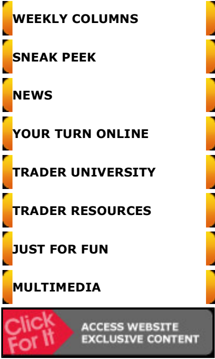
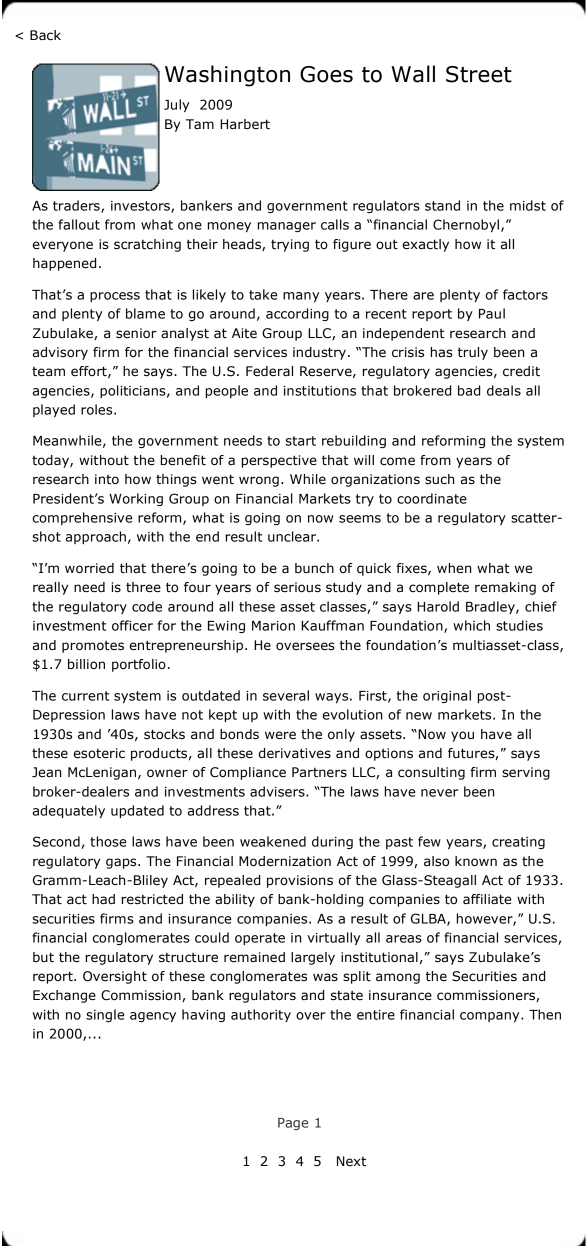


WEEKLY COLUMNS
SNEAK PEEK
NEWS
YOUR TURN ONLINE
TRADER UNIVERSITY
TRADER RESOURCES
JUST FOR FUN
MULTIMEDIA
Click For It ACCESS WEBSITE EXCLUSIVE CONTENT

< Back



Washington Goes to Wall Street

July 2009
By Tam Harbert

As traders, investors, bankers and government regulators stand in the midst of the fallout from what one money manager calls a "financial Chernobyl," everyone is scratching their heads, trying to figure out exactly how it all happened.

That's a process that is likely to take many years. There are plenty of factors and plenty of blame to go around, according to a recent report by Paul Zubulake, a senior analyst at Aite Group LLC, an independent research and advisory firm for the financial services industry. "The crisis has truly been a team effort," he says. The U.S. Federal Reserve, regulatory agencies, credit agencies, politicians, and people and institutions that brokered bad deals all played roles.

Meanwhile, the government needs to start rebuilding and reforming the system today, without the benefit of a perspective that will come from years of research into how things went wrong. While organizations such as the President's Working Group on Financial Markets try to coordinate comprehensive reform, what is going on now seems to be a regulatory scatter-shot approach, with the end result unclear.

"I'm worried that there's going to be a bunch of quick fixes, when what we really need is three to four years of serious study and a complete remaking of the regulatory code around all these asset classes," says Harold Bradley, chief investment officer for the Ewing Marion Kauffman Foundation, which studies and promotes entrepreneurship. He oversees the foundation's multiasset-class, $1.7 billion portfolio.

The current system is outdated in several ways. First, the original post-Depression laws have not kept up with the evolution of new markets. In the 1930s and '40s, stocks and bonds were the only assets. "Now you have all these esoteric products, all these derivatives and options and futures," says Jean McLenigan, owner of Compliance Partners LLC, a consulting firm serving broker-dealers and investments advisers. "The laws have never been adequately updated to address that."

Second, those laws have been weakened during the past few years, creating regulatory gaps. The Financial Modernization Act of 1999, also known as the Gramm-Leach-Bliley Act, repealed provisions of the Glass-Steagall Act of 1933. That act had restricted the ability of bank-holding companies to affiliate with securities firms and insurance companies. As a result of GLBA, however," U.S. financial conglomerates could operate in virtually all areas of financial services, but the regulatory structure remained largely institutional," says Zubulake's report. Oversight of these conglomerates was split among the Securities and Exchange Commission, bank regulators and state insurance commissioners, with no single agency having authority over the entire financial company. Then in 2000,...

Page 1

1 2 3 4 5 Next

FROM THE EXPERTS

Soybeans and Elliott Wave: Redux
I have been looking at and studying price charts for the past 20 years. Sometimes though I need to go back to my textbook "Technical Ana...

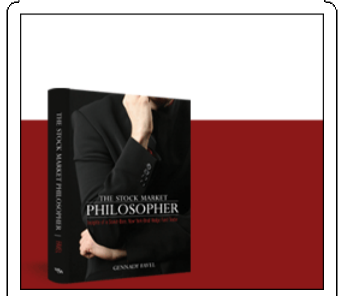
By Darin Newsom, DTN Senior Analyst
More...

VIEWPOINTS

Find the Best Teacher
May 22, 2009—New traders frequently think that learning from the most talented traders is the best way to learn. On the contrary, new trade...

By Mike Bellafiore
More...

Woodies' step-by-step philosophies available to YOU!



Copyright © 2009 SFO Magazine All rights reserved. Reproduction in whole or in part without permission is prohibited.
If at any time you are not totally satisfied, you may cancel your free subscription by calling 1-319-553-2191 or 1-800-590-0919 or by email: customerservice@sfomag.com.