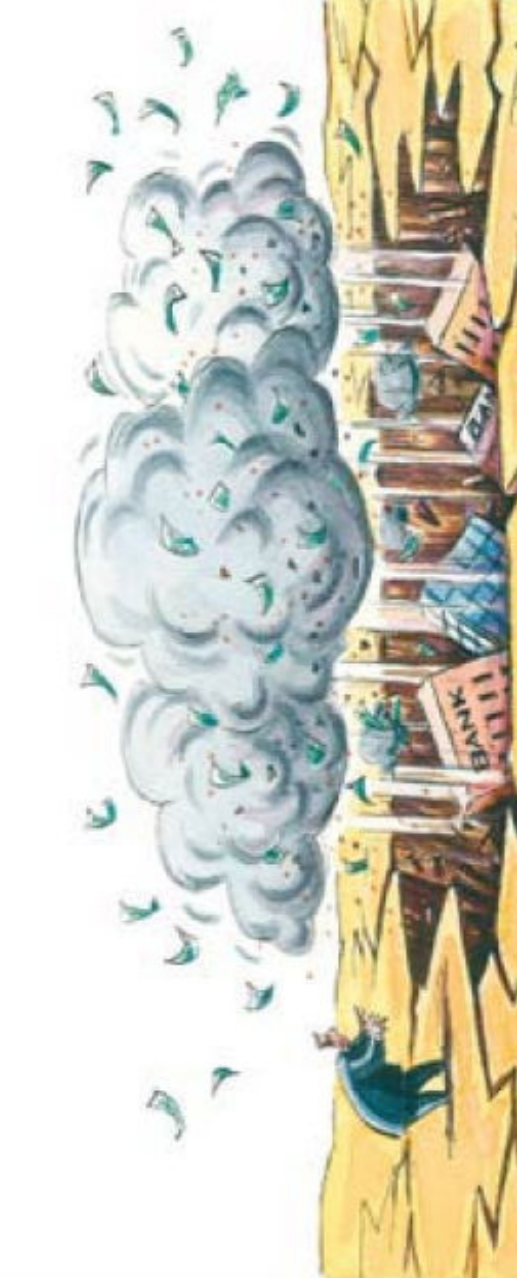


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# The Current Financial Market Turmoil



## Challenges ahead for the Financial Industry and Policy Makers

Nordic Capital Markets Forum, March 31, 2009

Moderator: Soren Plesner, CFA, BASISPOINT


[soren.plesner@basispoint.com](mailto:soren.plesner@basispoint.com)

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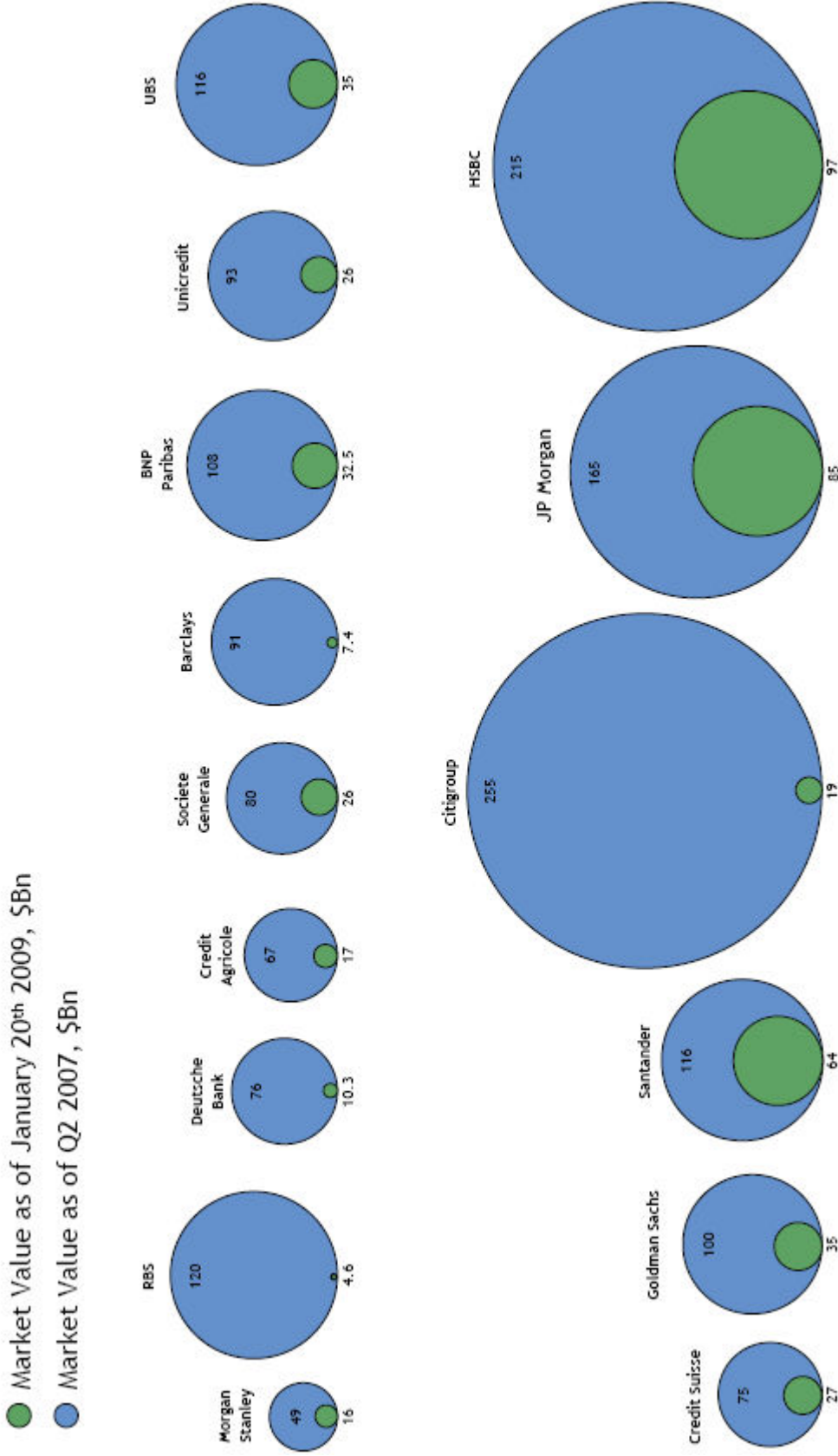


# One Year Ago: The Worst Case Scenario

**\$1,000,000,000,000**



# The Market Cap of Large Banks

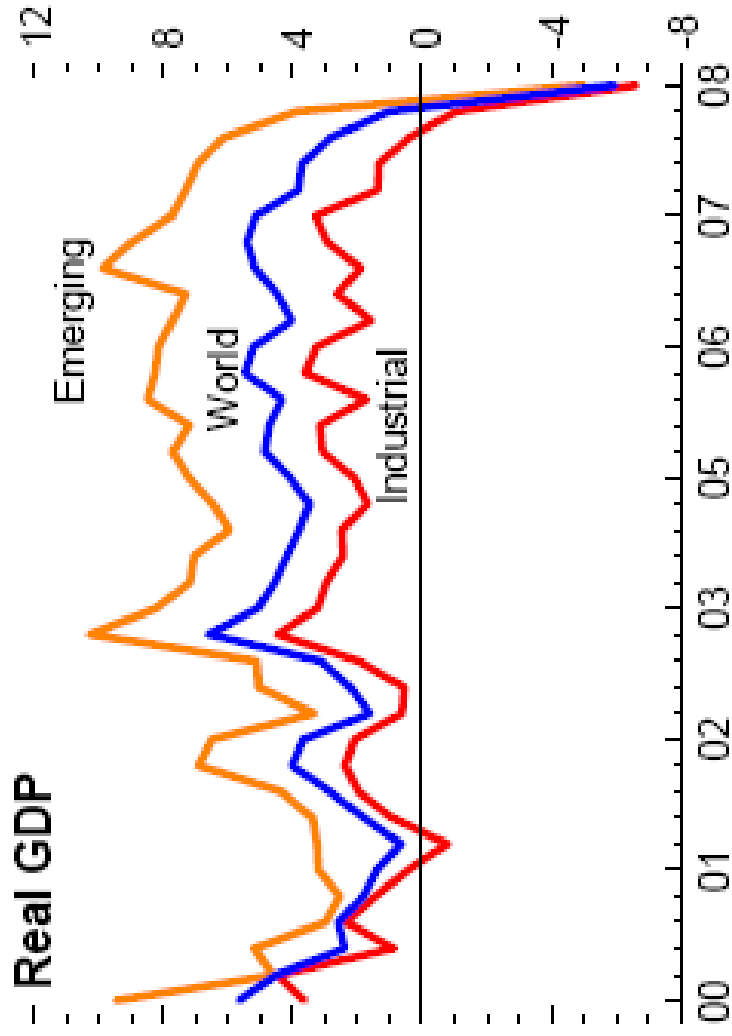


Source: J.P. Morgan

# A Gloomy Picture

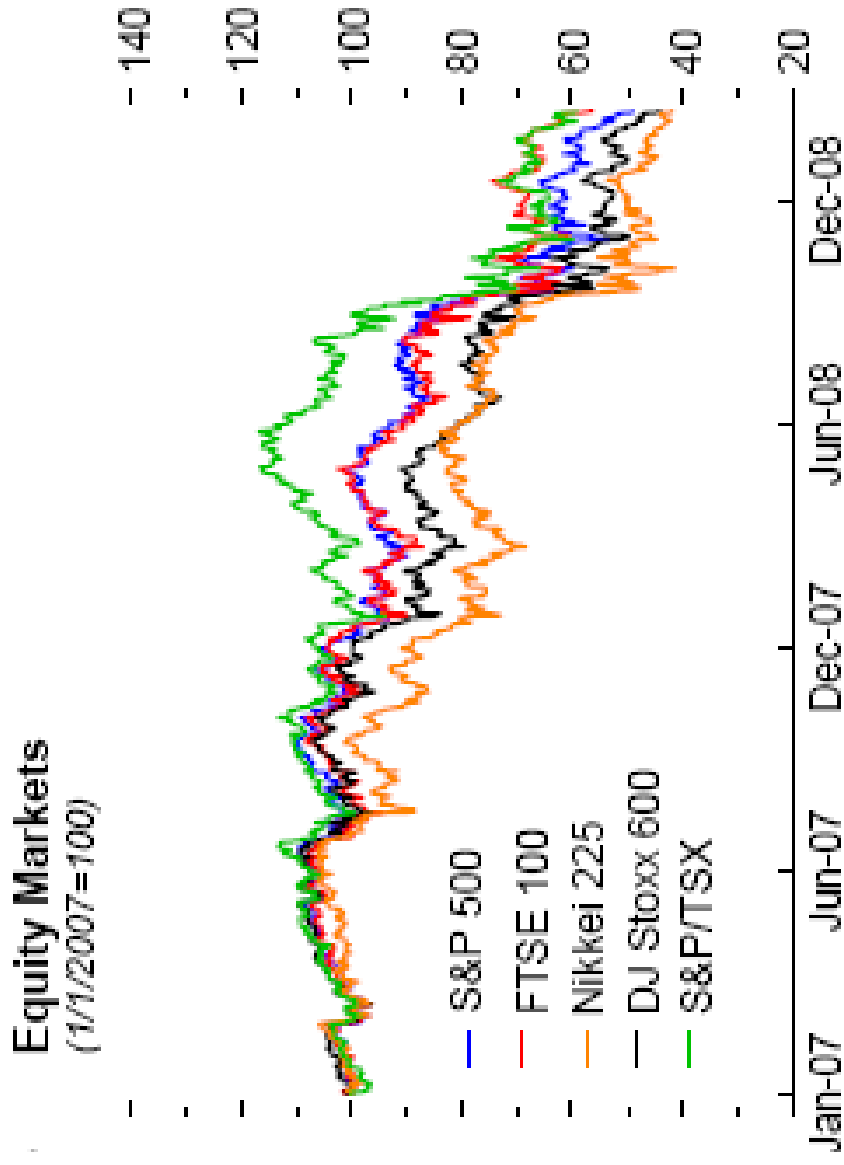
## Global Growth

*(In percent; quarter over quarter annualized)*



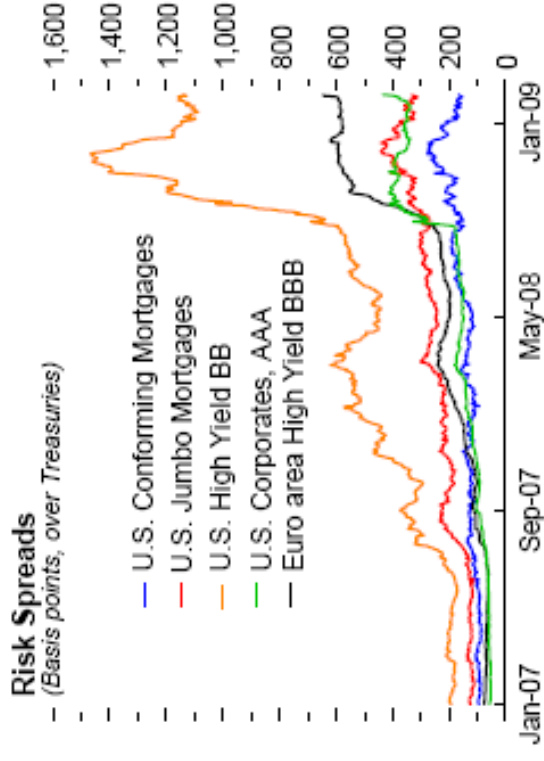
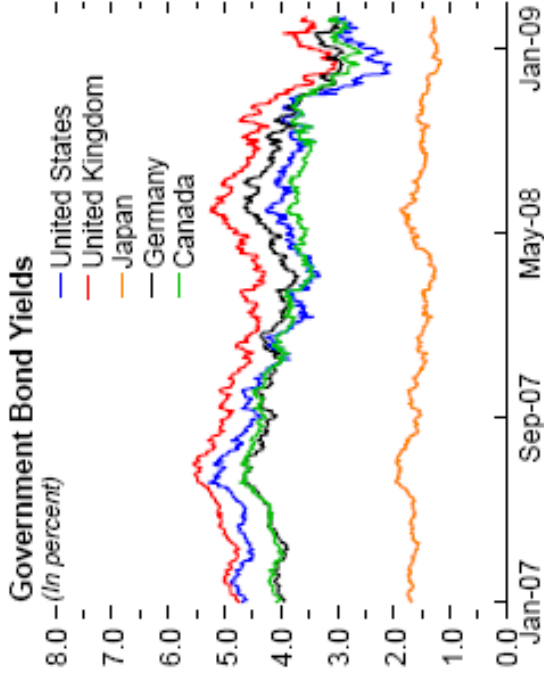
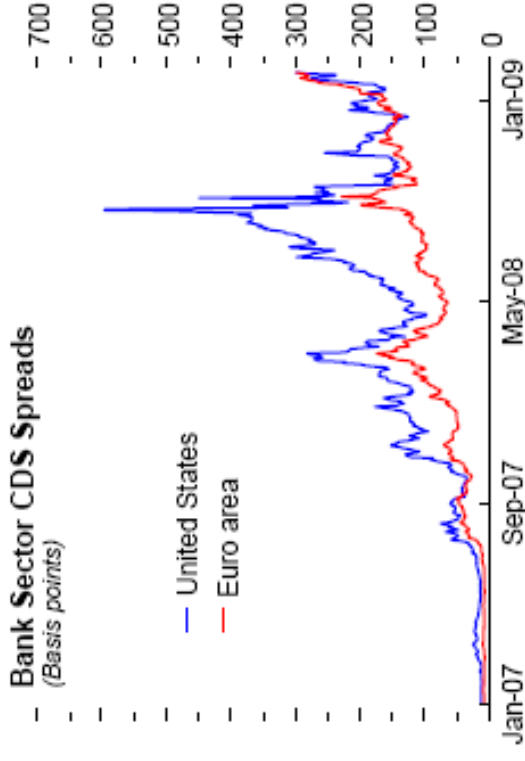
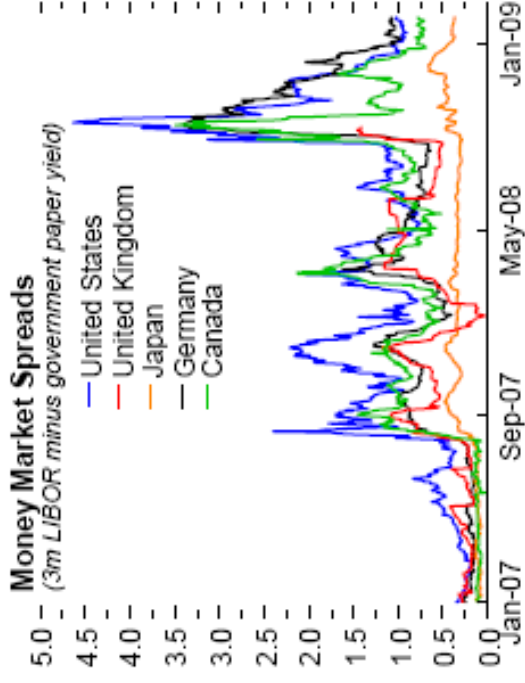
Source: IMF, Global Data Source and IMF staff estimates.

# Massive Wealth Destruction



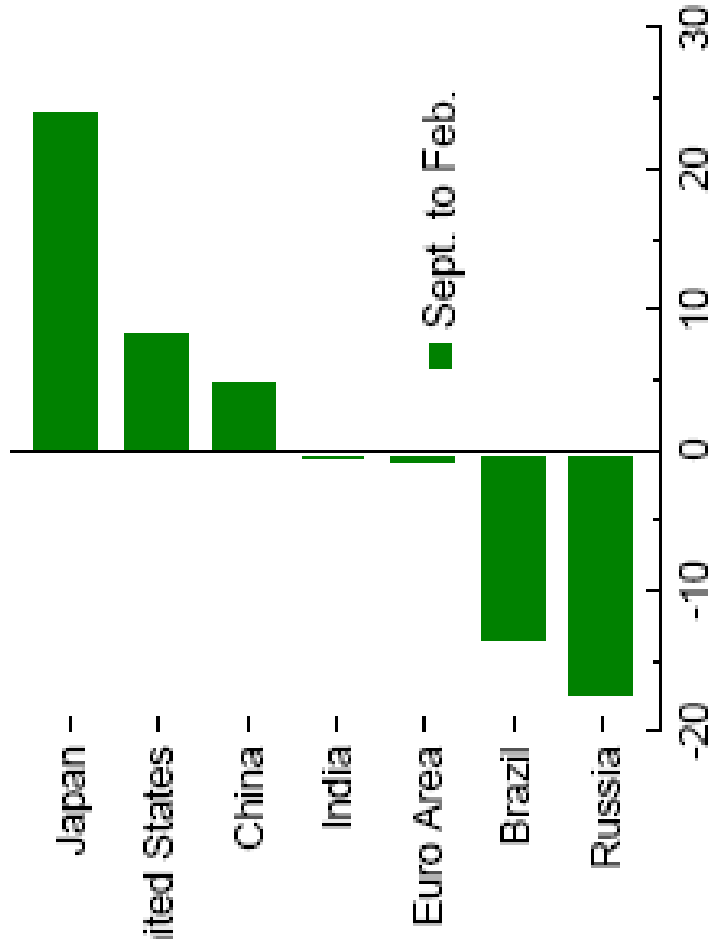
**- \$35,000,000,000,000**

# Financial Markets Still under Heavy Stress




# Sharp Currency Movements

**Real Effective Exchange Rate Movement**  
(Percent move; per local currency)





# What Went Wrong?

- **The global story: macro trends meet financial innovation**
    - Global imbalances
    - Parallel banking system
  - **Faultlines in regulatory approach: Global finance without global government**
  - **The failure of market discipline**
- 



# What to Do?

- **Stabilization of Financial Conditions**
    - Sizeable fiscal and monetary support
    - gradual improvement in credit conditions
    - bottoming of the U.S. housing market
  - **Better regulation of global financial system**
    - The need for a systemic approach
    - Capital, accounting, liquidity
    - Improved infrastructure
    - Improved governance
    - The role of rating agencies
- 

# A Permanent Government Involvement?



- The nine most terrifying words in the English language are: I'm from the Government, and I'm here to help you.




# Regulation: Need for “Substance over Form”



- A BANK???
- .. the key there is regulation by economic substance, not legal form. If it quacks like a bank and looks like a bank - it's a bank, we regulate it like a bank.
- Adair Turner



## The Panel

- **Proff. Niels Thygesen, University of Copenhagen**
  - **Zivile Didziokaite, the EU Commission**
  - **Michel Stubbe, ECB**
  - **David Hiscock, ICMA**
  - **Janne Thomsen, Moody's**
  - **Steen Bocian, Danske Bank**
  - **Leonard Ng, Sidley Austin LLP**
- 

# First Topic

## Ireland Loses AAA Rating at S&P on Deficit, Slump (Update4)

By Ian Guider and Fergal O'Brien

March 30 (Bloomberg) -- Ireland had its AAA credit rating removed by Standard & Poor's in the fourth downgrade of a euro- region government this year as the global financial turmoil fueled borrowing costs and swelled the budget deficit.

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