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**“REFLECTIONS ON THE FINANCIAL CRISIS AND THE WAY
AHEAD”**

Thank you Ian.

Good morning Ladies and Gentlemen.

**I really appreciate the opportunity of speaking at this
Conference.**

**With all that’s happened these past three years there’s lots to
talk about.**

**With massive re-regulation of the global financial industry
underway, The Investment Industry Association, has an important
advocacy role to play on the way ahead.**

**And the “Way Ahead” is what I would like to talk about this
morning.**

**While I’ve been retired from RBC for almost three years, I
always say on occasions like these that the views I express are my
own and may or may not reflect the views of Royal Bank.**

**Now, in these remarks I recognize that Canada has come
through this crisis better than most.**

**Nevertheless, there is not one inch of room for complacency or
smugness.**

Every week now we hear about how great our government finances are, how wonderful our regulatory system and how well the banks avoided direct cash support.

While it's all true to an extent, I learned long ago that pride goeth before a fall. I well recall, all during the 1990s, how the U.S. lectured Japan on their crisis and lost decade and how this could never happen in the U.S.

As always what goes around comes around.

Now you have a great agenda today and excellent speakers so let's get right into it.

THE DISMAL SCIENCE

Thomas Carlyle called economics the "dismal science". How right he was.

I have always said that governments, banks and dealers should have as many economists on staff as possible to increase their chances of having one that's right".

Centuries of recurring crises clearly indicate you can't foresee a financial crisis.

I have always said - if your country hasn't had a banking or financial crisis in the last decade or two, just wait, one will be coming shortly.

In this latest crisis it is quite incredible that the IMF, Central Banks and Treasuries around the world, which collectively spend hundreds of millions of dollars a year on economic forecasting, did not pick up on this gathering storm.

Also, big banks and investment firms did not pick it up and should be eating a large dose of humble pie.

The second largest financial crisis in a century wasn't even on the radar screens.

How could this happen.

It doesn't give you a lot of confidence in our ability to forecast.

As the last three years have evolved there have been so many missteps and 180° policy reversals by the Fed, the Bank of England and the ECB, that its hard to know whom or what to believe.

It has now reached a point where I don't believe anything until it has been officially denied.

It's a serious issue when Regulators, Central Banks and Treasuries lose credibility in the market place.

For example, when stress tests were announced for banks in the U.S. and more recently for banks in Europe the markets took the results with a high degree of scepticism – and probably rightly so.

SYSTEMIC RISK

Systemic risks are those risks which could potentially undermine the global financial system.

The U.S. and other jurisdictions and multinational groups are establishing various high ranking committees or watchdogs to monitor systemic risk.

I wish them well but doubt they will add much value.

It's not difficult to identify systemic risk but is quite another thing to do something about it.

There are currently several major systemic risks.

First is the U.S. Congress which refuses to rein in spending or increase taxes.

A second systemic risk is the U.S. Federal Reserve and the European Central Bank which may leave interest rates too low for too long.

Near zero interest rates create bad incentives and encourage sovereign governments and consumers to borrow more and dig themselves deeper in debt.

A third systemic risk is that if the economy remains persistently weak the Federal Reserve may embark on a second round of quantitative easing or printing money.

I don't think the answer to our problems is to print money and debase the currency.

Quantitative easing is a dangerous slippery slope.

A fourth systemic risk are the credit rating agencies which played a devastating role in this crisis.

A fifth, and perhaps the most important systemic risk, is moral hazard – more on that later.

Most of these systemic risks are macro issues in the hands of governments and central banks.

For example, what should happen in the United States?

The U.S. should take decisive measures to put its fiscal house in order and stop trying to borrow and buy its way to prosperity.

The U.S deficit is forecast at \$1.4 trillion this year, \$1.3 trillion next year and \$1.1 trillion in 2012 – if the economy strengthens.

For example - the U.S. should implement a value added tax, phase in a gas tax to encourage energy efficient cars, and phase out the tax deductibility of residential mortgage interest on your primary and secondary homes.

A 7% GST in the U.S. would raise approximately \$700 billion annually.

Americans hate taxes, as we all do, but they are a fact of life if you want good infrastructure, education and the good life as well as fighting wars and terrorism at the same time.

Canada has a 5% GST, Germany is at 19%, the UK 20%, Japan 5%, Denmark 25% - Why is the U.S. exempt?

Will any of this happen – not a chance.

Politicians will always take the easy way out and nothing happens until a crisis gives them the political courage to do the right thing.

Canada is no different. We had our own fiscal crisis in the late 1990s with a huge deficit and our currency being labelled the “Northern Peso” heading toward 60 cents. Drastic action was required.

Under the government of the day several draconian budgets turned a deficit of \$39 billion in 1993 into a \$20 billion surplus by 2001, a positive swing of \$60 billion and Canada went from having the worst budgetary position of the G7 nations to the best – so it can be done.

Reflecting on these systemic risks, hats off to Governor Carney and the Bank of Canada for getting on with normalizing interest rates.

Also, hats off to Prime Minister Harper and Finance Minister Flaherty for refusing to extend government stimulus programs or embark on new ones.

The time for stimulus is over and the time for deficit reduction has arrived.

MORAL HAZARD

Moral hazard is an insidious risk which builds over long periods of economic stability

Memories are very short and when business is too good for too long, lenders, investors and other market participants get increasingly bold and go out the risk curve in search of ever higher returns which gets them into major trouble as it did this time.

Moral hazard has increased dramatically over the past two decades as Governments and Central Banks dedicated themselves to full employment and eradicating recessions.

We forgot periodic recessions are a normal and positive part of the business cycle because they weed out the over-leveraging and other excesses of the previous few years.

Better to have a moderate recession every three or four years than a major league crisis at the end of twenty-five years such as we have just been through.

Government bailouts also contribute to moral hazard because with a perceived government backstop, borrowers and lenders take more risk.

Moral hazard was rampant in the financial business in the years up to 2007 and resulted in the mispricing of risk and the misallocation of capital permitting weak governments and financial institutions to raise money which they could not do if there was not some perceived backstop.

Fannie Mae and Freddie Mac in the U.S. are the poster cards for moral hazard raising trillions of dollars of debt at incredibly low yields.

Without the unwritten but perceived guarantee of the Federal Government Fannie and Freddie could never have raised this volume of funds to lend to irresponsible homeowners ultimately precipitating a crisis.

The main culprits of moral hazard are the Federal Reserve, the U.S. Treasury, the ECB.

The bailouts over the past three years had to be done to save the system but, going forward, it's time to draw the line.

We simply must make borrowers and lenders responsible for their own decisions. No more one way bets.

Why should states like California and Michigan cut back if they know they are backstopped by Washington. Why not just borrow more at these low rates.

At present, several governments in Europe are wards of the European Central Bank and could not issue additional bonds without the backstop of the ECB.

This backstop removes the discipline of the market place and permits them to raise funds and takes the pressure off to reduce their deficits.

For example, Greece, with a population of just 11 million, should not be bailed out.

It's astonishing that a tiny country this size could accumulate 250 billion euros of debt.

The ECB, the rating agencies and, most importantly, the lenders to Greece were totally inept and obviously did no due diligence.

Greece is like Lehman and a few others, it deserves to go bankrupt. Most importantly, lenders to Greece deserve to lose money – not be bailed out on a silver platter by tax payers.

The world did not come to an end when Lemman went bust and the world will not come to an end if Greece is forced to restructure and it would send an important message to lenders.

If that causes problems for German and French banks – so be it – they loaned the money. Are there no consequences for bad lending?

Outstanding Greek bonds and bank debts should be restructured and debt holders should take a haircut of perhaps 25 to 30% just like was commonplace in the Latin American debt crisis twenty-five years ago.

In the 1980s the big Canadian banks, and many others, lost billions of dollars on mega-sized Latin American syndicated bank loans and, believe me, it was a big wakeup call and changed lending practices in this country for the better.

These losses brought a new discipline to bank lending in Canada.

Closer to home, why should Ontario reign in its deficit, charge market prices for hydro power, put tolls on more of our highways or privatize assets if it can just keep on borrowing at current low rates.

Are Ontario bonds backstopped by Ottawa? I hope not but at the low spreads at which Ontario's trade, the market says yes.

Capitalism is the freedom to make a lot of money and it's also the freedom to lose money or go bust.

So my advice on moral hazard is let's get risk and discipline back into the market, stop bailing out governments, banks, and others and make lenders and borrowers responsible for their own decisions.

ETHICS

The financial and investment business has a huge challenge to restore its reputation which has been so badly tarnished.

That should be very disturbing to everyone in this business and it should be disturbing to our regulators.

In retrospect, when you read all the books about Wall Street over the past few years it is clear the long bull market which ended in 2007 was accompanied by a steady decline of ethical standards in the financial business.

Wall Street lost its moral compass.

In the euphoria of the boom, the industry forgot that there are many practices in the financial business which are legal but which are also totally and completely unethical.

A view developed that if its legal, it's okay and the ethics went out the window.

Virtually every institution on Wall Street has a corporate mantra placing the interests of their clients first but the record shows what happens in actual practice at many firms is far different.

It is now clear, as this most recent financial bubble got bigger and bigger, that in many banking and investment firms in the U.S. the partners and the bonus pool came first and the clients came last.

While investors and consumers should have known better this latest crisis exposed a vast array of legal but unethical practices in the financial business.

These include super aggressive marketing of financial products – especially in the mortgage business, hidden fees and commissions, conflicted and incompetent rating agencies, inadequate disclosure and marketing highly complex products to unsuspecting investors – the list goes on.

We are not immune from ethical shortfalls in Canada – but on a smaller scale.

Just one small example.

Most investment firms run sales award trips for their investment advisors based solely on their gross production which encourages churning of retail client accounts.

In my experience some of the very best and most professional investment advisors trade their accounts very little and therefore do not qualify for award trips.

Qualification for award trips should not be based on gross production but on total assets under advisement, clients satisfaction surveys and a recommendation of the branch manager.

It's surprising this perverse practice is condoned by management and regulators alike.

On another front, we've long had the "know your client rule".

Regulators have been working for a long time to strengthen this with a new Client Relationship Model requiring greater disclosure of the investment process and conflicts of interest and so on but that's just not good enough.

Brokers and anyone advising on the savings of Canadians should be subject to full fiduciary responsibility under the law.

The industry will fight this tooth and nail but so be it.

Banks and dealers have large highly paid legal departments to keep them on the right side of the law but who looks after the ethics.

Unfortunately – you can't legislate ethics – either you have them or you don't. It's a matter of personal choice and personal values.

Clients intuitively know if you are taking advantage of them.

That's why bankers, brokers and investment advisors rank near the bottom of the polls when it comes to ethics and integrity.

My advice to regulators is to become more aggressive and get on with implementing new regulations requiring the financial industry to place the interests of their clients first.

DEBT AND LEVERAGE

The essential lesson of this crisis is there was too much leverage and too much debt – way too much - right throughout the system.

It should come as no surprise.

Governments like debt because it means they can spend money and curry favour with voters without raising taxes.

Companies like debt because the leverage magically increases earnings per share and makes management look good.

Individuals like debt because it enables them to enjoy a lifestyle they can't afford.

Leverage can do wonders in the good times.

Unfortunately leverage can kill you when business turns down.

Most people do not appreciate the destructive power of leverage.

At 33 times leverage, as the five big U.S. investment banks were, on average, just before the crisis, if you lose just 3.3% of your assets, you are out of business.

And at 50 times leverage, where some major European banks were, if your assets drop by just 2%, you're gone.

These leverage ratios were “off the charts” and there was no room for error – no cushion for unexpected shocks.

It's evident senior executives in the financial business thought the good times would never end.

Leverage is especially destructive in a deflationary environment.

Asset prices decline, debt remains the same and the equity gets crushed.

The lesson – have less leverage and more cushion.

REGULATION

The record of the past 100 years shows that financial regulation follows financial crisis as night follows day.

Now, here we are once again, and we have an unprecedented frenzy of global re-regulation.

Unfortunately the new regime will be immensely complicated and understood by only a few who focus on bank regulation full time.

For example, in the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act has 2,300 pages and that doesn't include the definitions which could add another 1,000 pages.

Over the past two years the Basil committee on Banking Supervision has been working 24/7 with central banks, treasuries and regulators from the G20 to rewrite the regulatory code for banks.

Each jurisdiction may tailor the new rules to its own circumstances.

The new regulations, known as Basel III require higher levels of tier 1 common equity, a larger capital cushion for unexpected shocks, hopefully better calibration of risk weighted assets, and reduced leverage in many businesses.

Importantly, if Tier 1 common declines below a prescribed level there are automatic restrictions on dividends, share buybacks, and discretionary bonus payments which should serve as a meaningful check.

Over the past two years, banks in Canada and globally have been operating in a hiatus not knowing what the new rules might hold and the good news is that the recent announcement has brought a degree of clarity.

Nevertheless, many details of the new regime have yet to be worked out including “what to do about systemically important banks”.

It is hoped that the new overall framework for Basel III will be approved by the G20 at its forthcoming November 11th meeting in Seoul, Korea.

Basel III has been able to avoid certain major flawed proposals.

In particular, congratulations to Finance Minister Flaherty and Governor Carney for leading the charge to derail the global bank tax – a badly flawed policy.

In addition there have been certain proposals put forward for so called “contingent debt capital” which automatically converts to common equity shortly before, or at the time, of bank insolvency.

Contingent capital might be great in theory but would create far more problems and uncertainty.

You make the system safer by reducing leverage, having a larger capital cushion and better risk weighting of assets and other measures as provided in the new Basel III but adding the additional complexity of contingent capital raises a host of issues.

- **when does contingent capital convert**
- **who pulls the trigger**
- **how much does it increase the cost of bank capital**
- **what’s the impact on credit rating**
- **how do you calculate earnings per share**

The complexity of bank financial statements and securities issued by banks has already gone way too far and contingent capital would take complexity to a whole new level.

After all that’s happened in complex securities I say if a security has more than two bells and one whistle – forget it.

We should set contingent capital aside and move on.

While Basel III is a step forward there are issues.

The proposals have been significantly weakened from those on the table a year ago, apparently to accommodate weak and overleveraged banks in Germany and France and other jurisdictions.

Martin Wolf in the Financial Times calls Basil III “the mouse that didn’t roar”.

In addition, the nine year phase in period to 2019 is far too long and has the definite appearance of sweeping the problems under the rug just like the Japanese did not face up to their banking losses in the 1990s.

One might say that any bank that needs nine years to get its balance sheet in order shouldn’t be in business.

(would say that’s an understatement)

In effect the new regulations have been reduced to the lowest common denominator to accommodate the weakest banks.

Also, there is plenty of room for another crisis between now and 2019.

It’s worth bearing in mind as soon as the new regulations are finalized, the best investment banking, accounting and legal brains on Wall Street will be dedicated 24/7 to getting around them.

Bank regulators have a huge challenge to reduce leverage in the banking system and increase bank capital requirements on riskier assets without undermining bank profitability and curtailing economic growth.

How do you simultaneously deleverage banks and consumers and stimulate the economy?

It's hard to suck and blow at the same time.

Also, no matter how good your rules and regs, the question is – will they be enforced?

In the years up to this latest crisis many of the regulations and powers which were on the books of the Fed, the SEC and the ECB were not enforced.

Fortunately our Canadian banks are well capitalized and should have no difficulty in meeting the new standards far ahead of schedule.

Indeed on September 13th, OSFI announced it was removing the more conservative rules on capital management that were implemented in 2008.

Presumably Canadian banks will want to operate with a good margin above minimum capital requirements mandated by Basel III.

Will the new Basil III regulatory regime prevent the next financial crisis?

The answer to that is “no” but it might contain the next crisis to more manageable proportions.

It's worth remembering Basel I was a complete failure. Basel II was a total disaster. Will Basel III be any better.

Let us hope so.

CREDIT RATING AGENCIES

Credit rating agencies, or CRAs, were a major causal factor in this latest crisis.

The CRAs were heavily conflicted, and there were serious rating misjudgements on hundreds of billions of debt securities and structured products.

I believe that the CRAs represent major systemic risk because the high ratings they hand out like confetti to sovereign countries, state agencies and structured products, lure investors in and provides a false sense of security.

If the CRAs had been doing their job and had been independent of the issuers, they would have sounded the alarm much earlier and greatly mitigated this crisis.

If you have tens of billions of dollars, or more likely hundreds of billions, around the world being invested on misleading credit ratings, then sooner or later you're going to have big trouble and that's exactly what we had these past three years.

It is unfortunate that many major institutional investors have grown lazy over the years and outsourced their credit analysis to these agencies. Many paid a heavy price.

Just ask those in Europe and elsewhere who bought many triple A rated structured products which were a total sham.

In Canada we experienced that first hand.

Investors have become far too reliant on and trusting of these agencies.

The CRA model is fatally flawed.

Under the present model who is the client of the credit agency. Is it the issuer who pays the bill or the investor who depends on the rating?

Fact is, the issuer who pays the bill calls the shots.

If you want to do well as a credit rating agency, you have to hand out high ratings otherwise you won't do any business.

The central problem is rating agencies are paid by the issuer. Why would a buyer of debt securities rely on a credit rating paid for by the seller. It's madness.

Mary Schapiro, who is doing an outstanding job as Chair of the SEC, testified on credit rating agencies just before her appointment.

She said;

“Until we deal with the compensation model, we're not going to deal with a conflict of interest and people are not going to have confidence that the ratings are worth the paper they are printed on.”

The regulators are scrutinizing how these agencies operate in the U.S., Europe and Canada but current proposals are just tinkering at the edges.

You have to change the model.

I believe there are two possibilities – and there could be others.

First – rating agencies should be prohibited by the regulators from taking compensation from issuers.

If major institutional bond buyers and bond dealers are not prepared to pay for ratings then I guess we know what these ratings are worth.

Maybe we should have no ratings and its buyer beware, placing the onus for credit analysis on the institutional buyer and the dealer selling the bonds.

No ratings would be much better than misleading ratings.

Secondly, we could establish a totally independent rating agency, or maybe two, which would be funded by a small tax on every new Canadian bond issue in effect forcing bond buyers to fund an independent agency which would not be beholden to issuers – not a bad model.

Will any of this happen? Not likely.

Regrettably, on the credit rating front, there is tremendous regulatory inertia in the U.S. and Canada.

Maybe this will change in Canada when we get a National Regulator.

Once again congratulations to Finance Minister Flaherty for driving this initiative. We have been talking about it for perhaps twenty years.

Hopefully the Supreme Court will quickly rule in favour of the Federal Government.

We should have a national regulator, and it should have one head office and that should be in Toronto.

The interprovincial squabbling on the National Regulator these past 15 or 20 years right up to the present is so typical of the small time parochial thinking in Canada which holds this country back.

WHERE TO THE ECONOMY

Over the past three years we have witnessed the bursting of a twenty-five year global debt, credit and real estate bubble of monumental proportions.

The harsh truth is that there is no painless way out of this debt and credit trap we have built for ourselves – NO SILVER bullet.

You don't undo a twenty-five year credit bubble in two or three years.

Ludwig von Mises, the great Austrian Economist who died in 1973, made the following statement which is absolutely relevant today;

“There is no means of avoiding a final collapse of a boom brought about by credit expansion.

The alternatives are only whether the crisis should come sooner, as a result of the voluntary abandonment of further credit expansion

Or later

As a final and total catastrophe of the currency systems involved.”

In effect, he said there is no painless way out of a credit expansion that has gone too far and this debt super cycle went – way too far.

You either take major pain now, and then move on, or you spread major pain out over a decade. It would seem we are opting for the latter.

The market seems reluctant to accept the fact that the deleveraging of sovereign governments, financial institutions, home owners and consumers is going to take a long time.

We are going to be living with the consequences of this crisis for five to ten years.

Governments are going to have to reign in government spending and increase taxes and consumers should transition from borrowing and spending to saving more and spending less.

Governments should be encouraging individuals to save which, of course, means less consumer spending.

What's wrong with saving more and spending less? Hopefully the age of conspicuous consumption is over and we are entering a new age of thrift.

In the two decades prior to this crisis there was a major decline in the consumer savings rate in the U.S. from 8 to 10% of disposable income to virtually zero. It has now rebounded to the 5 to 6% range but what is required is for the savings rate to go back to 7 to 10% for a number of years.

Apart from high unemployment, the coming five to ten year period will be difficult for investors. Pension fund deficits will grow, retirees will struggle for income and it's going to be a period of subdued sub-par economic growth and sub-par equity returns. Bear in mind the S & P 500 Index is now more than 25% below where it was ten years ago.

A twenty-five year party financed with ever-increasing accumulated debt is over. It's been a wonderful generational experience, but now we are going to pay the price on the instalment basis over the next several years.

**Looking back one has to ask again:
How did we let it all happen?**

It's quite incredible. The Federal Reserve has been concerned about inflation for decades but now it's primary challenge is to re-ignite inflation.

Looking ahead I have concern about the political will of governments to reign in their deficits, especially the U.S. and southern Europe, and about the ability of central banks to thread the needle between inflation and deflation and between stimulus and retrenchment.

It's of concern that major unpopular public policy decisions don't get made until there is a crisis.

Also, I think there are signs that the global financial system, including the capital and foreign exchange markets, have grown too big and too complex to manage or perhaps even understand and control.

Over the last fifteen or twenty years millions have turned into billions, have turned into trillions and the next step is hundreds of trillions.

In terms of the constant drumbeat of economic forecasts we hear each week, the fact is we are in totally uncharted waters.

In such an environment no one on the face of the planet, including the highest ranking Central Banker or Regulator or the most astute investor, even Warren Buffet, knows how it will play out.

CANARY IN THE COAL MINE

The price of gold bullion is the canary in the coal mine for the global financial system.

Over time the price of gold fluctuates inversely to the level of confidence in the global financial system and in Fiat paper money.

Since this latest financial crisis started the price of gold has more than doubled as confidence has eroded and concerns about long term inflation and Fiat money have increased.

Due to a run on the dollar President Nixon closed the gold window in 1972 and the dollar became Fiat paper money just like all the others.

The Oxford Dictionary defines Fiat paper money as inconvertible paper money made legal tender by government decree.

When you look back over the last century how much faith do you put in government decree?

The answer is – not much.

Is gold a commodity or a currency and a store of value?

The answer is all three but gold bullion is primarily a currency and a store of value just as J.P. Morgan said in 1913 “gold is money and nothing more”.

Gold bullion is the universal standard – the ultimate benchmark against which all Fiat currencies should be judged.

In the last few years the price of gold has been rising not only against the dollar but in terms of virtually all Fiat currencies.

Gold bullion is the only currency worldwide which is freely tradable and which is unencumbered like the U.S. dollar, the Euro and the Yen by trillions of sovereign debt and prior obligations such as national pension funds, health and social security obligations.

Gold is the one investment and long term store of value which cannot be adversely impacted by corrupt corporate management or incompetent politicians – each of which are in ample supply on a global basis.

Countries can go bankrupt, and many have, and their Fiat money worthless but gold, with no claims against it – cannot.

We will never go back to the gold standard which served the world so well for over 100 years. Nevertheless, gold is still a currency, its still a store of value and ultimate safety.

It's more than passing curiosity that over the past decade central banks have been net sellers of gold out of their reserves each year.

This year, however, it looks like central banks will be net buyers. China, India, Russia, Argentina and some of the Middle Eastern countries have been adding to their gold reserves in the past year.

In summary, just let me say that over the next few years, the price of gold will be a good barometer of our success or failure in restoring confidence in the global financial system.

On a more positive note there is one thing that is clear to me.

The banking and financial business has been around for a thousand years, it's the life blood of any economy and it's not going to go away.

Booms, busts, panics and crashes – while not as dramatic – to some extent we've seen it all before but somehow the system always survives, adapts and moves on to bigger and better things and, in time, I am sure it will again.

It will just take longer this time because of the magnitude of what's happened.

Those of you who worked through the 1970s, will recall it was a dreary decade with an all pervasive atmosphere of drudgery and pessimism.

Ten year U.S. treasuries started the decade a 5 1/2% and ended at 15.7% with U.S. inflation as high as 12%. The U.S. prime lending rate went as high as 21%.

It just seemed like the hard times would never end.

But then, after a severe double dip recession in 1980 and 1981, the sun rose and we embarked on the longest, strongest and most persistent economic expansion and bull market in recorded history.

At times like this you have to have patience and keep the faith.

Looking ahead many banks and dealers have gone out of business or merged and financial markets continue to grow so there is an enormous vacuum to be filled.

In light of all we have been through these past three years bank customers around the world are looking for banks with high credit ratings, consistency and reliability.

This is not a time for major grandstanding acquisitions or mergers. This is a time for profitable incremental growth by offering good service.

Those banks that survive this turmoil, that are conservatively managed and well capitalized, will be extraordinarily well positioned to do extremely well and I think the Canadian banks are at the top of the list.

Will this be the financial crisis to end all crises – not a chance.

Twenty-five years from now, this crisis will be ancient history and long forgotten, and the young people running the businesses at that time will set out to do the same thing all over again – probably worse.

Nevertheless, hope springs eternal and I hope the lessons of the past three years are indelibly ingrained;

- on central banks**
- on regulators**

- **on Boards of Directors**
and, most especially
- **on top corporate management so that banking and the financial business may once again become an industry of choice for investors.**