- Crony Capitalism: All 'Bailouts' Are Not Created Equal
- Wall Street vs. Main Street: Populist Anger Could Interfere with 'Business As Usual' on Wall Street



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Quantitative Easing ('Helicopter Finance') Has A Cost

- Printing Money is Not a Real Solution: Zimbabwe Should Not Be the Gold Standard!
- Zombie Banks Financed with Cheap Money Only Prolongs the Problem: Did We Not Learn Anything from Japan?
- Potentially Creates the Next Financial Bubble: 'Kick the Can Down the Road'



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Insurance Without Reserves Is Not Insurance

- Owning Hedges Does Not Guarantee You Are Hedged: Counterparty Risks Often Ignored
- False Sense of Security Leads to Excessive Risk Taking
- Financial History Has a Way of Repeating Itself:
 - **Some Other Firm Will Be the AIG of the Next Crisis!**



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Finally...Shooting The Messenger Does Not Change Reality

- Short Sellers Play a Vital Role in Exposing Excessive Risk within the Financial System in 'Real Time'
- Wall Street Always Attacks Naysayers During the Boom: Problems Do Not Go Away by Silencing Critics
- Cosmetic Changes in Accounting Policies Will Not Change Reality



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