THE MAIN CAUSES

of the Financial Crisis and some Possible Remedies

"BIG IS BEAUTIFUL"

For several decades we have been told that "big is beautiful" – only large banks and large insurance companies were supposedly in a position to fully secure the consumers' investments – their large size was the ultimate guarantee for the consumer; AIG, Lehman Bros, Dexia and Fortis were big – we see today what to think of this theory.

For several decades we have been told that "big is beautiful" – only the four large audit firms were considered "fit and proper" to properly audit the financial services industry; 99% of the financial services industry is audited by the "big four" (Price Waterhouse Coopers, Deloitte, KPMG and Ernst & Young) – the outcome of this situation of monopoly is impressive.

For several decades we have been told that the intermediaries should organise their business following the same business model than the large institutions (emphasis on compliance, etc.); nobody is in a position to deny today that the lack of corporate governance within the large financial groups (bonus scheme policy, golden parachute, etc.) is one of the main cause of the crisis.

For several decades national supervisors had full power over the financial services industry and they have managed to build up a library of conflicting regulations, with a total lack of harmonisation within the EU in spite of the mandate given to the CEBS, CEIOPS and CESR; useless regulations targeting exclusively small and medium size independent operators but extremely laxest on large financial groups and their activities (UBS, Fortis, etc.).

MORE EUROPE, LESS BUREAUCRACY!

Proper harmonisation of EU rules should be imposed to the national supervisors and not necessarily the most difficult (stringent) way to apply the rule. The excess of protectionism in the name of general good has served as an excuse to some smart operators (hedge funds managers for instance) to engineer the most sophisticated scheme against the interest of consumers.

As it is the case in France, trade associations should be commissioned to play an active role in the supervision of their members. They should receive from the EU a fair support to perform this duty. Compared to the national supervisors, they are in a position to evidence that they have the necessary experience and expertise to monitor – under their responsibility – the activities of the industry.

We need one EU regulator – preferably the European Central Bank which is well staffed with quality people and at national levels the central banks as it was in the past.

We need to restrict conglomerates to operate in more than one sector of activity: Banks should be banned from selling insurance policy at the same time as loans and credit cards.

It would be wise to end the monopoly of the big accounting firms.

Big is NOT beautiful; limitations should exist in the development of financial groups involved in insurance, re-insurance, retail banking, commercial lending, investment banking and asset management – all activities under one roof creating a scandalous situation of repeated conflicts of interest damaging for the consumers.

Free market does not mean Anarchy!
Ethic doesn't require over-regulation!

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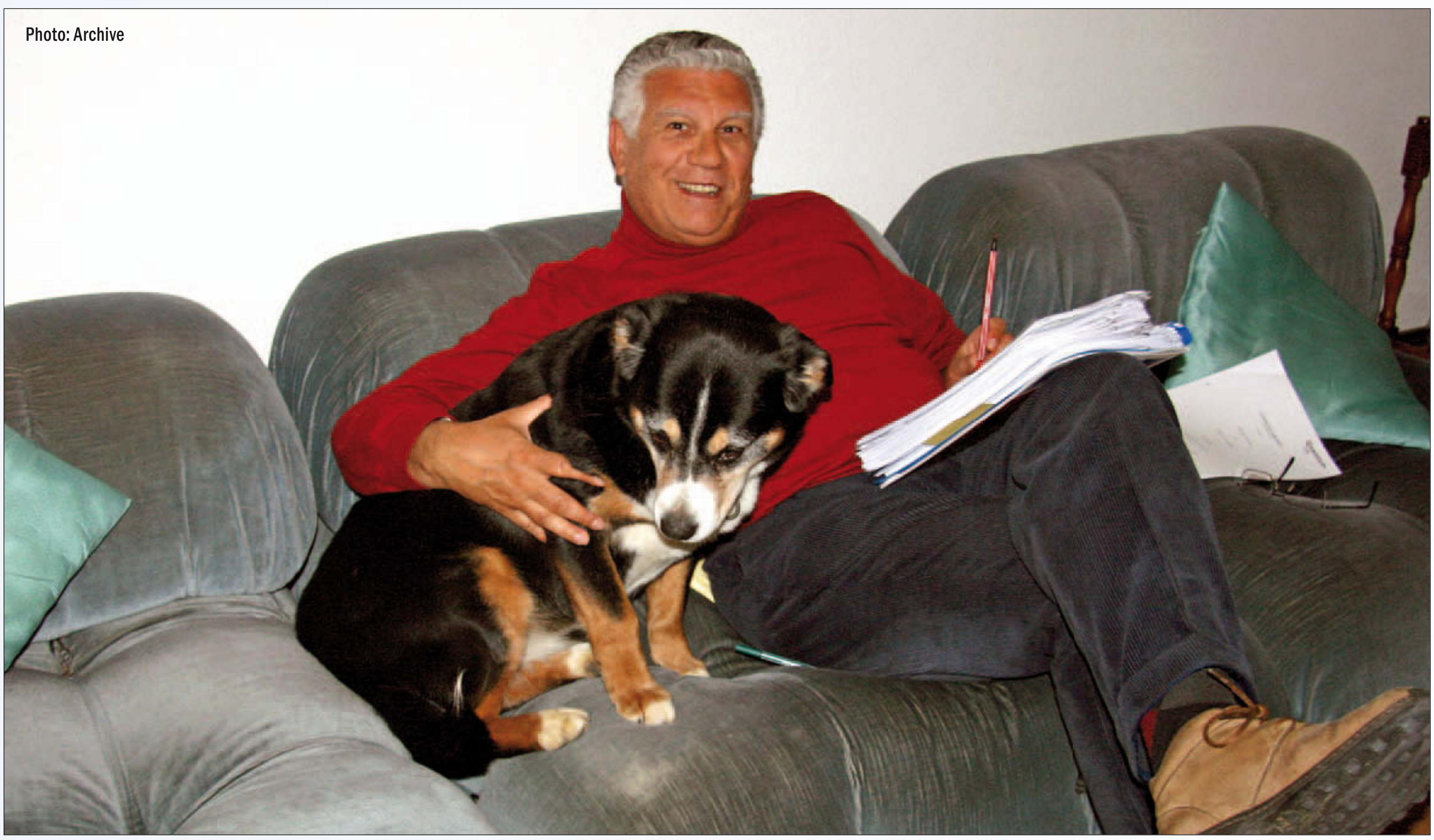

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